



Sheep and goat production: Risk management opportunities

By James Sedman and John Hewlett

The sheep and goat industry may not be the first thing that comes to mind when thinking of growing, up-and-coming segments of agriculture. But it is one of the fastest growing niches in agriculture, both in Wyoming and nationwide.

After decades of decline from its peak of 56 million head in 1942 to its current level of 2.4 million head, the sheep market is now steady-to-growing in most areas.

Last year, U.S. Department of Agriculture (USDA) statistics reported there were 1.97 million meat goats in the United States – almost double the number 10 years ago.

Increasing immigrant and ethnic markets are the reasons for the increase in the sheep and goat

trade. The fastest growing population segment in the U.S. is the Hispanic population, with 39.9 million people. This and other growing immigrant segments can offer significant opportunities for meat, dairy and breeding stock producers.

As with any animal agriculture, these producers need risk management options to be successful. While there are no specific policies for sheep and goats, there are a number of Federal Crop Insurance Corporation options available, which producers might consider.

Insurance Options

A local crop insurance agent may be able to write a non-federally subsidized policy to protect animal investments against unexpected loss. While these policies may be expensive, they will protect against

unexpected income loss. County pest or predator control representatives can usually provide basic protection against predators for a reasonable annual fee.

Feed or pasture for sheep and goat operations can be protected using one or more options available. The Non-insured Crop Disaster Assistance Program (NAP) is available through USDA Farm Service Agency (FSA) offices for producers unable to insure their crops, forages, or pastures using other federally subsidized crop insurance programs. This program covers losses in excess of 50 percent due to weather and other disasters.

Producers in eastern Wyoming and most of Montana can utilize the USDA's Risk Management Agency's (RMA) Group Risk Plan rangeland crop insurance product. This group



policy provides coverage for pasture in the event of a yield loss such as drought.

Producers growing crops such as alfalfa and other forages might also consider the RMA's Multiperil

Crop Insurance, which covers losses in yield. These contracts are generally based on a producer's production history.

Consult with a crop insurance specialist to determine specific insurance needs. For a listing of insurance agents, contact a local FSA office or visit the RMA Web page at www.rma.usda.gov.

For more information about this and other risk management topics on the Web, consult the Western Risk Management Library at <http://agecon.uwyo.edu/risk-mgt>.

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Ranchers may increase profits through value-added opportunities

Ranchers traditionally have faced unique challenges when it comes to influencing profit.

Since individual producers deliver a product to the market very similar to all other producers, they are subject to the market price. If we look at the profit equation – price times quantity minus cost equals profit – producers could only focus on producing higher quantities at a lower cost.

Many Wyoming producers have proven this strategy successful; however, there is another strategy called value-added beef production, which focuses on producing a product for a higher market price.

The idea is to differentiate a product from others in the marketplace, creating a unique demand for that product. Producers can then extract a higher price from the marketplace.

There are several ways to create this unique demand as well as several different niche markets that can be targeted. Two of the more popular ways to create demand are branding and certification and labeling. A guidebook has been developed by the Western Extension Marketing Committee that deals specifically with certification and labeling. This book can be found at the following Web site: <http://ag.arizona.edu/arec/wemc/wemc.html>.

Additional information about the guide is at <http://www.uwyo.edu/agadmin/news/CertificationBook.htm>.

Opportunities for beef producers are somewhat limited based on their abilities to participate throughout the entire production system. Grass-fed beef, all-natural beef, organic beef, retained heifer development, club steers, or direct market beef are a few examples of value-added enterprises available to Wyoming producers.

Pursuing value-added opportunities will not come without certain costs. These may be increased management, labor, marketing, or production costs as well as a potential initial investment cost. The key is to raise a price enough to compensate for the increases in cost.

There are many steps that must be considered before changing from commodity production to value-added production. The Western Extension Marketing Committee has been developing a value added toolbox, a resource to help producers with these decisions. The toolbox is available at <http://www.diverseag.org/>.

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What agriculture does for Wyoming

Farmers and ranchers fill many roles within Wyoming. Agriculture produces food and fiber but also supplies many benefits for the entire population.

In 2004, Wyoming ranchers and farmers produced more than \$912.6 million of output. This includes \$666.4 million of livestock and \$246.2 million of crops. Production agriculture is the second-largest industry in Wyoming, second to only the mineral industry.

Production agriculture is also one of the few industries that has a strong presence in every Wyoming county.

The total economic impact of farming and ranching goes far beyond just producers. Producers purchase more inputs locally than any other industry in the state. Because of this, each dollar of agricultural production generates at least an additional dollar of sales in other sectors of an economy. No other industry does that.

An important aspect of having a viable agricultural industry is the economic stability provided by farmers and ranchers. To produce, farmers and ranchers must purchase inputs. Except in extreme drought, agriculture always produces and makes purchases from local businesses.

Other industries do not.

Remember the late 1980s when the mineral industry shut down several enterprises and the effect this had on local and state economies? Agriculture supplies a dependable base for local and state economies.

Open spaces and unspoiled views draw many visitors and new residents to our great state. What industry provides these views? Agriculture! One reason Wyoming has such great views is more than 50 percent of all land in the state is used for agriculture. Almost 95 percent of private land is utilized by farmers and ranchers. Some areas, such as along the Front Range of Colorado, have lost open spaces because production agriculture has not been a viable industry. In other words, other land uses such as development have made land prices too high to be profitable in agriculture.

What is the best way for communities to maintain open spaces? Work to ensure agriculture remains profitable and viable.

Another aspect involved with open spaces is wildlife habitat. Agriculture provides 44 percent of all winter range in Wyoming. More than 55 percent of year-long big game range is on private lands. This habitat supports \$58 million annually in hunter expenditures – more than one-half of total hunter expenditures.

As stated by Professor David "Tex" Taylor in the University of Wyoming College of Agriculture's Department of Agricultural and Applied Economics, "Agriculture is still important to rural communities in Wyoming because of the land area it manages, the economic activity it generates, the natural resources it protects and the people it produces."

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