DAIRY GOATS AND DAIRY GOAT PRODUCTS: EXPORT MARKET POTENTIAL, MARKET OUTLOOK, AND VALUE-ADDED PROCESSING

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Export Market Potential

The demand for breeding goats from the United States has been steadily increasing over the past 20 years, although as with any commodity there are cycles with peaks. In some cases, the total quantity has decreased somewhat, while prices per head have increased. We are in competition with breeders in New Zealand, Australia, Canada, and parts of Europe. The U.S. industry has had the advantage of organized programs such as DHIR testing and Linear Appraisal, but others are following our lead. We must work to keep this edge by continuing to promote and encourage these programs as much as possible. These tools help us to track our progress and identify animals that can provide improved genetics for the countries desiring to purchase our breeding stock. The most frequently requested breeds are Alpines, Saanens, and Nubians.

My first goat export was in the early 1970’s, and since then I have been personally involved with the exportation of over 100,000 goats to 30+ countries. The vast majority of these have been dairy goats, although meat goat breeding stock demand has grown steadily.

General Information Regarding Exporting

Some have the mistaken impression that exporting can be a real ‘get rich quick’ scheme. While it can be profitable, with the many risks involved, it is a business to approach with appropriate planning and consideration. Even experienced exporters can lose significant amounts of money when problems occur.

- Cost Factors in Pricing Export Sales

Let’s assume an individual desires to begin providing goats to buyers in other countries. Setting the purchase cost is one of the first necessary steps. The obvious costs include the cost of purchasing animals, and the transportation (freight). There are many other potential costs that could include personnel and equipment needed to establish and maintain an export operation; translation costs; fees charged by consultants and freight forwarders (individuals whose specialty is arranging transporting and delivery of animals to foreign buyers); health testing; and payments to regulatory
agencies such as APHIS (Animal Plant and Health Inspection Service). Additional costs are incurred for loading and unloading animals (including overtime for weekend and holidays); air conditioning for loading during summer months; quarantine facility charges; commissions for agents in other countries; and other related costs. Of course, there could be additional feed and veterinary costs for keeping the animals longer than you anticipated. And somewhere in the quotation you need a profit factor. If you are selling your own breeding stock, you have to consider your own levels desired. If you are marketing for others, this can typically run from $5-25.00 per head.

- Terms of Sale

It is very important to understand the delivery terms. FOB is “Free on Board.” If your price is FOB the port of export of Houston, it would include all costs of getting the animals to the quarantine station at Houston. If you have FOB to a named port and aircraft, it would include prices of delivery upon an aircraft provided by the buyer. This would then include costs of quarantining at the port of export.

C and F or CNF means cost and freight to named overseas port of import. This would include the price for the animals (and all incidentals) and the cost of transportation to the named port where the animals are delivered.

CIF means cost, insurance, and freight. Using this term means the seller quotes a price for everything. The insured value is 100% or 110% of the total net invoice value. This could include insurance that is either Farm-to-Farm or Farm-to-Farm plus 30 days after delivery. This should also specify whether mortality or abortions are included.

A Proforma Invoice is the official name of the “quote” and would specify the buyer/seller names, status of insurance, method of shipping, method of payment, description of animals, specific charges, period of validity (how long your offer is valid), and approximate shipping date.

- Methods of Payment

CIA or Cash in Advance is the most desirable of all and is the usual method for domestic sales. However, unless it is a very small order, it would probably not be acceptable to a foreign buyer. The most common method is a Letter of Credit. This is a document that is issued by a bank at the buyer’s request in favor of the seller. It promises to pay the specified amount upon receipt by the bank of certain documents. This is usually an “irrevocable” Letter of Credit, but these can actually still be revoked! To “confirm” the Letter of Credit means that a U.S. bank accepts responsibility to pay regardless of the financial situation of the buyer or foreign bank. This is desirable but also carries a charge.
Next Steps

Now that you and the buyer have agreed on the terms and specifics of the sale, the buyer may want to come to your farm and personally select the stock. This has advantages and disadvantages. It helps that the buyer sees the animals and is satisfied with them, but it can mean tremendous organizational efforts to coordinate the travel plans for visiting other herds if numerous people are involved. This could mean spending a great deal of time on the road as an escort, and could be an important factor in your pricing scheme. Once a buyer has established working relationships with you and is satisfied with what you have located, it often means that future deals can be conducted without his having to personally select. It is important to maintain the level of quality expected by the buyer.

