

Chapter 1

So You Want to be a Goat Rancher

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Industry Overview

The meat goat industry is an expanding U.S. business. Estimates indicate approximately 50 million pounds of goat meat are consumed each year. Imports from other countries total 23.7 million pounds.

The increasing popularity of goats is due to several factors. The biggest factor is increased demand. A large number of ethnic groups whose members prefer goat meat have settled in the U.S. Outside of the U.S., goat meat is the meat protein highest in demand. Another factor is the attraction of goat production as a sustainable enterprise for producers. Goats can be a profitable enterprise for producers with limited resources, time and capital.

In 2012, USDA estimated there were 2.15 million meat goats in the U.S. Figure 1-1 shows the location and distribution of meat goats in the U.S. Texas has the most meat goats with 820,000 head. Oklahoma ranks third behind Tennessee with 95,000 head.

Although more than 70 percent of the total number of meat goats are raised in the southern

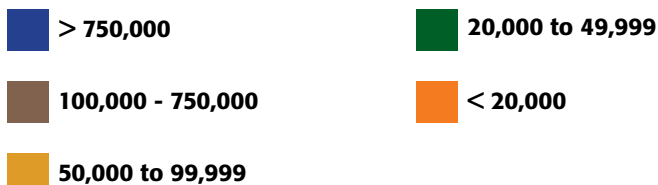


Figure 1-1. Meat goat inventory numbers for 2012.

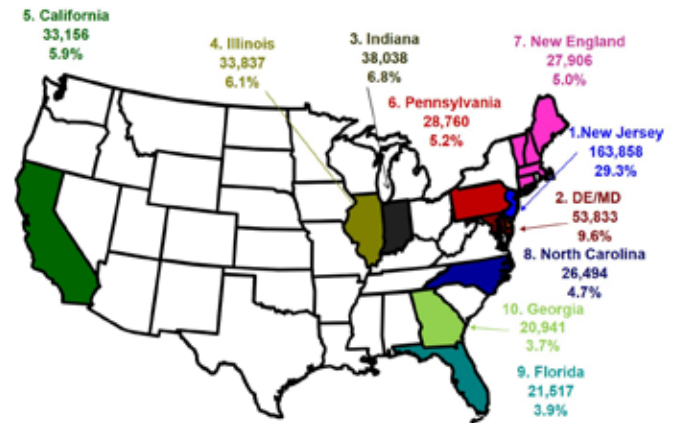


Figure 1-2. U.S. inspected meat goat slaughter numbers for 2012.

part of the U.S., almost 50 percent of the goats commercially slaughtered are done so on the east coast (Figure 1-2).

So You Want to Raise Goats

A producer who wants to start a meat goat enterprise needs to answer a few questions before the first goat is purchased.

The first question a producer needs to answer is why he or she wants to raise meat goats. There are several reasons for raising goats. Each reason has a different set of goals for producers to achieve and different methods of achieving those goals.

Brush Control Operation

One reason to raise goats is for brush control: to clean up woody areas. Producers who use goats for brush control generally are not concerned about overall goat production. They only are interested in the effectiveness of the goats in controlling or removing brushy plant material. Making a profit on the goats is a secondary concern. These producers do not need to buy expensive full-blood does and bucks; they would probably be satisfied with a common crossbred goat. They might even want to consider purchasing weaned wether kids (castrated male goats) instead of breeding stock.

Also, the stocking rate per acre (discussed in Chapter 4) is considerably higher for brush control than for a meat goat enterprise. Therefore, the number of goats required per acre is higher. Another concern for a brush control enterprise is the fencing needed around the brushy area. The type of fencing required to hold a goat is discussed in Chapter 11.

Multi-species Grazing Operation

Another goat enterprise is a multi-species grazing operation. This producer would start a goat operation to compliment other animal enterprises, normally cattle. When goats are grazed simultaneously with cattle, a higher percentage of the pasture production is utilized. Goats typically eat weeds and forbs that cows will not eat, which leaves the grass for the cows. Possible goals for this producer are that both the cattle and goat enterprises would be profitable. Typically, this producer would concentrate on the production side of the meat goat enterprise. Again, this producer would not have to purchase expensive full-blood does, but could start out with a set of commercial crossbred does and a full-blood buck.

