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**World Honey Market Report  
 Canadian Honey Council Annual General Meeting  
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First I want to express my sincere thanks to the Canadian Honey Council for the invitation to speak about the international honey market. My wife, my young children and I first came to Alberta when we took the trans-Canadian railroad from British Columbia to Alberta, and then across the great prairies and woodlands of Canada. The magnificence of the Canadian Rockies, Lake Louise and the great forests of Alberta left an enduring impression of the beauty of creation.

The international honey market is on the cusp of change. That change is a reflection of several factors, including changes in the macroeconomic environment. Honey is not a commodity that exists on an island isolated from what is happening to all other commodities.

- The triple deficits that have plagued the U.S. economy (national debt, trade deficit and consumer debt) have caused a serious erosion in the value of the U.S. dollar. As the U.S. economy teeters towards recession, the Federal Reserve has reduced interest rates, which in turn is likely to further devalue the U.S. dollar.
- During the past 7 years, the cost of energy has dramatically risen. That increase affects both production costs and transportation costs.
- The phenomenon of colony collapse disorder (CCD) continues to haunt beekeepers throughout North America.
- Global warming has become an undeniable, and in many ways a self-feeding phenomena. This has caused unpredictable and shifting patterns of production, including honey production.
- To meet national demands for honey, global cooperation on honey, queens and remedial efforts to preserve bee health will be required.
- There is currently a shortage of honey available for the international market.
- The honey and health message has entered the international honey market. This is a nascent but real phenomenon.
- Ignorance of and isolation from international factors of the honey market are being replaced by timely and extensive knowledge by producers, packers and

importers alike of emerging market conditions. These factors are coalescing and creating a significant transformation in the honey market.

Macro economic factors will exert an even more significant impact upon commodity prices, including the prices for honey, than usual. Clifford Krauss wrote in The New York Times on January 15, 2008:

“Prices are spiraling, and Americans find themselves in what amounts to a bidding war with overseas buyers for products as diverse as milk and gasoline....many economists argue that demand overseas would keep prices high even with a recession in the United States. . .Price shock has also accompanied trips to the supermarket....The department [of Agriculture] is projecting increases for many food items this year.”

The triple deficits of mounting national debt, trade deficits and consumer debt, including increasing and unpaid mortgage and credit card debts, are steadily weakening the US Dollar relative to other international currencies. These economic factors have already re-directed South American honey, including Argentine and now Brazilian honey, from the U.S. market to the European and Japanese markets. The relative strength of the euro allows European packers and importers to pay much higher prices in U.S. dollars and not have a comparable increase in honey's euro selling prices within the European Economic Community.

The fact that Eastern Europe had poor honey crops in 2007 has put packers in both western and Eastern Europe in urgent need to replenish their honey stocks. European demand exceeds current world supply of honey. Petroleum costs are increasing ocean freight rates and with a weakening U.S. dollar, honey prices are well over \$1.00/lb. for both industrial and bottle grades. In Europe, the concern is more for adequate quantities and less about low prices.

Many economists feel the U.S. economy is already in recession. If so, recessionary pressures should help keep prices more stable. However, the need to stimulate the economy is putting pressure on the Federal Reserve to lower interest rates which, in turn, tends to further weaken the U.S. dollar and fuel higher prices. Honey prices are likely to be swept along in the current that is leading to higher commodity prices, both mineral and agricultural.

### U.S.A.

American honey currently represents the best value for American packers by reason of its high quality and comparatively low prices relative to South American honeys. Although the prices for U.S. honey remain very favorable, the U.S. honey crop in 2007 was significantly below normal, ranging between 130 million and 155 million pounds according to current estimates.

Southern California and the southeast suffered serious crop shortages due to drought and wildfires. Even though both California and the southeast have begun the year with some

good rains, the wildfires of 2007 destroyed a great deal of the wild sage and wild buckwheat plants that provide a significant part of southern California's normally large honey crop. It is also important to note that the overall decline in production means a decline in productivity which entails higher costs to produce every pound of honey.

At meetings of beekeeping associations all over the world, including Canada and America, there are extensive discussions on how to protect the world's bees. Not only do beekeepers raise these questions, but so do agri-business interests, whether those interests are in the almond industry in California or the canola industry in Alberta. The fact that bees, like other forms of botanical and zoological life, are vulnerable to disease, makes it imperative to create an international effort to establish international tolerance and testing levels for residues in honey. Such levels have to protect both the human consumer and the bees that produce honey and pollinate our crops. Each year the discussions on how to protect the world's bee population become more acute and more scientists participate in efforts to protect the world bee population.

