

# CRS Report for Congress

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## Farm Commodity Programs: Honey

Carol Canada  
Technical Information Specialist  
Resources, Science, and Industry Division

Jasper Womach  
Agriculture Policy Specialist  
Resources, Science, and Industry Division

### Summary

The honey price support program was first created by the Agricultural Act of 1949 (P.L. 81-439) to provide market price stability for honey producers and to encourage maintenance of sufficient bee populations for pollination. It was repealed by the Federal Agricultural Improvement and Reform Act of 1996 (P.L. 104-127) following several years of suspension by appropriations laws. Limited assistance in the form of recourse loans was restored for the 1998 and 1999 honey crops. More marketing loan program support was approved for 2000, but funding was not provided for the 2001 honey crop. The 2002 farm bill (P.L. 107-171) restored marketing assistance loan program benefits for crop years 2002-2007. With the program expiring at the end of 2007, its future may be determined by the anticipated 2007 farm bill. This report will be updated as legislative developments transpire.

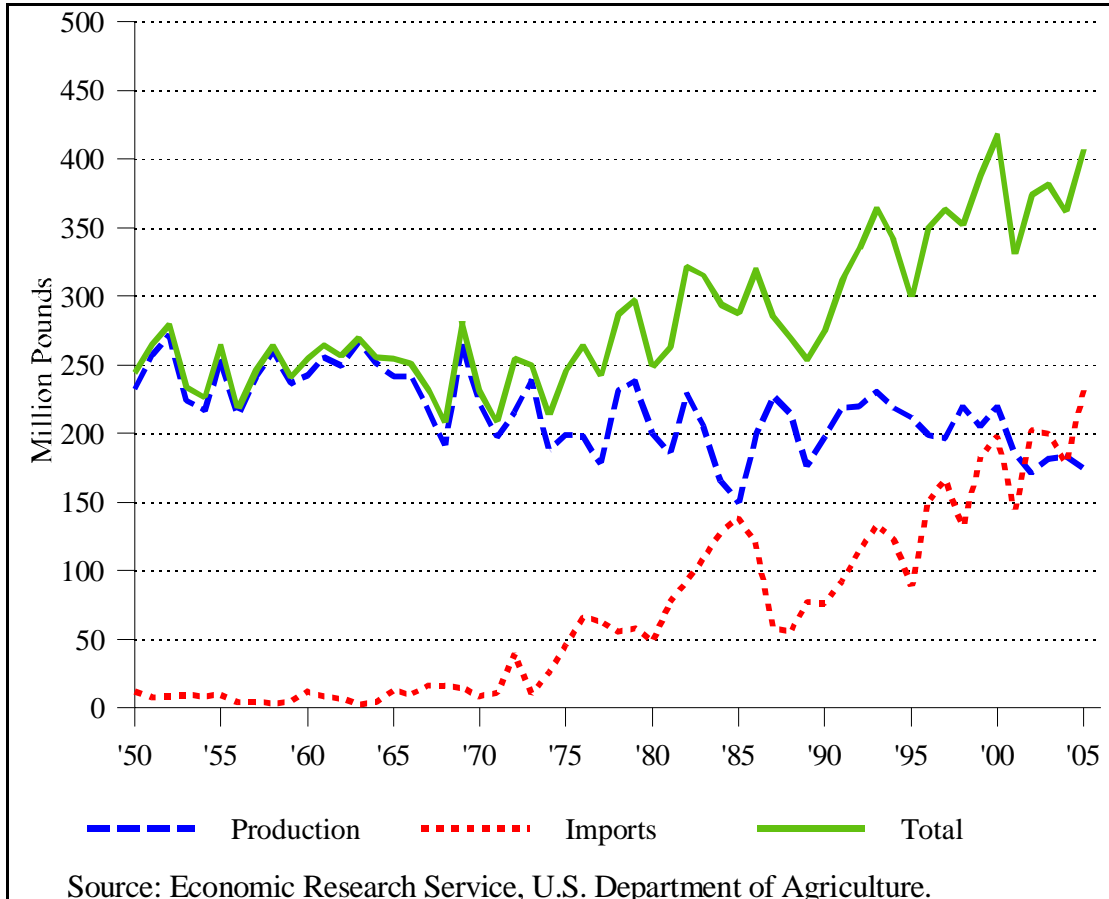
### Industry Profile

**Production and Prices.** In 2002, according to the U.S. Census of Agriculture, there were 12,029 beekeepers with 2.4 million honey bee colonies, and they produced 175 million pounds of honey. In 2005, the national average yield was 73 pounds per colony and the farm price averaged \$0.90 per pound. As shown in **Figure 1**, honey production stayed near 250 million pounds until the mid-1960s. Then it gradually trended downward and became more variable from year to year.

Beekeeping is heavily concentrated along the U.S. northern border from Michigan to Washington, where there are large areas of alfalfa and clover nectar, and in Florida, California, and Texas, where fruits and vegetables are sources of nectar and the growers need pollination services. The four leading states (ND, SD, FL, CA) account for nearly 50% of U.S. honey production.

**Imports.** Honey imports were negligible until the early 1970s, when they began to grow rapidly. In 2005, honey imports reached a record high of 233 million pounds. The top five foreign suppliers in 2005, accounting for 80% of total imports, were China (28%), Argentina (22%), Vietnam (13%), Canada (10%), and India (7%).

**Figure 1. Production, Imports, and Total Honey, 1950-2005**



In 2001, the U.S. International Trade Commission (USITC) determined that the domestic honey industry had been harmed by imports of honey from Argentina and China. In addition, the International Trade Administration (ITA) found that honey from these countries was being imported at less than fair value,<sup>1</sup> and that the honey industry in Argentina was being subsidized.<sup>2</sup> Consequently, the ITA imposed antidumping duties on honey from these countries. Also, countervailing duties were imposed on imports from Argentina. A five-year sunset review of these determinations begins in 2006.<sup>3</sup> The U.S.

