

De Beers

The De Beers Group of Companies

DE BEERS

Type	Private
Industry	Mining and trading of diamonds
Genre	Business
Founded	1888 --
Founder	Cecil Rhodes
Headquarters	Luxembourg, Luxembourg
Area served	Worldwide
Key people	Mark Cutifani (Chairman) Philippe Mellier (CEO)
Products	Diamonds
Services	Diamond marketing and promotion. Community development.
Revenue	▼ \$6.1 Billion (FY 2012) ^W
Number of employees	20,000+

Slogan	A Diamond Is Forever
Website	debeersgroup.com

The De Beers Group of Companies has a leading role in the [diamond](#) exploration, diamond mining, diamond retail, diamond trading and industrial diamond manufacturing sectors. The company is currently active in every category of diamond mining: open-pit, underground, large-scale alluvial, coastal and deep sea.^[2] The company operates in 28 countries and mining takes place in Botswana, Namibia, South Africa and Canada.

The company was founded in 1888 by British businessman [Cecil Rhodes](#), who was financed by the South African diamond magnate [Alfred Beit](#) and the London-based [N M Rothschild & Sons](#) bank.^[3] In 1926, [Ernest Oppenheimer](#), a German immigrant to Britain who had earlier founded mining giant [Anglo American plc](#) with American financier [J.P. Morgan](#),^[4] was elected to the board of De Beers.^[5] He built and consolidated the company's global monopoly over the diamond industry until his death in 1957. During this time, he was involved in a number of controversies, including [price fixing](#), [antitrust](#) behaviour and an allegation of not releasing industrial diamonds for the US war effort during World War II.^{[6][7]}

History



Foundation

[Cecil Rhodes](#) founded De Beers in 1888



[Lord Nathan Mayer Rothschild](#), of the [Rothschild family](#), funded the development of De Beers

[Cecil Rhodes](#), the founder of De Beers, got his start by renting water pumps to miners during the [diamond rush](#) that started in 1869,^{[8][9]} when an 83.5 [carat](#) diamond called the 'Star of South Africa' was found at [Hopetown](#) near the [Orange River](#) in South Africa.^{[9][10][11]} He invested the profits of this operation into buying up [claims](#) of small mining operators, with his operations soon expanding into a separate mining company.^[12] He soon secured funding from the [Rothschild family](#), who would finance his business expansion.^{[13][14]} De Beers Consolidated Mines was formed in 1888 by the merger of the companies of [Barney Barnato](#) and [Cecil Rhodes](#), by which time the company was the sole owner of all diamond mining operations in the country.^{[12][15][16]} The name derived from the De Beer brothers, Diederik Arnoldus and Johannes Nicolaas de Beer, Boers whose farm had become the site of a particularly lucrative mine, although they'd sold the claim and had no involvement with the company that came to bear their name. In 1889, Rhodes negotiated a strategic agreement with the London-based Diamond Syndicate, which agreed to purchase a fixed quantity of diamonds at an agreed price, thereby regulating output and maintaining prices.^{[14][17]} The agreement soon proved to be very successful — for example during the trade slump of 1891–1892, supply was simply curtailed to maintain the price.^[18] Rhodes was concerned about the break-up of the new monopoly, stating to shareholders in 1896 that the company's "only risk is the sudden discovery of new mines, which human nature will work recklessly to the detriment of us all".^[14]

The [Second Boer War](#) proved to be a challenging time for the company. [Kimberley was besieged](#) as soon as war broke out, thereby threatening the company's valuable mines. Rhodes personally moved into the city at the onset of the siege in order to put political pressure on the British government to divert military resources towards relieving the siege rather than more strategic war objectives. Despite being at odds with the military,^[19] Rhodes placed the full resources of the company at the disposal of the defenders, manufacturing [shells](#), defences, an [armoured train](#) and a gun named [Long Cecil](#) in the company workshops.^[20]

Oppenheimer control[[edit](#)]

In 1898, diamonds were discovered on farms near [Pretoria](#), Transvaal. One led to the discovery of the Premier Mine. The Premier Mine was registered in 1902 and the [Cullinan Diamond](#), the largest rough diamond ever discovered, was found there in 1905.^[21] (The Premier Mine was renamed the Cullinan Mine in 2003.) However, its owner refused to join the De Beers cartel.^[22] Instead, the mine started selling to a pair of independent dealers named Bernhard and [Ernest](#)

