

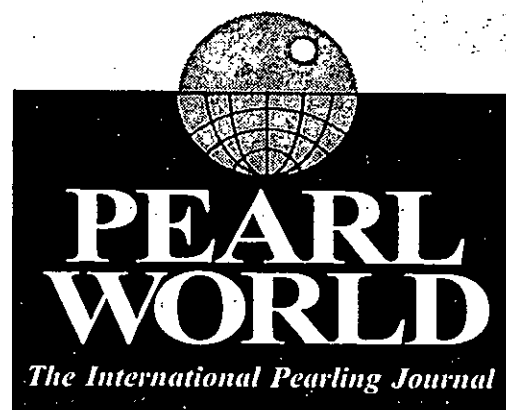
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**SPECIAL DOUBLE ISSUE**

## Contents:

- Tucson '97: a tremendous influx of cultured pearls
- Investing in pearl farming: Part I
- The Japanese *akoya*: its current (and future) woes
- A grading system for Cook Islands' "World Class" black pearls
- Scanning the pearl world: Australia, Tahiti, Indonesia and more



## The Japanese *akoya* industry

# BAD NEWS JUST GETTING WORSE

**T**he powers that be in reporting — or, more accurately, concealing — the current state of the Japanese *akoya* have gone to great lengths to assure gullible media editors that all the Japanese cultured pearl industry is suffering is some moderately high mortality, and that this event, too, will pass with a modicum of time.

This is pure baloney. Not only is their product in grave peril, but their entire industry is in the dumpster.

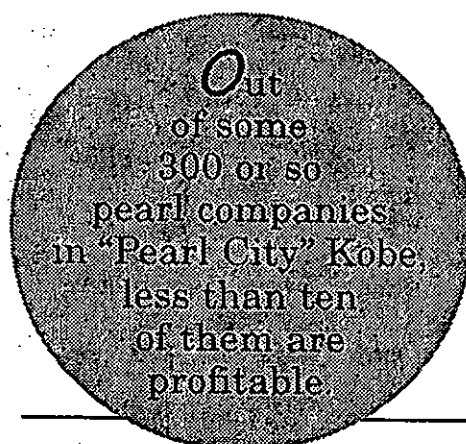
The record speaks for itself. In a yet-to-be-released television documentary on worldwide pearl production, a narrator gloomily states: "After one hundred years of pearl culturing in Ago Bay, traditional Japanese pearl farmers are now battling with rising oyster mortality rates. Despite the five thousand year love affair between Japan and pearls, the industry faces an uncertain future."

The documentary then moves on to a second generation Shima Town farmer who recounts: "We usually cultivate between thirty thousand and fifty thousand shells. But the mortality rate for our larger size shells is very high. We're happy if half of them survive. The reasons for this is [sic] the condition of the sea, and natural factors like the weather."

"Just in our area alone," the speaker continues (in Japanese), "there are over one hundred and

thirty companies. So overcrowding, too, has become a huge problem. Many oysters die young, so we harvest early to avoid loss of income."

The narrator then intercedes:



"On some farms, the traditional four year growth cycle has been reduced to as little as six months. As a result, nacre thickness is reduced and the pearls can wear thin over time."

"Several decades ago, in my father's time," the farmer goes on to say, "almost all the pearls were a two year crop... sometimes even three years. If we left these a year longer, they'd be better quality. But to leave the oysters one more year is a costly gamble, because they'll probably die. That's our dilemma."

That was then: the documentary obviously was filmed some time ago.

The story that the *akoya* spin doctors put out was that only some

**"AKOYA" to page 5**

Part I of a continuing series

## INVESTING IN PEARL FARMING

**T**here are not many opportunities which exist for entry into the closed, secretive and extraordinarily expensive (and potentially lucrative) society of pearl farming operations.

In fact, it is acknowledged that there are only three publically-traded pearl farming operations in the world, and two of them are Japanese. The third, Atlas Pacific Limited, trades on both the Australian Stock Exchange and

the U.S. NASDAQ market

We'll explore pearl farming investment possibilities in this and subsequent articles. But before plunging headlong into the dream of getting rich quick in the culturing of pearls, let us put the cart before the horse by first considering some of the negatives.

