

No End to excitement for diamonds

The CEO of Rockwell Diamonds, John Bristow, gives an interview about anticipated price increases, the problems in Africa, and the ideal investment strategy for the purchase of diamonds.

WirtschaftsBlatt: What is your projection for the diamond market? Will the price levels continue to increase as we have seen recently?

John Bristow: Definitely. There is a worldwide diamond scarcity, particularly with regard to high value diamonds. The prices for these exquisite large rocks are rising more rapidly than those of others diamonds. Last year, the prices in this segment increased approx. 30% and this year the prices are expected to increase by between 20% and 30%. For small diamonds, we are anticipating a 15-20% increase.

What factors impact the price?

One main factor is the supply shortage; another is the strong demand for high-quality diamonds. In China, for example, the demand for diamonds rose last year by 30% and we also see the demand rapidly increasing in India, the Gulf States, and Russia. Basically, we notice that in all emerging markets where the demand for raw materials increases there is an equal rise in demand for diamonds.

Will the looming recession in the industrial countries slow down the demand?

Yes, especially the demand for inferior diamonds. Also with regard to small diamonds, the price increase might slow down, but it will continue in the high-quality segment.

How about the supply - does the energy shortage in South Africa affect the prices?

The energy shortage is certainly a concern. We at Rockwell Diamonds

have our own power generators to protect ourselves against this. Since South Africa is no longer one of the really large diamond producing countries such as Botswana, Canada, or Russia, its impact on the global supply is not quite as significant any more. Additionally, the supply is scarce, even without the problems in South Africa.

How does AIDS impact the supply of skilled labor in Africa?

That is not really such a large problem any more, because mining companies have learned to deal with it. Additional workers are trained to fill the gaps caused by AIDS. In addition, the scarcity of skilled labor does not only concern Africa, but is a global problem that can also be encountered in Canada, Australia, or China.

Has the image problem revolving around the controversy of "blood diamonds" been resolved?

The controversy was a wake-up call for the industry. Since then, the Kimberley Process has been introduced. It guarantees minimum standards, and has helped the industry to improve its image again. Now, each diamond can be traced back to its source. Countries such as Liberia, who had initially not complied with these guidelines, were thus excluded from the sale of diamonds.

To what extent did the exclusion of these countries contribute to the scarcity on the market?

The loss of countries such as Liberia was barely noticeable, since its production is not very significant. The loss of Sierra Leone, where high-quality diamonds are found, and the Democratic Republic of Congo or Angola had a more noticeable impact. Today, the diamond industry is in the fortunate position, however, that no diamonds will end up on the market

that were produced with the help of child labor or misused for financing wars.

Are synthetic diamonds of interest for investors?

It is relatively easy to produce small diamonds artificially. There is wide spread industrial use of these. For the precious stone industry, however, synthetic diamonds are less interesting, since it is very costly and time intensive to artificially produce appropriately large diamonds. Therefore, traditional diamond buyer continues to focus on natural precious stones.

Would you recommend investors to not only purchase shares in diamond stocks, but also actual diamonds?

Yes to both. For actual diamonds the purchase should be in the form of large diamonds with more than five carats and of good quality. The purchase should be made at a respectable retailer and particular attention should always be paid to the respective certificate.

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Questions, reactions, and suggestions please via e-mail to:

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Picture: Particularly with regard to high-quality diamonds, John Bristow believes that the price rally will continue for quite some time.