

Meat Goat Profit\$

Agdex FS435/821-1

. . . profit planning tools in an Alberta start-up meat goat enterprise

Business Summary

This factsheet provides economic information on developing and operating a commercial meat goat enterprise on a small acreage. This information was generated by a group of meat goat producers who arrived at a consensus on investment, production, costs and revenues.

This is a supplemental enterprise that starts production with 50 females and grows to 100 females over a five year period.

This information is intended as a business planning tool. Managers will have to assess all the key production and financial variables that would influence the success of their enterprise.

Production Targets

Weaning percentage	
New operator	150%
Established operator	185%
Market weight	80 to 90 pounds

Meat goats breed at 70 lbs. or eight months of age and have a five month gestation period. The operation would produce one crop of kids in May of each year so that minimal facilities would be needed. The kids and does would be on grass or fed together over the summer.

The offspring (bucks and doelings) destined for the meat market would be expected to achieve market weight at six to eight months of age and sold in late fall.

Manure removal is essential when animals are held year round in a small area.

Financial Benchmarks

At 70 head, break even meat prices needed to cover:	
Total direct costs	\$0.61/pound
Total direct + indirect costs	\$1.44/pound
Total economic costs	\$1.67/pound



Capital Investment

	Investment
Land	
Crop land (10 acres)	\$ 12,000
Improvements & Facilities	
Utilities (enterprise share)	\$ 1,680
Pole shed (15' x 30')	\$ 2,775
Perimeter fencing	\$ 3,500
Cross fencing	\$ 500
Fence line feeders	\$ 275
Pens	\$ 500
Total Improvements & Facilities	\$ 9,230
Stock	
Breeding does	\$ 10,000
Breeding bucks	\$ 1,000
Predator control dog	\$ 250
Total Stock	\$ 11,250
Equipment	
Electric fencer	\$ 280
Hoof trimmers	\$ 35
Small tools	\$ 225
Truck (enterprise share)	\$ 1,000
Waterers	\$ 280
Total Equipment	\$ 1,820
Total Investment	\$ 34,300

Market Factors

Revenues are generated through the sale of goats to the meat (slaughter) market and the sale of breeding stock. The primary market for meat goats is the ethnic market consisting of direct sales to ethnic consumers and sales to a processor with a developed market of ethnic consumers. The prime marketing period is late November to the end of February. Producers may also find advantages in joint marketing efforts in order to access distant markets (central Canada and the United States) and to provide consistent volume to some retail/foodservice markets.

Meat animals are marketed weighing 60 to 100 pounds liveweight (30 to 50 pounds rail grade).

The sale of breeding stock will offer higher returns. However, there needs to be a viable commercial industry to support the market for breeding stock.



Cash Flow Projections — Meat Goat Enterprise

Cash flow must be looked at separately from revenue and expenses to assess the viability of the enterprise. Year to year variations in prices, the number of animals marketed and personal withdrawals will affect cash flow.

	Year 1	Year 2	Year 3	Year 4	Year 5
Number of breeding does	50	60	70	80	90
Weaning percentage	150%	150%	175%	175%	185%
Cash Outflows					
Total Capital Investment	\$ 34,300				
Total Cash Operating Expenses ¹	\$ 6,042	\$ 6,920	\$ 7,917	\$ 8,778	\$ 9,706
Personal Withdrawals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Annual Debt Payment	\$ 2,268	\$ 2,268	\$ 2,268	\$ 2,268	\$ 2,268
Total Cash Outflows	\$ 42,611	\$ 9,188	\$ 10,185	\$ 11,046	\$ 11,975
Cash Inflows					
Borrowed Capital					
Equity Capital	\$ 25,000				
Total Cash Revenues	\$ 6,856	\$ 8,559	\$ 12,137	\$ 13,371	\$ 16,234
Total Cash Inflows	\$ 41,156	\$ 8,559	\$ 12,137	\$ 13,371	\$ 16,234
Net Cash Revenues	(\$ 1,455)	(\$ 629)	\$ 1,952	\$ 2,325	\$ 4,259
Cumulative Cash Flows	(\$ 1,455)	(\$ 2,084)	(\$ 131)	\$ 2,193	\$ 6,452

Debt level is not likely to exceed 25% since some lenders may be reluctant to lend to the meat goat industry on the basis of meat goat assets only.

Critical Cost Variables

Proper nutrition and effective marketing are considered to be important management variables in a meat goat enterprise.

Feeding Program (Does)

Feeding programs will vary according to management style and available resources. Goats are browsers and will do well on brush pasture as well as on year round feed.

	Pounds/head/day	Head	Days	Total Pounds	\$/pound	Total Cost	Cost/Head
Hay	5	70	210	73,500	\$0.04	\$ 2,960	\$ 42.29
Grain	1.2	70	100	8,400	\$0.07	\$ 605	\$ 8.64
Salt & mineral						\$ 231	\$ 3.30
Total						\$ 3,796	\$ 54.23

Marketing Management

The key marketing issues for meat goat operations are to achieve acceptable prices for market animals and breeding stock.

Key marketing activities include:

- Developing relationships with consumers to support direct sales.
- Developing relationships with processors to support sales.
- Establish relationships with other producers to develop breeding stock sales.
- Establish relationships with other producers to develop markets.

