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(Courtesy of American Bee Journal)

Oh what a tangled web we weave, when first we practice to deceive![2]

Beekeepers initiated three major class action lawsuits on April 17 and 18, 2013, that fall under the Racketeering Influence and Corrupt Organizations Act (RICO). We list them here:

Moore et al vs. Groeb Farms, Inc., the Groeb brothers and Horizon Partners, Ltd.

Moore et al vs. Honey Solutions, Douglas Murphy and Urbain Tran

Adee Honey Farms, Bill Rhodes and Hackenberg Apiaries vs. Groeb Farms, Horizon Partners and Honey Holdings 1 Ltd., d/b/a/ Honey Solutions

The lawsuits assert claims on behalf of all individuals and entities "with commercial beekeeping operations (300 or more hives) that produced and sold honey in the United States during the period from 2001 to the present." The actions of Groeb Farms and Honey Solutions and others named and unnamed who participated in and supported the broad collusion and conspiracy to circumvent honey caused immense financial damage and – as one of the signatories to the class action suit said – "stress and harm to the family life and personal health" of honest beekeepers and other segments of the honey industry trying to conduct their business with integrity and compliance with the law.

Prestigious law firms are undertaking these cases, which follow upon the deferred prosecution agreements which were announced in January by the U.S. Department of Justice after the "Honeygate" investigation. The Adee v. Groeb and Honey Holding case is being handled by Grant & Eisenhofer P.A., Chicago. The other two cases (Moore et al v. Groeb; Moore et al v. Honey Solutions) are being handled by Richard Coffman, The Coffman Law Firm, Beaumont, Texas.

The deferred prosecution agreements represent the second wave of the government's attempts to punish the packers providing the source of demand for product, which was satisfied through various schemes of honey circumvention and fraudulent labeling that lead to successful prosecutions of many individuals during the past several years. Honey circumvention will not stop until the source of demand falls under the force of law. The wide ranging, patient and meticulous investigation by ICE and Homeland Security provided the foundation for the cases.

These class action lawsuits are intended to recover the enormous losses suffered by the American honey industry from the collusion and conspiracy to circumvent Chinese honey through third countries, whose number has now exceeded 20. Not only did the government lose antidumping duties, but people lost business, profit, and market share. The productive capacity of the American honey industry was undermined and underutilized. The March to monopoly is being arrested by these recent actions.

The lawyers leading the Adee action are among the most successful class action lawyers in the United States, with a proven track record of trial wins and settlements in excess of $1 billion in the past two years alone, as well as a history of doing cutting-edge legal work across a variety of fields, and especially the fields of competition law and biotechnology. These lawyers include partners in prominent national law firms, a former Justice of the Florida Supreme Court, board-certified trial lawyers, and a lawyer with an active beekeeping business. Professor Robert G. Blakey was at the Department of Justice in the 1970s and was a leader in the formulation of the racketeering statutes (RICO). Adam Levitt has won major class action lawsuits against big tobacco and Monsanto. These cases are in the hands of extremely competent professionals and are based upon compelling evidence and protracted harm.

The RICO Act allows the corporate veil to be removed to reveal the colluding partners and participants. The investigations will undoubtedly widen the scope of the cases against the two packers and bring in those who directly or

indirectly supported the conspiracy and bear legal responsibility. How far the net will be thrown in these class action suits, only the shadow knows.

The application and implementation of the RICO statutes by the nation's leading experts to the phenomenon of honey laundering may show that the smug arrogance, that led some participants to believe that their shrewdness would allow them to forever elude the law, may fade.

The deferred prosecutions of Groeb and Honey Solutions has attracted the attention and provoked numerous articles in the mass media in America and the world. As an example, the press in Thailand has noted the phenomenon of transshipment and honey laundering and that this harms legitimate honey production in the countries that are being used for transshipment. Hopefully this will mean that not only will the American Government raise these issues with the Chinese Government, but so will other governments in 20 or more countries which have been used through various schemes as transshipment centers. We may note that points of transshipment may shift from Asia to the Middle East and Europe. There are also very credible reports that Chinese nationals have entered ownership agreements with companies in South America which are now involved in very elaborate new schemes.

