

## HONEY FROM ARGENTINA AND CHINA

In 2000, the United States was the world's second largest producer of honey.<sup>108</sup> Although most U.S. honey is produced by commercial beekeepers, a significant amount of honey is also produced by hobbyists (25 or fewer hives), who consume most of the honey they produce, and part-time beekeepers (25 to 299 hives), who generally derive most of their income from other sources.<sup>109</sup> The majority of bee colonies and honey production occurs in five states: California,



North Dakota, South Dakota, Florida, and Minnesota; but honey is produced in virtually every state.<sup>110</sup> There are no public data on beekeeper employment. However, an estimate is possible based on data collected from U.S. producers during its investigation of Honey from Argentina and China. Beekeepers responding to the Commission's questionnaire reported 766 employees in 2000.<sup>111</sup> Responding producers covered approximately one-fourth of U.S. honey production, suggesting there are more than three thousand workers in the beekeeper industry.<sup>112</sup> The value of U.S. honey production in 2000 was approximately \$132 million.<sup>113</sup> Some beekeepers maintain "packing" operations that process the honey for sale, while other independent packers process honey that is purchased from domestic and imported sources.<sup>114</sup>

In 2000, China and Argentina were the first and third largest producers of honey in the world.<sup>115</sup> Though China is also a major consumer of honey,

---

108 *Honey from Argentina and China*, USITC Pub. 3470, Inv. Nos. 701-TA-402 and 731-TA-893 (Final) (November 2001) at VII-3.

109 *Id.* at III-1. This classification is based on USDA definitions.

110 *Id.* at 13 and III-3

111 *Id.* at III-8.

112 *Id.* at III-8.

113 *Id.* at C-3.

114 *Id.* at II-2

115 *Id.* at VII-8.

Argentina exports well over 90 percent of its output.<sup>116</sup> The Chinese government views honey production as a way to improve rural incomes, and government policy encourages honey production.<sup>117</sup> The Argentine government also encourages honey production for export. Despite already being a huge net exporter of honey, the number of producing colonies is still growing and the government in 2000 launched an initiative to increase the competitiveness of Argentine honey. Data collected by the Commission indicates that roughly half of Argentine honey exports went to the U.S. market.<sup>118</sup>

Domestic honey producers have long felt endangered by imports. Twice, honey producers have sought forms of safeguard relief.<sup>119</sup> In 1976, the USITC determined that honey was being imported into the United States in such increased quantities as to be a substantial cause of the threat of serious injury to the domestic industry. However, President Ford denied the industry relief. In 1993, the United States Trade Representative requested that the USITC conduct a safeguard investigation under a statute reserved for non-market economies. That investigation found that imports from China were increasing rapidly “so as to be a significant cause of market disruption to a domestic industry in the United States,” but relief again was denied, this time by President Clinton.<sup>120</sup> In response, the domestic industry in 1994 filed an antidumping petition against China. A suspension agreement with a reference price mechanism was implemented before either the Department of Commerce or the USITC reached their final determinations. When it was time to review the determination against China in 2000, the domestic industry, which believed that the reference price mechanism was unsuccessful, did not participate in the review, and the investigation was terminated. Instead, the domestic industry, in the form of the American Honey Producers Association and the Sioux Honey Association, filed antidumping petitions on September 29, 2000, against honey from Argentina and China, and a countervailing duty petition against Argentina.

### *Original investigation and determination*

Available data from packers suggest that honey consumption increased in the United States from 1994 to 2000, primarily as a result of an expansion of honey used in the industrial sector as an ingredient.<sup>121</sup> Sales to the retail and food service sectors, which account for the majority of honey demand in the United States, also grew during the period.<sup>122</sup> In the face of growing demand, prices did not increase, as one would have expected, but instead declined.

During the investigation, there was a split among the U.S. industry, with most independent packers opposing the petition and the country’s largest packer sup-

---

116 Id. at VII-8.

117 Id. at VII-4.

118 Id. at VII-3.

119 Id. at I-2 to I-3.

120 Id. at I-2.

121 Id. at I-10.

122 Id. at I-10

porting the petition.<sup>123</sup> The antidumping investigations by the Department of Commerce found dumping margins ranging from 25.88 percent to 183.80 percent for Chinese firms, and 32.56 percent to 60.67 percent for Argentine firms.<sup>124</sup> The Department also found that Argentine government subsidies were countervailable at a rate of 4.53 percent.<sup>125</sup> The Commission determined that the U.S. honey industry was materially injured by unfairly traded honey from China and Argentina.<sup>126</sup> With respect to imports from China, the duties were applied retroactively because the Commission determined that the surge in imports after the filing of the petition was likely to seriously undermine the remedial effect of the antidumping duty order.<sup>127</sup>

The Commission found the following indicators of injury.

