Honey from The People's Republic of China

Investigation No. 731-TA-722 (Preliminary)

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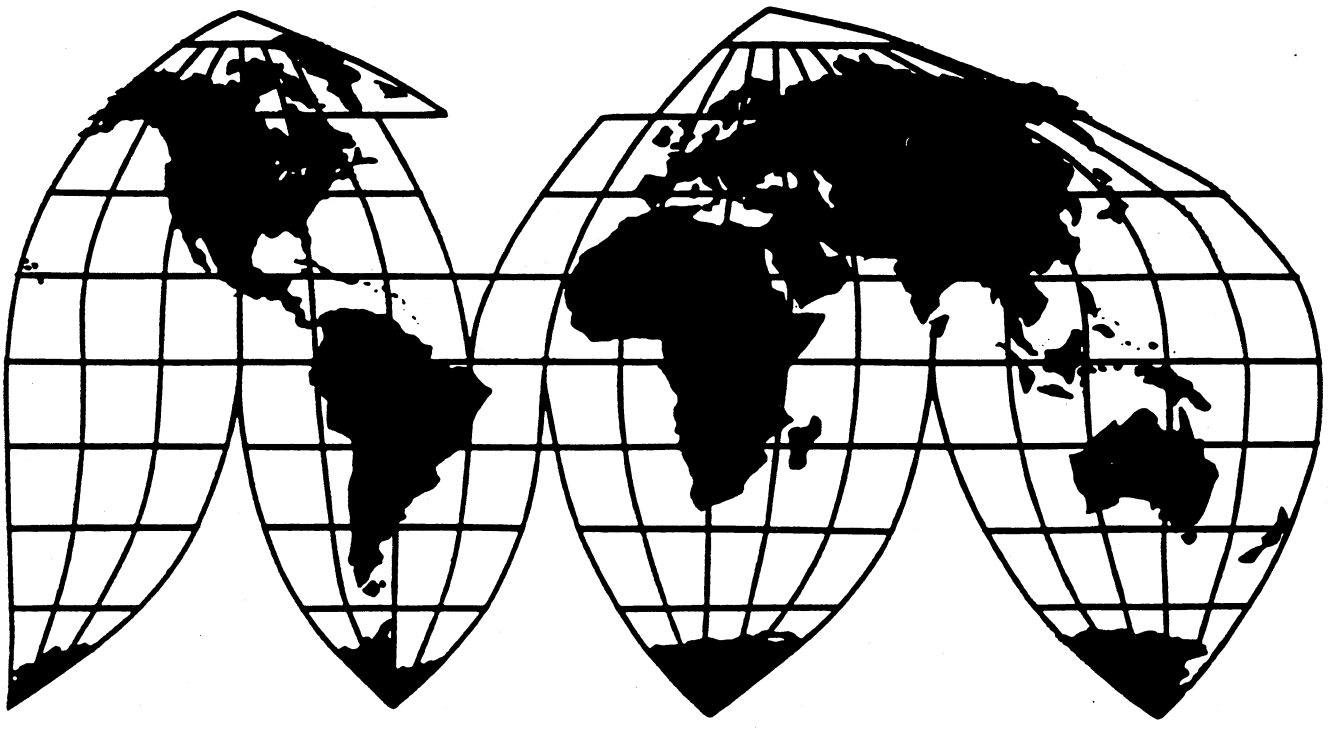
U.S. International Trade Commission



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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

PART I

DETERMINATION AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Honey From The People's Republic of China

Investigation No. 731-TA-722 (Preliminary)

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930,[2] that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of honey[3] from The People's Republic of China (China), that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On October 3, 1994, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by counsel on behalf of the American Beekeeping Federation, Inc. (ABF) and the American Honey Producers Association (AHPA), alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of honey from China.

Accordingly, effective October 3, 1994, the Commission instituted antidumping investigation No. 731-TA-722 (Preliminary). Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of October 13, 1994.[4] The conference was held in Washington, DC, on October 24, 1994, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] 19 U.S.C. § 1673b(a).

[3] The products covered by this investigation are natural honey, artificial honey containing more than 50 percent natural honey by weight, and preparations of natural honey containing more than 50 percent natural honey by weight. The subject products include all grades and colors of honey whether in liquid, creamed, comb, cut comb, or chunk form, and whether packaged for retail or in bulk form; they are currently provided for in heading 0409 and subheadings 1702.90 and 2106.90 of the *Harmonized Tariff Schedule of the United States* (HTS).

[4] 59 F.R. 51996.

VIEWS OF THE COMMISSION

Based on the record in this preliminary investigation,[1] we determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of honey from the People's Republic of China ("China") that are allegedly sold in the United States at less than fair value ("LTFV").[2] [3]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping duty investigations requires us to determine, based upon the best information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV imports.[4] In applying this standard, we weigh the evidence before us and determine whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."[5]

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[1] We note that the Commission recently conducted an investigation of imports of honey from China, pursuant to section 406 of the Trade Act of 1974, to determine whether market disruption existed with respect to those imports. See Honey from China, Inv. No. TA-406-13, USITC Pub. 2715 (Jan. 1994). In that investigation the Commission determined that imports of honey from China were rising rapidly so as to be a significant cause of threat of material injury to the domestic industry. That record has not been incorporated into the record in this investigation. The instant investigation is being conducted under title VII of the Tariff Act of 1930. Each title VII investigation is sui generis and determinations in prior investigations on a different record are of limited guidance. Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087 (Ct. Int'l Trade 1988); Armstrong Bros. Tool Co. v. United States, 483 F. Supp. 312, 328 (Cust. Ct.), aff'd, 626 F.2d 168 (C.C.P.A. 1980). In addition, the statutory standards in section 406 investigations differ in a number of respects from the standards applicable to title VII investigations. See, e.g., Minivans from Japan, Inv. No. 731-TA-522 (Preliminary), USITC Pub. 2402 (July 1991), at 22 (Commission cannot apply section 201 principles in antidumping duty investigations because of different statutory schemes, purposes and legislative histories); Tungsten Ore Concentrates from the People's Republic of China, Inv. No. 731-TA-497 (Preliminary), USITC Pub. 2367 (Mar. 1991) (sections 201 and 406 have different purposes and legislative histories and Commission cannot rely on them in antidumping duty investigations).

[2] Commissioner Crawford finds that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports. See her additional views, infra.

[3] Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in this investigation.

[4] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. U.S. Int'l Trade Comm'n, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

[5] American Lamb Co. v. United States, 785 F.2d at 1001; see also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992), aff'd, 991 F.2d 809 (Fed. Cir. 1993).

II. LIKE PRODUCT AND DOMESTIC INDUSTRY

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, we first define the "like product" and the domestic "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") defines the relevant industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."[6] In turn, the Act defines "like product" as a "product which is like, or in the absence of like, most similar in characteristics and uses with, the articles subject to an investigation."[7]

Our decision regarding the appropriate like product(s) in an investigation is essentially a factual determination, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[8] No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation. Generally, we require "clear dividing lines among possible like products" and disregard minor variations.[9]

The imported merchandise subject to this investigation has been defined by the Department of Commerce ("Commerce") as:

> *natural honey, artificial honey containing more than 50 percent natural honey by weight, and preparations of natural honey containing more than 50 percent natural honey by weight. The subject products include all grades and colors of honey whether in liquid, creamed, comb, cut comb, or chunk form, and whether packaged for retail or in bulk form.*[10]

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[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(10).

[8] See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("[E]very like product determination 'must be made on the particular record at issue' and the 'unique facts of reach case.'"). In analyzing like product issues, the Commission generally considers six factors, including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and (6) when appropriate, price. Calabrian Corp. v. U.S. Int'l Trade Comm'n, 794 F. Supp. at 382 n.4.

[9] Torrington Co. v. United States, 747 F. Supp. at 748-49.

[10] 59 Fed. Reg. 54,434 (Oct. 31, 1994). The imported product subject to this investigation is honey classified under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 0409.00.00, 1702.90.50, 2106.90.60, 2106.90.61, 2106.90.65, and 2106.90.69.

Honey is a sweet, viscous fluid derived by bees from the nectar of flowers. Color, flavor, and chemical and physical composition of honey depend upon the flora from which the nectar for the honey was taken. Honey is commonly regarded as a "natural" health food because the simple component sugars, fructose and glucose, can be assimilated without further breakdown by the digestive system, providing a source of quick energy.[11]

Nearly all commercial honey is extracted from the comb, although small quantities are consumed in the form of comb honey or chunk honey.[12] Specialty products known as "spun" or "creamed" honey, which consist of pure honey in which dextrose crystallization has been encouraged, also are marketed. Most honey will granulate over time as the glucose (dextrose) in the honey crystallizes out of the solution. Honey also will darken and deteriorate in flavor if held for long periods of time at above-average room temperatures. The means of preparation -- extraction, pressing or settling -- and processing can have an effect on the rate of deterioration of honey.[13]

While we must accept Commerce's determination as to which imported merchandise is within the class or kind of merchandise allegedly sold at less than fair value, we determine which domestic product is like the imported article defined by Commerce.[14] Petitioners contend that the Commission should determine that there is one like product, consisting of "honey."[15] The National Honey Packers and Dealers Association ("NHPDA") does not argue that the Commission should find otherwise. Chinese exporter-respondents suggest that components of artificial honey and food preparations containing honey should be part of the like product.[16] Based on the evidence in the record, we determine that there is one like product, consisting of natural honey, artificial honey containing more than 50 percent natural

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[11] Confidential Report ("CR") at 5; Public Report ("PR") at II-5. Honey may be typed according to several different factors, including its floral source, its color, the season in which it was harvested, its physical state, or the means of preparation. The floral source of the honey can impart its distinctive flavor; for instance, alfalfa, buckwheat, clover, mesquite, orange blossom, and sage. Floral sources can also impart a distinctive color, such as light-colored clover honey, yellow-orange sunflower honey, and dark-colored buckwheat honey. Honey is valued according to both floral source and color, with the lighter colors and milder flavors of honey generally being more valuable in most countries, including the United States. Different types of honeys may be blended to obtain the desired flavor and color as well as to provide a uniform product throughout a given market. CR at 6; PR at II-5-6.

[12] The beekeepers extract the honey from the comb, at which point it is still considered raw. Packers process the raw honey, blending it and performing additional filtration and repackaging activities. Tr. at 21-22, 81-86. See the discussion of the domestic industry, infra, for a more detailed explanation of the beekeepers' duties compared with those of the packers.

[13] CR at 6; PR at II-5-6.

[14] See, e.g., Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.2d 240 (Fed. Cir. 1989) ("ITC does not look behind ITA's [Commerce's] determination, but accepts ITA's determination as to which merchandise is in the class of merchandise sold at LTFV"); Torrington Co. v. United States, 747 F. Supp. at 748.

[15] Petition at 12; Petitioners' Postconference Brief at 2.

[16] See Respondents' Postconference Brief at 4-5.

honey by weight, and preparations of natural honey containing more than 50 percent natural honey by weight.[17]

B. Whether to Include Other Sweeteners in the Definition of the Like Product

We have examined the evidence on the record to consider whether we should expand the like product to include other sweeteners beyond those listed in Commerce's definition of the scope, such as corn syrup, sugar, artificial sweeteners, jams, and jellies.

Although some consumers purchase honey for table use for its perceived nutritional and health benefits, others use honey primarily as a sweetener and therefore consider factors such as flavor and price when deciding between honey and other sweeteners.[18] Price is also a factor in the industrial market, in which sugar, high fructose corn syrup, invert sugar, fruit juice, and non-caloric sweeteners are the main alternatives to honey.[19] In some products, such as salad dressings and sauces, high-fructose corn syrup may be substituted for honey because of its high degree of sweetness, hygroscopic abilities,[20] viscosity, and emulsion stability.[21] However, we find that the information gathered in this investigation does not support expanding the definition of the like product to include other sweeteners, nor do we find it necessary to revisit this issue in any final investigation.[22]

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[17] Commerce clarified the scope of the investigation to include artificial honey containing more than 50 percent natural honey by weight, and preparations of natural honey containing more than 50 percent natural honey by weight, after we had received responses to our questionnaires. Consequently, there is no evidence in the record as to what comprises artificial honey and preparations of natural honey containing more than 50 percent natural honey by weight. We are unaware as to whether there is substantial production in the United States of these products. Petitioners have stated that no artificial honey or preparations containing natural honey are currently being imported from China, and that they included these items in their petition solely to avoid circumvention of any antidumping order that is issued. Petitioners' Postconference Brief at 8; Tr. at 69-70. We do have evidence that imports of these products comprise a very small portion of the products entering under the relevant tariff headings. CR at 41 nn.51-52; PR at II-36, nn.51-52. However, in the event of a final investigation, we shall seek information on these two products in order to determine which product is like, or most like, the articles subject to investigation.

[18] CR at 24; PR at II-20.

[19] CR at 24, PR at II-20.

[20] Hygroscopicity is the ability of a material to remove moisture from the air.

[21] CR at 24; PR at II-20.

[22] In her analysis, Commissioner Crawford considers the availability of products that are not sufficiently similar to be included in the like product, but nonetheless may be interchangeable under certain circumstances. She requests that parties provide information on the interchangeability of honey with alternative sweeteners for purposes of any final investigation.

C. Whether to Find Raw Honey to Be a Like Product Separate from Processed Honey[23]

We have also considered whether raw and processed honey should be considered separate like products. We first note that raw and processed honey are quite similar in terms of their physical characteristics, and processing does not change the composition of the honey, but simply renders it more marketable.[24] It does appear, from the evidence on the record, that raw honey may, in some instances, be used in place of processed honey. Moreover, raw and processed honey have similar end uses, insofar as the majority of the end users of both raw and processed honey are consumers or others primarily involved in the food industry. While beekeepers sell raw honey to the packers (the processors), both may sell directly to consumers.[25] Further, there is some indication that the producers do not view the distinctions between raw and processed honey to be substantial.[26] Finally, some beekeepers also engage in processing activities. In view of the foregoing, we decline to find that raw and processed honey are separate like products.

D. Domestic Industry

Based upon the definition of the like product, we find that the domestic industry consists of all domestic producers of natural honey, artificial honey containing more than 50 percent natural honey by weight, and preparations of natural honey containing more than 50

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[23] Commerce has defined the scope to include honey "packaged for retail or in bulk form." Honey sold at the retail level may be raw or processed. See Tr. at 81-86. "Bulk" or industrial honey, however, is always processed. See CR at 17, 56; PR at II-14, II-49. Thus, both raw and processed honey are within the scope of this investigation.

The Commission may, when appropriate, consider the like product using a vertical, finished/semi-finished product analysis because the production process for raw and processed honey may be viewed as a continuum with raw honey at the "unprocessed" stage and processed honey at the "most processed" stage. See Canned Pineapple Fruit from Thailand, Inv. No. 731-TA-706 (Preliminary), USITC Pub. 2798 (July 1994), at I-8 n.37; Silicon Carbide from the People's Republic of China, Inv. No. 731-TA-651 (Final), USITC Pub. 2779 (June 1994), at I-7 - I-9. Under this analysis, we examine (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in costs or value of the vertically-differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles.

