



Pacific regional pearl production, 1998–2007

The recent review of Aquaculture in the Pacific Islands (Ponia 2010) showed some interesting trends in pearl production in the region. The following text and figures are reproduced from the following SPC publication:

Ponia B. 2010. A review of aquaculture in the Pacific Islands 1998-2007: Tracking a decade of progress through official and provisional statistics. SPC Aquaculture Technical Papers, Secretariat of the Pacific Community, Noumea. ISSN: 1683-7568

Pearls are the region’s most valuable commodity. In 2007, the production was worth USD 176 million. The pearl oysters farmed in the Pacific include black-lipped pearl oyster (*Pinctada margaritifera*), silver-lip oyster (*Pinctada maxima*) and winged oyster (*Pteria penguin*), although black pearls from *P. margaritifera* make up the bulk of production.

Black pearls in French Polynesia

In 2007, the pearl production from French Polynesia was valued at USD 173 million (Fig. 1). This accounts for 98 per cent of the total value of production in the region.

Pearl statistics are normally based solely on export figures provided by the Institut de la statistique de la Polynésie française (ISPF). The SPC figures used in this report differ from the ISPF figures because they take into account additional data, including:

- Unreported pearls, which the Institut d’Emission d’Outre-Mer (IEOM) (2007) estimates to be about 20 per cent of raw pearls. This has been assumed for the period 2004–2007.
- Domestic production, which IEOM (2007) estimates to be about 10 per cent of raw pearls.

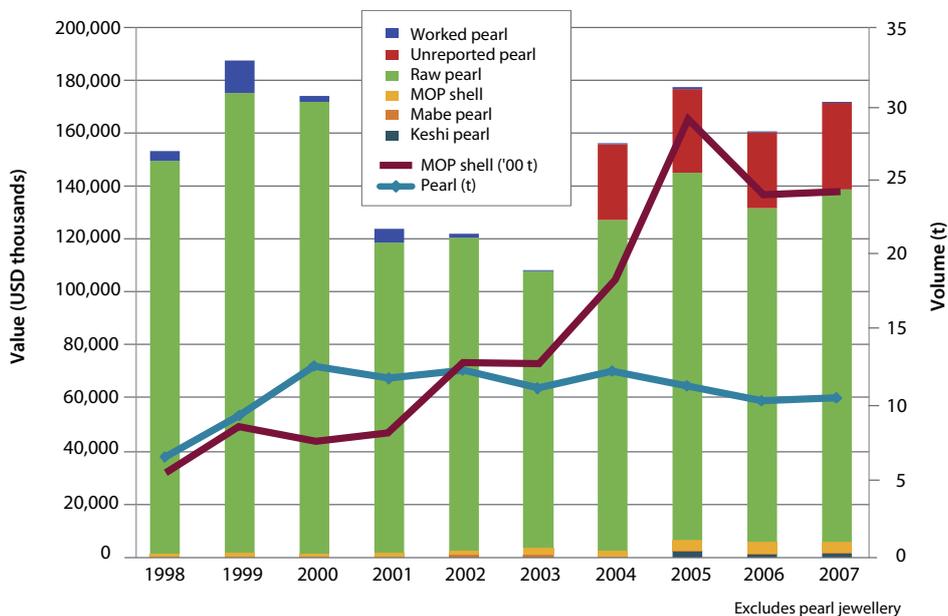


Figure 1. Pearl production in French Polynesia.

- Inclusion of worked pearls, including keshi and mabe. From 1998 to 2000, ISPF categorised pearls as either raw or worked. From 2001 onwards, the worked classification was expanded to include keshi, mabe and pearl jewellery. The first three classes are predominantly pearl pieces and so were included in the totals. The pearl jewellery classification was excluded.
- Mother-of-pearl (MOP) exports from the Service de la pêche (SPE) annual statistical reports.

The French Polynesia pearl industry has had two peaks. The first was in 1999 with USD 189 million earned. Continued mass production — 12.7 t in 2000 — led to a collapse in the price per unit value. Measures by government to limit quantity and focus on quality appear to have arrested this decline to some extent (Tisdell and Poirine 2008; Southgate and Lucas 2008). After a brief period of consolidation, a second peak occurred in 2005 with USD 178 million earned. It is not clear to what extent these sales included stockpiles from previous year’s harvest. But the export volumes of MOP shell increased dramatically in this period, up to 2,900 t, suggesting that large-scale farming must have been occurring.

The 2007 value included “unreported” sales, which are assumed to be 20 per cent of the official statistic. Adding further ambiguity to the situation is the exclusion of pearl jewellery exports, which according to ISPF have gone from just USD 0.5 million (or 150 kg) in 2004 to USD 18 million (1.6 t) in 2007. Together, these data suggest more unofficial sales but at the same time a shift towards value-adding opportunities.

Pearl production from countries other than French Polynesia

The main producer of black pearls, aside from French Polynesia, is Cook Islands. However, poor

farm management practices led to a mass mortality from a disease in 2000 (Diggles and Hine 2001), causing sales to drop from USD 9 million to USD 2 million by 2003. In 2007, production appears to have stabilised, albeit still at low levels. Recovery is attributed in part to the country’s vibrant tourism market and, after reviewing the census and export data on hand, it is estimated that domestic sales have risen from 10 per cent in 2000 to about 30 per cent in 2007.

In 2007, an additional five Pacific Island countries and territories were producing pearls at commercial levels, bringing the total value to USD 3.9 million. The significant new entrant is Fiji Islands, with sales valued at USD 1.2 million. One positive development is that the range of pearls is beginning to diversify and now includes white “south-seas” pearl from Papua New Guinea and purple *Pteria* mabe pearl from Tonga (Fig. 2).

