Are Diamonds Forever? An Overview of The Natural Diamond Industry

Introduction

The global diamond industry has long been a cornerstone of luxury markets and industrial applications, with rough diamonds serving as the raw material for both high-end jewelry and specialized industrial tools. While gem-quality diamonds are polished and set into engagement rings, necklaces, and other luxury items, lower-quality stones find use in cutting, grinding, and drilling due to their exceptional hardness. The natural diamond supply chain is complex, encompassing exploration, mining, sorting, cutting, and distribution.

The industry is dominated by a few major producers, with Russia's Alrosa, Anglo American's De Beers, Rio Tinto, and smaller independent miners leading global output. These companies extract diamonds from key mining regions such as Botswana, Russia, Canada, Angola, and Australia, with production methods ranging from open-pit and underground mining to offshore marine operations.

However, the industry was hard hit by the COVID-19 pandemic due to supply chain disruptions and delayed marriages and engagements. Furthermore, people locked in at home began to splurge excessively on self-care gifts, leading to unexpected price increases. As the supply chain is beginning to normalise once again, diamond prices have taken a hit due to several recent trends. De Beers, one of the industry's mainstays and largest players, has felt the full force of falling diamond prices which has caused the company's outlook to become bleak.

A Brief History of De Beers

One of the most influential and historically dominant companies in the natural diamond industry, De Beers was founded in 1888 by British businessman and politician Cecil Rhodes. From its inception, De Beers shaped the diamond market, not only by controlling supply and pricing but also by pioneering marketing campaigns that fundamentally altered cultural perceptions of diamonds

De Beers began as a consolidation of multiple small mining operations in South Africa during the late 19th century. Recognising the immense potential of the diamond industry, Rhodes systematically acquired mining claims, eventually securing control over the majority of South Africa's diamond production. In 1888, with financial backing from investors, including the London-based N M Rothschild & Sons bank, he formally established De Beers Consolidated Mines Ltd. By the early 1900s, De Beers had built an extensive distribution network that allowed it to regulate the supply of diamonds and maintain high prices.

Over the following decades, De Beers expanded its reach beyond South Africa, forging agreements with producers in Namibia (then South West Africa), Angola, and other key mining regions. Through its Central Selling Organisation (CSO), De Beers held an iron grip on the global diamond trade, purchasing rough diamonds from various producers and carefully controlling their release into the market to prevent price fluctuations. By the mid-20th century, De Beers was responsible for distributing approximately 85% of the world's rough diamonds.

Although De Beers' market dominance was rooted in supply control, its influence on consumer demand was equally transformative. In 1947, the company launched what would become one of the most iconic advertising slogans in history: "A Diamond Is Forever." The success of this marketing effort not only solidified De Beers' grip on the industry but also ensured steady demand for natural diamonds by positioning them as an essential part of life's most meaningful moments.

Beyond marketing, De Beers operates across the entire diamond value chain, encompassing exploration, mining, grading, marketing, and retail. The company's mining operations are concentrated in four major diamond-producing countries: Botswana, Namibia, South Africa, and Canada. These operations are often conducted through joint ventures, such as its 50/50 partnership with the Botswana government in Debswana, one of the world's largest diamond producers. In Namibia, De Beers operates through Namdeb, another joint venture with the Namibian government, focusing on both land-based and offshore marine mining. In addition to mining, De Beers plays a critical role in diamond grading and sales. Its Global Sightholder Sales division supplies rough diamonds to an exclusive group of sightholders—authorised traders who then cut, polish, and distribute the stones. The company also owns and operates its own retail chain, De Beers Jewellers, which sells high-end diamond jewelry to consumers worldwide.

A major shift in De Beers' ownership structure occurred in 2011 when Anglo American [LSE: AAL], a multinational mining conglomerate, acquired the Oppenheimer family's 40% stake for $5.1 billion. This transaction increased Anglo American's stake to 85%, with the remaining 15% held by the government of Botswana. Anglo American, a diversified mining giant with operations in platinum, copper, nickel, iron ore, and coal, saw De Beers as a valuable addition to its portfolio. The acquisition strengthened Anglo American's position in the diamond sector while providing De Beers with greater financial backing to modernise its operations.