As C. Richard Fassler of the Aquaculture Development Program of the State of Hawaii's

**"INVEST" to page 3**

## EDITORIAL

This double issue has evolved for several reasons.

One: there is a lot to report on at present.

Two: we anticipate a slight slowdown of material pearling news in the next several months: "the spring solstice," if you will.

Three: we desperately need a break, an hiatus, in order to clear our decks, to solidify our contacts, and to prepare for the tumultuous days, months and years ahead for the cultured pearl industry.

Thus, we ask your indulgence in allowing us to alter our normal publication schedule. The next issue you will receive will be published after we come back from the JCK Show in Las Vegas (May 28th-June 3rd).

This short break from our regular routine will be put to good use. We are reorganizing our offices and our commitments: several outside groups

have requested our assistance in differing regards, and we are happy that—after five years of sticking our noses into the many and diverse tents of the global cultured pearl industry from producer to consumer—certain companies and individuals have come to regard us as at least knowledgeable in some areas of this arcane business.

Since our inception quite a few years ago, we have tried with utmost diligence to report as candidly as possible on the state of the industry. In doing so, we have made quite a few staunch friends and supporters. We have also made our share of detractors who bark or bite when what we report is not to their particular myopic view.

It seems that in there are more than enough of these "nattering nabobs of negativity" (as ex-Vice President Spiro Agnew termed them) around who selfishly act to

interrupt the smooth traffic flow of commerce and friendly interaction between varying pearl industry sectors.

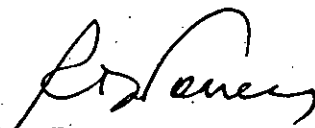
Because this industry is poised on the cusp of great transformation, those who are to succeed will bend, like the willow, adapting to the winds of change. Those who don't will ultimately pass from the scene... like ancient and malevolent dinosaurs.

We shall be there to chronicle these upcoming, momentous events for you. And this is our continuing pledge to which we have held since we began publishing: to provide a level playing field for all who ply this unique trade. To chronicle the times. To tell it the way it is.

But please be aware that there are certain individuals and/or groups out there who are being paid handsome sums to maintain the old ways of secrecy and deception, to administer corrective "spins" on the truth when necessitated. All that glitters is not nacre.

In the meantime, you'll be seeing us again after a brief two-month hiatus. We hope this double issue makes up for the short break we are about to take.

And kindly note our correct address (with a slight zip code modification), phone and fax numbers to the immediate left. We are still receiving a lot of misdirected mail. Thanks.



Richard D. Torrey, Editor



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**"INVEST"** from page 1

Department of Land and Natural Resources writes in an article for *Aquaculture* magazine, there are certainly numerous downside risks to pearl farming:

"Pearls still take a long time to produce-- without a cent of revenue coming in. With a natural source of oysters nearby, the time involved could easily be two or three years or more."

"The expense is considerable. Certainly, 'mom and pop' farms, requiring a few thousand dollars, or possibly less, can still be found throughout the Pacific. But pearl farming remains a "rich man's"—or, more precisely, a "rich company's"—game. Labor in Southeast Asia is in the "dollar-a-day" category, but there is often pressure by local governments to hire many more workers than the farm needs.

"Grafters come from many nations nowadays, but the best are still costly—so costly, in fact, that they often take a share of the crop in addition to a salary. Because of security and a desire to find the most optimum sites, farm locations are still remote, requiring considerable transportation and infrastructure expenses.

"Finally, the cost of setting up a hatchery is high. If no hatchery is needed, the cost of purchasing the oysters themselves can be great. In the Philippines or Thailand, for example, a single mother *Pinctada maxima* may run anywhere from US\$6 to US\$11.50."

"The supply of nuclei is uncertain. American mussels provided a source of nuclei for the vast majority of the world's cultured pearls. Now, an alarming environmental crisis exists: exploding populations of exotic zebra mussels are smothering the native mollusks. Some species are close to extinction, others are threatened. Pearl farmers

throughout the world are considering substitutes, but, to date, none has equalled the performance of the American product. A decrease in supply could lead to higher prices or pearls of lesser quality, if the substitutes prove inadequate.