United States

American agriculture is facing consequences of the increasing loss of bees, which affects not only honey business, but American agriculture in general, a third of which needs bees for pollination of crops such as blueberries, cranberries, almonds, oranges, squash, apples, etc. This means that the very large loss of bees, estimated to be 33% or more, has consequences to the ability of American agriculture to feed people, as well as an impact on medical costs as science becomes more aware of the importance of antioxidant and phyto-chemically rich foods. Bret Adee of Adee Honey Farms of South Dakota described mounting losses to a *New York Times* reporter in March 2013. "We lost 42% over the winter. But by the time we came around to pollinate almonds, it was a 55% loss" (Mystery Malady Kills More Bees, Heightening Worry on Farms, March 29, 2013). The article was followed by an editorial which stated: "Every beekeeper, small or large, hobbyist or commercial, knows that honeybees are in trouble. Over the past decade, bee colonies have been dying in increasing numbers. Last year was especially bad." The insecticides are retained over the lifetime of the plant and affect the bees' ability to locate their hive. (*New York Times*, April 7, 2013).

In recognition of the importance of bees for almond pollination and the threat posed by fewer bees, the Almond Board has poured $1.4 million into bee health research. California produces 80% of the world's supply of almonds.

Environmental groups and beekeepers sued the Environmental Protection Agency in 2013 to demand prohibition of the agriculture industry's use of neonicotinoids and other chemicals used to control pests which they claim damage bees' brain function and impair their ability to return to the hive. These neocotinoids have been used extensively on corn, soybean and other major agricultural crops.

Crop yields are affected not merely by the loss of bees, but also by a loss of those flowers needed to produce honey. The development of corn, soybean and canola to feed Asia's teeming population and provide biofuels has removed thousands of clover and alfalfa fields, which had been used in America and Argentina by beekeepers.

As this report is written, weather conditions for 2013 honey production are unknown. The impact of drought in 2012 will be felt in the normally prized clover-producing areas of South Dakota. Even if 2013 climatic conditions are ideal, the crop will be short because of the loss of bees and flowers. The National Honey Board has reported a 35% drop in beekeeper honey sales in the first quarter of 2013 compared to 2012.

The 2013 orange honey crop is short and expensive. Beekeepers are seeking and obtaining $2.00-2.25/lb. FOB beekeeper.

Canada

In the first 2 months of the year, U.S. imports of Canadian white far exceeded those from other countries in quantity and price, at 6,162,400 pounds and $1.92 per pound before duty is paid.

Argentina

Given the background that it was widely known, and reported by the *American Bee Journal*, that a large percentage of the short American honey crop was sold, in the second half of 2012, demand emerged for Argentine honey. As reported earlier this year by Javier Nascel of Nexco, this provoked highly speculative sales in October and November 2012 into the US market for deliveries during the first half of 2013. In my previous market report I stated that expectations were that the Argentine crop would be large, early, white and cheap, but El Nino intervened and the actual crop was shorter and darker.

Speculative sales were fueled by both 1) an illusion as to what was happening on the ground and 2) an unrestrained competitive desire to gain market share. By April 2013 it was clear that huge delays had occurred in the arrival and exporters, importers and some packers were bearing large losses, some of which were mitigated by renegotiation between importers and packers to significantly higher prices.

Unusually long delays in shipping and problems with these speculative contracts made last autumn that have resulted in losses for those trying to execute contracts have resulted in unusual challenges during the first quarter for those buying from Argentina. The crop for 2013 is complete and estimated at 60,000 metric tons, about half of the 120,000 metric tons produced when Argentina honey output was at its peak. Colors are lighter than in 2012. Half of the current crop of Argentine honey has been sold already and prices for the second half of 2013 are going to increase. Export destinations have dramatically shifted from Europe to the US, and by the end of the first quarter 2013 75% of their exports by quantity were destined for the U.S. Argentina's exports to the world for January-February 2013 were down 57% from the previous year. These delays were a function of both a delayed crop, but more fundamentally the battles between beekeepers, exporters and importers on how to deal with the below market prices.

Prices to Argentine beekeepers have increased 40-50%, according to the Argentine mass press reports as early as February, 2013, making it difficult to manage collection and export in an inflationary environment. The Argentine government is threatening a second default on its national debt. This is being adjudicated in the US court system presently. The results could significantly impact the value of the Argentine peso, and the price of agricultural commodities for export.