However, despite its long-standing market control, De Beers' dominance has steadily eroded in recent decades. The discovery of new diamond deposits in Russia, Canada, and Australia led to the rise of alternative suppliers such as Alrosa (Russia's state-owned diamond company) and Rio Tinto. Increased scrutiny from governments and regulatory bodies forced the company to abandon its long-standing monopolistic practices. In the early 2000s, legal challenges in the U.S. and the European Union compelled De Beers to discontinue some of its exclusive supply agreements. Once an unchallenged monopoly, De Beers now operates in a far more competitive and fragmented industry.

Current Issues Surrounding De Beers

For much of the 20th century, De Beers held a near-monopoly over the global diamond trade, establishing itself as the unchallenged leader in both mining and sales. However, in recent decades, its dominance has weakened due to increased competition, regulatory changes, and the emergence of synthetic diamonds. This has led to a number of significant events highlighting the downfall of the diamond industry giant.

Anglo American, facing its 3rd takeover attempt from BHP [LSE: BHP] in April 2024, rejected a £39bn all share offer. The board reasoned that a restructuring focused on simplifying their portfolio to core commodities would create superior value—concentrating on copper and iron, while divesting in non-core assets could increase capital efficiency.

De Beers was seen as a defective part of the organisation: a 23% year-on-year decrease in revenue (from 2023 to 2024) coupled with a $2bn buildup of pent-up inventory of increasingly illiquid diamonds spelled trouble. As a response, De Beers was put under the knife. In December 2024, after months of resistance, the diamond producer capitulated and slashed prices by 10% to drum up demand. Their previous attempts to stabilise market prices and place a floor failed.

As Anglo American shopped around its former prized jewel, one prominent buyer emerged: Botswana. Already owning 15%, Botswana looked to increase its exposure. The problem which arose was De Beers' struggling financial position. Due to depressed diamond prices and lowered demand Anglo American wrote down De Beers by $1.6bn to $7.6bn in 2024. Q4 2024 was a butchery with a 26% decrease in rough diamond production. On

February 6th, 2025, Anglo American warned of further impairment reviews on De Beers. Two weeks later, it came to fruition as De Beers was marked down for a further $2.9bn. All these losses increase doubts on the stability of any price which Botswana could eventually pay. There is hope that the ordinary November/December sales boost allows a window for a market exit, however, Anglo American CEO Duncan Wanblad has warned the process might spill into 2026.

Nonetheless, the recent financial issues that De Beers has been facing are symptoms of the global downturn in the natural diamond industry that has been going on since the onset of the COVID-19 pandemic.

What is wrong with the Natural Diamond Industry?

The market for natural diamonds has been experiencing a significant downturn for several reasons.

A significant catalyst of this crisis has been a drop in demand, specifically in China. China is the biggest diamond market around the world, accounting for 13.8% of the global market in 2024. This reduced demand for diamonds can be mainly attributed to the country's dire economic situation. Recently, China has been suffering from reduced GDP growth, declining real estate prices, and a large percentage of the Chinese population are choosing to save vast quantities of their money as opposed to investing it in domestic markets. To highlight the gravity of the situation in China, William Lamb, CEO of Lucara Diamond Corp, the owners of one of the largest diamond mines around the world, said that "The market in China is dead."

Furthermore, the demand for diamonds has also waned as a result of buyers becoming significantly more cautious when considering purchasing diamonds. Due high inventory levels, caused by a decline in demand, buyers have the luxury to be more selective than ever when choosing diamonds. Buyers also have the fear that diamond prices will continue to fall, further incentivising them to take a more wary approach when looking at the diamond market.

Another factor that has led to the falling prices of diamonds is the increased competition from lab-grown diamonds. (LGDs) Lab-grown diamonds have not only taken a large part of the market but synthetic diamond producers have also invested in a lot of aggressive campaigns, aiming to appeal to consumers' moral compasses and disincentivize the purchase of natural diamonds. Natural diamonds have been increasingly labelled as "conflict diamonds" and environmentally harmful, further increasing consumers' reluctance to buy them.

The decline in prices around the world has had a significant impact on both diamond companies and several African countries that depend heavily on the diamond industry. Botswana, for example, is the world's largest rough diamond producer, with gems mined by Debswana—the joint venture between De Beers and the government—accounting for around 80% of the country's economy. However, this venture is not creating enough jobs and raises the risk of instability within the nation.