<sup>1</sup> *Notice of Amended Final Determination of Sales at Less than Fair Value and Antidumping Duty Order: Honey from the People's Republic of China*, 66 FR 63670-72, December 10, 2001. *Notice of Amended Final Determination of Sales at Less than Fair Value: Honey from Argentina*, 66 FR 58434-35, November 21, 2001.

<sup>2</sup> See CRS Report RL32371, *Trade Remedies: A Primer*, by Vivian C. Jones, for information on antidumping and countervailing duty procedure.

<sup>3</sup> ITA and the ITC review each outstanding antidumping and countervailing duty order every five years to determine whether revocation of the order would be likely to lead to (1) a continuation  
(continued...)

honey industry accused Chinese honey exporters of circumventing antidumping and countervailing duty orders. However, remedial legislation was adopted by the 109<sup>th</sup> Congress that is expected to eliminate those problems.<sup>4</sup>

**Farm Structure.** While not distinguished by size in the Census of Agriculture, the nation's 12,029 beekeepers have been classified by USDA as (a) hobbyist, (b) part-time or sideliner, or (c) commercial or full-time.<sup>5</sup> Hobbyist beekeepers own fewer than 25 colonies and keep bees for a hobby or for small-scale pollination of orchard or field crops. Most honey produced by hobbyists is consumed at home, given away, or sold directly by the beekeeper. Part-time or sideliner beekeepers each own between 25 and 299 colonies and market their honey either through direct sales to consumers or retail outlets, or through bulk sales to honey processors. Commercial or full-time beekeepers each own 300 or more colonies and, according to the USDA, are responsible for about 60% of the extracted honey produced in the United States.

Many commercial specialty crops require pollination by insects to bear seeds or fruit. In some cases, farmers contract with beekeepers for pollination services, rather than maintaining their own bee colonies or relying on wild insects. Hobbyist and part-time beekeepers generally do not engage in contract pollination, but pollination fees can be an important source of income for some commercial beekeepers. For most beekeepers, however, the receipts from honey and beeswax sales far exceed the fees received from pollination services.

