



Training Module No 15

Theory

Commercialisation –

Economics of keeping goats, Value adding, Marketing,
Transporting goats



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Economics of keeping goats

It is important to have an understanding of your expected costs and profit based on your system.

Different production systems

You can either keep goats under intensive conditions, for example in feedlots where you provide all their feed requirements, on pastures (semi-intensive systems) or you can keep them on natural veld under extensive conditions. Different systems have different management requirements and different costs.



Intensive goat farm



Extensive goat farm

Herd composition – how to make your herd more commercially viable

Once a farmer has decided to commercialise their goat herd, they will need to take control of the herd composition – how many rams, productive ewes, castrates, how many they will retain and how many they will cull or sell.

Management must focus on the ultimate marketing goals. For example, if you aim to sell castrated males, you should castrate all male kids early.

Breeding females should be replaced once they become unproductive. This means that enough maiden ewes must be kept back from sales to fill the gaps of culled females. For further information see Section 19.10: Determining profitability of the business and herd composition.

Understanding the costs, income and profitability of your business

It is important to understand the potential profitability of your goat business. You need to be able to answer the following questions:

- How many kids will be born each year?
- How many will survive until I can sell them?
- What price should I expect for different goats?
- What does it cost per year to keep my herd (feed, medicines, labour, etc.)
- What goats will I sell each year (age and gender)?
- Can I enhance their value?

This information will allow you to start working out how much money your business is likely to make. It depends on you as an individual and how well you run your goat business. If you have lots of mortalities you will not make money. If your costs are very high you will not make a profit.

In the Resources section there is more information about the profitability of different goat businesses based on different numbers of goats.

Value adding and marketing



A township live goat market

Selling live goats

In South Africa, goats are almost exclusively sold live for ceremonial slaughter in African homes. The majority of goats visibly sold in South Africa are imported from Namibia and sold at taxi ranks or at the side of the road. These are generally boergoats. Large numbers of goats are sold, traded and bartered in communities and between families and farmers. The highest value for indigenous goats is placed on castrates of 3 years or older. They are valued for their size mainly and the important role they play in marriage ceremonies. It is generally very hard to find young ewes (maiden ewes) for sale. Generally, speculators go around the African areas buying a couple of goats from each farmer until they have enough to make a consignment. The important marketing time is around October when Muslims buy goats for Eid. Goat auctions for indigenous African goats have worked and the prices vary according to the number of buyers and sellers. These auctions struggle to break even, given the huge cost of financial transaction between buyers and sellers. Separate auctions for breeding and slaughter ready goats is important as buyers have different needs. Markets timed around March/April (Easter) and November/December (Christmas) are most successful as goats are in good condition. Also, it is during these periods that sellers need money and want to sell their animals, and buyers are on the lookout for good purchases.

2018 meat prices: Beef: R41/kg; Mutton: R60/kg.

An adult goat of 40kg would give 16kg meat (40% dressing percentage).

At mutton prices (R60/kg) you would get R960 worth of meat from this goat.

2017 price for a 40kg live goat: R1200.

This assumes people would spend as much on mutton as on goat meat.

If it sold at beef prices (R41) you would get R656 for the meat of a goat worth R1200.

In a market like Australia, goat meat is 40% more expensive than mutton: AUS \$4 per kg mutton – AUS\$7 per kg for goat. At these prices of R75/kg you would be competing on par with live slaughter.

Demand for different colours

Breeding for colours has become a popular pastime for stud breeders of indigenous goats. Currently dappled and spotted goats are popular. You can greatly increase the value of goats being sold to breeders in these colours. The popularity and peculiarity of these colours is often trend driven and can change quite rapidly over time. There are also colour preferences among different African buyers and these should be checked and understood in each locality.



