

Tanzanite Futures

A serious player seeks to stabilize the tanzanite market – and offer a branded product

Establishing confidence and continuity in the tanzanite market is a primary goal of Afgem, a Johannesburg, South Africa, company about to begin mining on what may be the gem's last frontier, Block C in Merelani, Tanzania. Afgem holds a new lease from the Tanzanian government for Block C and will start to mine for the velvety blue gem this summer.

Tanzanite dealers say the mining operation will ease a critical shortage. "There is far more demand than supply today," says dealer Michael Avram of Gemtech International Corp., New York City. The gems in most demand and shortest supply are fine 3-5-ct. tanzanites and calibrated sizes between 0.50 carat and 1.5 carat, he says. Afgem's production should fill these voids and help market stability, say dealers.

The question on everyone's mind is how the new production will affect price. "I believe tanzanite's present prices are justified," says Afgem President Michael Nunn (see price chart on following page). "But prices should not go up or down as dramatically as in the past, when dealers and jewelers who wanted to maintain an inventory of tanzanite lost confidence in the gem because of limited availability." Nunn quickly rejects use of the word "control," but points out operating the world's last known commercial tanzanite mine will give Afgem an opportunity to influence price. "It is an ideal situation," he says. "This way prices will stabilize where they are."

Tanzanite Roller Coaster

It's easy to understand Nunn's emphasis on stability. For the past few years, tanzanite prices have been anything but.

Oversupply between 1994 and 1997 caused prices to plunge. Though tanzanite is a rare gem mined commercially in only one location worldwide, it appeared to be taken for granted.

But in 1998, supplies ground to a halt. Flooding, cave-ins and security breaches at blocks A, B and D and uncertainty about how much tanzanite exists in block C underscored the gem's fading fortunes.

The Future

Many say tanzanite's future lies in Block C, which is now known to contain generous amounts of the gem. Block C previously was leased to a company whose only interest was mining graphite, leaving the tanzanite reef relatively undisturbed.

The new lease comes just as tanzanite's popularity grows even stronger, fed by demand that began in the low-price days of the mid-1990s and continues because of its large, clean crystals and saturated violet and blue (after heating). This popularity should justify Afgem's investment in Block C, which has surpassed US\$6 million and could escalate to \$16 million.

Building Infrastructure & Brand

Much of the investment is going into what Nunn fondly calls a "holistic approach to mining and a beneficiated product." He says this involves pretty much everything – from the source up. A Merelani Development Trust will monitor miners' health and safety.

The mine also observes international environmental standards. Sophisticated optical sorting systems are planned, and security and processing systems are already developed.

Afgem also is building a buying office in Merelani. For now, production will be cut at Afgem facilities in Johannesburg and under contracts with Thai facilities. Nunn says cutting facilities may be developed in Tanzania in the future.

Nunn compliments his Tanzanian hosts also. "We're dealing with one of the most progressive governments in Africa," he says, adding 25% of the mine is owned by Tanzanians.

Next, Afgem plans to build a tanzanite brand by laser inscribing serial numbers and creatively packaging and certifying the gems. For retailers, Afgem will provide various forms of advertising, point-of-sale promotions and in-store displays.

Afgem will distribute the tanzanite through dealers in major markets who understand tanzanite and have stood behind it, says Nunn. Afgem declined to release the names of dealers at press time. To find a dealer, call Afgem in Johannesburg, South Africa, at (27-11) 334-3999.

- by Robert Weldon, G.G.

Tanzanite Prices Aim Higher (average price per carat)



The tanzanite market should stabilize once Afgem of South Africa begins mining this summer. The tanzanites are courtesy of Gemtech International Corp., New York City.



Mining in Merelani's Block B is primitive, says Michael Avram, a dealer who visited there recently. The pits can flood in the rainy season, the brokers' shacks are corrugated aluminum and branches, and some shacks hold explosives used in mining, creating a danger for miners, he says.



Afgem's investment in infrastructure is evident in Block C. A water drainage system protects the area from floods, the property is secure and fenced, oxygen is pumped into the mine and sophisticated methods of mining, washing and sorting are used. Miners use hardhats and have flashlights. At night they can shower before going home.



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