Under this analysis, we would also determine that there is one like product. We would base this finding on the evidence that raw honey is largely, but not entirely, dedicated to use in processing, see CR at 102; PR at II-90, the existence of the same or similar markets for the two products, see CR at 102; PR at II-90, very similar characteristics and uses, see CR at 20; PR at II-17; Respondents' Postconference Brief at 19, and the limited additional value added through processing. Tr. at 83.

[24] See Tr. at 81-86.

[25] See CR at 102; PR at II-90; Tr. at 82-84.

[26] See Tr. at 81-86.

percent natural honey by weight.[27] We have considered whether to include in the definition of the domestic industry independent packers (processors), in addition to beekeepers and producer-packers, as explained below. For the purpose of this preliminary investigation we include packers in the definition of the domestic industry.

The beekeepers engage in some processing by virtue of the fact that they extract the honey from the comb and pump it into settling tanks, at which point it is still considered raw. The packers perform additional filtration and repackaging activities, which remove impurities and increase shelf life.[28] As explained during the conference, the processing of the honey does not change its physical or chemical composition, but renders it more marketable in terms of factors such as appearance.[29]

Producer-packers are beekeepers that pack and process their own honey, although they may purchase small amounts from other beekeepers, and sell it directly to retail stores and industrial users or via roadside stands. Beekeepers may also be members of cooperatives that process, pack and market honey and which may also purchase imported honey.

Independent packers are not beekeepers. They process, pack and market a large proportion of U.S.-produced honey and almost all imported honey, including the subject imports. The packers often blend domestic and imported honey for sales to end users. They may market their retail products under their own brand name or under private label brands and they sell to retailers, food service operations and industrial users.[30]

In deciding whether a firm qualifies as a domestic producer, the Commission considers six factors relating to the overall nature of a firm's production-related activities in the United States.[31] The beekeepers, including those who perform packing activities, meet the criteria set forth by that analysis. As for the independent packers, their capital investment is not insignificant for this industry. In 1991, commercial packers' capital expenditures totaled $1.6 million, and their assets were valued at $17.7 million. The corresponding figure in 1992 was $883,000 in capital expenditures and $17.0 million in assets,

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[27] The Commission attempted to gather information with respect to artificial honey or preparations containing natural honey, but obtained little data. As stated above, we intend to seek more information on these two products should there be a final investigation.

[28] Tr. at 21-22, 81-86.

[29] See Tr. at 81.

[30] CR at 56; PR at II-49.

[31] The six factors the Commission examines are: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. See, e.g., Certain Cased Pencils from Thailand, Inv. No. 731-TA-670 (Final), USITC Pub. 2816 (Oct. 1994), at I-8 n.23; Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain, Invs. Nos. 731-TA-711-717 (Preliminary), USITC Pub. 2803 (Aug. 1994), at I-11 - I-12 & n.45.

and in 1993 the sum was $586,000 in capital expenditures and $17.3 million in assets.[32] The evidence on the record regarding the nature of the packers' activities indicates that blending is not a complex procedure.[33] However, the complexity of the heating and filtration process utilized by packers is unclear. Processing raw honey adds 10 to 20 percent in terms of value.[34] There were 680 total packer employees in 1991, 694 in 1992 and 701 in 1993.[35]

The statute also provides for inclusion of producers or growers of raw agricultural products within the domestic industry if (1) the processed agricultural product is produced from the raw agricultural product through a single continuous line of production, and (2) there is a substantial coincidence of economic interest between the producers or growers of the raw agricultural product and the processors of the processed agricultural product.[36] The statute further defines "raw agricultural product" as any farm or fishery product.[37] In this investigation, however, the question is whether to include the processors of the raw product, i.e. the packers, within the domestic industry. In an analogous recent investigation the Commission has found use of the statutory analysis to be helpful in analyzing this issue.[38] [39]

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[32] CR at 83, Table 25; PR at II-72. Beekeepers' capital expenditures were $1.1 million in 1991, $840,000 in 1992 and $724,000 in 1993. Their total assets were $22.2 million in 1991, $22.0 million in 1992 and $22.6 million in 1993. CR at 83, Table 25; PR at II-72.

[33] See Tr. at 81.

[34] Tr. at 83.

[35] CR at 67, Table 18; PR at II-60. With respect to beekeepers, 1992 estimates were that there were 2,424 full-time employees and 6,060 part-time employees, with 4,000 unpaid beekeepers. CR at 66; PR at II-59.

[36] 19 U.S.C. § 1677(4)(E)(i). In addressing coincidence of economic interest, the Commission may, in its discretion, consider price, added market value, or other economic interrelationships. 19 U.S.C. § 1677(4)(E)(i). If the Commission considers price or added market value, the statute provides the following direction:

(I) if price is taken into account, consider the degree of correlation between the price of the raw agricultural product and the price of the processed agricultural product; and

(II) if added market value is taken into account, consider whether the value of the raw agricultural product constitutes a significant percentage of the value of the processed agricultural product.

We note that, in this investigation, there is evidence on the record that the packers can charge less for their product than do the producers because they blend the cheaper subject imports with the domestic product. Tr. at 34; see also Petitioners' Postconference Brief at 10. Accordingly, under prong (I) of the test above, there is some correlation, albeit the degree of which is unknown, between the price of the raw honey and the price of the processed honey. With respect to prong (II), there is evidence that while the packers do add value, see Tr. at 82, such further processing is not required. Tr. at 83.

[37] 19 U.S.C. § 1677(4)(E)(iv).

[38] See Fresh Garlic from China, Inv. No. 731-TA-683 (Final), USITC Pub. 2825 (Nov. 1994), at I-24 - I-25. In previous investigations involving packers or processors of certain agricultural products, the Commission has looked to the nature of their operations, i.e. whether they perform sufficient activities to contribute to the output of the domestic like product, in deciding whether or not to include them within the definition of the domestic industry. See, e.g., Fresh Kiwifruit from New Zealand, Inv. No. 731-TA-516 (Preliminary), USITC Pub. 2394 (June 1991), at 6-8; Certain Red Raspberries from Canada,

(continued...)

Under this analysis there may not be a single continuous line of production in that raw honey can be sold without further processing, but most honey does appear to be processed and most of the honey produced in the United States is sold to packers. Indeed, the 15 largest packers (including a large-scale cooperative) account for 80 to 95 percent of the honey sold through wholesale and industrial channels of distribution.[40]

In evaluating the data on the coincidence of economic interest, there is some evidence that the pricing of the raw product may be related to the price of packed honey, but we do not have sufficient evidence at this time to draw a firm conclusion on this issue. In addition, the value of the raw product constitutes a significant percentage of the value of the processed product.[41] Moreover, many producers are also packers,[42] which also constitutes evidence of a coincidence of economic interest.[43] Accordingly, the data show there is some concurrence of economic interest between the producers and the packers.

Based on the information in the record, we conclude, for the purpose of this preliminary investigation, that the packers are domestic producers and that their activities are sufficient to constitute domestic production. We intend to reconsider this matter in any final investigation.

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[38] (...continued)
Inv. No. 731-TA-196 (Preliminary), USITC Pub. 1565 (Aug. 1984), at 8 (majority of bulk packers were grower-packers); Tart Cherry Juice and Tart Cherry Juice Concentrate from Germany and Yugoslavia, Invs. Nos. 731-TA-512-513 (Preliminary), USITC Pub. 2378 (May 1991), at 15-16. The Commission has also considered whether or not the economic interests of the packers/processors are coincident with those of the producers. See, e.g., Fresh Kiwifruit from New Zealand, USITC Pub. 2394, at 8-9; Certain Red Raspberries from Canada, USITC Pub. 1565, at 8.

[39] Commissioner Crawford did not join the majority views in Fresh Garlic from China and, therefore, does not join this paragraph.

[40] CR at 51, 102; PR at II-45, II-90.

[41] In order to resolve this issue, the Commission will seek additional information in any final investigation.

[42] See Producer Questionnaire responses. In any final investigation, the Commission will seek information regarding the amount of production attributable to producer/packers.

[43] See Fresh Kiwifruit from New Zealand, USITC Pub. 2394, at 7-9. We note that while producers are entitled to receive benefits under the honey price support program, discussed infra, packers are not permitted to do so.

E. Related Parties[44]

1. In General

The related parties provision, 19 U.S.C. § 1677(4)(B), allows for the exclusion of certain domestic producers from the domestic industry for the purposes of an injury determination.[45] In applying the provision, the Commission first determines whether a domestic producer meets the definition of a related party. The statute defines a related party as a domestic producer who is either related to exporters or importers of the product under investigation, or is itself an importer of that product.[46] Second, if a producer is a related party, the Commission may exclude such producer from the domestic industry if it finds that "appropriate circumstances" exist.[47]

Two packers were importers of record of Chinese honey during the period of investigation and are therefore related parties by definition. In addition, there is evidence on the record that 85 percent of all packers use imported honey, including Chinese honey.[48] Yet the record is not clear as to whether there are other importers of record, or what is the nature of the relationship between those packers who purchase Chinese honey and those from whom they purchase it. We shall explore this issue further in any final investigation. Thus, our analysis at this time focuses on whether to exclude from the domestic industry the two packers that actually imported Chinese honey.

The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and

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[44] Vice Chairman Nuzum does not join this discussion.

[45] See, e.g., Canned Pineapple Fruit from Thailand, USITC Pub. 2798, at I-10.

[46] The Commission may also consider whether a party is "related" by virtue of a special relationship with an importer or control of the purchase of large volumes of imports. See Fresh Garlic from China, Inv. No. 731-TA-683 (Preliminary), USITC Pub. 2755 (Mar. 1994), at I-14.

[47] 19 U.S.C. § 1677(4)(B).

[48] See CR at App. F; PR at App. F; Tr. at 131.

(3) the position of the related producer vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.[49]

The Commission has also considered whether each company's books are kept separately from its "relations'" and whether the primary interest of the related producer lies in domestic production or importation.[50] In addition, the Commission has considered other potentially distorting factors, such as the ratio of import shipments to U.S. production for each producer and the length of time that the producer has been engaged in domestic production.[51]

Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.[52] The rationale for the related parties provision is that domestic producers who are related parties may be in a position that shields them from injury caused by subject imports.[53] Thus, including these parties within the domestic industry could distort the analysis of the condition of the domestic industry.[54]

2. Whether to Exclude the Two Related Packers

One of the two related packers, ***, is the *** commercial packer and the *** importer of Chinese honey. It is also the *** commercial purchaser of raw domestic honey. *** held a *** percent share of U.S. consumption in 1991, a *** percent share in 1992 and a *** percent share in 1993. Its operating profits *** between 1991 and 1993.

The other related packer, ***, uses only a relatively small amount of domestic honey and is the *** importer of Chinese honey. It held a *** percent share of U.S. consumption in

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[49] See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1168.

[50] See, e.g., Fresh Garlic from China, USITC Pub. 2755, at I-14 - I-15; Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (Jan. 1986), at 12.

[51] See, e.g., Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Invs. Nos. 731-TA-520-521 (Final), USITC Pub. 2528 (June 1992), at 11-12; Ferrosilicon from Russia and Venezuela, Invs. Nos. 731-TA-568-570 (Final), USITC Pub. 2650 (June 1993), at 9.

[52] See Torrington Co. v. United States, 790 F. Supp. at 1168; Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[53] See Torrington Co. v. United States, 790 F. Supp. at 1168; Empire Plow Co. v. United States, 675 F. Supp. at 1353-54 (analysis of "[b]enefits accrued from the relationship" as a major factor in deciding whether to exclude a related party held a "reasonable approach in light of the legislative history"); S. Rep. No. 249, 96th Cong., 1st Sess. 83 (1979) ("where a U.S. producer is related to a foreign exporter and the foreign exporter directs his exports to the United States so as not to compete with his related U.S. producer, this should be a case where the ITC would not consider the related U.S. producer to be a part of the domestic industry").

[54] See, e.g., Sandvik AB v. United States, 721 F. Supp. at 1331-32 (related party appeared to benefit from dumped imports).

1991, a *** percent share in 1992 and a *** percent share in 1993. Its profit margins were *** than those of other members of the domestic industry in 1993; in 1991 and 1992, however, it was ***.[55] It is unclear why these packers import Chinese honey. Nor is it clear whether they are being shielded from injury by virtue of these imports. In view of the foregoing, we do not find that inclusion of their data will skew the data for the remainder of the industry in this preliminary investigation. Accordingly, we decline to find that appropriate circumstances exist to exclude these related parties in this preliminary investigation. However, we shall reexamine our decision on this matter in any final investigation.

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[56] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the business cycle[57] and conditions of competition distinctive to the industry."[58]

In making its injury determination in an investigation in which agricultural products are involved, the statute also requires us to take into account the effects on any government price support programs.[59] In particular, we must not determine that there is no material injury, nor threat thereof, merely because the prevailing market price for the product is at or above the minimum support price,[60] and we must consider any increased burden on government income or price support programs.[61] The legislative history of the section, as

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[55] See *** questionnaire responses.

[56] 19 U.S.C. § 1677(7)(C)(iii).

[57] No party suggested the existence of a business cycle unique to this industry. However, we note that U.S. production of honey varies widely among regions and from year to year depending on rainfall, soil conditions, temperature, cropping patterns, management, and various other environmental factors. CR at 61; PR at II-54.

[58] 19 U.S.C. § 1677(7)(C)(iii).

[59] 19 U.S.C. § 1677(7)(D).

[60] The legislative history suggests that the mere fact that prices are above the minimum support level of a government price support program is not controlling:

> Minimum support prices may or may not provide an adequate return to farmers. Agricultural producers may well be materially injured by reason of subsidized or dumped imports when prices are well above the minimum support level."

S. Rep. No. 249, at 88.

[61] The legislative history suggests that price supports may shield agricultural producers from the effects of unfair imports, but the burden of the effect of those imports would then be carried by the government support program. "The necessity for such government intervention could be sufficient for a showing of material injury." H.R. Rep. No. 317, at 48. See also S. Rep. No. 249, at 88; Certain Dairy

(continued...)

explained by the Court of International Trade, indicates that the existence of agricultural price support programs are a factor or condition of trade that the Commission must consider when relevant.[62]

A price support program for honey was established in 1949 to attempt to support and raise depressed honey prices. After 1951, the program evolved into two parts -- a loan program and a purchase program.[63] The loan program allows producers to obtain loans using their honey as collateral. Until the 1994 crop year, the loan was an interest-free nonrecourse loan requiring the Commodity Credit Corporation ("CCC") to take the honey if the producer elects to deliver it to the Government rather than repay the loan. The loan matures in no more than nine months, during which period the producer maintains possession of the honey and is responsible for storage costs. The loan may be repaid at any time before maturity. If the honey is sold on the market, the loan must be repaid with interest. If producers elect not to sell the honey on the market, they may forfeit the honey collateral to the CCC. At settlement, premiums and/or discounts are applied based on the color and class of the honey forfeited.[64] However, the FY-1994 and FY-1995 appropriations bills reduced the amount of payments and loan forfeitures to zero for the 1994 crop year, essentially reducing the honey program to strictly a loan program. The payment and loan forfeiture provisions will return in FY-1996 barring future legislation.[65]

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[61] (...continued)
Products from the European Community, Inv. No. 104-TA-10, USITC Pub. 1327 (Dec. 1982), at 9; but see H.R. Doc. 153, Part II, 96th Cong., 1st Sess. 434 (emphasis added) ("if subsidized or dumped imports have a significant impact on prices and a consequent negative impact on profits, that could be sufficient for a showing of material injury" to an agricultural industry).

