



Gem Market News

Tucson Gem Show 2010

“baby
steps”



*A suite of garnets.
Courtesy Bear Essentials.
Photo: Gary Roskin*

Tempered by caution, the Tucson show of 2010 was a baby step in the right direction. The mood overall was upbeat and buyers are slowly returning to the marketplace. Traffic was still off from the boom years but buyers were serious. Agates, spinels, tourmalines, and blue sapphires all did well. Tanzanite sales finally slowed with demand tapering off. Ruby faces challenges with the continued embargo and treatment controversies.

By Stuart M. Robertson, GG

The Tucson Gem Shows are widely regarded as a reliable indicator of the strength of the colored stone industry. In all the years that this author has attended, I cannot recall another year where so many in the trade have held their collective breath in anticipation of a signal that better times are at hand. In the end, activity at the show provided some

clues about the current direction of the market. There is optimism, but it remains tempered by caution.

The opening day of the American Gem Trade Association GemFair found modest attendance. However, during the days that followed, dealers reported that the pattern of activity indicated that buyers were purchasing for inventory. Ron Rahmanan of Sara Gem Comp said, “We are cautiously optimistic. We

are getting orders from our clients to work with and we find these signs encouraging.” This is a departure from the 2009 show in which purchasing was scarce and limited to specific calls to fill repair or special orders. This change in retailer attitude is a positive sign and indicates that holiday sales, although slow, have lowered inventory levels. Yet Ron notes that although signs are encouraging, the market is still vul-

nerable and fragile. But since few retailers bought for inventory during 2009, it is reasonable to predict that the trend toward modest inventory building will continue into the spring.

Throughout the week, buyers remained price conscious. Several active price ranges were observed but there is a large gap between them. For example, top *extra fine* rubies and sapphires were quite scarce and prices were significantly higher than last year. Availability of goods was better for material in the \$2,000 to \$4,000 range. However, dealers report resistance to these price levels. The strongest activity was centered between \$100 to \$400 price points and tapered off as they approached an apparent \$1,000 to \$1,200 ceiling. After this level the jump was quite large to the next active level, which encompasses the high-end collectors' range of material that is always extremely scarce and never devoid of demand.

Purveyors of truly special, top quality gems have little interest in negotiating price. With mining production suspended or scaled back for part of the past two years in many locations and sporadic for far longer in classic locations like Mogok, dealers of truly rare stones realize that such gems simply cannot be replaced and are pricing them with that in mind. Larger *extra fine* classic Mogok rubies were one of the rarities that were extremely scarce at the show this year. These facts indicate that even in a soft economic environment, the prices of certain gems are always firm with virtually no room to bargain.

Hits and Misses

Providing a selection of materials was the key to success at this year's show. Bear Williams, Bear Essentials, said, "Most stones [varieties] appear to be in good supply, though certain mining has slowed down across the board in response to the sluggish economy. Fine quality stones remain firm and good sellers. We expect the better looking material like zircon, peridot, spessartite, opal, and aquamarine to have a firm pull at the show as they have been our better sellers throughout the year." Williams explains that these gems exhibit both the characteristics that consumers expect in

precious stones and they are priced at or near the price points that consumers are currently willing to approach.

The agates, spinels, and green and red varieties of tourmaline also sold well. Roland Schluessel, Pillar & Stone, exhibited at the GJX show. He noted that, "Rubellite tourmaline is doing very well and is currently the only affordable red stone. Prices for fine ruby and red spinel are high [for the current appetite of most buyers]. Buyers can get very attractive red tourmalines in larger sizes but fine, large rubies are very difficult to find."

While interviewing dealers on the third day of the AGTA show, I stopped at a booth to inquire about business. The dealer replied, "I carry only one product and this year it doesn't appear to be the right one." Prompted by the candor of the response I looked down into the display case to find several trays of medium quality tanzanite. In general the reports are mixed for tanzanite this year. In part, inconsistent supply, combined with recent price volatility appears to be constraining demand. Another consideration is the fact that Tanzanite enjoyed immense popularity for a period of years during the last decade and therefore, like other stones in the past, is contending with a certain degree of market saturation at this point.

Ruby

Challenges in the ruby market were one of the big stories of the show. The current market direction is best characterized as confusing. Rahmanan reports "We are feeling the impact of the embargo already since we have some

orders for Burma ruby but we cannot import them so we have to turn down the orders." Several dealers at the show expressed concern that some dealers are actively importing Burma ruby in spite of the embargo, thus creating an unfair advantage over those more reputable firms that are following both the letter and spirit of U.S. law. Even firms with large inventories of "pre-embargo" material are concerned that as the stocks sell down they will not be able to replenish their inventory making it very difficult to remain relevant in



Chrome diopside ring from Idaho Opal Company. Designers are looking to more unusual gems to set themselves apart. Photo: Gary Roskin

the ruby market. Unfortunately, there is no indication that the situation in Burma will improve any time soon or that the embargo is having the desired effect to bring about change. Even if the embargo does ease, the trade will still face shortages for the foreseeable future. Gem production in Burma has been on the decline as a result of a softer global gem market in 2009 among other factors. Many Burmese miners have abandoned gem mining altogether for the more lucrative uranium operations. There are shortages even for the Asian buyers that swooped into Burma's gem markets to fill the void created by the departure of U.S. buyers honoring the embargo.

