

The Meat Goat Industry: myths and reality regarding its' opportunities and constraints

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Introduction

Currently, meat goat production in the U.S. is undergoing considerable buffeting as influenced by such factors as population demographics, gyrations in national and state economies, political uncertainty, stringent credit policies, and, more particularly, tightening cost-benefit returns to goat producers as affected by recurring, wide-spread droughts and concomitant high feed costs. Goat owners can't really do anything about these factors or the weather. However, they could take certain actions to improve cost-benefit returns, but *only* if they can, and do, sort the realities from the myths.

Industry history, current status, directional trends

Recent USDA census data provides the historical *reality* and describes our current decline, since 2008, of nearly 11% in national goat numbers (apparently, producer numbers are also declining across all segments of the industry, no matter the scale and scope of operations. The associated *myth* is that this trend could be easily reversed. **Not so!**

To reverse the trend, many new producers would have to enter the fray or many current producers would have to increase herd size by retaining more females. But, to do this, they would have to forego much-needed income from doeling sales. If they wanted to expand even more quickly, they would have to buy replacements, most probably at higher prices due to scarcity. (This is mere change of ownership, not an increase in total numbers).

The *economic reality* constraining increased herd sizes is the *uncertainty* of garnering adequately positive cost-benefit responses.

Put differently, more goats might not mean more net profit, and this ‘iffy’ constrains producer confidence. As a consequence, increases in herd size would be slow to develop, even in the face of ever increasing demand.

Marketing slaughter goats (see Figure 1 for channels)

Other recent USDA data provides the historical *reality* and describes our current decline in slaughter goat numbers due, of course, to fewer kids being produced. We currently slaughter only about 50% of our needs, and our deficit is filled by importations from Australia. Several myths abound here.

First myth: Australia *stole, is stealing*, our market. **Not so!** In point of fact, we *voluntarily* reduced our production and thus slaughter numbers for a time during the Angora goat decline (due to political cessation of the mohair subsidy). Thus, the *reality* is that we *vacated our market* by some margin; after a lull, we increased numbers sharply.

Second myth: Australia increased and maintains its’ market share of U.S. sales by *deliberately undercutting* our prices. **Not so!** Australian production of goats for export is primarily based on ‘catch, kill, store, and ship’ operations featuring very low-cost *feral* goat harvest. Production inputs are few—no supplemental feeds, no health care products, and limited facilities; sellers have mostly the costs of catching and hauling to the packer. The *reality* is that American producers *cannot* match such low production costs. It will ever be so.

Incidentally, feral goats don’t get much love in Australia. They are hated by sheep producers as competitors and by range conservationists as destroyers of natural habitat... typically lumped with kangaroos and rabbits as undesirable species and sometimes shot by hunters for sport. Australians eat lamb, beef, and some goat meat (mostly from BoerX goats raised nearer urban areas.

Third myth: retail prices for imported goat meat are *equal* to, or nearly so, prices for domestic goat meat and thus directly compete with our product. **Not so!** The *reality* is that in urban markets, imported goat meat sells for appreciably less than domestic product, by some 12-15% when supplies of both goat meats are adequate; when they are not, import prices may partially close the gap.

Fourth myth: imported goat meat is of *inferior quality and does not match domestic goat meat* in organoleptic characteristics, and possibly not in ‘sanitation’. **Not so!** The *reality* is that ‘sanitation’ is equal (‘overseen’ by U.S. inspectors). Moreover the flavor, tenderness, juiciness, and overall satisfaction of cooked goat legs were found *indistinguishable* when domestic and imported were compared by LSU ethnic consumer taste panelists. TAMU panelists found no real differences either; however, they did recognize, and criticize sharply, 70 lb grain-fed BoerX kids (with highest live- and carcass-grades) as being unacceptably fat and greasy tasting.

Fifth myth: all producers *benefit equally within our goat marketing system*. **Not so!** Marketing channels do not engender equal treatment and equitably shared profits as between producers and players, nor, contrary to theory, do they always guarantee consumers lowest possible prices. The *reality is* that all players in the channel freely-enterprise one another with marked enthusiasm and considerable resourcefulness, as also with mutual suspicion. Goat owners are well advised to recognize that the free enterprise system’s presumed impartiality and beneficence, so much celebrated in economic theory, political oratory, and business literature, has no mandated provision for *fairness, only for profit-seeking/taking*.

A further *reality* is that (some) producers might, out of self-defence, elect to do direct marketing, farm to consumer, to profitably ‘eliminate’ all channel players. This is being done, primarily in areas with emerging ‘locavore’ markets. Alternatively, producers could also create a Goat Marketing Cooperative, but this would

only be feasible if the Co-op could do one or more of the channel functions cheaper—at a profit—than the present players—to date, this has *not* been the reality.

