

Diamonds may be forever, but current prices are not— experts

Cecilia Jamasmie | April 21, 2014



Diamonds Lover Marilyn Monroe

Rough diamond prices have climbed 3% over the last few months, due mainly to declining supply combined with soaring demand from China, and the trend is likely to continue at least until 2018, experts say.

Despite billions spent on exploration, only around 30 significant diamond mines are currently in production, and according to Canadian diamond producer Stornoway Diamond (TSX:SWY) a tier-one mine hasn't been found since the 1990s.

Stornoway CEO Matt Manson, said in an interview with PureFunds he believed were the hardest mined commodity to find.

Since the 1870's, when the first kimberlite was found, another 6,800 kimberlites have been discovered worldwide. Of those, only about 1,000 contained diamonds, and of those only 60 actually contained diamonds on an economic level, he explained.

"60 ore bodies have been mined in about 20-25 mines. And of those 60 ore bodies, only 7 have had what are called 'tier 1' resources, those with a value proved to be worth over \$20 billion, which is a classic 'world class' definition," he added.

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The problem with this trend, BMO Capital Markets analyst [Edward Sterck told The Telegraph](#), is that underground mines produce fewer diamonds and have higher operating costs.

"The existing mines in Russia and Canada have been moving from open-pit operations to underground production. But new projects are not going to make up for the declining production from the big production centres in Russia and Botswana and so on", Sterck was quoted as saying.

In fact, the latest Global Diamond Industry Report [published by Bain and Company](#) predicts that production will start to decline by 2019, falling by 1.9% a year.