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By Chaim Even-Zohar

2009 Year of Pipeline Destocking and Restructuring

The 2009 pipeline reflects the most severe single-year contraction of the diamond pipeline since World War II as a result of the economic crisis and the resultant liquidity shortages. The industry managed the crisis remarkably well, and a "free fall" of prices and the feared spate of bankruptcies and/or insolvencies were avoided. On the retail side, especially in the **U.S.**, there were many Chapter 7 (of Bankruptcy Code) type of restructuring, but this did not create hardships upstream into the value chain.

Throughout the diamond value chain, the amount of "heavy distress" sales was minimal, at least in terms of "what could have been." The industry participants understood that the severity of the contraction was the logical result of the (reverse) ripple effect, the process of severe de-stocking at all levels of the pipeline. This culminated in about a 50 percent reduction in rough supplies into the pipeline.

The consumer "appetite" for diamonds was not impacted; to the contrary, research confirmed a growing propensity by consumers to spend their disposable dollar on items perceived to have lasting value. Of course, there was less money to spend in absolute terms – and diamond jewelry retailers accommodated customers by reducing price points and selling more smaller and cheaper (i.e., affordable) diamonds.

In 2009, market share of the very small diamonds (below 0.5 carats) in the U.S. grew by some 25 percent (in value). From a supply chain perspective, **India**'s polished diamond exports were less impacted than those from other cutting centers. In 2009, global consumer demand for diamond jewelry declined by a mere one-digit figure.

Anticipating the fall in demand caused by pipeline destocking and the ripple effect, producers dramatically reduced mining

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The diamond pipeline is the focus of this issue. Chaim Even-Zohar looks at how the adverse economic situation impacted the pipeline from mining to retail

operations. They also realized that at the end of 2008, the cutting centers already had a rough diamond overhang, which was consumed in 2009. However, producers neither acted in tandem nor adapted similar strategies. For instance, **Russia**'s **Alrosa** maintained full production to preserve jobs but sold at least US$1.4 billion to its government (Gokhran). Alrosa also maintained higher stocks itself.

De Beers, on the other hand, decided to leave its stocks underground – to be mined at a later date. **Rio Tinto** (**Argyle**, **Murowa** and 60 percent **Diavik**) basically acted likewise: it minimized operating and capital costs, slowed the transition to underground mining (at Argyle and Diavik), and reduced production from 20.8 million carats in 2008 to 14.0 million carats in 2009.

Consumer Demand Declined Modestly

On the downstream side of the pipeline, worldwide diamond jewelry consumer demand fell by slightly less than 10 percent and, of course, not equally throughout the pipeline. The U.S. was the most severely hit with a 16 percent reduction, followed by Europe and **Japan** with a 10 percent fall. The Asian and Middle Eastern markets experienced a less profound decline of around two percent each.

The pipeline measures the diamond content (at polished wholesale prices) in the final retail levels. Thus, while the U.S. may account for half of global diamond jewelry consumption, its share of diamond content has gone down to less than 43 percent. The Middle East, **India** and Asia now account for 38 percent of diamond consumption – and this figure is growing. **Japan** has fallen to less than five percent. Europe accounts for about 14 percent of global consumption.

Global Mining Output Down 40 Percent

The value of the worldwide mining output fell from US$14.3 billion in 2008 to US$8.4 billion in 2009. In terms of carats, worldwide production declined from 165 million carats in 2008 to 124 million carats in 2009, which includes all categories (including industrial qualities).

The "pain" was not shared equally throughout the pipeline. **Botswana** production was slashed from 32.3 million carats in 2008 to 17.7 million carats in 2009. The De Beers mines in **South Africa** saw an even steeper reduction from 11.96

PRELIMINARY ESTIMATES 2009 DIAMOND PRODUCTION

Country	Volume, cts	Value, US$	US$ / cts
Angola	9,800,000	833,000,000	85.00
Australia	10,800,000	216,000,000	20.00
Botswana	17,700,000	1,947,000,000	110.00
Brazil	80,000	5,200,000	65.00
Canada	10,800,000	1,458,000,000	135.00
CAR	300,000	37,978,097	126.59
China	70,000	1,260,000	18.00
DRC	28,000,000	336,000,000	12.00
Republic of Congo	110,000	5,250,000	47.73
Ghana	400,000	11,478,984	28.70
Guinea	900,000	31,500,000	35.00
Guyana	193,000	31,186,261	161.59
Indonesia	30,000	2,400,000	80.00
Lesotho	90,000	79,200,000	880.00
Liberia	47,000	9,890,418	210.43
Namibia	1,200,000	396,000,000	330.00
Russian Federation	33,000,000	2,242,254,542	67.95
Sierra Leone	400,000	76,400,000	191.00
South Africa	6,500,000	591,500,000	91.00
Tanzania	180,000	17,100,000	95.00
Togo	1,000	105,580	105.58
Venezuela	30,000	2,400,000	80.00
Zimbabwe	2,300,000	80,500,000	35.00
Unrecorded/Smuggled	500,000	35,000,000	70.00
Other Countries	200,000	14,000,000	70.00
Totals	**123,631,000**	**8,460,603,881**	**68.43**

