



## **The Alpaca Market in the Year 2018**

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**By Mike Safley**



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I have given hundreds of seminars about alpacas in the last 20 years. There is one question that I am always asked: How long do you think the market for alpaca breeding stock will last? For years my pat answer was: At least five years. After fifteen years of giving that answer I realized that my answer was wrong every time.

The truth is that the alpaca market has exceeded most of us old timers' expectations. And based on the view from my ranch today, I see no end in sight, but I am no longer guessing how many years the market will be good.

I recently sat down to write and think about the future of the alpaca market. I was prompted to do this by an article I had just read in [Llama Life II](#) about the current llama market. The magazine contained the news of a sale at which more than 200 llamas were sold at auction. The high selling herdsire was gaveled down at \$220,000.00. (For details see, "The Future of the Alpaca Market" below.) This number set me back, I remembered my dad telling me "that the llama market would be good forever." Later, after Dad and I purchased our first alpacas, I used to cringe with "financial sophistication" when Dad would advise people interested in getting into alpacas that the market would always be strong.

My dad bought his first llamas in the early 1970s, and not long after the purchase he was breeding and selling them for lots of money. I was in the real estate business at the time and I soon concluded that my dad, with all his optimism for llamas, was nuts. I was convinced that Dad was riding for a fall. Pot belly pigs, hedgehogs, ostriches, and emus all came and went but Dad kept making good money with his llamas.

One day Dad met a fellow in the airport and spent a few hours talking with him about his llamas. Now, I have to tell you that my dad was a pretty fair salesman and it wasn't long before the gentleman, who was from Louisiana, bought Dad's entire herd. I was amazed; the sale price made my dad a millionaire. That was 1983; thirteen years after Dad bought his first llamas. The llama market stayed red hot for many more years but Dad was on to a new love: alpacas.

By now I was convinced; Dad and I bought our first alpacas in 1984. We paid \$50,000 for 4 females and 1 male. And here I am almost 20 years later still in the business. Dad passed away not long ago, God rest his soul, but he went to his grave believing that the alpaca market would be good forever and I am sure that today he is up in heaven tending a few alpacas.

As time has passed I have come around to my dad's way of looking at things. I can no longer be objective about the alpaca market. After all, alpacas were domesticated 5,000 years ago and people are still tending them for profit. There is an international market in their luxurious fiber that began in the 1800s. Today alpacas are spreading around the world.

### THE INTERNATIONAL ALPACA MARKET

When Dad and I purchased our first alpacas they were found only in three other countries, Peru, Bolivia and Chile. Now they span the globe. The following census of alpacas by country was based on an informal survey of alpaca populations done in 2003.



ALPACA CENSUS

Country	Population
Peru	2,500,000
Bolivia	150,000
Chile	75,000
United States	46,701
Australia	39,068
England	10,000
Canada	7,098

The countries with alpaca populations of less than 3,000 are Germany, Belgium, the Netherlands, Switzerland, France, Italy, Spain, Portugal, Japan, and South Africa.

I believe that alpacas will continue their migration around the world. The genie is out of the bottle. Alpacas are the world's finest livestock and herds are being established country by country. I predict this will continue for many years to come.

As each country establishes its market and herds begin to mature, the breeders in these countries will search for improved genetics. Breeding stock from the better herds will be supplying their needs for many years to come. This is no different than any other livestock business. Just as breeders from around the world beat a path to Accoyo, they will search out the best animals wherever they find them.

**THE CURRENT MARKET**

The alpaca market today has never been better. When our nation suffered the tragedy of 9/11 many thought that the market for alpacas would suffer. Instead people yearned for the safety of the farm began moving to the country, and the market has boomed. Next the stock market nose-dived; with the Dow Jones average losing over 4000 points. Instead of a softening in the alpaca business people seemed to choose livestock over financial stock and the alpaca market stayed strong, actually gaining momentum.

The Alpaca Owners and Breeders Association (AOBA) recently reported that, in the past 12 months, 30,000 people requested Farm and Ranch Guides. One out of every 30 of the people that requested guides signed up to be AOBA members, this resulted in more than 1000 new members; a greater than 33% increase in AOBA memberships. This fact staggers me. I remember back to our first alpaca meeting, in 1988, at Shanty Creek, Michigan, where we agreed on the bylaws for AOBA. There were 38 of us present.

If each of these new AOBA members were to buy between 5 and 10 alpacas in the next few years that would mean that AOBA's one year marketing effort resulted in 1000 additional members and would create sales of between 5 and 10 thousand animals. When we started the Alpaca Registry in the late 1980s there were only about 600 alpacas in the United States and less than 100 breeders.

AOBA's marketing campaign is complimented by the "I Love Alpacas" advertising co-op, which actually spends almost 2 times (\$500,000.00 annually) more on television advertising than the



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association. Jerry Forstner, of Magical Farms, created the co-op and over 100 breeders pay \$5,000 per year to fund "I Love Alpacas". The best thing about "I Love Alpacas" is that it benefits the entire industry. When the co-op began advertising, AOBA immediately experienced an increase in visits to their website and membership applications.

