



INTERNATIONAL HONEY MARKET

by RON PHIPPS

The international honey market remains at historically high price levels. The beekeepers of the world and America require these levels to sustain their vital contributions to the global food supply and ecological sustainability.

The surge in prices is a clear consequence of both the protracted struggle against economically motivated adulteration of honey, which has created many anomalies, and the antidumping order. Both of these efforts have created comparative advantage and increased incentives for those who are committed to the authenticity of honey and legitimate prices to the producers so that the incentives to consume honey are finally harmonized with the beekeepers' incentive to produce it.

The major biannual conference of Apimondia was postponed to 2022 because of the global COVID pandemic — then relocated to Istanbul, Turkey, due to Russia's invasion of Ukraine. Major discussions at this large international gathering of beekeepers focused on the economically motivated adulteration of honey. This magazine will report on the discussions in an upcoming issue.

ANTIDUMPING CASE UPDATE

On August 5, 2022, a major new development occurred in the U.S. honey antidumping case when the American Honey Producers and Sioux Honey Association sent a filing to the International Trade Commission (ITC) that contends that the calculations of antidumping duties for India were too low and seriously flawed. The attorneys for the petitioners essentially argue that the Department of Commerce (DOC) did not correctly conduct the verification required

by U.S. antidumping law. That failure resulted in illogical conclusions and very low rates for Indian honey exporters.

The petitioners also are challenging the results for Vietnam. Exporters from Argentina, Brazil and Vietnam are also appealing earlier results from the DOC. A honey importers group is appealing the critical circumstances finding for Vietnam at the ITC. For perspective we list the current antidumping rates below (Chart 1) and the import prices prevailing at the time of the antidumping investigation in 2021.

What has provoked opposition among countries exporting to the U.S. is illustrated in the stark contrast between the prevailing export prices and the antidumping duty rates per country, for example \$0.92/lb./5.87% for India and \$1.59/lb./16.92% for Argentina. Beekeepers in America, Canada and Mexico have objected to the DOC's conclusions in respect to India and Vietnam, as have beekeepers in many countries. The DOC could not conduct the extensive and multi-level verification of costs of production in India, nor was that data provided, because restrictions on travel due to the COVID pandemic were in place. Now that those restrictions have been largely removed, the demand is to conduct a logically sound investigation that reaches into costs at all levels and stages of production as demanded by U.S. law. Rates for India and Vietnam, and issues of critical circumstances, will be reviewed. In the background looms the threat, as exists irrespective of revised antidumping duties, of extremely onerous retroactive dumping duties.

If the petitioners are successful, the very low preliminary rates could prove to represent a Pyrrhic Victory. It

Chart 1 Final Antidumping Duty Rates and Average Price per Country 2021

	Final Rate/Exporter rates*	Av. Prices 2021 FOB Value**
Argentina	16.92% 9.17%, 24.67%, 49.44%	US\$1.59/lb.
Brazil	7.89% 7.89%, 83.72%	US\$1.89/lb.
India	5.87% 5.52, 6.24%	US\$0.92/lb.
Ukraine	0 (petition withdrawn)	US\$1.56/lb.
Vietnam	60% 58.74%, 61.27%	US\$0.66/lb.

*assigned to specific exporters ** (before ocean freight and duty)

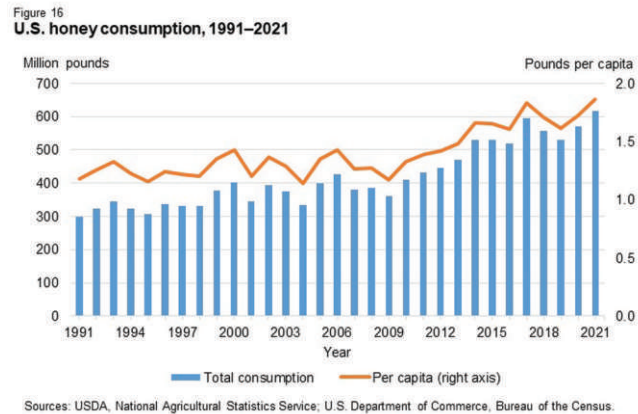
will be up to the ITC and the DOC to decide and make adjustments warranted by the facts.

We have to be aware that the extensive schemes of transshipment that were uncovered by U.S. Customs and Border Patrol during Honeygate about 10 years ago continue to be risks. Recently Chinese steel was found to be transshipped through Vietnam, and India was found to be transshipping fraudulently labeled Russian oil. Indian participants were arrested. American beekeepers and honest exporters remain concerned about the potential for re-emergence of honey transshipments.

