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**GUIDE**

# How to budget a sheep enterprise: wool and lamb

By Nick Clunes · Updated 25 October 2026 · 8 minute read

## SHORT ANSWER

Start with a stock reconciliation, then put a price on every kilogram of wool and every head sold. Take off running costs to get a gross margin per DSE, then spread it across the months the cash actually moves. Finish by testing a poor season, because that is the first thing the bank will do.

Most sheep budgets I've seen are one line for wool and one line for sheep sales. That tells the credit team very little. A useful budget starts with the sheep themselves and builds the dollars from there.

The method below works for a Merino wool flock, a dual-purpose flock or a prime lamb flock. The prices change between them, but the steps stay the same.

## Start with the stock reconciliation

Before any prices, write down how the flock moves through the year. Begin with opening numbers by class: ewes, rams, hoggets and wethers. Then work through lambs marked, lambs weaned, deaths, sales, purchases and closing numbers.

Weaning percentage is the number that matters most here. It is lambs weaned as a share of ewes joined. The NSW DPIRD 2025 budgets assume 86% for a self-replacing 20 micron Merino flock and 90% for 20 micron Merinos joined to maternal rams. For first-cross ewes joined to terminal rams, they assume 118%.

Use your own three-year average rather than the best year you've had. If the sheep don't add up from opening to closing, the dollars won't either.

## Price the wool

Wool income is kilograms shorn times the price per kilogram. I build it in four parts for each class of sheep: head shorn, greasy cut per head, clean yield and clean price.

The DPIRD 20 micron Merino budget uses a 5.64 kg greasy cut for ewes. It prices fleece at \$14.80 a kilogram clean at a 65% yield, which comes to \$9.65 greasy. Skirtings and cardings are priced lower, and crutchings lower again. The blended price across the clip is \$8.98 greasy.

Micron drives the price, so a budget should use the micron from your test results. A first-cross ewe flock cuts less and gets a lot less per kilogram. The DPIRD first-cross budget uses 4.5 kg at a blended \$2.94 greasy, for 28 micron wool.

## Price the sheep sales

List each sale line with head, weight and price. Merino flocks usually sell wether weaners, cast-for-age ewes and surplus ewe hoggets. Prime lamb flocks sell lambs on carcase weight, so I budget them in cents per kilogram dressed.

In the DPIRD first-cross budget, 8-month lambs are priced at \$221.67 a head at 21 kg carcase weight. That works out to about 1,056 c/kg. Your agent's recent sale results are a better guide for your own district.

## Take off the running costs

Running costs are the ones that move with the size of the flock. They include shearing and crutching, wool selling costs, drench, fly and lice treatment, vaccines and marking. Add livestock freight and commission, rams, pasture maintenance and supplementary feed.

Shearing is a big share in Merino flocks. DPIRD found wool harvesting made up about 28% of costs for wether and self-replacing Merino flocks. In flocks that buy in replacement ewes, those purchases were 38% to 40% of costs.

Income less running costs is the gross margin. Divide it by the flock's dry sheep equivalents (DSE) to compare flocks on the same feed. DPIRD's 2025 average across its ten sheep budgets was \$43.73 per DSE, up from \$24.53 in 2024.

## Work out the cost of production

Cost of production is what it costs you to grow a kilogram of clean wool or lamb carcase. It includes overheads and labour, so it tells you more than the gross margin does.

The AWI and MLA Making More From Sheep method splits total costs by each product's share of income. Wool cost is then divided by kilograms of clean wool. Sheep cost is divided by kilograms of carcase sold. The booklet sets out bands for each, though it's undated, so treat those as older-dollar figures rather than current targets.

## A worked example

This is an example 1,500-ewe self-replacing 20 micron Merino flock near Trangie. The business and its figures are illustrative.

The flock weans 90%, which is 1,350 lambs. Half are wethers, so 675 wether weaners go at four months. Of the 675 ewe lambs, 300 are kept as replacements and 315 sell as hoggets the next summer. The other 60 allow for deaths.

## Income

| Line                   | Head | Price            | Total            |
|------------------------|------|------------------|------------------|
| Wool, 11,000 kg greasy |      | \$9.10/kg greasy | \$100,100        |
| Wether weaners         | 675  | \$150/head       | \$101,250        |
| Cast-for-age ewes      | 300  | \$180/head       | \$54,000         |
| Ewe hoggets            | 315  | \$220/head       | \$69,300         |
| <b>Total income</b>    |      |                  | <b>\$324,650</b> |

The wool price is \$14.00 clean at 65% yield, which comes to \$9.10 greasy. That gives 7,150 kg of clean wool. For the meat side, I've assumed carcase weights of 18 kg for weaners, 26 kg for cast-for-age ewes and 24 kg for hoggets.

## Running costs

| Line                                     | Total            |
|------------------------------------------|------------------|
| Shearing and crutching                   | \$26,000         |
| Wool selling and freight                 | \$6,000          |
| Animal health and marking, including eID | \$22,000         |
| Supplementary feed                       | \$25,000         |
| Livestock selling costs                  | \$15,000         |
| Pasture maintenance                      | \$14,000         |
| Rams                                     | \$12,000         |
| <b>Total running costs</b>               | <b>\$120,000</b> |

The gross margin is \$324,650 less \$120,000, which is \$204,650. That is \$136.43 per ewe. At 2.3 DSE per ewe the flock runs 3,450 DSE, so the gross margin is \$59.32 per DSE.