Goat production economics

Like all farmers/ranchers, goat producers seek to maximize income and minimize expenses with a view to making a profit. The industry *myth* is that, with adequate resources, good management, and, of course, the right breed, this is a doable thing. Unfortunately, the *reality* is that, across time and place, some do profit and some do not; many—perhaps most, simply do not *know* whether they did or not. In either case, IRS Schedule 1040 F forms do not reliably provide accurate analysis of economic reality.

The *reality* is that profitable *commercial*, and other, meat goat production occurs only when the sales prices/lb received exceeds the break-even price/lb (BEP/#) of producing the slaughter, or other, kids. Although most producers do not know the annual BEP/# in their herds, it can be calculated if one has reliable figures; see Table 1 below taken from Handout #2 (Management Influences on BEP).

The three factors that determine the BEP/# are **percent of kid crop weaned/sold, annual maintenance cost/doe, and the selling weight of the kids** (grade-of-kid-sold is of lesser importance than number of kids sold). These factors are listed in declining order of importance to herd profitability. Currently, it would be difficult to achieve a ‘decent’ profit if one could not market at least 150% kid crop. It would equally difficult if one could not hold annual doe cost below \$70 or market at least 65 lb kids (on the average).

Looking at the confluence of these 3 figures in Table 1, the BEP/# is 72 cents/lb. If a producer sold a 65 lb kid for \$1.72/lb (net after commission/yardage), such a kid would net \$1.00/lb or \$65. If the doe sold 1.5 kids, she would generate a profit of \$97.50 (65 x 1.5).

This sum may be considered **good**, or **not**. All depends on the ‘reliability’ of the \$70 charge for maintaining the doe for one year. If the figure were correctly *all-inclusive*, an owner would earn nearly a hundred dollars for his labor and management on an expenditure of \$70. If the owner/family could run 500 does, they would make nearly \$49,000—good on!

In the real world of U.S. meat goat ownership, however, a 50 doe herd is much more prevalent. In this case, an owner would net \$4,900. From a size standpoint, this is a part-time goat enterprise, but it is not a ‘hobby-goat’ operation. (Hobby operations are those that do not make a profit; the IRS allows some leeway regarding ‘intent’ to make money, so hobbies are not always considered hobbies, tax-wise).

Contrarily, if the \$70/doe figure cited above *were not* all-inclusive (and thus inaccurate) the calculation of BEP/# would be erroneous, as also the net income figure. Bummer... The most common error is failure to include legitimate expenses, and pertinent charges and, accordingly, to create a smaller ‘maintenance figure’ which would inflate profits. (A few producers might include costs not associated with actual goat production; if so, BEP/lb would be inaccurately high and profits lower, even non-existent).

Operating expenses are those purchases made in support of the herd (but not your wife’s lovely yard or garden, or your husband’s hunting lease, or family travel expenses to hear George or Willie).

Fixed expenses are the items that are ‘independent’ of herd size (depreciation, taxes, insurance, etc.).

Together they constitute your outgo for goat ownership.

To determine the correct doe maintenance cost/year, one totals *operating and fixed expenses and divides by the number of does exposed for breeding*. In this accounting, each doe is a prospective profit-centre. She generates income from the sales of her kids, and she engenders expenses for herself, her kids, her non-performing

siblings, and her mate. She and her ‘sisters’ tote the entire load of your enterprise. You do well, or poorly, on the backs of your does; do not think it otherwise.

A useful word on the single stickiest cost calculation in this procedure, namely, the land usage charge to be assigned to a doe. If you are leasing land or buying it on time, the rental fee or interest and taxes are a part of the aggregated cost. The sticky-wicket arises when you already own the land and wish *to assign a land charge* so as to properly ‘account’ the real cost of maintaining the doe herd.

You have four choices, to wit: a) you could just ignore it; b) you could consider it ‘appreciating investment’; c) you could charge a ‘fair market rental fee’; or, you could use its ‘opportunity-cost’ value (the amount of interest being foregone). Note: the IRS has no interest in any of these options; this calculation is only for your benefit. It simply identifies the *true cost* of maintaining a doe for one year.

Concluding word

If you think that you could buy land and pay for it with a commercial meat goat operation, you are engaging in wishful thinking and associated *myth creation*. If this perception persists, you might need to seek psychiatric care or, more accurately, seek counsel with several experienced goat owners. The irrefutable *reality* is that the value of agricultural returns is not closely correlated with the current price for land. As all minimally intelligent observers know by now, most land is valued not for productivity and net income, but rather for green space and personal satisfaction.

In this situation, goats simply cannot compete, no matter the type of enterprise or the breed used. The only paying proposition for small parcels of high-dollar land would seem to be directly market-

ing Cannabis to visiting consumers seeking relief from the travails of the world, real or imaged.

