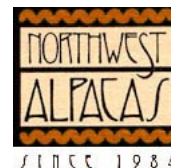




## **The Alpaca Market, Back To The Future**

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By Mike Safley  
1995



## The Alpaca Market, Back To The Future

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I was driving down the highway not long ago, looking in the rear view mirror and thinking about the future of the alpaca business. I was asking myself, where have we come from and where are we going to go. It occurred to me that just five years ago, there was no Alpaca Owners and Breeders Association (AOBA). Four years ago there was no suri alpaca in the U.S. Three years ago there was no Alpacas Magazine. Until just recently, the most frequently asked question in our business was, "What is an alpaca?"

Today, alpacas are more familiar to the general public, thanks to national exposure from publications such as USA Today and television programs such as Good Morning America. Yet the alpaca business itself is still in its infancy. AOBA currently has over 675 members (*3000 in 2002*), while two years ago they had about 200 members. But these numbers can be misleading; less than one half of the current membership actually owns alpacas. This means that if current members who presently don't own alpacas, did, we would more than double the number of alpaca ranches in the United States. Put another way, there are less than 300 alpaca ranches in America.

There are currently just over 5,000 alpacas in America. In December of 1988 there were only 398. In 1991 there were still only 2,115. Of the 5,000 alpacas in the U.S. more than 2,000 of these are males. The population of alpacas is minuscule when compared to any other livestock breed (*there were 35,000 in 2002*). This is true not only in the U.S., but worldwide.

Where will we journey from this small foundation herd of alpaca that is being nurtured in the U.S.? What lessons can we learn from the markets that have evolved around other rare breeds such as llamas and ostriches? What are the alpaca's fundamental strengths and how should the breeders exploit them in the future?

The alpaca business today is enjoying the same initial success that was enjoyed by ostriches and llamas over the past 20 years. Prices have been steady for a long time. Alpacas are easy to sell, buyers actually solicit the sellers. The Peruvian Elite Sale in Michigan grossed over \$10,000,000 in three days. Three weeks later, the Celebrity Sale achieved sale averages in excess of \$16,000 per alpaca, regardless of sex and in spite of what many observers felt were, on average, lower quality alpaca.

Things couldn't be better. The big question many buyers ask is, "how long will it last?" The answer most generally given is, "at least 5 more years." I've been saying 5 more years each year for the last 10 years. The truth is, no one knows.

But I think our industry has far more potential than just 10 more years. I'm clear that we won't enjoy high average prices indefinitely, but we can avoid the mistakes made by some other alternative livestock breeds. Those mistakes include resting on past success and failing to communicate the benefits of owning a particular breed to an ever wider population. I've noticed that several of the alternative livestock breeds and their breeders became closed as they grew larger, they began preaching to the choir, they failed to continue attracting new participants to their industry and they became stagnant.

AOBA has had the foresight to develop marketing material which explains alpaca to the uninitiated. The World's Finest Livestock Video shows the lay person what it takes to raise alpaca. The Alpaca color brochure generally answers most of the initial questions people have about alpaca. The Fleece to Fashion brochure articulates the advantages of alpaca made into textiles. Alpacas, The World's Finest

Livestock Investment brochure explains the financial benefits of alpaca ownership.

The next step, if we are to avoid other breeds' mistakes, is to place this information in the hands of people who are still asking the question, "What is an alpaca?" There are many dividends to be accrued by bringing new breeders to our industry: 1) they supply new capital, 2) they bring fresh ideas and enthusiasm, 3) they become salesmen for the breed, 4) they bring additional talent to our existing breeder base, and 5) they will allow us to grow the national herd to the point of sustained commercial viability. In my opinion, it is the talent that new breeders supply that will be most important in building the future market for alpacas.

How can we as an industry insure an ever-increasing audience for our product? I think the primary condition for continuing success must be breeder cooperation. We must find more ways to act collectively. Our industry is small, we are made up of small breeders; even the so-called big breeders are small when compared to participants in almost any other endeavor. Our strength can only be developed through close cooperation. Each example of our current success is founded in cooperation. *Alpacas* magazine succeeds because everyone in the industry contributes. AOBA's marketing material was initially funded with our collective dues. The regional alpaca festivals, which build our regional markets, require multiple breeders' cooperation.

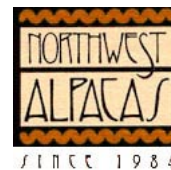
As we look ahead to the next 10 to 20 years, we need to develop additional models for breeder cooperation. More regional groups need to associate. In Oregon, there have been three small associations formed in the last two years. The organizing principal for these groups seems to be the close proximity of their farms. Meetings are held eight to ten times a year and the breeders have all participated in "farm day" type promotions. Members of these smaller groups, in turn, work cooperatively on more regional events such as Alpaca Fest International.

Another recent example of successful breeder cooperation was the alpaca "infomercial," produced by six breeders, Alpacas of America, Camelids of Delaware, Northwest Alpacas, Maplewood Farms, Pet Center Incorporated and Stachowski Alpacas. The 30-minute video cost over \$30,000 to produce and another \$25,000 was spent buying airtime both locally and nationally. The total cost of this project was in excess of what any of the individual contributor could have afforded.

The video included repeated references to AOBA and frequently displayed the AOBA phone number. Hobert Services, AOBA's business office, typically receives about 30 to 60 requests for alpaca information per month. During the month of August, while the infomercial was playing, they received almost 300 requests for information and many new memberships.