In the U.S., the fact that many producers achieved attractive pollination fees and, in some cases, had honey from previous crops as carry over, has kept prices at reasonable levels and provided adequate stocks for packers during the 4<sup>th</sup> quarter of 2007 and for the beginning months of 2008.

Previous carryovers of U.S. honey have been reduced during recent months. This is the fifth consecutive year of substantial shortfalls in the American honey production. In 2007, California and the southeastern parts of America experienced the worst drought in a century, as well as wildfires. Based upon discussions with beekeepers at the Ontario beekeeping meeting in late 2007, as well as with friends in Alberta, Manitoba and Saskatchewan, the 2007 Canadian crop is estimated to be about 70% of the bumper 2007 crop.

#### Argentina, Brazil and South America

The 2007/2008 Argentine honey crop has started very poorly after a harsh and dry winter that left bees very weakened. As the drought persisted in early Spring, beekeepers were making bees, not honey. In 2005/2006, Argentina had a bumper crop of over 100,000 metric tons (220,000,000 pounds) including a large quantity of white honey. The 2006/2007 crop was about 70,000 metric tons which was supplemented by the carryover from the preceding bumper crop. The current crop is now projected as only 50,000-60,000 metric tons. To have a recovery from this estimate, favorable rains and extended warmth must occur. Some want to look upon this estimate as "Argentine beekeepers talk." And for many years, Argentina has consistently under reported their honey crop. But this year it may not be a case of "crying wolf."

Argentine beekeepers also report problems with CCD. The emergence of the CCD phenomena in Argentina may be associated with increased migratory beekeeping practices within Argentina. Such practices impose stress of travel upon the bees and also

tend to impose upon bees a monofloral diet. Both of these phenomenas may be contributing background phenomena to CCD.

Argentina's first extraction was completed with very low yields per hive and an insignificant total quantity. The second extraction has begun, but the results are not yet known. Whether there will be a third extraction and what quantities it will yield, will depend upon rainfall and if there is an early or late commencement of autumn in that region.

Argentina's farmers have diverted a lot of acreage to non-honey producing crops as the prices of grains and beans have risen. Soybean production, which is very large in Argentina, has been curtailed by Argentina's drought, with a subsequent spike in prices. All this indicates that the effects of drought on Argentina's honey crop may be more than "beekeepers' and exporters' attempts to talk the market up." Agriculture in general in Argentina is under stress.

At the end of January, the reference price for Argentine white honey (clover/alfalfa) is \$1.35/lb. ex-dock. Earlier in the month, Argentina sold honey to Europe in the range of \$1.15-1.25/lb. Due to low yields and low associated productivity per hive, and less honey to sell, Argentine beekeepers are refusing to sell to exporters without a premium price relative to prices for North American white honey. Whether these prices will be sustainable, decrease or even increase, is the drama whose outcome will be largely determined by the need in Europe to replenish European packers' inventories. Europe, with its strong euro, remains at present the preferred market for South American honey.

In any case, the intense demand in Europe and the weak U.S. dollar have already caused most Argentine exporters, who can meet the strict quality demands of Europe, to concentrate on the European market whose appetite for Argentine honey far exceeds Argentina's current ability to satisfy.

Uruguay has a similar situation. Commodity prices have caused Uruguayan agriculture to concentrate on non-honey producing crops. The drought that affected Argentina has extended to Uruguay and the strength of the euro makes Europe the preferred market. Uruguay honey is being sold to Europe at \$1.30/lb. this week.

A major development from South America was announced in mid-January, 2008. Brazil and the EU have negotiated programs that will allow Brazilian honey back into Europe. With this news, Brazil withdrew offers to the U.S., which had been its exclusive main market in 2007. Brazilian honey exporters predict price increases of 30% for both conventional and organic Brazilian honey. Brazil, like Argentina, Uruguay, Chile and Mexico, makes more money exporting to a big market like Europe where the currency is strong and can, therefore, more readily accommodate significant increases in U.S. dollar prices.

Brazil's total crop is expected to be 42,000 metric tons. Southern Brazil has also suffered drought, but being such a large and diverse country, Brazilian exporters indicate: "It

sounds like crop in the southern region will be impacted by the lack of rain flow (as is also happening in Argentina and Uruguay). However, prospects in the northeast are very good. Brazil is such a big country that it will be very difficult to see the country in a very bad crop situation.” But Brazil’s new opportunity to export honey to Europe, given the conditions described above, will have a major impact upon our American market.

Brazilian organic honey has risen during the past week from \$1.05-1.10 to \$1.15-1.20/lb. Conventional LA and ELA Brazilian honey have been sold at \$1.05 and \$1.10 during the past week. Once the final details are settled between the EU and the Brazilian government, allowing Brazilian honey to be exported to Europe, Brazilian beekeepers and exporters anticipate even steeper price increases.