[Oppenheimer](#), thereby weakening the De Beers cartel.^[23] Production soon equalled all of the De Beers mines combined. Ernest Oppenheimer was appointed the local agent for the powerful London Syndicate, rising to the position of mayor of Kimberley within 10 years. He understood the core principle that underpinned De Beers success, stating in 1910 that "common sense tells us that the only way to increase the value of diamonds is to make them scarce, that is to reduce production".^[22]

During World War I, the Premier Mine was finally absorbed into De Beers. When Rhodes died in 1902, De Beers controlled 90% of the world's diamond production. Ernest Oppenheimer took over the chairmanship of the company in 1929,^[24] after buying shares and being appointed to the board in 1926.^{[23][25][26]} Oppenheimer was very concerned about the discovery of diamonds in 1908 in German [South West Africa](#), fearing that the increased supply would swamp the market and force prices down.^{[6][7]}

Former CIA chief Admiral [Stansfield Turner](#) claimed that De Beers restricted US access to industrial diamonds needed for the country's war effort during World War II.^[27]

Marketing^[edit]

De Beers successfully advertised diamonds to manipulate consumer demand. One of the most effective marketing strategies has been the marketing of diamonds as a symbol of love and commitment. A young copywriter working for [N. W. Ayer & Son](#), Frances Gerety, coined the famous advertising line 'A Diamond is Forever' in 1947.^[28] In 2000, [Advertising Age](#) magazine named 'A Diamond Is Forever' the best advertising slogan of the 20th century.^[29]

Other successful campaigns include the '[eternity ring](#)' (as a symbol of continuing affection and appreciation),^[30] the 'trilogy ring' (representing the past, present and future of a relationship) and the 'right hand ring' (bought and worn by women as a symbol of independence).^[31]

De Beers is also known for its television advertisements featuring silhouettes of people wearing diamonds, to the music of [Palladio](#) by [Karl Jenkins](#). The campaign, titled 'Shadows and Lights', first ran in the spring of 1993. The song would later inspire a compilation album, [Diamond Music](#), released in 1996, which features the *Palladio* suite. A 2010 commercial for [Verizon Wireless](#) parodied the De Beers spots.^[32]

Diamond monopoly^[edit]



Russian president [Vladimir Putin](#) meeting with former De Beers chairman [Nicky Oppenheimer](#) in South Africa in 2006

De Beers carried out [monopoloid](#) practices throughout the 20th century, whereby it used its dominant position to manipulate the international diamond market.^{[12][33]} The company used several methods to exercise this control over the market. Firstly, it convinced independent producers to join its single [channel](#) monopoly, it flooded the market with diamonds similar to those of producers who refused to join the [cartel](#), and lastly, it purchased and stockpiled diamonds produced by other manufacturers in order to control prices through limiting [supply](#).^[34]

In 2000, the De Beers business model changed^[34] due to factors such as the decision by producers in Canada and Australia to distribute diamonds outside the De Beers channel,^{[12][33]} as well as rising awareness of [blood diamonds](#) that forced De Beers to "avoid the risk of bad publicity" by limiting sales to its own mined products.^[35] De Beers' market share of rough diamonds fell from as high as 90% in the 1980s to 33% in 2013,^{[36][37]} having resulted in a more fragmented diamond market with more transparency and greater liquidity.^[38]

In November 2011, the Oppenheimer family announced its intention to sell the entirety of its 40% stake in De Beers to [Anglo American plc](#) thereby increasing Anglo American's ownership of the company to 85%.^[39] The transaction was worth £3.2 billion (US\$5.1 billion) in cash and ended the Oppenheimer dynasty's 80-year ownership of De Beers.^{[40][41]}



Operation

The De Beers [Snap Lake Mine](#) in Canada

Mining in Botswana takes place through the mining company [Debswana](#),^[42] a 50-50 joint venture with the Government of the Republic of Botswana. In Namibia, it takes place through Namdeb,^[43] a 50-50 joint venture with the Government of the Republic of Namibia. Mining in South Africa takes place through De Beers Consolidated Mines (DBCM),^[44] 74% owned by DeBeers and 26% by a broad based black economic empowerment partner, Ponahalo Investments. In 2007, De Beers began production at the [Snap Lake Mine](#) in [Northwest Territories](#), Canada;^[45] this is the first De Beers mine outside Africa and Canada's first completely underground diamond mine.^[46] In 2007, De Beers opened the Victor Mine in [Ontario](#), Canada.^[47]

Trading of rough diamonds takes place through two channels – [De Beers Global Sightholder Sales](#) (GSS) network and [De Beers Auction Sales](#). The GSS network, which sells about 90% of De Beers diamonds, features wholly owned and joint venture operations in South Africa

(DTCSA), Botswana (DTCB), and Namibia (NDTC). They sort, value and sell 33% (2013) of the world's rough diamonds by value.^[36]

There are two main types of customer for rough diamonds – Sightholders and Accredited Buyers. Sightholders have a term contract. Accredited Buyers (a customer type introduced in 2014-5) have a more ad hoc arrangement. De Beers also sells about 10% of its rough diamonds through auction sales. The company pioneered the approach in 2008 when it broke with 44 years of direct sales to hold the diamond industry's first online international auction sale. It is now the world's leader in this kind of auction sale.

