

International Honey Market Report
(for ABJ)
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The next year will see an international honey market significantly influenced by the global financial crisis which is so acute in Europe, currency changes, global climatic volatility and continuing efforts to curtail circumvention of Chinese honey to avoid anti-dumping duties by the U.S. Department of Commerce.

U.S. honey crop

Of major significance to the U.S. honey market is the extensive drought of late Spring and Summer 2012. This drought is the worst since 1956 and the third worst during the past century. Over 1300 counties in more than half of the states have been declared disaster areas. Sixty percent of the country is covered in drought with temperatures 5-8% above normal. Farmers are plowing under fields prior to harvest and ranches are selling their cattle for want of water during a period when cattle is typically fattened. Prices of soybeans and corn are soaring as the heartland and bread basket of the nation has been particularly hard hit. Food prices for 2013 are expected to experience significant inflation as the impact of this year's drought is acutely felt. It is not unusual to hear reports such as "for 5 consecutive days we had temperatures over 100 degrees, but they predict it will cool off to 95 degrees tomorrow."

California's orange and sage honey crops, Texas' tallow honey crop and Florida's honey production were poor as summer approached. At the South Dakota Beekeepers Meeting in early July, the sentiment was that the domestic honey crop could be as low as 125,000,000, far below last year's historically low honey crop of about 148,000,000 pounds. Yields per hive were approximately 60 lbs. per hive by mid July. Beekeepers were complaining that to bring their bees from California, Florida, or Texas to the Dakotas was economically unfeasible if yields were to be only 60 lbs. per hive. Orange honey was being sold at \$2.05 – 2.25/lb. FOB beekeeper and clove at \$1.95/lb.

Fortunately, the third week of July saw some needed rains which allowed the bees to work soybeans. Now, yields may reach 70 lbs. per hive and exceed the disappointing clover production in South Dakota in 2011. The high prices for soybeans, the enormous demand from China and India for soybeans and the development of bio-fuels have significantly reduced the acreage available for clover and alfalfa production. This parallels the situation in Argentina where pasture land supporting Argentina's formerly robust dairy and beef industries has been converted to soybeans. Many U.S. farmers prefer the life style of producing grains from Spring to Autumn rather than having to attend to their cattle 12 months a year. The lure of the sun belt coupled with the demand for soybeans and grains to feed Asia's teeming population are conspiring to reduce the acreage for honey production. This is not a temporary factor reflecting the vicissitudes of weather but a fundamental change.

Europe and South America

The financial crisis in the Euro zone has seen the Euro fall during recent years from \$1.60 per euro to \$1.21 per euro or a decline of almost one third of its value. In addition, given the uncertainty of whether Europe will be able to pull together with the stronger nations bailing out the weaker nations like Spain, Italy, Greece and Ireland, the risks of selling to Europe have increased. It was only a few years ago when a strong Euro and a strong – on the surface – European economy allowed the Europeans to pay South America honey exporters very high U.S. dollar prices, supporting a firming market. That has abruptly changed.

Now Argentina, Uruguay, and Chile look less to Europe and more to the U.S. as a safe haven market for their honey. Statistics for the first half of 2012 show honey imports from 4 South American countries:

Country	Jan – June 2012 Import pounds
Argentina	41,085,473
Brazil	12,987,366
Uruguay	11,169,488
Chile	2,145,124

Source: U.S. Customs Service Honey Fee Collections Report

Much of this honey is of excellent quality.

The petitioners in the antidumping case are expected to withdraw their case against Argentina, but not China. This will likely result in a proliferation of Argentine honey exporters, including beekeeper cooperatives, as has happened in Mexico, able to export honey to the U.S.. While the antidumping order is in place, only the largest and strongest Argentine honey exporters can pay the high legal fees for antidumping compliance.

Beekeepers fear that America may become the “dumping ground” of South America’s honey. The likely more competitive Argentine arena that will emerge, as the anti-dumping order ceases, will be a restraining factor on honey prices.

Circumvention

There have been indictments and arrests in Chicago, Seattle, Los Angeles and Jacksonville involving U.S. customs fraud of various kinds, allowing Chinese honey to enter the U.S. without paying the high antidumping duty of about \$1.19/lb. Much of this circumvention has involved laundering honey through third countries, principally in South Asia and Southeast Asia. In those areas, including countries with a history of minimal honey production, honey exports and presumably production have soared,

contrary to honey production in mature producing nations which has suffered declines and increasing difficulties in maintaining production.

While laundering honey through third countries undoubtedly continues, it has become more perilous. We can anticipate there will be more efforts by the U.S. government to curtail, indict and punish the launderers of Chinese honey. In response to increased scrutiny by the U.S. authorities, circumvention appears to be taking a new form. That is, Chinese honey is being shipped directly from China but enters the U.S. in non-honey customs categories under which China conducts large volume exports. The presumption is that if honey is shipped as citric acid, apple juice concentrate or other such classification, U.S. Customs and the FDA will be too busy to inspect and detect the fraud. That presumption may prove to be false.

