



Ruby Sources and Pricing



For centuries the ruby deposits of Burma (Myanmar) have been particularly important to supplying the trade with rubies, and as such have essentially set the standard by which both price and quality of all rubies are judged. However, in recent years several events have challenged production and sale of ruby from this source. In this article the authors will examine these conditions and discuss how they are reshaping the market.

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The Evolving Market

Formations of corundum, the mineral of which ruby and sapphire are varieties, are not rare in the earth. Numerous occurrences are known. However, the amount of ruby rough possessing the quality traits, and therefore beauty, sufficient to make it suitable for the gem and jewelry industry has historically been quite small. Gem quality ruby is recovered from few deposits; and even then only in small amounts.

In some respects, for more than a century Burma was the only game in town. The term 'Burma ruby' is synonymous with fine ruby. The Mogok stone tract is legendary for the quality of its gems. However, production from Mogok has been in decline for decades.

Even before the USA passed the Tom Lantos Block Burma JADE Act in 2008 that prohibited the commercial import of products from Burma, very few fine gems were coming from Mogok. For much of the past twenty years Burma's major production source was Mong Hsu. As is well known in the industry, a substantial population of this material required flux assisted heating to make it gem grade. As a result, its market was mostly limited to North America as both European and Asian buyers would not accept these stones as natural. Namyazeik—a newer deposit—located north of Mogok in Kachin State has produced small quantities of fine ruby similar in quality to Mogok. None of these sources is sufficient to meet current demand in today's market.

The ruby deposits in Thailand and Cambodia have

been known historically. Although production of this material has been limited in recent decades, the source was a prolific producer for a long time. Old material is available today and is typically sold in the West as Thai ruby.

Major gem producing ruby deposits located in East Africa have attracted greater industry attention in recent years. The production of ruby in Tanzania in the 1970's was followed by Madagascar, Malawi and most recently Mozambique as having market appeal. In spite of the production of some fine quality ruby, both Madagascar and Mozambique have become known more for the large deposits of low grade corundum suitable for creating composite ruby than for gem quality stones. Composite ruby as defined by the American Gemological Laboratories is a glass and ruby hybrid product; categorized as such, it is not considered as a treatment. This new product is unfortunate as the fine gem grade material from this source is quite attractive. Recently, UK based mining company Gemfields acquired the Montepuez mine in Mozambique and plans production in 2012. We can expect Gemfields to make a concerted effort to distinguish the gem quality ruby of this source from the composite ruby product currently associated with Mozambique.

Throughout the modern period in gemology, Burma ruby has set the standard for fine quality ruby. However, one cannot overlook the fact that an increasingly large number of fine quality ruby has been mined in East Africa, specifically Mozambique. It appears that Mozambique is currently the biggest producer of ruby. Recently, active mining areas include Niassa and Cabo Delgado provinces.

Bill Larson, president of Pala International, states that, "The best Mozambique rubies are very nice. Winza (Tanzania) goods are also beautiful. Both sources are still being worked but not to the extent they were a couple of years ago." The Burma embargo increased interest in east African ruby. However, even the best of this material does not come close to the price paid for fine Burma rubies. The Burma "brand" is so heavily entrenched in the market that as beautiful as some of the Mozambique ruby is, it carries a stigma because it is not

Burmese.

Another modern source under survey to determine its commercial potential is Greenland. Ruby-bearing zones of west Greenland were first reported in 1966. True North Gems is exploring the area in anticipation of commercial production. Initial findings indicate promising ruby localities in the region. The early samples exhibit rich color. However, they tend to be included and most yield meele.

Ruby Price Considerations

Market research confirms the existence of a large disparity between the prices of fine natural rubies. Although Burma rubies cannot be imported into the US, they remain very popular in Asia. Fine unheated Burma rubies are trading at very high prices as a result.



A beautiful 3.59 carat gem quality ruby from Mozambique.
Courtesy of Pala International. Photo by Orasa Weldon.

The impact of the embargo is now understood. China gained hold of Myanmar acquiring ownership of mineral resources and other property. Consequently, Secretary of State Hillary Clinton visited Myanmar in December. This was the first visit by a high ranking US government official in 50 years and was initiated by the Myanmar's ruling generals. This can be viewed as an attempt to counter China's influence in their country by encour-

aging additional foreign investment.

