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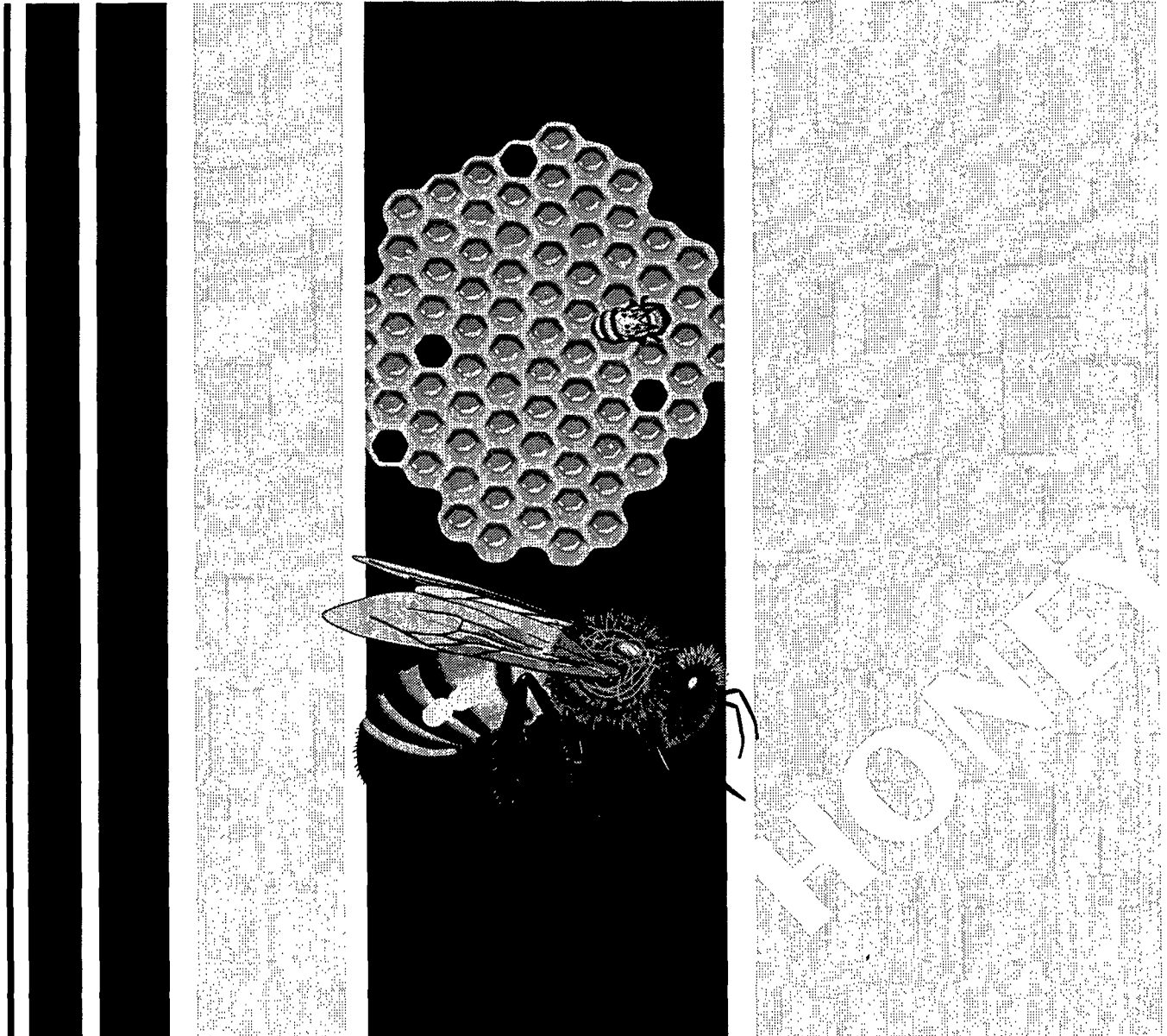
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An Economic Research Service Report

Honey

Background for 1995 Farm Legislation

Frederic L. Hoff



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Abstract

The U.S. Government has supported the price of honey since 1950 by providing market price stability to honey producers to encourage them to maintain honeybee populations sufficient to pollinate important agricultural crops. When honey support prices moved above the average domestic price in the early 1980's, domestic producers found it profitable to forfeit their honey to the Government while packers and industrial users imported lower priced honey for domestic use. Changes made in the program by the Food Security Act of 1985 reduced forfeitures of honey to the Government and made domestic honey competitive with imports. Consequently, imports declined from 138.2 million pounds in 1985 to 55.9 million in 1988. At the same time, Government take-over of forfeited honey declined from 98 million pounds in 1985 to 1.1-3.2 million pounds from 1989 through 1992. Expenditures and takeovers will decline even further in fiscal years 1994 and 1995 with amendments to the Appropriations Acts, which eliminated deficiency payments and loan forfeitures for 1994 and 1995 crop honey.

Keywords: Beekeepers, farm programs, honey, honeybees, policies, price supports.