Argentina, Uruguay, Chile and southern Brazil, that is, the southern half of south America, have all suffered drought. Many important agricultural crops, including soybeans, have been negatively influenced by this drought.

### Organic Honey

It is worthwhile for Canadian beekeepers to know that Brazil, a very large country with significant areas in which conventional, modern farming is not practiced, is an important source of organic honey. In Germany, it has been estimated that 20% of the foods are organic. In America, there is a tremendous increase in the consumption and marketing of organic foods. Canada should also take advantage of this international trend and further develop organic production, where possible. Most of the organic honey produced in Brazil and Argentina is dark in color. Canada has the potential to provide the world market with organic white honey. Significant premiums are being paid for organic honey to the benefit of producers, packers and retailers.

### Asia

China’s honey exports to the U.S.A. are diminishing as higher and prohibitive antidumping rates are imposed upon the handful of remaining Chinese honey exporters. There is growing concern about the misuse of the so called “packers blend” and discussions are underway with U.S. Customs, the U.S. Department of Commerce and various State Governments on issues of fraud and circumvention of duties. The category of “packers blend,” which is labeled as less than 50% pure honey, serves as a loophole to the intent of the antidumping law. This may be discussed by Congressional leaders as well as other illegal ways of entering honey. There are also many clear and compelling indications that circumvention of Chinese honey through Third Countries like Malaysia, Indonesia, Thailand, India, South Korea, Russia, Mongolia is occurring by collusion of unscrupulous exporters and importers. What international trade lawyers and U.S. Customs officials are making clear for the first time is that criminal liability for U.S. Customs fraud pertains to exporters, importers and packers, even Customs house brokers, who knowingly conspire to commit Customs fraud. In the past, most thought the risks resided exclusively with the importer of record. That is not the case, as was made clear by international trade lawyers and U.S. Customs during the National Beekeepers Meeting

in Sacramento. New protocols are being developed on various fronts with numerous chemical parameters to detect country of origin. Those tests will be utilized to detect and prevent third country circumvention.

The fact that Chinese honey is being removed from the U.S. market will have a very profound influence. The reason for this is that during the past 4 years, the flood of Chinese honey into America has depressed prices by at an estimated 25-50%. During the first part of that period, Chinese new shippers were manipulating loopholes that allowed them to post bonds and not pay their antidumping duty liabilities. When U.S. Customs came to collect tens of millions of dollars of retroactive duties, the Chinese importers would vanish, only to reappear under a new guise and a new name. In September 2006, the U.S. Congress closed that loophole. New loopholes emerged in late 2006 and in 2007. One scheme was to fraudulently enter pure honey under customs categories for honey blends and sweeteners, including but not limited to the so-called packer's blend. That customs fraud allowed Chinese honey to enter without payment of antidumping duties. Chinese exporters also severely undervalued the honey in order to reduce cash deposits. Chinese honey has been offered through third countries. In competition with one another to gain market share, the Chinese exporters sold honey at very low prices. The past 4 years saw honey from other origins, including domestic American honey, having to compete with the Chinese honey entered through nefarious schemes. It is anticipated that there will be actions taken by the U.S. Government to both prevent and to punish illegal activities regarding the importation and sale of Chinese honey.

Vietnam's honey crop has begun. Vietnamese prices are firm as demand is robust and expected to dramatically increase as Brazil exports of honey to Europe resume and China's presence in the U.S.A. honey market diminishes. One source indicates: "According to the statistical data from August, 2006 to August, 2007, total honey production was 15,660 metric tons, 7% down compared to that in 2006.....This year we expect to harvest about 16,500 metric tons if good weather...." Another source said: "We expect production will be around 25,000 metric tons this year 2008.....because inflation, foreign exchange etc. the price will be higher than last year." Vietnamese beekeepers have added incentives to produce honey, given the rise in prices over the past 2 years.

Vietnamese Light Amber has been sold at \$0.87/lb.-.94/lb., depending upon destination. One producer wrote: "I just came back from apiaries in the South. Our beekeepers had a bad first flow of honey this year. Honey production of first round is reduced about 60% and some colony lost. We are having the most cold weather for long time. A new honey flow expect to harvest in early February. I wish they will have a good crop. I would have further honey to offer you in 3 weeks later." Vietnam withdrew offers after poor weather during the first part of the crop.

#### International Symposium on Honey and Health

The first International Scientific Symposium on Honey and Health, held on January 8, 2008, was a success that exceeded all expectations. Scientists from Sweden, Switzerland,

Scotland, Australia, New Zealand, Israel, India and the U.S. Department of Agriculture presented important research indicating that honey may have importance for preventing several major chronic and degenerative diseases and promoting positive health benefits relating to restorative health and cognitive functions. A very intriguing finding from Australia reports a significant reduction of anxiety in a controlled animal study.