[62] The statutory requirement that the ITC consider any increased burden on government price support programs is intended to insure that the injury analysis of an agricultural industry will not be distorted by the beneficial effects of those programs and will not be avoided by the superficial appearance of an industry whose health is being sustained by government assistance. Atlantic Sugar, Ltd. v. United States, 519 F. Supp. 916, 922 (Ct. Int'l Trade 1981).

[63] The Foreign Agricultural Service also administers a program designed to help honey producers gain entrance to foreign markets. The National Honey Board has received funds towards this end. CR at 37-38 & Table 5; PR at II-32-33. The National Honey Board also receives an assessment of one cent per pound of honey entering the market, the majority of which is spend on advertising, public relations, research, and export marketing programs. CR at 38-39; PR at II-33-34.

[64] CR at 30, 33; PR at II-26, II-29. The program was changed in 1985 to allow producers to repay the loans at a lower rate if the market price was lower than the initial loan rate. From 1990 to 1993 the loan rate was 53.8 cents per pound and the buy-back rate was 43.2 cents per pound in 1990, 47.9 cents per pound in 1991, 47.4 cents per pound in 1992, and 47.0 cents per pound in 1993. The resulting U.S. Department of Agriculture (USDA) subsidy rate was 10.6 cents per pound in 1990, 5.9 cents per pound in 1991, 6.4 cents per pound in 1992, and 6.8 cents per pound in 1993. CR at 34; PR at II-30.

The program was revised once again in 1993. The honey loan rate was changed to 50 cents per pound for 1994 and 1995, 49 cents per pound in 1996, 48 cents per pound in 1997, and 47 cents per pound in 1998. Payment limits per producer were also established in the nature of $150,000 for 1993, $125,000 for 1994, $100,000 for 1995, $75,000 for 1996, and $50,000 for 1997 and 1998. CR at 35; PR at II-30.

[65] CR at 35; PR at II-30.

In assessing the condition of the domestic industry, it is also important to understand that the revenues from honey for a particular year do not necessarily represent production or match expenses that occurred in that year. They may consist of the proceeds from the sale or loan forfeiture of honey produced in one or more years. Many agricultural program payments are recorded in years subsequent to when the actual production expenses were incurred. As a result, individual producers may have changes in their income, or losses, from year to year that are not indicative of current market conditions.[66] In addition, while producers generally were able to provide revenue for each of their income producing activities, there is no precise, reliable method for most producers to attribute or allocate expenses directly between honey sales and other income sources.[67]

The volume of U.S. consumption of honey increased irregularly from 1991 to 1993: decreasing from 303.4 million pounds in 1991 to 298.2 million pounds in 1992, then increasing to 304.2 million pounds in 1993.[68] However, the value of domestic consumption decreased steadily, from $161.8 million to $151.9 million, during the same period.[69] For both beekeepers and packers,[70] the quantity of domestic production increased from 1991 to 1993. Beekeepers' production increased from 220.1 million pounds of honey in 1991 to 230.4 million pounds in 1993,[71] while the packers' packing and bottling activities rose from 155.8 million pounds in 1991 to 168.1 million pounds in 1993.[72]

Because capacity for beekeepers is measured in terms of the number of bees, we find it more meaningful to examine the yield of honey per colony. Such yield increased steadily from 1990 to 1993: from 68.8 pounds to 80.0 pounds.[73]

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[66] CR at 68-69; PR at II-61-62.

[67] CR at 69; PR at II-61-62. Other sources of income include pollination fees, agricultural program payments, other income from beekeeping, beeswax and sales of package bees. CR at 69; PR at II-61-62.

Due to the nature of the industry and the short time period in which we were required to gather information, we were unable to obtain adequate 1994 data on the condition of the domestic industry. See Transcript of vote (Nov. 14, 1994). We strongly urge the parties to cooperate in assisting us with gathering such information in any final investigation.

[68] CR at 100, Table 30; PR at II-88.

[69] CR at 100, Table 30; PR at II-88.

[70] Vice Chairman Nuzum does not join the discussion in the remainder of this section as it relates to packers. See her additional views.

[71] CR at 62, Table 14; PR at II-55.

[72] CR at 64, Table 15; PR at II-57.

[73] CR at 62, Table 14; PR at II-55. We note, however, that the beekeepers' reported average-of-period packing capacity grew from 2.8 million pounds in 1991 to 2.9 million pounds in 1993, CR at D-6, Table D-2; PR at D-6; and the trend for the packers was similar, climbing from 247.1 million pounds in 1991 to 259.5 million pounds in 1993. CR at 64, Table 15; PR at II-57. The beekeepers' packing capacity utilization increased from 34.9 percent in 1991 to 40.9 percent in 1992, then fell to 37.1 percent in 1993. CR at D-4, Table D-2; PR at D-4. For packers, capacity utilization increased from 63.1 percent in 1991 to 65.5 percent in 1992, but declined slightly to 64.8 percent in 1993. CR at 64, Table 15; PR at ___; Memorandum INV-R-180 (Nov. 14, 1994).

In terms of categories of honey, the volume of the beekeepers' U.S. shipments, as reported in questionnaire responses, increased from 33.2 million pounds in 1991 to 37.1 million pounds in 1992, then fell to 36.9 million pounds in 1993.[74] For the packers, U.S. shipments as measured by category increased from 159.1 million pounds in 1991 to 176.0 million pounds in 1993.[75] The value of the beekeepers' U.S. shipments by categories of honey was $17.3 million in 1991, climbed to $19.1 million in 1992, then fell to $18.6 million in 1993.[76] The value of the packers' U.S. shipments as measured by category rose steadily from $113.8 million in 1991 to $130.4 million in 1993.[77]

Beekeepers' reported domestic end-of-period inventories decreased from 2.1 million pounds in 1991 to 1.4 million in 1992, then virtually doubled to 2.8 million pounds in 1993.[78] The ratio of their inventories to production also increased irregularly, falling from 18.1 percent in 1991 to 12.5 percent in 1992, then more than doubling to 28.4 percent in 1993.[79] For packers, end-of-period inventories increased irregularly from 1991 through 1993, from 37.8 million pounds in 1991 to 43.6 million pounds in 1992, before decreasing to 41.3 million pounds in 1993, a level still above the 1991 level. Yet the ratio of packers' inventories to production declined irregularly over the period, from 29.9 percent in 1991 to 32.3 percent in 1992, then falling to 29.7 percent in 1993.[80]

The number of beekeepers' production and related workers increased steadily from 2,516 in 1991 to 2,889 in 1993. The hours worked by such workers increased from 829,512 in 1991 to 877,356 in 1992, then declined to 832,315 in 1993. The total compensation paid to such workers increased steadily from $5.7 million in 1991 to $6.6 million in 1993.[81]

The number of packers' production and related workers decreased from 401 in 1991 to 378 in 1992, then increased to 395 in 1993. The hours they worked followed a different trend, increasing from 522,067 in 1991 to 550,384 in 1992, then decreasing to 533,527 in 1993. The total compensation paid to these workers increased steadily, however, from $7.3 million in 1991 to $8.3 million in 1993.[82]

For beekeepers, net sales increased from $8.3 million in 1991 to $9.3 million in 1993 for those producers indicating that owner-labor expenses were included in their data, and increased from $10.2 million in 1991 to $10.9 million in 1993 for those producers who stated

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[74] CR at D-5, Table D-3; PR at D-5. However, 230 million pounds of honey were produced in 1993. CR at 62, Table 14; PR at II-55.
[75] CR at D-6, Table D-4; PR at D-6.
[76] CR at D-5, Table D-3; PR at D-5.
[77] CR at D-6, Table D-4; PR at D-6.
[78] Inventories actually totaled 180 million pounds in 1993. CR at 65, Table 16; PR at II-58.
[79] CR at D-10, Table D-7; PR at D-10.
[80] CR at 66, Table 17; PR at II-59.
[81] CR at D-11, Table D-8; PR at D-11.
[82] CR at 67, Table 18; PR at II-60.

that such expenses were not included.[83] Packers' net sales increased from $87.4 million in 1991 to $97.4 million in 1993.[84]

Beekeepers' net income before income taxes decreased irregularly, from $3.4 million in 1991 to $3.23 million in 1992, then increased slightly to $3.25 million in 1993. The ratio of the pretax income to total revenue was 13.3 percent in 1991, then fell to 12.5 percent in 1992 and fell even further to 12.0 percent in 1993.[85] Packers' pretax net income increased from $69,000 to $986,000 in 1992, and increased further to $1.9 million in 1993. Their ratio of pretax income to net sales increased from 0.1 percent in 1991 to 1.9 percent in 1993. The packers' operating income rose throughout the period: from $817,000 in 1991 to $2.0 million in 1993. Their operating income margins followed the same pattern, increasing from 0.9 percent in 1991 to 2.1 percent in 1993. The packers' cost of goods sold as a percentage of net sales fell from 86.6 percent in 1991 to 84.4 percent in 1993.[86]

Beekeepers' capital expenditures decreased substantially from $1.1 million in 1991 to $840,000, and declined even more to $724,000 in 1993. The trend was similar for the packers, with capital expenditures falling from $1.6 million in 1991 to $883,000 in 1992, then falling further to $586,000 in 1993.[87]

In sum, the data obtained in this preliminary investigation, while mixed, show a domestic industry that is vulnerable to the continuing adverse effects of allegedly LTFV imports, due to large domestic producers' inventories, declining capital expenditures, declining profits for beekeepers, and slim profits for the packers.[88] [89]

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[83] CR at 75; PR at II-66.

[84] CR at 79, Table 23; PR at II-70.

[85] CR at 70, Table 19; PR at II-63.

[86] CR at 79, Table 23; PR at II-70. The financial data obtained from beekeepers, i.e. for total revenues and total expenditures, do not permit a computation of the cost of goods sold as a percentage of net sales.

[87] CR at 83, Table 25; PR at II-72.

[88] Having found that the domestic industry is vulnerable to the continuing adverse effects of allegedly unfair imports, Commissioner Rohr and Commissioner Newquist proceed directly to a threat of material injury analysis.

[89] Commissioner Crawford does not find it necessary to draw a conclusion about vulnerability. See her additional views.

IV. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS[90]

In preliminary antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the allegedly LTFV imports.[91] We must consider the volume of the imports, their effect on prices for the like product, and their impact on domestic producers of the like product, but only in the context of U.S. production operations.[92]

Although the Commission may consider alternative causes of injury to the industry other than allegedly LTFV imports, it is not to weigh causes.[93] [94] For the reasons discussed below, we find there is no reasonable indication that the domestic industry is materially injured by reason of allegedly LTFV imports from China.

Both the volume and market share of subject imports have increased during the period of investigation. By quantity, the volume of imports increased from 44.8 million pounds in 1991 to 76.8 million pounds in 1993, coinciding with a gain of 10.4 percentage points in market share by the subject imports.[95] Notwithstanding these increases, however, the domestic industry maintained a significant share of the U.S. market.[96] We find, for reasons discussed below, that such volumes have not yet reached a level sufficient to cause material injury.

Although data on the record reveal significant instances and margins of underselling by the subject imports during the period of investigation,[97] we find underselling data in this investigation to be less probative. Evidence indicates that quality differences between U.S. honey and Chinese-produced honey and larger volume per sale by importers may account

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[90] Commissioner Crawford has determined that there is a reasonable indication of material injury by reason of allegedly LTFV imports and does not join the remainder of the opinion. See her additional views.

Vice Chairman Nuzum does not join this section.

[91] 19 U.S.C. § 1673b(a).

[92] 19 U.S.C. § 1677(7)(B)(i).

[93] See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

> [T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, at 74. Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

[94] For Chairman Watson's interpretation of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement and Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 (May 1994), at I-14 n.68.

[95] CR at 100, Table 30; PR at II-88.

[96] CR at 100, Table 30; PR at II-88.

[97] See CR at 112-13, Tables 31-34; PR at II-98-99; CR at J-3 - J-4, Tables J-1 - J-4; PR at J-3 - J-4.

for some of the difference in price.[98] Evidence also indicates that difficulties relating to delivery schedules for Chinese honey may be affecting relative prices. Some customers have noted their preference for U.S.-produced honey because of its supply reliability.[99] With respect to adverse price effects, we find some evidence of price depression; however, the overall evidence appears to be mixed. Products 1 and 2 exhibit little or no price depression, while products 3 and 4 exhibit some evidence of price depression.[100] However, given the evidence on the record regarding non-price differences between Chinese and U.S.-produced honey, there is no clear indication that the subject imports have caused any adverse price effects. In addition, even if domestic prices had been adversely affected by subject imports, we find that any such effects have not yet reached a level sufficient to cause material injury.

There is little evidence that subject imports have had an adverse impact on the domestic honey industry. While the U.S. beekeepers' honey revenues declined slightly over the period of investigation, we note that profitability improved from 1992 to 1993,[101] even as import volumes and market penetration levels increased[102] and prices of two products generally decreased.[103] Moreover, the financial performance of the U.S. packers has improved significantly over the period of investigation.[104]

Based on the above, we find that the domestic industry is not materially injured by reason of the subject imports.

V. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

Section 771(7)(F) of the Act directs us to consider whether there is a reasonable indication that a U.S. industry is threatened with material injury by reason of the subject imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."[105] We do not make such a determination "on the basis of mere

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[98] CR at 115; PR at II-101.
[99] CR at 118, 123; PR at II-104-105.
[100] See CR at 112-13, Tables 31-34; PR at II-98-99; CR at J-3 - J-4, Tables J-1 - J-4; PR at J-3 - J-4.
[101] See CR at 70, Table 19; PR at II-63.
[102] See CR at 100, Table 30; PR at II-88.
[103] See CR at 112-113, Tables 31-34; PR at II-98-99.
[104] See CR at 79, Table 23; PR at II-70; see also CR at App. H; PR at App. H.
[105] 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

conjecture or supposition."[106] In making our determination, we have considered all of the statutory factors that are relevant to this investigation.[107]

Although Chinese honey production[108] declined from 454.2 million pounds in 1991 to 388.0 pounds in 1993, and is projected to decrease further to 374.8 million pounds in 1994,

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[106] 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990). Congress acknowledged that "a determination of threat will require a careful assessment of identifiable current trends and competitive conditions in the marketplace." Calabrian Corp. v. United States, 797 F. Supp. at 387-88, citing H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984).

[107] The statute enumerates 10 factors for the Commission to consider in its threat analysis, only seven of which are relevant to this investigation. The seven factors are:

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, [and]

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.

19 U.S.C. § 1677(7)(F)(i). In addition, we must consider whether antidumping findings or remedies in markets of foreign countries against the same class or kind or merchandise suggest a threat of material injury to the domestic industry. See 19 U.S.C. § 1677(7)(F)(iii). There is no evidence of any antidumping remedies imposed in other countries upon honey from China.

