

Botswana plans extra diamond sales route after De Beers deal

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Botswana's state diamond company is planning to diversify how it sells precious stones to the market as it gears up to receive far more supply under a multi-year deal the country struck with producer De Beers in July.



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The Okavango Diamond Company (ODC) currently sells 25% of the gems produced by the Botswanan government's Debswana joint venture with Anglo American unit De Beers via an auction process.

ODC's share of rough stones from Debswana will rise to 50% over the next decade due to Botswana's new deal with De Beers, but selling large volumes will be hard due to an uncertain economic outlook, and in the face of competition from laboratory-grown gems.

Botswana, the world's number one diamond producer by value, generates about 30% of its revenue and 70% of its foreign exchange earnings from diamonds, making its economy heavily exposed to prices of the precious stones, which have fallen around 12% in the last six months.

"ODC auctions are too big and need to be optimised," ODC managing director Mmetla Masire told Reuters via email. "We also need to de-risk the business and support other customers that want alternative selling channels."

While ODC is not moving away from the open tender model, the new channel should complement and work in parallel with auctions, Masire added.

"We are not shifting away from the auction channel, we are looking at running the auction and adding another channel to complement and work in parallel with auctions," he said.

With auctions, "apart from the logistical challenges of tendering such huge volumes of diamonds, technically what happens when the market is bad like today, you tender a large amount of diamonds you can't sell", said James Campbell, managing director of mining group Botswana Diamonds.



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Alternative selling channel

De Beers uses an alternative selling channel that involves offering boxes of unpolished gems to customers such as manufacturers and diamond magnates at sales known as "sights" held about ten times a year. This helps when the market is weak.

"ODC will have the freedom to sell to customers directly in a way that they haven't had before," De Beers CEO Al Cook told Reuters in an interview.

"In practical terms, that does provide a structure for ensuring that we get rid of the peaks and troughs that characterise selling by tender or auction," he added, referring to De Beers' selling channel.

Debswana's rough diamond sales dropped 17% in the first six months of the year, data released by the central bank showed, as prices for the stones dropped sharply.

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