Goats with interesting colouring are of value to stud breeders

Selling live goats in large numbers at auctions

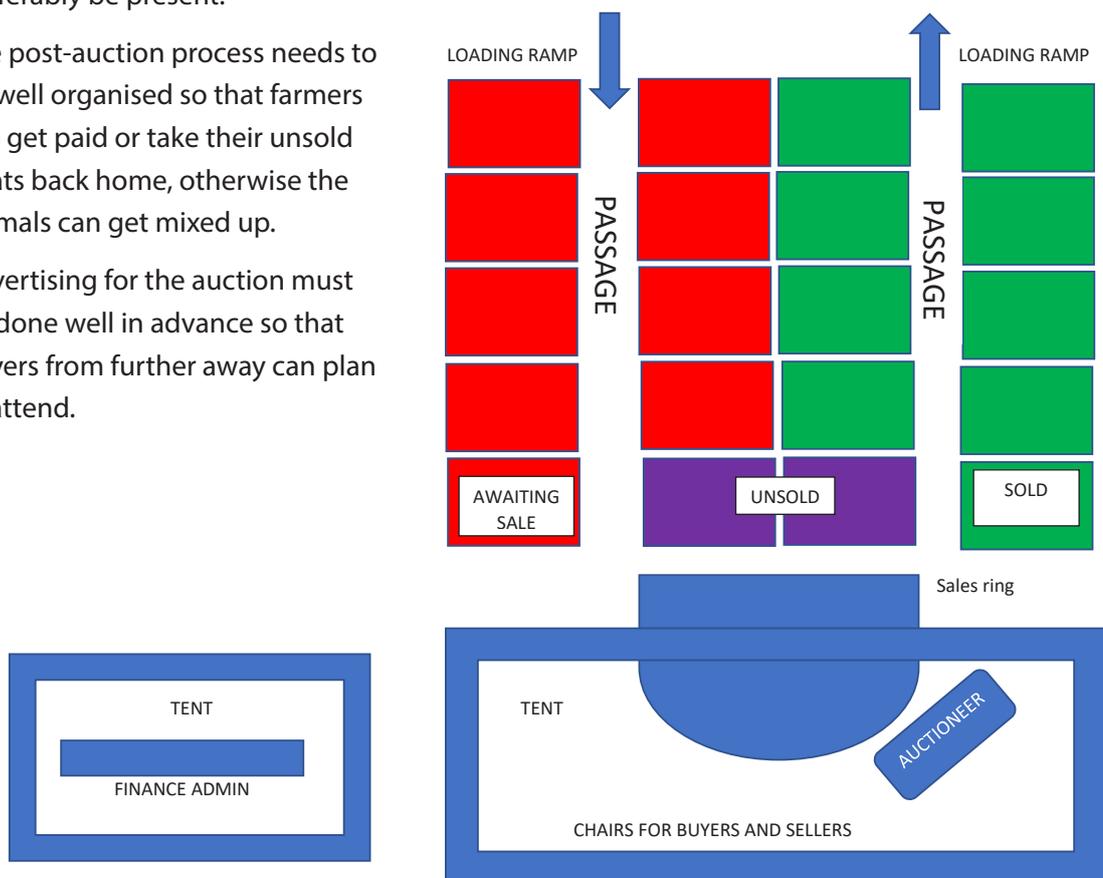
If a number of farmers can agree to sell goats as a group, they can reach a critical mass where they can start controlling the marketing of these goats. This is usually done through an auction or sales days. Auctions can be a very useful tool to set the price for goats and sell a large number of goats at market prices within a short time.

For an auction to be successful these are points to consider:

- Communities must be mobilised because auctions need to be strategically timed to occur when buyers will need goats. This is specially important for slaughter stock but less so with breeding stock.
- Farmers will often agree to sell at times of year when they feel their goats are in good condition and will thus get a better price. This often rules out winter and early spring as auction times.
- For breeding stock (rams and maiden ewes) the best time would be in summer and early autumn when they are looking their best.
- There needs to be a critical mass of goats per auction (approximately 400-600 goats). If too few, buyers won't be bothered and costs may be too high. When there are fewer numbers, especially of breeding stock (100 -180), prices tend to be high.

