

The Alpaca Business, A Unique Opportunity

By Mike Safley

People visiting our ranch often ask me if I have a real job -- or what I did before I retired. I've been in business for myself ever since I quit college in the middle of my senior year to embark on a home building career. Over the years, I've been involved in the building business, land development, and real estate brokerage. I've owned and operated a hotel, bar, and restaurant business. I've never been involved in a better business than alpacas.

It is important to understand the difference between a business and an investment. Investments are more passive assets, such as mutual funds, CDs, real estate, and bonds. While it's true that alpacas are the world's finest livestock investment, they are also a wonderful business. The concept of alpacas as a business opportunity should not be overlooked.

What makes for a great business? One that you would really like to own? The following characteristics come to mind: high profit margins, a simple operating plan, and as few employees as possible. Businesses with good cash flow and growth potential are attractive. A unique product that can't be reproduced quickly or cheaply gives a business stability. The luxury market provides lots of opportunity for the right business plan.

A world-wide market provides far more opportunity than a local market. An ideal business requires as little of your time as possible. In other words, profits should not be contingent on how many hours you work. Finally, for any business to be good it has to be fun.

All this makes perfect sense. Who wouldn't enjoy large profits and short work days? But anyone who has been in business for themselves knows that it's not always easy. How do alpacas measure up as a full time business opportunity?

Alpacas as a business, either full time or part time, enjoy many of the attributes I've described. You can manage an alpaca ranch with few to no employees. Most ranches in the United States are run by the owners. No withholding taxes, labor unions, employee lawsuits, sick leave, or vacation time to be considered. Even the biggest alpaca operations have only one or two full time employees.

I run our ranch operation, including 200 alpacas with one employee whom I pay \$7.50 per hour. I do all the marketing and Julie, my wife, handles our public relations and operates her Country Store. She has one additional employee who helps her in the retail store.

We have plenty of time to attend our four children's plays, karate tournaments, and baseball games. We travel regularly. Most of our days are spent at home on the ranch. All of this wouldn't be possible if we owned a restaurant or manufacturing plant or were professionals practicing medicine.

The alpaca market is national and even international. The alpaca rancher doesn't necessarily depend on his local economy for sales. People travel across the United States and from other countries to buy alpacas. Regional alpaca Fests, auctions, and barn sales occur regularly around the country. Fleece, made into fine fashions, finds its way to many far off boutiques.

Alpacas are unique. We don't have to worry about someone manufacturing low cost copies. There are only about 2,000,000 alpacas in the entire world. Alpacas are the rarest of all domestic livestock. Less than 400 alpaca ranches exist in the United States -- less than 50 alpaca ranches exist in all of Europe. Australia, with a population 1/15 that of the U.S., has two or three times more alpaca ranches than North America.

The other day someone asked me what I thought the profit margin was in alpacas. That is a hard number to calculate. First, consider that when a cria is born you have little or no cost attributable to the animal. It is cheaper to feed an alpaca than it is to feed the family dog. Veterinary costs are minimal because alpacas rarely get sick. At our ranch, labor costs are less than \$20,000 per year and we care for 200 alpacas. This amounts to \$100 per alpaca per year. If you care for the alpacas yourself, the out-of-pocket cost is zero.

No cost of goods, no labor, very few expenses, high sales volume -- what a great business concept. But we all know that any business needs to account for its cost of capital, the owners time, plant and equipment, etc. Yet even when these factors are taken into account the profit margin in alpacas is higher than in most businesses.

Approaching alpacas as a business opportunity also opens up other related profit centers. Many breeders with good marketing skills are offering brokerage services. Both Teri Phipps of Colorado and Linda Livengood of Oregon sell alpacas regionally on behalf of small breeders. They earn a sales commission of 10% on the animals they sell and everyone benefits. Many breeders sell stud services or offer agistment services to add income to their alpaca operations.

Shirley and Robert Applegate train and halter break alpacas for a fee. Several alpaca owners such as Libby Forstner, Tilly Dorsey, and Jane Wyck, have opened retail stores in conjunction with their ranch operations. The potential for alpacas as a business is only limited by your creative imagination.

In summary, the alpaca business requires little labor, has high profit margins, and produces a rare, unique end product. The market potential is international in scope. In fact, most of the world has yet to discover alpacas; few people even know they exist.

This all sounds great, but what about the future, asks the skeptic? How long will this rosy scenario last? I've been in this business over ten years and I believe we've only scratched the surface. Australians are exporting alpacas to England. Californians are exporting alpacas to Japan. In the meantime, the U.S. domestic economy, the world's largest by any account, has barely been exposed to alpacas.

Who do you know that wouldn't like to retire on ten acres in the country and raise their kids free from the hassles of urban America? Do you know many 50 year old doctors that wouldn't like a career change, freedom from long hours, and the threat of law suits? How many women do you know who would like to stay home and raise their children, but can't afford to quit their job because raising a family today requires two incomes?

The market for alpacas as a business opportunity is easily defined. All we need to do is look at who is already participating. Retired, or soon to be retired, couples are attracted to alpacas. Men and women looking for a career change find the alpaca business alluring. Women are often the prime movers involved in a family's alpaca venture.

In fact, alpacas may be the number one business opportunity for women in America today. Many of the skills required to succeed in the alpacas business are second nature to women, including fashion sense and sales skills. They also understand the birthing process and nurturing the young cria. Women are perfectly suited for overseeing the husbandry of alpacas, just as the Quecha women have done in South America for centuries.

If we just considered the female half of the U.S. population as potential alpaca business owners, there will be a long future for our industry. When you look around the alpacas business, you'll find many of the herds run by women. Men, of course, also enjoy alpacas. The fact is, everyone in the family loves owning alpacas and this is a central reason why this business will continue to grow and prosper for many years. The alpaca business -- what a concept!

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