Variations in Prices Received for Slaughter Goats

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Introduction

This article was written for producers interested in goat pricing patterns, their causes, and their influence on seasonal marketing opportunities. It also suggests that one can predict, with due caution, what prices are likely to be in the near-term future based on current and previous pricing levels and trends.

Experienced producers of slaughter goats are well aware that the prices they receive at local and regional auctions vary widely across time and place. Since the advent of the live-grading and pricing report systems at many of the larger, regional venues a few years ago, the USDA/Agricultural Marketing Service has published weekly sales prices for goats via Market News Reports from certain of these markets. The prices are most often quoted on a per-pound basis, but, at a few auctions (most notably the New Holland, PA regional auction) they are still quoted on a per-head basis. Both quotation methods present high/low ranges of prices for live-grades, but neither provides arithmetic or weighted averages. ..bummer.

We have accessed the Market News Reports from Producers Livestock Auction in San Angelo (some 200,000 goats annually) and, for certain comparisons, the New Holland auction (under a 100,000 annually) via the USDA Livestock & Grain Market News Portal to obtain weekly/monthly Reports for CY 2004 through CY2007. We have sifted the data to identify sources of variations in prices received and, secondly, to discover recurring patterns of price responses.


Note that prices are reported in ranges which we convert to averages for use in constructing Figures 1-9 in this paper. Over the years, we have observed that the typical price range, top to bottom, to be about 12-14 cents with most of the goats selling rather close to the mid-points (calculated averages).

As you will see in the accompanying figures, prices vary across years, months, and venues as well as by live grades and categories of selling weights. These variations are the result of supply/demand ratios existing at any given time and place for numbers, grades, and weights of slaughter goats on offer.

Remember, in classical economic theory, there is always the assumption of ‘sufficient supply’ and ‘adequate demand’ at any given marketplace, and the prices paid/received therein merely reflect the equilibrium between these two market ‘forces’. However, goat producers are all too familiar with non-theoretical, real-world situations in which localized demand (too few bidders) or over-supply (too many goats on a given date) causes them a world of hurt. It is not particularly comforting to know that, historically, this is a recurring fact of goat ownership; one necessarily lives with it.

Sources of Price Variation

Seasonal variation in prices received is most conveniently demonstrated by ‘graphing’ the numerical four-year (‘04/’07 average) monthly prices, as shown in Figure 1 (Figures for ‘08 do not differ appreciably). Note the wide price differences received across the year for Selection 1 goats weighing 40-60 lb (other grades and weights behave quite similarly). Following summer/early fall lows, prices begin to rise in November, go a bit higher in Dec, increase some in Jan, and increase sharply in Feb reaching annual highs in Mar or Apr (depending somewhat on Easter time). Prices typically fall off a bit in May, and then comes the ‘June-
swoon’; thereafter, prices remain low during the summer and into Oct. Over the past decade we have found that winter highs may exceed summer lows by 25-30%, occasionally more at various venues.

Although we don’t show the numbers of goats sold in Figure 1, the prices paid rather closely reflect the quantities of goats on offer across any given week/month (the fewer the goats, the higher the prices). The production of goats in TX is highly seasonal, most kids being born Dec/Mar with another, smaller wave in late spring; other, colder states show late spring highs. In the Southeastern states, late Feb/late Apr kidding is the norm...mostly a matter of forage availability, but also due to owner preferences for warm weather/outside kidding). Kids are typically sold as warm-season forages are depleted by late fall. Consequently, these combined management practices combine to cause the recurring July/Oct price lows and winter highs due to imbalances in supply/demand.

Annual variations in prices paid occur over time because of different supply/demand ratios then prevailing. Figure 2 documents this variability across the years, ‘04/’07. Note that no matter the degree of variation between each of the years, the seasonal pattern described above recurs across all four years. FYI, ’06 and ’07 were abnormally dry years which resulted in more goats coming on the market with concomitant lower prices in the summer than in ’04 and ’05 when range moisture was better. Since demand apparently remains fairly stable in the face of varying supply numbers, prices rise/fall accordingly.

Figures 1 and 2 use monthly-average figures to illustrate seasonal and annual variation in prices paid. These figures are the numerical averages from the number of Sale events in any given month (each may contain 2-5 weekly reports, depending on calendar configuration and the number of holiday-induced, or other, auction closings). Figure 3 graphs the weekly gyrations within the months in CY 2007. As is apparent, there is an element of ‘gambling’ in choosing the ‘best’ week of any given month to market one’s goats. Long observation has led us to believe that late Jan, early May, late Nov, and early Dec are preferable in those months; otherwise, it seems to be a crapshoot.

Price variations due to live grade: experienced producers are well aware that, within weight categories, Selection 1 goats bring a premium over Selection 2 goats which, in turn, bring more than Selection 3 goats. Figure 4 conveniently documents these price relationships across CY 2006 and 2007. It has been a very repeatable pattern since the beginning of graded sales and Market Reporting, but, over the years, we have noted a tendency for prices for Selections 1 and 2 to move ‘closer together’ in times of short supply/higher prices. Contrarily, when summer supplies are high relative to demand (thus causing prices to drop), Selection 2 and 3 prices tend to move closer together as buyers ‘cherry-pick’ Selection 1 goats while paying noticeably less for lesser goats.

