



How the Economy Affects The Alpaca Industry

Alpacas entered our lives about 12 years ago. We were looking for a rural lifestyle and started researching these unique animals that nobody seemed to know anything about. What we learned about alpacas (and livestock industries in general) may provide some insight and understanding about how the ups and downs of the economy help shape the industry in North America. Understanding and learning from the past is essential for planning the future.

The current alpaca industry is a result of a "New World" camelid which was domesticated over 4,000 years ago. During that time, alpacas have encountered every known catastrophe known to man ... war, slaughter, disease, ignorance, neglect, greed and more. The alpaca industry has survived and continued through it all. It has reached new levels under the thoughtful and caring practices in Australia and North America.

We have witnessed numerous economic swings since starting our alpaca business. With each economic downturn, the marketplace becomes more educated and focused on the physical and genetic factors that make an alpaca more beneficial to the industry. With each economic up-turn, animals and breeding programs at the leading edge of the industry emerge with increased demand and value. It was in the late 1990's that alpacas breached the \$100,000 barrier. Then a few years later we experienced the 2002-3 "near recession" and 9/11. It wasn't long before individual elite males fetched \$300,000 and \$400,000 with the highest reported sale achieving \$750,000! These values have been around for decades in other livestock industries and are only new to the "elite" alpaca breeders market. In all livestock breeding markets, the "best" refers to the predictable superior quality of the offspring produced. Recent achievements toward \$100.00 per pound alpaca fiber provide a glimpse of a very bright future for the industry.

The introduction of EPD's (Expected Progeny Differences) to the alpaca breeding philosophy will play a significant role in the next advancement to the industry. Being able to compare results of breeding programs will expand and better define our selection of breeding options. As access to comparative production data becomes commonplace, it will provide credibility to large and small breeders alike and help level the "playing field". More unbiased information means less risk and greater confidence to the buyer who currently has only show results and marketing campaigns to aid in their selection decisions. We believe the next 10 years in the alpaca industry will see a much greater degree of recognition to small breeders due to the increased ability to define and evaluate progress. The alpaca industry will mature as have all other livestock industries. In the not so distant future, breeding programs will be categorized as "seed stock", "commercial breeding stock" and "general production". We go into more detail about this process in our ["Weekend on The Ranch"](#) seminar.

The third and probably the most relevant factor is that poor economic conditions create "Buyer Markets". Buying when prices are low allows for a greater amount of profitability and increases the likelihood of success. Even Warren Buffet has stated the same sentiment referring to securities. It is the buyer who has the capability to recognize real value who will benefit the most in a "Buyer's Market".

Most new breeding programs expect to develop their programs for about 3-5 years before selling their production. Where do you expect the economy will be in three to five years from now? All economic cycles provide opportunity. One just needs to recognize if it is buying or selling opportunity.

John Heise and Cindy Fronk

Stargazer Ranch LCC