"Storms can be disastrous. While Southeast Asia and parts of the South Pacific are opening up to pearl culture, typhoons that can destroy a farm in a single day tend to prowl the most desired areas. A well-protected location, outside of regular "typhoon alleys" is a must.

"Security concerns are high.

years for a pearl farm to progress from startup to profitability... and who should know better?

Hatchery operations, too, present a unique Sword of Damocles hanging over an owner's head: one bad batch, and at least half a year's harvest can be irretrievably lost. Natural occurrences other than typhoons or cyclones are not uncommon, such as "red tides" for example. And, then, if you manage to surmount all obstacles to produce a harvest, you are never sure what you'll be getting until you open the oysters and extract what you fervently hope lies within them.

Even then you're not all the way home: buyers may not come or— even if they do— they may not agree with your assessment of your crop; additionally, the market may have veered away from your product, and you may find you're stuck with what you have labored long and hard to have wrought.

So much for a brief overview of the general perils of pearl farming.

If you're still intent on investing, let's briefly look at two examples: one, an Australian firm farming SSPs in Indonesia (mentioned at the start of this article); and the other, an individual looking for an investor in the farming FWP in the U.S.A.

**ATLAS PACIFIC LTD.**

During the early 1990's a group of Australian investors decided to look into the possibilities of pearl farming. Because of what the investors felt was a "closed shop" regulatory framework under which the Australian industry operates, they felt it was virtually impossible to get started in that country, other than through the purchase of an existing operation at an exorbitant price.

Indonesia was considered the

**N**ick Paspaley claims that it takes a minimum of ten years for a pearl farm to progress from startup to profitability... and who should know better?

Theft, by employees or others, is always a possibility. In some remote areas of Southeast Asia, government protection is minimal, or not-at-all. The prime oyster buying area of the Philippines— in the Sulu Sea— is considered "lawless" territory, notorious for pirate activity.

"Disease and predators are a possibility. As with any aquaculture venture, there is always the possibility of oysters contracting diseases. Placing the oysters well off the ocean bottom in an area of strong currents will work to prevent this problem, but these locales are few and far between. To control predation, the oyster shells must be cleaned on a regular basis— a very labor-intensive activity."

Richard is being very gentlemanly in this discourse. Nick Paspaley is on record as claiming that it takes a minimum of ten

## SCANNING THE PEARL WORLD

### AUSTRALIA

There's not much news coming out from Down Under these days, even from the South Sea Pearl Consortium, and so we asked a few globetrotting SSP buyers what they felt was going on with the white-lipped South Sea pearl producer end of the market. So here is what we found out on our own:

"Australia is not on course, nor performing as expected," one observer ventured to say, going on to bolster this opinion by reporting that although the Paspaley and Kailis groups and a few other of the larger operators seem to be doing as well as ever ("much better" or "better than usual" we were told by a local), a small handful of producers down the line are "below expectations."

The problems are allegedly with setbacks in wildshell collection and hatchery operations, we were told. Although total harvest output seems to be increasing, this is taking place at a slower pace than what was generally anticipated.

In the strictly-controlled Australian pearl industry, it's still the haves against the have-nots. Frustrations continue to bubble among certain lower echelon farmers who are feeling the squeeze between rising costs and the inability to expand.

This doesn't change matters, however. Buyers will be queuing up as usual to outbid one another for select lots of these in-great-demand goods... as, after all, there are really only three major sources to buy from: Paspaley, Kailis and Rosario Autore.

"A wide funnel with a small neck," one frustrated white-lipped SSP buyer sighed, summing up his frustrations.

Thus, the Aussies are still in the "cat bird seat" from almost any point of view. The Chinese and Japanese are providing cultured pearl goods up to 9mm; the Indonesians are producing 10-

13mm goods; and the Australians are exporting 12-20mm. It must be nice to remain at the very top of the selling chain!

### INDONESIA

Reports from Indonesia are "too quiet to be true," according to one veteran SSP observer. "Something good is cooking," he told us. "It's the calm before the storm."

