

Colored Stone Market Report: The Tucson Gem Show



Tucson offers everything from interesting crystals to fine loose gems and designer jewelry. Free floating liquid inclusion, classified as enhydro in smoky quartz. Natural Burmese sapphire, 5.84 carats. Courtesy of Bear Essentials. Multi-color "Margarita" rings from Philip Zahm Designs. Courtesy of Philip Zahm Designs.

Traffic may have been down this year, but those who came prepared to buy did well. Prices are down globally. There was a noticeable lack of foreign buyers this year at the show. Gems of particular interest this year included Winza ruby, Tanzanian spinels, and a variety of tourmalines. Tanzanite prices are down making them a good buy. A trend is emerging toward innovative use of gems and varied metals to create lower price points with exciting gem materials such as andradite garnet and rhodocrosite.

By Stuart M. Robertson, GG

This year's Tucson GemFair offered a great deal of insight into the economic impact on the global gem industry. Most notable in that regard was the value of loyalty between buyers and sellers. Dealers were mostly servicing accounts that they have already established—those with a proven track record for paying. New prospects had a harder time getting memo. Wholesalers and manufacturers are keenly aware of their potential exposure in the current market and reluctant to memo goods to all but the best accounts.

Attendance appeared significantly off from last year. The AGTA show reported a drop in attendance of 19% this year (7,640 vs. 9,402), but that was a reasonable drop considering the economy. Other shows have not released figures yet (and may not be as forthcoming with negative data), but observed traffic patterns suggest at least 20-25% lower, possibly much more for some shows. The show organizers of the Marriott Star Pass (GLDA) posted "positive" results to the trade press but did not specify buyer numbers or comparisons from year to year so these postings are suspect. Vendors interviewed at that show were disap-

pointed and some reportedly closed their booths a day early.

However, the lower show attendance is not the entire story. I

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observed far fewer “tire kickers” attending this year. This year, “buyers” did have needs to fill. None of the sales I witnessed qualified as purchasing for inventory however. Instead, these transactions were specific requests to fill repair or custom orders.

The strong presence of foreign buyers that many exhibitors credited for strengthening their bottom lines in 2007 and 2008 was not evident at this year’s show. Corrections in the exchange rate between the U.S. dollar and key European currencies as well as a slowing economy in Europe, dissuaded many overseas buyers from attending the show. Roland Schluessel of Pillar & Stone told the *GMN*, “There were far fewer European buyers this year. The slow economy and the high cost of coming to the show were deterrents.” Roland noted that he certainly saw some of his usual European clients but not many.

The current market can be accurately described as an extreme buyers market, but for cash buyers only. This was evident by the second day of the show as pricing varied as dealers indicated their willingness to talk price. Buyers had also heeded earlier advice and were ready to pay cash in return for the best price. Cash additionally served to assure buyers that they could get the products they needed in the current cautious market. In general, prices appeared lower than at this time last year. This was most noticeable in the *commercial* and *good* quality grades. The value of *extra fine* material has held stable in most varieties. Top end goods in the ruby and sapphire were scarce. The prevailing theory was that this material is being held out of the market to protect its value. Although there may be some instances of that occurring, it certainly is not the entire explanation. The reality is that *extra fine* material is scarce and has been in ruby, emerald and sapphire for years. Market participants can find any quality they want. However, if it is top *extra fine* they want, they are still going to have to pay the price.

The Shows

The various rock and mineral shows dotted the landscape again this year in Tucson. The roadway shows—referred to as the “I10” (Interstate 10) shows were fairly busy this year and featured everything from high end polished colored gems like alexandrite and tsavorite, to geodes, enhydro quartz from Tibet, fossils, carved

masks, swords, spears and even a shrunken head (or three). It is a real collage of exhibitors and products from the far points of the planet, but certainly one of my favorite shows in Tucson. The Mineral show at the Inn Suites was also quite a treat this year. Unfortunately, I did not have the time to give it the attention it deserves, forced instead to take only a brief walk around before running back toward the Convention Center for a conference. However, if one is a collector or simply looking for a wonderful mineral specimen to use in a display, this show is a must.