U.S. IMPORT STATISTICS

U.S. honey demand reached its highest-ever level in 2021 at 618 million pounds and 1.9 pounds per capita according to USDA reports released in August 2022. The previous record was 596 million pounds in 2017. The increase in consumption from about 1.2 pounds per capita has been attributed to consumers' perception of honey as a superfood and a healthy sweetener. The USDA published an article on the honey market in its Sugar and Sweeteners Outlook report.

Chart 2 U.S. Honey Consumption 1991-2021



As part of the manifestation of the tension within the global economy and currency markets, the New York Times published a graph illustrating "How currencies have dropped against the dollar" on July 16, 2022. Since Dec. 31, 2021, there have been significant declines in currencies. These declines include: Mexico 1%, Vietnam 3%, Canada 3%, China 6%, India 7%, Eurozone 11%, Japan 17%, and Argentina 20%.

The dollar is at a 20-year high after gaining more than 10 percent this year, a huge move. These currency changes have a direct bearing on agricultural commodity prices.

It is important to contrast the import quantities and the prices prevailing before the antidumping order took effect and after the decision regarding the specific cash duties. We should note that in August 2021, antidumping duties were a threat. Imports entering the U.S. before that time were likely to be free of those new duties. The surge of imports could be the result of efforts to avoid antidumping duties and critical circumstances duties, not indicative of increased consumption. During the height of the pandemic-provoked supply chain crisis, there was a shift in many industries from the goal of "inventory just in time" to "inventory just in case" as a result of a disruption in supply. If we use the logic in the report on import data of the first half of 2021 compared to that of 2022, we could conclude there was a reduction of consumption of 25%.

The USDA reported an increase in consumption in 2021. This increase could represent a distortion in that given the

fear of substantially higher antidumping duties coupled with a reckless disregard for the threat of critical circumstances, a gamble to rush in extra supplies at low prices may have occurred during 2021. The 2022 7-month total U.S. import volume declined 25% compared to 2021. The distortion is probably due to failure to take into account how imports were artificially spurred because of 1) the impending release by the U.S. Pharmacopeia of strong standards on adulteration of honey and 2) the impending rulings on antidumping duties on the five (now four) major honey-exporting countries. If the apparent logic implied in calculating historic highs of consumption are applied to 2022, then we would find the first seven months, compared to the comparable period in 2021, saw consumption decline by approximately 25%.

Chart 3 Total U.S. imports for January to July compared in 3 years:

2020	2021	2022
231,079,000 lbs.	264,041,000 lbs.	199,982,000 lbs.

Source: USDA data

Looking at the contrast between imports from January to July in 2020, 2021 and 2022, we note some dramatic changes in import prices and volumes by country.

Chart 4 Prices

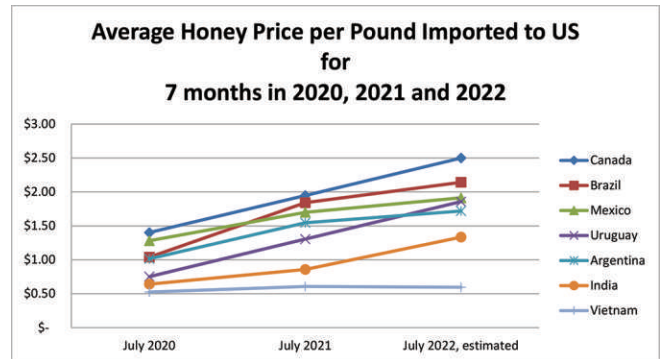
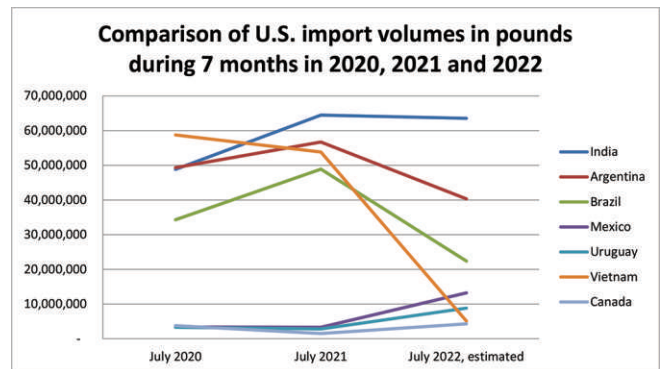


Chart 5 Volumes



Import prices have reached historic highs. In 12 months in 2021, imports from Vietnam reached 125 million pounds, and in the first seven months of 2022 only 5 million pounds came in, at prices largely unchanged from those of 2021 and 2020 (\$0.61-0.60/lb. FOB). With the average price of imported honey in 2022 at \$1.69/lb. from all countries, and Light Amber honey from India averaging \$1.32/lb., the reduction of exports from Vietnam will result in a shift to higher-priced honey.