Factor I is not applicable to this investigation because no subsidies are involved. Because we find that raw and processed honey are part of the same like product, and because there are no other investigations or orders involving products that are produced by the same foreign production facilities as those that produce subject honey, Factors VIII and IX are inapplicable. See Petitioners' Postconference Brief at 43; Respondents' Postconference Brief at 19.

We note that, although Commission staff sent foreign producer questionnaires to counsel representing several large Chinese exporters, we received no responses. Accordingly, we rely on the best information available in making our determination, i.e. public data supplied by the USDA, which do not always include 1994 projections. See 19 U.S.C. §§ 1673b(a), 1677e(c). In the event of any final investigation we intend to obtain the most current data possible, and strongly urge the parties to cooperate with us in this vein.

[108] As explained above, beekeeping does not lend itself well to an analysis involving the computation of production capacity. Similarly, an analysis of underutilized capacity is not possible. Accordingly, we have examined production figures in an effort to perform the required inquiry.

the yield of honey per colony is projected to increase. The yield per colony was 60.2 pounds in 1991, then fell to 56.0 pounds in 1992, but climbed to 59.7 pounds in 1993. It is expected to climb even further to 60.4 pounds in 1994.[109] Moreover, China is the world's largest producer of honey.[110] Such increases support a conclusion of likely significant increases in imports of the merchandise to the United States in the near future.

The subject imports, measured in terms of quantity, increased by approximately two-thirds from 44.8 million pounds in 1991 to 76.8 million pounds in 1993, but decreased from 47.5 million pounds to 42.1 million pounds between interim periods, according to Commerce data. Measured in terms of market share, however, the quantity of Chinese honey's market penetration almost doubled, from 14.8 percent in 1991 to 25.2 percent in 1993.[111] There is no convincing evidence in the record indicating that such market penetration levels will diminish in the future,[112] especially because exports comprise a significant share of China's honey production[113] and the United States is the principal export market for China, which is the world's largest honey exporter.[114] [115] Based on this information it appears likely that market penetration may increase to an injurious level in the near future.

In all but 8 of the 56 quarters for which pricing data are available, Chinese honey undersold the comparable domestic beekeepers' products.[116] For domestic packers' products, the Chinese products undersold the domestic product in 51 of 56 quarters.[117] In

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[109] CR at 62, Table 14; 91, Table 28; PR at II-55, II-79.

[110] CR at 88; PR at II-76.

[111] CR at 100, Table 30; PR at II-88. While the quantity and market share of subject imports increased over the period of investigation, the quantity and market share of domestic honey decreased. CR at 100, Table 30; PR at II-88.

[112] Although respondents allege that the Chinese export quota program, which took effect after April 1, 1994, has caused subject imports to decline, see Respondents' Postconference Brief at 14, 17; Tr. at 178-81, the record does not contain data indicating such a decrease. It is expected that the results of this policy should become apparent with honey shipments beginning in July or August 1994. CR at 93; PR at II-78-81.

[113] Exports accounted for 33.3 percent of production in 1991, 49.1 percent in 1992, 53.6 percent in 1993, and are estimated to account for 52.0 percent in 1994. CR at 90; PR at II-78.

[114] CR at 92, Figure 22; PR at II-80; CR at 88; PR at II-76. In 1993, China exported 213 million pounds of honey. CR at 91, Table 28; PR at II-79. The United States accounted for 73.8 million pounds of these exports, or 34.7 percent of the total Chinese exports. CR at 92, Figure 22; PR at II-80. In addition, the U.S. tariff on honey is among the lowest in the world. See CR at 42, Table 7; PR at II-37; Petition at 23.

[115] Commissioner Rohr and Commissioner Newquist note that although the U.S. is a principal export market for Chinese honey, vast amounts are exported to other countries, such as Japan, Germany and the United Kingdom. CR at 92, Figure 22. In light of the higher tariff levels in some of these countries, the United States may become an even more attractive export market, resulting in diversion of Chinese honey from those markets to the United States.

[116] CR at J-3 - J-4, Tables J-1 - J-4; PR at J-3 - J-4. We also note that by letter dated October 21, 1994, the NHPDA requested that we issue supplemental questionnaires seeking additional pricing information. We did not seek that information in this preliminary investigation due to time constraints, but intend to address this issue in the event of a final investigation.

[117] CR at 112-13, Tables 31-34; PR at II-98-99.

addition, the majority of packers and producers reported that domestic and Chinese honey are used interchangeably.[118] It is probable, then, that the prices of future subject imports will have a depressing or suppressing effect on domestic honey prices.

More than 30 percent of the beekeepers responding to the Commission's questionnaires indicated adverse effects from the subject imports in the nature of their cancellation or rejection of expansion projects, over 11 percent reported the denial or rejection of investment proposals and over 36 percent recounted reductions in the size of capital investments.[119] Accordingly, these factors show negative effects on the existing development and production efforts of the domestic industry.[120]

CONCLUSION

On balance, we find the dramatic increase in market penetration through 1993, the significant current underselling by the subject imports, increasing honey yields in China, the significance of the U.S. market for Chinese honey producers, and the available evidence on significant inventories of subject Chinese honey in the U.S., together with the vulnerability of the U.S. industry as shown by the large domestic inventories, declining capital expenditures, declining profits for beekeepers and slim profits for the packers, provide a reasonable indication of threat of material injury by reason of allegedly LTFV imports of honey from China.

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[118] CR at 106; PR at II-94.

[119] CR at app. I-3; PR at app. I-3. However, 15 of the 19 responding packers indicated that the scale of capital investments has not been influenced by the presence of Chinese honey in the marketplace. CR at app. I-8; PR at app. I-8.

[120] We do not draw any conclusion with respect to the lack of any increase in inventories of Chinese honey as shown by the evidence in the record, inasmuch as this evidence does not accurately reflect the amount of such inventories because there are relatively large amounts of imported honey that are not included in the data we compiled. CR at 87 & Table 26; PR at II-75. Indeed, there is evidence that domestic warehouses are fully stocked with Chinese honey, notwithstanding the alleged declines in inventories of the subject product. See CR at 87; PR at II-75; Petitioners' Postconference Brief at 42-43. Therefore, there is a likelihood that domestic inventories of Chinese honey will increase.

ADDITIONAL VIEWS OF VICE CHAIRMAN JANET A. NUZUM

Honey from The People's Republic of China
Inv. No. 731-TA-722 (Preliminary)

Like the majority of my colleagues, I make an affirmative preliminary determination based on threat, and join in the majority opinion set forth above except as noted. With regard to the application of the related parties provision of the statute, however, I find that appropriate circumstances exist to exclude certain independent honey packers from the domestic industry for purposes of this preliminary determination. These views set forth the basis for that finding and also present additional discussion of my analysis regarding threat.

I. THE DOMESTIC INDUSTRY AND RELATED PARTIES

The related parties provision of the statute, 19 U.S.C. § 1677(4)(B), authorizes the Commission to exclude certain producers (hereinafter "related parties") from the domestic industry for the purposes of an injury determination. Related parties are defined as producers who are "related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped product."[1] The Commission has considered whether a party is "related" because of its control of the purchase of large volumes of imports, or by virtue of a special relationship with an importer.[2]

Application of the related parties provision involves two steps. First, the Commission determines whether a producer meets the definition of a related party. Second, the Commission determines whether "appropriate circumstances" exist to exclude a related party producer.[3] Exclusion is within the Commission's discretion based upon the facts presented in each case.[4]

The rationale for the related parties provision is the concern that a domestic producer who is a related party may be in a position to be shielded from any injury that might be caused by the imports.[5] Thus, including any such party within the domestic industry would

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[1] 19 U.S.C. § 1677(4)(B).

[2] See Fresh Garlic from China, USITC Pub. No. 2755, at I-14. See also Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand (Butt-Weld Pipe Fittings), Invs. Nos. 731-TA-520 and 521 (Final), USITC Pub. 2528 at 11 (June 1992) ("Limitation of the definition of 'related' to corporate affiliation or the definition of importer to importers of record would, we believe, ignore congressional concern for identifying those domestic producers who are capable of shielding themselves from the effects of import competition.")

[3] 19 U.S.C. § 1677(4)(B).

[4] See, e.g., Torrington Co. v. United States, 790 F.Supp. at 1168 (CIT, 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir.) 1993.

[5] See S. Rep. No. 249, 96th Cong., 1st Sess. at 83 (1979).

distort an analysis of whether the industry is materially injured or threatened with material injury by reason of the subject imports.[6]

In this investigation, there are two types of domestic producers: 1) beekeepers, including beekeeper/packers, some of which engage in processing activity; and 2) independent packers, which engage solely in processing activity. The beekeeper typically extracts honey from the hive and filters it, which results in "raw" honey.[7] Additional processing involving blending, heating, and additional filtering may be performed by the beekeeper with the necessary facilities and equipment; or, the raw honey may be sold to an independent packer who performs these steps.[8] While raw honey may be, and is, sold directly to end users, most raw honey production undergoes some additional processing, which enhances its marketability in terms of taste (blending) and/or shelf life (heating).[9] Thus, processing is an important element of commercial honey production. Overall, however, independent packer processing contributes relatively little value-added to the end product.[10] Stated alternatively, a large majority of the value component of commercial honey production is accounted for by the raw honey itself.

The record clearly establishes that several packers are related parties because they imported the subject product during the period examined.[11] A larger number of packers, however, purchased imported Chinese honey from entities that were the direct importers. Because the vast majority of Chinese honey is imported in a raw form and undergoes further processing, packers' purchases account for a huge share of the subject imports.[12] Access to an allegedly dumped raw material input -- either by direct importation or purchase -- could have the effect of shielding processors from the effects of the subject imports generally.[13] This is particularly true in this case, where the value added by independent packers is low and the component value of the imported raw honey inversely high. In view of the possible

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[6] See, e.g., Sandvik AB v. United States, 721 F. Supp. at 1331-32 (CIT 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990) (related party appeared to benefit from dumped imports).

[7] Confidential Report ("CR") at 13; Public Report ("PR") at II-11.

[8] Id.

[9] CR at 6 and 14; PR at II-5-6 and II-12.

[10] Transcript of the public conference ("Tr.") at 83.

[11] CR at 55; PR at II-48.

[12] See CR at 95, table 29; PR at II-83 (1 percent of the volume of imports of Chinese honey in 1993 was "packaged for retail sale" whereas 99 percent of imports was in bulk form).

[13] As the Commission observed in Butt-Weld Pipe Fittings,

> [s]uch producers, by reason of that control, could shield themselves from the effects of unfair imports, and their inclusion would distort the condition of the domestic industry as a whole. Examination of whether, in fact, they shielded themselves from the effects of unfair imports would occur in the consideration of whether "appropriate circumstances" exist for their exclusion. We believe that it is not appropriate to short-circuit that inquiry by adopting a narrower definition of the terms "related" (to require corporate affiliation) and "importer" (to mean "importer of record").

Butt-Weld Pipe Fittings at 12.

shielding effect and their control (through purchase) of nearly all imports, I have identified as related parties in this investigation all packers who either imported directly or purchased Chinese honey during the period January 1991 through August 1994.[14]

Having thus identified the related parties, I next turn to examine whether appropriate circumstances exist to exclude any of these firms from the domestic industry. In considering whether such appropriate circumstances exist, the Commission typically weighs a variety of factors, including (1) the amount of domestic production that is attributable to the related producer; (2) the reasons why the related producer chose to import the product under investigation; (3) the position of the related producer vis-a-vis the rest of the industry (i.e., whether inclusion or exclusion would skew the data); and (4) whether the primary interest of the related producer lies in domestic production or importation.[15]

All of the largest packers responding to the Commission's questionnaire reported some use of Chinese honey during the period examined. While each of these firms individually accounted for a minority share of U.S. production, the collective share of all related parties represented a majority of reported U.S. shipments.[16] Exclusion of all these firms would leave the Commission with a paucity of data on the processing sector of the domestic industry.

The record indicates that packers sourced imported honey due in part to its low price.[17] Packers also testified[18] that imports from China are concentrated in the industrial sector of the market, which is characterized by lower prices and greater price sensitivity.[19] U.S. and Chinese honey are used interchangeably.[20] Although delivery terms may differ, the subject imports do not provide a product which is otherwise not available from domestic sources. Thus, importation is likely related in part to the relatively lower price levels to which the alleged dumping would contribute.

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[14] This approach results in 19 packers meeting the definition of related party. See CR at app. F; PR at app. F.

[15] See, e.g., Torrington Co. v. United States, 790 F.Supp. 1161 (CIT 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993); Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Preliminary), USITC Pub. 2796 (July 1994) at I-8-9; Fresh Garlic from the People's Republic of China, Inv. No. 731-TA-683 (Preliminary), USITC Pub. 2755 (Mar. 1994) at I-14.

[16] In 1993, *** related party packers individually accounted for more than 10 percent total reported packer purchases, but all the others accounted for less than 5 percent each of packer purchases. Related party purchasers collectively accounted for 95 percent of total packer purchases in 1993. CR at app. F, table F-3, p. F-5; PR at app. F, p. F-5.

[17] Price was ranked the most important purchase factor by 10 percent of respondents, second most important by 21 percent, and third most important by 45 percent. Other factors cited include quality, traditional supplier, availability, supplier reliability, and extension of credit. CR at 104, fig. 31; PR at II-92. See also CR at 120-126; PR at II-104, and Tr. at 32-35.

[18] Tr. at 133-135 and Brief of the National Honey Packers and Dealers' Association (Packers' Brief) at 18-20. See also CR at 18 (fig. 4) and 124; PR at II-15 and II-104.

[19] I do not find, however, that the existence of different types of end users -- industrial, retail -- establishes that there are distinct segments or niches within the market. See Packers' Brief at 20.

[20] See CR at 106; PR at II-94.

Skewing of the overall industry data would result where inclusion of the related party data masks injury to the rest of the domestic industry. The performance of those packers who relied more heavily on Chinese honey than on domestic honey towards the end of the period examined was more positive than the performance of packers who relied more heavily on domestic honey than on Chinese honey.[21] These data suggest that the inclusion of these related parties may skew much of the industry data and mask some indication of injury or threat.

The primary interest of a related party packer will more likely lie in domestic production where it relies primarily on domestic-origin raw honey. In contrast, heavier reliance on Chinese honey suggests that the packer's primary interest lies in importation. Data on packers' purchases by source show that while many firms used some Chinese honey, a relatively small number relied more heavily on Chinese honey than they did on domestic honey. I relied on the most recent data (for full year 1993 and interim (January-August) 1994) to identify nine firms that, in both of these periods, purchased more Chinese honey than they did domestic honey.[22] Each of these nine packers reported significant volumes of subject imports during the period examined.[23] Most specifically acknowledged the role of price in their use of Chinese honey.[24]

Individually, each of these nine firms accounted for a very small share of U.S. production activity, and even their collective production represents a clear minority of U.S. production.[25] Thus, exclusion of these firms will leave sufficient industry data for purposes of a sound analysis. Each firm showed increased volumes and/or financial improvement that was not otherwise characteristic of the packer industry in the aggregate.[26] The position of these nine firms, therefore, distinguishes them from most other producers in the industry.[27]

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[21] These data are presented in Memorandum INV-R-181.