Vietnam and Argentina are both reluctant exporters to Europe because the Euro has significantly weakened compared to 3-4 years ago, so that Europeans are able and willing to pay much lower prices than are US buyers, and there are compounding concerns of economic collapse in Europe. Argentine sellers are reluctant to sell retained inventories without significantly higher prices.

Both Argentine and U.S. honey production have declined about 50% over the past 10-15 years. The conversion in the pasture lands of both countries to soybean, corn and canola crops has created a decline difficult to reverse.

Vietnam

The main 2013 crop from traditional floral sources is nearly finished, and expectations at this time are for 16,000 metric tons. Litchi honey production is significantly down and *Acacia mangium* yields are commencing as rains came during the flowering period. As of April 2013, the EU is allowing importation of Vietnamese honey. The domestic price increases and the strengthening Vietnamese currency present challenges for exporters. Global exports from Vietnam for 2012 declined about 30% relative to 2011.

As has been known for some years, Vietnam has a variety of floral sources, the principal of which was rubber. Other important and promising floral sources include cashew, coffee, litchi, longan, rambutan, and mimosa. The coffee and cashew honeys are typically light in color and mild in flavor. But most of Vietnam's honey is light amber and amber. A new floral source has emerged in the past few years, *Acacia mangium*. This floral source was first introduced about 4 years ago at the Apimondia conference in Montpellier, France. It could grow to represent 30-40% of the Vietnamese honey production. As a unique and special tree growing in wild forests, it may qualify as organic honey, after inspection. The tree has an unusually strong capacity to fix carbon. Due to this feature it is being introduced as an environmentally valuable tree in light of the tremendous increase in carbon dioxide that is introduced with the industrialization of the globe and the introduction of infrastructures of unprecedented dispersion.

In May to July this year a scientific study is being organized to study the honey from these trees, and samples will be drawn from the hives in the provinces from which these trees grow. Variables of elevation, temperature, season and other influences on the metabolic processes will be recorded. Samples will also be retained to study the colors of honey produced in different regions and at different times. They will also study the rate at which the color changes. The genus *Acacia* has almost 400 species, some of which in the northern latitudes produce very white honey. Vietnam has difficulty exporting honey for a variety of reasons in the first few months of the year, and the *Acacia m.* is produced for export in the second half of the year and is darker in color. Understanding the color and the variables which affect the rate at which the color darkens will become important to allow the Vietnamese to blend diverse floral sources and have more continuity throughout the year needed to provide relative consistency of color and flavor.

Collaboration between Vietnamese scientists and prestigious German laboratories in conducting this study is necessary because all academic scientists know that for botanical and zoological products that exhibit considerable diversity in chemical and physical profiles there must be empirical study rather than extrapolation from one data base to an unstudied data base. Using scientifically authenticated samples is the only way to understand and verify the physical and chemical attributes and the variables that influence those attributes. This knowledge will be helpful for both marketing and blending

the products that are needed for Vietnam's exports to the American market to satisfy the quantitative and qualitative demands.

Brazil

Reports of bee losses in the Northeast are coming in, so there may be some decline in production of white and lighter colors from that region, where prices and qualities are the highest in Brazil. Rains in April have been welcome. Organic light amber is the main product being exported at this time and U.S. buyers have taken an estimated 75% of Brazil's exports during the first quarter of 2013.

Middle East

Turkey exported 574,000 pounds of Light Amber honey early in 2013 at a spectacularly low price of $0.85 per pound. We may note that two Turkish companies have been put on the FDA's import alert red list. Very recently members of the American honey industry visited Turkey and noted that retail honey in Turkey is sold at enormously high prices. American honey has been exported to the Middle East at prices higher than those obtainable in the U.S. domestic market. This new import phenomenon has attracted the notice and skepticism of major honey packers.

Conclusion

The industry has waited too long for a level playing field and the opportunity to use its energies and resources for product development and creative marketing. That day, as this report indicates, may be closer.

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[2] **Sir Walter Scott, Marmion, Canto vi. Stanza 17. Scottish author & novelist (1771 - 1832)**