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CRS Report for Congress

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Farm Commodity Programs: Honey

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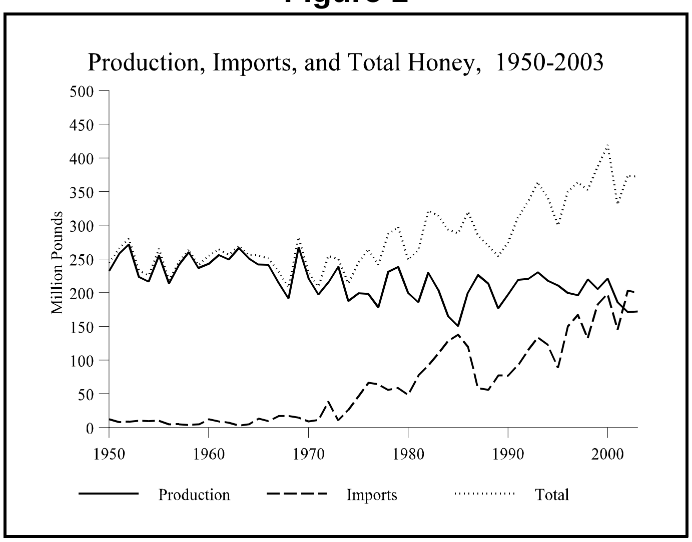
Summary

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 It was repealed by the Federal Agricultural Improvement and Reform Act of 1996 (P.L. 104-127) following several years of suspension by appropriations laws and concerns about its contribution to the federal deficit. Limited assistance in the form of recourse loans was restored for the 1998 and 1999 honey crops. More generous support was approved for 2000, including marketing assistance loans and loan deficiency payments. Funding was not provided for the 2001 honey crop. The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) authorized marketing assistance loans and loan deficiency payments for crop years 2002-2007. This report will be updated as circumstances warrant.

Industry Profile

In 2003 there were 2.6 million honey bee colonies (kept by producers with five or more colonies) that produced 181 million pounds of honey in the United States. The annual yield averaged 70 pounds per colony and the price for the 2003 crop averaged 140¢ per pound. Production in 2002 fell by 14 million pounds below the 186 million pounds in 2001. 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. Production was 220 million pounds in 2000, which is about

Figure 1

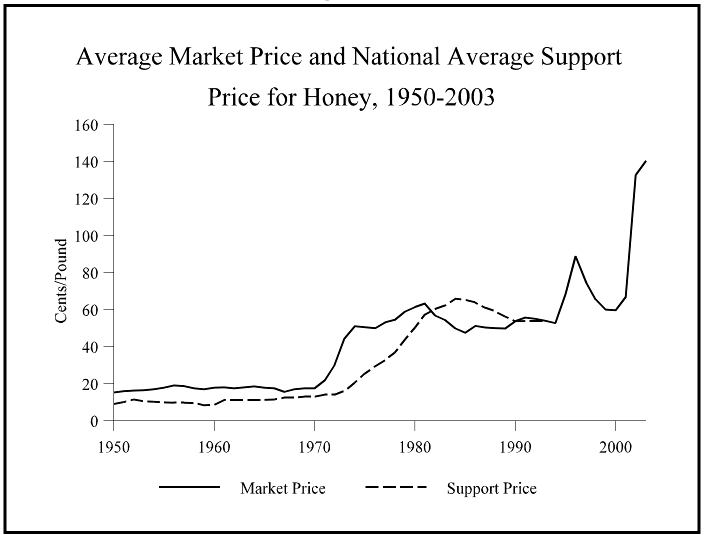


the same as the 220.3 million pound average of the past 50 years. Honey imports were negligible until the early 1970s, when they began to grow rapidly. In 2000, honey imports reached a then-record high of 198 million pounds. This was surpassed in 2002 by 5 million pounds as imports rose to 203 million pounds, a 40% increase from 145 million pounds in 2001. Honey imports were 200 million pounds in 2003.

In 2001, the U.S. International Trade Commission (USITC) determined that the U.S. domestic honey industry had been harmed by imports of honey from Argentina and China that were sold in the United States at less than fair value. USITC's ruling allowed the U.S. Customs Service to impose antidumping duties on imports from Argentina and China. Countervailing duties, in addition to the antidumping duties, were also imposed on imports from Argentina. These duties are to offset subsidized honey imports from Argentina. In 2001, Argentina and China were the top two suppliers of honey to the United States. They accounted for 31% and 27% of U.S. honey imports respectively in 2001. The top three foreign suppliers of honey to the U.S. market in 2003 were China (25%), Canada (13%), and Vietnam (9%).

As shown in **Figure 2**, the average price of honey remained below 20¢ per pound until the 1970's, then it rapidly increased. From 1982-1990 the average support price of honey was higher than the average price of honey. Then, the support price of honey was lowered by legislation. The program was not funded in crop years 1994 and 1995, and was repealed in 1996. The average price of honey increased by 90% to 133¢ in 2002 from 70¢ in 2001. The average price of honey was 140¢ in 2003, an increase of 5% from 2002.

