

Increasing the Bottom Line

By Linda Fox, Goat Knoll Farm

Fifteen years ago I wrote an article for *CashMirror* magazine entitled Show Me the Money! The intent of that article was to answer the frequent question, “How do I make money raising cashmere goats?” The old article can be found [here](#) and this article is more recent (and less technical) than the original.

I’ve recently been thinking about this more than usual due to group facebook posts about growing the US cashmere industry by finding ways to dramatically increase the numbers of cashmere goats raised in north america, increase processing capacities (specifically dehairing) in order to have enough product to offer to a broader market than is now possible.

As a CPA, I am probably more focused and familiar with the money angle than most. I feel that it is important to profit from your working endeavors, although I am aware that money is not the only motivator for doing something. I love the goats and their wonderful fiber, spinning, knitting, weaving, dyeing and the whole creative process of making something useful and beautiful from animals who live on our farm. I also enjoy selling my products to others--the ultimate confirmation that others appreciate and intend on using the results of my endeavors. However, I am also a capitalist and want to earn money for doing this. In addition to being a capitalist, I am a realist. I know what resources we have (land, investable dollars, abilities, time, energy) and I know I have to live within those boundaries to be successful.

There are two parts to profitability—sales and expenses. We obviously need to maximize the first and minimize the second.

Sales

In this article, I’m focusing on cashmere sales. Obviously there’s a sales element to the goats as well, but I’m not covering it here. I do believe that increasing your cashmere product sales will help your goat sales as well. Cashmere product sales gets you “out there” talking to people and often those people have/develop an interest in your animals as well. Successfully selling your products helps prospective goat customers who might also have a profit motive, see that their products can be income-producing as well.



Cashmere goats quietly producing cashmere, among other things (raising kids, eating grass and brush and giving us something fun to watch).

To maximize sales, we need to produce a product that customers want and will pay for, we need to market it successfully and we need to charge the most we can for it. What customers want changes over time and can often be directed somewhat with successful marketing.

Our goats produce cashmere. We can sell it raw off the goat, either wholesale or retail. Wholesale prices are less than retail prices, usually substantially so. There is a market for selling raw combed cashmere at retail prices to individual spinners, who are willing to hand dehair in order to save money. I’ve found this to be a small market in our area and we can’t sell all the cashmere we produce raw in this market. We don’t have enough time (or the inclination) to hand dehair all our harvest, but for someone who has only a few goats, hand dehairing your own cashmere to sell retail to individuals might be a good option.

Small farms must sell retail if at all possible.

If you have so much cashmere that you can’t sell it all, due to lack of resources for further processing, or lack of available time for value-adding and marketing, selling wholesale may be your only option. In the early days, there were no effective small cashmere dehairers available to us. If you had more than a few goats, selling raw cashmere wholesale was the only option available other than stockpiling for years when other options were hopefully available.

Continued on next page

Increasing the Bottom Line Continued from previous page

In the early years, we sold our crop wholesale, to the Texas Cooperative and to larger producers. We got a minimal amount for our product, but felt that it was important to get our cashmere processed into the system to help build the American industry. I remember the first year we harvested our cashmere, we sent our entire harvest to the cooperative and got back \$78. We felt good that we had contributed to a collective effort to build an industry, but \$78 for the products of our 42 goats was disappointing. Two other years, we sold our raw cashmere batch to other larger producers, who combined our fleeces with theirs and others in order to process a larger amount. We received a bit more back for those years, but still clearly a dismal amount. As soon as we had other options for dehairing and spinning smaller amounts, we switched to having our own cashmere separately processed each year and selling retail.

Small farms must sell retail if at all possible. Also, the more value you can add to your raw product, the more profitable it should be.

All processing after the cashmere harvest is adding value to your raw cashmere. Each step—washing, dehairing, spinning, dyeing--adds to your costs and increases the value of the end product. Hopefully each step adds more value than it costs you for the additional processing.

In my experience, selling raw cashmere retail is not as profitable as adding value and selling an “enhanced” product. It is important to compare your costs of adding value to your product to the increase in the sales price. I can make (net) more on an ounce of cashmere cloud or roving than I can on raw cashmere, even after paying the additional processing costs. I can also net more per ounce on yarn than I can on roving, even after paying those additional processing costs. I can add even more value by creating a pattern for my yarn and then selling a knitting kit.