De Beers employs about 20,000 people around the globe on five continents, with more than 17,000 employees in Africa. Almost 8,000 people are employed in Botswana, around 6,200 in South Africa, nearly 2,900 in Namibia, some 1,260 in Canada and about 320 in Group Exploration.

Business structure[\[edit\]](#)

On 4 November 2011, Anglo American plc and CHL Holdings announced their agreement for Anglo American to acquire an incremental interest in De Beers, increasing Anglo American's 45% shareholding in the world's leading diamond company to 85%. De Beers Investments is the privately held ownership company of De Beers Société Anonyme (DBSA), and is registered in Luxembourg. It is made up of two shareholdings: [Anglo American plc](#) has an 85% shareholding and the Government of the Republic of Botswana owns 15% directly. De Beers Société Anonyme is the holding company of The De Beers Group of Companies.^[48]

The De Beers Group of Companies is involved in many parts of the diamond value chain, from mining to sales, and is made up of a series of joint ventures and wholly owned operations.

The joint ventures are:

- [Debswana](#)
- [DTCB](#)
- [Namdeb](#)
- NDTC
- Debmarine Namibia
- [De Beers Diamond Jewellers](#)

The wholly owned operations are in southern Africa and [Canada](#). Also wholly owned are [Forevermark](#) and [Element Six](#). Element Six is a joint operation with Umicore (Abrasives) and the wholly owned De Beers business Technologies, UK.

Forevermark

Forevermark launched in 2008 as the diamond brand from The De Beers Group of Companies. Forevermark diamonds are currently available in more than 1,530 authorised retail stores in 29

countries including China, Hong Kong, India, Japan and the United States. According to the company website:

Each Forevermark diamond is inscribed with a promise: that it is beautiful, rare and responsibly sourced. Only one per cent of the world's diamonds are eligible to be inscribed with the Forevermark icon. Each Forevermark diamond is assessed by diamond experts at the Forevermark Diamond Institute in Antwerp. Those meeting Forevermark's standards are inscribed with the Forevermark icon and a unique identification number, which is also recorded on the certificate that accompanies every Forevermark diamond. Invisible to the naked eye, the Forevermark inscription is 1/20th of a micron deep (or one five-thousandth the width of a human hair) and can only be seen using a special viewer. Forevermark diamonds are available in more than 1,400 retail stores across 34 markets – and, from autumn 2014, in the UK and Ireland.^[49]

De Beers Diamond Jewellers

De Beers Diamond Jewellers (DBDJ) was established in 2001 in a joint venture between The De Beers Group of Companies and LVMH Moët Hennessy Louis Vuitton, the French luxury goods company. The first De Beers boutique opened in 2002 on London's Old Bond Street as the brand's flagship store. Since then, stores have opened all around the world.

Legal issues[[edit](#)]

Sherman Antitrust Act[[edit](#)]

During World War II, Ernest Oppenheimer attempted to negotiate a way around the [Sherman Antitrust Act](#) by proposing that De Beers register a US branch of the Diamond Syndicate Incorporated. In this way, his company could provide the US with the industrial diamonds it desperately sought for the war effort in return for immunity from prosecution after the war; however his proposal was rejected by the US Justice Department when it was discovered that De Beers had no intention of stockpiling any industrial diamonds in the US.^[27] In 1945, the Justice Department finally filed an antitrust case against De Beers, but the case was dismissed as the company had no presence on US soil.^[50]

South Africa's missing billions[[edit](#)]

In 2014, the Leverhulme Center for the Study of Value, based at the University of Manchester, published a report authored by Sarah Bracking and Khadija Sharife, identifying over \$3 billion in price fixing of South African rough diamond trade, through transfer pricing manipulation from 2005 to 2012. The report found significant evidence of profit shifting through volume and value manipulation.^[51] Sharife simultaneously published an article ^[52] disclosing the political system that cultivated revenue leakage, including the donation of De Beers staff to the State Diamond Trader (SDT). The report, like the article, utilised aggregated data produced by the Kimberley Process (KP) certificates of import-exports, relying on figures listed by the diamond companies themselves, in which De Beers was the dominant player. The South African Department of Mineral Resources (DMR) disclosed that De Beers did not authorise them to publish figures involving values, sales, pricing and other data, preventing transparency of the industry.