[22] These nine firms are: ***.

[23] In 1993, the firm with the smallest volume still accounted for nearly *** million pounds ("lbs") of Chinese honey, or *** percent of reported purchases of Chinese honey by packers. CR at app. F, table F-3, p. F-5; PR at app. F, p. F-5.

[24] See individual questionnaire responses, particularly at II-B.4., IV-B.1., and IV-C.1.

[25] Together the nine firms purchased a reported 8.7 million lbs of domestic honey in 1993, or 8 percent of total domestic purchases reported by packers. CR at app. F, table F-3, p. F-5; PR at app. F, p. F-5. Of course, the processing of Chinese honey also adds a domestic production component. Total production by these firms in 1993 -- including the processing of imported honey -- was reported as 47.0 million lbs, or 18 percent of total production reported by packers. Compare CR at 64, table 15; PR at 57 with Memorandum INV-R-181 at table M-2. See also individual firm questionnaire responses.

[26] See individual questionnaire responses.

[27] Unlike most other members of the domestic industry, these firms reported no current or anticipated negative effects from Chinese honey. See id. at questions III-15 and III-16. A few actually suggested that the scale of their investments had benefited from access to the subject imports. See responses of *** to question III-17.

In sum, I find it appropriate to exclude as related parties the nine packers who reported greater reliance on Chinese honey than on domestic honey in both 1993 and January-August 1994. I base this decision largely on the significance of the volumes of subject imports for which each of these firms accounted and on the benefits these firms appear to derive from their reliance on imports.

I recognize that my application of the related parties provision in this decision is somewhat different than the usual Commission approach. I intend to revisit this issue in the event of a final investigation, and ask all parties to address my approach here in any prehearing briefs submitted in a final investigation. In particular, I request that the parties consider separately the legal basis for this approach and the application of the facts in this investigation.

II. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS

Like the majority of my colleagues, I find that the record establishes a reasonable indication that the domestic honey industry is threatened with material injury by reason of the allegedly LTFV imports from China.[28] I offer below additional discussion of my views on threat.

Volume of the subject imports. Imports of honey from China increased rapidly and steadily during the period examined. Subject imports totalled 44.8 millions lbs in 1991, representing an already-significant 14.8-percent share of apparent U.S. consumption. By 1993, these imports had risen to 76.8 million lbs, or 25.2 percent of apparent consumption. This constitutes a 71.3-percent jump in volume, and a gain of more than 10 percentage points in market share. Import volume during January-August 1994 was marginally below that in the comparable 1993 period.[29] The volumes of Chinese honey in the United States during 1991-94 have displaced sales of domestic honey. This fact is reflected in increasing domestic honey inventories, and in the declining volume of U.S. sales in the face of essentially stable consumption.[30] I find that Chinese honey in the U.S. market has increased to such levels as to suggest a threat of material injury.

Price effects of the subject imports. Current price levels of Chinese honey likewise pose a threat to the domestic industry. The subject products consistently undersold domestic

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[28] I do not consider it necessary to address the issue of present material injury insofar as I base my preliminary determination on sufficient evidence of a reasonable indication of threat. Unlike a final determination, where the basis for an affirmative determination may affect the timing of the collection of duties, no such issue is presented in a preliminary determination.

[29] CR at 95, table 29; PR at II-83.

[30] See CR at 65 (table 16) and 100 (table 30); PR at II-58 and II-88 (related party data not excluded from domestic industry data, however). See also CR at 120-126; PR at 104.

honey at significant margins.[31] Respondents concede that Chinese honey prices affect world prices, and that world prices have declined.[32] The parallel downward trends in U.S. and Chinese prices,[33] coincident with rising import penetration, combined with evidence of price competition and the price sensitivity of Chinese honey users[34] shows price depression by the subject imports. There is no persuasive evidence that such trends will not continue. I conclude that Chinese honey is likely to continue to depress and/or suppress U.S. honey prices.

Foreign industry capacity, production, and exports to the United States.[35] China is the world's largest producer of honey, and has traditionally been a net exporter of honey. Although production in China has reportedly declined during 1991-94, exports to the United States rose rapidly during 1991-93. The United States was China's largest foreign market for honey in 1993. I find that Chinese honey poses a threat of material injury to the domestic industry at the volumes that are currently entering the U.S. market. Thus, the lack of evidence of Chinese capacity or production increases,[36] or of future increases in exports to the United States, is not dispositive and does not contradict an affirmative threat determination in this investigation.

Importers' inventories. Data collected on importers' inventories of Chinese honey appear to be incomplete.[37] Packers, however, reported relatively large inventories of honey, including honey from China.[38] Indeed, the practice of this industry being to hold inventories, it is probable that inventories increased as imports increased. On balance, I find that U.S. inventories of Chinese honey are significant and support a finding of threat of material injury.

Impact on the domestic industry. I join in the majority opinion's discussion of the data relating to beekeepers and beekeepers/producers. Having excluded certain related party packers from the industry, however, I do not join in the majority views as they relate to the packers. The following discussion pertains to the operations of U.S. honey packers, other than those I excluded as related parties.[39]

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[31] CR at 112-113, tables 31-34; PR at II-98-99.

[32] Tr. at 141.

[33] CR at 114, fig. 33; PR at 100.

[34] See Tr. at 133-135, Packers' Brief at 18-20, CR at 124; PR at II-104.

[35] Data on the Chinese honey industry are presented in the CR at 88-93 (including tables 27-28 and figs. 22-23); PR at II-76-81.

[36] I note that information on capacity utilization or underutilized capacity is not particularly meaningful in either the U.S. or Chinese honey industries.

[37] See CR at 65; PR at II-58.

[38] CR at 66, table 17; PR at 59.

[39] These data are presented in Memorandum INV-R-181.

Honey packers' average-of-period capacity and production rose modestly (less than 5 percent) during the period examined, with capacity utilization showing a bare 1 percentage point improvement. The volume of honey packers' U.S. shipments increased at a greater rate than the value of these shipments, reflecting a decline in shipment unit values. Data on shipments by market show that the unit value of shipments to industrial users, where imports are concentrated, was consistently the lowest and declined most dramatically ($.62/lb in 1991, $.60/lb in 1992, and $.58/lb in 1993) despite the largest increase (13.9-percent) in shipment volumes. U.S. packers' inventories measured in absolute terms rose slightly.

Packers' net sales, gross profits and operating profits all showed improvement but operating profits remained very slim at 2.0 percent in 1993. Packers' total assets lost 6.7 percent of their value and capital expenditures dropped 74.0 percent. Modest profit increases have therefore not even resulted in sustained investment, much less any increase.

My examination of the condition of the domestic honey industry includes both the data for beekeepers and beekeeper/producers, which are presented in the majority views, and the data for packers presented above. The majority conclusion that the industry has experienced increasing difficulty during the period examined applies equally to the data upon which I base my determination. I specifically find that rising domestic honey inventories, declining beekeeper profits and investment levels, and slim packer profit margins leave the industry vulnerable to the likely volume and price effects of allegedly LTFV imports of honey from China. I therefore determine that the record establishes a reasonable indication of threat of material injury to the domestic honey industry by reason of allegedly LTFV imports from China.

ADDITIONAL VIEWS OF COMMISSIONER CRAWFORD

Honey From the People's Republic of China
Inv. No. 731-TA-722 (Preliminary)

In this preliminary investigation, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of honey from the People's Republic of China ("China") alleged to be sold at less than fair value ("LTFV"). I concur in the conclusions of my colleagues with respect to like product and the domestic industry, and in the discussion of the condition of the industry. However, I do not concur in their determination that there is a reasonable indication that the domestic industry is threatened with material injury by reason of allegedly LTFV imports of honey from China ("subject imports"). Rather, I determine that there is a reasonable indication that the domestic industry presently is materially injured by reason of subject imports. These additional views provide the explanation of the analysis that supports my determination.

I. ANALYTICAL FRAMEWORK

The statute directs that we determine whether there is material injury by reason of the dumped imports, or, in a preliminary investigation, whether there is a reasonable indication of material injury by reason of the allegedly dumped imports. Thus we are called upon to evaluate the effect of dumped imports on the domestic industry and determine if they have caused material injury. There may be, and often are, other "factors" that are causing injury. These factors may even be causing greater injury than the dumping. However, the statute does not require us to weigh causes, only to determine if the dumping is causing material injury to the domestic industry. It is important, therefore, to assess the effects of the dumped imports in a way that distinguishes those effects from the effects of other factors unrelated to the dumping. To do this, I compare the current condition of the industry to the industry conditions that would have existed without dumping, that is, had imports been fairly traded.[1] I then determine whether the change in conditions constitutes material injury.

In my analysis of material injury by reason of dumped imports, I evaluate the effects of the dumping on domestic prices, domestic sales, and domestic revenues. To evaluate the effects of the dumping on domestic prices, I compare domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects of dumping on the quantity of domestic sales,[2] I compare the level of domestic sales that existed when imports were dumped with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding

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[1] 19 U.S.C. § 1677(7)(C)(iii).

[2] In examining the quantity sold, I take into account total sales, which includes sales from both existing inventory and new production.

the impact on the domestic industry's prices, sales and overall revenues is critical to determining the state of the industry, because the impact on other industry indicators (*e.g.*, employment, wages, etc.) is derived from the impact on the domestic industry's prices, sales, and revenues.

I then determine whether the price, sales and revenue effects of the dumping, either separately or together, demonstrate that the domestic industry would have been materially better off if the imports had been priced fairly. If so, I find that the domestic industry is materially injured by reason of the dumped imports.

II. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS FROM CHINA

In determining whether a domestic industry is materially injured by reason of the subject imports, the statute directs the Commission to consider:

> (I) the volume of imports of the merchandise which is the subject of the investigation,
>
> (II) the effect of imports of that merchandise on prices in the United States for like products, and
>
> (III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States . . . .[3]

In assessing the effect of subject imports, I compare the current condition of the domestic industry with the condition that would have existed had imports been fairly priced.[4] Then, taking into account the condition of the industry, I determine whether any resulting change of circumstances constitutes material injury. For the reasons discussed below, I find that there is a reasonable indication that the domestic industry is materially injured by reason of subject imports from China.[5]

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[3] 19 U.S.C. § 1677(7)(B)(i). In making its determination, the Commission may consider "such other economic factors as are relevant to the determination." 19 U.S.C. § 1677(7)(B)(ii).

[4] 19 U.S.C. § 1677(7)(C)(iii).

[5] I have considered and weighed all the evidence in the record in accordance with the holding in American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

A. Volume of the Subject Imports

In 1993, the domestic industry's market share was 56.1 percent by quantity, and the market share of subject imports from China was 25.2 percent by quantity.[6] Based on this market share, I find the volume of subject imports to be significant in light of the likely effects.

B. Effect of Subject Imports on Domestic Prices

To analyze the effect of subject imports on domestic prices of the like product, I consider a number of factors relating to the industry and the nature of the products. These factors include the competitive conditions in the marketplace, the ability of U.S. producers to increase production and sales, the presence and availability of fairly traded nonsubject imports, the degree of substitutability between the subject imports, nonsubject imports and the domestic like product, and the availability of alternative products that can substitute for the like product. As will be explained below, I find the subject imports have not had significant price effects.

Although the alleged dumping margins are little more than petitioners' estimates, subject imports would have been priced considerably higher had they been priced at fair value.[7] Because Chinese imports and the domestic products are relatively good substitutes, purchasers likely would not have continued to buy subject imports had they been traded at fair prices. As a result, substantially fewer or perhaps no Chinese imports would have been sold. Further, the price increase would have caused purchasers to switch from subject imports to alternative sources such as the domestic product, nonsubject imports, or alternative sweeteners.

The ability of domestic producers to raise the prices in such circumstances, however, is limited by the characteristics of the market. First, it is limited by the willingness of purchasers to pay higher prices for the domestic like product. That willingness depends on how important price is to the purchase decision, the availability and similarity of nonsubject imports and alternative products, such as other sweeteners, and their prices relative to domestic like product prices.

A second limitation on the ability of domestic producers to raise their prices is competition in the domestic market. If a large number of producers are producing similar goods, and sufficient unused capacity is available to permit increased production, a price

[6] Table G-1, CR at G-3; PR at G-3.

[7] It would be useful for parties to provide information on the ability of foreign companies with specific dumping margins to increase supply to the U.S. market. For example, if one company has a very low margin and can increase its supply rapidly, it is more likely that this company can replace the imports from a company with a high margin, when imports are fairly traded.

increase attempted by one producer would be beaten back by his competitors in an effort to increase production and sales. The availability of nonsubject imports would likewise impede the ability of domestic producers to raise their prices. If there is even moderate substitutability with the domestic like product and some unused capacity, producers of nonsubject imports would beat back any attempted price increase by domestic producers. A discussion of the demand and supply characteristics of this market follows.

Market Demand. Demand factors focus on the willingness of purchasers to pay a higher price for domestic honey rather than switching to other products or ceasing their purchases altogether. Overall U.S. consumption of honey, by quantity, has not changed much during the past decade. Per capita consumption of honey has remained roughly constant since 1982, while consumption of other sweeteners has increased significantly during the same period.[8] Consumption of honey has remained constant despite the fact that the average price of honey has fluctuated between 45.5 and 56.8 cents during the same period.[9] This suggests that consumers are not particularly sensitive to changes in price. Such low demand elasticity suggests that if the supply of subject imports were reduced, producers would be able to increase their prices. However, offsetting demand factors must be considered, specifically the substitutability between domestic like product and subject imports and the availability of nonsubject imports and other sweeteners. The available data indicate that there are some differences between subject imports and the domestic product. More than two thirds of U.S. shipments by U.S. producers throughout the period of investigation were of white honey.[10] In contrast, only 31 percent of U.S. shipments of Chinese product by U.S. importers was of white honey.[11] Shipments of U.S. packers, however, show a higher percentage of non-white honey, at 59.7 percent.[12] There is also some evidence of differences in quality, packaging, and shipment terms between U.S. and Chinese honey products sold in the U.S.[13] Based on the competition in the different market segments and some quality and other differences, I conclude that the products are relatively good but not perfect substitutes, so that purchasers would be willing to switch from subject imports to domestic like products if subject import prices were increased substantially.

Another limitation on demand for domestic honey is the availability of alternative sweeteners and nonsubject imports. If there are good substitutes for honey, then any increase in the price of honey and honey blends will shift demand from honey toward the good substitutes. The record indicates that there are possible substitute sweeteners for honey and honey blends. Seventy-six percent of U.S. packers surveyed reported that other sweeteners could be used as substitutes for honey, at least in certain uses such as the industrial sector. Two thirds of the packers indicated that the relative prices of alternative

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[8] Tables 1 and 2, CR at 25 and 26; PR at II-21-22.
[9] Table 3, CR at 31; PR at II-27.
[10] Table D-3, CR at D-5; PR at D-5.
[11] Table D-22, CR at D-28; PR at D-28.
[12] Table D-4, CR at D-6; PR at D-6.
[13] CR at 105-108; PR at II-91-95.

sweeteners have an impact on honey prices.[14] The importance of such alternative sweeteners, however, is not entirely clear at this point. In any final investigation, parties are requested to provide further information regarding the substitutability of alternative sweeteners for honey products.

