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Blazing the Financial Trail

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Indian Summer Alpacas

How does one begin a story about a journey into a whole new lifestyle change? When we say lifestyle change we mean it! We've gone from a beach house in Newport RI on an 1/8th of an acre (city), to a 28-acre farm in Northern RI. Frightening? Absolutely and positively, yes! Do we regret any of it? Absolutely not!

We researched alpacas for almost two years before we purchased our first animals. My husband is an engineer by trade; I'm a former director of sales and marketing for a major hotel company. We did the unthinkable by most people's account. We did the "Green Acres" thing. We packed up the family and left the "city" for the country setting of Northern Rhode Island. Yes, it is possible even in little OLE Rhode Island. Most people view what my husband and I have done as such a risk. I must admit, lately, just trying to find a grocery store up here is a risk in and of itself! Anyway, we view it as a necessary lifestyle change. My husband still has his "day job" but I run the farm and the family from our 28-acre country home. I can't begin to express the joy my family and I have found in our alpaca lifestyle. I've always said that in order to sell something, I had to really believe in the product. My husband says alpacas have become my obsession. What can I say, when the man's right, he's right!

The rest of this story touches on some of the interesting highlights of how we got from there to here. Along the way, we hope you'll pick up a lesson or two that just may save you some work. This is where my husband picks up the story.

One June a few years ago my wife and I, our two boys, my two sisters and their families, all went on a camping trip in upstate Vermont. When I say camping please let me qualify that as "Ana style". "Ana style" is defined as camping with a restaurant and a cabin with maid service! Anyway, my older sister came all the way from Belgium with her family for this family reunion. It was at this camping trip that my wife and I started getting the bug about becoming "farmers". We were getting tired of our house by the beach. Our boys really had no room to play it was too dangerous for them to learn to ride their bikes in the street. We knew that eventually we would need to move to a more residential area. Ana's philosophy is "better proactive rather than reactive". Before we knew it, we were searching for a farm and a new house!

While we were at the camp in Vermont, we signed up for a nature walk. We learn a lot from our guide. One particularly interesting piece of information concerned rotational grazing practices with sheep. It was something he was into in a big way up there. He explained that it was a natural and economic approach to raising sheep. He told us how he moved sheep from pasture to pasture regularly. Since this was done they didn't over graze the land and they fertilized as they went. In these conditions, very little energy is required to maintain your pasture. It is the energy you spend per ounce of wool that results in a gain or lose in the sheep business. This is enough information to send my wife, off investigating all facets of rotational grazing. For those of you who don't know her, she can be a truly obsessed and possessed individual when she gets going on something. Here was something that you could make some additional income on to offset the increased mortgage of a new house and the cost of the livestock. This if anything was the first step down the road to where we are today. Of course, she never really connected that the sheep were not just raised for their wool. They were also raised for meat. I don't think that she could ever allow anyone to eat someone she knew or named. Whom I kidding. It would never be allowed!

The next step came from an unusual place. In the middle of July of that same year we all went to an early summer family festival in central Rhode Island. The children wanted to do a particular ride but we needed change. By pure coincidence, while trying to get change, Ana came across a periodical that advertised exotic livestock. She bought the magazine made the change for the children and then set the magazine aside for awhile. Several days later she just scanned over it and noticed a peculiar animal called an **Alpaca**. This was the next research project for my wife.

Ana soon discovered that there was very little information written about alpacas in the mainstream of libraries and newsstands. Ana did most of the research on the telephone, calling, I think, every alpaca farmer in the nation. At least that's what my phone bills looked like. But, we gained a wealth of information that allowed us to jump-start our business by learning from many others. One of the first things that impressed us most about the alpaca industry is that it has some of the friendliest people we've ever met. There were all very helpful and free with their information. They allowed us to learn from mistakes they had already made. We can't begin to tell you how helpful that information really was.

That August we visited our first alpaca farm, in October we attended our first alpaca show. What can I say, my wife can work miracles in a short amount of time! In just three months she had found the idea and then put together enough information to sell me on the whole concept. Let me explain something, selling me on the idea was probably the largest obstacle we would encounter throughout our entire endeavor. As you'll see we've had some tough ones. To get back to the story, we now had enough information to begin formulating a real business plan. And that is where the fun begins.

Let me be one of many to tell you that if you are thinking of starting a new business, however small, the most important and beneficial thing you can do for yourself is to build a business plan. Even if you never seek independent outside financing it's crucial that you formulate your thoughts, goals and ambitions for your business. It will generate a whole host of questions you will need to answer about your product, competition, growth potential, longevity, and other information. We went as far as to buy reports from The Alpaca Registry to predict national herd growth and movement of the herd from one state to the other as animals were bought and sold. Did I say that my wife was an obsessed and possessed individual? We both wanted to make sure this was a correct move for us financially and emotionally. Doing detailed research was the only way to ensure that.

We built the first draft of our business plan and brought it to the Small Business Administration (SBA). We knew that if we wanted this to work we would need some capital to get started. If you haven't already found out, alpacas aren't cheap. We didn't have enough money to meet the goals we set in our business plan. We wanted to buy a farm, some equipment, and initial breeding stock. But we had no idea, other than our initial business plan, where or how to begin. That's when we found out that the SBA has programs and funding to help you get organized. As long as you can show that you're serious, they'll pay for advisers to help new small businesses put their plans into a format that lending institutions will want to see and ultimately support. They also had programs where they would guarantee a loan made by commercial lending institution. They have several different programs and you should look into all of them to see what would fit your needs.