Diamond prices[[edit](#)]

From 2001 onwards several lawsuits were filed against De Beers in US State and Federal courts. These alleged that De Beers unlawfully monopolised the supply of diamonds and conspired to fix, raise and control diamond prices. Additionally there were allegations of misleading advertising. While De Beers denied all allegations that it violated the law, in November 2005, it announced that an agreement had been reached to settle civil class action suits filed against the company in the United States and, in March 2006, three other civil class action suits were added to the November agreement. In April 2008, De Beers confirmed that Judge Chesler of the US [Federal District Court](#) in New Jersey had entered an order approving the Settlement, resulting in a [settlement](#) arrangement totalling US\$295 million. De Beers does not admit liability. As part of the settlement, persons who purchased gem diamonds from 1 January 1994 to 31 March 2006, may be eligible for compensation.^[53] However, claimants were generally not pleased with the amounts they received from the settlement.^[54]

Industrial diamonds[[edit](#)]

In 2004, De Beers pleaded guilty and paid a US\$10 million fine to the United States Department of Justice to settle a 1994 charge that De Beers had colluded with [General Electric](#), which was acquitted of all charges, to fix the price of [industrial diamonds](#).^{[55][56]}

European Commission[[edit](#)]

In February 2006, De Beers entered into legally binding commitments with the [European Commission](#) to cease purchasing rough diamonds from Russian mining company [Alrosa](#) as of the end of 2008.^[57] In January 2007, the [European Commission](#) announced it had closed the file due to lack of Community Interest. The commission decision is under appeal before the Court of First Instance in Luxembourg.^[58]

Conflict diamonds and the Kimberley Process[[edit](#)]

Main articles: [Blood diamond](#) and [Kimberley Process Certification Scheme](#)

In 1999, a campaign by [Global Witness](#) to highlight the role of diamonds in international conflicts led to a review by the United Nations. The initial focus of the UN's investigation was on [Jonas Savimbi](#)'s [UNITA](#) movement in Angola, which was found to have bartered uncut diamonds for weaponry despite international economic and diplomatic sanctions being in effect through [United Nations Security Council Resolution 1173](#).^{[59][60]}

In 1999, De Beers Group claimed to have stopped all outside buying of diamonds in order to guarantee the [conflict-free](#) status of their diamonds effective from 26 March 2000.^{[61][62][63]}

In December 2000, following the recommendations of the [Fowler Report](#), the UN adopted the landmark General Assembly Resolution A/RES/55/56^[64] supporting the creation of an international [certification](#) scheme for rough diamonds. By November 2002, negotiations between governments, the international diamond industry and civil society organisations resulted in the

creation of the [Kimberley Process Certification Scheme](#) (KPCS), which sets out the requirements for controlling rough diamond production and trade and became effective in 2003.

De Beers states that 100% of the diamonds it now sells are conflict-free and that all De Beers diamonds are purchased in compliance with national law, the Kimberley Process Certification Scheme^[65] and its own Diamond Best Practice Principles.^[66] The Kimberley process has helped restore the reputation of the industry, as well as eliminating sources of excess supply.^[67]

Forceful relocation of indigenous San people in Botswana

In Botswana, a long dispute has existed between the [interests](#) of the mining company, De Beers, and the [relocation](#) of the [San](#) (Bushman) tribe from the land, in order to exploit diamond resources. The San have been facing threats from government policies since at least 1980, when the diamond resources were discovered.^[68] A campaign is being fought in an attempt to bring an end to what the indigenous rights organisation, [Survival International](#) considers to be a [genocide](#) of a tribe that has been living in those lands for tens of thousands of years.^{[69][70][71]} On the grounds that their hunting and gathering have become obsolete and their presence is no longer compatible with preserving wildlife resources, the Gwi and Gana people were persecuted by the government of Botswana in order to make them leave the central Kalahari [reserve](#). To get rid of them, they had their [water supplies](#) cut off and they have been "taxed, fined, beaten, and tortured".^[72] Several international fashion models, including [Iman](#), [Lily Cole](#) and [Erin O'Connor](#), who were previously involved with advertising for the companies' diamonds, have backed down after realising the consequences raised by this [scandal](#), and now support the campaign.^[73]