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The full document can be downloaded from the “Publications” menu of the SPC Aquaculture portal at: <http://www.spc.int/aquaculture>

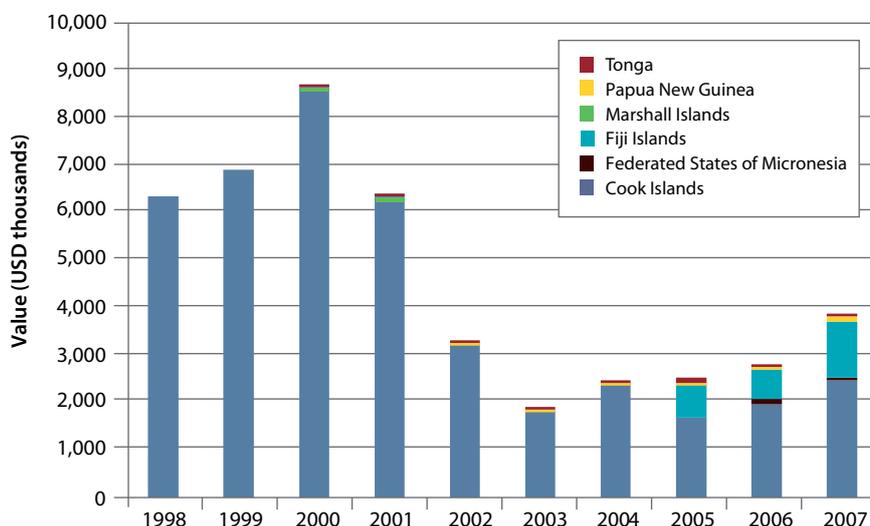


Figure 2. Pearl production in Pacific Island countries, excluding French Polynesia.

Markets, opportunities and challenges for the pearl industry in 2011 and beyond

Source: *www.JewelleryNewsAsia.com* (15 June 2011)

Leading experts in the pearl industry shared their insights and perspectives in an online conference hosted by JewelleryNetAsia and *Jewellery News Asia* on June 14 2011.

The panel of experts from the pearl farming, wholesaling and retailing sectors included pearl farmers Robert Wan, Jacques Branellac and Peter Bracher, and pearl wholesalers Rene Hodel and Andy Müller. All were online to answer questions about the challenges and opportunities facing the pearl trade. The following excerpts highlight the main points made by each of the participants and their responses to questions.

Pearl farming

Robert Wan — Founder and Chairman of Robert Wan Tahiti, French Polynesia

- French Polynesia produces 14 tonnes of Tahitian pearls, with a total value of USD 130 million.
- We wish to achieve price stability, and from there, we are willing to reduce our total production.
- In Tahiti, the pearl industry is the second-largest revenue generator after tourism.
- I believe that we need to push for creativity, and delight consumers with jewellery designs set with Tahitian pearls in all colours, sizes and shapes—from baroques to semi-baroques, not only round and semi-round pearls.
- We will conquer new markets through exhibitions, auctions and other activities. We are very confident about the future of Tahitian cultured pearls.

Jaques Branellac — Managing Director, Jewelmer, Philippines

- The Philippine golden pearl is onshore and, therefore, interacts with the people living in the coastal area and on small remote islands.
- It is really a symbiotic relationship between the pearl farm and the community living around it.

Peter Bracher — Executive Director, Paspaley Pearling Group, Australia.

- The global financial crisis of late 2009–2010 caused a dramatic reduction in demand for most luxury products, including obviously, South Sea pearl jewellery, and resulted in a corresponding fall in prices.
- In Australia, producers responded very quickly by dramatically reducing or completely ceasing virgin operations in 2009 and 2010.
- This resulted in most significant Australian producers either exiting the industry or consolidating their production efforts to allow cost efficiencies to be achieved.
- We estimate that these measures have resulted in Australian production being decreased by approximately 50% for at least several years from the forthcoming 2011.
- Paspaley will be reducing the number of auctions that we hold annually from five to four.
- However, the reduced output alone will be insufficient to ensure that the industry returns to sustainability or healthy growth.
- Coordinated marketing efforts are required to expand the market and to restore consumer faith in the pearl sector.
- Pearls are regarded as a single category by most retailers and end-consumers when in fact, each of the pearl categories —South Sea, Tahitian, Akoya and freshwater — are of the wider industry.
- Lack of understanding by retailers and end-consumers about how the various categories of pearls differ from each other in terms of appearance, rarity and value.

- The biggest challenge, however, is working with the *Pinctada maxima*, or the golden lip mother of pearl, which is a very, very sensitive lady.
- But in the past years, all South Sea pearl producers have been working together.
- We foresee a bright future because the next generation of pearl farmers — be it in Australia, Tahiti or the Philippines — are already mobilised.

Q: What is the quantity of Australian production and Philippine production?

Bracher: It's certainly less than a thousand kan at least for the next several years — significantly less. That's probably about much as I could say.

Branellec: The maximum output has never exceeded something like 600 kan: I believe the volume has gone down by maybe 25% or 30% for the past, maybe, two years.

Q: How do current prices compare to three years ago?

Wan: Three years ago, we were talking in terms of price per gram instead of per momme price. We were roughly around 1,000 francs (French Pacific franc) per gram and today, we only have half of that. This is because of the huge quantity of commercial and low-end quality pearls.

Branellec: Paspaley's view is that the Australian industry can only ensure its long-term survival by reducing focus on total output and concentrating on the production of high-quality, large-sized pearls, and by educating end-consumers through retailers about the qualities from other pearls.

Failure to disclose such treatments can result in pricing discrepancies that end-consumers don't understand, and in the absence of a rational explanation, this undermines both products — the natural products and the ones that have been enhanced.

Bracher: In the case of Australia, the price fell quite significantly from the beginning of the global financial crisis probably by about 40%, but actually we gained a lot of that ground quite rapidly within the 12 months that followed. Today, they are not back to pre-crisis levels (in Japanese yen terms) but in US dollar terms, probably quite similar than they were prior to the global financial crisis.

Q: There are a lot of cheap pearls being sold online. What is its impact on the pearl industry?

Wan: I am not doing much online sales. Quality is reserved for the auction. I personally don't see an online sales business yet at the moment.

Branellec: Well, some of our clients have done some positive experiments with online sales but I believe, it is more for first-comers who want accessible products. Internet sales for beginners? Why not? It's the way the new generation and the way young people like to buy. I think sooner or later, we will all have to go into it.

Pearl wholesalers

Rene Hodel — Managing Director, Hodel Hong Kong Ltd.