million carats in 2008 to 4.97 million carats in 2009. The **Namibian** output fell from 2.1 million carats in 2008 to 929,000 carats in 2009.

As **De Beers**, the dominant producer and industry price setter, has decided not to return to full production yet, it is expected to produce 30 million carats in 2010, 40 million in 2011, going to a sustainable level of 45 million carats thereafter. The increased output will mainly come from South Africa (Venetia) and its Botswana mines.

The Impact of Volatility on Production Values

A year of such demand volatility also impacted valuations of production. In our pipeline, we have valued Botswana's 2009 output at US$110 per carat. It is clear that for some part of the year, the **DTC** sold at lower prices, absorbing the loss at the DTC level rather than at Botswana levels. While we value Botswana's output at US$1.95 billion, we think that the actual DTC sales price totaled about US$1.67 billion.

In some countries, the information tends to be softer than in others. In **Angola**, for instance, we valued the official production of 9.8 million carats at an average of US$85 per carat. When the crisis erupted, the prices of Angola's alluvial output fell by 75 percent, and production came close to a halt. The poor value realization may also have provided an incentive to smuggle. Nevertheless, we believe that Angola's fall in output was serious and, at least in value, well over 50 percent.

The **DRC** is, unfortunately, a mess. The official production may have trickled down to US$200 million. Official exports from the DRC are grossly undervalued, and smuggling is rife. We estimate the DRC's 2009 output at US$336 million – one of the lowest it has seen in many years.

The enormous potential of **Zimbabwe** will probably earn it a separate section next year; for now we have assumed a 2.3 million carat output at US$80 million. In fact, it may be more – much more – but we might not be able to substantiate such figure. This will have to wait for next year's pipeline.

What the global crisis certainly has underscored is that informal productions have been hit more severely than the carefully "orchestrated" and "fine-tuned" cutbacks in the organized sector. There are few surprises.

The Cutting Centers Destocked Heavily

The diamond content in retail sales, measured in polished wholesale prices, decreased from US$18.4 billion in 2008 to US$15.9 billion in 2009. The interesting pipeline level, however, is that of local manufacturing in the cutting centers. In 2008, it overproduced polished at US$19.7 billion causing a downstream oversupply as the diamond content in retail sales was lower. In 2009, mostly pipeline stocks were sold, which resulted in new polished production of some US$12.6 billion; this figure was well below the US$15.9 billion in sales.

The US$3 billion withdrawal from polished stocks does not only present what we call the "overhang" but also shows stocks becoming available because of the decision to replenish at a lower level. This is part of the ripple effect. The pressure exerted by banks to sell off stocks may have been too strong. At the end of 2009, we didn't see excess stocks in the cutting centers – to the contrary, there was probably a US$0.5 billion shortage at year's end, causing a buoyant rough demand in early 2010.

In **Russia**, the government (**Gokhran**) also came to the help of the polished diamond manufacturers. The government-owned factory in **Smolensk** sold some US$100 million worth of polished to Gokhran.