When industries selling natural products can link a positive health message, such linkage can help transform an industry. An effective health message tends to have several effects: 1) consumption increases, 2) new products are introduced and developed, 3) reformulation of products occurs, 4) consumer perception of value increases, 5) new varieties and higher qualities enter the market and 6) new entrepreneurial companies emerge responding to the health message.

The overriding goal for the honey and health initiative is to use good science as marketing tool which creates positive health messages for honey. We need to separate the wheat from the chaff and to use science to confirm valid ancient intuitions regarding the healthfulness of honey. We have seen other industries such as the almond industry double and triple both consumption and prices on the basis of linking health and almonds. The American tea industry has grown from one billion to \$7 billion dollars in a little over a decade, largely influenced by the health message.

The premises on which we formed the Committee for the Promotion of Honey and Health were:

1. Good science begets good science;
2. Good publicity begets more publicity;
3. An effective and independent organization devoted to development of the honey and health message has the ability to integrate both science and publicity. This allows the message to penetrate to the grass root level.
4. The health message, however intriguing and compelling it becomes, must also be embraced within the history and romance, quality and variety of honey.

The price of honey has increased and even doubled in the past few years from both Vietnam and Argentina. But producers and exporters must recognize that it remains the case that there is resistance from retailers and manufacturers to price increases. Packers generally realize that when prices are higher, they make more money. But they suffer strong resistance to higher prices because both manufacturing and retail industries during the past decade have experienced a tremendous consolidation, while producers and packers remain largely independent and fragmented. Nonetheless, when there is the fusion of an effectively conveyed health message and a creative marketing of natural food products, those products are able to penetrate the consolidated retail environment and obtain premium prices within the general category of small and healthful luxuries. This future awaits the honey industry.

Regarding the reformulation of products, we should note that the honey industry has long suffered the use of honey's image in a bold and aggressive way by manufacturers without

a significant use of the product itself. That is to say, for many products touting honey, it is “all form and no content.” When companies become interested to convey a health message they are compelled to utilize that product in a significant amount to justify the health message they promote to generate sales and higher profits.

### Conclusion

I want to publicly acknowledge my co-chairman Dr. Ron Fessenden, who will tell you about the scientific progress in confirming the ancient intuitions regarding honey and health. We are observing that honey has relevance to the prevention of major chronic and degenerative diseases. Very interestingly, honey has positive attributes in respect to provoking and promoting restorative physical and mental processes, dreams that are both vivid and creative, and reducing anxiety. The latter, which has a parallel to tea which fuses both stimulating and soothing qualities, is very important for a stressed and frenzied society. Dr. Ron brings a tremendous knowledge of modern medicine, intelligence and a passionate devotion to this honey and health initiative. The international honey industry is blessed to have the contributions of Dr. Ron.

We want to note that the publicity already generated from the first International Symposium for Honey and Health in January, 2008, has been extremely successful beyond our expectations. At least 50 million media hits were stimulated in January 2008. That publicity includes reports on broadcast TV, wire services such as United Press International and Reuters, internet services such as AOL News, Yahoo News, Confectionary News and NutraIngredients, and national and local newspapers. This publicity is very important for generating the grass roots consumer awareness that generates increases in consumption.

Major journals will publish research including The Journal of the American College of Nutrition and Prevention magazine. The International Committee on Honey and Health has taken the first major step with many more to follow. The health message has become part of the international honey market!

Scientists from around the world are now networking to pursue promising health research for honey. I'm happy to report that based upon discussions this week in Alberta, the International Honey and Health Committee is considering establishing branches in both Canada and Europe. We have discussed this possibility with Dr. Susan Lutz and Dr. Katrina Brudzynski of Canada. We have also discussed this with the eminent scientist Dr. Stefan Bogdanov of Switzerland. In the future we may establish branches in South America and Asia.

Support for the honey and health initiative came from honey associations in both the U.S.A. and Canada such as the National Honey Packers and Dealers Association, the Western States Packers and Dealers, the U.S. National Honey Board, the Alberta Beekeepers Association, the Saskatchewan Beekeepers Association, numerous honey packers, beekeepers and individuals. As the highly professional public relations firm Pollack Communications expressed it: “Eating for your health has never been sweeter.”

I want to also note that shortly prior to the first International Symposium on Honey and Health there appeared a report that a Russian spacecraft had recently been launched, which brought honey and tea to the international space station. When we formed the committee, none of us knew to what places and what heights the honey and health initiative would take us.