- In 1999, there were maybe 35 to 40 companies participating (in pearl auctions) and over the last 20 years, more and more people have been invited to pearl auctions.
- I have gone back to the traditional business — that is, dealing directly with pearl farmers. My question is, "Are these auctions the right way to market pearls?"
- In the past 15 to 20 years, so many new pearl farms have been established in Indonesia and in Tahiti. There are still too many farms producing too many pearls which are not good enough in quality.
- We need to produce less pearls but in much better quality.
- I think pearl prices in Tahiti, Indonesia, even Australia and the Philippines are too cheap.
- The pearl industry needs to get organised and start promoting pearls.
- We have to incorporate a properly functioning world body for pearls.
- In terms of pricing and grading, I believe we should have guidelines and standards. How should pearls be valued and graded?

Andy Müller — President, Hinata Trading Co Ltd, Japan

- We are in an industry, I believe, that has just about matured.
- We have seen that for the last, I would say, 30 years. We had experienced a seller's market. The goods were in short supply and people were running after the goods. Sourcing then was rather secret.
- Today, the situation is reversed. We have a buyer's market. We have oversupply.
- Demand today is sluggish, and prices have dramatically dropped.
- I see, however, the positive side of things. The lower prices that we have today in the distribution pipeline will eventually be reflected in the shops, and the final consumer will be confronted with lower prices. Lower prices mean a much larger customer base.
- I think we are just about at the point where confidence can be restored.
- Education is important. I think it is extremely important that we gather our forces and launch an education programme mainly targeting sales teams at retail shops.
- We have seen an extremely large improvement in Chinese freshwater pearls. Nowadays, when I go to the Hong Kong fairs, I see freshwater pearls in ever-increasing sizes and in ever-increasing quantities. Today, it is not surprising to see pearls that match the size of South Sea pearls.
- We no longer have a clear distribution line.
- Many or most of the big farmers of today have tried or are trying to have vertical integration by opening their own retail shops.

Q: How can we make pearls fashionable again?

Hodel: We have to be creative. We have to attract young people. We have to educate the end-consumer more. This can be done by spending money on advertising worldwide, by implementing education programmes that are being used on daily basis in the retail shops.

Q: Is it important for our business to brand pearls?

Müller: Let's be very honest. In the entire world, there is only so far one pearl brand, and it's called Mikimoto.

Hodel: To build up a brand actually takes years and years of hard work, and on top of that, a lot of money as well. Yes, branding is important because with a brand you can actually help the retailers — your customers — to educate their staff.

Q: Do you agree that Japan is losing its status as a pearl trading centre?

Müller: It's quite obvious that today, much more than 50 per cent of the South Sea pearls are sold by way of auction and it's also a fact that most of these auctions are being held in Hong Kong rather than in Japan. The majority of the raw materials, however, are still being sent to Japan, value-added in Japan, and then distributed.

The know-how, money and the tradition is, and will most likely remain, in Japan.

Q: Do you agree that certification would help promote the pearl business and build up consumer confidence? Do you also agree that there should be standardisation in pearl grading?

Hodel: When it comes to pearl grading and pricing ex-farms, yes, I do believe we need a certain standard. I still believe a 10 mm gem-quality pearl from Indonesia should fetch the same price as the 10 mm gem-quality pearl from Australia.

Q: How can a pearl trader be competitive with low-priced pearls?

Müller: We no longer have that situation where the market is dominated by one kind of pearl. If somebody is a little bit innovative, I think that a pearl trader can definitely find a niche market. With the quality of goods and the kind of prices that we have today, we should have a much, much larger customer base.

Q: Don't you think that the pearl dealers are the right people and the right companies to communicate about pearls to retailers?

Müller: Yes, we do. Even in Japan, we do organise seminars. These are being held annually. At these seminars, about 80 members — most of them are retailers — bring themselves up-to-date with (market developments).

Hodel: Yes, we are growing everywhere around in Asia, and we are actually training the staff of our customers. We have two courses: level 1 and 2.

Q: Jacques Branellec would you like to respond to some comments regarding pearl farmers who want to go vertical in business?

Branellec: You have to realise that if you are an importer or trader, you can buy less or you can stop buying and wait for the market to wake up again. If you are a farmer, you are carrying four to five years of deferred production costs, and usually for an average farmer, you have around a thousand people working full time in your farm. So when the market slows down, you cannot just tell the people to come back when things get better. People don't realise that farmers are going vertical because it's a matter of survival.

Q: How are Akoya pearl farming, wholesaling and retailing doing in terms of pricing? What is the future outlook for these pearls?

Müller: I think, quite surprisingly, the Akoya pearl industry in Japan has somehow found its ground, it is rebounding. Prices last year were at their lowest. The price of materials in the December–January period had increased slightly or even more than slightly, depending on the quality and the size, by maybe 15 per cent to 30 per cent. People who used to come to Kobe to buy South Sea pearls are now buying Akoya. I think the Akoya industry is turning north, turning positive.

Full transcripts of this online conference can be viewed at: <http://www.JewelleryNewsAsia.com>

Farmers promote consumer education

Source: *www.JewelleryNewsAsia.com (03 August 2011)*

Three of the world's leading pearl producers underscored the importance of consumer education, creativity and a sharply focused and sustained global marketing campaign in driving consumer demand for pearl jewellery.

Speaking at the second Jewellery Online Conference organised by leading trade platform JewelleryNetAsia and Jewellery News Asia, Tahitian pearl "emperor" Robert Wan of Robert Wan Tahiti, French periculturist Jacques Branellec of Jewelmer, and Peter Bracher of Paspaley shared their insights and approach to brand marketing and gem-quality pearl production in today's ever-evolving and challenging business environment.

Tahitian pearls

The global economic crisis of 2008 has changed the way companies do business, and the pearl sector is not immune to its effects.

According to Wan, Tahitian cultured pearl prices took a record-breaking dive in the last three years, with the financial tsunami driving prices down by

50 per cent from the average price of 1,000 French Pacific francs per gram in 2008.

"Today, we only have half of that," Wan said. "So we are down 50 per cent in three years' time. This is because of the huge quantity of commercial and low-end quality pearls that had been released into the market by small farmers.

"This happened because the government reduced the export tax from 200 francs a gram to 50 francs a pearl today. It is easier for the pearl farmers to export lower-end pearls. I also presume they used their inventories. They didn't want to export their pearls before because of the high export tax," said Wan.