Some fruit and vegetable farmers are concerned, because of the decreasing number of honeybee colonies, about future pollination services. Over the past 20 years, bee colonies have dropped about 25% (from 3.2 million to 2.4 million). In addition to honey import competition, other threats to the beekeeping industry include diseases and parasites that are difficult to control, inadvertent exposure to insecticides, and northward migration of the Africanized honeybee.<sup>6</sup>

**National Honey Board.** The Honey Research, Promotion, and Consumer Information Act of 1984 (P.L. 98-590) authorized creation of a 13-member National Honey Board. The board receives an assessment of 1¢ per pound on all domestic and imported honey, which it uses to finance and administer a national research, promotion, and consumer information program to expand domestic and foreign markets for U.S. honey. Assessments totaled \$3.6 million in 2005. USDA's Agricultural Marketing Service is responsible for overseeing the board's activities and reviewing its programs, budgets, and expenditures.

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<sup>3</sup> (...continued)

or recurrence of dumping or subsidies and (2) material injury. If both agencies make affirmative determinations, the order is continued for another five years; if not, the order is revoked.

<sup>4</sup> P.L. 109-280, Sec. 1632, requires "new shippers" to post cash deposits while awaiting the assignment by ITA of a duty rate. For more detail, see CRS Report RS22290, *Trade Remedies: New Shipper Reviews*.

<sup>5</sup> The Census of Agriculture surveys farms with five or more colonies. Therefore, this number understates the producer count by excluding some of the small hobby or part-time beekeepers.

<sup>6</sup> The threat to fruit and vegetable farmers lies in beekeepers not providing services in areas where the more aggressive Africanized bees drive out or breed into domestic colonies.

## Honey Support Program History

The Agricultural Act of 1949 (P.L. 81-439, Section 201) provided permanent authority and made available price support for honey through USDA's Commodity Credit Corporation (CCC). The support program offered nonrecourse loans to producers who supplied honey as loan collateral. Effectively, this made the loan rate the price received by farmers whenever market prices were below the loan rate. As shown in **Figure 2**, from 1982 to 1990 the average loan rate of honey was higher than the average market price of honey. This caused producers to forfeit honey to the CCC, and honey packers and industrial users to import honey.

Encouraged by high loan forfeitures, and by a report from the General Accounting Office (GAO, now the Government Accountability Office) stating that the honey price support program was not needed to ensure crop pollination, the 1985 farm bill (P.L. 99-198, Section 1041) reduced the level of support and dropped the escalation formula. The 1990 farm bill (P.L. 101-624, Section 207) allowed producers to choose loan deficiency payments instead of nonrecourse loans.<sup>7</sup>

In the mid-1990s, Congress and the Administration were trying to reduce the budget deficit, and farm programs were one target for spending cuts. The USDA appropriation acts for FY1994 (P.L. 103-111) and FY1995 (P.L. 103-330) provided no funding for the honey support program. Then, the 1996 farm bill (P.L. 104-127, Section 171) repealed altogether the honey price support authority. Subsequent laws instituted recourse loans for the 1998, 1999, and 2000 crop years (P.L. 105-277, Section 1122; P.L. 106-78, Section 801; P.L. 106-224, Section 204). Before the end of 2000, that year's entire honey crop was made eligible for marketing loan benefits at a support price of \$0.65 per pound (P.L. 106-387, Section 812). Though no support was approved for the 2001 honey crop, the 2002 farm bill (P.L. 107-171, Subtitle B) brought honey back into the group of commodities eligible for nonrecourse marketing assistance loans and loan deficiency payments with a loan rate of \$0.60 for crop years 2002-2007.

