

PROJECT SUMMARY

FINANCING THE SUSTAINABLE PRODUCTION OF ALPACA FIBER IN PERU (PE-T1422 – PE-L1249)

Peru is the world's leading producer of alpaca fiber, with 85% of the total, followed by Bolivia, Argentina, and Ecuador. According to the last National Agrarian Census, fiber production was approximately 5,000 metric tons in 2017. In Peru, some 80,000 families are engaged in alpaca production and sales in a part of the high Andean plateau covering approximately 18 million hectares of scrublands and a half million hectares of wetlands known as *bofedales*,¹ supporting a population of about four million alpacas. Alpacas are raised in the Andean highland regions at more than 3,500 meters above sea level, where monthly family income averages 800 soles, equivalent to US\$250.

The market for Peruvian alpaca fiber “tops”—the trade name for unprocessed alpaca fiber, one step before yarn—is concentrated in the hands of two exporters that together account for 80%. On the international market, there are only six buyer groups, creating an oligopoly that limits net profitability for producers. Cooperativa de Producción y Servicios Especiales de los Productores de Camélidos Andinos Ltda. [Production and Special Services Cooperative of Andean Camelid Producers Ltd.] (Coopecan) is a cooperative of nearly 2,000 small and medium-sized alpaca producers that has positioned itself as the third largest seller of tops,² setting a purchase price for fiber that generally raises the end-value for all other alpaca breeders. As a practical consequence of setting that price, the cooperative's profits are distributed to its members, which limits accumulation for working capital and, in the long run, for investment capital. This limitation income from rising sustainably for the vulnerable populations of alpaca herders, which is ultimately the main challenge to be addressed.

The project proposes a loan to the Coopecan cooperative to: (i) provide financing for producers to implement a package of improvements on the farm, including planting improved pastures adapted to conditions in the Andean highlands, herd management technically geared toward farm sustainability and higher yield per animal, and better use of water for irrigation and pasture improvement; and (ii) develop a production line for yarn (as opposed to tops), which will add value to small-scale producers' alpaca fiber for export.

The technical cooperation funding will be used to provide technical support and the necessary training for farm technology adoption and implementation of a digitized traceability system using blockchain, making it possible to enter markets with stringent requirements, especially yarn. This system will also facilitate the lending process and the development of the necessary yarn qualities for high-value markets.

¹ In environmental jargon, *bofedales* are wetlands in the Andean highlands. The Spanish word comes from *bofe*, meaning the soft organic material that comprises them. These areas are vital for the preservation of Andean flora and fauna in the dry season.

² In 2017, it accounted for 5% of the total.

The IDB Lab project supports an entity that is representative of Peru's rural areas and employs 100 professional and technical staff, with more than 60 professional women in management positions. The cooperative has a direct impact on 2,000 families, and the project has the scale potential to reach the approximately 80,000 families engaged in alpaca production in the departments of Arequipa, Cuzco, Puno, and Ayacucho.