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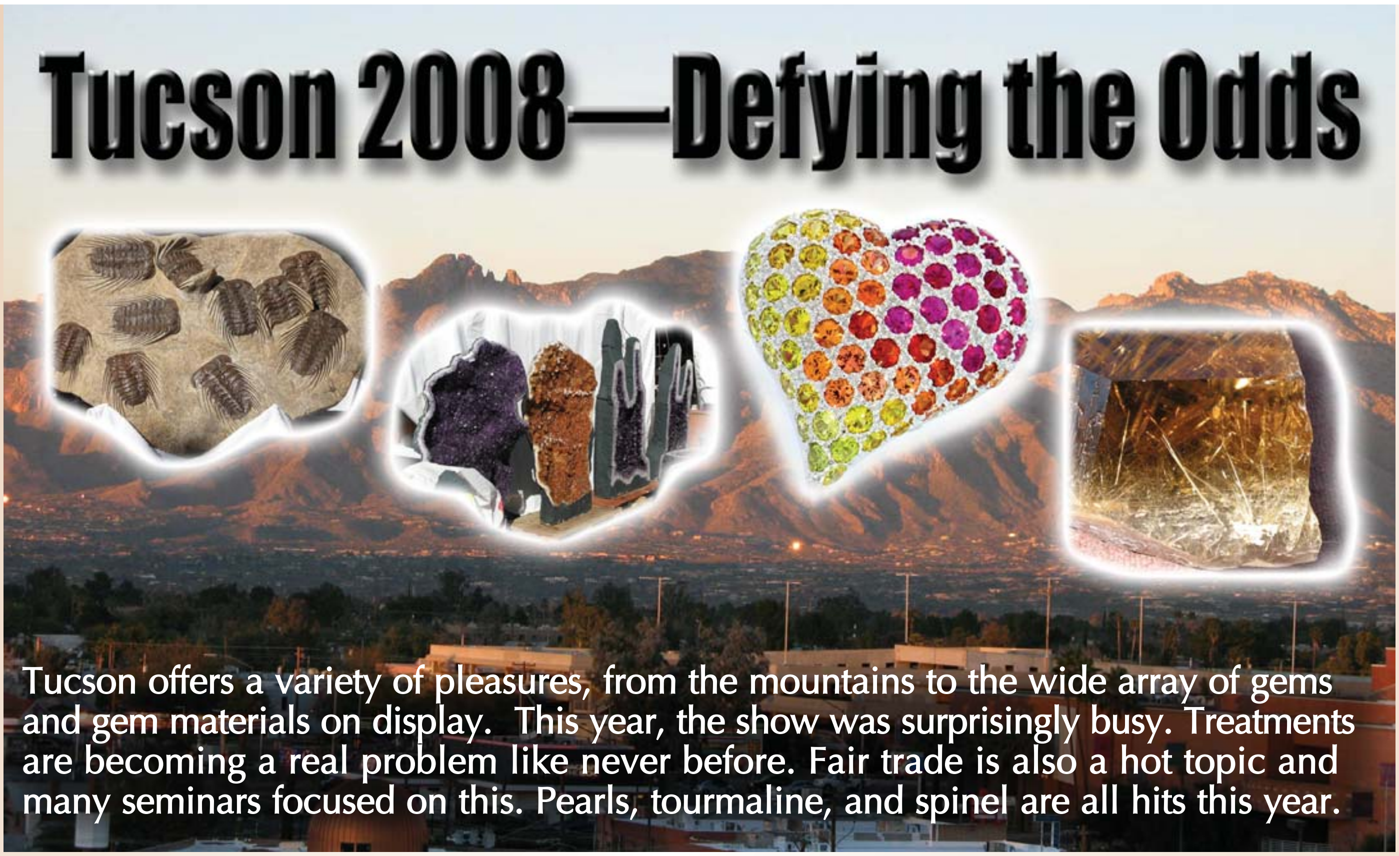
Tucson 2008—Defying the Odds



Tucson offers a variety of pleasures, from the mountains to the wide array of gems and gem materials on display. This year, the show was surprisingly busy. Treatments are becoming a real problem like never before. Fair trade is also a hot topic and many seminars focused on this. Pearls, tourmaline, and spinel are all hits this year.

