



November 5, 2010

To all Alpaca Owners

Two months ago, out of some frustration as our fibre stocks were growing, we looked at what could be done with Alpaca fibre in New Zealand.

We sent out a questionnaire and made a lot of phone calls and did a fair amount of research. We have now compiled this information, and as we said we would, we are sharing what we found.

First, we received about an 8% response to the total 500 owners that we emailed and hard copied. While a low response and disappointing, given everyone is so busy, it was gratifying to see the responses that we did get.

In summary, it appears that the Alpaca owners are in three categories in New Zealand, and to an extent in the US and Australia

- a) Large breeders who are selling stud animals and have developed their own distribution channels for the fibre they produce, maybe even value adding in the process
- b) Small breeders who have developed a “cottage Industry” of local crafts people where they sell their own fibre, or even pay premium prices to scour, card and spin their fibre into yarn for end products and direct sale through trademe.co.nz etc.
- c) The rest, like us, who are sitting on ever expanding piles of fibre in black plastic bags with no idea of what to do with it.

So, in conjunction with Wadsworth Heap, a fibre broker in Christchurch, we have put together the idea of getting smaller owners, who did not have the time or resources to develop these niche products or markets and consolidate the fibre into one shipment. A 20 ft container can take 20,000 kg of fibre. The container costs the same whether it has 1 kg of fibre or 20,000 kg.

What we found, by extrapolating the surveys we received, leads us to believe that, in time, there will be 30-35,000 kg a year of fibre, but for the moment we have identified that we can find at least 7,000 kg.

What was interesting in the survey was that:

- a) No large breeders participated – even though the questionnaire went to all owners
- b) No large breeder has indicated any interest in participating in our attempt to find a market for the bulk of the fibre in New Zealand.
- c) A concern was expressed to us, that by paying the price that we were offering, was counter-productive to the industry and that it would have a negative impact on sentiment. (Versus, I guess leaving the fleece in the shed, where, until it sells, it is worth exactly what you think it is worth).

Here are Alpaca prices over the past 10 years:



And, prices over the past 12 months:



We had heard that there were buyers at \$100/kg. But this turned out to be a bit illusory, as the price was more like \$60/kg with very limited quantities and strict conditions as to fleece condition, and the market was being developed from scratch in a nascent business area.

There is an international market for Alpaca fibre

<http://www.gschneider.com/index.php?page=fibres&idx=2>

Here is what Australian Fibre is selling for

http://www.aaf1.com.au/docs/growers/fleece_pricelist.0610.pdf

You can basically buy all the tops that you want in Peru for around \$22US/kg. Adding wastage, grading, freight, scouring and carding costs to the prices we are offering does put us in a competitive position. Certainly the increasing NZ \$ and the distance to market will only make it more challenging.

The reality is that the vast majority of our fibre, at present, has a highest and best use in carpet or twine. Sure, some Alpaca fibre finds its way into high end fashion garments, but that represents a very small segment of the market.

We are hoping that in time, we can develop enough overseas trade, that we can more than cover the out of pocket costs of shearing and minor vet bills.

At each step of the production cycle, value add also has value costs. When you look at the steps that you have to take to convert the raw fibre into a useable product (sorting, washing, scouring, carding, spinning, weaving) you will see that the task is quite daunting, expensive and designed for efficiencies of scale and for large volumes.

Part of this means that you have to decide whether this is a business, a hobby or if you just have expensive pets.

Attached is a consignment sheet that needs to accompany each shipment if you wish to participate, an updated and revised terms and conditions, price sheet and suggestions for fleece handling. The major change is that because of the lower quantities we cannot afford to pay the freight to Cromwell for the shipments.

I am not going to say that this is the panacea for the New Zealand Alpaca Industry fibre, – but I am sitting on 700 kg of fibre and no one has offered to buy it, no one has shown me the steps I need to take to convert these 3 years of fibre into money. It seems everyone out there has had to develop, and experiment and learn and make their own cottage industry, or sit on fibre that they have been told will be worth “a lot” of money in the future.

We think that we have come up with viable option for the NZ fibre market, hope that you will participate and “give it a go”. We look forward to your participation.

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