The SBA gave us the name of a consultant that specialized in finding capital for small business. He was to be our adviser in developing a financial plan. The SBA funded him for us for about 25 hours of consulting. Several weeks later they renewed it for an additional 15 hours.

Our first meeting was quite interesting. Our advisor was a retired Vice President of a commercial lending bank. He gave us some great insights on the possibility of borrowing money, and using alpacas as collateral. His first response was, "If it eats, its not collateral". It was now obvious to us that we had some hills to climb. Our consultants were still very polite and gave us some really good advice. He himself did research to determine the business aspects of alpaca breeding. Although he said the probability to getting the funding we were looking for was quite low, he did say we had done our homework, understood the business and in his opinion had a great chance of succeeding. He asked a personal friend who was still a bank Vice-President to look over our plan and see what he could do.

This bank Vice-President was also extremely helpful. He made an appointment to see us and spent no less than three hours with us. He reviewed everything from our plan to the business aspect of alpacas industry as a whole. Unfortunately he too felt that alpacas could not be used as collateral for small business loan under the guidelines of the SBA. His first recommendation was that we should work on our goals in pieces and not try to fund everything at once. Buy the farm, get things set up and then pursue funding for the alpacas. Our plan showed that we needed the income from the alpacas to pay the additional mortgage. We didn't want to sell our Newport Beach house. Where would we live if this didn't work out? What would we do if we didn't like living in the country?

Our initial reaction was that the bank's recommended approach presented a greater risk to us. When we voiced our opinion, he said that banks always prefer the borrower to assume the biggest risk. This was disappointing but not surprising.

His next recommendation was that we should pursue funding through the Farm Services Agency (FSA). We had checked into this previously and felt our household income excluded us from consideration. The FSA also provide guaranteed loans that are specifically targeted to farming and agricultural business ventures. If we could secure a guarantee from the FSA he would loan us the money we wanted. It's important to note that a major discriminator that distinguished alpacas in his mind over other livestock was that alpacas could be insured against mortality. If anything went wrong and the collateral (alpacas) died, he was still covered.

It took some sole searching but we bit the bullet and "bought the farm". We found this nice piece of property we are on now. It came with a barn and some pasture and of course a lot of work to be done. We obtained a residential loan and bought the place like you would any other house. To our surprise we rented our old house almost before the ink was dry on the rental agent agreement and for more money than we had planned. Ana believed it could and probably would happen but I'm the pessimist in the family. The extra money turned out to be enough to make up the difference we needed to pay the mortgage on the new house. We updated our plan to show that we no longer needed to find a farm. We were now an existing facility. All we need now is the money to buy alpacas.

Our initial contact with the FSA was a very noncommittal and they tried to discourage us. They gave us a large stack of forms, guidelines, publications, and various other pieces of information, to help us fill out that stack of forms. We were literally buried in paper work. At no time did the FSA give any indication that we even had a chance at meeting our funding objectives. We took all the forms and left a copy of our business plan with them for their review. We called a week later to try and talk with the loan officer. She declined our call. Ana called a few days later and got the secretary to put us on the loan

officers calendar. I must admit, at first the loan officer wasn't thrilled with how we got the appointment. But she admired our tenacity. We spent about an hour discussing the alpaca industry with her. When we left we felt sure that there would be no way to get what we wanted. The disappointment was painful. We were committed. We had to make this work. But how?

What we didn't know was that the FSA loan officer went off and did her own research. She was not particularly optimistic. She had been in the horse business and felt that alpacas were the same subjective kind of business. When her research was concluded she decided that our initial request was far too large an amount for her to guarantee. Much to our surprise ... let me say that again ... **much to our surprise**, she proposed a smaller amount. What she also proposed was not a guaranteed loan but a direct loan from the FSA. The terms were 5 ¼ % amortized over seven years but paid out over the last five years. What this loan essentially does is give money now without having to pay principal or interest for the first two years. She reasoned that this would be enough time to buy some alpacas, have them breed, and sell their offspring. She felt that this would be a good way to demonstrate the viability of alpacas as an industry. That was the good news. The bad news was, we still had to spend all the time and aggravation filling out that mountain of forms.

When we closed on our loan the FSA loan officer confided in us, that she had the discretion to waive some of the forms but she used them as one last test at our resolve to start this business. Something else she told us was that her associates in the FSA are now calling her "The Alpaca Lady". So now we have to make it work for her too. That's how we became alpaca breeders.

Most of you reading this right now are probably saying to yourselves that these people are crazy with the amount of risks we took. Believe me you wouldn't be the first. We just honestly have a great time doing what we do and we have no regrets.

The moral of this story is that if you really want to create a new lifestyle with any livestock you can with work, determination and a little help from others. We're happy to report the water is fine and there's plenty of room for everyone! Come on in! If we can take the plunge anyone can! This industry is a wonderful representation of what America is all about.

If you ever meet us, and we hope you will, you will definitely learn one thing, when we decide to do something, we go all out. We didn't just research alpacas and start a farm, we became an active part of the whole industry.

We first joined AOBA & NEOBA and before we knew it, we were volunteering for all kinds of work with both organizations. I guess you could say we jumped in with both feet, hands, and body! We wanted to make sure Alpacas were the right business for us. As a result, we're still heavily involved and we have a great life with lots of fun. We love to help and teach people about all aspects of alpacas.

As for the rest of the story, well we haven't lived through that part yet. But stay tuned. Or better yet start your own story.... Be seeing you....