



www.pacificalpacas.com



1 Pigeon Rock Road * RD2 * Cromwell * NZ * 9384

August 31st, 2011

First Distribution check to Alpaca Fibre Growers:

We are transferring the first round of funds next week to those that participated in the first Fibre Pool under Pacific Alpacas. We expect the final distribution to be within 60 days. Any payments less than \$250 are being paid out in full with this distribution, amounts greater than \$250 will be paid 25% of the balance – the remaining 75% will be paid by the end of October, 2011.

We are four months behind where we had expected to be when this was planned, now a year ago. While the cancellation of the order from the US at time was devastating, it has resulted in us finding six new customers who have an ongoing demand for fibre.

If you have not submitted your Banking information please, do so immediately. We will be generating **Buyer Created GST invoices** for your tax files. We need your GST number if you have not supplied it already.

Please note that other than reimbursement for the direct costs of scouring, sorting, transportation and SGS testing, no other expenses have been paid to Pacific Alpacas. In fact I still have tens of thousands of dollars invested in loans to the business to even get us to this point. My 100+ animals through Cornish Point and Pakiri Alpacas; will not be paid for their fleeces until all balances owed to the 120+ growers has been paid.

We have attached a detailed spreadsheet breakdown by Gross Weights and sales, and expenses – and then calculated your payout by bin line. We have allocated costs equally across all classes. A Buyer Generated Invoice is attached – please advise if we have information that needs to be corrected.

This was the first time that 10,000 kgs has been collected in New Zealand and sold within 12 months.

Remember – this was our first attempt. Not helping things has been pricing primarily all sales in US dollars and suffering a 15% to 20% effective price reduction because of the currency moves.

For the first time, ever, you have a chance to see exactly what the selling price is for each Bin line, the costs involved in preparing the fibre and the quantities processed.



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In the past 3 months, since we lost the order to one customer; we have identified, trialed and had excellent feedback from 6 new domestic and international customers, with the expectation that we can sell in excess of 50,000 kgs a year.

One customer needs 20,000 kg a year

One customer indicated a demand for 10,000 kgs a year

One customer indicated a demand for 20,000 kgs a year

What this means, in my humble opinion, after a year in the fibre business, is that there are four categories of growers

- a) Large breeders selling animals and high value fibre in relatively small quantities at relatively high prices (won't speculate on profitability)
- b) Growers who have become disillusioned with the business and are letting their fibre go for \$2.50 a kg, or storing it in the shed, or destroying it.
- c) Cottage industry growers who have carved out a niche for their products and add value through their vertical integration. They may also pay "mini-mills" to produce yarn and then garments. Some of these have developed substantial businesses.
- d) The rest – that still want to see their fibre become something useful. The commercial reality is that it is not \$20 a kg greasy at the farm gate. But it may be \$23 a kg in TOP form.

The challenge is that we have to work to get our costs down, mainly, obviously freight and sorting. We have developed good customers, and they are going to require certainty of supply.

Attached is the new Consignment Receipt for 2011 / 2012. We expect to do two pickups this coming year. One will be done in the North Island in September / October, 2011 and one for the South Island in February 2012.

Freight

We will charge \$0.95 a kg to pick up the fibre from your location. No payment is required upfront; the cost will be adjusted with settlement. We encourage you to collect and consolidate together. We would like to work with Regional Cluster Groups, or just individuals or even shearers. If you have over 100 kg to ship, we will pay for it. However, total freight that we pay for will still be allocated across all weights. We accept fibre that is dropped off in Cromwell.

Sorting

The more that you can presort, the less time and money we have to spend. We have found that we can basically sell all fibers we receive. The hardest one to market has been colored fibers. We expect to reduce the sorting costs significantly the next time round.

I feel that while disappointing, and maybe less than expected, these results reflect the new paradigm of realistic economics for Alpaca fibre. You have not had to put up any money, and you have now, maybe, got the first payment (small though it maybe) ever from your animals.



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What it means, if you are looking at this like a business, is that you have to question all your input costs; feed, vet bills, mating fees and shearing costs.

If this is to go forward, it is entirely up to you. It is you who will determine if the Fibre Pool is the way to go forward. If you can't see me being successful, you should pursue other avenues you have for your fibre.

Based on feedback we have developed a shipping label; and an enhanced consignment form for 2011/2012. Check the "Forms" section at www.pacificalpacas.com.

We will be contacting the North Island growers in the next couple of weeks to schedule pick up times.

We are on facebook – www.facebook.com/pacificalpacas, www.pacificalpacas.com and you can email me at john@carr.co.nz

Yours sincerely,

A handwritten signature in black ink that reads "John M Carr".

John M Carr



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Fibre Consignment Receipt - 2011/2012

Farm Name:			
Contact Person:			
Address:			
Suburb:		City:	
Post Code:		Telephone:	
Mobile:		Skype:	
Email:		@	
Website:		www.	
Add me to www.pacificalpacas.com as a supplier:		YES	NO
GST No. (if registered)			
Huacaya		Suri	
Total Bag Weight		Shipped via:	

Bin Line	Description	Your Weight	Accepted	Verified by:
	Shorter than 3 inches			
SFWS 17	<20 Microns White			
FWS 13	20-25 Microns White			
MWS 14	26-30 Microns White			
CWS 20	>31 Microns White			
FCS 22	<25 Microns coloured			
CMS 16	26-30 Microns coloured			
BlkCS 17	>31 Microns Black			
Brn CS 23	>31 Microns Brown			
Lt Brn CS 24	>31 Microns Light Brown			
Bg CS 25	>31 Microns Beige			
Gy CS 26	>31 Microns Grey			
	Longer than 3 inches			
SFWL	>20 Microns White			
FWL 2	20-25 Microns White			
MWL 3	26-30 Microns White			
CWL 4	>31 Microns White			
OWL 19	20-30 Microns Off White/Cream			
SFCL 14	<20 Microns coloured			
CCL 15	>31 Microns coloured			
BL 6	20-30 Microns Beige			
LBRL 18	20-30 Microns Light Browns			
BRL 12	20-30 Microns Dark Browns			
GL 10	20-30 Microns Grey			
BLKL 8	20-30 Microns Black			
VM Heavy	Vegetable Matter Heavy			
Unusable	Unusable			