Unlike the brush control operation, these producers would face the challenge of where to sell their weaned kids. Determining a market outlet is a critical component of any agricultural enterprise. If no markets exist to sell the product, then production cannot be profitable. Marketing is discussed in greater detail in Chapter 9. Fencing, discussed in Chapter 11, also is very important for a grazing operation.

Pure-bred Meat/Show Goat Operation

A third type of operation is raising purebred meat goats and/or show goats, such as the Boer goat shown in Figure 1-3. Although this type of operation seems to be the most profitable due to the higher prices received for such animals, it is also the type of operation with the highest start-up costs and the highest percentage of failure.

These producers typically are required to purchase higher-priced full-blood does and bucks for this type of operation. This producer also is usually required to join breed associations and maintain registration papers for the goats. The process of marketing these types of goats is more difficult. Producers just starting in the goat business do not typically sell the high-dollar purebred or show goat in their first year or second years. Usually, it takes several years to build up a reputation and a breeding program where quality warrants a high price.



Figure 1-3. Adult Boer goat.

Commercial Meat Goat Operation

The fourth type of enterprise is a commercial meat goat operation. With this type of operation, the goal should be to produce the optimal number of goats to maximize profits. Although this sounds simple, the optimal number of goats will depend on the resources available.

To determine which enterprise is best for an individual producer, the critical factors are the producer's needs, objectives and resources. Once the producer's resources are determined and matched with the production goals, a long-term business plan can be developed.

Business Plan

Determining the type of operation is just the first step of completing a business plan. A business plan is like a road map. Producers start with what they know where they are now, then determine where they want to be in the future. Identifying the best route to get from present to future is one of the main purposes of the business plan. The plan also can help measure the progress between the two points. It lets producers identify their operation's mission, goals, key planning assumptions, operational organization, marketing strategy and financial planning. A business plan helps producers determine if an operation can be feasible.

A business plan consists of a mission statement, goals, key planning assumptions, organizational management and marketing and financial plans.

Mission Statement and Goals

Developing a mission statement and setting goals help identify why the operation exists and expectations. The mission statement should reflect the producer's values and describe what the operation will be and what it will accomplish. By developing

a mission statement, producers have a basis for developing long-term plans and objectives.

Goals can be tangible and intangible, short term or long term and/or monetary and nonmonetary. Goal setting should involve everyone in the operation. It can be used to anticipate problems and plan strategies to overcome them. Goals need to be SMART: specific, measurable, action-oriented, reasonable and established in a time frame.

Key Planning Assumptions

Before getting started on a goat operation, the type, quantity and quality of resources available for that operation must be determined. Resources such as available land, capital, management capabilities, fencing, and marketing channels all need to be evaluated. Once resources are determined, producers can match them up with a production and marketing system and develop a business plan.

Organizational Management

A producer can operate five types of operations:

1. A sole proprietorship
2. A general partnership
3. A Limited Liability Corporation (LLC)
4. A C-Corporation
5. A S-Corporation

The majority of operations will be sole proprietorships or general partnerships. An LLC, C-Corporation and S-Corporation have their own advantages and disadvantages. Producers interested in these type of operations need to consult with a professional tax adviser.

Marketing Plan

A marketing plan is a detailed program to promote and sell a product. Producers must identify the product and determine the best time and place to market that product. Marketing plans are discussed in greater detail in Chapter 11.

Financial Plan

Once the production and marketing systems have been determined, a financial plan can be developed. Producers can develop a financial plan on their own or with the help of programs such as Intensive Financial Management and Planning Support (IFMAPS). IFMAPS helps producers measure resources and develop viable long-range business plans. This service is available through

the Oklahoma Cooperative Extension Service. See Chapter 14, for more information about IFMAPS.

A financial plan helps producers work out a plan on paper and evaluate possible outcomes. If a plan will not work with the available resources on paper, then it will more than likely not work in actual practice. A financial plan also can help identify possible strong and weak points in an operation. A sound financial plan is an important step in developing a profitable goat operation.