In the *GemGuide*, Burmese ruby remains the benchmark for pricing in the unenhanced category. This may change as the market gains increased exposure to material from additional sources. But at the moment we believe the structure is reliable. The price of unheated ruby is very strong. Pricing in this category is volatile given the limited nature of the material. The issue of reconciling the price disparity that currently exists in the market between unheated of Burmese and non-Burma origins remain a challenge.

Once the nature of the stone is established as untreated, Burma ruby commands a huge premium in today's market. In the more commonly traded sizes of under 2 carats the premium for fine quality unenhanced ruby can be 200% to 300% compared to a similar quality heated stone. However, in large sizes of 5 to 8 carats premium increases dramatically and with fine rubies in the 10 carats range, premiums can reach more than 10 times.



A natural ruby from Winza, 1.54 carats.
Courtesy of Pala International. Photo by Mia Dixon.

This is simply a response to supply and demand. Ron Rahmanan at Sara Gem Corp notes that as recently as this past September, production in Burma was reportedly down approximately 70% to 80%. Likewise, dealers reported that shortages were apparent at the 2011 Fall Hong Kong Show.

The Burma Factor

Bill Larson explained that the Burma ruby name represents centuries of culture and history as a classic gem source unlike any other current source. Dealers realize that when they sell a fine Mogok ruby they can't replace it. This is a major consideration when pricing these goods.

Even if sanctions are lifted for Mogok, the market would be slow to respond. The finer Mozambique material is gaining more interest in markets beyond North America. Mozambique is currently the biggest active producer and can compete with Burma in quality in some grades.



Mong Hsu Burma ruby, 1.96 carats.
Courtesy of Pala International. Photo by Mia Dixon.

In the heated category the issue is different. With the exception of fine and extra fine material, country of origin is no longer as significant a factor in pricing ruby as it has been in the past. It is far more important to determine if and how a ruby has been treated when researching price.

Dealers report that fine quality Mozambique ruby in sizes under 3 carats are averaging price points of approximately 75% of heated Burma ruby. The Winza ruby is scarcer and priced slightly higher than Mozambique.

Heat Treated Ruby			
		Fine	Extra Fine
Burma	3 cts.	5,000-8,500	8,500-16,500
Mozambique	3 cts.	4,000-7,500	7,500-12,500



A Burma Mogok ruby, 2.16 carats.
Courtesy of Pala International. Photo by Mia Dixon.

Treatments

Heating and other methods used to enhance the appearance of ruby have had a profound effect on the market. Treatments directly influenced price by dramatically increasing the population of material sold as ruby. Color and clarity enhancement were particularly important in bringing Mong Hsu ruby into the market during the 1990s. The increased supply made an otherwise rare gem affordable to consumers.

Treatments have been important to sustaining the ruby market. Although treatment methods commonly involve heat—just as they have for many centuries—

there are critical distinctions between their use in the modern and earlier periods. Another treatment that is generally overlooked is oiling of ruby. This is a very common and low cost procedure. Although the treatment is easily detected, it is not looked for and yet oiling can have a dramatic effect on the apparent clarity of the ruby. As the industry focuses on heat treatment, less attention has been directed at oiled and fracture filled rubies.

At no time in history, have treatments altered the visual characteristics of gems to the extent that is routinely achieved today, i.e., flux assisting healing of fractures and color enhancement. Treatments tend to narrow the range of quality once observed in stones. Origin specific color nuances are typically removed during modern treatments. The tendency is to create a more uniform looking material resulting from treatment. The increasing use of treatments has unlocked the potential to improve and market a vast quantity of previously unsalable corundum. The industry is facing new challenges regarding what comprises a natural gem versus a treated gem. Since arriving in the market in the mid 2000s, the global gem trade has

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wrestled with the question of how to label glass composite ruby. Even as of this writing the issue is not settled. Consumers see the traditionally rare ruby name applied to this inexpensive hybrid product. The implication of this, not only on the perception of rarity, but also the very definition of a “gem,” is apparent.

The ruby market is experiencing big challenges and dramatic changes. As material from newer sources is integrated into the trade, dealers are faced with questions regarding supportable price structure. Ultimately supply and demand are key to determining price.

Today, fine quality natural ruby is difficult to source just like any other time in history. Yet the demand is greater. The attempt to satisfy this demand should not rely on the sale of products lacking in the basic requirements traditionally expected in a gem. The continued exploration of new sources should be welcomed in the global trade. Also, the trade will benefit from full disclosure of treatments as the issue becomes even more complicated for trade members and consumers. ♦