Another individual opined that—for a significant part of the Indonesian pearl industry—"it is better than the best case scenario. The patient is not only coming back strong, but is making an incredible recovery. Look for major crop volumes and qualities by 1998."

Neither would say much more for the record. "We want to keep a low profile for the time being," one added.

An unofficial guesstimate of total Indonesian output this year: some 200 kan.

### TAHITI

The efficient Martin Coeroli, General Manager of Perles de Tahiti, and his office keep us in the media well-supplied with data and statistics on the growth and popularity of Tahitian black pearls.

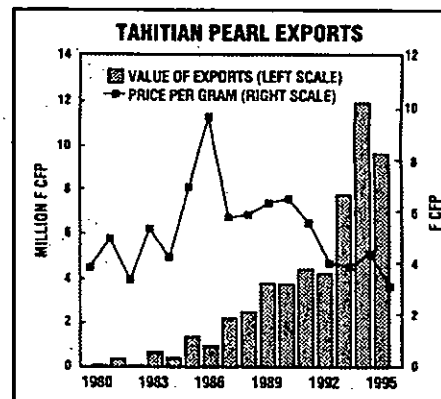
For example, the Bank of Hawaii's recent issue of *Business Trends* summarized Tahiti's pearl exports over a 15-year period in an interesting graph/bar chart (see inset). With the average price per gram in CFP bottoming out at 1,751 in February, 1996, recovery has been gratifying: by August, that figure stood at 3,348.

Helping to spur growth since then was the lifting of a 2.5% U.S. import duty on Tahitian black pearls. The reason for these SSPs becoming duty free: they are considered as having come from an

underdeveloped country under the General System of Preference legislation.

Producers are hoping that the average price per gram will catch up the important 1994 level of an average price of 4,193 CFP (approximately US\$45).

Despite these trends and optimism, some major Tahitian pearl buyers have expressed worries. There's good news and bad news, we were told. Worldwide popularity is 'way up; volumes are increasing, and the market for goods is very active; the U.S. remains the largest single market, and sales remain brisk.



Graph and chart courtesy of Bank of Hawaii's *Business Trends* report, Volume 41, Nos. 2-4

On the down side: some major producers have as many as one million shells in the water at present; new producers are popping on the scene; and a significant volume increase should be felt by 1998, with attendant price fluctuations.

Everyone's talking about the huge 200% production increase demanded by the French Polynesian government by the year 2005. "They'll halve their revenue," one observer predicted. Another: "This'll force a major turn to cheap goods for the mass market."

What do you think?

"SCAN" to page 7

**"AKOYA" from page 1**

148 million juvenile and older oysters were affected, and the deliberate sham that mortality was only 50% was gobbled up and widely repeated throughout the U.S. cultured pearl industry and jewelry press. The true story that we keep hearing nowadays is that mortality rates are far, far worse. Maybe even up twenty percent or more, above the "official line."

David Federman, of *Modern Jeweler*, recently reported on the plight of Japanese biotechnologists who, by trying to improve the breed, actually "succeeded in creating weaker, not stronger, animals. Tank-bred oysters from Uwa Bay in Ehime, which accounts for some 70% of Japan's [hatchery] production, have proven so feeble in recent years that some pearl growers blame the recent oyster devastation entirely on that prefecture's substandard mollusks."

"Japan has become an industrial wasteland," Federman went on to quote a New York dealer who, like so many others, has now switched over to selling South Sea pearls. "You just can't continue to grow quality pearls when your waters are killing fields," the one-time *akoya* dealer concluded.

The story  
that the *akoya*  
spin doctors put  
out was that only  
some 148 million  
juvenile and older  
oysters were  
affected.

Andreas Müller, in an opinion column published in our last issue, wrote openly about poor water conditions, weak oysters, poor planning and no industry oversight.

"I personally feel there is another reason for this heightened

oyster mortality: mismanagement and greed by the farmers themselves," he concluded.

He went on to say "Some insiders predict that this year's *akoya* harvest volume will drop to 10,000-to-13,000 *kan* (down some 30%-40% from about 18,000 *kan* produced two years ago."