French Polynesia produces 14 tonnes of Tahitian pearls annually, with a total value of USD 130 million. This figure does not include black pearls produced in other parts of the world, including the Cook Islands and Fiji.

"I hope that the price of good quality and gem-quality pearls would be maintained and go even higher," said Wan, who has engaged in a selective expansion in China's first-tier cities since last year.

"I would say, for my part, the price has been up 15 per cent during the last three years."

An industry restructuring is vital to the growth and development of French Polynesia's pearl sector, he continued.

Golden South Sea pearls

The Philippines likewise saw a 25% to 30 per cent decline in South Sea pearl production volume in the last two years, Branellec said. "The maximum output has never exceeded something like 600 kan; a big part of it being an estimate because there are other producers who do not necessarily release their figures. I believe the volume has gone down by maybe 25 or 30 per cent for the past, maybe, two years," he said.

Jewelmer's golden Palawan South Sea pearls, however, continue to command premium prices because of their rarity and incomparable beauty, said Branellec.

"You have to realise that not 100 per cent of what we produce are golden — so golden pearls are still very rare. We also lack in big sizes. I would say the price has been quite stable and we can even now foresee stability. We have some orders that we have not yet been able to fulfil. So, we are quite confident," he said.

"At the retail level, the price has not really moved so much. In the golden pearl category, we foresee stability and a tendency for an increase."

Australian production

Bracher of Paspaley said the crisis of late 2009–2010 caused a dramatic reduction in demand for most luxury products, including South Sea pearl jewellery. This resulted in a corresponding fall in prices at least at the wholesale level.

"In Australia, producers responded very quickly by either dramatically reducing or completely ceasing virgin operations in 2009 and 2010. The change in the market environment also resulted in most significant Australian producers either exiting the industry or consolidating their production efforts to allow cost efficiencies to be achieved," he said.

"We estimate that these measures have resulted in Australian production being decreased by approximately 50 per cent for at least several years from the forthcoming 2011 harvest. In reflection of this, in 2012, from next year, Paspaley will be reducing the number of auctions that we hold annually from five to four."

This reduced output will be welcome news for the pearl market which has held a perception of over-supply for the last four or five years, he continued.

"It's very difficult to estimate exactly what the Australian production is because most of the production is produced by private companies. It's certainly less than a thousand kan at least for the next several years, significantly less," Bracher said.

Australian pearl prices also saw a significant drop "from the beginning of the global financial crisis probably by about 40 per cent especially in the lower commercial qualities," he said.

"But actually we gained a lot of that ground quite rapidly within the 12 months that followed. Today, they are not back to pre-crisis levels (in Japanese yen terms) but in US dollar terms, probably quite similar if not in some cases more expensive than they were prior to the global financial crisis," he said. "It is obviously difficult to exactly estimate when you are producing in Australian dollars and selling in yen into a market that is predominantly US dollar dominated."

Educating the consumer

All three farmers highlighted the importance of consumer education, creativity and a sustained globally coordinated marketing programme in stimulating consumer demand for pearl jewellery.

"With regards to Tahitian cultured pearl supply and demand, we need transparency. We need some regulations. We wish to achieve price stability," Wan said. "We wish to implement a quality control system through "labelisation", and this is something we are working on. We also have to launch a sustained global marketing campaign, particularly in key markets such as Brazil, India, Turkey and China."

The Tahitian pearl farmer also emphasised the importance of design, innovation and creativity in inspiring consumer interest in pearl products. "We need to push for creativity, and delight consumers with jewellery designs set with Tahitian pearls in all colours, sizes and shapes — from baroques to semi-baroques, not only round and semi-round pearls. We need international promotions such as Tahitian pearl jewellery design contests," said Wan.

There is a growing awareness among industry stakeholders of the need to work together for the pearl sector to prosper, Branellec said.

"Before, there was stiff competition between different producers and farmers. Each one was working in his own corner in spite of some attempts to meet frequently with our friends and colleagues around the world. But in the past years, all South Sea pearl producers have been working together. Today, what we have is a complementary, not competitive, relationship. This mature attitude means all farmers are working hand in hand for the trade and the public to share the magic and love of pearls," he said.

Hong Kong rises as Tahitian pearl trading hub

Source: *www.JewelleryNewsAsia.com* (10 June 2011)

The significant increase in Tahitian pearl trading activity in recent years indicates that Hong Kong's importance as a trading hub for these lustrous gems is rising.

In 2010, Hong Kong was the largest importer of Tahitian pearls, with a 55 per cent share in total exports. Exports to Japan had dropped notably, although the Japanese market still accounted for 35 per cent of exports, down from 70 per cent about a decade ago. The US placed third, while France took the fourth spot, according to data released by the Statistical Institute of French Polynesia (see Table 1).

Hong Kong's rising importance in the Tahitian pearl trade is also reflected in the number of major Tahitian pearl auctions that are being held in Hong Kong. These auctions draw buyers from the Asia-Pacific region, Europe and the US, said Johnny Cheng, president of the Tahitian Pearl Association Hong Kong (TPAHK).

Fall in production

Tahitian pearl production fell by nearly 40 per cent to 10 tonnes in 2010, with many pearl farmers going into the red due to tumbling pearl prices some three years ago, Cheng said.

"Tahitian pearl prices, which were soft even before the global financial crisis, slid further when the downturn hit. Plummeting pearl prices forced

many farmers to reduce their production. In 2010, the total production of Tahitian pearls dropped to around 10 tonnes, down from 16 tonnes in 2009," Cheng said.

According to the Statistical Institute of French Polynesia, there are now just over 400 active Tahitian pearl farmers spread across French Polynesia, most of which are family-owned businesses, he added. "The Tahitian pearl producing industry is dominated largely by family-owned businesses. Usually, there are 8 to 10 family members working in a small farm. Large, professionally managed businesses take up less than 3 per cent of the industry," Cheng said.

Not all of these pearl farmers have been granted an export permit though, further limiting the supply of Tahitian pearls into the market, he said. "Even if you have a permit, your pearls must go through a very strict X-ray examination to ensure a minimum nacre thickness of 0.8 mm," said Cheng.

Tahitian pearl production in the first quarter of 2011 fell 3.0 to 4.0 per cent, while export prices grew 4.8 per cent compared to the same period last year – a trend that Maison de la Perle said is expected to continue well into the rest of the year.

