Asociación Internacional de la Alpaca
International Alpaca Association

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EDITORIAL

IAA 2023

During this year, the International Alpaca Association (AIA) has been present in various activities of great importance for the alpaca textile sector. One of them is Natural Fibre Connect 2023-2nd edition, an international conference that unites the alpaca, cashmere, wool and mohair industries; and that on this occasion it was successfully carried out in September in the city of Biella, Italy in which various papers were presented highlighting the perspective of the breeders.

Likewise, in October of this year, the AIA once again participated in Peru Moda Deco 2023, the global showcase of Peruvian fashion and decoration. The AIA was present with an institutional stand and at the main ceremony received special recognition for its contribution in the 25 years of this important event. In addition, within the framework of PMD2023, the AIA announced Alpaca Fiesta 2024, the most important alpaca event worldwide that will be held from October 21 to 26 in Arequipa-Peru. FY2024 will be held in partnership with the Peruvian Commission for the Promotion of Exports and Tourism (PROMPERÚ)-MINCETUR. We invite you to participate and be part of FY2024.

On the other hand, the AIA has committed to carry out an LCA-Life Cycle Assessment of Alpaca that is scientifically validated with all those involved, and for this we are working with Textil Exchange and other institutions to put it on the agenda and obtain the necessary funding.

The coming year 2024 has been declared by the FAO as the International Year of Camelids, which involves the alpaca, llama, vicuña and guanaco, as well as camels in all their varieties. This represents a great opportunity to raise awareness about the socio-economic role of camelids, as well as their importance in the international textile industry. FAO is leading its implementation in collaboration with multiple agencies. In this framework, the AIA is a Member of the Steering Committee of the International Year of Camelids-IYC 2024 and is actively contributing to the planning and organizing activities.

Finally, on behalf of the International Alpaca Association, we wish you a happy holiday season, wishing you the best of success for the coming year 2024.