Looking Forward: Dangers of Pipeline Overheating

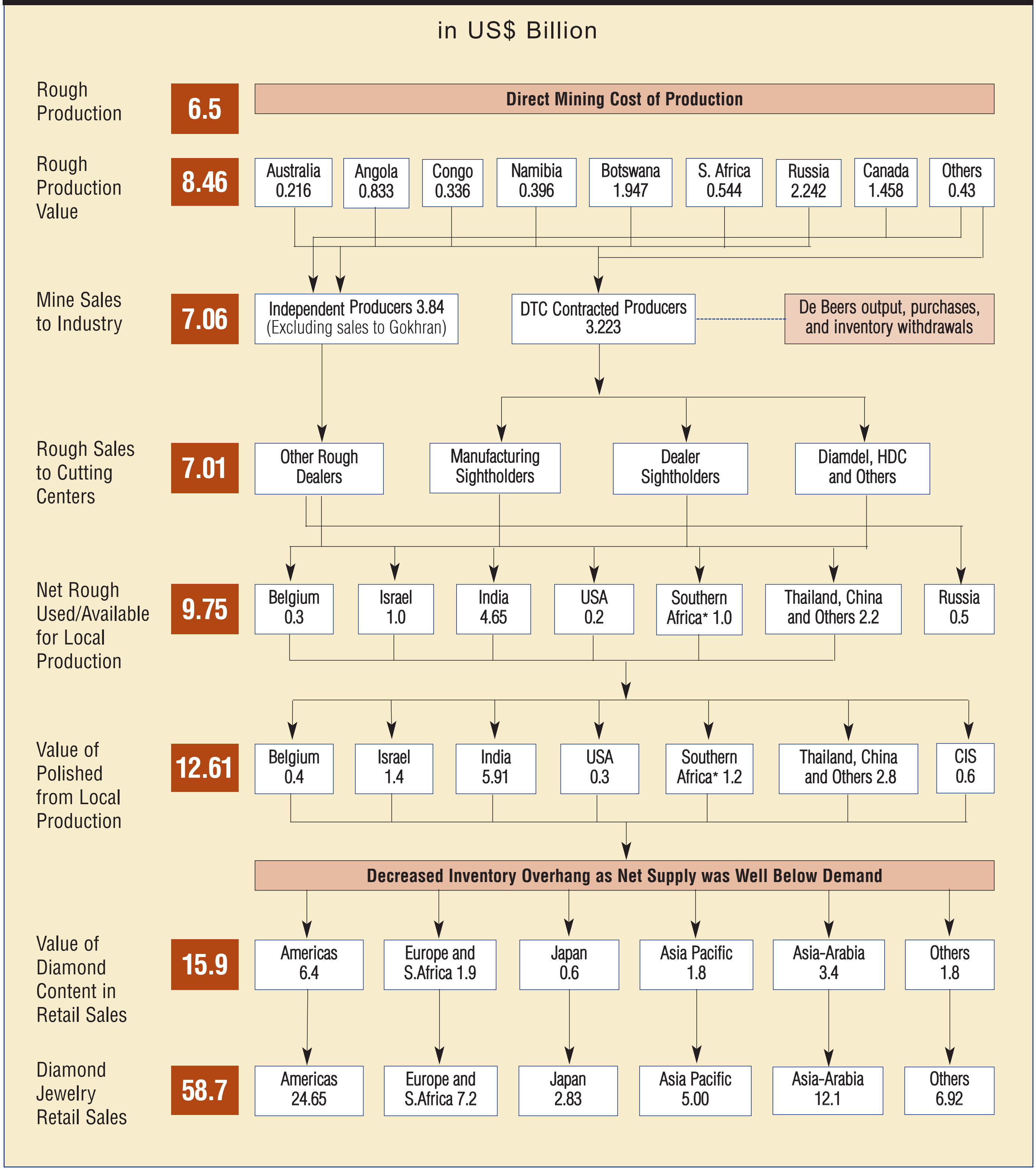
2009 was an extraordinary and truly atypical year. We expect the 2010 pipeline to look quite different. The most exciting news is that at the end of 2009, the retail level reached the stabilization phase in terms of demand and supply fundamentals as the downward slide in consumer demand came to a halt. The retail level will move sideways in 2010 and, we anticipate, in 2011 return to growth. Because of the ripple effect, this means that in all upstream levels of the pipeline, we expect a healthier demand to materialize – which might trigger the risk of overheating when the buoyancy in pipeline replenishment is mistakenly viewed as rising consumer demand.

In 2010, we will see that polished demand from the cutting centers will go up by some 30 percent to reach US$17 billion. The producers' sales to industry will jump from its US$7.1 billion level to at least US$12 billion (also because of the 2-digit 2010 DTC rough prices increases).

The 2009 pipeline will go down in history as an aberration, or what we hope will turn out to be a "one-time fluke." This

aberration facilitated a healthy pipeline restructuring and the participants will be tested to retain the "crisis dividends" in the years ahead. It always remains amazing how the speed in which we go down in a crisis is matched by the intensity of its recovery. Having said this, because of the long-term supply fundamentals, and the reduced rough availability, we are not likely to go back to the 2007 levels yet. However, in our minds, the memories of year 2009 will quickly fade into oblivion. ◆

Tacy's 2009 Diamond Pipeline



Southern Africa includes South Africa, Botswana and Namibia

RUSSIA

Alrosa Expects April Sales at US$300 Million

Russia's diamond mining firm **Alrosa** expects to sell about US$300 million worth of rough and cut diamonds in April, according to a company statement quoted by *Interfax*. The company is forecasting US$2.314 billion in mine output and US$3.3 billion in sales revenue in 2010.