Leading Tahitian pearl producer Robert Wan Tahiti concurred. Wan said he expects the total production of Tahitian pearls in 2011 to be 5 to 10 per cent lower than the previous year. "This will push up Tahitian pearl prices by at least 5 per cent in 2011," he said.

Rising prices

The dramatic fall in pearl production last year has ignited a hike in Tahitian pearl prices. Prices are up by at least 10 per cent, with higher quality pearls even commanding higher prices. "The average price of Tahitian pearls rose by 10 to 15 per cent in the past year, while prices of fine qual-

Table 1. Accumulated exports of pearl and nacre shell from French Polynesia in 2010.

Countries by destination	Weight (g)	Value in Pacific francs (XPF)	% of weight	% of value
1 Hong Kong	9,004,454	4,031,918,467	56.1%	54.8%
2 Japan	5,707,844	2,574,871,402	35.6%	35.0%
3 US	516,475	232,398,891	3.2%	3.2%
4 France	233,760	149,371,321	1.5%	2.0%
5 New Caledonia	133,528	97,574,585	0.8%	1.3%
6 China	182,017	68,455,865	1.1%	0.9%
7 Australia	50,555	67,072,637	0.3%	0.9%
8 New Zealand	87,186	66,696,915	0.5%	0.9%
9 Canada	60,314	24,128,817	0.4%	0.3%
10 Singapore	19,785	8,772,800	0.1%	0.1%
Others	57,554	35,967,424	0.4%	0.5%
Total	16,053,472	7,357,229,124	100.0%	100.0%

Source: Statistical Institute of French Polynesia

Note XPF 1.00 = USD 0.0116 (November 2011)

ity orbs — which have since become more scarce — increased even more,” Cheng said.

The insufficient supply of high quality pearls was evident at recent pearl auctions. “High-grade Tahitian pearls, measuring 14 mm to 17 mm in diameter, and in peacock colour are limited in availability at pearl auctions. Most of the pearls are in sizes ranging from 9 mm to 11 mm,” he said.

In addition to large sized pearls, demand for 8 mm Tahitian pearls has also outstripped supply. “Japan and China favour pearls of fine qualities but in smaller sizes, while the US and Europe prefer larger sized pearls,” he said. For instance, necklaces with pearls in smaller sizes, particularly pearls measuring 8 mm in diameter, enjoy strong demand in Japan, he continued.

Major markets

China has become the undisputed leader in terms of growth in demand for Tahitian pearls in recent years. “The wealthy locals have a particular fondness for Tahitian pearls because they believe that these gems do not only bring a rich element to jewellery designs, they also reflect the unique temperament of their wearers,” Cheng said.

Another potentially high-growth market for Tahitian pearls is India. “According to a recent market research conducted by Maison de la Perle, Indian consumers may not know much about Tahitian pearls for now, but the market potential for the gem in this populous nation is huge,” said Ida Wong, general manager of TPAHK.

Aside from Asia, Wan of Robert Wan Tahiti also noted great market potential in traditional markets like the US and Europe. “In 2011, demand for Tahitian pearls will be higher in Europe, the US and Asia, particularly China,” Wan said.

Positive outlook

The Tahitian pearl sector is facing brighter prospects in 2011, not only because of the anticipated solid demand from Asia, the US and Europe, but also because consumers are willing to pay a premium for innovative jewellery designs.

“More high-end manufacturers are using Tahitian pearls in their jewellery designs since the gems go perfectly with diamonds, coloured gemstones, coral and other precious materials,” Cheng said.

Positive outlook for South Sea pearls

Source: www.JewelleryNewsAsia.com (10 June 2011)

Asia has emerged as the top market for South Sea pearls. This is reflected in the significant increase in the number of Asian bidders at the Paspaley South Sea Pearl Auction in Hong Kong in recent years.

South Sea pearl production in 2010 dropped by nearly 15 per cent to an estimated 3,150 kan, following production cutbacks triggered by the global economic downturn of 2008, a pearl industry veteran said.

“Pearl farmers have reduced their production two to three years ago,” said Leung Sik Wah, director of Hong Kong-based Cogent Trading Co Ltd. Of the South Sea pearls harvested in 2010, only 2 to 3 per cent — or less than 100 kan — was gold in colour, Leung added.

Australia and Indonesia, the world’s two largest South Sea pearl-producing countries, harvested 1,200 kan and 1,350 kan, respectively last year, or down 20 per cent and 10 per cent, respectively in comparison to the 1,500 kan that each country produced in 2009.

South Sea pearl production in the Philippines dropped to 400 kan in 2010 from 500 kan in 2009. The output in Myanmar and other countries, however, remained unchanged at 200 kan.

Global South Sea pearl production for 2011 and 2012 is likely to remain at the same level as 2010, Leung said. The industry would gradually ramp up production in 2013, barring any natural disasters, he added.

Total production value

Despite a decline in production volume in 2010, Leung noted that the total production value last year was on par with 2009. “The global South Sea pearl production for 2010 amounted to approximately USD 260 million,” he said.

A recovery in South Sea pearl prices was one of the reasons behind this result. The average per-momme price of the Philippines and Indonesia’s South Sea pearls rose 25 per cent to USD 60.9 per momme in 2010. South Sea pearls from Myanmar and other countries fetched an average price of USD 85.2 per momme, up nearly 10 per cent compared to that of 2009. Australia’s South Sea pearls maintained the same level of USD 121.7 per momme on average.

Leung further said that Australia maintained its lead in terms of total production value, followed by Indonesia, the Philippines, Myanmar and other countries.

Table 1. World's South Sea Pearl production volume in 2010

Country	Volume (kan)	%
Indonesia	1,350	42.9
Australia	1,200	38.1
Philippines	400	12.7
Myanmar and other countries	200	6.3

Source: Leung Sik Wah, Director of Cogent Trading Co. Ltd., in Hong Kong

Major markets

Asia has emerged as the top market for South Sea pearls, accounting for approximately 40 per cent of production, Leung said. "Asia's vibrant markets contributed to South Sea pearl sales in 2010. China, where pearl jewellery demand has a huge room for growth, has overtaken Japan as Asia's biggest South Sea pearl market. It now accounts for about half of the total South Sea pearl sales in the Asia-Pacific region, while the rest is split equally between Japan and India," he said.