- The quantity of subject imports rose by 42.6 million pounds (42.6 percent) in 2000 and then an additional 15.3 million pounds (10.7 percent) in 2001.<sup>128</sup>
- The market share of the subject imports expanded from 28.4 percent in 1999 to 37.7 percent in 2001.<sup>129</sup>
- Argentine and Chinese honey undersold domestic honey in nearly three-fourths of the instances in which the two products were priced “head-to-head, with the dumped and subsidized imports up to 20 percent cheaper than domestic honey.”<sup>130</sup>
- The overall condition of the industry declined from 1999 to 2001. The U.S. honey producers lost market share and the value of their sales declined due to lower prices. Beekeepers experienced rising inventories even though domestic consumption was increasing. Packers as a whole saw many of their performance indicators fall as well.<sup>131</sup>

Some of the indicators of injury cited by the Commission’s report are shown in the table below. The data demonstrate that import prices were falling at a time of rising U.S. demand.

---

123 *Id.* at 7.

124 66 Fed. Reg. 50610 (October 4, 2001); and 66 Fed. Reg. 50613 (October 4, 2001).

125 66 Fed. Reg. 50614 (October 4, 2001). The cash deposit rate on Argentine honey imports was raised to 5.85 percent due to changes in Argentine government subsidies that enhanced their value to exporters.

126 USITC Pub. 3470 at 24. All six Commissioners found that the domestic industry had been materially injured by the subject imports.

127 *Id.* at 23. Three of the six Commissioners determined that critical circumstances existed with respect to imports from China.

128 *Id.* at 17. In analyzing the subject imports, the Commission added the imports from each country together.

129 *Id.* at 17-18.

130 *Id.* at 18.

131 *Id.* at 19-22.

**Table 13. Honey from Argentina and China:**  
*Selected Data Collected by the USITC*

Item	1998	1999	2000
U.S. production (\$1,000)	147,254	125,422	132,205
U.S. market share (percent, by quantity)	62.5	52.9	52.7
Subject imports (\$1,000)	59,228	67,511	72,256
Subject import unit value (\$/lb)	0.59	0.47	0.46
Net pretax income (beekeepers, \$1,000)	6,413	3,254	3,635
Sources: USITC Pub. 3470 at to C-3 to C-4.			

*Estimated revenue impact of unfair trade*

A single dumping and subsidies margin was required to estimate the impact of the unfair trade on the U.S. industry. The margin was estimated as the weighted average of the following: the simple average of all but the largest Chinese duties; the “all others” rate for Argentina; and the subsidy margin for Argentina. As shown in the table below, the margin applied in the model was approximately 43 percent for all three years. According to the results, the prices received by the domestic producers were depressed by approximately \$0.07 per lb. each year due to the unfair trade. The revenue losses estimated by the model are likely too high, especially in 1998, because production in each year was fixed by the number of colonies and the yield for each particular year. However, higher prices available would have enabled domestic beekeepers to expand production, leading to greater capacity to supply the U.S. market in 1999 and 2000. The record shows that dozens of domestic producers were forced to cancel or reject expansion plans during the period of investigation due to the unfairly traded honey from Argentina and China.<sup>132</sup>

**Table 14. Honey from Argentina and China:**  
*Estimated Lost Revenue due to Subsidies and Dumping*

Item	1998	1999	2000	Total
Estimated subsidy margin (percent)	43.21	43.34	43.33	N/A
Lost revenue due to dumping (\$1,000)	41,857	40,956	43,922	126,735
Sources: USITC Pub. 3393 at I-2 to I-3 and author's calculations.				