Regarding gemstones, the show that has come to symbolize Tucson and serve as its anchor is the American Gem Trade Association GemFair. Another strong color only show is the GJX show located across from GemFair. With the GLDA show no longer located in near proximity to the AGTA, I did not make it to that show this year but as previously stated, traffic there was down as well.

Both AGTA and GJX opened surprisingly strong Wednesday, given expectations for the shows. GJX also looked solid the second day and both have decent traffic again Friday afternoon. However, by the weekend, which by all accounts should have been the peak traffic,



A collection of fine Winza rubies. Photo: Mia Dixon, courtesy of www.palagems.com

both were noticeably quiet. Based on many personal interviews with vendors, the vast majority of dealers did not come close to making their expenses during this year’s show. Trade shows have become incredibly expensive for exhibitors in recent years and I suspect that the current economic climate will require that something finally give in that regard.

It is apparent after visiting the big finished color shows that the market simply has too much merchandize for the current level of activity. There was much wonderful product, but far too few buyers for it. The well-managed companies will weather the current economic storm but some price erosion was evident, especially for *commercial* and *good* quality material. Finer goods are also negotiable.

Colored Stone Market Trends

There were few well-defined trends at the show. There are no new gem varieties coming into the market. No single stone was the star of the show either. However, having said that, the natural ruby discovered last summer in the remote area of Winza, Tanzania was generat-

ing keen interest from buyers. The author examined several displays of Winza ruby including those shown at Pala International. Josh Hall, *GemGuide* advisor said, "It is interesting material and we are doing well with it. So far there isn't much of it being produced but we are optimistic." These rubies are natural and exhibit a nice rich pink to well saturated red. Most stones I examined were transparent with a few having a hazy appearance due to clarity features. However, in the top qualities the material presents an exciting bright crystal with wonderful color. Prices for top 3-carat gems were priced as high as \$25,000 per carat. However, the typical piece was priced considerably less. \$2,000 per carat will buy an attractive 1 to 2 carat Tanzanian ruby.

In spite of the exciting appearance of the quality we are seeing in both the Winza as well as other more traditional sources for ruby, the author was also discouraged at the amount of lead glass filled ruby in the market. This low-grade product masquerading as a gem poses a threat to the market. Although I am fundamentally in favor of allowing consumers to decide what they will and will not buy, I saw very little disclosure of the treated nature of these stones. Unfortunately, detection will most likely occur when a bench jeweler displaces the glass during a future repair. The treatment is simple to detect but one must spend the time to familiarize themselves with it beforehand.

Supply

Dealers report that mining production is way down. There is very little mining currently taking place because there are too few buyers in the world's rough markets. This could ultimately be good for the market, as it will provide the much-needed opportunity for the glut in the distribution channel to clear. As inventories narrow, buying will become necessary again even in a recessionary market.

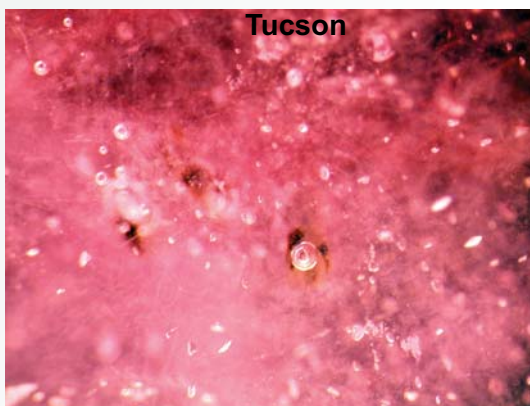
Reports of significant decline in the price of tanzanite rough in the Merelani market could not be confirmed. Dana Schorr of Schorr Marketing recently visited that market and told the *GMN*, "There was a softening in price due to the lack of buyers but I saw no evidence that confirms the 80% decline previously reported by the press." Schorr is referring to a press report from a Tanzanian paper that suggested that prices had fallen 80% during the past few months. The *GMN* has not observed any reduction remotely close to that figure. We estimate the decline at 35-40%. However, it is important

to understand that declines in the rough market do not necessarily mean that polished will follow suit. Prices for polished have also softened but not anywhere near to the levels observed in rough. The lack of rough production should help to insulate the polished market from further declines. All qualities of tanzanite were available at the show but *extra fine* larger stones were scarcer than at last year's show.