Finally, purchasers have access to nonsubject imports, which held an 18.7 percent market share in 1993. Depending upon purchasers' perceptions of these imports as a substitute for the domestic like product, they could switch from subject to nonsubject imports in response to an attempted price increase by domestic producers.

Market Supply. The ability of domestic producers to raise prices is also limited by supply side conditions. The domestic industry consists of a large number of producers and packers that compete with each other for sales to the same customers. The capacity utilization of both domestic honey producers and packers was relatively low, 37.1 percent and 64.8 percent, respectively, in 1993.[15] Thus the domestic industry had sufficient available capacity to fill the demand supplied by subject imports, had they been removed from the market. The number of competitors together with their unused capacity create a competitive environment that would have prevented any member of the domestic industry from issuing a price increase and making it stick.

Further competitive discipline would have come from fairly traded nonsubject imports, which were present in the U.S. market throughout the period of investigation and represented a significant alternative source of supply for purchasers. In 1993, the market share of nonsubject imports was 18.7 percent.[16] Although information regarding the substitutability between Chinese and nonsubject imports is limited, there is some evidence that they compete directly with each other,[17] making nonsubject imports a viable alternative for purchasers.

To summarize, had subject imports been sold at fairly traded prices, they would have lost sales to the domestic like product, nonsubject imports and alternative sweeteners. However, competition among domestic producers and with suppliers of nonsubject imports would have prevented the domestic industry from increasing its prices. Thus, even if subject imports had been priced fairly, the domestic industry would not have been able to raise its prices significantly. Consequently, I find that subject imports did not have significant price effects.

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[14] CR at 109; PR at II-95.

[15] Table 15, CR at 64; PR at II-57; and Table D-2, CR at D-4; PR at D-4.

[16] Table G-1, CR at G-3; PR at G-3. There is evidence that the availability of nonsubject imports is increasing. Interim 1994 data show a 22 percent increase in nonsubject imports into the U.S. over interim 1993. CR at 108 and 109; PR at II-95; and CR at 95; PR at II-83.

[17] CR at 93; PR at II-78-81. CR at 95 (table 29); PR at II-83 indicates that Chinese and nonsubject imports are sold within the same broad product categories.

C. Impact of Subject Imports on the Domestic Industry

In assessing the impact of subject imports on the domestic industry, I consider, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital and research and development.[18] These factors either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects. In this case, I find that the domestic industry's output was adversely affected by the dumping of Chinese imports.

As discussed above, I find that substantially fewer Chinese imports would have been sold if they had been sold at fairly traded prices. The impact of these lost Chinese sales on the domestic industry's output and sales depends first on capacity utilization rates of domestic producers and whether they would have been able to increase production,[19] second on the attractiveness, or substitutability, of domestic like product relative to subject imports, nonsubject imports and/or alternative sweeteners, and third on the availability of competing nonsubject imports.[20]

Domestic Industry Supply. As discussed above, the domestic industry consists of a large number of producers and packers that compete with each other for sales to the same customers. The capacity utilization rate of domestic honey producers and packers was relatively low, 37.1 percent and 64.8 percent, respectively, in 1993.[21] Thus the domestic industry had sufficient available capacity to fill all the demand supplied by subject imports, had they been removed from the market. Therefore, if demand for the domestic like product had increased as a result of the subject imports being priced at fair value, the domestic industry would have been able to increase its production to satisfy that demand.

Substitutability. Whether the increased domestic production would have translated into increased sales depends on whether purchasers of subject imports would have been likely to switch to domestic honey had the price of subject imports been increased to fairly traded prices. That, in turn, depends on the substitutability of the products.

If subject imports and the domestic like product are not similar, *i.e.*, not good substitutes, purchasers are unlikely to switch to the domestic like product even if the price of subject imports increases. Purchasers would continue to buy subject imports at the higher price or would switch to nonsubject imports or alternative products, to the extent that they are substitutable, rather than to the domestic like product to satisfy their needs. In that case, reduced demand for subject imports would translate into increased demand for nonsubject imports and alternative products, but the domestic industry would not increase its sales of

[18] 19 U.S.C. § 1677(C)(iii).
[19] Elasticity of domestic supply.
[20] Elasticity of nonsubject import supply.
[21] Table 15, CR at 64, PR at II-57 and Table D-2, CR at D-4; PR at D-4.

the like product. In this case, subject imports and domestic like product appear to be relatively good substitutes. Therefore, many purchasers would have switched to the domestic like product, and the domestic industry would have increased its sales.

Nonsubject Import Supply and Alternative Sweeteners. The third factor that affects the ability of the domestic industry to increase sales when subject import prices increase is the availability and attractiveness of nonsubject imports and alternative sweeteners. Had subject imports been traded at fair prices, purchasers may have switched their purchases to nonsubject imports or alternative sweeteners, as well as the domestic like product. As discussed above, nonsubject imports were present in the U.S. market throughout the period of investigation and had a 18.7 percent market share in 1993.[22] Interim 1994 data show a 22 percent increase in nonsubject imports into the U.S. over interim 1993.[23] Furthermore, there is some evidence that nonsubject imports compete directly with subject imports.[24] Also, the record indicates that there are possible substitute sweeteners for honey and honey blends such as high fructose corn syrup. However, there is insufficient information about either the ability of nonsubject import producers to increase their supplies to satisfy any increase in domestic demand or the extent of substitutability between alternative sweeteners and honey products. Therefore, for purposes of this preliminary investigation, I make no assumption that sales of either nonsubject imports or alternative sweeteners would have increased significantly.

Summary. In weighing the effect of these and other factors on domestic output and sales, I conclude that, had subject imports been sold at fair value, many purchasers would have been willing to switch to the domestic like product, and domestic producers would have been able to increase their production to satisfy the increased demand. Because I cannot assume that nonsubject import producers would have also been able to increase their supplies, or that purchasers would have switched to alternative sweeteners, I conclude that the domestic industry would have captured all or most of the sales lost by subject imports.[25] This increase in demand for the domestic like product would have increased output and sales significantly. Even without any price effect, domestic industry revenues would then have increased significantly had subject imports not been dumped.

Therefore, I find that the domestic industry would have been materially better off if subject imports had been priced fairly, and determine that there is a reasonable indication that the domestic industry is materially injured by reason of subject imports from China.

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[22] Table G-1, CR at G-3; PR at G-3.

[23] CR at 95; PR at II-83.

[24] CR at 93; PR at ii-78-81. CR at 95 (table 29); PR at II-83 indicates that Chinese and nonsubject imports are sold within the same broad product categories.

[25] In any final investigation, parties are requested to provide information on the availability of nonsubject imports for import into the U.S. market, as well as the substitutability of such imports with both U.S. and Chinese products.

PART II

INFORMATION OBTAINED IN THE INVESTIGATION

INTRODUCTION

On October 3, 1994, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by counsel on behalf of the American Beekeeping Federation, Inc. (ABF) and the American Honey Producers Association (AHPA).[1] The petition alleges that an industry in the United States is materially injured and threatened with material injury by reason of imports of honey[2] from the People's Republic of China (China) that are alleged to be sold in the United States at less than fair value (LTFV).

Accordingly, effective October 3, 1994, the Commission instituted antidumping investigation No. 731-TA-722 (Preliminary) under section 733(a) of the Tariff Act of 1930[3] (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of honey from China alleged to be sold in the United States at LTFV. Notice of institution of this investigation was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the *Federal Register* of October 13, 1994.[4] Copies of the Commission's and Commerce's *Federal Register* notices are presented in appendix A.

The Commission held a public conference in Washington, DC, on Monday, October 24, 1994, at which time all interested persons were allowed to present information and data for consideration by the Commission. A list of the participants in the conference is presented in appendix B.

The Commission voted on this investigation on November 14, 1994, and transmitted its determination to the Secretary of Commerce on November 17, 1994.

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[1] The petition was filed on behalf of the ABF and the AHPA organizations only. Individual members of these organizations are not directly cited as petitioners.

[2] The products covered by this investigation are natural honey, artificial honey containing more than 50 percent natural honey by weight, and preparations of natural honey containing more than 50 percent natural honey by weight. The subject products include all grades and colors of honey whether in liquid, creamed, comb, cut comb, or chunk form, and whether packaged for retail or in bulk form and are currently provided for in heading 0409 and subheadings 1702.90 and 2106.90 of the *Harmonized Tariff Schedule of the United States* (HTS).

[3] 19 U.S.C. § 1671b(a).

[4] 59 F.R. 51996.

PREVIOUS AND RELATED INVESTIGATIONS

On October 6, 1993, following a request from the U.S. Trade Representative, the Commission instituted an investigation under the provisions of section 406(a) of the Trade Act of 1974. As a result of this investigation, the Commission determined that imports of honey from China were increasing rapidly so as to be a significant cause of threat of material injury to a domestic industry in the United States. On January 7, 1994, the Commission reported its determinations and recommendations to the President.[5] On April 21, 1994, the President determined that import relief for honey was not in the national economic interest of the United States.[6] However, the President directed the U.S. Trade Representative to develop a plan to monitor imports of honey from China. Copies of the first and second quarterly reports issued by the U.S. Trade Representative are presented in appendix C.

In 1976, the Commission conducted an investigation of honey under section 201 of the Trade Act of 1974. At that time, the Commission 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 producing articles like or directly competitive with the imported article. The Commission found that a tariff-rate quota system was necessary to prevent the threatened injury. On August 28, 1976, President Gerald R. Ford advised Congress that "import relief for the U.S. industry engaged in the commercial production and extraction of honey is not in the national economic interest."[7]

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[5] *See* U.S. International Trade Commission, *Honey From China*, investigation No. TA-406-13, USITC publication 2715, January 1994.

[6] *See Presidential Documents, Import Relief Determination Under Section 406 of the Trade Act of 1974 on Honey From the People's Republic of China*, 59 F.R. 19627.

[7] *U.S. Honey Industry*, Communication from the President of the United States to Congress, Aug. 28, 1976, p. 1 (41 F.R. 36787).

THE PRODUCT

Product Description

The following definitions of honey are used throughout this report:

Product	Description
Natural honey	Honey produced by bees, centrifuged or in the comb or containing comb chunks, provided that neither sugar nor any other substance has been added. Such honey may be designated by floral source, origin, or color.
Artificial honey mixed with natural honey	The term "artificial honey" refers to mixtures based on sucrose, glucose, or invert sugar, generally flavored or colored and prepared to imitate natural honey. Such mixtures must contain more than 50 percent natural honey by weight.
Preparations of natural honey	Food preparations principally consisting of natural honey, including natural honey enriched with bees' royal jelly. Such preparations must contain more than 50 percent natural honey by weight.

Honey is a sweet, viscous fluid derived by bees from the nectar of flowers. It is believed to be the oldest sweetener used by man, with the first written passage concerning honey dated to about 2,000 BC and prehistoric cave paintings in Spain depicting its collection 15,000 years ago.[8] Color, flavor, and chemical and physical composition of honey depend upon the flora from which the nectar for the honey was taken. The principal components of honey are fructose, glucose, and water. Honey is commonly regarded as a "natural" health food because the simple component sugars, fructose and glucose, can be assimilated without further breakdown by the digestive system, providing a source of quick energy.

Honey may be typed according to several different factors, including its source, its color, the season in which it was harvested, its physical state, or the means of preparation. Honey may be monofloral, meaning it has one predominant botanical source, or it may be polyfloral, having several botanical sources, with no single floral source predominant. The floral source of the honey can impart its distinctive flavor; for instance, alfalfa, buckwheat, clover, mesquite, orange blossom, and sage. Specialty monofloral honeys, such as rosemary or acacia, may sell at premiums. Polyfloral honeys may be described by the time of year during which they were harvested, such as "spring honey." Floral sources can also impart a distinctive color, such as light-colored clover honey, yellow-orange sunflower honey, and dark-colored buckwheat honey. Honey is valued according to both floral source and color, with the lighter colors and milder flavors of honey generally being more valuable in most

[8] *Sugar Chemistry*, The Avi Publishing Company, Inc., Westport, CT, 1975, p. 150, and *The Hive and the Honey Bee*, Dadant & Sons, Inc., Hamilton, IL, 1992, p. 869.

countries, including the United States. Different types of honeys may be blended to obtain the desired flavor and color as well as to provide a uniform product throughout a given market.

Nearly all commercial honey is extracted from the comb, although small quantities are consumed in the form of comb honey or chunk honey. Specialty products known as "spun" or "creamed" honey, which consist of pure honey in which dextrose crystallization has been encouraged, also are marketed. Most honey will granulate over time as the glucose (dextrose) in the honey crystallizes out of the solution. Honey also will darken and deteriorate in flavor if held for long periods of time at above-average room temperatures. The means of preparation--extraction, pressing, or settling--and processing can have an effect on the rate of deterioration of honey.[9]

Production Processes

The production of honey, which is the bee's main sustenance, begins with the bees' gathering of nectar from various plants.[10] Bees may forage for several miles from their hive to find nectar. During these foragings, bees typically visit only one variety of plant. As the bee moves from plant to plant, small amounts of pollen cling to the bee and are transferred from plant to plant, making the bee an excellent crop pollinator. Upon returning to the hive, the foraging bee regurgitates the nectar into the mouth of a specialized "house" bee. The house bee adds enzymes and places the unripe honey into the hexagonal cells of the comb. The unripe honey is often spread among several cells to help in moisture evaporation, which the house bees promote by fanning their wings. Cells are then capped with a thin layer of wax, and the honey is allowed to ripen.

There are four traditional species of bees worldwide:

Bee types	Common names
Apis dorsata	Giant honey bee
Apis florea	Little honey bee
Apis cerana	Eastern honey bee
Apis mellifera	Western honey bee

[9] More specific information on the preparation and processing of honey is contained in the section of this report entitled "Production Processes."

[10] Nectar is a solution composed of sugar and water with such additional constituents as proteins and amino acids.

In the United States, *A. mellifera* was the bee introduced by European settlers, and is both the feral bee[11] and the bee used in commercial honey production. Approximately one-half of the commercial honey-producing colonies in China are the native *A. cerana*, and the other half are the western bee, *A. mellifera*. *A. mellifera* was introduced into China in the early 20th century, along with the techniques of movable-frame beekeeping, and is generally the bee used in migratory beekeeping.[12]

U.S. Beekeeper Operations

Beekeepers often move their hives to follow the nectar and bloom flow, as well as to areas in need of the bees' pollination services or areas rich in certain flora to promote production of a distinct type of honey. In the United States, approximately half of the estimated 1,600 to 2,000 commercial beekeepers are migratory. The migration is generally from north in the summer to south in the winter, as well as to California during almond season and several other States for pollination of crops such as melons.[13] Beekeepers in the United States keep their bees in constructed wooden hives that are relatively easy to transport (figure 1).

