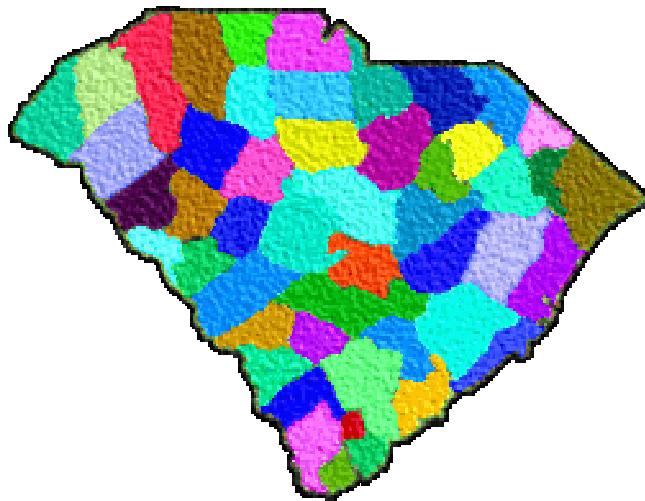


**MEAT GOAT ENTERPRISE BUDGET FOR SOUTH CAROLINA- 2008/2009**

Wilder N. Ferreira, Extension Associate  
Howard Van Dijk, Area Animal Specialist

**Department of Applied Economics and Statistics**



**MEAT GOAT ENTERPRISE BUDGET FOR SOUTH CAROLINA**

Clemson’s Meat Goat enterprise budget is intended as a guideline in the estimation of the production costs and returns for South Carolina meat goat operations and an aid to producers in selecting enterprise combinations for the 2008/2009 season. Budgeting is the basic analytical tool that meat goat producers use in making production decisions and it is the foundation of a reliable management program. It is important to remember these projections will not be the same as any individual farm business due to differences in animals, management levels, soils, feeding strategy, weather, prices received, prices paid, operational practices. The column “YOUR FARM” was exclusively designed for inclusion of data based on your farm’s records.

**PRICES**

Prices received for the various enterprises are estimates made a year in advance - and reviewed during the budget preparation period - based on market outlook. The prices used in the meat goat enterprise budget are as follow:

<b>Price Assumptions for the 2008/2009 Clemson Extension Budget</b>		
MARKET ANIMALS FOR MEAT	HEAD	\$70.00
BREEDING FEMALES	HEAD	\$85.00
CULL BREEDING STOCK	HEAD	\$75.00
CULL BUCK	HEAD	\$100.00

**PRODUCTION COSTS**

The Clemson Meat Goat budget is a logical way to organize costs. It divides expenses associated into categories that relate to the organization of a livestock operation. Costs are classified into Fixed, Variable, and Other categories. An explanation of each category is shown as follow:

**1. Variable Costs**

Variable costs are the out-of-pocket costs of producing the animals. These include charges for pasture maintenance such as fertilizer and lime, supplemental hay and feed, veterinary costs, fence maintenance, labor, etc. (costs are typically associated with the production and maintenance of the meat goat enterprise for one year). Most of the costs involved in this section are dependent on the quality of the grass, forage, concentrate and feeding rates.

Labor is treated as a variable cost. It is assumed that most meat goat operations in South Carolina utilize owner/manager labor and do not hire permanent labor. Owner/manager

labor is charged at \$6.00/hr. It is also assumed that all funds required for the annual production cost are borrowed or have an opportunity cost for those funds. The interest rate is assumed to be 9 percent over 6 months.

## 2. Fixed Costs

Fixed costs are the expenses that are not directly applicable to each animal but are incurred by the business whether or not any animals are produced or sold. Examples of fixed costs are: depreciation of equipment and facilities, interest on the owner's investment and insurance. Farmers do not write checks for depreciation, but equipment and facilities wear out or become obsolete and must be replaced. Depreciation categories include allowances for herd ownership, breeding animals, equipment, fencing, and pasture establishment.

## 3. Other Costs

A general farm overhead cost of 9 percent of total variable costs is also included. This is a "catch-all" cost including telephone, utilities and contingencies. This item is designed to handle expenses that are not easily allocated to the animal.

Additional land is a budget option in case the farmer requires to rent extra land to produce the projected number of animals. Land charge is also listed because there is an "opportunity charge" associated with the use of pasture. If animals were not grazing this land, it could be rented or sold and the money invested.

## RETURNS

Returns reveal the profitability of the enterprise. Two types of results are calculated: Income Above Variable Costs and Net Returns to Risk and Management. They are mostly used to evaluate the financial efficiency of allocating selected production units into the meat goat operation. The budget estimates may vary from "your estimates" because the budget returns are directly related to the selected resources allocated for that particular enterprise. Allocation of resources will vary among location, size of operation, technology adoption, financial condition, and enterprises. Thus, each farm operation should focus on the best combination that applies to its current situation in order to avoid unprofitable results.

a) *Income Above Variable Costs (IAVC)*: is Gross Receipts minus Total Variable Costs. This figure estimates the meat goat operations' income above the operating expenditures. It is normally used to represent the financial gains of the enterprise based on a specific size.

b) *Net Returns to Risk and Management*: is the normal end result in the construction of most budgets. Purchased inputs and owned resources have been paid. This figure is sometimes referred to as profit; however, it is more correct to call it a return to all resource costs except management. If the figure is positive, the producer will be rewarded

for his management efforts and the entrepreneurial risk he has taken. This is the figure that management should use to make decisions and compare alternatives.

c) *Cost Per Unit of Production*: breakeven percent kid crop and breakeven meat and breeding animal prices are shown. This table will help analyze the responsiveness of kid crop, meat goat price and breeding female price using IAVC (Total Variable Costs) and Net Returns (Total Costs) as comparative units.

d) *Net Returns Above Variable Costs at Different Percents of Kid Crop and Prices*: this table allows the producer to gain a better understanding about potential returns when prices and quantities are adjusted higher and lower than the assumed figures. This information will help the producer to evaluate the risk involved in producing each enterprise.