To feel better without this chemical input, read carefully my third Handout on hobby goat farming at your leisure. Do not denigrate it, for more goat owners engage, on purpose, in this ‘recreational occupation’ than owners doing the for-profit variation. There is no shame in this activity, and the non-cash rewards can be most satisfying. Raising kids and children together is a beautiful thing to behold, although, on occasion, either of them can surely purely piss off the beholders.

Figure 1. Producer Meat Goat Marketing Channels

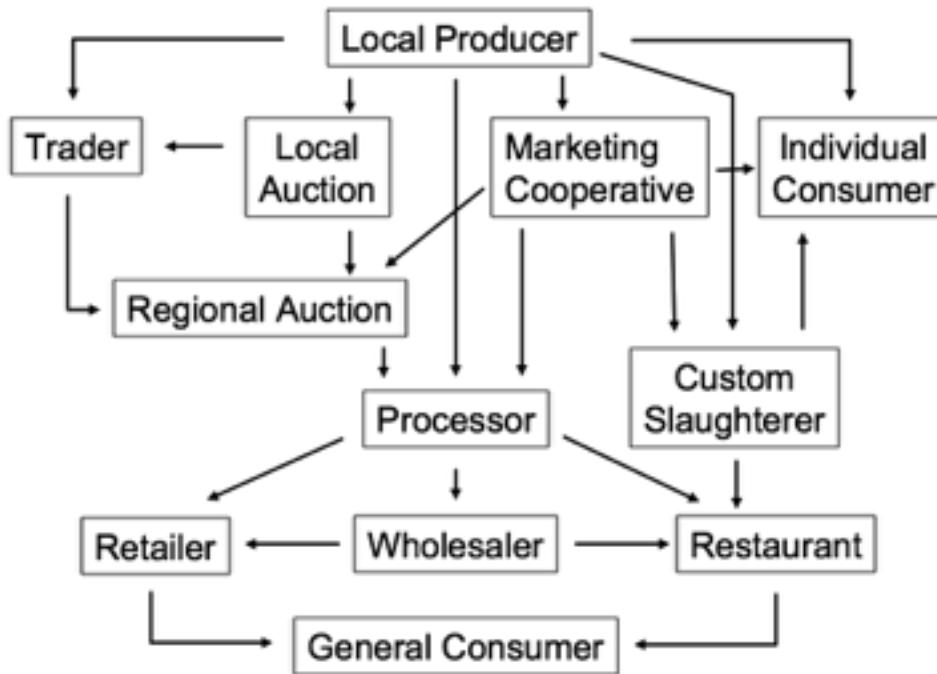


Table 1. Break-even Selling Price per Pound for Kid Goats with Different Kid Crops Weaned, Doe Maintenance Costs, and Kid Selling Weights

Annual Doe Cost, \$ per head	Breakeven Price, \$/lb. (rounded to nearest penny)					
	Kid Crop Weaned					
	100%	125%	150%	175%	200%	225%
	Selling weight: 50 lb. per head					
50	1.00	0.80	0.67	0.57	0.50	0.44
55	1.10	0.88	0.73	0.63	0.55	0.49
60	1.20	0.96	0.80	0.69	0.60	0.53
65	1.30	1.04	0.87	0.74	0.65	0.58
70	1.40	1.12	0.93	0.80	0.70	0.62
75	1.50	1.20	1.00	0.86	0.75	0.67
80	1.60	1.28	1.07	0.91	0.80	0.71
85	1.70	1.36	1.13	0.97	0.85	0.76
90	1.80	1.44	1.20	1.03	0.90	0.80
	Selling weight 65 lb. per head					
50	0.77	0.62	0.51	0.44	0.39	0.34
55	0.85	0.68	0.57	0.49	0.43	0.38
60	0.92	0.74	0.61	0.53	0.46	0.41
65	1.00	0.80	0.67	0.57	0.50	0.44
70	1.08	0.86	0.72	0.62	0.54	0.48
75	1.15	0.92	0.77	0.66	0.58	0.51
80	1.23	0.98	0.82	0.70	0.62	0.55
85	1.31	1.05	0.87	0.75	0.66	0.58
90	1.38	1.10	0.92	0.79	0.69	0.61
	Selling weight 80 lb. per head					
50	0.63	0.50	0.42	0.36	0.32	0.25
55	0.69	0.55	0.46	0.39	0.35	0.31
60	0.75	0.60	0.50	0.43	0.38	0.33
65	0.81	0.65	0.54	0.46	0.41	0.36
70	0.88	0.70	0.59	0.50	0.44	0.39

75	0.94	0.75	0.63	0.54	0.47	0.42
80	1.00	0.80	0.67	0.57	0.50	0.44
85	1.06	0.85	0.71	0.61	0.53	0.47
90	1.13	0.90	0.75	0.65	0.57	0.52