Developments in Madagascar were being watched closely by dealers of gemstones from the Island nation. In a situation atypical of the usually peaceful nation, dozens of protestors were killed in political violence in

recent days. This is highly unusual for Madagascar according to dealers familiar with the political structure of the island. The conflict stems from tension between the government of the president and his chief rival Andry Rajoelina, the mayor of Antananarivo, with the later accusing the former of governing as a dictator. Instability in the government and the growing scale of the protests—a recent one numbered more than 10,000—led to the U.S. State Department issuing a travel advisory

to the nation in early February. Mineral rough export prohibitions have been in place on the island since early 2008, the details of which were previously reported by the *GMN*. The new political issue only further frustrates dealers of Malagasy gems. In light of the current slow market, the situation is not likely to have an immediate impact on popular gemstone supplies.



Gas bubbles in a glass-filled ruby. Photo: Martin Fuller



Bold designs utilizing less expensive gems like this quartz trio of citrine, lemon, and amethyst. Courtesy Philip Zahm Designs.



Pantone has named "mimosa yellow" as one of the colors of the year. This 4.30 carat yellow sapphire is courtesy of Bear Essentials.



Blue zircon makes a good substitute gem for the more expensive sapphire. 7 carat zircon courtesy of Bear Essentials.

Innovations

Dealers are also recognizing the role that colored gems fill in the fashion industry. The luxury aspect is a bit outdated and more forward thinking manufacturers and retailers are focusing in on the fashion aspects by creating price sensitive quality lines executed in combinations of metals and traditional as well as less traditional stones. This was well illustrated in Tucson where new fresh designs featuring a bold range of looks and price points were examined at AGTA's Philip Zahm Designs and also Columbia Gem House as just two examples that stand out in that regard.

As one AGTA dealer explained, "The economy has many dealers and retailers hunkering down under the table looking for cover. We feel this is exactly the opposite of what is required to stay relevant in this period in time." I was then treated to a showing of several new, innovative ring and pendent designs that ran the spectrum from delicate to bold and from under \$1,000 to more than \$10,000. Each piece however featured wonderfully crafted quality. That was key to the line. Price point was dependent on the materials used and quality of workmanship was still the cornerstone of each design even at the lowest price points.

Speaking of which, finished jewelry, which was once persona non grata at the GemFair, comprised a significant amount of this year's exhibits. Judging by sight, white gold and platinum were the "metals du jour." However, titanium, silver and other designer metals were also well represented.

Color specialist Lee Eisman of Pantone notes that the industry has moved far from the days of only one hot color. This year their research suggests a range of colors to score as hot trends in the fashion market including

blue iris, a purpled somewhat magical blue and *mimosa yellow*, a beautiful buttery yellow. As for the former, a few chalcedony varieties fit the description while the latter is exemplified by specific colors of sapphire, tourmaline and quartz.

The author was pleased to see that many dealers, especially those designing finished lines were substituting a range of gems to offer attractive looks in different price points. Color substitution provided opportunities for attractive gem products where budget constraints were a concern. The most apparent "substitutions" we observed were spinel for ruby and zircon for sapphire. In each instance, an attractive option was presented at a price that would not be possible if buying a (non-glass filled) ruby. This forward thinking is what distinguishes winners from losers in an otherwise uncooperative market.



Fine Columbian emeralds are still in demand.