Sales to the US and Europe have not been as good in recent years, although the two markets still constitute at least a quarter of global South Sea pearl sales, down from 50 per cent some five years ago, Leung said.

Table 2. Comparison of the world's South Sea Pearl production volume (kan) between 2009 and 2010

Country	2009	2010
Indonesia	1,500	1,350
Australia	1,500	1,200
Philippines	500	400
Myanmar and other countries	200	200

Source: Leung Sik Wah, Director of Cogent Trading Co. Ltd., in Hong Kong.

Table 3. Average per-momme price (Yen) of pearls produced in major South Sea pearl-producing countries between 2009 and 2010.

Country	2009	2010
Indonesia	4,000	5,000
Australia	10,000	10,000
Philippines	4,000	5,000
Myanmar and other countries	6,400	7,000

Source: Leung Sik Wah, Director of Cogent Trading Co. Ltd., in Hong Kong.
Note: 1 ¥ = 0.0121733 USD

Popular pearl types

The popular goods are widely diverse in terms of size and quality. "Chinese consumers prefer higher quality pearls in bigger sizes, while the Japanese prefer pearls in smaller sizes. The Indians favour pearls of commercial qualities, but they will make the shift to better quality pearls in the future," Leung believed.

When it comes to the gem's shape, most buyers are partial to round-shaped pearls. "Demand for baroque pearls was very strong some time ago, but their popularity has faded following a significant increase in supply. Round-shaped pearls, which only account for about 10 per cent of the total South Sea pearl production, have made a strong comeback," he observed.

As for prices, buyers favour pearls that sell for around USD 60.9, he added.

Natural colour and lustre are also important criteria for pearl selection. Pearls offered at Hong Kong's pearl auctions, including the Paspaley South Sea Pearl Auction and Robert Wan Tahiti Perles Auction, were carefully scrutinised before going on sale to ensure that the pearls offered were of very good quality in terms of colour and lustre, Leung said. Looking ahead, Leung said he is confident that the South Sea pearl sector is facing positive prospects, bolstered mainly by the strong demand from Asia and a gradual economic recovery in the US and Europe.

Freshwater pearl prices on the rise

Source: *www.JewelleryNewsAsia.com* (13 July 2011)

Freshwater pearl prices have experienced double-digit growth since 2010, triggered by cuts in freshwater pearl cultivation in China. With China's maturing nucleated freshwater pearl sector, industry members are confident that the introduction of round, nucleated freshwater pearls into the market will further drive the demand for these gems.

Drop in production

Freshwater pearl prices have risen about 30 per cent since last year, and prices could rise even further this year, said Johnny Chan Yuk Kwong, president of the Hong Kong Pearl Association (HKPA). The price hike is partly driven by the Chinese government's policy of limiting the areas open for pearl cultivation in recent years. "Today, freshwater pearls are mainly cultivated in the provinces of Hunan, Hubei, Anhui and Jiangxi, which are rich in freshwater resource," Chan said.

Even in Hubei and Anhui provinces, the government has reduced the number of pearl cultivation areas, said Chai Mingjun, founder and board chairman of Zhejiang Eternity Jewellery Co Ltd.

Chai also cited other factors that affected freshwater pearl production: a shakeout in the pearl farming industry following the global economic downturn, and a number of ecological factors that have made some areas unsuitable for freshwater pearl cultivation.

"We expect the supply of Chinese freshwater pearls to drop by half this year," he forecast.

Chan shared similar insights. "The amount of Chinese freshwater pearls that will be harvested will shrink by 30 per cent in 2011 and 2012 due to a decline in pearl production," he predicted.

Higher costs

Rising production costs, mainly due to high labour, rent and material outlays, will further boost pearl prices. Chan estimated that the costs of pearl cultivation rose by more than 20 per cent in 2010, inevitably pushing freshwater prices up. For instance, the prices of small-sized pearls measuring less than 5 mm in diameter have doubled over the last 18 months, he added.

Chai also noted a sharp rebound in prices. Freshwater pearl prices rose in 2010 and have returned to 80 per cent of the pre-crisis levels, he continued.

Sustained demand

Chan predicted that Hong Kong's total export value of freshwater pearls in 2011 will exceed last year's level since high pearl prices have failed to dampen global demand. Rising demand was evident at the March Hong Kong Fair this year. Freshwater pearl dealers said European and American buyers were more willing to accept higher prices to replenish their stocks.

Nucleated pearls

Further developments in nucleated freshwater pearl production would likely boost sales. Regular freshwater pearls are only made of nacre. They do not have a nucleus — the absence of which results in the production of irregularly shaped pearls. One of the latest innovations in Chinese pearl production is the development of nucleated freshwater pearls. "A nucleus is inserted into the body of the mollusc to ensure the production of round-shaped pearls," Chan said.

"Round, nucleated freshwater pearl production has reached a relatively mature stage of development in China. These pearls currently account for more than 50 per cent of the total Chinese freshwater pearls produced. In two years' time, there will be a large supply of round-shaped pearls in the market," he said.

This cultivation method can also ensure the production of bigger pearls. "The size of round, nucleated freshwater pearls can reach 16 mm and up," he said.

Fine quality round, nucleated freshwater pearls are mostly sold as semi-finished products. "Finished jewellery may not meet the tastes and preferences of different markets, but semi-finished products can be tailored to local preferences," Chan said.

Industry support

HKPA's sustained freshwater pearl promotions have benefited the industry. The association will continue to raise the market's awareness of freshwater pearls, facilitate the exchange of market information, and enhance the role of Hong Kong as a key trading centre for freshwater pearls, Chan said.

In May 2011, HKPA hosted a spring tour to Xi'an City, Shaanxi Province, which doubled as a networking event among association members. Last year, it formed a strategic coalition with 18 jewellery industry associations in Guangdong, Hong Kong, Macau and Taiwan to promote industry growth.

"Undoubtedly, pearl farmers are seeing their profits shrink and pearl wholesalers are saddled with rising costs. But as long as the overall economy continues to pick up and farmers make a reasonable profit and sustain steady production, the freshwater pearl sector will continue to face bright prospects," Chan said.