As if all of the advertising by AOBA and I Love Alpacas were not enough, in 2003, President George Bush, decided to give the alpaca business a boost by passing the "Jobs and Growth Reconciliation Act." I must admit that had I set down to construct a tax act to benefit the alpaca business I may not have been as bold as to suggest one as good as what congress passed. For full details check [Alpaca Taxes 2003](#).

The new rules have added several powerful incentives for people who buy alpacas for their business. They are: 1) The 179 deduction has been raised from \$25,000 to \$100,000, and 2) The bill raised the 30% bonus depreciation to 50% in the first year of purchase. These benefits are for assets placed in service after May 5, 2003, and they expire in December 2004.

The fact is that Uncle Sam will pay for a portion of the cost of acquiring your herd, assuming you are currently paying income tax and plan to continue paying income tax over the next six years. You can write 100% of your original purchase price off, up to a maximum of \$100,000, in the year of purchase, the balance can be written off over 5 years.

If you were to buy ten females for \$150,000, pay \$50,000 down, and take advantage of IRS code section 179 and the 50% bonus depreciation, insure the animals and finance the balance over 4 years, the government would give you a tax refund of \$60,987. This assumes you are in a 45% tax bracket (state and federal).

If you would like Northwest Alpacas to compute the after tax cost of your prospective alpaca purchase according to the 2003 tax law, please email Alan Cousill at [alan@alpacas.com](mailto:alan@alpacas.com). He will be glad to do a six-year projection that calculates the after-tax cost of your alpacas.

While alpacas have always been a good write off, most people do not decide to purchase alpacas solely for the tax benefits. But, the net effect of the tax act has been to spur the market forward. In short it is hard not to be excited about today's alpaca market.

### THE FUTURE OF THE ALPACA MARKET

When my father and I purchased our first alpacas, I became a fulltime student of the llama business. I had been involved in marketing prior to becoming an alpaca owner and I was looking for a frame of reference for the alpaca market. The llama industry had started 15 years earlier and the people who were interested in buying llamas were essentially the same people who would be interested in buying alpacas.

I remember obtaining a market research survey from the International Llama Association. I took the questionnaire and changed the word llama to alpaca in all the questions and then sent the survey to all the people who owned alpacas. The results came back almost identical to those for the llama survey.



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From that point on I used the demographics from that survey to form my marketing strategies. The market information that the AOBA Marketing Committee uses today is not that different than what I found 15 years ago, with the exception of one major change; the introduction of the Internet as the primary source of information for new buyers.

### THE LLAMA MARKET AS AN INDICATOR

Today as we look at our alpaca future I still believe that a good indicator of how we will do is the llama market. Llamas have been a business in the United States for 34 years, alpacas for 19 years. There are approximately 500,000 llamas in the United States and there are 46,701 alpacas.

I think the llama market today is an indicator of where we, in the alpaca business, may be in 15 years or 2018. Thus the name of this article. I have excerpted the results of two recent llama auctions from the autumn, 2003 issue of, Llama Life II magazine for your review. The first sale, The Friends and Feathers Final Festival sale, involved over 200 animals and the sale average was close to \$16,000 per llama.

#### FRIENDS AND FEATHERS SALE AVERAGES

11 Buyers paid \$30,000 or more on a single lot.

Those 11 buyers bought 60 lots representing 63% of total sales.

Total 60 lots \$2,021,650.00 30% of lots 63% of sales avg. = \$33,694.00

18 buyers paid \$20,000 or more on a single lot (includes 11 buyers listed above)

Those 18 buyers bought 98 lots representing 77% of total sales.

Total 98 lots \$2,474,900.00 49% of lots 77% of sales avg. = \$25,254.00

42 other buyers bought the remaining 104 lots representing 23% of total sales.

Total of 102 lots \$732,150.00 51% of lots 23% of sales avg. = \$7,040.00

Total Sales Reported: \$3,207,050.00

\*LIII statistics based on sales figures reported on the Feather and Friends website.

The Final Fiesta Sale featured a male who sold for \$220,000, a female that went for \$110,000 and a significant number of other llamas that sold for \$50 to \$60,000.00. The event also produced many sales at between \$10 and \$23,000.00 per animal. It was interesting to me that the sale price of the llama female exceeded the record of any alpaca female to date. The highest price that I am aware of was a Greg Mecklem's sale. She went for \$101,000 but had a female cria at foot. Mike Tierney sold a female by herself at the last AOBA sale for \$80,000.

The second sale, "Berry Picking," was a lower key affair and the sale average for 120 lots was \$4,445.54.