Well, if one can't get the true story from those who are supposedly entrusted to report honestly and candidly about the state of the Japanese cultured pearl industry, what other side effects can we detect from this hidden (and growing) problem?

One obvious indicator is that the industry denizens of "Pearl City" (Kobe) are dire straits.

Out of some 300 or so pearl companies in this locale, less than ten of them are profitable. The "double punch" of low domestic market demand and horrifyingly high oyster mortalities will wreak havoc with a high percentage of smaller, medium and even some larger dealers... along with a considerable number of pearl wholesalers.

Many will either go bankrupt or "voluntarily retire" (a kind euphemism). "The only volume they have at present is expense," we were told by an overseas pearl expert. "The shakeout will continue this year and next," he continued, "and corporate mortalities may very well exceed the percentages of those poor oysters."

There is one faint hope, as Andy Müller pointed out in his column: drastic, pan-industry restructuring, from the water to corporate boardrooms. But old *akoya* watchers are not too sanguine about such drastic measures taking place; the Japanese culturally do not often act with speedy consensus and decision making... even in the worst of times.

What does this all bode for the retailer and consumer? Probably not too much at present, as backlogged stocks of old Japanese *akoya* remain on hand, obviously, as dealers we talk to tend to agree they can still buy adequate stocks in adequate quantities and at ade-

quate quality levels.

The presumption is that *akoya* goods from China seem to be filling any voids in smaller sizes. Their volumes are large, their quality is quite good, and— what the hey— if

"Corporate  
mortalities  
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oysters."

you can pass Chinese *akoya* goods off as Japanese *akoya* goods and pocket the difference, who's to know? Lest you think this is pure speculation on our part, it is widely known that certain unscrupulous retailers quietly boast about passing off Chinese freshwater pearls as *akoya*.

So how can you protect yourself when buying *akoya*? Know your seller. Insist on having him/her provide you with authenticity about the product and the country of origin. Get this in writing, if at all possible.

If you have further concerns, some skeptics suggest that you ask to buy a similar loose pearl (or take one off the strand) so that you can have it professionally examined, much as you would take a used car off a lot to a trusted mechanic before you decide to buy.

The reason for these current cautionary notes is that this current *akoya* plague seems very real, and its effects could well be around for quite some time to come. Don't be afraid to ask questions. Reputable dealers should be as concerned about your protection as they are about their own. And don't necessarily believe all the blather that those who are paid to defend the *akoya* are putting out. Strange things are going on. ♦

**"INVEST"** from page 3

most favorable offshore country because of its encouragement of foreign investment, sound regulatory framework, and abundance of ideal geographic and climatic conditions.

The area of Kupang was selected as an ideal site due to its nutrient-rich, pollution-free waters, plus proximity to an international airport and harbor. This particular site also lies outside the tropical cyclone belt with which Australian pearl farmers have to contend from time to time.

By August, 1992, land and water leases had been secured, and work on the project proper began. By the following August, a modern hatchery had been constructed, and some 2,800 shell had been purchased and nucleated. Their first spawning took place in November, 1993, resulting in 33,000 shell being nucleated in 1995... these being due for harvest in 1997. The company has successfully spawned shell in each summer since.

Also during 1993, the original investor group approached Atlas Pacific Ltd., an Australian public company listed on the Australian Stock exchange, to acquire a 75% interest in the pearling project.

In 1994, the farming operation nucleated 6,800 shell... largely wild caught. Shell seeded in 1993 and 1994 were harvested in 1995 and 1996 respectively, with both harvests being sold in September, 1996. The company retained a small amount of quality pearls for promotional purposes, selling a total of 4,071 SSPs weighing over 2.8 *kan* (at an average of 0.69 *momme* per piece) for AUS\$1.3 million.

Atlas Pacific is now gearing up to produce 100,000 hatchery-produced shell for seeding each year from 1998 onwards. This, coupled with the increase in re-operated oysters, is expected to see revenues rise to some AUS\$25-to-\$30 million over the next four to six years, according to company estimates.