Juan Pepper

Chairman at International Alpaca Association

THE ALPACA TEXTILE CLUSTER OF PERU

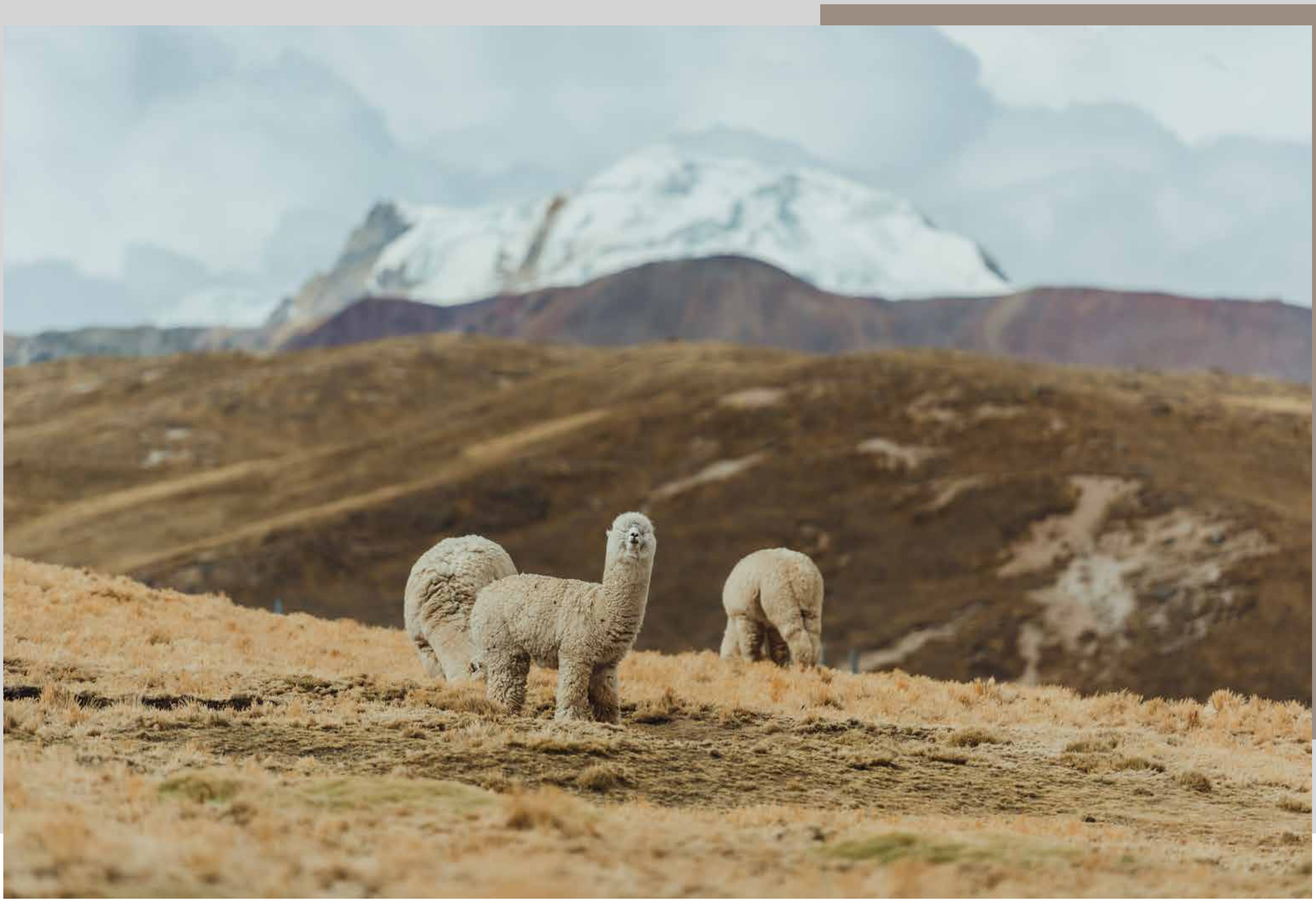
By Daniel Arestegui

The concept of "Cluster" was popularized by Michel Porter in the 1990s referring to "a geographically close group of interconnected companies and associated institutions, in a particular field, linked by common and complementary characteristics, including end-product or service companies, suppliers, financial institutions, and companies in related industries."

In various studies and diagnoses of the textile sector or the alpaca chain in Peru, there is agreement on the presence and consolidation of a natural cluster of alpaca fiber, concentrated in the south-central part of the country; highlighting the relevance that this cluster has for the rural development of Peru; as well as the great economic and social potential for more than 150 thousand families involved in all the links of this value chain.

These statements are based on the fact that Peru is the largest producer of alpacas in the world and that there is an innovative textile industry specialized in alpaca fiber, which is one of the most competitive in the world (INCAE-CAF, 2001). On the demand side, these conditions are complemented by the high acceptance of alpaca fibre in the world market for fine textile fibres of animal origin and by a growing demand for this product.

The Peruvian Andes are home to more than 70% of the world's population of alpacas, a species that for thousands of years has evolved in perfect balance with a delicate and sensitive ecosystem of extreme climates, using natural pastures at altitudinal levels that exceed 4,000 meters of altitude as food; and where more than 95,000 low-income rural families subsist, defying these natural conditions and giving value to their precious fiber.