**BERRY PICKING SALE AVERAGES**

Sale average	\$4,335.54
104 female lots average	4,496.19
16 males lots average	3,281.25
Top 10 average	\$14,700.00
Top 20 average	11,145.00
Top half average	6,289.23
Goodyear average (67 Lots)	4,323.53
<b>Total Sales (120 lots)</b>	<b>\$521,800.00</b>

*\*Sales figures as reported on the Celebrity Sales web site.*

Recently, I spoke with Tim Vincent of Celebrity Sales who has been the Llama auctioneer of record for many years. Celebrity also conducts many of the most successful alpaca sales including the annual AOBA auction. Tim purchased his first llamas from my father in the 1970s and I have known him every since. He tells me that the llama market has been steadily going up for the last several years. The average sale price for the Celebrity Sales Llama Sale is currently around \$7,000 per animal.

“I think llamas have benefited from the interest in the alpaca market,” says Tim, who points out that the llama industry has never marketed itself, closed their registry or formed advertising co-ops like the alpaca industry. “If the llama folks would have done half the public relations and marketing work that the alpaca people do, the market would still be as high for llamas as it is for alpacas,” says Tim, “You have to take your hat off to the alpaca industry on that score.”

If the worst-case future of the alpaca business unfolds in a parallel fashion to the llama market, our future will be very good with a high priced market for elite animals and solid sale prices on the lower end. How good, I began to wonder?

My curiosity finally got the better of me and I decided to do a little “figure’n.” I know, I know; there is an old saying that says “figures lie and liars figure” but I couldn’t resist doing some futuristic calculations anyway. First I went to the [www.alpacas.com](http://www.alpacas.com) website and clicked on [herd calculator](#). Next I selected 5 females as the beginning herd size, 14 months as the average age of the first breeding, 50% female and 50% male births and a 95% live birth ratio. These females would cost you about \$17,500 each in today’s market. Finally, I clicked on calculate.

Well those 5 females turned into 91 females in 10 years. The next step was to calculate how many animals would result from breeding these 91 females for another 5 years. To do this I entered 30 females into the calculator using the same assumptions as above. (I couldn’t put in 91 because the calculator doesn’t go that high.) This resulted in 139 females which I multiplied by 3 a total of 417 which I added to the 91 from the first 10 years for a total of 508 females after 15 years of breeding and holding all the offspring. I think by now you can see where I am going with this projection.



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We just need a little math to wrap this thought process up. If you were to use the three recent llama sale averages you would get a figure for the value of your alpacas in 15 years based on today's llama prices from a similar industry and market which has been in existence for 15 years more than the alpaca industry.

1. Final Fiesta Llama Sale                    \$8,128,000.00  
   \$16,000 average sale  
   x 508 alpacas
  
2. Celebrity Llama Sale                    \$3,556,000.00  
   \$7,000 average sale  
   x 508 alpacas
  
3. Berry Picking Llama Sale                \$2,202,180.00  
   \$4,335 average sale  
   x 508 alpacas

So based on my calculations the \$87,500 initial investment would grow a lot, even if the market price of the alpacas declined a whole bunch. Now I realize that we didn't do any deducting for expenses and labor but I think you get the idea.

The above exercise is not in anyway intended to be a rigorous financial analysis. And I always advise people that one of the best ways to mitigate the market risk of alpacas is to constantly buy and sell in the current market place so that the average cost of your herd will also reflect the current market.

If you would like Northwest Alpacas to help you create a detailed [business plan](#) that accounts for all the cost and expense of alpaca ownership [click here](#). If you want to project the size of your [herd](#) overtime and with different assumptions [click here](#).

I personally believe that the alpaca market will actually exceed the record made by llamas for the following reasons:

1. The Alpaca Registry is closed to the registration of alpacas with unregistered parents. This means that imports cannot be registered.
2. The alpaca industries marketing strategy is sound and well financed.
3. The alpaca market is expanding and will continue as the baby boomers retire, people yearn to live in the peaceful countryside, and more women seek their own business opportunities.
4. The alpaca show ring is becoming more and more popular.
5. As breeders pursue genetic improvement strategies and compete to create superior animals, the market for these animals will remain strong and the prices high.



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6. We are nowhere near saturating the market place for alpacas. As a comparison of market share, consider that there are 6 million horses in the United States and only 46,701 alpacas.
7. The international market for alpacas will continue to expand and present export opportunities for U.S. breeders.

As I told you earlier my prediction of a strong market for “at least 5 years” has always underestimated the market for alpacas. Today, as the eternal optimist that I have become, I may be over estimating the marketplace. The truth is no one has a crystal ball but, one thing is sure, alpacas are not a passing fad. Alpacas are here to stay!

Since the beginning of their existence, more than 2,000,000 years ago, Camelids have moved from North America to Asia and South America. They actually became extinct on the North America continent only to turn into Guanacos and Vicuña in South America. Then, 6,000 years ago, the Guanacos and Vicuña became llamas and alpacas, domesticated by the Quechuas’ ancestors. The herds were vast before the scourge of the Spaniards and receded to almost nothing 500 years later only to be reborn in the United States, Australia, England, France and Japan. Soon there will be herds in a hundred countries strong and growing. Time has proven that llamas and alpacas are survivors, cherished for their warm fleece and continually creating value for their owners in return for their care.