

## Goat Market Situation

Lee Meyer, Tess Caudill, Terry Hutchens<sup>2</sup>

The most important characteristic of goat markets is that they are poorly understood. Goat markets are driven by an almost entirely ethnic demand which traditional live-stock marketers struggle to comprehend. Also, most goat markets in the U.S. deal in small numbers, most on a per head basis, and goats are bought and sold via goose-neck loads verses the traditional 50,000 pound tractor trailer. There are very few large national markets from which to gather data, leaving us with only general trends to use in market analysis. There are three dimensions to consider. One is the production/supply side, including the number of goats and trends in production. Second is the national market, and how national trends connect back to Kentucky. Demand is an important piece of this second part. The third is the efficiency of Kentucky markets.

### Production/Supply

Meat goat numbers have expanded in Kentucky, according to all measures, from “windshield surveys” to the USDA’s formal reports. According to the USDA January 1, 2005 Sheep and Goat report, there were 63,500 goats in Kentucky at the beginning of 2005. Kentucky ranked 5<sup>th</sup> in goat production, behind Texas (1,010,000 goats), Tennessee (98,000), Georgia (77,000) and Oklahoma (65,000). Six of the top eight states are in the Southeast (Tennessee, Georgia, Kentucky, North Carolina, Arkansas and South Carolina). Goat numbers in Kentucky, just based on casual observation, seem to be leveling off. Most enterprises are relatively small operations. Profitability is extremely variable depending on production systems and marketing decisions. Returns per doe for a well managed enterprise (1.5 to 1.8 kids per doe per year) have been \$120 to \$145 if marketed at approximately 60 lbs. through a graded sale. Feed costs can quickly eat away at these returns. Parasites remain a management challenge as the cost of parasite control is substantial and the negative impact on productivity is critical. If not properly managed, foot problems can reduce herd productivity and thus returns. Nationally, meat goat numbers have not changed much since 2002, the USDA’s last “benchmark.” Then there were 1,939 thousand meat goats in the U.S., as of Jan. 1, 2005 the number had risen to 1,965 – an increase of just over 1%.

### Market Trends

Given the lack of understanding of the national meat goat market, it is sometimes difficult to project prices. What we do know is that prices for meat goats, both nationally and in Kentucky, have risen steadily in recent years. In 2003, prices at Kentucky’s graded goat sales averaged \$102/cwt. for the year. This number jumped to \$125/cwt. for 2004 and has continued to climb to \$134/cwt. thus far in 2005. This price increase occurred simultaneously with the growth increase that has currently positioned Kentucky 5th in the nation in meat goat numbers. This strongly indicates that the demand for Kentucky goats is growing faster than supply.

<sup>2</sup> Meyer and Hutchens are in the UK Departments of Ag. Econ. and Animal and Food Sciences, respectively. Caudill is a marketing specialist in the Ky. Department of Agriculture. Evidently demand for goat meat has followed the increase in demand (i.e. “willingness to pay”) for all meats. As the U.S. ethnic population continues

to grow, the goat meat market may continue to strengthen. However, like for other meats, goat meat demand for 2006 is likely to be hurt by increasing energy prices for all meats. As the U.S. ethnic population continues to grow, the goat meat market may continue to strengthen. However, like for other meats, goat meat demand for 2006 is likely to be hurt by increasing energy prices.

### **Efficiency of Kentucky Markets**

In recent years Kentucky prices have tended to align themselves with Texas prices, and both are typically below prices at New Holland, PA, which lies in the closest proximity to the lucrative east coast markets. However, in 2005, Kentucky prices have inched closer to the New Holland estimates with September averages for Selection 2 40-60 lb. kids as follows; New Holland, PA 127.00/cwt., Kentucky Graded Sales 126.00/cwt., and San Angelo, TX 105.00/cwt. It is too early to determine whether this is a temporary situation, or if it is a market shift to compensate for the difference in transportation costs from Kentucky verses Texas. Tess Caudill, at the KDA, ([tess.caudill@kyagr.com](mailto:tess.caudill@kyagr.com)) can be contacted for more information on Kentucky's graded sales.

Prices at regular (non-graded) Kentucky auction sales tend to average about 30% below the Texas market, however reported prices at Kentucky's regular markets are extremely variable and depend on the number and quality of kids offered, what buyers are present, and the ability of the market reporter to accurately guess goat weights (most Kentucky non graded markets sell goats by the head).

### **Outlook**

Meat goat prices for 2006 should remain high and in close proximity to 2005 prices. Trends from recent years might suggest 2006 prices will be higher than those of 2005, however, the increase in energy costs will likely prevent this from occurring. The graph below shows the average prices for Kentucky's graded sale for the past three years. It is important to note the continuation of the seasonal price pattern association with goat markets. Further below is a similar diagram showing Texas goat prices for the same time period. It too reinforces the seasonal nature for meat goat prices.