

## Federal Trade Commission Allows "Cultured" to Describe Synthetic Diamonds

In mid July, the Federal Trade Commission ruled that use of term "cultured diamonds" is an appropriate way to describe lab produced diamonds or gems. A petition was submitted in 2006 on behalf of the Jewelers Vigilance Committee and 10 other jewelry trade associations asking the FTC to amend the Guides for the Jewelry, Precious Metals and Pewter Industries.

Lab produced diamonds have made some gains in recent years with both consumers and the trade. Lab grown diamonds, which were originally created for industrial use, are now being created that surpass the color and quality of mined diamonds. Experts can not tell the difference between the two to the eye, however the synthetics are more transparent in ultraviolet light due to a lack of nitrogen.

Synthetic diamonds were created for industrial use in the 1950s by General Electric, but gem quality diamonds only came into production in 2001. There are two primary methods for creating synthetics. The first, which takes about 3 weeks, exposes a diamond fragment to carbon particles, which under high temperature attaches to the fragment and grows. Another type crushes carbon under extreme pressure at 2,300 Fahrenheit, crystallizing the material into diamonds, essentially mimicking the natural process. Lab diamonds are considered to be true diamonds, unlike cubic zirconia, which is chemically different.

The Gemological Institute of America, which declined to grade synthetics for many years, began to do so in January 2007, although it includes a "laboratory grown" distinction. Only a few companies are able to produce synthetics and their output is still low. According to the *Wall Street Journal*, only 400,000 carats for gem use were produced in 2006, compared with 130 million mined in the same period.

Diamond producers are worried that the synthetics will have the same impact that cultured pearls had on the natural pearl business, where 95% of all pearls sold now are cultured. Cultured or synthetic diamonds are being priced 15% below the price for a similar mined diamond, however as more are made this way, competition could lead to price cutting.

The diamond establishment has been busy mounting the campaign that natural stones are worth more and that a diamond is special only if it has been forming underground for billions of years. Some jewelers have started including the synthetics in inventory, and some customers are seeking them, often in an attempt to avoid blood diamonds or De Beers' grip on pricing.

Diamond demand is expected to increase over the next few years, with an estimated 100 million new customers in India and China. Diamond production is expected to stay level, although prices will significantly rise. Synthetic producers plan to increase carat size and expand distribution.

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