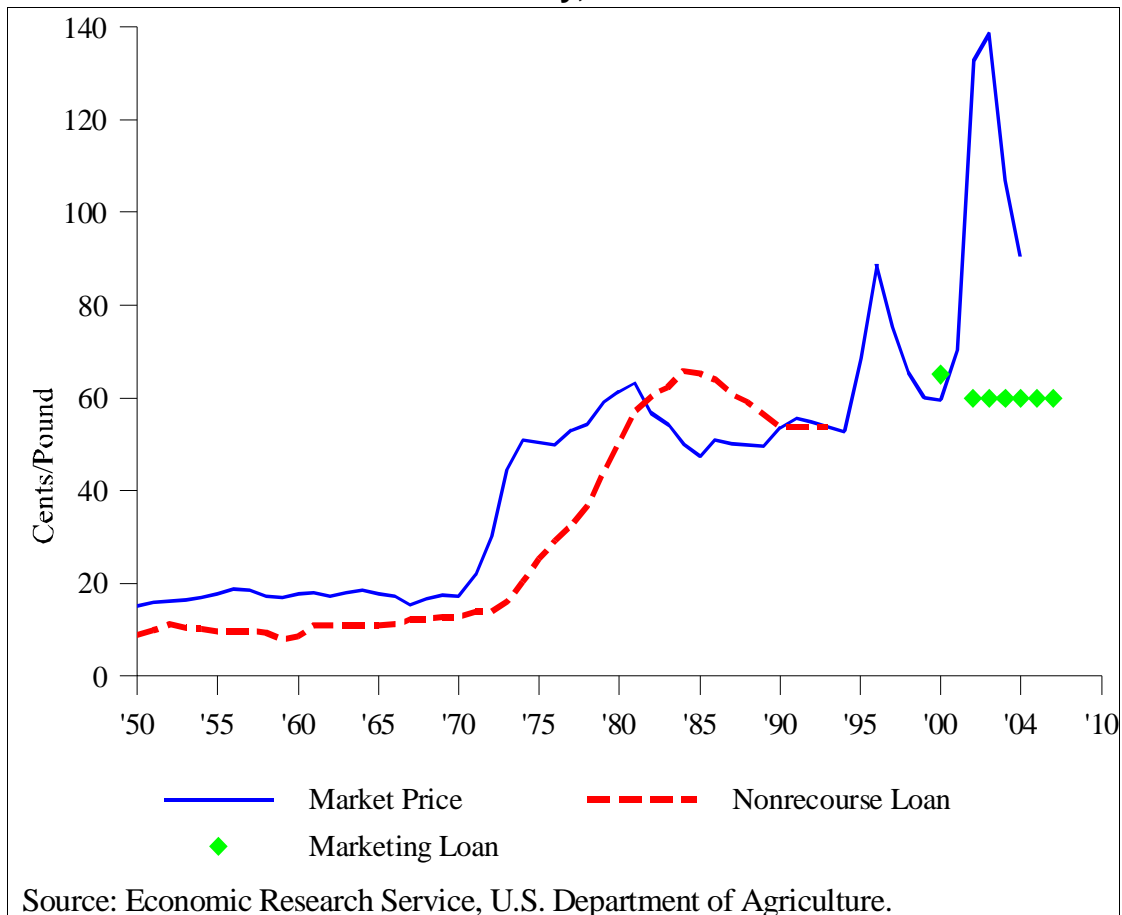
The honey program reached a record high cost of \$100 million in FY1988. More recently, annual net outlays for FY2001 through FY2005 were, respectively, \$23 million, \$3 million, \$1 million, \$3 million, and \$8 million. Budget estimates as of July 2006 put FY2006 net outlays at \$7 million.<sup>8</sup>

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<sup>7</sup> Nonrecourse loans allow the borrower to forfeit the honey pledged as collateral as full satisfaction of the repayment obligation, no matter how low the market price of honey. No additional recourse is available to the lender to recover the full loan principal and interest. A payment for the difference between the higher loan rate and the lower market price is called a loan deficiency payment. Loan deficiency payments give producers the monetary benefit of the commodity loan program and allow them to retain ownership of the honey. The advantage to the government is in not taking possession and having to manage and dispose of forfeited honey. For more detailed explanations of nonrecourse loans and loan deficiency payments, see CRS Report RL33271, *Farm Commodity Programs: Direct Payments, Counter-Cyclical Payments, and Marketing Loans*.