**"INVEST"** to page 8

**Update on Atlas Pacific operations in Indonesia**

**"A**s previously reported, Atlas harvested 3,170 commercial grade seeded pearls from its July 1996 harvest. The pearls, all from *Pinctada maxima* oysters, were regarded as of excellent quality with a colours mixture of cream, silver and gold. The average size of the pearls was larger than the Company's inaugural harvest in 1995. In September the Company offered the pearls for sale by tender and accepted bids totalling \$1.3 million.

"The Company plans to harvest its 1997 harvest in July. X-ray testing of the proposed 1997 harvest has identified approximately 12,000 shell containing pearls. Some pearls outlined for harvest will come from re-operations of the Company's inaugural 1995 harvest. Re-operated shell traditionally and consistently produce larger and more valuable pearls. The 1997 harvest will be the first to produce pearls from re-operated shell and the first from genetically bred stock from the Kupang hatchery.

"The Company recently appointed Mr. Joseph Taylor and Mr. James Arbuthnot as senior on-site project personnel. These appointments are additional to the earlier appointment of marine biologist Mr. Jeremy Barker, and are consistent with the Company's policy of attracting quality and experienced technical and managerial personnel to the Company's expanding pearl operations. Mr. Taylor is a marine biologist graduate of Macquarie University, Sydney, Australia. He has conducted extensive research into the *Pinctada maxima* oyster and co-authored a number of scientific papers on this subject. He is in the final stages of completing his PhD thesis with the title "Aspects of the hatchery propagation and nursery rearing of the silver lip (or gold lip) pearl oyster, *Pinctada maxima*, applicable to commercial aquaculture. Mr. Taylor has an outstanding record of rearing hatchery produced oysters in Indonesia. Mr. Arbuthnot has some 30 years experience in the marine field, including seven years managing an Australian pearl farm located near Broome, Western Australia. Mr. Arbuthnot has worked extensively throughout South East Asia, including Indonesia, and brings a wealth of practical pearl farming experience to the Company.

"Their charter is to rapidly progress the Company's pearling programme to the next stage of development. It is the Company's intention to achieve an annual harvest level of at least 50,000 first operation pearls per year. With re-operation pearls, total annual production will rise to between 70,000 and 80,000 pearls. In order to facilitate this production level and to provide cover for unexpected or decreased shell survival or nuclei retention rates, the current stocking levels of juvenile spat are required to be substantially increased on the farms.

"In order to accommodate this increase, Atlas has commenced upgrading in hatchery operations, identified and is making application to acquire new farm sites in additional regions of Indonesia, and commenced the development of further infrastructure to cater for the increased numbers of shell.

"The new appointees have been specifically selected and have the required experience to comprehensively increase the spawning levels in the hatchery. While moderately successful in previous years, the Company believes a substantial improvement can be made in this area to bring it into line or improve upon earlier forecasts. The Company's technical team also believes that the post-operative shell survival and nuclei retention rates, which are currently below expectations, can be significantly improved. Atlas expects a substantial acceleration and growth increase upon the proposed improvements in these areas.

"The Company is in the process of establishing its own corporate and promotions office in the U.S. The nature of the U.S. market and the expectations of the U.S. investment community requires an ongoing commitment to provide for, and service investors with, a continual flow of information about the Company's progress. The Atlas office is being set up to achieve exactly that.

"With the successful harvest and sale of pearls, 1996 was a more than acceptable year of progress and development for the Company. Results continue to prove that Atlas can produce high quality pearls while market acceptance and demand for the pearls continues to be strong. Atlas will now embark on a vigorous expansionary phase in its hatchery development programme. The Company is confident that over the next few years it will firmly establish itself as a major, world recognised, producer of quality SSPs."



"SCAN" from page 4

## UNITED STATES

C. Richard Fassler will be presenting a paper, entitled "Opportunities for Investing in Pearl Farming," at *World Aquaculture '97*, the annual conference of the WAS (World Aquaculture Society) to be held in Seattle, Washington, from February 20th-23rd. The paper will pay particular attention to the latest developments in Southeast Asia.