Cook Islands pearl industry to be revived with New Zealand's support

Media statement from Hon. Murray McCully, Minister of Foreign Affairs, New Zealand, 15 July 2011.

New Zealand will contribute to the revitalisation of the Cook Islands pearl industry as part of a three-year programme funded through the New Zealand Aid Programme, Foreign Minister Murray McCully announced today.

“At the industry’s peak in 2000, black pearls contributed NZD 18 million¹ to the national economy per year,” Mr McCully said.

“Limited regulation and some unsustainable environmental and farming practices, coupled with a slump in international pearl prices saw production in the Cook Islands reach record lows.”

“New Zealand, as part of our harmonised aid programme with Australia, will commit NZD 3 million to the Pearl Industry Revitalisation programme aimed at developing sustainable farming practices and increasing income for those involved in the black pearl sector,” Mr McCully said.

“Our support will contribute to monitoring and regulating pearl farm production, local, regional and international marketing, and financial assistance and capacity development for farmers to enhance current and future prospects of the industry.”

“Revitalising the industry will have immense flow-on benefits for outer island communities. Ninety per cent of Cook Islands pearls are produced in the northern island lagoon of Manihiki — 1,160 kilometres north of Rarotonga — where

employment and livelihood opportunities are limited,” the Minister said.

“This programme builds on research already carried out into the ongoing viability of Cooks Island’s marine resources, and an initial investment into market research aimed at helping to effectively position the Cook Island’s pearl industry internationally.”

“Investment in the pearl industry is a priority initiative under the New Zealand and Cook Islands Joint Commitment for Development, and is complemented by New Zealand’s support for waste management and sanitation improvement in the Cook Islands which seeks to safeguard the country’s lagoons for future generations,” Mr McCully said.

The Joint Commitment for Development will serve to strengthen the development relationship and deliver real, long term outcomes for the people of Cook Islands.

Mr McCully is in the Cook Islands as part of the 2011 Pacific Mission.

The Minister’s speeches and statements can be found at www.beehive.govt.nz

Cook Islands Pearl Forum: Shaping a sustainable future

The Cook Islands Pearl Forum, held on 11 August, included stakeholders from all sectors of the Cook Islands Pearl Industry. All of the participants agreed that the Pearl Forum should be held annually.

Industry presenters included the following speakers. Cook Islands Pearl Authority (CIPA) Chief Executive Officer (CEO) George Ellis gave a review of progress since the last forum. In its hey-day — 1990s–2000 — the industry was generating NZD 18 million per year or 90% of the country’s total export value. The disease outbreak in November 2000 affected 85% of all oysters and, combined with the market slump in 2000, seriously affected the industry. Production dropped by half, and farm reputations and cash-flows were poor. The industry reached its lowest point in 2010 where it earned only NZD 1.2 million. It is hoped that by 2013, production capacity will double from 600,000 to 1.2

million oysters, which will increase export numbers in 2014 and 2015. CIPA hopes to become an industry that earns NZD 6.1 million by 2015.

1. CIPA’s CEO also gave an overview of the stimulus package that includes NZD 3 million from the New Zealand Government, 1.5 million from the Cook Islands Government, and NZD 500,000 from Manihiki Pearl Farmers Association (MPFA) over a three-year period. The Cook Islands Government has agreed to assume one-third of the risk share of loans under the scheme and guarantees NZD 500,000 to cover defaults on loans.

¹ NZD 1.00 = USD 0.81 (as of October 2011)

2. Mike Hodge of New Zealand's branding firm, Brian R. Richards Ltd., spoke about the "Avaiki" brand strategy and how he believes it will save Cook Islands pearl farms. Branding is an alternative way of future proofing or protecting our pearl industry. "Avaiki" brand is pitching for the international market and carving a niche market for Cook Islands pearls. "Avaiki" is our own home-grown premium brand that allows us to set and meet particular standards so as to protect and ensure the integrity of the brand and our reputation.
3. Speakers representing the Cook Islands Ministry of Marine Resources (MMR), Manihiki Island Council, and MPFA discussed their roles in the industry. MMR monitors the lagoon and supports and/or advises CIPA, while the Island Council and MPFA (with the Manihiki Lagoon Management Plan) are involved in husbandry of the farms and the industry as a whole.

The Cook Islands Pearl Industry Support Program 2011–2013 goals will be achieved through three components that focus on production support, marketing support and capacity development.

These components will be managed and monitored under the above programme hosted by CIPA and assisted by MMR. The Production Support programme is a subsidised credit scheme for farmers and technicians, and will allow them access to a NZD 1.5 million fund to finance the purchasing of materials and equipment to assist with cash flow. The Marketing Support component will provide needed assistance for two key marketing initiatives of Cook Islands pearls: 1) whole crop marketing strategy for both "Avaiki" branded pearls and non-branded pearls; and 2) expanding the capacity of the Pearl Exchange. The third component, Capacity Development, will provide institutional strengthening assistance to MPFA, and specialist services to provide loans to farmers and mentoring training to key stakeholders. Investing in the capacity of pearl farmers is vital for the industry's growth and sustainability. CIPA, with assistance from MMR, will ensure that governance and management structures are established, resource inputs are delivered, and monitoring and reporting commitments are maintained. A programme coordinator will coordinate and monitor all programme activities.

Pearl Day at the Punanga Nui Market in the Cook Islands

Source: Dorothy Solomona, Ministry of Marine Resources, Cook Islands

Pearl Day on 14 July 2011 marked the launch, collaboration and support of the New Zealand Government and Cook Islands Government in the Cook Islands Pearl Industry Support Programme 2011–2013.

The theme was "Go Local" with pearl retailers, farmers, jewellers, Business Trade Investment Board, Bank of the Cook Islands, Ministry of Marine Resources, and Cook Islands Pearl Authority playing their part in the programme. Food

stalls and entertainment at the Punanga Nui Market kept the atmosphere festive. New Zealand Foreign Minister Murray McCully, with his delegation of 32, arrived at the market and reaffirmed his support for the revival of the million dollar industry in the Cook Islands. Five million dollars, contributed by the New Zealand Government, Cook Islands Government and the Manihiki Pearl Farmers Association, supports the programme and the revival of the pearl industry over a three-year period.



