

## Peak production of diamond

7 décembre 2010, mailing n°9-8 Dr Thomas Chaize  
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From 2005 to 2008, an anomaly occurred on [diamond production](#) has declined while the prices increased carat diamond.

Deep structural change is the cause of this anomaly. Diamond production began a century ago in South Africa. Unique geology of kimberlites has long been known. If you look under the microscope this world diamond production we note three important points:

1° a majority of diamond mines are very old (25 years, 50 years or even a century). They are exhausted, close or are less profitable.

2° new diamond mines are scarce, and so will remain in the next decade. Recent projects of construction of the diamond mines can be counted on the one hand fingers.

3° these millions carats of the diamond's world production hiding an important trend: diamonds of great value used in jewelry are increasingly rare (weight, color, clarity). The quality of diamonds is as important as the quantity for the profitability of a mine

In **1980**, there was a sharp increase in the price of diamonds at the same time as that of gold has increased the world's diamond production from 1982. Prices rise, then the output increases, it is a classic pattern.

But in **2006**, while the price of diamonds rose more significantly in 1980 (the price of a one carat diamond, first quality, has almost doubled) diamond production decreased.

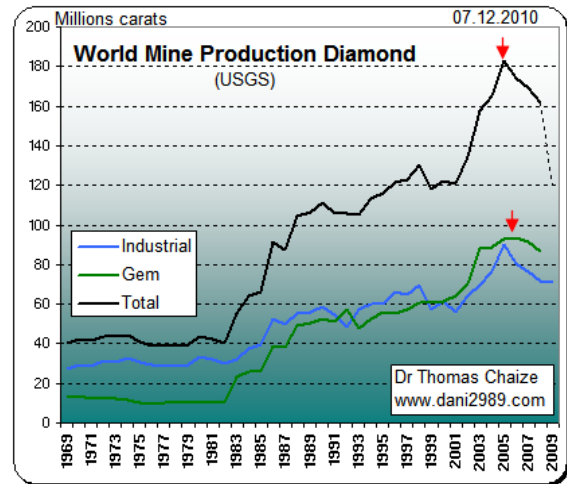
[Gold production](#) knows same difference, it has probably reached its peak production in 2003, but the diamond is even more rare than gold (did you know that the Russian government has sold tons of gold to buy millions of carats of diamonds?).

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In these circumstances it seems very likely that the world diamond production never returned to its 2005 level, the peak of diamond production was most probably reached in 2005 (2006 for gem quality diamonds).



Some people say it's dominance of the world's largest producer of diamonds which is the cause of this discrepancy and not a structural problem of the diamond world (remember the argument that central banks against gold in 2003).

So yes, during crisis, the diamond producers have demonstrated extraordinary discipline, instead of increasing production, they have almost all declined the production of their diamond mine. But this discipline originated dwindling reserves of diamonds and the desire not to waste these precious reserves become extremely difficult to renew.