Historically, Burmese ruby has comprised more than 90% of all rubies in the trade. But production had been easing even before the trade sanctions were enacted. In recent years, exploration has yielded substantial deposits in several locations outside of Myanmar. The best known are in Africa.

A significant deposit currently being worked in Mozambique is helping to alleviate supply concerns for ruby in the U.S. market. The material ranges from a red, orangy red, to a purplish red. Dealers report that prices tend to be about one third to one half below Burmese ruby prices. Dealers familiar with the current production including Rahmanan, report that most of the stones are *commercial* quality and range from \$150-700 per carat. There are also *fine* quality stones in 5-7 carat size and priced from \$6,000-9,000 per carat. Burmese rubies in this size range have been extremely scarce for many years. The majority of this production is being heated in Thailand. It is estimated that approximately 10% arrives in the market without being treated in any way. The remainder of the production is very low quality and is being stabilized with a lead-glass.

Dealers familiar with the deposit caution that the life of the deposit is unknown and suspect that production could taper off sharply this year. The Tanzanian (Winza) ruby deposit that generated so much buzz in the latter

part of 2008 has reportedly played out. Not much of that material was available at the show.

Sapphire

Blue sapphire remains one of the safest bets in the gemstone market. Good name recognition and stable supply in all but the top grades make it a staple for jewelers featuring colored gemstones. Our research at the show confirms that sapphire inventories are adequate for the current level of demand. Prices are steady for heated stones and appeared about 10% lower than last year for commercial grades, while the finer grades were priced on par to slightly higher than during the 2009 show. However, the prices for the finer grades are

higher than 2009 levels once one gets away from the typical 1 to less than 5 carat sizes. It is important to note that the premium for larger (10+ carats) *fine* and *extra fine* natural (unenhanced) sapphires increased by approximately 25% compared to the prices observed one year ago. Likewise, very few sapphires were observed in the 20+ carats sizes. Although an unusual size in finer grades, one can usually find several pieces featured at the show. This year, such stones were noticeably scarce justifying their very strong pricing.

In the fancy colored sapphires the biggest price decline is in the pinks. After

achieving very strong prices earlier in the decade, prices continue to correct. Preliminary research results indicate prices have declined by 25-35% from the late 2008 and early 2009 levels.

Strong trading in the East Asian markets has driven up yellow sapphire prices. As a result, dealers at the show cautioned that prices in the finer grades are poised for a steady rise during the foreseeable future.

Spinel

With the exception of the fine reds, spinel currently offers one of the best opportunities for designers and custom jewelers. The stone is historically known, seldom enhanced and typically priced considerably below



This layout featuring natural spinels from Burma, Tajikistan and Vietnam totals 97.88 carats and is priced at a fraction of what similar looking sapphire would be. Gems and image are courtesy of Pillar & Stone.



Suite of red tourmalines from Nigeria, natural color, no heat. Total 523.26 carats. Courtesy of Pillar & Stone.

similar colored gems like sapphire. As a result, interest in spinel continues to grow industry wide.

Spinel in an array of colors and sourced from various locations around the globe were one of the highlights of the show in this author's opinion. There is a good supply of *fine* material although I certainly would not characterize availability as abundant. From the bright blues and reds to the subtle pinks and yellows through the earthly warm orange and browns, several dealers expressed the prediction that spinel is an awakening giant for designers. The attractive price points that rarely exceed a few hundred dollars per carat for most colors are particularly inviting in the current market.

Tourmaline

Tourmaline is not as plentiful as it once was. Dealers report that sales for green tourmaline were best for richer greens and lighter "minty" material while the more bluish, greenish, and brownish green material was slower. Both the blue and golden varieties appeared to be scarcer than in years past while the supply of pink and red material was good.

Nigeria is proving to be a good source for tourmaline, particularly in the red and pink hues. A nice characteristic of these gems is that they tend to be cleaner internally than reds from other locations. Red tourmaline, sometimes referred to as rubellite, is classified as a TYPE III gem for clarity (like emerald), with extensive inclusions expected.

As for the always interesting Paraíba vs. cuprian tourmaline debate, it is apparent that buyers are very selective when buying high end stones and are looking for origin reports that state Brazil. The copper bearing tourmaline from Mozambique that sells as Paraíba, Paraíba-type or cuprian tourmaline is not nearly as plentiful as it was a few years ago. However, prices even for finer goods are below the levels initially observed for this material.

Closing Thoughts

The mood of the show was better than last year. Buyers were buying for stock—albeit usually in

small quantities—for the first time in recent memory. Obtaining goods on memo was reportedly very tough this year as expected. Several trends have emerged from the buying patterns reported.

Investment in lesser known gems has been gaining momentum during the past few years. Initially this was related to color substitutions motivated by price point, i.e., red spinel for more expensive ruby, etc. However, that is no longer the motivation. We are seeing designers and custom jewelers introducing gems like scapolite, danburite, fluorite, diaspore, agates and the spinels to their clients in part as a mechanism for differentiating themselves from the competition. It is my belief that a contributing factor to the decline in the number of retailers in



An unusual danburite from Tanzania. 66.04 carats. Courtesy of Pillar & Stone.

recent years, especially large chains, is at least in part that all of their merchandise looked the same.

With fewer potential customers during the recession, the lack of "individualized" inventory too often made the store's emphasis on price alone. In an industry built on the rarity of its products, the main selling point cannot be price, but instead must be the "intrinsic value." A dealer who is passionate about the quality of gems in his or her inventory knows the difference. Such dealers tend to sell the "beauty." ♦