- There needs to be a critical mass of buyers (10-20), otherwise the prices will be low as the buyers won't compete or will buy what they need and leave early.
- A state levy of 5% is paid on all stock sold on auction to the Red Meat Producers Organisation (a parastatal).
- Often a further amount is charged per animal to pay for the auction and the livestock association that called it. Whether the buyer or seller pays this should be agreed on before the sale and communicated, as it can cause problems.
- Sometimes farmers who are not members of the association can present goats at the auction, but these are auctioned last and as a result may sell for lower prices.
- Animals need to be tattooed with a minimum of a diptank number and optimally with the owner's personal tattoo. They must also be treated for worms and ticks before the auction and the seller must provide proof of ownership.
- Farmers need to agree on a minimum selling price beforehand with the auctioneers, otherwise prices may not be acceptable to the farmer and they will lose money.
- The Livestock Anti-theft Unit must be informed of the sale and preferably be present.
- The post-auction process needs to be well organised so that farmers can get paid or take their unsold goats back home, otherwise the animals can get mixed up.
- Advertising for the auction must be done well in advance so that buyers from further away can plan to attend.

Basic infrastructure for an auction



Options for financing auctions:

- Subsidised auction – this can be paid for/subsidised externally by the state or NGOs. Here an entity separate from the livestock association or farmer group carries the cost of the process and infrastructure.
- Private or industry-paid auction – This is the more common type. The farmers' association or similar structure pays the auctioneer to hold the auction. In addition, the auctioneers charge a fee per animal sold (often 8%). Often if a minimum number of good quality animals is guaranteed, the auctioneers will not charge the livestock association anything and will make sufficient profit from the commission charged.

Items that need to be considered as costs for auctions:

- **Advertising and informing buyers** – this is done by the auctioneer through appropriate newspapers and publications. An sms system is commonly used to inform buyers who have a relationship or history with the auctioneer. Advertising in national media outlets can cost up to R50,000. An sms system is charged at cost of bulk sms which is approximately R0.35 per sms.
- **Informing sellers** – this should be done by the livestock association.
- **Sale pens** – there is a need for gates that can be erected in a way that goats can be kept in separate lots and channelled to the auction arena and then kept in separate groups belonging to different buyers. Access to a loading ramp facilitates the loading of goats after the auction (see diagram on the previous page).
- **Administration** – to mark each goat coming in, check that ownership is legitimate and agree on conditions of sale, to hold and control the goats in lots, feed them and water them, and to separate and hold them for buyers.
- **Food and water** – for the goats.
- **Catering** – for the buyers.
- **Financial systems** – these is often the largest cost for an auction, to allow transfers of moneys between buyers and sellers. It is preferable if sellers are paid electronically by the buyer, but options for paying with a cheque or cash may also be required. Cash liquidity is a requirement. The auctioneer usually carries the financial liability and sells goats to buyers who deposit the totals electronically in the auctioneer's account. The auctioneer often pays out the sellers before he has the money from the sales. This means the auctioneer needs a reasonably large credit facility and relationships of trust with buyers.
Cheques are the payment of choice for farmers as they receive them on the same date as the sale and they can be post-dated to give the auctioneer time to be paid out by the buyers. Banks are withdrawing cheques as a payment system so vouchers or money transfers of various types are the next best system. Facilitators need to look at what the best systems for each are.
- **Security** – goats are sometimes brought in early, on the night before the auction, and need to be guarded. The premises, which are assembled several days before the auction, also need to be watched to prevent theft and damage.
- **Auctioneers** – to conduct the auction.

- **Transport** – to transport goats to the auction and if unsold, to transport them back home.
- **Tent and stands/seats for buyers** – permanent structures can cut these costs. Auctions can cost up to R500 000 per event.

Infrastructure of sales

For any formal or semi-formal sales a sales site to restrain goats that are being sold needs to be erected. Very few goat specific sales sites are available so arrangements must be made to adapt the local cattle sales yard into a goat sales yard or create a mobile sales site. The latter is much more expensive. The cattle sales yards can often be adapted by using shadecloth hung over the cattle yards to stop goats escaping.



Note use of shadecloth over the poles

A permanent structure of fencing and gates can be constructed. It may be liable to pilfering, but is very cost effective.



Gates specially made by local engineering works with slats small enough to stop goats can be used. These are usually 3 metres by 1.5 metres and can be transported on site and erected in a short time by interlocking them. They are a large initial outlay but can be used almost indefinitely.



