

HONEY MARKET UPDATE REGARDING ARGENTINE HONEY

August 2011

Argentine Honey

In July, the Argentine honey market was quiet because of a new issue raised by German beekeepers regarding honey produced from pollination of GMO plants. There was an appeal to the Government to issue a ban of sales of such honey. That would have a devastating influence on the market since much of the world's honey is produced from pollination of GMO plants. The European market was quiet and demand passive in the face of this emergent concern.

While the issue is not settled by the European legal system, protests by packers and retailers seem to be leading to a resolution that will allow continued sales of honey from GMO plants that have been approved by the EU.

European packers are very low on inventory and must replenish their stocks quickly to remain in business and be able to satisfy the increased demand of autumn and winter. The need has become more acute as Eastern Europe's first honey extraction was successful, but the second extraction has been a disappointment.

Europe is actively seeking to buy Argentine honey as August commences. Of Argentina's estimated 80,000MT honey crop, January to June saw shipments of about 41,000 metric tons. These shipments were divided about 18.459MT USA, about 10.389MT Germany, about 3.828MT Italy and about 1,609 MT Japan. Total exports were 41,000 metric tons at a value of \$129 million. Another approximate 20,000MT is already under contract. Of the balance 20,000MT, 1/3 is white, 1/3 ELA and 1/3 LA. But there are old contracts at lower prices for white honey for which exporters have not received supply. With renewed international interest, prices have begun to rapidly firm especially for white honey. Argentine beekeepers are holding on to their remaining stocks awaiting Apimondia in mid-September. Since Apimondia will be in Buenos Aires this year, the beekeepers want to take the pulse of the market before selling the reduced stocks. There are only marginal quantities of Argentine honey being offered.

The number of hives, the number of beekeepers, the size of pasture land for clover and alfalfa production and investment in beekeeping are all down. Hence, previous crops of 100,000-120,000MT as were achieved before conversion of cattle and dairy farming into mega soy bean production to satisfy the insatiable appetites in China and India, whose combined real populations are approximately 3 billion people, are no longer realistic. The 80,000MT achieved in the current honey crop depended upon an unusual confluence of favorable weather patterns throughout Argentina's huge land mass ranging over many latitudes and sub-environments. This favorable confluence is rarely repeated in recessive years.

New crop Argentine honey will not be available for arrivals until February/March 2012. Demand for remaining stocks has intensified and prices firmed. The prospect of an

American honey crop of 150 million pounds plus or minus 10% is only firming the market further, especially for white and ELA honey.

The EU's ban on Indian honey and recent press reports within China of massive adulteration of "Chinese honey" with rice syrups sold domestically, are strengthening international demand for Argentina's remaining stocks of white and ELA honey from the 2010/2011 crops.