As such, Botswanan President Duma Boko announced that his government will begin to develop new industries, foster private investment, and increase concessional borrowing in an effort to diversify Botswana's diamond-dependent economy. One recent development in this relationship was that this last Tuesday, the Botswanan government signed a long-delayed 10-year diamond extraction and sales agreement with De Beers. Under this new deal, the share of Okavango Diamond Company—Botswana's state-owned rough diamond marketing company—in the production of Debswana will reach 40% at the end of the agreement. Furthermore, Debswana's mining licenses, due to expire in 2029, have been extended until 2054.

Diamond producers are also feeling the effects of the global reduction in diamond prices: Petra Diamonds Ltd [LSE: PDL], one of the world's leading suppliers of rough diamonds, had its share price drop 30% in the last six months and its earnings drop 60%, even causing the company's CEO, Richard Duffy to resign.

Growth of Lab-Grown Diamonds (LGDs)

Lab-grown diamonds (LGDs) have surged in popularity over recent years, reshaping the landscape of the natural diamond industry. These diamonds are created in a controlled laboratory setting, mimicking the natural formation process that occurs beneath the Earth's mantle. The two primary methods for producing synthetic diamonds are chemical vapor deposition (CVD) and high-pressure high-temperature (HPHT). CVD has gained prominence for its ability to produce high-quality gem-grade diamonds, whereas HPHT is more commonly used for industrial applications.

China dominates the global production of LGDs, accounting for approximately 56% of all lab-grown diamonds on the market. However, despite being the largest producer, demand within China itself remains relatively flat, as does demand in India, another key diamond manufacturing hub. The United States serves as the largest market for LGDs, accounting for roughly 75% of retail sales. American consumers, particularly younger generations, have driven this demand by embracing LGDs as an ethical, affordable, and sustainable alternative to mined diamonds.

The industry's rapid growth has been fueled by advancements in technology, which have significantly reduced production costs, making LGDs more accessible to a broader consumer base. Between 2018 and today, the supply of lab-grown diamonds has increased more than tenfold, as improved production techniques and lower barriers to entry have encouraged new players to enter the market. Leading companies in the LGD industry include Diamond Foundry, Pandora, and Lightbox Jewelry (De Beers' own lab-grown diamond brand), among others. As LGDs continue to gain market share, they pose a growing threat to traditional diamond miners, including De Beers.

Outlook: what's next for De Beers and the Natural Diamond Industry

"Diamonds are intrinsically worthless, except for the deep psychological need they fill." – Nicky Oppenheimer, former De Beers Chairman (1999)

The natural diamond industry is at impasse. The days of constricting supply while receiving vast demand are over. As previously mentioned, various trends such as ESG concerns about the ethical implications deriving from the value chain of natural diamonds or Chinese consumers simply not recognizing resale value in an asset with a cheaper and undifferentiated substitute will continue to wreak havoc on natural diamond prices.

In a recent report, McKinsey estimates that natural diamond production is expected to grow at 1 to 2 per cent per annum until 2027—this is below previous expectations of 3 to 4 per cent growth. Growth within the industry is likely to be constrained by major mine closures as well as price volatility. As a result, many diamond miners are looking to increase the lifetimes of their existing mines by moving towards underground operations. De Beers recently spent $1bn to expand its Jwaneng mine in Botswana, as well as $2.3bn to increase the operational life of its Venetia mine in South Africa until 2045.

Another impact factor to look out for is the impact of geopolitical tensions on global supply chains. The current biggest diamond producer, Alrosa, has been subject to US sanctions since 2022 and was recently hit with another set of sanctions, this time from the European Union. These are expected to come into full force by March of this year and will have a significant effect on the supply of natural diamonds and their prices.

However, there still might be hope for this commodity after all: growth in the branded jewellery space of 8% CAGR might represent a new avenue. Large developing countries such as Indonesia, Turkey, Brazil, and India with growing middle classes might spur sales. Ultimately, while some encouraging elements exist, the outlook is bleak. If ESG concerns are fully addressed, however unlikely, such a development would simply increase prices further, widening the gap with LGDs. LGD technology will continue to advance, lowering costs, and capturing market share. While a complete disappearance is unlikely, this industry might become obsolete. The myth of the "Diamond is Forever" is fading, and with that, companies such as De Beers might too.

TAGS: Diamonds, De Beers, Mining, Anglo American