To make a set of 4 enclosures for a sale of 60 goats, two pens for goats to be sold and two for sold goats would require 12 gates. A small auction would need between 60 and 120 of these gates to make 20 pens each able to hold 15 goats, totalling 300 goats. A 600-goat sale would need 120 gates.

Farmer-led markets

These are markets regulated by farmers'/livestock associations and cover small geographic areas. They can be held at monthly events like social grant days or market days, and are an alternative to large, formal auctions.

Advantages

- There is control and oversight so there is less selling of stolen goats
- As it is a regular event, there is more than one buyer so competition should lead to higher prices
- Farmers can walk their goats to the market point and back
- If there are enough goats, buyers' prices will stabilise
- Associations charge a smaller commission but still get the benefit of organising it for their members, and by being present they control stock theft issues.
- Being regular events, the farmers can plan and manage their herds in order to produce numbers needed for household income (e.g. planned sales versus selling only when quick cash is needed)
- There is a higher level of quality assurance for the buyers
- It can set a market environment where farmers know they can sell regularly and safely.

Disadvantages

- There can still be speculators setting low prices
- There are fewer buyers as markets are localised
- The whole system of carrying cash in the community is still a problem
- The ebb and flow of supply and demand is not clear so prices and numbers can fluctuate dramatically.

Informal sales as an alternative to formal auctions

This is where sellers and buyers meet in the field without oversight or planning.

Advantages

- There is no organising
- The seller agrees on the price with the buyer.

Disadvantages

- There is no assurance for the buyer that the goats are not stolen
- Sellers are not always informed of what their goats are worth, and so a local speculator can often abuse the pricing
- The health of the animal cannot be guaranteed
- Farmers often sell at times when they need money so they may be more likely to take a lower price as they need quick cash.



Individual (rope) sales (above) and back of bakkie sales (below)

Other types of sales

Bakkie sales

- Found in most urban African centres
- Informal and unregulated
- Goats are often of poor quality and condition
- Bought for urgent need at a high price



- Goats sold from enclosures in small towns usually have no regulation or control. Often bought in numbers from local farmers and sold as is.
- The largest market for live goats from Namibia is KwaZulu-Natal (see table in Section 19.9). These are brought in on consignment and cannot be quantified, but fluctuate between 150 000 and 1 000 000 a year from Southern Namibia.

Challenges:

- They are often stressed from the journey that takes days in changing environments
- They are only expected to live a couple of weeks before being slaughtered
- The consignment system can lead to abuse of sellers as they have to drop and go once they are here
- There are only a few speculator/exporters who are prepared to brave the market which leads to many claims of abuse
- The veterinary restrictions are seen as restrictive.



Transporting goats

Marketing of goats will require transporting them from the farm to the market. It might also be necessary to bring in goats from elsewhere at some stage. It is useful to consider what can be done to ensure that the goats travel quietly and safely without being injured or becoming ill. Note that there are legal requirements that people need to look up and be familiar with.

The vehicle must have:

- Sides high enough to prevent jumping
- Shelter from rain and wind as goats are sensitive to cold (shadecloth on the sides will help)
- A floor that prevents slipping
- Partitions to control movement of animals (if it is a large vehicle)
- No sharp edges, gaps or loose items that can cause injuries
- Sufficient ventilation while providing protection against bad weather conditions
- The driver must drive smoothly so that goats do not fall down in the vehicle.

Density of goats in the vehicle:

- Do not overcrowd goats – each goat must have at least 0.4 m² space (1 m x 0.5 m)
- Do not have too few or they will be thrown around the vehicle. It might be better to restrain a single animal in a sack (but not for more than 4 hours at a time).

Long distance travel:

- Allow all goats to have access to water and food up until loading
- A single trip must not exceed 36 hours (this means leaving at 5am on one day and arriving at the destination by 5pm the following day)
- For longer trips, goats should be rested at least every 24 hours. The rest involves removing them from the vehicle for a 12 hour period and providing them with feed and water
- Goats should be administered with **Multivax P** as soon as possible once a farmer knows the goat will travel to give them some immunity before they go
- On the day of transport, the goats should receive a dose of long acting tetracycline.



Different vehicles used for transporting goats