The infomercial video is available to be licensed by other breeders for play in their market area. The breeder who uses the video can program his own commercials onto the tape at prearranged intervals. The breeders who originally financed the tape will remove their commercials, but the AOBA promotion and phone number will remain. Everyone in the industry can benefit as the infomercial is played in local markets. Anyone who wishes to use the infomercial should call me.

The response I received from the video was amazing. We had over one hundred visitors to our farm as a result of airing the program over one weekend at a cost of less than \$500. I've filled two alpaca



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investment seminars as a result of the broadcast and sold over \$100,000 worth of alpacas to purchasers who had never before heard of alpacas. I have many more people currently looking into buying alpacas as a result of viewing this infomercial. Not only did I experience tremendous interest as a result of airing the video, but many breeders from my local areas commented that they also received inquiries from people who saw the tape. I am convinced, the single most effective thing that breeders can do to market their own animals is to join together with others to market alpacas generally, to the general public. A large portion of our ad dollars can best be spent promoting alpacas to the uninformed. We need to be advertising in the in-flight magazines published by airlines such as American or United. We need to advertise in magazines like Southern Living and Sunset. We shouldn't spend all of our dollars advertising in magazines which are mailed to people who already know who we are and what we are selling.

The problem with the approach I'm suggesting is the cost. It is expensive to advertise in the weekend edition of USA Today. The solution, cooperation. We need to pool our dollars and promote alpacas generally to a much larger market, as opposed to exclusively promoting our individual ranches specifically to a much smaller market.

AOBA should consider funding an ad-coop, together with individual breeders who can afford to assist a larger, more expensive effort. There will be more than enough benefits for everyone involved to justify the cost. The local breed associations can also pool their ad dollars to everyone's benefit.

We need more programs like those being created by Jim Faiks and Alpacas Magazine. Jim has created a sponsorship promotion, which encourages breeders to sponsor subscriptions to Alpacas Magazine for their accountants, vets, doctors and local feed stores. Jim is working on having the magazine sold in bookstores. Copies of the magazine will also be sent to other people in the alternative livestock business who do not currently own alpacas.

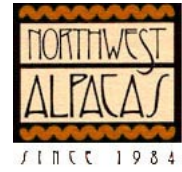
The second condition necessary to our future success is the development of our domestic fiber industry. I recently attended the Taos Wool Festival with my wife, Julie, who was looking for fiber artists who could create products for her country store. We also went specifically to meet with the owners of the Taos Woolen Mill, a specialty fiber processor.

For Alpaca breeders in the U.S. to effectively market their fiber production, they must first convert it into a universal product, such as machine spun yarn. Yarn can be made into sweaters, sold to knitters or woven into blankets. Raw fleece, on the other hand, is currently only saleable to hand spinners. There is no central commercial market place which buys and sells fleece in the grease.

Robert Donnelly, a partner in the Taos Woolen Mill, says, "For any specialty fiber breed to establish itself commercially, it must move beyond the cottage." His mill is ideally suited to assist the alpaca industry in doing just that. They scour, card, spin and ply specialty fibers into yarn at a reasonable price, in most cases for less than \$20 per pound.

Julie and I were delighted to see alpaca from our ranch spun and plied into beautiful, even yarn. The mill currently cards and spins sheep's wool into yarn for the blanket-weaving industry, which has been located in and around Taos and Sante Fe, New Mexico for generations.

Once Alpaca breeders can determine a dependable means of production, which will convert their raw fleece into commercial products, a strong domestic market will evolve. Each breeder will become the



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salesman for products, such as yarn and sweaters, which are universally understood by the consuming public. Alpaca products are easy to sell, they are unique. The public enjoys them.

We all know that alpaca fiber is stronger and warmer than sheep's wool, that it's softer than most specialty fiber and that it's relatively easy to process. But, the distinguishing characteristic of alpaca fleece in the future will be its relative fineness.

The value of specialty fiber is largely predicated on fineness. In Australia, triple A fine merino sheep's wool sells for four times as much as run-of-the-mill coarser fiber. Cashmere in Australia sells for over \$100 a kilogram. Vicuna cloth, currently being processed in Peru, will sell for more than \$1,000 per square meter. Added value is closely related to fineness.

Alpaca has traditionally been purchased by the pound. Peruvian breeders are paid little or no premium for fine fleece. As a result, the average Peruvian alpaca is most often bred for high density. Historically, fiber fineness has not been a priority. Australian breeders have already recognized the alpaca's potential for fineness, and they routinely have their fiber micron tested. They use this information to guide their breeding programs.

The future value of the American alpaca can be enhanced by selectively breeding for fineness, in addition to high yield. Alpacas which produce fine fiber will sell for more simply because the product they produce will be more valuable. Prize merino bloodstock in Australia, capable of producing fine fiber, still sells for thousands of dollars, while coarser wool sheep are hardly worth the cost of feeding them. Alpacas are uniquely able to produce large volumes of fine fiber.

AOBA needs to take the lead in developing a fiber marketing plan. They need to design and establish an alpaca industry trademark which symbolizes high quality, fine fiber products. We need to promote alpaca textiles to fashion designers. If we can establish alpaca as a high quality, brand-name commodity, our select breeding stock will return high values indefinitely. Breeders who concentrate on exploiting the alpaca's natural ability to produce high volumes of fine fleece will be amply rewarded. Looking ahead, our industry's destiny is in our collective hands. We can cooperate, promote and aggressively build on our initial successes, or we can take the easy approach, sit back and clip coupons for a few more years. I for one don't want to see our present momentum dissipate. The market is young and strong, we need to tend it with care. Maintaining a high rate of speed, requires far less work than moving an object from 0 to 60.