Snapshot Enterprise Budget

Meat Goat Enterprise — Year 3 (70 head)

Projected Revenues	No.	Weight	Price	Year 3	Your Snapshot
Meat (weanling) bucks	62	85 lbs.	\$ 1.00	\$ 5,270	_____
Meat (weanling) does	23	80 lbs.	\$ 1.00	\$ 1,800	_____
Breeding doelings	23		\$ 125.00	\$ 2,875	_____
Cull does	5		\$ 40.00	\$ 200	_____
Value of increased inventory				\$ 2,000	_____
Support programs for 2003				\$ 1,992	_____
Total Projected Revenues				\$14,137	_____
 Projected Direct Costs					
<i>Feed costs — Does</i>					
Hay				\$ 2,960	_____
Grain				\$ 605	_____
Salt & mineral				\$ 231	_____
<i>Feed costs — Weaned offspring</i>					
Hay				\$ 386	_____
Grain				\$ 184	_____
<i>Total Feed Costs</i>				<i>\$ 4,366</i>	_____
Pasture management expense				\$ 250	_____
Veterinary costs				\$ 431	_____
Bedding				\$ 60	_____
Marketing				\$ 129	_____
Fuel & repairs				\$ 522	_____
Machinery costs				\$ 610	_____
Facility repairs				\$ 200	_____
Utilities				\$ 170	_____
Office expenses				\$ 115	_____
Manure removal				\$ 300	_____
Interest on operating ²				\$ 345	_____
Total Projected Direct Costs				\$ 7,497	_____
Return Over Direct Costs				\$ 6,641	_____
 Projected Indirect Costs					
Operator labour ³ (350 hours @ \$12/hour)				\$ 4,200	_____
Land taxes, licences & insurance				\$ 420	_____
Depreciation ⁴ on improvements				\$ 830	_____
Depreciation on equipment				\$ 506	_____
Total Projected Indirect Costs				\$ 5,956	_____
Total Projected Direct & Indirect Costs				\$13,453	_____
Gross Operating Profit				\$ 684	_____
 Interest on Investment⁵					
Land				\$ 600	_____
Facilities & improvements				\$ 231	_____
Stock				\$ 788	_____
Equipment				\$ 46	_____
Total Interest on Investment				\$ 1,664	_____
Total Projected Economic Costs				\$15,117	_____
Return To Management⁶				(\$ 979)	_____

Note: This budget is the third year of a five year growth plan for a starting commercial meat goat enterprise. The breeding herd would begin with 50 breeding females and increase to 100 breeding females in 5 years.

Sensitivity Analysis

The profitability of a meat goat enterprise will be strongly influenced by market prices for bucks and doelings and weaning percentage.

The table below shows the effect on return over direct costs⁷ for a 70 head operation to changes in weaning percentage and market prices for meat goats.

Weaning %	Market price (\$/pound liveweight)				
	\$ 0.85	\$ 1.00	\$ 1.10	\$ 1.20	\$ 1.30
130%	(\$2,502)	(\$1,547)	(\$ 910)	(\$273)	\$ 364
140%	(\$2,086)	(\$1,057)	(\$ 371)	\$ 315	\$1,001
150%	(\$1,669)	\$ 567	\$ 168	\$ 903	\$1,683
160%	(\$1,253)	\$ 77	\$ 707	\$1,491	\$2,275
170%	(\$ 836)	\$ 413	\$1,246	\$2,079	\$2,912
180%	(\$ 420)	\$ 903	\$1,785	\$2,667	\$3,549

Definitions

¹Cash operating expenses: Total direct costs + insurance

²Interest on operating: The interest on an operating loan, estimated to be \$5,572 at 9% for 6 months.

³Operator labour: Labour contributed by the owner-operator, valued at \$10/hour. Not a cash cost.

⁴Depreciation: The reduction in the value of an assets over its lifetime.

⁵Interest on Investment: The cost of investing in capital assets rather than in a financial investment. Valued at 5% on all asset categories.

⁶Return to Management: An amount left to compensate the owner-operator for risk and management.

⁷Net cash income: Projected income - total direct costs - insurance

Resources

Books

"Meat Goats" by Sara Edmond #435/20-1 \$15.00
- available from Alberta Agriculture, Food and Rural Development or The Alberta Goat Breeders Association

"A Practical Range Approach to Goat Management and Marketing" \$10.70
- available from The Canadian Boer Goat Association

Risk Factors

Individual operators must address the following risk factors:

- Weaning percentage and weaning weight
- Market prices for bucks and doelings
- Prices for breeding stock
- Feed prices

Management Strategies

Key management strategies that will contribute to the production and economic performance:

- Understand the specific needs of the market (eg. carcass size, degree of finish, consistency of finish and volume of supply).
- Locating the enterprise close to an urban centre to access the primary ethnic market.
- Keeping capital costs down by building own facilities and only paying for used materials and equipment.
- Achieving efficient production targets.
- Achieving an acceptable market price.

For more information, contact:

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Alberta Agriculture, Food and Rural Development

Contact the Ag-Info Centre at 1-866-882-7677 or visit our website at <http://www.agric.gov.ab.ca>

Publications

"Meat Goat Industry" Ag-Ventures, 1996.
Agdex FS435/230-1

Journals

"The Goat Keeper"
- contact Rise & Shine Press
Phone: (780) 878-3814 Fax: (780) 878-3815
Website: www.goatkeeper.ca
E-mail: jackie@goatkeeper.ca

"The Canadian Meat Goat Journal"
- contact The Canadian Boer Goat Association

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