In addition, Mr. Fassler will be chairing a pearl session at *Aquaculture '98*, next year's WAS meeting, from February 16-19, 1998, in Las Vegas, Nevada. He welcomes any paper relating to pearl culture.

Mr. Fassler chaired the Pearls '94 conference in Hawaii, and WAS pearl sessions in San Diego (1995) and Bangkok (1996). In 1996, he published 13 papers on the subject of pearl farming.

For more detailed information on the above, please contact Mr. Fassler at the State of Hawaii's Department of Land and Natural Resources Aquaculture Development Program in Honolulu, Hawaii. Phone: 808-587-0034. Fax: 808-587-0033.

## THE COOK ISLANDS

One of the fascinating things about our tour through the Cook Islands this past summer was the discovery of what was for us an hitherto unknown species of pearl oyster and of the natural pearl it produces.

The oyster is the *Pinctada maculata*, a tiny mollusk which achieves a maximum size of two-to-two-and-a-half inches. The color of the shell— and its pearls— varies from white to cream, gold, and bronze. Both the shell and its product are called *pipi* in the local parlance; they are found throughout all the atolls of the Cook Islands, but are in great abundance in the lagoon of the northern

island of Penrhyn.

"*Pipi* pearls are haphazardly harvested," our good friend, Joan Rolls, wrote when we asked for more information on them. "A family will go out in the lagoon and fill up three-to-five sugar sacks of *pipi*, then bring them to back to shore where they'll shuck the oysters and feel through the flesh for pearls.

"The local name for pearls is *poe* and the baroque pearls are called *niho*, which means 'teeth.' The very small pearls are called *parapara*, meaning 'scraps.'

"The *parapara* is usually separated from the *poe*, and the latter are assessed as individual pieces and purchased in very small quantities. They are usually transported in medicine vials (such as the bottles that penicillin comes in.

"*Pipi* pearls have always been considered treasures that are handed down from generation to generation. The people of Penrhyn have always harvested them... even in the olden days when copra was worth money and *Pinctada margaritifera* shell was being harvested.

"Now, with the event of culturing black pearls, there has been a decline in the emphasis on *pipi* pearl diving. However, I personally think there will always be the romance of finding treasure when one goes out to gather *pipi*.

"One can swim over the oysters and look into them to see if there are any pearls in them. It takes a trained eye to see into the oyster, and therefore most people prefer to simply shuck the oyster. Besides, it is fun to sit on the beach with friends or family, eat the oyster meat and *uto* (coconut sponge from a sprouting coconut), gossip, and— for a time— live with the anticipation of finding a beautiful pearl.

"I should tell you a few more technical things about the *pipi*. A grain of sand or shell forms the nucleus of the pearl. And one has to take great care in half-drilling them, as they sometimes have a soft center which makes it easy to drill right through the pearl by accident. On the other hand, it may have a really hard spot and

then it's impossible to drill into it without the drill bit being deflected," Joan concluded.

Glenice Lyons, of Paureva Pearls and Services, tells the following: "This little fellow, the *pipi*— meaning *baby* or *small*— is plentiful on my home island of Manihiki. It is thought by oyster biologists that the *Pinctada maculata* does not compete for food with other oysters, but there is some competition for food when *pipi* surface on the collectors that have been put out in the effort to collect spat from the *Pinctada margaritifera*. The farmer, if he has not carefully calculated the timing of placing these collectors, may find an abundant collection of these little oysters."

"Penrhyn lagoon," she continues, "is well known to host an enormous amount of these hardy, little monsters, and there a larger percent of them seem to grow in a more upright manner there. The thinking is that, in this position, when small particles of sand get washed into the oyster, it is more difficult for the upright mollusk to expel the foreign body; hence, more *pipi* pearls tend to come from Penrhyn.

"Nowadays, the local inhabitants of the islands have found that by diving down with little movement and water disturbance, they can peer through the small open gap of a feeding *pipi* oyster and, with a skilled eye, determine if it is hiding a wee little yellow, orange or honey-colored gem, often measuring no more than 3-to-4 millimeters in size.