Price variations due to sale weight: experienced producers are also aware that, at given grades, certain weight categories bring higher or lower prices. Table 5 conveniently documents such price responses to Selection 1 goats during CY 2006 and 2007. Goats weighing 40-60 lb typically bring a relatively small premium price over those weighing 60-80 lb. However, this premium may all but disappear when demand is high; as a result, prices are often reported for 40-80 lb goats as a single category.

Goats in the 80-100 lb category sell for significantly lower prices/lb than lighter goats. It is not just size differential alone, but rather a negative response to degree of fatness. Remember, internal fat deposits are not salable; this effectively lowers the ‘dressing percent’ of overly-conditioned goats. Do note that in the general summer price slump due presumably to lower demand, prices for the three weight categories tend to ‘cluster’ much closer together.

Price variations due to sale venues: in an earlier article (Goat Rancher, 2006), we documented the levels of prices paid for goats of similar weight and live grade at six regional auction sites. We now reproduce certain of that information here to demonstrate the range of prices paid as between San Angelo, TX, Nash-
ville, TN, and New Holland, PA. As documented in Figure 6, prices are lowest at San Angelo, intermediate at Nashville, and highest at New Holland.

These price differences are thought primarily due to differences in hauling costs from these three sites to the major packing plants in NJ, NY, and PA. However, there are some differential responses to weight categories also; see figures Tables 7 and 8 showing disproportionately higher prices for the smaller 20-40 lb goats in New Holland than in San Angelo. This premium is thought to reflect localized ethnic preferences for small goats, especially for certain holiday trade.

It is also of interest to note that the price differences between 40-60 and 60-80 lb goats are relatively larger in PA, reflecting, we think, the Muslim preference for ‘smaller’ goats. Note also the heavy discrimination in San Angelo prices for goats over 80 lb (although not shown in the figure, New Holland prices follow suit).

Figure 9 contrasts the price differentials for Selections 1 and 2 goats paid at San Angelo and New Holland. It appears that the spreads between grades 1 and 2 are wider in New Holland, reflecting relatively higher ethnic demand for grade 1 animals in New Holland.

Caveat, readers: San Angelo Auction personnel unload each seller’s goats into separate pens. At Sale time, personnel do an alley-sort of ‘the pen’ into groups of nannies, bucks, and slaughter kids. If the group of slaughter kids is large enough, they then sub-sort it into weight groups, and, if one or more of these groups is big enough, they rough-sort it by Selection grade. In no case are the goats of two or more owners commingled; this would require individual goats to be tagged and add tremendously to the book-keeping chores, thus increasing commission charges and slowing Ring flow appreciably.

In Nashville, the goats are ‘roughly’ pre-sorted by Selection grade with the result that each sale group may be composed of, say, mostly #1 goats with a few borderline #2; an offering of mostly #2 goats may have a few borderline #1 or borderline #3. In New Holland, the goats are usually pre-sorted by weight groups which typically contain varying proportions of grades 1-3. (Remember, NH sells on a per-head basis, not per-pound).

At each Sale venue, USDA Market Reporters observe (for hours on end) the offerings being sold and evaluate/decide price responses across grades and weight. There being no ‘magic measuring-machine’, their accuracy is a function of their experience and capability; so also with packer-buyers and order-buyers.

Caveats to readers: mathematically speaking, historical trends are ‘reasonably predictive’ of future trends only if short-term situations do not exhibit substantive, ‘abnormal’ conditions, i.e., sudden, unusually sharp deviations from the ‘norm’. Accurately predicting goat prices at time and place in the short-run requires a certain degree of faith-based confidence in one’s ability to discern the unknown; to take action on this assessment-of -probability requires a bit of the gambler mind-set. (Like Kenney Rodgers sings, you gotta know when to hold ‘em and when to fold ‘em).
Figure 1. Average Seasonal Variation in Slaughter Goat Prices: Selection Grade #1, 40-60 lb Live Weight, 2004/2007, Producers Livestock Auction, San Angelo, Texas.

Figure 2. Annual Variation in Slaughter Goat Prices: Selection Grade #1, 40-60 lb Live Weight, 2004/2007, Producers Livestock Auction, San Angelo, Texas.
Figure 3. Weekly Variation in Slaughter Goat Prices: Selection Grade #1, 40-60 lb Live Weight, CY 2007, Producers Livestock Auction, San Angelo, Texas.

Figure 4. Variation in Slaughter Goat Prices Due to Live Grade, 40-60 Live Weight, CY 2006/2007, Producers Livestock Auction, San Angelo, Texas.
Figure 5. Variation in Slaughter Goat Prices Due to Sale Weight Category, Selection 1, CY 2006/2007, Producers Livestock Auction, San Angelo, Texas.

Figure 6. Reported auction prices on a $ per pound basis for San Angelo, Nashville, and New Holland for January 2005 through May 2006 for Selection 1 kid goats weighing 40 to 60 pounds.
Figure 7. Reported auction prices at San Angelo for different weights of Selection 1 goats and the number of marketings each month.

Figure 8. Reported auction prices at New Holland for different weights of Selection 1 goats and the number of marketings each month.
Figure 9. Auction prices at New Holland and San Angelo for Selection 1 and Selection 2 kid goats weighing 40 to 60 pounds.