The emergence of the True Source initiative is part of an effort to verify suppliers and ensure that the supply chain is authentic. But these efforts are not so easy. During the past several months the mass media has had many articles about accounting fraud from Chinese companies listed on the stock exchanges of America. Those Chinese companies must be audited by U.S. accounting firms in order to be listed on U.S. stock exchanges. But some of the documents received by the China offices of America's major accounting firms have proved to be fraudulent. The U.S. government has raised this question at the highest levels of the Chinese government, as well as the problem of Chinese circumvention of U.S. antidumping orders.

The American beekeepers have pressed the theme that, if there is to be a thorough solution to the problem of circumvention, the "chop shop owners" must be brought under the scope of the law. If not, they will simply find others to circumvent for them and continue their march to monopoly. But in recent months there appear to be fissures and fractures among the co-conspirators in circumvention. These various fissures may take the form of legal disputes, firings, etc.

We can anticipate the era of circumvention will eventually end and a more level playing field will emerge. This will allow the honey industry to concentrate on product development, modernization and creative marketing of honey as a natural, pure and healthy sweetener.

Quality Issues

In recent months there have been findings by the FDA of adulteration of honey by corn and cane sugar. These findings led to the automatic detention of 1 Indian exporter. During the past year or so, 4 or 5 Indian honey exporters have been put on automatic FDA detention. Honey has also been found to be contaminated with heavy metals, ultra-filtered or to contain pollens not found in South Asia but of Chinese origin.

Import patterns

Total imports for the first 6 months from all countries were reported to be 136,273,140 pounds. With both domestic and import assessments by the National Honey Board increased during this period, the indication is that volume of honey consumption has increased. This has been achieved despite the higher prices for honey. This in turn may reflect what professional marketers know, namely, a higher, but reasonable, price conveys to consumers a greater value.

Imports from selected countries were reported as follows:

Country	Jan – June 2012 Import pounds
India	18,056,349
Indonesia	799,206
Malaysia	4,010,346
Vietnam	15,378,232
Canada	15,943,101
Mexico	3,379,905

Source: U.S. Customs Service Honey Fee Collections Report

These figures do not include honey that could have entered under non-honey categories which, as the Jacksonville case demonstrates, can be very substantial. We note that “honey blend” imports from China are now subject to payment of antidumping duties at the China rate.

During the period, average prices from major exporting countries were as follows:

Country	FOB price per pound by color		
	White	ELA	Light Amber
India	1.22	1.21	1.14
Malaysia		1.11	1.10
Vietnam			1.12
Argentina	1.32	1.31	1.30
Brazil	1.58	1.52	1.32
Uruguay	1.37	1.22	1.20
Canada	1.64		

Source: National Honey Report, July 16, 2012

Brazil remains the major exporter of organic honey, hence the high prices.

Highlights for selected countries

Mexico

Bad weather intervened in several crops. The mesquite crop was virtually a total failure and exporters had to rescind offers and cancel contracts.

Argentina

The focus of Argentine honey exports turned to the USA. Global exports January to June were about 40,000 metric tons, including both carryover and the current crop. For 2012, 55% of exports went to the U.S. and only 25% to Germany. There are, as of July, about 12,000 – 15,000 metric tons sold and waiting shipment. There are only 10,000 – 13,000 metric tons waiting sale to the world market. Virtually all of the remaining stocks are ELA and LA, hence the sharp demand on global white honey. Argentina is suffering high inflation.

Brazil

Per the statistics of the Brazilian government, exports during the first half of 2012 were 9,389,486 kgs., with 6,515,062 kgs. to the U.S. and 2,585,520 kgs. to Europe. Prices to the U.S. ranged \$2,950 – 3,000/metric ton for Organic LA and \$3,650 for organic white. Prices to Europe were higher.

As it is winter in South America, new crop honey production has not commenced as of the time of preparation of this report.

Vietnam

The Vietnamese honey crop is essentially over and will not resume until December with coffee and cashew honey. The problem of carbendazim precluded export of 5,000 metric tons from the early crop. That honey is being used as bee feed. The Vietnamese Beekeeping Association and government have been cooperating with the U.S. government to prevent circumvention and satisfy U.S. quality requirements. As of mid July, Vietnam has exported 15,000 metric tons to the U.S. with very modest stocks sufficient to fulfill pending contracts. Vietnam has an attractive new honey source from wild acacia forests. This species produces light amber honey, not the water white acacia from northern China and Hungary.

The world is waiting to see if, how and when Europe will resolve its pending crisis. In reality, both Europe and the U.S. are saddled with huge cumulative government debt, high unemployment and unfunded pension liabilities. These crises are interactive with one another and also with the rapidly developing economies of India and China. The European crisis is most acute as there is no centralized mechanism to resolve the problem. Instead there are jealousies and antagonisms that await solution between the stronger and weaker nations. This crisis hovers over all commodity markets, including honey.

Members of the honey industry, including beekeepers, packers, importers and exporters, await the return of a level playing field enabling the honey industry to pursue a positive agenda. There are many projects that beckon us forward. Recently, as an example, I participated in a 6 part TV documentary on food. The first segment will be on honey and the story of the beekeepers will be told. New products, new ways to consume honey and new creative marketing ideas will hopefully be included in this documentary which will help tell the tale of honey as “the soul of a field of flowers.” The telling of similar tales for other natural foods has led to a burgeoning of those markets. We anticipate a similar positive fate for honey.