Andradite garnet offers a beautiful gem variety that has a unique look. Photo: Bart Curren, courtesy of Columbia Gem House.



Rhodocrosite rough and faceted. Courtesy of Columbia Gem House.



Tanzanian spinel, 10.86 carats. Courtesy Pillar & Stone.



Mint tourmaline 15.54 carats. Courtesy of Mayer & Watt.

The Buys

It came as no surprise that blue sapphire remains the most popular gem in the U.S. market according to dealers interviewed. The *extra fine* grades are expensive and maintaining value well, while the mid-level grades are priced very favorably for buyers.

Sapphires from all of the desirable origins were available. Fine Burmese and Sri Lankan stones were particularly scarce in the over 7-carat range.

Emeralds also sold well at the show. Dealer Ron Ringsrud notes, "I am pleased that sales were as strong as they were. The show shaped up to be better than expected. It wasn't a great show but it was good." In emerald, the \$1,500 to \$2,500 price points were reportedly sought.

Retailers were looking for quality over size in this price range. Although the emerald market has been stronger overseas than here in the U.S., this year saw an uptick in interest here. For emeralds, the enhancement issue is less controversial than it was in the past. The market is generally expecting cedarwood oil in higher end goods but Arthur Groom's ExCel treatment is also given high praise by dealers. However,



Tanzanian zircons. Photo: Robert Weldon. Courtesy of Mayer & Watt.

other resins are not as widely accepted. Dealers interviewed generally were skeptical about the lab's abilities to quantify fillers on a consistent basis. Without seeing the emerald before and after treatment, it is difficult to assess the masking ability and other information regarding enhancement.

This year I also witnessed increased emphasis on less traditional stones. Faceted andradite garnet in orangey brown and reds as well as canary yellow tourmaline and transparent faceted rhodocrosite were some of the gems being featured at Columbia Gem

House in the AGTA Show. The firm's strategy to introduce new interesting gem products at a broad range of price points allows retail partners to differentiate themselves from the competition—a critical element to remaining relevant in the current retail market.

One of the strongest sellers of the show was the Oregon sunstone. This may be at least in part attributed to the media attention given to treatment of andesine feldspar during the latter half of 2008 by the International

School of Gemology. In stark contrast to the Oregon sunstone sales that were quite strong, andesine was a non-issue at this year's event. Dealers that had dedicated their entire booths to the material last year exhibited virtually none this year. One Tibetan dealer in the GJX did explain that his firm guaranteed that their andesine was 100% unenhanced material. Several



The wide variety of colors in Mozambique tourmaline. Set totals 176.87 carats. Courtesy of Pillar & Stone.

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specimens were collected and submitted for analysis. It is believed that andesine is a natural product but that large amounts of what has sold in the global market during the past decade was a treated, related feldspar and not true andesine.

The richer pink and red spinels also were in good demand. This is largely due to the media attention paid to the Tanzanian spinels during 2008. The material is highly regarded with price points holding well in spite of the market. The unusual colors of the Tanzanian material have achieved prices considerably higher than is seen in the Burmese material. Although some larger spinels were examined, the strongest demand was for 2 to 3 carat ovals and emerald cuts in the *fine* grades.

The lighter saturations of the bright mint tourmalines were featured stone at the AGTA dealer Mayer and Watt.

These gems exhibit a color that is consistent with the nice pastel greens that have been so popular. The Tanzanian zircon that the firm debuted in 2007 remains a solid option for retailers seeking a gem in the yellow to orange to brown color range, and it is attractively priced.

The full range of Mozambique tourmaline colors were on display at the show. This product has evolved beyond simply the “Paraiba-like” colors. The lavenders, purples and greens were increasingly well represented in high-end designs. Prices have decreased slightly since last year for all but the finest, largest specimens.

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Conclusion

Overall, the Tucson experience was positive this year. Activity was by no means strong but buyers did turn out. The market remains cautious but not nearly as cautious as most of us had feared. ♦