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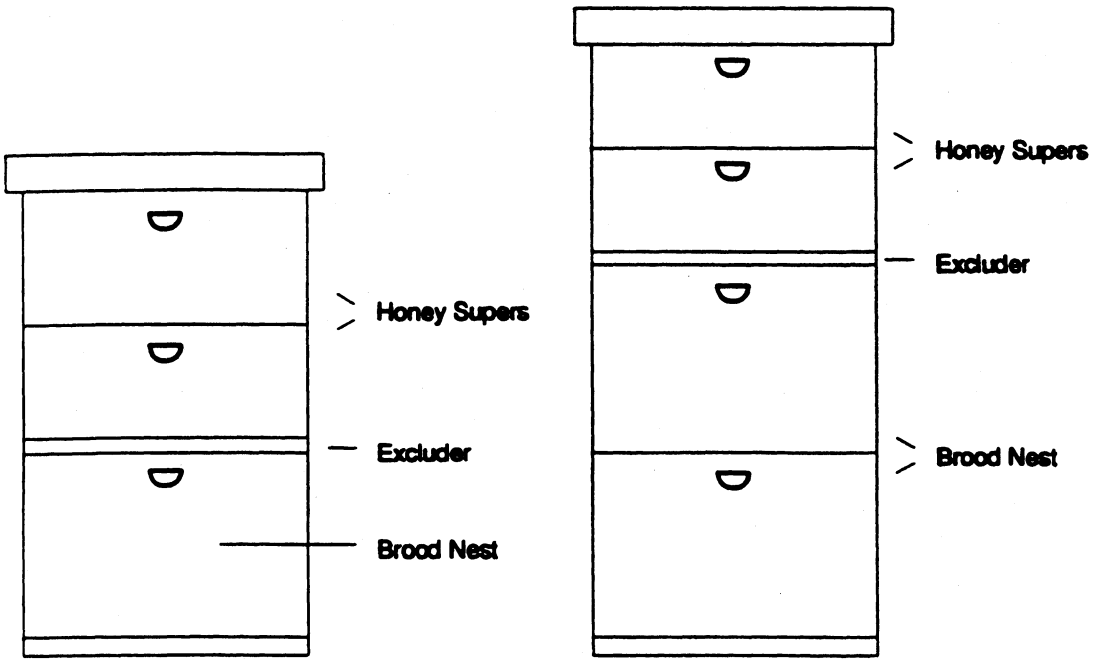
[11] "Feral" bees are bees not maintained by beekeepers; i.e., they are wild bees. The feral bee population of the United States has undergone significant changes in recent years. The introduction of varroa and tracheal mites into the U.S. bee population during the 1980s has significantly reduced the feral bee population, although the damage inflicted by these pests can be controlled by beekeepers in maintained hives. The reduction of the feral bee population is estimated to be as high as 80 percent in some areas of the country, increasing the need to purchase pollination services from beekeepers.

The feral bee population in the United States is also threatened by the so-called "Africanized" bee, which first made an appearance in the United States in Texas in October 1990. Since that time, Africanized swarms have been found further in Texas, Arizona, and California. Africanized bees have been spreading their range since 1957, when some African queens (*Apis mellifera scutellata*) escaped from a breeding experiment in Brazil and mated with the more docile European bees already introduced to the Americas. The implication of the invasion of the United States by the Africanized bee is that breeding between the Africanized bees and the native bees generally produces Africanized swarms. Africanized swarms of bees have received a great deal of publicity because of their highly defensive behavior coupled with some reports that these bees produce less honey than the native bees.

[12] "China's Beekeeping and the Journal of the Bee," *American Bee Journal*, vol. 131, No. 7, July 1991.

[13] "America's Beekeepers: Hives for Hire," *National Geographic*, May 1993, p. 76.

Figure 1
Bee hive structure



Note.--A brood nest can be made up of one or two hive bodies, depending largely on location and personal preference. This shows the placement of a queen excluder with one hive body (left) or two hive bodies (right).

Source: "Strictly for the Hobbyist," *American Bee Journal*, vol. 132, No. 7, July 1992.

Bees naturally construct a core nest containing the brood and then have an insulating layer of pollen and honey above the nest. With a hive structure similar to the one shown in figure 1, the bees live in either one or two hive bodies and store the honey on the frames contained in the supers.[14] The excluder restrains the queen to the brood nest and prevents her from laying brood in the supers containing honey.[15] The rectangular frames, usually constructed of wood, begin the season holding a foundation made of wax, upon which the bees construct the hexagonal-shaped cells of wax in which they store the honey. The standard super contains 10 frames in the United States and two 10-frame supers are usually used in the production of bulk honey.[16]

There are many techniques for "robbing" the bees of their honey. Using the wooden hive structure discussed above, the process begins with driving the bees from the supers by means of brushing the bees off the supers, or by using smoke, chemicals, or low-pressure, high-volume forced air to drive the bees from the supers down into the brood nest. Supers are removed when the cells on the frames are fully capped. Removal of frames containing cells that are not fully capped can result in a honey that is not fully ripened and high in moisture, conditions which can cause the honey to ferment.[17]

No matter the size of the operation, most extraction of honey uses the same basic equipment, although configuration, complexity, and capacity of the equipment depend upon the needs and the space available to the beekeeper. Figure 2 illustrates a general honey processing pathway. Some commercial operations and hobbyists first use a drying room (not shown in the illustration), although capped honey in general has a low enough moisture content (around 17-18 percent) to prevent fermentation. A drying room may consist simply of heating a room to 85-90 degrees and dehumidifying to 0-20 percent relative moisture for a small operation, or may comprise large drying rooms with special ventilation systems to circulate the warm, dry air around the stored supers for commercial operations.

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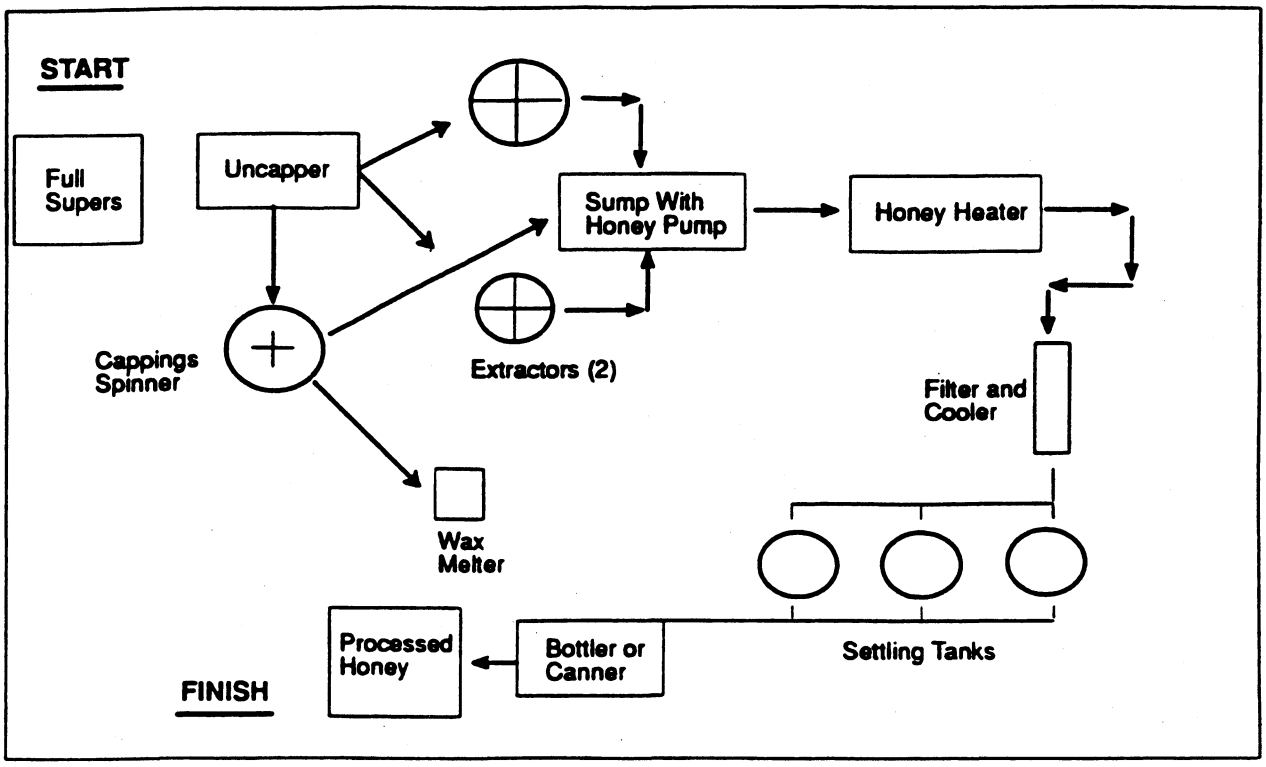
[14] In the United States, northern beekeepers traditionally use two hive bodies to allow for large honey stores for wintering. Southern beekeepers usually use just one hive body. "Strictly for the Hobbyist," *American Bee Journal*, Volume 132, No. 7, July 1992.

[15] Not all beekeepers use an excluder because some believe that an excluder discourages bees from storing honey in the super.

[16] *The Hive and the Honeybee*, Dadant and Sons, Hamilton, IL, 1992; p. 706.

[17] Fermentation of honey is caused by the growth of yeasts that are naturally found in honey. Unlike many yeasts, these yeasts can grow in a relatively high sugar concentration. However, there are limitations to the sugar concentration in which these yeasts can grow, and thus the water content of honey is one of the factors in whether or not fermentation occurs. Industry sources indicate that the Chinese remove honey daily from the hive, and subsequently have a high fermentation rate caused by the unripe, high-moisture honey. *The Hive and the Honey Bee* indicates that fermentation is often a problem in areas of high humidity, even if the cells have been capped, because the bees are unable to ripen the honey fully. This fermentation problem can be alleviated by removing the supers to a drying room and circulating warm, dry air while dehumidifying. *The Hive and the Honey Bee*, Dadant & Sons, Hamilton, IL, 1992; p. 716.

Figure 2
Honey processing pathway



Source: *The Hive and the Honeybee*, Dadant & Sons, Hamilton, IL, 1992, p. 680.

Combs are uncapped using either hot knives or power uncappers. The most common uncapper uses mounted, heated, serrated knives, which saw through the honey cappings as the frames pass through. A relatively newer design uses rotating steel flails, which lightly strike and break the cap as the frames pass. Commercial operations also use a rotary knife uncapper that works in a manner similar to the "flailing" uncapper. Honey cappings contain significant quantities of honey, and comb uncapping occurs over plastic or stainless steel containers to catch the honeyed caps. The caps and honey are then separated by either a wax spinner, which uses a centrifuge to sling honey from cappings, or a cap compressing system, which mechanically squeezes the honey from the cappings. The wax from the caps is rendered for the production of beeswax.

Extractors are used in the actual separation of the honey from the uncapped cells on the frame. Currently in the United States, extractors range in size from 2-frame capacity to 240-frame capacity.[18] Extractors, like the wax spinners, use centrifuges to fling the honey from the cells, and have either a horizontal or vertical shaft. As honey flows from the extractor, it contains particles of wax, bees, or other hive matter. The honey may be run through a centrifuge to separate the honey from the foreign particles or may be strained through a simple netting (usually nylon) or a more complicated high pressure filter. The processing of honey to this point is usually done by the beekeeper. The honey at this stage can be bottled and sold to consumers as "unprocessed" or "raw" honey, further processed by a beekeeper who possesses a facility similar to the one pictured in figure 2, or sold to a packer, who picks up in the production pathway pictured in figure 2 after extraction.

The beekeeper may also produce other honey products, such as comb honey. Comb honey, which consists of sections of comb containing honey that has not been uncapped, has a production process slightly different than regular extracted honey. Bees are encouraged to produce comb on full sheets of foundations--as for the production of extracted honey--or on split or round sections of foundation. These other configurations of foundation in the supers are used to produce a more attractive comb section. When the supers are removed, comb honey is treated for the prevention of damage by wax moths; usually this treatment consists of freezing the comb sections and the honey contained in them. After defrosting, the comb honey is then ready for sale. Pieces of comb often are cut from frames and put in containers with extracted honey. This product is referred to as "chunk honey."

[18] *The Hive and the Honeybee*, Dadant & Sons, Hamilton, IL, 1992; p. 671.

U.S. Packer Operations

Upon receipt of extracted honey, the packer (including the beekeepers with packing facilities) may blend different types of honey to obtain a uniform product.[19] The honeys, usually in 55-gallon drums from the beekeepers, are labeled according to color and floral source of the honey, making selection for blending or production of monofloral honey (e.g., "orange") possible.[20]

At this point, heat may or may not be used to pack a finished product. Heating honey aids in the flow of honey through the processing facility and can retard granulation and spoilage, largely through the destruction of yeasts naturally present in honey. Honey that has been heated is acceptable to most users in the United States, although in other areas of the world, honey that has been heated is perceived to have lost some of its health and nutritional benefits. Because both diastase, an enzyme which destroys starch, and hydroxymethylfurfural (HMF), a byproduct of the decomposition of sugars in acid, are affected by heat, countries preferring unheated honey often have required levels of each for imports. "Flash heating," whereby the honey is rapidly heated to 120 degrees or above and then quickly cooled, can produce honey with acceptable HMF and diastase levels for export to many countries, while maintaining its favorable processing characteristics.

Heated or unheated, honey next flows through filtering mechanisms (filtering paper sheets in commercial processing plants), usually under high pressure. Some packing facilities also add diatomaceous earth to the honey before filtering to aid in filtration.[21] The honey next moves to a "settling tank" in a warm area for several hours or even days, with any remaining foreign material floating to the top, where it can be skimmed.[22] Honey then can be poured directly into containers and sold to consumers or industrial users.

Creamed honey is another honey product that the packer may also process. This is honey in which the natural granulation has been encouraged and controlled for a smooth consistency similar to that of butter. Although nearly all honey can be creamed, those honeys higher in glucose generally granulate the fastest. To start the production of creamed honey, extracted honey is heated to a maximum of 150 degrees to destroy the natural yeasts

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[19] Honey may also be stored for years under proper storage conditions; i.e., in a dry place at approximately 70° F, or alternatively at freezing temperatures. According to the USDA, honey stored for years at freezer temperatures, 0° to -10° F, cannot be distinguished from fresh newly extracted honey in color, flavor, or aroma (*Honey: Background for 1990 Farm Legislation*, Economic Research Service, USDA, Sept. 1989, p. 12).

[20] A 55-gallon steel drum with an FDA-approved food liner and an open head is the common container for U.S.-produced bulk raw honey. Packers responding to the Commission's questionnaires report that imports of honey from China are packed in 55-gallon closed-head steel drums.

[21] Diatomaceous earth is a natural filtering agent derived from the skeletons of ancient algae. The particles of diatomaceous earth attract the particles of dirt, bee parts, and other matter in the honey, and are not passed through the filters.