<sup>8</sup> Note that the honey marketing year corresponds to the calendar year, whereas program expenditure data are reported by fiscal year.

**Figure 2. Average Market Prices and National Loan Rates for Honey, 1950-2007**



## 2007 Farm Bill Issues

Along with other commodities receiving mandatory federal support, the honey program expires after the 2007 crop. The future of the program may be decided by the anticipated 2007 farm bill.<sup>9</sup> Unlike periods in the past, there appears to be no opposition directed specifically at the honey program. However, it likely would be folded into the overall commodity support issues of economics, budget, and trade policy.

Two economic considerations affecting all commodities receiving mandatory support are (1) the effect of subsidies on competitiveness, and (2) the equity of concentrating most of the benefits in the hands of a small proportion of the farmers. Economists have determined that for crop farms, much of the benefit from commodity subsidies has been capitalized into land prices. This raises the cost of production and makes these U.S. crops less competitive in the global marketplace. Historically, this has been remedied by larger subsidies. This is a cycle that some policymakers want to escape, and honey could be impacted.

<sup>9</sup> See CRS Report RL33037, *Previewing a 2007 Farm Bill*, coordinated by Jasper Womach.

As a consequence of economies of size throughout agriculture, the benefits of farm subsidies are increasingly concentrated in the hands of a few large operations. Specifically, for honey, one analysis has determined that over the 1995-2004 period, all \$29 million in honey subsidies went to 2,727 recipients (these recipients amount to 23% of the 12,029 producers counted in the 2002 Census). Furthermore, 57% of the money went to 10% of recipients (272 producers).<sup>10</sup> Honey producers counter that this concentration simply reflects the comparatively small number of commercial producers producing most of the honey and large number of hobbyists that produce little honey. Also, it is the commercial beekeepers, not the hobbyists, that fruit and vegetable growers rely upon for crop pollination.

A large overall federal budget deficit is expected to put pressure on all commodity support program spending. This is in the face of pressure to broaden assistance to crops that heretofore have not received support, namely the fruit and vegetable crops. In addition, conservation and environmental groups are pressing for a “greening” of farm assistance, with increased spending on such programs as the Environmental Quality Incentives Program (EQIP), the Conservation Security Program (CSP), and the Conservation Reserve Program (CRP). Without additional funds, broadening the uses of commodity support funds would diminish the amount available for commodity support.

On the trade policy side, the marketing loan program is classified by the World Trade Organization (WTO) as highly production- and trade-distorting. There is the possibility that a competing country could bring a dispute claim to the WTO, arguing that the marketing loan program effectively displaces imports from the U.S. market and functions as an export subsidy in violation of the Agreement on Agriculture. Concern over this possibility could encourage a change in policy for all commodities in the next farm bill.

Beekeepers, especially the commercial operators, see the honey support program as critically import to stabilizing their income in an era of instability. Recently, honey prices have been high, but only because of a worldwide honey shortage caused by droughts in China, Argentina, and the United States. At some point production likely will rebound. Then, according to a spokesman for the American Honey Producers Association, when prices drop, not only the beekeepers will be sustained through the hard times by the honey program, but also the fruit and vegetable producers who would continue to have available the pollination services that are essential to their crops.

Additional public policy initiatives by the beekeepers include (a) a petition to the Food and Drug Administration to create a standard of identity for honey as a countermeasure to adulteration and labeling problems, (b) establishment of a Postal Service requirement that, like its own carriers, all of its contract carriers deliver packaged bees, and (c) increased funding for bee-related research at the four federal bee laboratories.

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<sup>10</sup> The analysis, *Honey Subsidies in the United States*, was done by the Environmental Working Group using data from the USDA and is available at [<http://www.ewg.org>].