

Show Me the Money!!!

By Linda Fox

It often seems that there is more research material to be found in how to trim your goats' feet than there is about financial aspects of raising goats.

"Can I make money with these things?" is an important question. Most newcomers or shoppers for cashmere goats ask this question. Some of us more seasoned goat folk just say "No," some of us say "Yes, if you...." and some of us just dance around the question until the shopper no longer remembers what the question was.

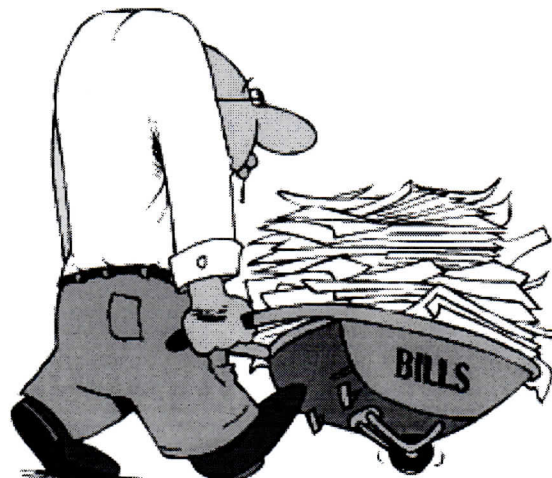
I'd like to just answer the questions "Yes!", give you the secret formula for success and then move on to a less tedious subject. However, I'm afraid you're going to have to do some work on your own and draw your own conclusions. I personally believe that there is money to be made in almost any enterprise, including cashmere goats, if you choose to do it and have the energy and time to spend with careful planning and carrying your plan through to your goals. But, I'm an eternal optimist, so you may want to talk to a good solid pessimist to get a balanced view of the subject.

The money to be made, if any, and how much work will be involved in turning goats and related products into cash will vary with your location and access to markets. Other variables which affect your bottom line include:

Capital investment required: Do you already own land and buildings and just need to add goats? Are you adding goats to another farm enterprise? Do you need to purchase land and build shelters? How are your fences? Will you need to spend money to improve them or build new ones? What will your breeding stock cost you if you don't already have a herd?

Feed cost: How intensively are you going to stock your goats? If you raise 5 goats on 10 acres, you will buy a lot less feed than if you raise 50 goats on 10 acres. Can you raise your own hay? If you can't, what does hay cost in your area?

Markets for products: What are markets in your local area for breeding stock, meat and fiber? If you have no unsatisfied local meat market, will you incur substantial transportation costs to get your meat to market. How much local market do you have for sale of breeding stock? It is more difficult to sell and more costly to ship breeding stock the farther you are from your customer. What is your local market for fiber? Is



there a rabid spinning horde in your area or will you sell only to the commercial market? How much is the commercial market paying?

Processing costs: Do you shear or comb your goats yourself? If not, is there a professional shearer available and what will she cost you? If you shear yourself, what will you have to pay for the shearing equipment?

If you intend to sell processed cashmere, are you going to dehair your fleece by hand or will you pay someone to dehair it for you. What will it cost you to have your fleece dehaired? If you intend to sell processed goat meat or hides, what will the processing cost you?

Marketing/shipping costs: What will it cost you to advertise your product? And what will it cost you to get your finished product to your customer?

Other: Of course, there's other necessary expenses such as veterinary supplies and fees, breeding fees, fixing the flat tire on the trailer and pop for the barn refrigerator.

To help us build our own formula for success, we can look at others' ideas. We can analyze formulas for profitability as presented by other people, as an aid in designing our own secret formulas. And then, even if we can't personally figure out how to profit from cashmere goats, we can sell these secret formulas to other people and at least profit from this.

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John Harris's Formula

John Harris, the now-deceased author of the booklet, "A Beginner's Guide to Cashmere Goats," presented the following numbers for the first two years of a cashmere goat operation. His formula is based on his assumptions for production, income and expense. Assumptions include kidding rate, cashmere production, shearing and dehairing costs, feed costs and market value of wethers and cashmere:

<u>Transaction</u>	<u>Year One</u>	<u>Year Two</u>
Purchase of initial stock:		
Buck purchase	\$400	
Doe purchase - 10 head @\$150	<u>1,500</u>	
Total Cost of Stock	<u>\$1,900</u>	
Winter feed	-213	-350
Shearing and dehairing	-204	-336
Sale of fiber	720	1,168
Sale of wethers	<u>210</u>	<u>420</u>
Profit	<u>\$513</u>	<u>\$902</u>
Stock owned at year end:		
Bucks	1	1
Does	17	28

Formula assumptions provided by John were based on his feed amounts and processing charges in 1994. He notes that your costs will probably differ from his, depending on your operation.

Kidding rate 160% for adult does,
120% for first year does.
Cashmere production: Does 6 oz, bucks 8 oz,
kids 4 oz.
Cashmere sales price: \$8/oz.
Shearing and dehairing costs: \$12 per head
Feed cost: \$2.09/head/month.
Kidding sex percentage: 50% does, 50% bucks.