GEOPOLITICAL AND MACROECONOMIC PERSPECTIVE

The world is beset with various crises. Threats of global food shortages, continuing and expanding war, food and energy inflation, and huge national and corporate debts are hovering over the developed and the developing worlds. China's national debt is approaching 400% of their GDP. The U.S. has a national debt exceeding \$30 Trillion, not including unfunded liabilities for struggling entitlement programs. Many countries in South America, Africa and Asia are caught in "debt traps" where governments cannot repay international loans. Swaps of forgiveness of debt for acquisition of equities, whether in mines, energy fields, fisheries, farmlands, high-tech factories, scientific property and military assets have occurred. This overall situation is bringing nations to the border of conflict and economic crises. It is relevant to the honey industry in that the enormous amounts of national and corporate debt put in jeopardy the ability of companies to repay their debts. The risks of doing business mushroom and the terms of doing business tighten.

There are clearly signs in both producing and consuming countries of profound shifts in ownership. Maybe the most dramatic in the honey industry was the role of Chinese investors in the purchase of the largest honey packing plant in Australia, Capilano. China portrays itself as the world's biggest producer and exporter of honey. An economic and ecological crisis, no less a crisis in food fraud within China, will have a large impact on the international honey market.

"A North Dakota City attracted a Corn Mill. Then came questions about its Chinese owners." This was reported in the front page of the New York Times (July 22, 2022), describing a vigorous protest over China's attempt to purchase a U.S.-owned agricultural plant. This is the tip of the iceberg of opposition to China's aggressive acquisition of American farms. Directly and through surrogates there are tremors of impending shifts in ownership within an environment in which the risks have grown so dramatically since Apimondia and the USP have taken on the challenge of defeating adulteration of honey and American beekeepers filed the antidumping case.

A reporter for Bloomberg News writes: "Though U.S. gas prices fell below \$4 and recent data is a bright spot, the pain is far from over globally. Argentina raised its interest rate to the highest in nearly three years to 69.5%. Inflation in Argentina surged past 70% and is raising serious political pressure on leaders. Mexico also raised its key interest rate to an all time high in the face of the highest inflation in 21 years. Food inflation remains 13% higher than a year ago around the globe, meaning many are going hungry." (August 11, 2022)

THE HYDRA-HEADED MONSTER

A discussion on climate and honey moderated at Apimondia by Etienne Bruneau is the first that we know to occur in a major beekeeping convention.

Bret Adee of Adee Honey Farms pointed out that the severe and protracted drought in California has led some almond growers to consider reducing half of the trees in California's vast almond groves. The demand for almonds promoted by growing awareness of almond's health benefits had steadily encouraged more and more plantings and production. But there is simply not enough water to sustain that growth. Bret pointed out that if American beekeepers suffer a serious reduction in their pollination fees because of reduced almond groves, then the price of honey

must remain at these historic levels, and probably increase, to compensate a loss of earnings for pollination services.

China, which is responsible for approximately 160% of the combined greenhouse gas emissions of the U.S. and Europe, is suffering severe heat waves. This year saw the lowest level ever recorded for the powerful Yangtze River emanating from the roof of the world. Important riverbeds in grain-producing provinces which are tributaries to the Yangtze River were dry. Problems irrigating crops ahead of the autumn harvest could threaten the harvest of major crops. In other areas of China, severe floods are occurring. With a sluggish economy provoked by COVID, the Chinese government announced new expanded infrastructure projects which will require large amounts of steel and significantly increase the emissions from China's huge number of coal-generated power plants. This reflects only China's internal footprint.

India and Pakistan also suffered terrible heat waves. India recorded its hottest March in 122 years during a prolonged heat wave, and rainfall amounts fell by 72%. India's hot dry weather impacted 70% of India by the end of April. Krishna Achuta Rao from India's Institute of Technology said, "High temperatures are common in India and Pakistan, but what made this so unusual is it started so early and lasted so long. The heat wave was felt most severely by farmers."