"There has not been a lot written about this species. However, we have been hobby farming this tough little *P. maculata* for some time now, and our experiments with producing mabé (or half pearls) and pearl seeding have brought interesting results to date. George (my husband) has even made miniature tools to accommodate these experiments. These efforts have been made in the desire to extend our shop product at our wholesale outlet in Rarotonga, Mana Pearls Ltd. We should have a small amount of

"SCAN" to page 14

**"INVEST"** from page 6

To cope with this growth, Atlas Pacific is developing another farm site 200 kilometers north of Kupang.

Currently, there are some 130 Indonesians employed in the Kupang area, making the company the largest private sector employer in the region.

Besides being traded on the Australian Stock Exchange, Atlas Pacific has also listed its ADRs (each representing 20 Atlas shares) on the U.S. NASDAQ Stock Exchange, being traded under the symbol of APCFY.

Being publically listed is of interest to us at *Pearl World*. It means—unlike that of the many hundreds of other pearl farming operations throughout the world which are privately held—that this company is obliged to report openly and honestly on its operations... with no hiding behind veils of secrecy and suppressed statistical data under the umbrella of a privately held company.

Thus, anyone should be able to chart the true progress of Atlas Pacific and, in doing so, determine not only the true state of pearl farming in Indonesia, but also the advisability of investing in the only publically-traded SSP farming operation extant.

**DISCLAIMER**

In reporting upon this company, it is incumbent upon us to state categorically that this report is

neither an endorsement of nor a solicitation for Atlas Pacific. Details on its public offerings in Australia or America may be obtained from one's broker, and any investment advice should be derived from those official sources, and only those sources.

**ANOTHER EXAMPLE**

An individual freshwater pearl farmer in the Southeastern United States is currently looking for an investor in his venture, and has been in contact with us over the past few months. His immediate need is a modest cash infusion with which to improve his infrastructure and to expand his farming operations (such as leasing ponds, acquiring needed equipment, etc.).

Our advice to him was to get a comprehensive business plan together (which we understand is currently underway), and then we would assist him (to the best of our capability) in attracting any potential investors by running an article on his endeavors... our interest being that we have started a series on investing in pearl farming, and that here is one example of how outsiders can become involved in the very private and oftentimes risky business of cultivating, rearing and harvesting pearls.

We intend to run an article on this gentleman and his plan in a forthcoming issue. If any subscriber or reader wants further information at this time, please contact Louis Mangano, Jr., care of

Post Office Box 1599, Pearl River, Louisiana 70452, USA. Fax: 504-863-0872. Beeper: 504-639-7091.

**DISCLAIMER**

Once again, we must state emphatically that this reporting is neither an endorsement of Mr. Mangano nor a solicitation for investors in his enterprise. Any interested respondents are completely on their own in assessing the potential of this particular investment opportunity.

**SUMMARY**

In our next issue we shall further explore the potential of investing in pearl farming, concentrating on newer locales where entry into this high-roller gambler's, all-or-nothing, beans-or-steak trade may be a little easier than in established, highly competitive areas.

"One has to be a masochist to jump into this end of the industry," a pearl farmer recently confided in us. "You have to put up your own money, live under primitive conditions, deal with all sorts of bureaucracies and combat many cultural differences, weather storms and other natural disturbances, protect your crops from all manner of pirating... and all in the hope of getting a few initial handfuls of little, roundish spheres. But I wouldn't trade it for the world!" he said. The adventuresome spirit lives on in entrepreneurs like him. ❖

**FOR SALE****NUCLEUS MANUFACTURING OPERATION**

South Pacific Nucleus, founded in 1990, operates two shops: a 1,000 square foot cube cutting factory in Tijuana, Mexico (with 6 employees); and a 1,400 square foot finishing, polishing and grading factory in Costa Mesa, California (5 employees). Finished inventory on hand: \$350,000 with \$100,000 work-in-progress. Price: \$780,000 includes all beads, equipment, and bead-making expertise. Terms and payment all negotiable. Shops can be easily moved, and we will train new owners on-site. For further details, please fax (714) 645-7110. We will reply to principals and serious buyers only. No idle or casual inquiries, please.