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Foreword

Congress will soon consider new farm legislation to replace the expiring Food, Agriculture, Conservation, and Trade Act of 1990. In preparation for these deliberations, the U.S. Department of Agriculture and other groups are studying previous legislation and current situations to see what lessons can be learned that are applicable to the 1990's and beyond. This report updates *Honey: Background for 1985 Farm Legislation* (AIB-465) and *Honey: Background for 1990 Farm Legislation* (AGES 89-43), by Frederic L. Hoff and Jane K. Phillips. It is one of a series of updated and new Economic Research Service background papers for farm legislation discussions. These reports summarize the experiences with various farm programs and the key characteristics of the commodities and the industries that produce them. For more information, see Additional Readings at the end of the text.

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Summary

Changes made in the honey program by the Food Security Act of 1985 reduced forfeitures of honey to the Government and made domestic honey competitive with imports. Honey imports, government takeover of domestic honey, and government expenditures all declined as a result. Expenditures and takeovers will decline even further in fiscal 1994 and 1995 with amendments to the fiscal 1994 and 1995 Appropriations Acts, which eliminate deficiency payments and loan forfeitures for 1994 and 1995 crop honey.

Honeybees are vital to the commercial production of many crops, and to the pollination of ornamentals, spices, fruits and vegetables in home gardens, and plants that provide food and shelter for wildlife and help control soil erosion. An estimated 15 percent of the plant-derived portion of the human diet comes from plants dependent upon, or helped by, insect pollination and about one-third of the human diet is derived directly or indirectly from insect-pollinated plants. Crops that benefit from pollination are generally increasing in acreage and yield.

This report provides information on the structure of the beekeeping industry, including trends in domestic and world production, consumption, prices, and trade. The history of the domestic honey program is summarized through the 1980's, then discussed in some detail for 1990 and subsequent legislation. This report also highlights some of the data obtained from national surveys of honey producers, packers, importers, and brokers by Cornell University in 1988 and the International Trade Commission in 1993.

The honey price support program was legislated in the Agricultural Act of 1949 and put into effect in 1950. The program was enacted after honey prices dropped following World War II due to depressed demand and surplus inventories of honey. The program seeks to maintain a viable beekeeping industry so that certain agricultural crops are provided the pollination needed to achieve a commercial level of production. Beekeepers have also benefited from the program, which has smoothed out price fluctuations and provided a market for honey at an assured price.

During the 1960's and 1970's, the honey price support program operated at little government cost. However, inflation in the late 1970's and early 1980's moved the honey support price above both the domestic and import price. Consequently, the industry found it profitable to import lower priced honey for domestic use and to forfeit domestically produced honey to the Government. As a result, forfeitures of honey to the Commodity Credit Corporation (CCC) escalated from 6 million pounds in 1980 to around 106 million pounds in 1983 and 1984.

To make domestic honey more competitive in commercial and export markets, and thus reduce forfeitures and lower government costs of the honey program, the Food Security Act of 1985 contained a market loan provision. The provision, discretionary on the part of the Secretary of Agriculture, allows a producer to repay a loan at a level that the Secretary determines will minimize the number of loan forfeitures, preclude excessive stocks of honey, reduce costs incurred by the Government in storing honey, and maintain the competitiveness of honey in domestic and export markets. The provision was successful as imports steadily declined from 138.2 million pounds in 1985 to 55.9 million pounds in 1989. CCC takeover of forfeited honey declined from 106 million pounds in 1984 to around 3 million pounds in 1991 and 1992.

Congressional concern about reducing government spending and the need to eliminate subsidies to farm programs like honey and wool led to an amendment in the 1994 and 1995 Appropriations Acts. The amendment eliminated payments and forfeitures for 1994 crop honey in fiscal 1994 and for 1994 and 1995 crop honey in fiscal 1995.

U.S. beekeepers are facing challenges and issues that are expected to alter the industry before the end of the 20th century. The growing infestation of tracheal and Varroa mites, the migration of the Africanized honeybee into the Southern United States, the use of certain toxic chemicals in honeybee foraging areas, the current increase in honey imports from China, and changes in the honey price support program are reducing the number of bees available for honey production and crop pollination and may change the way bees are managed.

Estimates of the number of beekeepers in the United States vary from 139,000 to 212,000. An estimated 95 percent of the beekeepers are hobbyists with fewer than 25 colonies. Another 4 percent are part-time beekeepers who operate 25-299 colonies. Commercial beekeepers, those owning 300 or more colonies, are estimated to number about 2,000. Hobbyists and part-time beekeepers combined account for 99 percent of beekeepers, 50 percent of colonies, and 40 percent of honey production. Loan deficiency payments and/or price support loans were obtained by 4,035 producers in 1991 and represented 91 percent of U.S. honey production.

After peaking in 1947 at 5.9 million, the number of honeybee colonies in the United States has gradually declined to slightly under 3 million in 1993. Declining colony numbers are largely due to fewer easily accessible floral sources of nectar, increased use of pesticides, increasing losses from mites, rising production costs, and declining net income. U.S. honey production has ranged from 272 million pounds in 1952 to 150 million pounds in 1985. Despite the declining number of colonies, honey production has increased since 1990, largely due to increasing honey yields per colony.