



**SOUTH AFRICAN WOOL & MOHAIR
BUYERS' ASSOCIATION LIMITED**

Reg. No. 1964/000490/09

and the

Wool and Mohair Exchange of South Africa

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TO: Members of the South African Wool Industry

Sawamba has after careful consideration taken the decision not to attend next week's auction.

This decision has not been taken lightly as we fully understand the impact it has on the producers, brokers, and other sectors of our industry.

The reasons for this decision are as follows:

- Sawamba, through its members finances the entire wool industry due to the fact that they have to pay for the wool 5 business days after purchase and, in normal trading circumstances would receive their funds from between 4 to 7 weeks later.
- In the situation we find ourselves in at the moment, we will only receive our funds approximately 4 months after we have paid for the wool.
- The reason for this is that due to the FMD outbreak, a new health certificate has been negotiated which incorporates time and temperature restrictions that will inactivate any FMD virus which are as follows:
 - o Wools must be stored at: 4°C for 4 months, or 18°C for 4 weeks, or 37°C for 8 days from date of receipt.
- At present with the low temperatures we are experiencing, this would mean that the buying houses would only receive their funds between 3 to 4 months after date of purchase.
- As we are all aware, South Africa has extremely high interest rates which makes it expensive to fund wool for 4 months and, due to the present value of wool, there are simply not sufficient funds available within the wool industry to do this week after week. On average, R150 million worth of wool is sold every week...
- Our Chinese clients are not prepared to take the market risk of buying wool today and only receiving it 5 months later(1 extra month to ship the wool) as the market may have depreciated 10%.
- We received notification from the General Administration of Customs of the People's Republic of China GACC as follows:
 - o On the 23rd of July 2019, the General Administration of Customs of the People's Republic of China (GACC) announced that, subsequent to their risk assessment of the Foot and Mouth disease situation in South Africa, they are lifting the ban of imported cloven hoofed animals and their products. This

applies to all areas of South Africa, apart from Limpopo, the Ehlanzeni area of Mpumalanga province and the Umkhanyakude area of KwaZulu Natal.

- Our understanding of this statement is that all wool outside the “affected” areas, namely from Limpopo, the Ehlanzeni area of Mpumalanga province and the Umkhanyakude area of KwaZulu Natal can be shipped as normal. Wools from the “excluded” areas are bound by the time and temperature restrictions and this is how the Chinese customers see it as well.
- We have sent this communication received from GACC to the Department of Agriculture, Forestry and Fisheries(who have also received it directly from GACC) to get clarification on our interpretation of this communication but to date we have not received a reply.
- With this uncertainty, we cannot put our respective businesses at risk.
- We accept that there are other markets besides the Chinese market however, these markets are not in a position to absorb the balance of the wool clip that is not sold to China. China accounts for over 70% of all wool sold in South Africa.

Paul Lynch



on behalf of the Chairman of Sawamba.