

Fundamentals of marketing meat goats and goat meat

by Dr. Frank Pinkerton

Marketing channels for goats and meat

A marketing channel describes the chain of events necessary to move goats from producers to consumers. At each event, *a player performs one or more functions*. Each function engenders gross, and net, incomes for the activity performed.

Producers grow slaughter goats many ways, but, as illustrated in Figure 1 below, there are but six ways a producer can sell live goats. Either local or regional auctions are the volume players; their functions are to provide for the *collection* and *ownership exchange* of goats. The new owners then do some or all of the downstream functions.

Some goats are sold at the farm to brokers/traders who function as collectors, exchangers, and *transporters*. Other producers may sell directly to a packer/processor; again the functions of collection, exchange and transportation are done.

Owners may also sell directly to buyers/consumers who come to the farm and barter (exchange function) and transport the goat elsewhere for slaughter, or kill it on-farm (the buyer functions as a packer). Alternatively, an owner might have his goats custom-slaughtered and then function as merchandiser to stores, restaurants, or consumers.

Owners could form a Cooperative (formal or informal) and function as producers and as transporters to exchange points (auctions or packers). They could elect to sell goats to a packer, or to retain ownership and have them custom-killed/processed (or do this function themselves in their own facility). In either case, they would have to function thereafter as transporters and wholesalers of goat meat; their terminal function, if done, would be retailing the product.

The crucial question any prospective Cooperative must ask itself is: *which marketing function(s) can it do more cheaply than the current players? If it cannot identify, and sustain, one or more such functions, it cannot survive.* (I know of no such cooperative, and I doubt that there can be such a pasture-to-plate organization; it simply requires more good will, cooperation and togetherness over time than most humans can tolerate, or sustain.

A packer firm performs multiple functions, among them: purchasing, transporting, slaughter/processing, distributing (to wholesaler and/or retailers), disposing of offal, and exchanges (from producer to packer to marketers). Retailers perform the final function of merchandizing to the consumer (in the U.S., their markup is routinely 30% of wholesale cost). We have found that urban consumers pay about 3 times as much for a hanging carcass/pound as producers gets for the live goat (at auction).

About half of goat meat consumed in the U.S. is *imported* from Australia. Canada imports well over half of its needs, mostly from Australia and the remainder from New Zealand. Currently, most of the

meat comes to Ports of Entry in the form of 'six-pacs' (two forequarters halves, two hindquarters halves, and two mid sections), or in 'cubes' (2 x 6 inches bone-in pieces with variable thickness). The frozen product typically weighs about 34 lb/box. Import firms receive the product and place it in cold storage units until it is sold to wholesalers and retailers such as grocery stores, restaurants, and the institutional trade. Cold storage units, overseas and domestic, serve as 'reservoirs' to enable seasonal domestic production to reach consumers on demand.

Goat pricing practices

Producers selling their goats directly to consumers (or to traders) perform the exchange function by negotiating the price to be paid, by weight or head, by the buyer. Usually the final price is appreciably above that being paid by auctions or traders. The producer benefits in that he does not have to pay for hauling or a commission/yardage charges, or suffer animal shrinkage during hauling. An individual buyer might get a similar animal cheaper from the auction, but there is the matter of distance, inconvenience, inexperience with auction selling, etc.

Since most goats are sold via public auctions, we have identified the factors that affect prices paid to producers. The major affect observed is that of *seasonal* differences. In the U.S. owners tend to kid their herds beginning in later winter though April with lesser numbers in the late fall. The result of this pattern of production is that, because of reduced availability, prices for slaughter kids are highest December through April and lowest July though October with transitional prices/month in between. The price differences between high/low months range 25-35% for 'similar' goats. Consumer prices show a somewhat similar rise & fall in response to these supply-demand ratios.

A second factor affecting producer prices received is differences in live *grade* of goats. Typically, our buyers pay more for Selection grade #1 animals than they do for Selection grade #2, while Selection grade #3 receives the least price/lb. The differences in price/lb between these grades are dependent on the demand/supply across time and place; differences of 10-15% are common.

A third factor affecting producer prices received is differences in live weight. Historically, our producers receive highest prices per pound live weight for kids ranging 20-40 lb, perhaps 10% less for those in the 40-60 lb range, and at least 10% less for those in the 60-80 lb range. There is marked decline in consumer interest in animals weighing over 80 lb and producer prices decline accordingly, as do consumer prices (but by not as much). I understand that Canadian markets do not discriminate seriously against the heavier goats as we do.

A fourth factor affecting producer prices received is the physical distance between the producer and the consumer. Producers are effectively penalized because of the hauling costs engendered by sheer mileage. In the U.S. and Canada, beef cattle, swine, lamb and poultry packers/processors tend to be located close to animal production areas (and feed sources). Contrarily, goat packers/processors are typically located close to concentrations of urban consumers, not production areas. The cost of moving edible product, farm to consumer, is further complicated by the traditional preference of goat meat consumers to take whole or half carcasses of goats, not fabricated cuts that could be hauled more economically over long distances.

Domestic goat meat sells for a premium over imported goat meat in the U.S.; the premium varies over time and place depending on availability of domestic product and holiday needs. I understand that the premium for domestic goat is considerably less in Canada. We have research indicating the ethnic

consumers could not distinguish between cooked legs from domestic or imported sources, nor could they distinguish between male and female kids or between different breeds. Our consumers *consistently say they prefer domestic or imported goat meat*; however, even at similar prices, they will take imported goat when domestic product is unavailable.

