

Small Businesses

All but 0.02% of total sheep operations are small businesses. Many western sheep range operations that hire herders typically run one to two bands of sheep ranging from 900 head to 1,200 head each, many are larger. Of the 99.98% of operations that are small, an estimated 1% are operations employing herders. **The percent of the total U.S. sheep breeding inventory under small, herded businesses is 38%.**

Wage Rate Effect on Profitability

At 40% of total operating costs, hired labor is a significant cost to sheep ranchers so increasing the labor rate by three will significantly deteriorate the profitability of sheep operations employing herders. In an enterprise budget for an Idaho sheep operation with ewes on range and selling feeder lambs total returns to land, risk and management is an estimated \$60 per head (Painter, K., Idaho University of Idaho, 2014). Sheep ranchers in Idaho represent a typical western sheep operation with bands of sheep grazed on federal lands with an accompanying H2-A herder. When the hired labor rate is increased by three, returns fall to -\$6. Thus, returns fall by 111% for the range operation selling feeders. Increasing the hired labor rate by three reduces total returns to the 1,000-head ranch from nearly \$60,000 to negative \$6,400, 111% lower.

1,000-Head Idaho Range Operation Returns

	Idaho: 1000-head with lambing on range, lambs sold as feeders		
	Returns to land, risk and management, \$ per head	Returns to land, risk and management, total \$	Income above operating costs, \$
Baseline, 2014	\$60.00	\$59,797	\$83,161
Hired wage rate increased by three.	-\$6.00	-\$6,370	\$16,994
% change	-111%	-111%	-80%

Source: K. Painter, University of Idaho, 2014.

When herder wage rates triple, income above operating costs fall from over \$83,000 for an operation selling feeders to less than \$17,000, or by \$66,167 (80 percent). This loss in revenue to the rancher also means a profound loss to his or her local, rural economy in multiplier effects. This is important because rural economies depend upon the local tax base to help fund schools and infrastructure. In 2014 dollars, \$1 of revenue produced by a sheep producer generates \$1.71 in backward-linked industries and another \$0.80 in forward-linked goods and services for a total \$3.47 in total revenue generated in the local, rural economy (Sheep and Lamb Industry Economic Impact Analysis, April 2008, Revised March 2011).

An estimated loss of \$66,167 per rancher means that not only is the rancher suffering a debilitating loss, but his or her local economy is losing as well, an estimated \$229,320 in backward and forward-linked businesses. Given an estimated 598 operations employ herders, the total local loss is an estimated \$137.1 million in rural communities across the West.

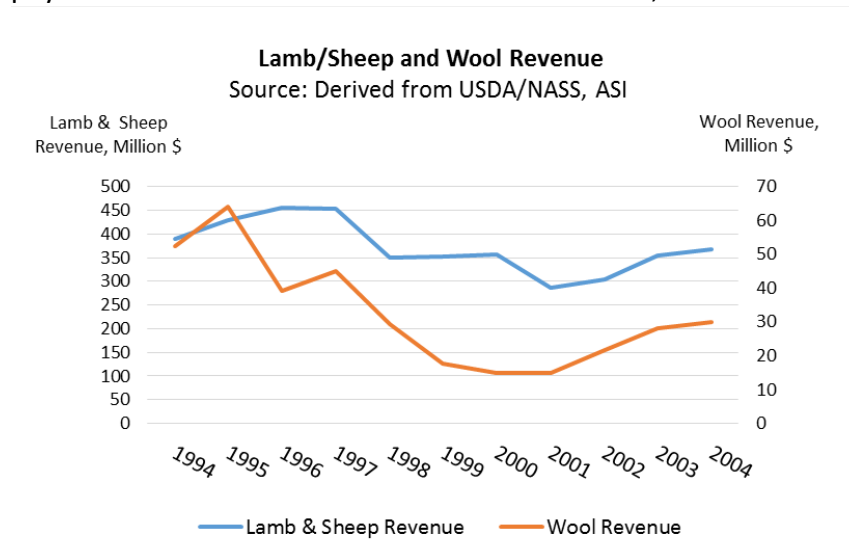
To put this sheep industry loss into perspective, total injury was compared to the agriculture, forestry, fishing and hunting GDP of western states provided by the Bureau of Economic Analysis (2013). For some western states -- Idaho, Colorado, Oregon and New Mexico, for example -- the loss in sheep and sheep related economic activity would affect 3% to 5% of the total agriculture, forestry, fishing and hunting GDP. For other western states, the impact is more significant with the sheep loss accounting for 14% of the GDP in both Utah and Wyoming.

Tripling herder wages will not benefit local, rural economies due to the fact that most herders elect to send their paycheck back to their families in Peru or Mexico. According to the Colorado Wool Growers survey "The Real Wage Benefits Provided To H-2A Sheep Herders and the Economic Cost to Colorado Ranchers," ranchers typically wire home herders' paychecks on their behalf (March 5, 2010).

The loss of sheep rancher revenue from increased labor rates will also have an impact on rural employment. For a given loss of over \$66,000 per sheep rancher (from Painter, above), 1.67 jobs will be lost at the ranch with a total loss in the local economy of 2.62 jobs. If an estimated 598 sheep operations employing herders suffer this loss, the total rural employment loss is an estimated 1,568 jobs.

Wool and Lamb Revenue Volatility

Wool and lamb revenue totaled an estimated \$391 million in 2014. From 1990 to 2014 lamb and wool revenue was volatile: it reached a high of \$343 and a low of \$158 (in constant dollars), a difference of \$185 million, or 81 percent of annual revenue over the 24 years. Wool LDP payments are not included for lack of data access, but could be obtained at a later date.



Lamb/Sheep and Wool Revenue, 1994-2014

Source: Derived from USDA/NASS, ASI