## Cost of production

Overheads, including labour and interest, are \$80,000. That makes total costs \$200,000. Wool is 30.8% of income, so wool carries \$61,666 of the costs.

Divided by 7,150 kg clean, wool costs \$8.62 a kilogram (862 c/kg) to grow. Sheep sales carry the other \$138,334. Those sales total 27,510 kg of carcase, so meat costs \$5.03 a kilogram (503 c/kg). Profit before tax is \$124,650.

## Cashflow by quarter

| Quarter    | In        | Out      | Net       | Bank balance at end |
|------------|-----------|----------|-----------|---------------------|
| Opening    |           |          |           | -\$40,000           |
| Jul to Sep | \$0       | \$50,000 | -\$50,000 | -\$90,000           |
| Oct to Dec | \$255,350 | \$55,000 | \$200,350 | \$110,350           |
| Jan to Mar | \$69,300  | \$46,000 | \$23,300  | \$133,650           |
| Apr to Jun | \$0       | \$49,000 | -\$49,000 | \$84,650            |

Shearing is in September and the wool is sold in October, with the weaners and cast-for-age ewes. Before that, the account sits \$90,000 overdrawn at the end of September. The seasonal limit has to cover that low point with room for a late sale.

## A poor season

Suppose weaning falls to 70% and you feed every ewe 3.5 kg of grain a week for 13 weeks at \$330 a tonne. You sell 150 fewer wether weaners, which costs \$22,500. There are also 150 fewer ewe hoggets to sell the next summer, worth \$33,000, but that hits next year's budget. The feed costs \$22,522.50. The gross margin falls to \$159,627.50. If the feeding falls in winter, the September low point is \$22,522.50 deeper, at \$112,522.50 overdrawn. The June balance ends \$45,022.50 lower, at \$39,627.50.

## What the bank will check

The credit team will read your weaning, wool cut and micron over several years. They will look at what you spent on feed in the last dry spell and how far the overdraft went. Sheep farms carry little debt on average, with equity of 95.4% in the Australian Banking Association's 2025 report. Their 90-day arrears were still higher than beef farms', at 1.23% against 0.62% in June 2024.

So the bank's worry is usually cash timing rather than the size of the debt. A cashflow that shows the low point, and a poor season tested against it, answers most of their questions before they ask.

## When to get help

If you want this built from your own sale and shearing records, the Bank Review Pack is \$1,850 plus GST and covers each flock. If you'd like a first look at the ratios, the Farm Health Check is \$850 plus GST.

## Common questions

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### What weaning percentage should I budget on?

Use your own average over at least three years, rather than your best year. The NSW DPIRD 2025 budgets assume 86% for a self-replacing 20 micron Merino flock and 118% for first-cross ewes joined to terminal rams. If you have scanning results, use them to adjust the current year.

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### Should I budget wool on greasy or clean price?

Build it from the clean price, then convert to greasy using your yield. The DPIRD 20 micron budget uses a fleece price of \$14.80 clean at 65% yield, which works out to \$9.65 greasy. Working this way makes it easier to check against the market reports and your broker's sale results.

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### How do I split costs between wool and lamb?

The Making More From Sheep method splits total costs by each product's share of income. If wool is a third of your income, a third of your costs go to wool. It isn't perfect, but it's consistent from year to year, and that is what makes it useful.

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### Do I need a separate budget for each flock?

If you run a Merino flock and a first-cross flock, yes. They have different shearing, lambing and sale dates, and they react differently to wool and lamb prices. The bank will also want to see which one earns its keep.

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### Is eID a cost I should put in the budget?

Yes. In NSW, sheep born from 1 January 2025 need an eID tag before leaving their property of birth. From 1 January 2027, all sheep need one before leaving any property. The DPIRD budgets include eID in the marking costs.

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## Sources

1. NSW DPIRD, Livestock gross margin budgets (Sheep gross margins, July 2025, updated July 2026)
2. NSW DPIRD, 2025 Sheep Enterprise Gross Margin analysis
3. NSW DPIRD, Merino Ewes 20 Micron, Merino Ram, 1000 ewes (2025 budget)

4. NSW DPIRD, Merino Ewes 20 Micron, Maternal Ram, 1000 ewes (2025 budget)
5. NSW DPIRD, 1st Cross ewe, Terminal Ram, 1000 ewes (2025 budget)
6. NSW DPIRD, Background information on sheep gross margin budgets
7. AWI and MLA, Making More From Sheep, cost of production booklet
8. Making More From Sheep, Chapter 1.3: Calculate your cost of production per kilogram of meat or wool
9. MLA, The four benchmarks achieved by the top 20% of prime lamb businesses (2017)
10. Australian Banking Association, Banking agribusiness in 2025
11. NSW DPI, Sheep and goat eID implementation

General information only, not financial, tax or credit advice. Worked examples use made-up figures.

More on how Farm CFO works with sheep.