It's important to know your costs and calculate the net income of your products. Spreadsheets are helpful for this—either computer or manual. After each batch of mill-processed cashmere is returned, I calculate my costs. I add the mill's invoice amount to the mailing costs to and from the mill and divide this total by the number of ounces of cashmere I have to sell. For example, if the mill returned to me 64 ounces of cashmere roving and their processing bill was \$350 and it cost

Continued on next page



Raw cashmere, just combed off the goat. It's pretty and you can sell it, but you will get more after it's processed.



Roving - sells for more per ounce than raw cashmere.



Yarn sells for more than roving.

Increasing the Bottom Line Continued from previous page

me \$30 to mail the raw fiber to them and they charged me \$35 to mail it back, my costs for the roving are \$6.48 per ounce $((\$350+\$30+\$35)/64=\$6.48)$. If I charge \$22 for my roving, my net income per ounce is \$15.52.

Another important factor in analyzing your sales, is creating products that your customers will buy. I've found that having a variety of products helps, especially for returning customers who want more of your product, but want something different for subsequent purchases. Your current satisfied customers are good future customers—they liked what they bought from you and they will purchase more from you when they need it. They might also recommend you to their friends.

Marketing

Marketing is the action or business process of promoting and selling products or services, including market research and advertising. Got that right off the internet, so it must be true. Marketing is a whole topic on its own and it's important. For our purposes here, I will just say, unless customers are readily buying all that you have to sell with no effort on your part, you need to do this.

Costs

I divide farm costs into two categories: direct costs and other costs. What I define as direct costs is easy to obtain. For me, that is the money I must spend to turn my raw cashmere harvest into the product for sale. This includes mailing costs, mill costs and other costs I incur after my product is returned from the mill—costs of dye and packaging. I make sure I know my direct costs, figured on a per ounce basis, to help me set my sales price and to help me decide what products to produce.

There are other costs. Some are easily known like the costs of advertising, booth costs for sales and travel costs to shows. These are incurred whether you actually sell anything or not. Other costs are elusive such as costs for maintaining the cashmere goats and the farm. These costs are often combined with the costs of keeping other farm animals and pets and some have more to do with lifestyle choices than profitability. For example, in addition to our cashmere goat herd, we have other farm animals; some for profit, some for food, some are pets. It is often difficult to allocate costs among them, but it is necessary to make some attempt to keep the tax return fairly accurate and to make farm business decisions. We have our own scheme for what costs we incur because we have to and what costs we incur because we want to.

One way to minimize costs is to buy frequent needs in larger



A room full of spinners. They love your fiber. Some of them might also be interested in a goat.

quantities. For example, buying all your hay at once is less expensive than a few bales at a time. Buying the larger 100 ml bottle of CD&T is less expensive than buying four 25 ml bottles. Buying grain in bulk is less expensive than buying it one bag at a time. Some of these options require storage space and numbers of goats to justify the purchases. If your CD&T is going to expire before you use it, the larger bottle may not be such a good deal after all.

Costs and decisions to incur them are also driven by resources you have. If you have only a few acres and a lot of goats, the “free food” in your pasture isn't going to last all year. You will be purchasing more supplemental food (hay and grain) than if they could eat from the pasture most of the year. If you limit the number of goats to maximize the use of the land you have available for “free food”, your costs will be lower than if your goat numbers exceed your land resources. Sometimes you have the land, but lack the fencing to make it available for goat food. Investment in up front costs can cut the ongoing costs. Investments in up front cost than can save your money down the road. Keeping your goats healthy is an example of this. Medicines and veterinary bills are very expensive—as well as time consuming and stressful. An ounce of preventions costs less than a pound of cure.

Another easy cost saving method is to not overfeed your goats. Fat goats aren't as healthy and they cost more to feed.

In summary, if you're just raising your goats as pets, a fiber supply to feed your spinning habit or to eat a few weeds and you have plenty of discretionary funds to cover it all, this entire discussion is not relevant to you.

However, if your goal is to make money from your goats, or at least minimize the amount of money they cost you, sales and costs are something to consider and plan for.