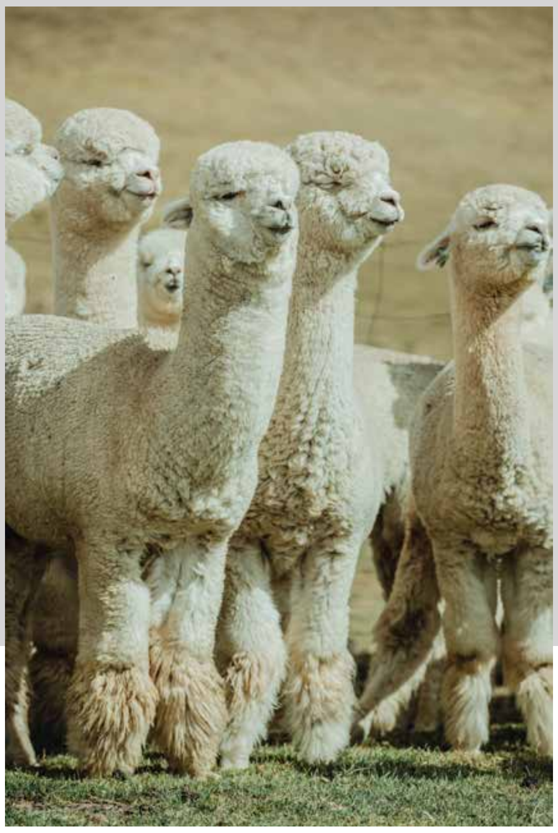
Alpacas are bred in 14 regions of Peru, with Puno, Cusco, Arequipa and Huancavelica being the regions with the highest concentration of these animals. The main characteristics of the rearing systems and the fiber supply chain to the industrial chain are as follows:

- 85% are small breeders (with less than 100 alpacas); 10% are medium breeders (between 200-500 alpacas) and only 5% are large breeders (more than 500 alpacas).
- The average herd is 100 animals, the average farm size is 100 hectares of natural pastures, a low level of technology predominates and access to basic services (education, health, communications, etc.) is still very limited.
- The diffusion of genetic improvement practices, technical shearing, technical standards and experiences in the organized collection of alpaca fiber, have allowed a considerable improvement in the quality of the fiber supply in the last 20 years (it has gone from 10% to 30% of fibers smaller than 22.5 microns in the national production of alpaca fiber).
- Only 10% of alpaca fiber production flows directly from breeders to the industry, this happens through collection centers, large producers or special programs such as the RAS (Responsible Alpaca Standard, Animal Welfare, Land Management and Social Welfare certification program).

The current challenges in this link are: to increase profitability in breeding (via productive efficiency or associativity), to improve the management of water resources that are currently more limited as a result of the effects of climate change, and to consolidate and expand the organized supply of alpaca fiber by qualities directly to the industrial link.

The textile part of the alpaca cluster is mainly focused on the cities of Arequipa, Lima, Cusco and Puno, where a highly competitive processing and clothing industry has developed, vertically integrated and with an international presence, with the presence of large business groups, medium-sized textile companies and a wide network of clothing MSMEs, which easily exceed 500 business units. of which almost 200 have an export vocation and/or potential. Industrial companies have specialized in the production of tops (combed fiber), yarns and flat fabrics; while garment MSMEs mostly provide knitting and finishing services to exporting companies and some produce knitted and flat knitted garments for international customers.

While it is true that there are some brands with an international presence and retail stores in the country's tourist cities and in some capitals of the world; it is still necessary to improve the offer with maximum added value and consolidate the internationalization of MSMEs.



The challenge in general lies in materializing the full potential of the chain, so that the alpaca cluster reaches a higher level of international competitiveness, achieves the long-awaited positioning of alpaca fiber in the fine hair textile market and at the same time this cluster becomes an economic engine of rural development in the Andean area of Peru.

THE CHALLENGES FACED BY SMES WORKING WITH ALPACA FIBRE

By María del Carmen De La Fuente Alvarado

Within the alpaca production chain, manufacturing is the link that adds enormous value to this fiber, through its transformation into clothing, accessories, household products, toys, etc. Here we have the companies that produce both for export and for the domestic market. In terms of exports, in the following table we see that 74% of exports are tops and yarn, and the remaining 26% are products with higher added value, such as the manufacturing sector.