The estimated losses to other sectors resulting from this lost revenue and the financing costs of the increase in imports appear in the table below. The indirect industry multiplier of 2.04 is based on the industry-by-industry total output mul-

132 Id. at VI-16.

multiplier for “animal production, except cattle, poultry and eggs.”<sup>133</sup> As noted above, the revenue losses estimated by the model are likely exaggerated, which suggests that the actual indirect impact of the dumping is also exaggerated. The financial cost of consuming more imports is estimated to equal the one-year Treasury bill rate multiplied by the increase in import value resulting from the dumping. The increase in the subject imports resulting from unfair trade was approximately \$25 million per year, resulting in annual financial costs ranging from \$1.2 million to \$1.6 million.

**Table 15. Honey from Argentina and China:**

*Indirect Costs and Interest Costs due to Subsidies and Dumping*

Item	1998	1999	2000	Total
Indirect industry output multiplier	2.04	2.04	2.04	N/A
1-year T-bill rate (percent)	5.05	5.08	6.11	N/A
Lost indirect activity (\$1,000)	85,534	83,693	89,755	258,982
Interest on borrowed funds (\$1,000)	1,226	1,261	1,596	4,083

Sources: Bureau of Economic Analysis at <http://www.bea.gov/bea/dn2/i-o.htm#benchmark> (data for multiplier); Federal Reserve Bank of St. Louis at <http://www.research.stlouisfed.org/fred2/series/GS1/downloaddata> (interest rates); and authors' calculations.

The consumer gains from increased consumption of honey due to unfair trade are shown in the table below, along with the estimated revenue, indirect, and financial losses from the dumping, which are expressed as negative values. The dollar value of consumer gains is approximately \$3.9 million during the three years covered by the Commission's investigation. This amount is approximately equal to the financing costs associated with the increase in unfairly traded imports. Another loser from unfair honey trade is fairly traded honey. Model estimates indicate that the unfairly traded honey depressed the price of fairly traded honey imports by approximately \$0.04 to \$0.05 per lb. each year, and the value of those imports by 30 percent each year. Other important sources of imported honey include Canada, Vietnam, Mexico, Uruguay, Thailand, and Chile.

133 This estimate is based on detailed estimates from the U.S. 1997 Benchmark Input-Output industry-by-industry total requirements table. The total requirements multiplier for animal production, except cattle, poultry and eggs is 3.11. The detailed data are available from <http://www.bea.gov/bea/dn2/i-o.htm#benchmark>.

**Table 16. Honey from Argentina and China:**  
*Summary of Costs and Benefits of Subsidies and Dumping*

Item	1998	1999	2000	Total
Lost revenue due to dumping (\$1,000)	-41,857	-40,956	-43,922	-126,735
Lost indirect activity (\$1,000)	-85,534	-83,693	-89,755	-258,982
Interest on borrowed funds (\$1,000)	-1,226	-1,261	-1,596	-4,083
Consumption gains (\$1,000)	594	1,519	1,761	3,874

Sources: Author's calculations.

### *Long-term impact of the order*

The long-term impact of the order on honey has not yet been assessed by the Commission. However, some observations based on publicly available USDA data are possible.<sup>134</sup> The Commission's affirmative determination was issued in November 2001. That year saw a further decline in domestic colonies to 2.5 million. In the aftermath of the order, prices increased sharply, and they remained significantly higher through 2005. The number of colonies also increased in 2002 and 2003, though yields during those years were disappointing. The value of domestic production increased \$97 million in 2002 and another \$24 million in 2003. Though the value of domestic honey production declined in 2004 and 2005 along with prices, it has remained above the levels that prevailed during the Commission's investigation. Nonsubject imports increased significantly after the order, especially from Canada, but also from Vietnam, Mexico, Brazil, and Uruguay. After initially declining, imports from China increased substantially in 2003 as U.S. prices made those imports competitive even with the duties in place. Combined, imports from Argentina and China have not exceeded levels attained during the initial period of investigation.<sup>135</sup> The continued import of the subject merchandise has meant an additional \$5.9 million in CDSOA distributions to domestic producers during the 2002-2005 period.<sup>136</sup>

134 See Sugar and Sweeteners Yearbook Tables, at <http://www.ers.usda.gov/briefing/sugar/data.htm>.

135 For data on honey imports by country, see USITC Trade Dataweb at <http://dataweb.usitc.gov> for HTS 0409.00.00.

136 See [http://www.cbp.gov/xp/cgov/import/add\\_cvd/cont\\_dump/](http://www.cbp.gov/xp/cgov/import/add_cvd/cont_dump/).