The decline in sheep numbers during the 1940's resulted primarily from farmers and ranchers getting out of the sheep business, rather than merely reducing the size of their flocks. The liquidation of sheep enterprises was greatest on farms with small flocks, most of which were in the native States.[8]

In the early days sheep were raised primarily for their wool. Prior to 1920, the sale of shorn wool provided some 40 to 50 percent of farmers and ranchers gross income from sheep. But in recent years less than 30 percent of their gross income has been from the sale of shorn wool. And even in the Western States where wool is more important than in the native States, about 70 percent of family operated sheep rancher's total cash receipts from their sheep enterprises is provided by lamb and sheep sales. However, the price of wool remains a significant factor in determining the profitableness and hence the level of sheep and wool production.

For the domestic-sheep industry, the most significant consequence of World War II was a scarcity and a rise in cost of competent labor. In the Western States, even family operated sheep ranches were dependent on hired labor for half of their total labor force. Skilled herders became almost nonexistent. Wage rates for available less-skilled labor increased. The Armed Forces and defense industries cut into the supply of family labor. Sheep operators who were in a position to do so began to liquidate their flocks while prices were still relatively favorable and shifted to cattle raising, which depended less upon hired labor.

In the native-sheep States the same factors were at work, though their impact was different. Most flocks were smaller than a hundred head, being minor farm enterprises designed to utilize unpaid family labor, feed resources not used by other livestock, and were intended to augment the relatively low farm incomes of the 1930's. Shortage and high cost of labor, increased losses caused by dogs and other predators, and increased incomes received from the major farm enterprises caused many farmers to liquidate their sheep enterprises at the relatively favorable prices which still prevailed in 1942. In the following years the low returns from sheep as compared to returns from cattle explain the continuing decline in sheep mentioned earlier. The low incomes of sheep operators were due to a variety of factors: wool prices remained relatively stable while cattle prices were increasing rapidly; higher production costs were not offset by increases in efficiency; and competition from synthetic and other fibers was increasing. Uncertainties as to probable impact of foreign and domestic stocks of wool, and of tariff reductions such as those of 1948 also contributed to sheep operators' decision to shift to cattle, or to get out of the ranching business.[9]

The hired labor bill on 1,000 ewe sheep ranches in the intermountain region increased from about $1,700 in 1942 to nearly $5,500 in 1952. During the same period the labor bill of small cattle ranches only increased from slightly over $100 to about $500.[10]

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[8] Between 1940 and 1950, the number of sheep on farms and ranches declined 42 percent, that of farmers and ranchers reporting sheep, 46 percent.

[9] See "Domestic Wool Requirements and Sources of Supply," p. 52 et seq., for summary of reasons given by farmers and ranchers for reducing sheep numbers.

[10] A less marked disparity has prevailed on family operated sheep and cattle ranches in the northern Great Plains where many of the sheep are under fence and ranchers depend less on hired labor. There the net returns on family operated sheep ranches generally have exceeded that of family operated cattle ranches, but the sheep rancher's investments have been substantially larger.