

Value Chain

A value chain is a system where businesses or individuals take raw products (in this case alpaca fibre) as an input, add value to the raw fibre through processing and sell value added or finished products to customers. A value chain identifies each step or link necessary to produce a product, then each link is broken down into all the components required to accomplish this goal.

The Alpaca Ontario Fibre Initiative Committee is using this system to accomplish the goals outlined in the George Morris report. Each goal identified has been broken into the steps (links) necessary to develop a fibre industry. Each link has been broken down into the components required to accomplish that goal and we are now working on implementing these goals.

Alpaca Ontario members, as individuals, can use this method of organizing their business to follow each step a product goes through from raw materials to the end user. It will link the production, shipment and distribution of the product(s) they produce. By managing the supply chain you can deliver maximum value for the least possible total cost by keeping tighter control of inventories, products produced, distribution, sales and inventories of each product in your product line.

Once value chains are identified, alliances can be formed between producers, processors and marketers of alpaca products for the financial gain of each.

How is this relevant to my farm?

We encourage all farms to follow the value chain for their farm - analyse your system so as to maximize your profits. If in following each step of the value chain you find that you have a weak link chances are that it is costing you money. To give just a few examples:

Is this your situation?

- Nutrition: We would suggest that you have your hay analysed as it will give you a true picture of the nutritional value. You then have your grain adjusted according to the proteins, vitamins and minerals that are needed for your herd. If your grain is too rich in protein your animals could be overweight therefore your fibre could be coarse. It goes without saying that coarse fibre is worth less than finer fibre. Or the reverse is possible; your animals could be underweight therefore your fibre could be tender.

- Pasture: Alpacas thrive on good pasture. Your crias will grow better and faster on green grass. Your job as an owner/producer is to provide good nutrition. In return, they will provide you with great fibre.
What does pasture management mean:
 - How do you control weeds?
 - When do you reseed?
 - What kind of seeds do you use? Have they specifically selected for alpacas, your soil and your climate?
 - What fertilizer do you use?
 - Analyse your soil. You will then know its deficiencies.
 - What is rotational pasturing? Should you be doing it?
 - Keeping your animals on grass is better for their health and fibre growth, as well as the cleanliness necessary for quality processing.

- Skirting and Sorting: How are your skills at skirting? Do you put your fibre into bags

immediately after shearing without skirting and without removing second cuts? If so when you send your fibre to mills you could receive yarn that is lumpy and inconsistent. Knitters are paying premium price for a premium product. Are they going to come back to buy yarn from you? This does affect your bottom line.

- Pooling Fibre: It might be to your advantage to pool your fibre with other farms as processing is very costly. Small batches could cost in excess of \$26.00/lb. as for larger batches (50 lbs. or more) could cost as little as \$18.00/lb.

The above are just a few possible components of your Value Chain. We encourage you to review each and every link breaking it down and analyzing your situation to help you maximize your revenue.

Suggested Value Chain for the Alpaca Fibre Industry

Producer options for increasing value to producer

A. Produce raw fibre (influencing factors):

- Nutrition
- Breeding and genetics
- Housing
- Pasture management
- Controlling production cost/economics
- Shearing skills
 - clean environment
 - clean animals
 - organized area maximizing efficiencies:
 - animal flow
 - bag area
 - skirting area
 - lighting
- Skirting/sorting skills:
 - skirt and sort according to Harvest Code of Practice
 - grade and batch according to fineness(grade) and length
 - take courses to improve skills and maximize profits on fibre

B. Sell raw fibre

- Market to:
 - hand spinners
 - fibre artists
 - mills
 - other producers
 - co-ops
 - broker - not available yet, see below

Requirements to sell raw fibre

- clean dry fibre, according to “Producers Responsibility” (see Harvest Code of Practice)
- do it yourself
- hire someone to do it
- advertise to access market (see Alpaca Ontario Site “Buy and Sell Fibre)
- make the sales personally

C. Sell sorted skirted fibre - value added

➤ Market to:

- hand spinners
- fibre artists
- mills
- co-ops
- other producers
- broker - not available yet, see below

Requirements to sell sorted skirted fibre

- education to properly skirt/sort/potentially grade fibre (see Harvest Code of Practice)
- prepare fibre according to standards of consumer purchasing fibre
- research intended consumers' requirements
- advertise to access market (see Alpaca Ontario Site “Buy and Sell Fibre)
- make the sales personally

D. Pool fibre in some co-op or corporation

- form and commit to organization – i.e.: buy shares
- submit sorted/skirted fibre to organization
- organization decides uses of fibre
- processing and marketing of end product by organization
- receive dividends after product is sold by organization – no return of product

Requirements for co-op

- need depot for raw fibre
- purchase raw fibre according to current price point
- end product development
- manufacturers contacted/contracted
- market development/advertising
- retail/wholesale outlets

E. Process fibre, sell end product

- market to: consumers
- wholesale to retailers (see Alpaca Ontario site “Buy and Sell Fibre”)

Requirements for selling end products

- all decisions rest solely on producer
 - end product decisions
 - what your target market will buy
 - need new products regularly
 - marketing/advertising
 - outlets on your own

Broker's role: (we have no brokers in Canada)

- buys fibre and re-sells it
 - may buy/sell
 - raw - no sorting involved
 - sorted – clean but not graded
 - graded – graded by length, colour, and micron
 - classed – skirted, sorted, graded and evaluated for best use
 - may buy raw and have it sorted, graded and/or classed then re-sell it
must employ someone to, or be able to sort, grade and class fibre according to industry/customer standards
- must develop contacts for purchasing fibre
 - advertise
 - collection system
 - proper storage
- must develop contacts for sale of fibre
 - hand spinners
 - fibre artists
 - mills
 - other producers
- retailers