Module B. Colour from the Cosmos

Lesson 11 - Processed Diamonds

Rapaport

We now understand what variables affect a diamond's value, but what is an individual diamond actually worth? As with grading reports, pricing reports are also made available for the diamond and jewellery industry by many institutions. Of these, the Rapaport is perhaps the most commonly used summary of current diamond prices.

The graphs below are based on excerpts of a recent (early 2009) Rapaport report for Round cut diamonds without consideration for quality of cut. The prices (in US$1,000) are considered wholesale based on asking prices at New York firms. As a retail consumer, you would probably expect to pay double this. You must note though that many dealers buy stones at a discount from the "Rap" price. Other variables that must be considered are the number of stones you buy at a time, the type of jewellery the diamonds are to be used in, and whether the pieces are to be specially designed.

Price in US$1,000 per carat by colour according to clarity, for diamonds in the ~1 carat weight range. Data from Rapaport Report, early 2009.

In the graph above, note the dramatic jumps in prices for G and better colours beyond VS1, but not for H and worse. This pricing trend is a result of high demand for clean stones of good colour. In other words, for clean stones (VS1 and better), a good colour (G and better) is considerably more important (and noticeable) than for dirty stones where an off-colour is not a big deal against its many inclusions. Also note the small price difference between E and F colours. This is because of the difficulty in noticing the slight colour difference. Now ask yourself, since D colour is close to E, why would it demand such higher prices?

Price in US$1,000 per carat according to carat size and colour. Data from Rapaport Report, early 2009.

In the plot above, note how each colour category experiences a dramatic rise in price per carat leading up to ~5 carats. Beyond that, a similar trend would make the cost to the consumer unsustainable. The larger stones (10+ carats) are also less common and tend to only appear in specialty shops. For the retailer, a large stone sold at a bit of a discount would generate the same profit as that for a smaller stone sold without discount.

Price in US$1,000 per carat according to carat size and colour, with a focus on smaller stones. Data from Rapaport Report, early 2009.

The graph above is the same as the previous one but with a closer look at the "smaller" stones. Note that the steepest rise in value for a diamond occurs in two places: leading up to the 1 carat range and leading to the 0.5 carat range. This is a direct relationship to demand from consumers that want stones close to these "benchmarks". Note, too how on the low end of the scale, the differences in price per carat for the various colour grades are very small. Why would this be?

Pricing of diamonds can be made available directly to consumers through jewellery shops and online retailers. A company called Blue Nile has been selling diamonds online since the late 1990's directly to consumers. They offer a very large range of stones, all of which are listed with their prices. eBay is also a "good" resource for consumers to check-out what diamonds (and coloured gemstones) can fetch, however, there is no control or moderation for those auctions.