Inset shows fossils, geodes, a confetti heart pendant, and a quartz crystal. Pendant courtesy of Philip Zahm Gemstones.

by Stuart M. Robertson, GG

The annual Tucson gem shows had some very telling moments this year. I, like most, had minimal expectations heading into the show. The holiday season was off for many retailers, the trade is facing several controversies, and the economy is showing signs of lingering softness. So, all the indicators suggested it would be quiet this year. I was resolved to that being the story I would have to write. However, if nothing else, the industry can certainly be unpredictable.

On one of the first days of the AGTA GemFair show, I worked the show floor for interviews. I approached Fine Gems International, then Sara Gem Corp, Michael Couch and Associates, and finally over to Sea Hunt Pearls. All were busy; too busy in fact for me to stop any longer than to exchange greetings before moving on. The show itself was not crowded but there were buyers milling about and they appeared resolved to investing in their businesses in spite of the uncertainty of the economy.

Stopping briefly by Mayer and Watt, I queried Simon as to who was buying. Was it, as I had expected mostly foreigners taking advantage of their currently strong currencies or was it mostly dealer to dealer spending? Simon also expected this year to be dominated by foreign buyers but that was not what he was finding. “We expected it to be that way. It was last year. But surprisingly it isn't as strong as last year. We are writing [orders for] mostly regulars. Is it shaping up to be a great show? No. But it is going to be good to very good."

Some dealers like Roland Schluessel of Pillar & Stone exhibiting at GJX did see strong participation of overseas buyers, especially Europeans who had the benefit of record exchange rates to the dollar. Roland also noted that dealer to dealer trading was strong, especially on the first day of the show. The market is very excited about the recent spinel find in Tanzania. Dealers and jewelers alike sought nice specimens to see first-hand what was behind the hype.

For dealers that were heavily invested in a single product like corundum, the story was different. Ruby was clearly much slower at the show than had been expected. And all evidence suggests it isn't simply a matter of the pending embargo. Schluessel told *GMN*, "It isn't that alone. Many of these dealers also exhibit overseas. Frankly, they could sell ruby in those markets where the embargo is not in effect. The issue [behind the lack of demand] is price. Ruby prices are crazy high now and few people are interested at these numbers, because they fear clients will be shocked."

Anil Gupta specializes in corundum. He had a similar take. "Overall, the market is out of focus. Business has been slower as prices have climbed. Even white sapphire in the Sri Lanka market has risen to numbers of $200 to $300 per carat wholesale. Yet, until recently, prices over $100 per carat were unheard of." Demand from other markets as well as higher costs to produce are behind these increases.

Clearly the market is still experiencing slow patches and this is expected through the first quarter at a minimum. But there is still demand and there is still business to be made. The industry must redirect attention to its products and part of that effort will require an emphasis on redefining what our product is and how we want to represent it. As Eric Braunwart of Columbia Gem House noted, iPhones sold very well in this economic environment, yet they are twice the price of the average jewelry sale in the U.S. Consumers will spend but the jewelry industry must make the effort to bring consumers back to the product. And that brings me to a subject garnering a lot of attention this year—treatments.

Sticky Subjects

Treatments, well actually more correctly their disclosure, have moved from being an albatross around the neck of the industry to being a ten-ton anchor. The industry has skirted the issue of meaningful disclosure for years and now we no longer know what the word natural means. *Colored Stone* magazine's David Federman was one of several people at the show to challenge the industry to act. The concern quite simply is that the disclosure language is out of date and no longer applies to the products being passed off as gems. The market is drowning in lead glass filled rubies, some of which was selling at GJX—carat size and larger—for $1.50 per carat. Similarly, emerald held together by glue like fillers have been reported. Absolutely nothing like this has been accepted as a gem in the past. Federman warned that to sell these stones, which are basically composite products, as natural or enhanced gems has destroyed the integrity of the treatment disclosure codes and made them useless. "The entire system needs to be scrapped and reconstructed with once again meaningful language. And the Thais, who are responsible for this, aren't going to get the message until you [the trade] close your checkbooks in boycott to effect change…Natural no longer means natural and that is a problem. Take back the power of language or the industry will lose control of trade." This is not a new message to *GemGuide* readers.