With an average of 10-25% of the animals being rejected by various health testing requirements, it is wise to prescreen animals before bringing them into quarantine. This is yet another risk and cost. You could work with an approved facility for quarantine at some site away from your farm, or perhaps you have a facility that meets the requirement. An accredited USDA veterinarian must inspect the facility each time quarantine begins. During this time, no visitors are allowed in the facility, and cleaned and disinfected boots and coveralls are expected to be worn by those working with the animals. Remember that bringing new goats onto your farm will increase your risk of disease within your own herd.

On the specified day, an accredited veterinarian draws the blood samples for the necessary testing (which varies by country). Within a few days, the results will be known. If there was a statement in your Letter of Credit that prohibited partial shipment, then you cannot ship the animals or collect the money if there is even one animal less than the number specified! This stresses the importance of testing a sufficient number of animals, and for requesting to remove any prohibitions or penalties for partial shipment.

Even if all goes well with the blood testing, there can be delays in the shipment from the buyer’s end. You could be feeding and caring for the animals much longer than you planned. If the time limit for the health testing expires, you may have to start all over.

If the animals are ready to be shipped finally, then transportation to the port of embarkation is next, after the animals are again inspected by the USDA veterinarian. One animal with a sign of disease could prohibit the entire shipment from leaving.

All the paperwork must be absolutely complete and accurate and endorsed by a Federal Veterinarian. The animals need to be identified by tattoo and sometimes by ear tag as well.
Other Methods of Exporting

Another choice is to simply work with someone who is putting together an order, and just sell them your goats! This certainly has the least risk and is what most breeders prefer to do.

Arrangements for the various deals can vary significantly. For example, the health requirements vary by country. Tests could include CAE, Bluetongue, Johnes, Vesicular Stomatitis, Brucella abortus, Brucella ovis, and Leptospirosis. The tests have to be conducted within specific time frames such as within 15 or 30 days of shipment. Some countries require vaccinations for diseases such as contagious ecthyma (soremouth), and some require 4 weeks or more of isolation. Frequently, a TB test is conducted at the farm, and a prescreening test for CAE is done at the same time. Then, those that pass these tests are eligible to be purchased. At the specified time, the animals are either picked up or the owner delivers them to the quarantine area. With our exports, we typically cover the cost of the CAE test, while the owner covers the cost of the TB and blood drawing. This can vary, but is specified in information provided to the seller, along with other instructions.

If you have good breeding stock and want to market your animals for export, here are some suggestions:

• Don’t expect export sales to be a “dumping ground” for animals of poor quality. Selling poor animals hurts all of us and could reduce export markets in general.

• Expect delays. Often there is a “hurry up and wait” syndrome as the process begins. We hurriedly work to identify and locate animals, and then the usual delays happen. Try to anticipate delays.

• Realize that deals aren’t guaranteed sales until the animal leaves the farm. Many things can happen that could jeopardize the final closing of a sale.

• Be willing to accept reasonable prices. In some cases you may be given a deposit first, and final payment after you provide all the appropriate documents (such as registration papers, interstate shipping papers, production and appraisal records, etc.). Final payment may also be held until animals are shipped.

• Follow directions carefully! If you are told to have your veterinarian draw blood on a specific day, make sure this is followed carefully. Otherwise, it could risk your potential to sell animals and put the entire shipment in jeopardy if the expected number of animals cannot be sent.

• Check tattoos. If the papers and tattoo do not match, the animal cannot be sent.

