

Email to all Fibre Growers
SUBJECT: Status Update for Fibre

May 5, 2011

Ten months ago I made the decision to step up and try and do something with the fibre accumulating around the country. By January 31st 2011, we had 121 fibre growers who submitted a total of 10,202 kgs of raw fibre. By the end of February 2011 we had a net scoured 8,764 kgs of Alpaca fibre baled and ready for export. We expected scouring losses from vegetable matter, short fibre lengths and dirt, and these averaged around 15%.

Based on all the costs of collection, freight, sorting, scouring and now negative currency movement, we are looking at a payout in the 60 – 70% range of the top price as listed back in August 2010 on the web site.

During this time we have seen the dollar go from \$0.70 to \$.80. I did not anticipate the additional local freight costs and the time and effort required to get the fibre to Cromwell. The cost of an independent sorter was more than budgeted, but when the bale results came back from SGS testing they were spot on the required distributions and acceptable to the buyer. My total investment in this project so far, is in excess of \$35,000 and I realize that my credibility is on the line and I am aware that we are approaching the point when I had indicated that funds would be distributed.

I only went into this on the condition that we had a signed purchase order. This was received in early November for 7,000 kgs. Samples were sent to the buyer in March 2011 and the SGS testing results were sent at the same time to the buyer and met their specifications. It certainly proves how difficult this whole fibre part of the Alpaca business is, and continues to challenge those with the best of intentions.

We feel that there is at least the same amount of fibre in the North Island and that we could do this on a regular basis – but I am not prepared to invest any more time, money and effort until we get this shipment paid and distributed.

We have the fibre scoured, baled and ready to ship, sitting in Timaru. We finally received approval to ship the fibre at the end of last week. It has taken a week to find a ship with capacity for a Full Container Load and we have it reserved to arrive in the US at the end of June 2011. New Zealand seems to have an export boom at the moment and there is limited capacity on container ships out of New Zealand. We expect payment by the end of June and will send payment advice out the first week of July.

I have attached a report of the various lines that we have processed. The buyer is NOT taking lines WH25, WH35 and WH33. If your consignment note shows those lines, we will have paid for the scouring etc, but you will not be billed anything, and we are still trying to locate a buyer for the colored shorts (which was the largest volume we received).

We accepted all fibre, and have processed it, will still try and find a home for it. There are some domestic buyers that we are working with to see if they are interested.

The expenses are broken down as follows:

Scouring	\$1.30 per kg
Sorting	\$0.65 per kg
Storage	\$0.40 per kg
Commissions	\$ 1.30 per kg
Freight	\$0.95 per kg
Export freight	\$0.50 per kg
Administration	\$0.90 per kg

The reality is this is a tough market. There are a lot of expenses and it was the first time that it had been done on this scale in New Zealand. If there is interest in doing this again, we are going to look at a tiered pricing model to allow the growers to make more money, and reduce our costs.

First – Freight. If you pay, or arrange to get your fibre to Cromwell, you will not be charged any freight, so you get essentially an additional \$.95 a kg for your fibre. If we have to pick it up, there will be a freight assessment – that at this time appears to be around \$0.95 a kg.

Second – Sorting. Because we only have 11 lines and many of you are paying for SGS etc testing of your fibre, if you sort your fibre and bag it separately, and include a copy of the SGS testing results, we will randomly check the shipments, but we will charge 20 cents per kg and not the 65 cents if you just ship all your fibre in one bag.

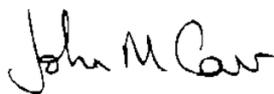
Third – Foreign exchange. We have been negatively affected by the exchange rate, by as much as 15%. Possibly by the time we are paid in the next 6 weeks, the rate will have moved positively back in our favor. We will look at options for this going forward as well.

Fourth – International fibre market has trended up strongly during this period, since the contract was signed last year. As this is an international commodity we would expect firmer and higher prices the next time around.

At this point, we know of no one else putting any plans together to buy fibre from the farm in these quantities. No one has approached us to buy the fibre, we have had to find the market. We are pleased with the first time number of participants, the weight of fibre collected, but disappointed in how long it has taken to conclude the transaction. We have tried to be as transparent as possible with what has gone on during this process. Those of you with fibre with us, you should have received a consignment sheet that details your fibre quantities and types. You will receive a more detailed individual email in the coming weeks. This is what you will be paid out on. If not please contact me and we will follow up. If you have any questions or concerns please contact me directly, – john@carr.co.nz.

Monitor our facebook page (www.facebook.com/pacificalpacas) and our web site www.pacificalpacas.com for upto date information and status.

Sincerely,



Bins			Weight Recd and PAID OUT ON	Scouring Loss	Scouring Loss %	Weight invoiced
CMS16 GCS 17	WH 25	Coloured pieces	2,638	-393	-14.9%	2,245
CCL 10	WH 26	Coloured Coarse Combing	613	-60	-9.8%	553
BRL 8	WH 27	Brown	1,002	-108	-10.8%	894
BLKL ???	WH 28	Black	487	-49	-10.1%	438
SFCL 9 & GL 7	WH 29	Fine Coloured Combing	298	-35	-11.7%	263
BL 6	WH 30	Beige	1,564	-192	-12.3%	1,371
CWL 4	WH 31	Coarse White combing	755	-168	-22.3%	587
MWL 3	WH 32	Medium White combing	1,394	-204	-14.6%	1,191
SFWS 12 & FWS 13&MWS14	WH 33	Fine White woollen	457	-95	-20.8%	362
SFWL 1 & FWL 2	WH 34	Fine White combing	564	-144	-25.5%	420
GWS 15 & GWL 5	WH 35	White pieces	430	0	0.0%	440
			10,202	-1,449	-14.2%	8,764