In the U.S. the Colorado River reached the lowest level in recorded history this summer, prompting restrictions on its water releases to southwestern states, which has huge implications for California, Arizona and New Mexico. Europe has suffered tremendous heat waves, fires and drought. For the first time in history the farmers in the Alps of Switzerland, Austria and France have to return to the valleys every day to bring tanks of water to their cows in the traditionally lush high meadows of the Alps.

Of course it is also important to recognize that there are many efforts being made to counter the accumulation of heat-trapping gases. Some of those are in agriculture itself, which include regenerative agriculture which is described in the excellent film "Pollinators" starring Bret Adee and the Hackenburgs. In New Zealand, "carbon farming" under a market-based trading program has emerged. Farmers are purchasing forests and integrating sheep and cattle farms with extensive planting of "carbon-eating trees." This integration of animal husbandry with forestry is a very promising and positive development. The introduction of managed bees into forests and woodlands is ecologically fruitful.

INTERNATIONAL HONEY CROPS

The general consensus is that the supply of authentic pure honey will fall short of demand in 2022/2023. The hidden variable is the extent to which the beekeepers and the governments of exporting and importing countries will control the modes of adulteration of honey. History shows in many industries, including the honey industry, that when there is huge monetary benefit from adulteration, industries cannot and do not effectively police themselves. Beekeepers in many consuming countries continue and intensify their efforts with governments, judicial systems, consumer advocate groups and major retailers and manufacturers to overcome the scourge of adulteration and food fraud.

Canada

The Canadian honey crop was severely affected by enormous bee losses in the winter of 2021-2022. Cool, damp

weather reduced productivity. In addition, by late summer the Canadian beekeepers in Quebec and New Brunswick found small hive beetles. There are discussions about closing the border to importation of all bees. Many beekeepers have given up the production of honey this year in efforts to restore their bee colonies. This surely will put increased pressure on prices and demand for authentic, good-flavored white honey.

U.S. imports from Canada averaged their highest price in the first half of 2022 at US\$2.50/lb. customs value. Sellers are expecting prices at a minimum of CDN\$3.00-3.50/lb. Canada's 2022 honey exports to the U.S., as of May 2022 were 2,512,302 kg.

Argentina

Argentina's 2021/2022 honey crop was a normal crop of about 65,000 tons, of which 40,000 tons were exported in the first half of 2022. Argentina anticipates exporting about 25,000 additional tons for the whole of 2022.

The bees in Argentina are healthy and there are no major issues that beekeepers have reported as spring approaches. At the end of the Argentine summer, many important producing areas were still suffering from lack of rain. La Nina phenomena may bring less than normal rains during Argentina's September – December period.

USA

At the time of writing, it is premature to assess in detail the North American honey crop or to project the impending South American crop. I offer only a few comments.

The current crop in the U.S. may reach 155 million pounds, plus or minus 5 million. This crop exceeds the historically low crop of 135 million in 2021, which was deeply influenced by the depressed prices that had prevailed for the previous five years and harmed the incentive to produce honey. With the current steep rise in prices, environmental and economic stress and demand exceeding global supply, the incentive to produce honey will increase. About 60% of the American honey crop is white honey. However, this year was not a clover year, and most of the existing white crop is from canola and alfalfa. In the summer North Dakota beekeepers were extracting honey in temperatures of 102 degrees F. Minimal rainfall had occurred over a month.

Prices for U.S. white honey have ranged between \$2.85/lb. and \$3.25/lb. Some honeys of special botanical origin have achieved higher prices. With only an average crop in the U.S. and a short crop of white honey in Canada, in an international market where stress on supplies of all foods is growing, there is every possibility that the market will be increasingly firm. With the extensive drought and protracted high heat waves in both China and India, the overall international honey crop should be much lower in volume, and market prices as a whole should rise substantially.

Prof. Michael Roberts, Director of the Resnick Institute for Food Law in UCLA, has made important contributions to U.S. and international efforts, including at the UNFAO, to address the problem of adulteration of honey and other foods. His recommendation that American beekeepers encourage the U.S. Pharmacopeia to establish a Honey Standard is culminating in the final stages of a Honey Fraud Mitigation Guidance, presented by the USP at this year's Apimondia.

In the fall of 2022, most beekeepers are aware that the combination of the movement against adulteration of honey and the dumping of honey have fundamentally

changed supply/demand relations, resulting in a firm and vigorous market.

People of wisdom and integrity have faced the fact that the market has fundamentally changed, and the need to integrate the production and the consumption of honey is a central imperative.

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Ron is also President of the Board of the Long Island Concert Orchestra/Chamber Players International which presented the "Violins of Hope" at the Tilles Center.