

Subject: Urgent Appeal for Support: Critical Situation Faced by UK Rag Collectors

Written By : Tosh Vyas, Director of Fortune Eximports Ltd.

Dear Alan,

I trust this message finds you well.

I am writing to urgently draw your attention to the severe challenges faced by rag collectors in the UK, which have been exacerbated by a series of ongoing issues affecting their operations. Immediate attention and collaborative efforts are crucial to alleviate the difficulties experienced by these collectors.

- 1. Ukraine/Russia War:** The ongoing conflict between Ukraine and Russia has disrupted the market for goods exported to Poland, with Ukraine being a significant end market. The closure of this market due to the war has created a substantial setback for rag collectors.
- 2. Pakistan Political Crises:** Approximately 50% of goods, particularly sorted original clothing, are routed to Pakistan and then distributed to landlocked countries with severe winters. Political crises in Pakistan have led to a doubling of currency exchange rates against GBP and a significant increase in duty structures, reaching the extent where suppliers are compelled to pay recipients to accept containers.
- 3. West African Market:** West Africa serves as a major market for English goods. The politics in Africa e.g. 7 Coups from 2020 to mid-2023 (Niger, Burkina Faso x 2, Mali x 2, Sudan, Guinea) and the exchange rate volatility, particularly in Nigeria, has risen dramatically, from 900 to 1 GBP in March 2023 to Naira 2200 to 1 GBP as of 27th Feb 2024. Similar is the issue with all other African countries. This has brought business in the region to a standstill, aggravated by the unavailability of FOREX in banks.
- 4. Suez Canal Disruption:** The recent disruption in the Suez Canal has forced vessels to seek alternative routes, such as the Cape of Good Hope. Attacks of shipping vessels in the Red sea has not only doubled freight costs but also significantly increased travel distances, causing substantial financial strain and cash flow blockages for rag collectors.
- 5. Cash Flow Crises:** Major processing companies in England have been forced to shut down their operations due to very high overheads. Geographically, Dubai is in the perfect location for processing, but the increase in transit time has resulted in goods spending more time in transit, causing substantial financial strain and cash flow blockages for rag collectors.
- 6. Quality of Used Clothing:** Since the onset of COVID-19, the increase in the cost of living and the prevalence of work-from-home policies have resulted in a severe imbalance of items, with the quality of clothing reaching its lowest point in the history of the rag industry. Simultaneously, overheads in the UK for rag collectors are rising, while clients are pressuring suppliers for discounts.
- 7. Operational challenges in London:** Congestion charges, compliance with ULEZ (Ultra Low Emission Zone) requirements, Road blockage, Parking issues and potential fines for infringements. Operating in a city with such regulations has made impossible to operate.

8. Brexit impact: In the course of the Brexit negotiations, the textile recycling sector was overlooked in terms of sorting agreement laws and regulations. Consequently, European clients importing goods from the United Kingdom found themselves obligated to pay VAT, and in certain countries, import duties were also imposed. This led to an increase in the cost of goods and significant cash flow bottlenecks for businesses in the sector.

9. Competitive Scenario: The existence of cost-effective Australian and Chinese suppliers serves as formidable alternatives, especially in the UAE and Asian markets, presenting a significant competitive hurdle. Moreover, noteworthy competition arises from European nations like Germany, Netherlands, the Nordic region, and Italy, as they offer comparable products at roughly half our price. An additional challenge emerges from the influx of new Chinese clothing aggressively entering the African market, competing intensively with second-hand clothing.

In light of these circumstances, we urgently request government intervention and a press release to shed light on the plight of rag collectors. This will not only safeguard the charitable institutions raising funds for noble causes in the UK but also highlight the challenges faced by these collectors and the domino effect of the Suez Canal disruption on their operations.

Your co-operation in disseminating this information will contribute to raising awareness about the critical situation faced by rag collectors and may pave the way for collaborative solutions to alleviate their challenges.

Best Regards,

A handwritten signature in cursive script that reads "Helga Lorenz Smith".

helga smith