Professor Johnson's Formula

Another set of figures was presented by James B. Johnson, Montana State University Professor at the 1997 PCMA Conference. His spreadsheets went beyond mere cash flow and included such necessary expense items as taxes and insurance and more vague

accounting items including depreciation and opportunity costs. Selected information from his spreadsheets for a 163 goat enterprise (132 breeding does, 26 replacement does, 5 bucks) is as follows:

	<u>Annual Total</u>	<u>Per Doe</u>
Expected Gross Income		
256 slaughter kids	\$17,920	\$96.51
Cull does	1,584	9.50
Cull bucks	200	.75
Cashmere	<u>1,418</u>	<u>8.80</u>
Total Income	<u>21,122</u>	<u>115.56</u>
Operating Costs		
Feed	6,602	50.01
Other	2,940	18.04
Interest	<u>858</u>	<u>6.12</u>
Returns Above Operating Costs	<u>10,722</u>	<u>41.39</u>
Selected Ownership Costs		
Equipment and Vehicles	650	4.92
Buildings	575	4.35
Livestock	<u>2,444</u>	<u>18.52</u>
Total	<u>3,669</u>	<u>27.79</u>
Returns Above Operating and Select Ownership Cost	<u>\$7,053</u>	

Assumptions used in the above model were:

Kidding rate: 180%.
Cull and replacements: 11% of kids kept for replacement stock, 20% does culled each year.
Death rate: 5%.
Cull does, bucks and kids sold for meat: Kids @ \$70/head, does \$1.10/cwt, bucks \$100/head.
Cashmere price and amount: 0.19 lb/head (400 gram fleece with a 20-22% yield), \$37.50/lb sales price.
Feed costs: Estimated based on published feed costs for sheep, adjusted for equivalent goat units—1 sheep = 1.32 goats.
Ownership costs: 5% of investment in equipment, buildings, livestock.

In Professor Johnson's talk, he stressed that his model should be looked at using different assumptions to see what changes would occur in the bottom line. For example, what if you used a kidding rate of 150%

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instead of 180%? What if excess kids were sold at only \$60 per head rather than \$70?

Forte's Early Model

From an early cashmere goat conference held in 1988, Hugh Hopkins from Forté Cashmere Company presented a paper entitled "The Basics - Understanding the Cashmere Industry." He addressed the question, "Can money be made from running cashmere goats?"

His answer was, "You will have to answer this question."

He presented assumptions based on their original flock of 1,000 does and 40 bucks. His assumptions were as follows:

Starter stock cost: Spanish goats at \$50/head.
 Meat sales price: \$36 - \$50/head
 Feed costs: Grain - \$11/100 pounds, hay - \$80/ton, assume goats are fed five months of the year.
 Cost of veterinary supplies: 0.75 per vaccination.
 Shearing costs: \$1.50/female or weaner, \$3/buck.
 Weaning rate: 120%.
 Death rate: 4%.
 Cull and replacements:
 Bucks: retain 3%, sell 2%, cull for meat 95% kids, 30% weaners, 25% adults.
 Does: retain 36% weaners, sell 52% weaners, cull for meat: 20% mature, 12% weaners.
 Cashmere market price: \$38/lb.

He suggested that these or your own assumptions be placed in a computer for manipulation for your own situation.

Recent European Feasibility Study

A recently completed study by Dr. Angus Russel for the LSIRD network in Scotland evaluates various cashmere goat enterprise approaches including establishment of new herds by embryo importation or by grading-up of native goats using imported cashmere bucks or semen. The study evaluates models for establishing a National base herd. It also evaluates five production systems for a 250-goat herd operation. In the establishment of a National Herd, they used the following assumptions for their model:

Success rate for transfer of frozen embryos: 65%
 Kidding rate: 140% weaned per mated doe.
 Does first mated: At 1-1/2 years of age.
 Death rate: 3%.
 Ratio of bucks to breeding does: 1:40.

The five production system models studied for raising cashmere goats are as follows:

1. All male and surplus female kids sold prior to weaning (to a lucrative meat market for younger stock) and all cull adult stock sold later in the year.
2. For models in climates which require winter housing, all surplus kids and cull adults are sold at the end of the grazing season at which time the kids are 6-8 months of age.
3. For operations in milder climates, winter housing is provided only for young stock. Young stock is sold after their first cashmere harvest at 10-12 months. Cull adults are sold later in the year.
4. Young goats are sold for meat at 18 months of age, after two cashmere harvests, one at 10-12 months of age and one just prior to sale. Cull adults are sold at the same time.
5. A model where no breeding stock is maintained. Wethers only are kept for their cashmere. Wethers are sold for meat after six years and replacement wethers are purchased at 18 months of age. Cashmere is harvested each spring.

This study presents extensive charts and graphs illustrating the above models. The study is very interesting and informative and parts of it will be printed in a later issue of *CashMirror*.

The important lesson in studying other peoples' models and assumptions, is not to pick apart someone else's formulas, but to use their ideas to create your own formulas for planning for your specific operation. You will need to write down your own assumption.

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tions for income and costs. If you are already in the goat business, you won't have to guess. You can check your records and accurately project what your future feed and other costs will be based on historical figures.

In any planning, there will be items which don't fit into your model. Like the weed control thing. I've seen attempts at putting the value of less weeds into monetary terms, but for most small operators, this doesn't translate into a number to enter on your spreadsheet. The same goes for value of fertilizer added to your soil, or the value of the cashmere you tediously hand dehair and spin into a scarf for your Aunt Martha. It also is hard to quantify the cost of that tree in the pasture the goats turned into toast.

References:

Harris, Sarah, "What is the Formula?" from John Harris's A Beginner's Guide to Cashmere Goats, 1994.

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Johnson, James B., Production Management with Emphasis on Enterprise Budgeting," PCMA BOCCIII Proceedings, 1997.

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