In the first quarter of 2010, Alrosa mined an estimated 8.6 million carats of diamonds and sold US$925 million worth of goods, *Interfax* reported. The company expects to sell another US$900 million in the second quarter.

Alrosa's marketing plan calls for US$3.3 billion in diamond sales in 2010, while keeping mining operations at the same level as in 2009, when it sold US$2.187 billion worth of goods.

The Russian state repository, **Gokhran**, has earmarked US$1 billion to buy rough from Alrosa this year. Alrosa, however, said it intends to sell only US$870 million in diamonds, and possibly none at all, if it succeeds in selling all of the goods in the market.

"We'll be able to sell everything on the market fairly successfully unless there's a second wave of crisis," Alrosa **President Fyodor Andreyev** told *Interfax* last week.

UNITED STATES

Net U.S. Rough Diamond Imports Rise 391.5% in February, Polished Exhibits Negative Trend

Imports of rough diamonds by the **U.S.** marked a very large year-over-year revival in February. The U.S. imported US$29 million worth of rough diamonds in February. Net rough diamond imports totaled US$12.58 million.

The total volume of gross imports stood at 48,239 carats averaging US$601.76 per carat. These imports are a 391.5 percent increase in value, a 126.4 percent increase in volume and a 117.1 percent rise in average value compared to February 2009.

Rough diamond exports rose 182.3 percent to US$16.45 million. The volume of the month's exports weighed 83,746 carats, a 34.8 percent year-over-year increase. The average value, US$196.42 p/c, is a 109.5 percent leap.

Botswana was the leading rough diamond supplier to the U.S., shipping US$8.54 million worth of goods with an average value of US$301.16 p/c.

Israel was the leading destination of rough diamond exports, some US$7.71 million worth of rough with an average value of US$504.45 p/c.

U.S. Polished Trade Grows in Feb, But Negative Trend Evident

The U.S. imported US$1.26 billion worth of polished diamonds in February, a 62.4 percent year-over-year increase. In terms of volume, imports rose 44.7 percent to 932,877 carats. However, unlike previous years when February imports are larger than January's imports, this year there was an uncharacteristic decline.

The average value of imports increased 12.2 percent to US$1,347.58 per carat compared to US$1,200.57 p/c in February 2009.

Israel supplied the U.S. with about half (43.8 percent) of the total goods by value, US$550.22 million worth of diamonds weighing 186,039 carats at an average value of US$2,957.55 p/c.

India was the source of more than two thirds (68.1 percent) of the goods by volume, 635,051 carats, worth US$375.49 million, an average value of US$591.27 p/c.

Polished diamond exports totaled US$964.3 million on shipments of 2 million carats averaging US$481.67 p/c. Net imports totaled US$292.85 million.

It should be noted that the rise in trade in the first two months of the year are against the depressed 2009 figures. Compared to 2008, gross imports are still down, some 23.6 percent below February 2008.

The lower figures are to be expected. Recovery is slow, stocks were high and the turnaround will take time. On the upside, the turnaround is taking place. On the downside, the decline in imports in February compared to January is unusual. In February 2009, imports rose by 2.5 percent from January. In 2008, the increase was 10 percent.

It is not clear why the change took place. It may be an anomaly or indicate that the quick replenishing that took place slowed down.

INDIA

India Ends Fiscal Year With 20% Rise in Diamond Exports

India's diamond exports totaled US$17.54 billion in fiscal 2009-2010, according to figures released by the **Gem and Jewellery Export Promotion Council** (**GJEPC**), a 20.1 percent increase from the previous year. Gold jewelry exports rose 9.4 percent to US$9.42 billion.

Total industry exports rose 16 percent to US$28.42 billion during the period.

Recovering from the economic slowdown of last year, the Indian gem and jewelry industry quickly resumed business and gained a larger market share in the global markets.

India, according to the GJEPC, increased its global diamond market share increase from 60 percent to 70 percent in terms of value. The country is also the leading jewelry supplier to the U.S., source of 25 percent of the U.S. jewelry imports.

"The Indian gem and jewelry industry rose like a phoenix," said GJEPC **Chairman Vasant Mehta**.