A financial plan uses producers' current balance sheets, cash flows and income statements along with enterprise budgets to generate projected balance sheets, cash flows and income statements. A good record-keeping system is needed to generate these financial statements. Record-keeping and financial statements are discussed in Chapter 14.

Budget

As a part of the business plan, producers need to develop an enterprise budget for the operation. Although no two producers will use the same budget, the sample budget (Table 1-1) for a 30-doe herd can be used as the starting point.

The sample budget only takes into account the cash operating costs associated with goat enterprises. The return to land, labor and capital may or may not cover the capital expenses (depreciation, taxes, insurance and land costs) associated with a goat operation. Since each operator has different capital expenses, producers should estimate these expenses.

This sample budget shows a positive return to labor, land and capital of \$953 for a 30-doe herd. Although a positive return of \$31.77 per doe does not seem impressive, it does show that a potential return above operating costs could be made by a meat goat operation. Of course, this budget is just an example. Management practices and cost controlling methods to improve the profit are discussed throughout this manual.

Conclusion

Going into the goat business is not a decision that should be made quickly. Much thought and planning needs to go into the operation before the first goat is purchased, producer must first answer these questions:

- Why raise goats?
- What type of goats to raise?

Table 1-1. Meat goat budget for 30 does, 1 buck, 170 percent kidding and 10 percent death loss.

| <i>Income</i> | <i>Description</i> | <i>Total</i> | <i>Per Doe</i> |
|---|--|-------------------|-----------------|
| Market Kids | 23 wethers @ 60 lbs @ \$2.00/lbs | 2,760.00 | 92.00 |
| | 17 does @ 60 lbs @ \$2.00/lbs | 2,040.00 | 68.00 |
| Cull Does | 4 @ 125 lbs @ 0.90/lbs | 450.00 | 15.00 |
| Cull Replacement Does | 3 @ 90 lbs @ 1.20/lbs | 324.00 | 10.80 |
| Total Income | | \$5,574.00 | \$185.80 |
| Operating Expenses | | | |
| Pasture | 10 acres @ \$15/acre | 150.00 | 5.00 |
| Hay 8.16 tons @ \$70/ton | | 571.00 | 19.04 |
| Supplement | | | |
| Mature Does | 240 lbs./doe @ \$300/ton | 1,080.00 | 36.00 |
| Buck | 300 lbs./buck @ \$300/ton | 45.00 | 1.50 |
| Replacement Does | 300 lbs./doe @ \$300/ton | 270.00 | 9.00 |
| Salt and Mineral | \$2.14 per head | 64.00 | 2.13 |
| Guard Animals | 14.6 bags @ 50 lbs bag/dog/year @ \$14/bag | 204.00 | 6.80 |
| Vet (Health and Deworming) | \$6.75 per head | 209.25 | 6.97 |
| Marketing | \$9.00 per head sold | 423.00 | 14.10 |
| Fuel and Repairs | \$8.17 per breeding doe | 245.00 | 8.17 |
| Annual Operating Capital | \$3,261.25 @ 7% | 228.29 | 7.61 |
| Total Operating Expenses | | \$3,489.54 | \$116.32 |
| Return to Land, Labor, and Capital | | \$2,084.46 | \$69.48 |
| Fixed Expenses | | | |
| Interest | | 451.00 | 15.04 |
| Taxes and Insurance | | 102.00 | 3.40 |
| Depreciation | | 885.71 | 29.52 |
| Total Fixed Expenses | | \$1,438.71 | \$47.96 |
| Returns to Labor and Land | | \$645.75 | \$21.52 |

- What are the available resources?
- Where are the available markets?

Once these questions have been answered and a successful business plan developed, producers can begin the meat goat operation. This manual will provide the basic information needed to help answer these questions and produce meat goats successfully.

References

- OSU Enterprise Budget Software. <http://www.agecon.okstate.edu/budgets/>
- USDA, National Agricultural Statistics Service, Statistical Highlights of U.S. Agriculture: 2005. <http://www.nass.usda.gov>