Bronze petal freshwater pearls.

The market has finally reached the point where it is knowingly and willingly selling man-made products as natural stones. A decade ago, revelations about the use of resin in place of oil as a filler in emerald triggered a decline in confidence as emerald became the target of several high profile national news exposés. The use of more stable fillers to serve the same function as that of oil was absolutely nothing compared to the issues this industry faces today. What will be the fate when the media begins to comprehend what is going on?

Treatments were not the only issue passionately being debated at the show. The issue of the pending Burma embargo had center stage during a panel discussion on supply chain issues hosted by the AGTA and moderated by Jewelers of America Director of Public Affairs, Peggy Jo Donohue. Panelist Richard Hughes noted that the dismal human rights record of Saudi Arabia far exceeded that of Burma. (Hughes made clear this was by no means a justification.) Yet, the Saudis are afforded considerable accommodations by the same U.S.

Government denouncing the Burmese. Hughes, who is well-traveled in Burma, is concerned that the embargo will extinguish the gem-driven livelihoods of the small-scale gem miners. He has requested that those advocating the embargo share in the sacrifice that the Burmese gem miners and American gem dealers are being required to make. He asked for a show of those that had given up driving (most of America's oil comes through the Saudi's) in protest of their human rights record or 9/11 (since 15 of the 19 hijackers were Saudis). There were no takers.

Dealer Tom Cushman, speaking at the same event, examined socially and environmentally responsible gem mining practices. Tom noted that these issues carry significant influence with consumers under age 35. He discussed the issues that he faced helping the people of Madagascar achieve meaningful developments in their gem industry. "Our goal was to seek good while striving for better. We knew that nothing could be perfect. But we are happy with the results." Under Tom's direction the Malagasy now have a self sufficient and productive industry that serves the global market while benefiting the local population.

Eric Braunwart outlined the steps to Fair Trade and stated that independent consumer research continues to

An array of freshwater cultured pearl strands showing just a few of the many varieties available.

show this is a growing issue for consumers. Six years ago, Brunwart's own company, Colombia Gem House, implemented their own best practices protocol to guide their operations.

Pearl Trends

Friday morning, *GemGuide* pearl researcher Lois Berger led a group on the annual pearl walk in the AGTA show. We saw some very interesting products. Several important trends became evident. The most significant trend was that each of the four primary categories has entered a period where quality is emphasized over quantity. The low end of the Chinese freshwater product was way down in quantity this year. The Chinese products represent a finer quality pearl than in years past. Petal pearls, the darling of the market for the past few years, have eased in demand. The big Chinese rounds in white and pastel colors were remarkable. Avi Raz of A&Z pearl told the group "Pearls performed well in 2007. The market is enjoying good varieties and a price for every consumer." This is what we saw at the show and frankly few other gem products can offer that advantage.

Dealer Armand Asher noted that golden pearls are still doing well in the global market but there is more treated

Coral keshi named for their branch-like appearance.

product. Pistachio colored pearls are very popular. These soft natural green colors are scarce. A significant increase in production of these pearls is unlikely. But for those lucky enough to own a strand, they certainly will be conversation starters for years to come.

Jack Lynch of Sea Hunt Pearls showed the group several magnificent multicolor Tahitian pearl strands. The pastel multicolor represents less than 10% of all Tahitian production. These are doing very well now. Average price is about $6,000 for a strand of 10mm pearls. In general the quality is the finest that we have seen in the Tahitians. The Tahitian pearl industry must be complimented for the aggressive steps taken that have pulled their product from an over-produced marred, lackluster and quite frankly boring pearl to the exciting high quality and visually delicious product we are seeing today. They accomplished this in less than a decade. The current direction suggests some very exciting times ahead for pearl aficionados who favor the blacks. But prices are higher (auctions are held in Euros) and may well continue that way.