BELGIUM

Belgium Polished Diamond Trade Leaps by 57% in March, Rough Trade Doubles

Belgium's polished diamond trade is on the upswing, registering double-digit increases in imports and exports. Belgium exported in March $1.12 billion worth of polished diamonds, rising 57.1 percent year-over-year. The increase in the value of trade reflects not only a revival in trade, but mainly rising prices.

In volume, exports rose 5 percent to 696,301 carats. The average value of exports stood at $1,608.61 per carat, a 49.7 percent increase compared to March 2009, based on figures released this week by the Antwerp World Diamond Centre (AWDC).

Imports of polished diamonds rose 58.6 percent to $1.14 billion, rising 8.3 percent in volume to 780,703 carats. The average value of imports stood at $1,459.64.

Net exports in March had a negative value, with Antwerp's traders generating an overhang of 84,403 carts worth $19.47 million. By net exports, Hong Kong was the leading destination with $126.73 million worth of goods. The UAE followed with $105.13 million.

Rough Diamond Trade More Than Doubles in March

Belgium exported in March $1.01 billion worth of rough diamonds with a total volume of 13.61 million carats, rising year-over-year by 129.4 percent and 122.3 percent respectively. Rough diamond imports totaled $854.1 million on shipments of 10.1 million carats. Compared to March 2009, this is a 91.4 percent increase in value and 46.3 percent increase in volume.

Total rough diamond trade in March stood at $1.86 billion, compared to $886.4 million in trade during March 2009.

Net exports from Belgium stood at 3.5 million carats with a declared value of $155.6 million. Compared to February, gross exports grew by 11.7 percent in value and 26.1 percent by volume, underscoring the continued improvement in the rough diamond section of the diamond industry.

IGI Opens Lab in Surat

IGI launched its state-of-the art facility in Surat, **India,** on Wednesday. IGI opened the lab with the intent to come closer to the manufacturers and polishers, the firm said in a release. The lab was inaugurated by IGI **CEO Roland Lorie** at an event attended by over 400 members of the trade, including **Diamond Trading Company** (**DTC**) **Managing Director Varda Shine**.

IGI honored her with the 'First Lady of the Diamond World' Award and expressed gratitude for her presence on this auspicious occasion. "With the Indian wedding business valued at US$20 billion, more and more consumers are moving to diamond buying," Shine said. "IGI setting up an international certifying facility in Surat, the diamond hub of the world, will certainly help boost consumer confidence."

IGI said it was the first to open a grading lab in India. It now has labs in Mumbai, SEEPZ, Kolkata and New Delhi, as well as a satellite lab in Kerala. Speaking at the opening, Lorie said, "There are more than 4,500 diamond polishing factories in and around Surat, and with over 450,000 polishers, it is considered the main diamond manufacturing centre in the world. We have launched our new facility as a step in the direction of bringing Surat closer to its final customers, Americans, Europeans and Asians."

Rio Tinto Q1 Diamond Production 3.5 Million Carats

While **Rio Tinto** stepped up production at **Diavik** in the first quarter of 2010, production at **Argyle** continues to slow down. The miner produced a total of 3,497,000 carats of diamonds in the quarter, a 21 percent decline compared to the preceding fourth quarter of 2009 and a 36 percent decline compared to the first quarter of 2009.

Production at Argyle suffered from lower feed grade and frequent stoppages of the process plant due to wet weather. First quarter production totaled 2,531,000 carats, falling 27.8 percent compared with the fourth quarter of 2009 and 42.5 percent year-over-year.

At Diavik, first quarter production was 1,563,000 carats, 12 percent lower than the same quarter of 2009 primarily due to lower volumes processed. Rio Tinto's 60 percent share of the Diavik production is 938,000 carats. Six percent of the quarter's production was sourced from the new underground mine.

In **Zimbabwe**, **Murowa** produced 37,000 carats. The company holds a 77.8 percent stake in the diamond mine, giving yielding it 29,000 carats.

Rio Tinto said that minerals production in general continued to be affected by lower demand, inline with reduced economic activity across all regions.

Diamond exploration continued in **India**, **Canada** and **Democratic Republic of Congo**. In India, drilling commenced at **Bunder** "to increase confidence in the resource estimate." The exploration team is currently processing a surface bulk sample to recover a diamond parcel for valuation.

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DIAMOND INTELLIGENCE BRIEFS

A confidential service for executives in the diamond and diamond jewelry business

A Quarter Century of Diamond Intelligence Briefs

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MR. CHAIRMAN, SINCE YOU MENTIONED IT. . .