Live goat and carcass grades

The handout, Meat Goat Selection, Carcass Evaluation and Fabrication Guide, resulted from our USDA-sponsored research projects, to develop a grading system for live goats and carcasses. The system is used by market players to distinguish between goats of varying conformation and between carcasses of varying conformation, color, fatness, and estimated lean meat yield. USDA Market Reporters report auction sale results by live grade and by weight category. As indicated above, packer-buyers pay differentials (premiums) based on their on-site appraisal of live grades. Auction personnel do not ordinarily sort offerings by grade.

Unlike for other species, goat packers have only state or federal Inspectors, not carcass Graders. Nevertheless, they price their carcasses to wholesalers and retailers on the basis of visually estimated traits (conformation, 'meatiness', color, and internal fat (the more fat, the lower the price/lb). U.S. packers are only now beginning to fabricate carcasses into wholesale and retail cuts because traditional consumers prefer whole or half carcasses or cubes. I am uncertain of Canadian preferences, but high whole-carcass prices may well encourage fabrication in the future. American supermarkets have, to date, shown little interest in goat meat, in any form, but that is likely to change, at least in some locales (demographic effects).

Note that the rationale for having carcass grades is that they 'predict' (estimate) the expected yield of boneless meat. For example, #1 carcasses, across all weight ranges, will usually yield 28-30% of the chilled carcass weight, while #2 carcasses will yield perhaps 25-27% boneless meat. Lesser grading goats and cull adults will yield perhaps 20-24%. Ethnic consumers consistently praise a 'meaty' carcass, one with no waste fat, and lighter color; they discriminate against lower grading carcasses because they perceive, correctly, that there is less edible meat/lb.

Adding value to goats or goat meat

One may add value to goats via improved genetics or via improved environmental factors, particularly better nutrition and health care. As always, uniformity of offerings is a plus, as is desirable size and condition. Packers know that their customers and consumers have certain carcass preferences, and these are transmitted to middlemen and producers over time... a slow and imperfect process, to be sure.

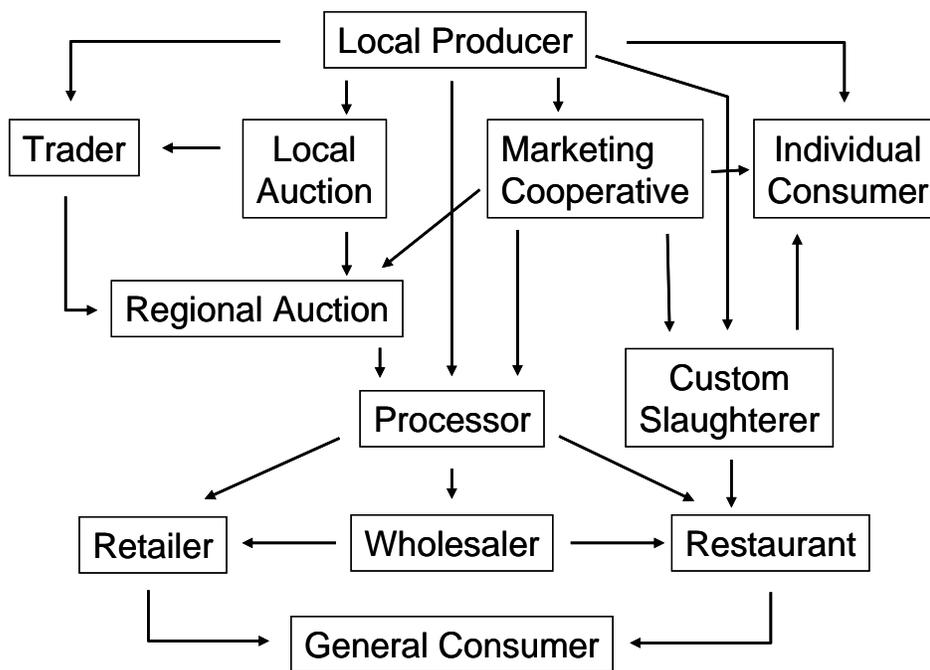
Carcass value may be enhanced by offering carcasses of more desirable appearance (conformation and color) and in the sizes and grades preferred at time and place. Consumers value tenderness highly. Tenderness is equated to age and age is, in turn, indicated by carcass size and color; higher prices follow apace.

Fabrication of goat carcasses into cuts and cut-sizes can increase the sales value of the product (beyond the associated costs) for some consumers, but not others. Deboning goat carcasses is labor intensive

and expensive, as is adding further value by processing the recovered muscle into sausages, bolognas, stix, jerky, etc. Traditional consumers have not yet showed serious interest in such products.

Contrarily, younger customers, particularly those concerned with organic/natural and ‘locavore’ issues have shown some willingness to take fabricated and processed products *under certain circumstances*. However, their preference seems to be ‘fresh goat meat’ from known sources (producers who raise and harvest goats in an acceptable manner (*humanely*, as defined by the buyer). In the U.S., we are seeing some high-end restaurants take such goat carcasses, too. I am told that a few health food stores feature mostly cuts and some processed products. All such products require deeper pockets than commonly found among the larger strata of buyers.

Figure 1. Producer Meat Goat Marketing Channels



Made available by the American Goat Federation with the permission of Dr. Frank Pinkerton, aka The Goat Man. 512-357-2534 or or email him at: akathegoatman@icloud.com.