A: Business Trade Investment Board Young Entrepreneur's Programme for colleges display their business ideas.

B and C: Retailers, jewellers and farmers display their wares for the public.

D: The Cook Islands Pearl Association, which manages the Pearl Production Scheme and Marketing Support component of the Pearl Support Programme.

2011 GPS re-mapping project of Manihiki Lagoon

Source: Georgia Langdon, Ministry of Marine Resources, Cook Islands

One of the first components of the new NZAID funding programme is to undertake a complete re-mapping exercise of the entire Manihiki Lagoon and all its farms. Previous global positioning system (GPS) map work in Manihiki involved only marking out the boundaries of each farmed area (Fig. 1). These boundaries were quite vague and arbitrary, which resulted in many areas overlapping although actual lines were not. Since that time, many Manihiki residents have ceased farming for some time or abandoned their farms and left the island. The new mapping exercise involves mapping each individual farm line in the water where the geographical points of each line are input onto a handheld GPS device (Fig. 2). The exercise also aims to identify:

- 1) farms or farm lines that are currently operational;
- 2) those that are dormant and have been out of use for some time; and
- 3) farms that have been completely abandoned.

The goal of the new funding stimulus is to double current production levels of pearls from 600,000 shells to 1.2 million over the next three years. As the new mapping exercise ties in with the issuing of new farming permits, it is important to identify areas that are no longer in use, which will allow existing farms to expand or new farms to develop. With a new line-by-line map (Fig. 3) that overlays the depth contours of the lagoon floor, we will be able to recognise suitable areas that may be used for farming within the lagoon.

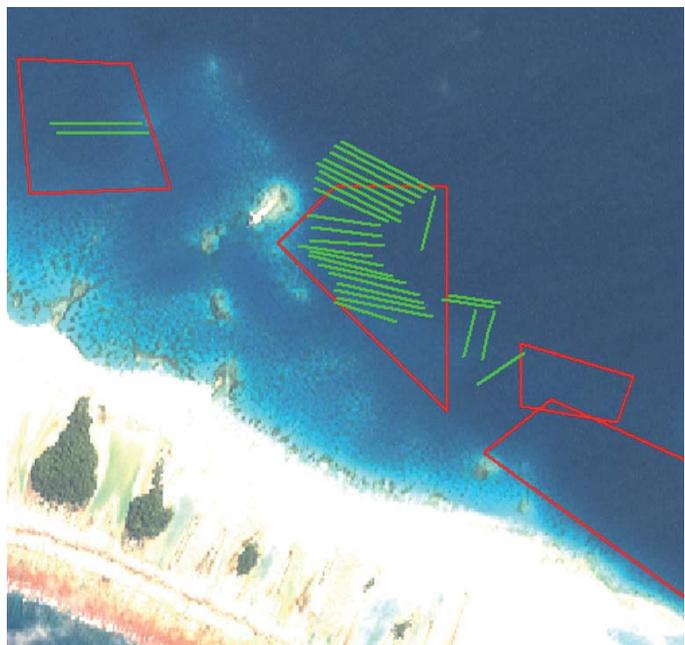
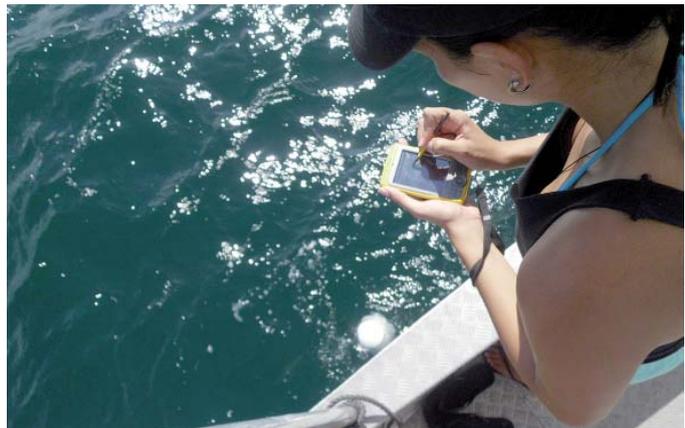


Figure 1 (top).
Map of old farm boundaries within Manihiki Lagoon.

Figure 2 (middle).
Recording geographical coordinates of individual lines with a handheld GPS.

Figure 3 (bottom).
Mapped farm lines (green) and old farm boundaries (red).

2010 Fiji Pearl Auction

Source: *J. Hunter Pearls Newsletter, August 2011*

Our fourth auction took us to bustling Hong Kong in September 2010. The devastation that Cyclone Tomas brought to our farms was evident in this small auction held over two days. On auction were 9,500 pearls sorted by colour, shape and grade into 24 different lots. Lots 1 and 2 contained the best fifty round pearls collected over two harvests, ranging in size from 9–16 mm. These pearls displayed strong lustre and held vibrant colours of

copper, chocolate, burgundy, pistachio and gold. In the cooler palette, J Hunter also featured for the first time a limited number of “ink-blue” pearls. Worth mentioning was the “nugget” of the harvest, the 18 mm gold circle pearl. The size and weight of this pearl is quite breath taking. To add to its brilliant gold body colour are chocolate-coloured rings that run around the surface of the pearl. A truly unique Fijian pearl.

News from J. Hunter Pearls, Fiji

Source: *J. Hunter Pearls Newsletter, August 2011*

Our last year was dominated by recovering from the effects of Cyclone Tomas that struck our islands in March 2010. We had some pretty significant damage to our farm infrastructure; losing some 200 spat collector lines, boats and barge’s, our two seeding sheds at both farm sites and most damaging was the significant loss of post-implanted and young oysters.

2011 has really been about learning from this event and getting back on track, making ourselves better and stronger. The challenge we face this year is that it will be the first year in eight years that we will not have pearls for export available. As you can imagine this is quite a financial challenge for us. We have

persevered with great support and encouragement from many of our customers and we are well on our way to getting back on track. The demand for our Fijian pearls fortifies our resolve to bring these truly exceptional pearls back to our customers.

While our immediate supply is limited, the future of our pearl production is looking very bright. Over the course of the last year we have more than doubled our grow-out capacity, increasing our number of water leases and forming stronger relationships with the traditional fishing right owners. We now have twice the grow-out capacity we had just one year ago.