Much has been said about the 1984 Annual Report of De Beers Consolidated Mines, though one remark of Chariman J. Ogilvie Thompson deserves highlighting and invites some comment: "The large rise in our stocks in recent years, from $936 million in 1980 to $1,950 million in 1984 is of course the obverse of the reduction in the pipeline stock that our policies have brought about. We estimate that during those five years – in each of which, except for a small dip in 1982, retail diamond jewelry sales set a new world record – **stocks in the cutting centers have fallen by nearly $5 billion,** i.e. by five times as much as the rise in our own stocks. The low level of cutting center stocks now prevailing is evidenced by the much more reasonable levels of bank finance outstanding."

The annual report further states (as it does every year) that "setbacks in the world market do occur form time to time. . . and stocks in the cutting centers also fluctuate. The C.S.O.'s policy during these periods is to maintain price stability by adjusting supplies to its clients in the cutting centers to demand." With due respect: if the Chairman notes with satisfaction a $45 billion stock decline in the cutting centers – **who is responsible for getting the stocks there to begin with?** Yes, one might shrug off this remark by noting: "No one was forced to buy anything." In diamonds that statement is not true. De Beers was, especially a few years ago, so powerful that no sightholder dared to risk the wrath of the supplier by refusing a sight. (Those few who did are now the more viable firms in the industry.) This fact-of-life imposes a heavy responsibility on the supplier – and it seems odd that the supplier mentions the enormously reduced level of stocks simply in passing. We find that sentence a reason to pause, to reflect and to wonder.

The past is behind us. The whole industry – together with De Beers – is looking forward to better times, and as we have said before – the current rough allocation policies inspire confidence. We don't want to dwell on the past – but, Mr. Chairman, as you brought it up yourself, we trust you will accept this comment with the positive spirit in which it was written.

Ekati's Q3 Production 1.19 Million Carats

BHP Billiton's **Ekati** diamond mine produced 1.189 million carats in the third quarter, a 19 percent decline compared to the March ending quarter of 2009. BHP Billiton's 80 percent share of production came to 951,000 carats, the company reported today (Wednesday).

According to the company, production was lower than the March 2009 quarter due to lower average grade. During the quarter, a higher proportion of ore was sourced from the **Fox pit**.

In the first three quarters of the fiscal year, Ekati produced 2.89 million carats, a small decline compared to the 2.9 million carats produced during the first three quarters of the previous fiscal year.

March Retail Sales Stronger than Anticipated, According to NRF

Surging past expectations, **U.S.** retail sales continued to show signs of improvement as consumers hit the stores for seasonal home goods, furniture and apparel, according to the **National Retail Federation** (**NRF**). March retail industry sales (which exclude automobiles, gas stations and restaurants) increased 5.7 percent year-over-year.

March retail sales released Wednesday by the U.S. Commerce Department show total retail sales (which include non-general merchandise categories such as autos, gasoline stations and restaurants) increased 10 percent unadjusted year-over-year.

"It's evident consumers were feeling much better about the economy and their finances last month," said **Rosalind Wells**, chief economist for NRF. "Pent up demand combined with an early Easter and warm spring weather significantly boosted consumers' moods and retail sales."

Stores that sell apparel, home goods, outdoor equipment and furniture saw the biggest increases.

At 34%, Watches & Jewelry are LVMH's Top Growth Group in Q1

LVMH Moët Hennessey Louis Vuitton posted first quarter revenues of €4.5 billion (US$6.15 billion). Organic growth stood at 13 percent compared to 2009. The Watches & Jewelry business group posted revenues of €204 million (US$277 million) in the first quarter, a 34 percent year-over-year increase.

The luxury products company said all of the business groups recorded double-digit organic revenue growth, adding that it continues to perform well in Asia and has seen a strong rebound in the **U.S.** and Europe.

The Watches & Jewelry and Wines & Spirits groups benefited from the end of destocking by distributors seen throughout 2009 and from a recovery in final consumer demand.

Figures relating to the diamond jewelry joint venture with **De Beers** were not published.

The revenue growth that the Watches & Jewelry business group recorded in the first quarter was mainly helped by the reconstitution of stocks by watch retailers and a strong demand for the high-end brands.