Figure 2



According to a report, *The U.S. Beekeeping Industry*, published by the United States Department of Agriculture (USDA) in 1995, there are approximately 212,000 beekeepers in the United States. About 200,000 are classified as hobbyist, 10,000 as part-time or sideliner, and between 1,600-2,000 as commercial or full-time. 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 crops require pollination by insects to bear seeds or fruit. In some cases, producers of these crops may 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. However, for most beekeepers, the receipts from honey and beeswax sales far exceed the fees received for pollination services.

Some fruit and vegetable farmers are concerned about pollination because of the decreasing number of honey bee colonies. Threats to honey bee colonies and the honey bee industry include disease and parasites that are difficult to control, herbicides and pesticides, the Africanized honeybee, and imports of foreign honey.

Program History

The Agricultural Act of 1949 (P.L. 81-439, Section 201) provided permanent authority and made available price support through USDA's Commodity Credit Corporation (CCC). The support program offered nonrecourse loans to producers who supplied honey as collateral. If a producer was unable or unwilling to pay off a loan, the producer could forfeit the honey to the CCC in full satisfaction of the loan.

In the early eighties, the honey support price was higher than the average domestic wholesale and world price, thus honey producers forfeited honey to the CCC and honey packers and industrial users imported honey for domestic use. As a result of high loan forfeitures, and a report by the General Accounting Office (GAO) stating that the honey price support program was not needed to ensure crop pollination, the Food Security Act of 1985 (P.L. 99-198, Section 1041) made several changes to the program. The act dropped the parity formula used to calculate the honey support price, established lower support prices, and prohibited loan deficiency payments. It also gave USDA discretionary authority, which was exercised from crop years 1986-1993, to permit repayment of honey loans at a lower rate than the loan rate. In 1990, the honey price support program was amended by the Food, Agriculture, Conservation, and Trade Act (P.L. 101-624, Section 207). The act allowed producers to choose to receive a loan deficiency payment instead of a nonrecourse loan.

In the mid-nineties, Congress and the Administration were trying to reduce the budget deficit and farm programs were one target for spending cuts. The USDA appropriation acts of 1994 (P.L. 103-111) and 1995 (P.L. 103-330) provided no funding for the honey support program. In 1996, the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127, Section 171) repealed the honey price support program authority.

Recent Congressional Action

Although the honey program had been terminated by the 1996 farm bill, the 1999 Omnibus Consolidated and Emergency Appropriations Act (P.L. 105-277, Section 1122) instituted recourse loans for the 1998 honey crop year. Recourse loans provide honey producers with interim financing to assist them in marketing their crop in an orderly manner and must be repaid within a certain term. The loan rate formula was 85% of the average market price of honey over the previous five years, excluding the highest and lowest price years. The recourse honey loan program operated on a no-net-cost basis (no cost to the federal government). The program was extended to the 1999 honey crop by the FY2000 USDA appropriations act (P.L. 106-78, Section 801), and to the 2000 honey crop by the Agricultural Risk Protection Act of 2000 (P.L. 106-224, Section 204).

The FY2001 USDA appropriations act (P.L. 106-387, Section 812) included provisions that made nonrecourse marketing assistance loans and loan deficiency payments available to producers of the 2000 honey crop. The key provisions of the program were: (1) a loan rate of 65¢ per pound of honey for marketing assistance nonrecourse loans (honey could be delivered to settle the loan); (2) repayment at the lower of the loan rate, plus interest, or the prevailing domestic market price, as established by USDA; (3) loan deficiency payments were available for the difference between 65¢ and the market price for producers willing to forego taking a loan on the honey; (4) outstanding recourse loans were converted to nonrecourse loans; (5) producers who had sold 2000-crop honey were eligible for a payment as if the FY2001 provisions had been available to them; (6) payment limitations were $150,000 per producer, the same as other marketing loan programs. CCC net outlays for the honey program were $23 million in FY2001.

The Farm Security and Rural Investment Act of 2002 (P.L. 107-171, subtitle B) authorized nine-month nonrecourse marketing assistance loans and loan deficiency payments for honey producers for marketing crop years 2002-2007. The key provisions of the program are: (1) a loan rate of 60¢ per pound for marketing assistance nonrecourse loans (honey can be delivered to settle the loan); (2) repayment at the lower of the loan rate, plus interest, or the prevailing domestic market price, as established by USDA; (3) loan deficiency payments are available for producers willing to forego taking a loan on the honey; (4) the loan deficiency payment rate is the difference between the loan rate of 60¢ and the market price. The Congressional Budget Office (CBO) April 2001 Budget Resolution Baseline estimated that budget authority under P.L. 107-171 for honey producers would be $71 million from 2002-2007. CBO revised the March 2002 Budget Resolution Baseline estimated budget authority down to $25 million based on projected higher honey prices. CBO's March 2004 budget resolution baseline estimated honey outlays would be $3 million from 2002 to 2007. Outlays for 2002-2004 net out to zero. 2002 actual outlays were -$3 million and 2003 and 2004 are estimated at $1 and $2 million, respectively. Outlays for 2005 and 2006 are estimated at zero, while 2007 is estimated at $3 million. These estimates may change with market conditions.

National Honey Board

The Honey Research, Promotion, and Consumer Information Act (P.L. 98-590) authorized creation of a 13 member National Honey Board. It is composed of members from the honey industry and the general public. The Board collects 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 honey. USDA's Agricultural Marketing Service is responsible for overseeing the Board's activities and reviewing its programs, budgets, and expenditures.