In the freshwater products, bead nucleated coins and baroques are gaining appreciation. These pearls possess an excellent luster and large bold look. One freshwater baroque strand I examined featured pearls from 12 to 17mm and was priced at $10,000. The quality exceeded that seen before in this product.

The Chinese government has reportedly closed some farms because of the adverse impact of local drinking water that operations were having. The notion of striking in balance between industry and environment in China is in many ways only in its infancy. But the initial signs are encouraging.

Other Chinese freshwater pearl products of note are the wonderful large butterfly keshi, as well as the angel wing keshi, "coral" keshi, named for their long branchy appearance, and of a soft plum color and white to lightly bronzed colored coins.

Ruby and Sapphire

Ruby was slow and not much *fine* material is currently in the market. The lead glass filled material was everywhere and at $1.50 per carat and up, it is destroying the intrigue of this gem. The price for medium quality (*upper good* to *lower fine*) stones is approaching the absurd. Flux healed goods have reached the price levels that untreated Mogok gems traded at a few years ago. The scant couple of top gem rubies I did see served as a sobering reminder of what the term *ruby* once meant.

The availability of *fine* sapphire was much better than that of ruby. Blue sapphire remains a favorite of the American market. Prices have increased since last year's show and in some cases dramatically. Several dealers explained that production in Madagascar has fallen off sharply in the last couple of years, while world demand has increased. Yellow and purple sapphire did very well at the show but the latter was much scarcer than last year. Pink sapphire was also noticeably scarcer than last year. Here, demand was strongest for *fine* 3 to 5 carat cushions.

Tourmaline

Cuprian tourmaline was well represented at the show. Dealers reported good interest although the major excitement of the past two years has certainly waned. Several excellent specimens were on hand. And it is nice to see more dealers refraining from heating the material to the Paraíba-type colors, opting instead to feature some of the wonderful lavender, purples and red hues. Bob Kane of Fine Gems International featured several unheated cuprians from Mozambique, including an unusual 33.65 carats 'root beer' colored gem. He also had a *fine* 12.81 carats purple specimen that was attractive in its own right. Bob stated that, "Several people have told me to heat this one because it would be more valuable as a Paraíba. But I am not going to because I think it is attractive the way it is. To me this business isn't all about money. There aren't many of this color left and that makes it special." The stone was priced at about $1,000 per carat. If it were treated and achieved a Paraíba-type color of similar intensity to its present one, its value would increase five fold. This point, I am sure Kane is already aware. There are dealers and there are dealers.

A stunning ring with Paraíba tourmaline.
Courtesy of Philip Zahm Gemstones.

A pair of spinels from Tanzania weighing 8.34 carats total.
Courtesy of Pillar & Stone.

Spinel

I examined specimens of the Tanzanian spinel mentioned in the January/February GMN. The material lives up to its hype and then some. Michael Couch had pieces ranging from *commercial* to *fine* and priced from $500 per carat up to several thousand depending on quality. At Pillar & Stone I was able to examine several *extra fine* specimens. This material simply glows red with water like transparency. The *extra fine* material ranges from $5,000 to 10,000 per carat in larger pieces, with the more common 1 to 3 carat sizes priced at $2,500 to 5,000 per carat in *fine* and *extra fine* grades. This material is redefining the perception and importance of the spinel gems in the market.

Closing Thoughts

Tucson 2008 proved to be pleasantly busy given the current sluggishness in the economy. The dealers with mixed inventories did much better than those that specialize. This was not a strong year for ruby and the extent of treatment in this market has reached alarming proportions. Natural, beautiful gems are what buyers came looking for. Foreign buyers were a force but they were not the only buyers in town. American retailers and custom jewelers also made their presence felt.

If the trends observed at the show carry into the spring and summer, 2008 will be a year for fine quality pearls, attractive yet relatively inexpensive agates, brown and golden zircons, garnet and beryl. These will lead the market with emerald the only of the big three to enjoy improved demand. ◆