Fashion & Leather Goods sales rose 10 percent to €1.73 billion (US$2.35 billion). In Perfumes & Cosmetics, organic revenue growth stood at 12 percent, rising to €736 million (US$1 billion).

photo: jeff kung

Zale Considering Selling Stake to Golden Gate Capital

Struggling jewelry retailer **Zale** may sell a minority stake to **Golden Gate Capital Corp.**, *Bloomberg* reported Wednesday, quoting two people familiar with the decision. Zale received a number of offers, according to the sources, that stressed that a final deal may not materialize.

Following the poor holiday results, Zale's top executives left the company, and its board of directors started looking for an infusion of cash. Golden Gate's offer was selected over proposals from **Centerbridge Capital Partners LLC** and **TPG**, as part of the cash-seeking process.

Zale has recently warned that based on its cash flow projections for the remainder of 2010, "We may not have sufficient liquidity to meet our operating needs."

It went on to warn that **Citibank** may stop providing customer credit for purchases with the consequences being "material" and likely to impact Zale's ability to continue to operate.

Last month Zale's board rejected **Apollo Management**'s proposal to buy a stake in the jeweler and sell Zale's **Canadian** operations to raise needed cash to run the business. At the time, it was reportedly seriously considering another less ambitious financing proposal from **Sun Capital Partners Inc**.

Lazare Kaplan Delays Filing, Q3 Net Sales US$29 Million

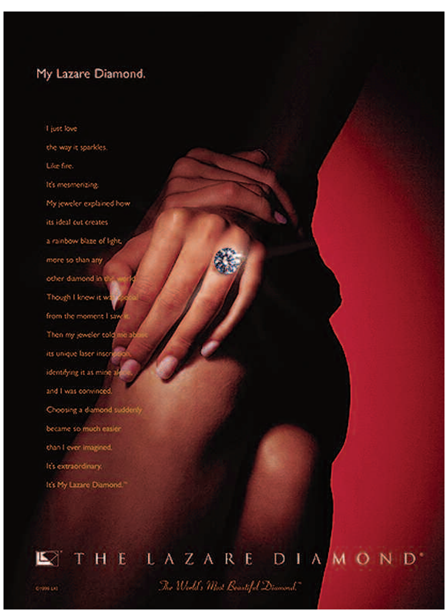
Lazare Kaplan International said on Wednesday that it has notified the **Security and Exchange Commission** (**SEC**) that it will be late in filing its quarterly report. The diamond company said that it continues its efforts to resolve what it calls "material uncertainties." It currently estimates net sales at approximately US$28.9 million.

LKI is facing a number of financial issues. In its recent reports it is referring to material uncertainties concerning "the collectability and recovery of certain assets," as well as "the company's potential obligations under certain lines of credit and a guaranty."

The company went on to state that as it is unable to assess the potential effect the resolution of these matters will have on its financial position, it has been unable to finalize its financial statements for Fiscal 2009 and subsequent periods.

LKI anticipates that its reported results of operations for the third quarter will reflect "significant changes from the corresponding period of the last fiscal year."

The company anticipates net sales of approximately US$28.9 million and US$126.1 million for the three and nine months ended February 28, 2010 as compared to net sales of US$42.2 million and US$161.7 million for the comparative prior year periods.



CIBJO Opens Corporate Social Responsibility Program

Registration has opened for **CIBJO**'s Corporate Social Responsibility program. Presented and prepared by a team of **UN**-sanctioned CSR experts, it will be the first executive CSR course offered by the **World Jewellery Confederation Education Foundation** (**WJCEF**).

The Executive CSR Course is designed to help firms in the industry to become actively involved in the fulfillment of the United Nation's Millennium Development Goals, which form a blueprint to tackle the world's most pressing development challenges.

Participants in the four-day program will study the principal models and strategies for Corporate Social Investment, their application in an industry dominated by smaller and medium-sized enterprises, the impact of CSR on supply chains and a variety of practical case studies.

A special overview of CSR presented by experts from the CSR Certificate program at the University of **St. Michaels's College** in the **University of Toronto** will be held on the third day of the course. Past participants have described this program as "transformational."

The will take place in **Antwerp** on June 19-22, hosted by **HRD Antwerp**. CIBJO has set up a scholarship fund that will cover a large portion of the tuition fee for each participant.

RJC Considering Adding Chain-of-Custody to Existing Certification, Expands Membership

The **Responsible Jewellery Council** (**RJC**) is considering the feasibility of developing a chain-of-custody certification initiative as an optional complement to the existing RJC certification of responsible business practices, the organization said on Monday.

The RJC prepared an initial discussion paper on the topic (found here http://tinyurl.com/y8ya8md), inviting industry members to comments on the paper and provide feedback on it.