EXPORTS PERIOD JANUARY-JUNE 2023

LINES	VALUE FOB USD
Tops	37,665,521
Yarn	24,830,622
Knitted Clothing	11,501,469
Home Textiles	3,708,710
Fiber in Brosa	2,097,888
Decorative Toys	1,631,118
Flat Woven Clothing	1,553,025
Other products	569,796
Hats and similar	533,940
Footwear and similar	386,768
Furry	324,752
Fabrics	265,331
TOTAL	**85,068,939**

Source: ADEX

Analyzing exports as of June 2023, we see the enormous fragmentation between the companies that export, with 80% being large and medium-sized companies and the rest small companies whose exports do not exceed $100,000. Even within this group there are hundreds of companies whose exports are less than $10,000:

KNITTED GARMENTS AND ACCESSORIES:
244 companies, of which 27 export more than $100,000
Total $11 million USD.

HOME TEXTILES:
126 companies, of which 10 export more than $100,000
Total $3 million USD.

OTHER PRODUCTS:
toys, hats, footwear, etc.
Total $5 million

As for the local market, we do not have specific figures for the alpaca manufacturing sector, but we know that most of the production of companies in this sector is aimed at tourist consumption and if we extrapolate that the 1.2 million tourists who entered Peru in 2022 spent $100 on alpaca garments, we can estimate a domestic consumption of $120 million dollars. This figure far exceeds that of exports.

Both export and domestic manufacturing sectors are mostly made up of small and medium-sized enterprises and, as such, face similar problems, which can be summarized as follows:

- Technological backwardness, with teams with limited capacity to make innovations, low management capacity, poor division of labor, low productivity, no economies of scale.

- Reduced financial capacity, as they do not have the guarantees required by local banks to access important loans for investment.

- Production mainly aimed at domestic consumption, tourism, low quality standards, predominantly ethnic design (souvenir), and not trendy.

- Scarce associativity: 95% of the existing units in Peru qualify as micro-enterprises and this proportion could be extrapolated to companies that manufacture alpaca. These companies are concentrated in Lima, Cusco, Arequipa and Puno, either because of their proximity to the fiber and yarn producing areas, or because of tourism. Being so fragmented makes it difficult for them to have synergies to access financing, technology, information, support institutions, training, etc.

- Informality and therefore inadequate working conditions in terms of fair trade, sustainability, working conditions. In addition, attempts to enter formality face the tremendous and cumbersome bureaucracy that exists in the country.

- Low level of education of entrepreneurs, which prevents them from having a greater vision for the growth and development of the alpaca manufacturing sector.

- Distance in relation to the first links in the chain: breeders and spinning mills, which leads to ignorance of these problems and reduces the possibilities of putting together joint strategies.

However, despite these limitations, this sector of small and medium-sized alpaca manufacturing companies generates a large number of jobs, which is why it is necessary to incorporate them into a strategy for the development of the alpaca activity and within the plans of the public and private organizations involved.

NEWS
By Erika Flores

ALPACA FIESTA 2024

The International Alpaca Association (AIA), in partnership with PROMPERÚ-MINCETUR, will hold the eighth edition of "ALPACA FIESTA" next year. The most important alpaca event in the world, which aims to disseminate and promote alpaca fiber in the global textile market and brings together breeders, companies and institutions linked to the world of alpaca in a festive and highly competitive atmosphere.

Alpaca Fiesta 2024 will be held from **October 21 to 26** in the city of **Arequipa-Peru** and will include activities of the entire Alpaca value chain divided into 5 Components.

LIVESTOCK COMPONENT

Vicuña Chaccu, National Alpaca Competition and South American Camelid Exhibition

COMMERCIAL COMPONENT

International Business Roundtable - Foreign Buyers and Peruvian Exhibitors

FASHION COMPONENT

Fashion shows in locations in the historic center of the city and/or in Cerro Juli

ACADEMIC COMPONENT

Alpaca Connect – Innovation and Sustainability Forum

CULTURAL COMPONENT

Mystical Activities and Revaluation of Andean Ancestral Techniques and Culture.

More information coming soon to the Alpaca Fiesta website: **www.alpacafiestaperu.com**

Save the date and join the fiesta!

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