• Trim feet.
• Be willing to be flexible in delivering or having your goats picked up at all hours of the day and night!

• Participate in performance testing programs. Most of our buyers are now requiring DHI dam records on purchased stock. Generally, there are minimum levels stated, and usually the levels are based on ME's (Mature Equivalents). We’ve seen an increase in levels of required milk, fat and protein levels as foreign buyers become more educated about our programs and more serious about improvements.

Being part of a successful export program can be satisfying to the goat breeder. Handling the comprehensive details of working directly with foreign buyers certainly isn’t for everyone. Even with years of experience in anticipating potential risks, there will be problems. Like any other business, there are risks and rewards.

**Market Outlook**

Based on current interest levels, the market appears to continue to be good. Demand continues from Asia, South & Central America, Mexico and some European countries. It will be important for us to work within a framework of meeting necessary health protocol of importing countries, and continue to supply an acceptable quality level.

**Value Added Processing**

*Cheese/Cultured Products*

The US has a net deficit goat milk cheese product inventory (we aren’t producing the volume demanded by the market). Importation of goat milk cheeses continues at a high level, especially from France. We are seeing growing demands for domestic products as producers make more efforts in product improvement, marketing and promotion. The variety of goat cheese now available is nothing short of tremendous. I have seen the quality improve significantly over the past 30 years, and many of our goat cheese producers are truly artisans to be admired for their skill in developing new products with a quality that easily competes with those from countries where those skills have been honed over several thousand years. From fresh cheeses to aged products, cheese production is currently probably the most profitable return on fluid milk, although it is still a perishable product, so surplus amounts not sold could become a concern, and make it a challenge for transportation logistics. Yogurt and kefir drinks are becoming more popular, and these are ideal uses for goat milk.

*Confections*

Goat milk fudge is often made in kitchen batches and sold at farmers’ markets and commercial productions also make it to the mainstream as well. Other candies and confections such as truffles are popular products as well.
**Powdered/Dried**

Powdered goat milk produced in the US is being exported to a number of countries, and in addition to its use in the human diet, is can be used for livestock and pet milk replacers. Higher dollar returns will likely come from pet use. The pet market is virtually un tapped at this point, although Esbilac, a popular milk replacer for dogs and cats, is now available in a formula made with goat milk. One online supplier has it advertised for $43.99 for a five pound package. (http://www.sanctuarysupplies.com). With some marketing efforts, it is possible that we could see more goat milk usage for additions to pet foods for adult animals as well. Goat milk is a considered a healthy protein source for humans as well as pets, and the use of goat milk in pet products could give a boost to the goat milk industry. The following discussion pertains to herbal and other supplements, but with the right marketing approach could also be reflective of including products such as goat milk or even goat milk colostrum.

“According to a recent report released by the market research firm Business Communications Company, Norwalk, CT, pet supplement sales are predicted to reach at least US $1 billion by 2005, with growth projected at 17-22%. Fueling this growth is the demand of pet owners for the same type of health foods, herbal remedies, holistic medicine and organic products that they use themselves. A study released by Ralston Purina in 2000 stated that twenty-nine percent of pet owners have sought or considered nutritional supplements as an alternative health remedy for their pet. Seven percent of pet owners have sought herbal remedies. Based on a rough estimate of the dog and cat populations in the US and Canada using a formula taken from the American Veterinary Medical Association's website this could mean a total of 1.7 million dogs in Canada plus 16.3 million dogs in the US could be receiving nutritional supplements. The number of cats receiving supplements in Canada could be 4.1 million plus 40 million in the United States. Four hundred and four thousand dogs in Canada and 3.9 million in the United States could use herbal remedies. The cat population receiving herbs could be nine hundred and ninety-nine thousand in Canada and 9.6 million in the States.” (http://www.agric.gov.ab.ca/economic/market/pet.html)

** Colostrum**

Colostrum is now readily available in tablet and capsule forms and is quickly gaining favor as a human dietary supplement. One commercial product made from goat milk is Goatein™. The following comments from a marketing company offer uses for dietary colostrum supplements:

“Each serving of GOATEIN™ IG contains probiotics in a base of lacto fermented goat's milk protein combined with goat's milk colostrum. Fermentation by lactic acid bacteria creates biologically active lactic acid that plays a major role in energy production and fat burning. This lactic acid is also essential for proper pH balance of the gastrointestinal tract and other bodily tissue. Many of the healthiest and longest living people in the world have consumed lacto-fermented dairy products and attribute their longevity to this remarkable food. Research has shown that regular consumption of cultured (lacto-fermented) dairy products lowers cholesterol and protects against bone loss. Medical studies have shown that growth factors in Colostrum can help the body:
• Regenerate normal growth of muscle, bone, cartilage, skin, collagen and nerve tissue
• Burn fat for fuel instead of muscle tissue during dieting
• Build and retain lean muscle
• Synthesize DNA and RNA
• Balance and regulate blood sugar levels
• Heal burns, cuts, abrasions and mouth sores with topical application
• Regulate blood glucose levels and "brain chemicals" providing alertness and better concentration

Immunoglobulins (found in colostrum) are able to neutralize even the most harmful bacteria, viruses, and yeasts, states Dr. Per Brandtzaeg; Annals of the New York Academy of Sciences. GOATEIN™ IG contains a virtual army of immunoproteins, including PRP (Proline-Rich Polypeptide) which supports and regulates the thymus gland, Lactoferrin a protein that transports essential iron to the red blood cells and prevents harmful bacteria from utilizing the iron they require to grow and flourish, and Lactalbumins which research indicates may be highly effective against numerous viruses.” (http://www.prohealthsolutions.com/goatein-ig.html)

**Cosmetics**

Perhaps the fastest growing of all processing options is the use of goat milk in skin care products. It has the value of offering a product that is not perishable and can be produced on a small scale or large commercial scale. Soaps are the primary product, but bath soaks and lotions are also top sellers. Artisan-made goat milk soaps are seen at craft events, farmers markets, and are now available in every high-end department store as well. Natural ingredient based products will likely continue to enjoy the popularity it sees today. Facial skin care products alone accounted for $5 Billion sales last year, and with more marketing efforts, goat milk products could make a significant component of that industry.

“From ancient times until today, milk and milk products have been used as an excellent source of nutrition and for medicinal and cosmetic purposes. Goat Milk protein contains all the known and essential amino acids, including a much higher content of medium chain fatty acids (MCT) {which have become of considerable interest to the medical profession, because of their unique benefits in many metabolic diseases of humans (Babayan, V.K., 1981. Medium chain length fatty acid esters and their medical and nutritional applications. Journal American Oil Chem. Society. 59: 49A-51A). It also contains vitamin A, B vitamins, and minerals such as calcium, potassium, magnesium, and phosphorus. With its natural emollients, goat milk soap can relieve dryness and restore a silky softness to the skin. Goat Milk has long been known for being effectively utilized by people who have sensitivities to cow milk. It nourishes our bodies - inside and out!” (http://getyourgoatsoap.com).
Summary

Unlike many industries facing declines, the goat industry has the potential to expand and become a more profitable business. There are many challenges, but the potential is there. One of the most challenging difficulties for many producers is the fact that they are frequently the producer, processor, distributor, and marketer for their products. It can be difficult to excel in each of these areas, and often this is where the producer falls short of making a good profit. Unlike most producers of cow milk, it is necessary to do much more than just manage an efficient animal and harvest that product. More research on the health benefits of goat milk and more mainstream marketing of goat products in general could increase its acceptance and help increase the success for all. Increases in cooperatives or other collective efforts for marketing could also help facilitate a profitable business.

Unlike the export market for our breeding stock, which is definitely well established, the export market development for many of our goat milk products has barely begun. The potential is indeed there, and in the years to come, we will see this become a more important component, and thus an incentive for those who choose to work with this unique species that has offered food and clothing for mankind for thousands of years.
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