The issues and options associated with chain-of-custody in the diamond and gold jewelry supply chain are under review, with the goal of generating discussions among the RJC and its stakeholders.

In related news, RJC on Thursday announced that **Chopard**, a leading watch and jewelry brand and diamond lab and service firm **HRD Antwerp** have joined more than 200 companies and trade associations as RJC members.

Under the RJC System, all Commercial Members of the RJC are required to be audited by accredited, third party auditors to verify their conformance with the RJC's Code of Practices to become certified.

The RJC Certification System is unmatched in any other industry for the quality and breadth of its scope and standards and the integrity and transparency of its developmental process.

"Chopard's membership of the RJC will reinforce the Council's mission of responsible business practices amongst large and small industry players," said RJC **CEO Michael Rae**. "HRD Antwerp will add an impressive level of expertise from the Belgian diamond industry to the RJC's efforts," Rae added.

HRD Antwerp made a commitment to join with the RJC's Standards Committee on developing standards for gem labs and assayers.

"Grading labs have an obligation to the diamond industry and consumers to be independent, objective and consistent," HRD Antwerp **General Manager Georges Brys** said.

Panamanian Commerce Minister: Looking to Boost Diamond trade With Israel

Panama's Minister of Commerce and Industry, **Roberto Henriquez**, was the guest of honor at a luncheon hosted by the **Israel Diamond Institute Group of Companies** (**IDI**) in Ramat Gan Tuesday, following a visit at the **Israel Diamond Exchange**.

The Minister was accompanied by the **Vice Minister of Foreign Trade Jose Domingo Arias** and the Ambassador of Panama in Israel **Roberto Arango**.

IDI Chairman Moti Ganz welcomed the Panamanian delegation with a toast and said he is hoping to see more transactions between the new diamond exchange in Panama and the Israeli diamond industry. "You have an open door with us for the diamond trade," Ganz told the Minister. Minister Henriquez surprised the Israeli participants by greeting them in Hebrew. "My visit is a follow up to my President's visit. President Martinelli has changed Panama's relations with Israel. We are seeking to strengthen the bonds with Israel," he said.

"The diamond trade is relatively new in Panama. I have learned a great deal about the industry in the few hours I have spent with you. We are going to do our best to help this project," Henriquez added.

A key component to boosting trade in Panama and neighboring countries is the US$ 5 billion Panama Canal Expansion Project which will be completed in 2014. According to Henriquez, ports in Miami and Houston are already working to accommodate the larger ships that will be able to pass through the canal.

Jewelers, Get Ready for Mother's Day

After the winter holidays, Mother's Day is the second largest U.S. consumer spending holiday, according to the **National Retail Federation**. This means that for the jewelry industry, May 9 presents a great opportunity. According to the NRF, this opportunity is worth US$2.5 billion in jewelry sales.

Christmas, Hanukah and Kwanza aside, Mother's Day motivates more American's to spend more money than any other holiday. NRF's 2010 Mother's Day Consumer Intentions and Actions Survey, conducted by BIGresearch, found that the average person will shell out US$126.90 on Mother's Day gifts, compared to US$123.89 last year. Total spending is expected to reach US$14.6 billion.

Nearly two-thirds (65.2%) of celebrants will buy flowers, totaling US$1.9 billion. An additional 51.8 percent will treat mom to a brunch or dinner, spending US$2.9 billion on mom's favorite food.

Jewelers will also see some traffic this year with 26.2 percent of people planning on buying a special bracelet or earring set, totaling US$2.5 billion.

"Even with slight improvements in the economy, consumers are still looking for unique, sentimental and inexpensive ways to show mom that she is important," said NRF **President and CEO Tracy Mullin**.

Marking a noticeable shift in where people will buy Mother's Day gifts this year, specialty stores such as jewelers or florists will see the most traffic, (33.6%). A short distance behind, 30.6 percent will head to department stores, compared to 27.2 percent last year.

Others will shop at a discount store (30.4%) and online (19.7%). Of the 83.3 percent of Americans celebrating the holiday this year, most will focus on buying a gift for their mom or step mom (62.6%) or wife (20.6%). Others will treat their daughter (9.4%), grandmother (7.9%), sister (7.6%), friend (6.8%) or godmother (1.7%) to something nice.

Men will spend much more than women on Mother's Day, shelling out an average of US$154.74, compared to women who will spend an average of US$100.46. Adults 25-34 years old will spend the most with the average person expected to spend US$156.84; young adults will spend only slightly less at US$155.52 average per person.

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