[22] Some operations reverse the process, and place honey in settling tanks before filtration.

that can cause fermentation and to dissolve large glucose crystals. The heated honey is strained to remove any extraneous substances such as wax, pollen, or bee debris. The honey is then cooled and "starter" seed, consisting of creamed honey that has been finely ground to create extremely fine glucose crystals, is added. The starter is completely blended into the honey to be creamed in order to assure uniform crystallization. After blending, the mixture of seed and honey is allowed to set for a period of time during which air bubbles rise to the surface and are skimmed. The product is then transferred to containers and sets up within 4 to 6 days.[23]

Honey-producing Operations in China

As previously mentioned, approximately half the commercial honey-producing colonies in China are native *A. cerana*, and the other half are the western bee, *A. mellifera*. In China, *A. mellifera* is generally the bee used in migratory beekeeping, and several million of such colonies are transported yearly to increase honey flow.[24] The *A. cerana* colonies usually are not used in migratory beekeeping, and approximately 40 percent are still kept in wooden baskets or bamboo cages.[25] In some areas of China, beekeepers maintaining colonies of native bees are reported to still use the traditional method of destroying the hive to harvest the honey.[26] Industry sources report that, with the exception of litchi and canola blossoms, major nectar sources in China are similar to those found in the United States.[27]

Differences in the honey production process between the United States and China have been reported at the extraction stage. As previously mentioned, the beekeeper in the United States employs a hive structure that consists of supers for honey storage, which allows the honey to dry and ripen. In China, beekeepers reportedly do not use supers, and extract honey from the comb on a daily basis, so that the honey is unripe and high in moisture content, which encourages fermentation. Such extracted honey is collected and taken to processing plants for heating and drying, but while such processing may stem fermentation, it cannot reverse the process and, as a result, honey from China may have the bitter taste associated with fermentation.

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[23] *The Hive and the Honey Bee*, Dadant & Sons, Hamilton, IL, 1992; p. 702.

[24] "China's Beekeeping and the Journal of the Bee," *American Bee Journal*, vol. 131, No. 7, July 1991.

[25] *Ibid.*

[26] "Introduction of Chinese Apiculture History and Conditions," by Wang Suzhi, Senior Agronomist, Department of Animal Husbandry and Health, Ministry of Agriculture, China, 1990.

[27] "The China Experience--A Unique Beekeeping Event," *American Bee Journal*, June 1992, p. 388.

Uses

The U.S. market for honey consists of three sectors: retail, food service, and bulk (industrial). Data published by the National Honey Board show that the retail sector is the largest, accounting for approximately 46 percent of U.S. honey consumption, followed by bulk and food service (figure 3). Figure 4 shows changes in U.S. honey sales, by sector, during 1992-94.

Honey packed for retail sales (i.e., for table use) is generally liquid and of light color (extra light amber or lighter) and of mild flavor, usually designated as "clover." Honey sold for table use is often blended to obtain a uniformity of taste and color, although there are consumers who prefer a monofloral honey.[28] Figure 5 shows U.S. retail sales by flavor. Comb, chunk, and creamed honey are also available for table use. Both domestic and imported honey are used for table use, as well as blends of domestic and imported honey. Industry sources indicate that Chinese honey often has to be blended with other honey for U.S. table use. The reported need for blending honey from China stems from the previously discussed Chinese production process that leads to fermentation of the honey, resulting in a flavor that American consumers do not generally find palatable.

Approximately 17 percent of the honey consumed in the United States is used in the food service industry, which consists of commercial operations such as restaurants and non-commercial operations such as schools and other institutional operations.[29] Food service commercial and non-commercial operators purchase honey in a wide variety of packages and sizes, and as with honey sold to the retail sector, food service honey may be domestic, imported, or a blend of domestic and imported.

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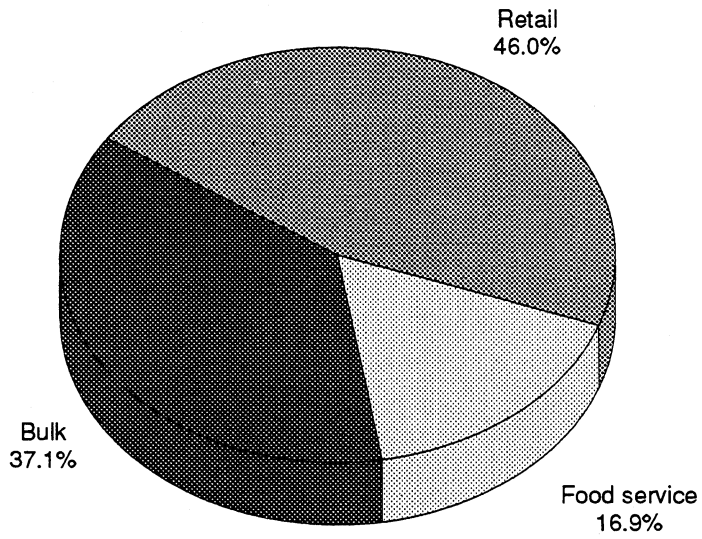
[28] Blends may be designated as one floral source, such as "clover," provided that over 50 percent of the honey in the blend is from that floral source.

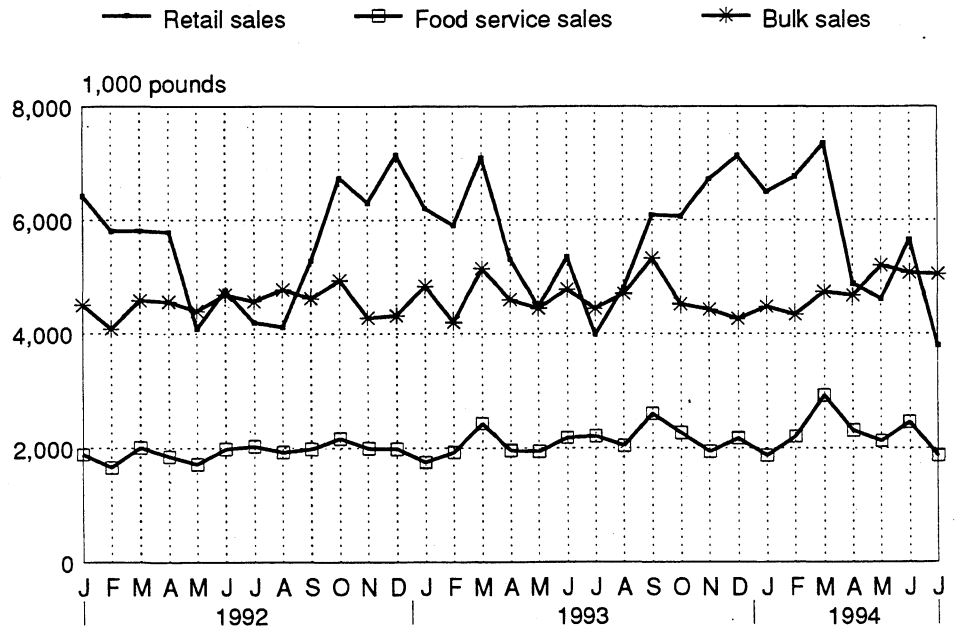
[29] National Honey Board and *The Hive and the Honeybee*, Dadant & Sons, Hamilton, IL, 1992; p. 797.

Figure 3
U.S. packers' honey sales by market segments, 1993



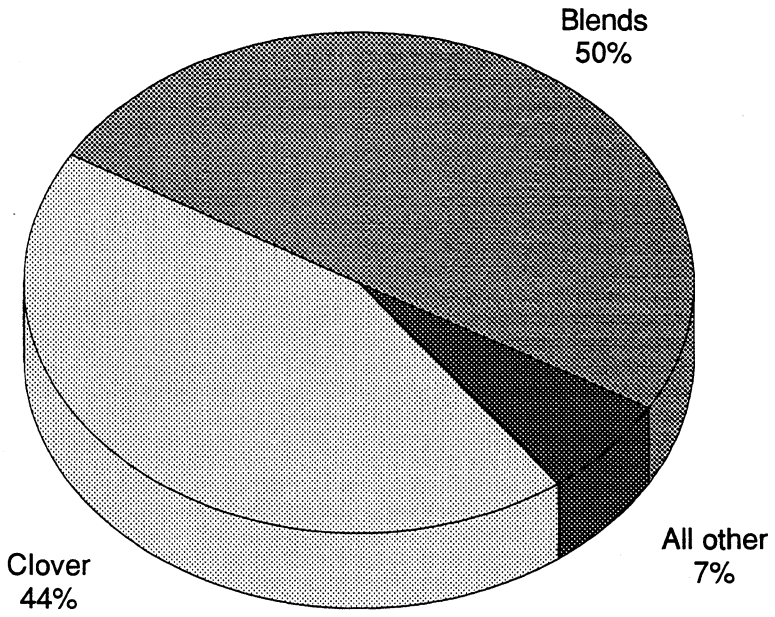
Source: National Honey Board.

Figure 4
U.S. packers' honey sales by market segments, by months,
Jan. 1992-July 1994



Source: National Honey Board.

Figure 5
Honey: Retail shipments by flavor, 1993



Source: National Honey Board.

The United States is one of the world's largest markets for industrial honey; in the United States, bulk (or industrial) sales account for approximately 37 percent of total consumption. The major industrial honey users are in the food industry, although the tobacco, pharmaceutical, and cosmetic industries use some honey. Bakery, health food, and cereal manufacturers, respectively, are the greatest users of industrial honey in the food industry. Figure 6 shows uses of honey by product category. The National Honey Board's *1994 Retail Baking Marketing Plan* indicates that of the approximately 26,000 independent retail bakeries in the United States, 80 percent use honey.[30] The products in which honey was most often used were:

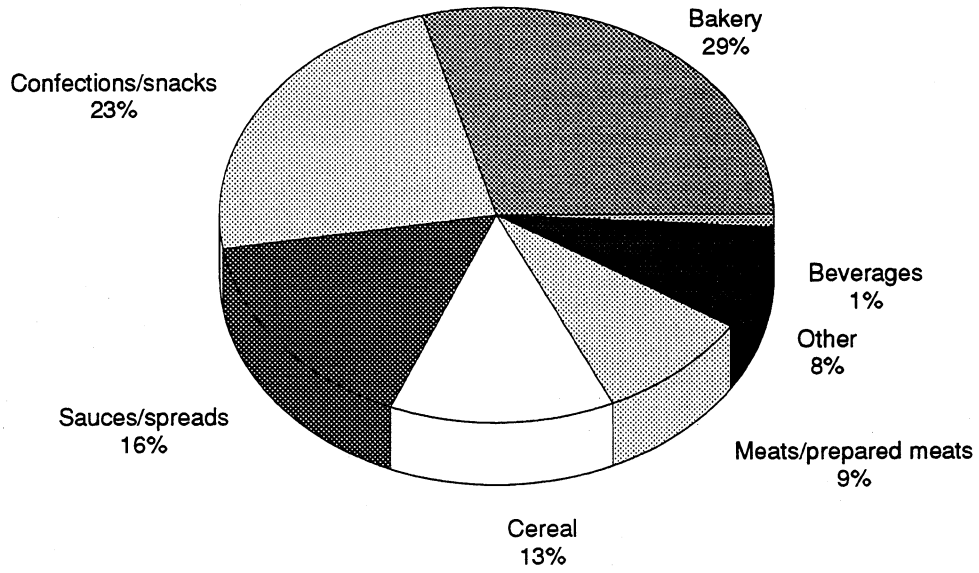
Product	Share containing honey (percent)
Bread	53
Cookies	52
Muffins	42
Cakes	15
Brownies	14

The main reason indicated by the food industry for the inclusion of honey in products is for flavor (figure 7).[31] Other reasons for the use of honey in the food industry include consumer appeal, sweetness, moisture retention (humectancy), and color. Figure 8 shows the composition of honey. Figure 9 shows a sample of the nutritional label on retail packages of honey.

[30] One of the larger industrial users of honey, ***, which traditionally purchased over *** of honey per year, reportedly switched from using honey to lower-priced alternative sweeteners in its bakery items as of 1994. Staff conversation with ***, Oct. 10, 1994.

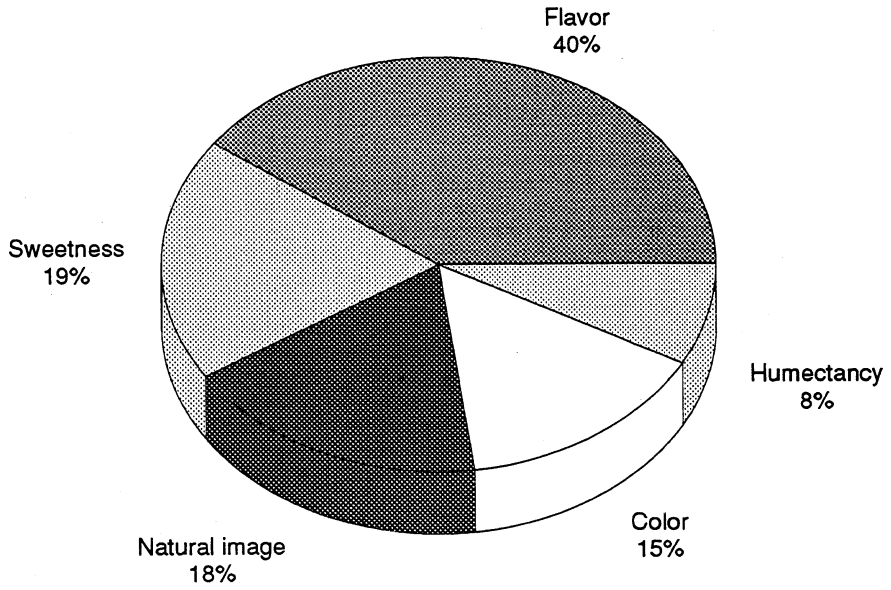
[31] "U.S. Food Industry is 'Sweet' on Honey," by Veronique Lagrange, David Ropa, and Cathy Mupoper, *American Bee Journal*, Volume 131, No. 7, July 1991, and "Industrial Use and Attitudes Study," National Honey Board, 1992.

Figure 6
Honey: Uses by food industry categories, 1993



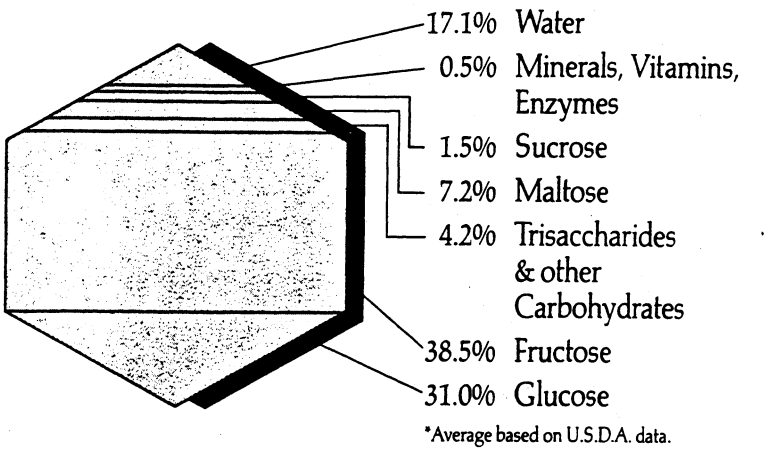
Source: National Honey Board.

Figure 7
Honey: Important factors considered by industrial users when purchasing honey, 1992



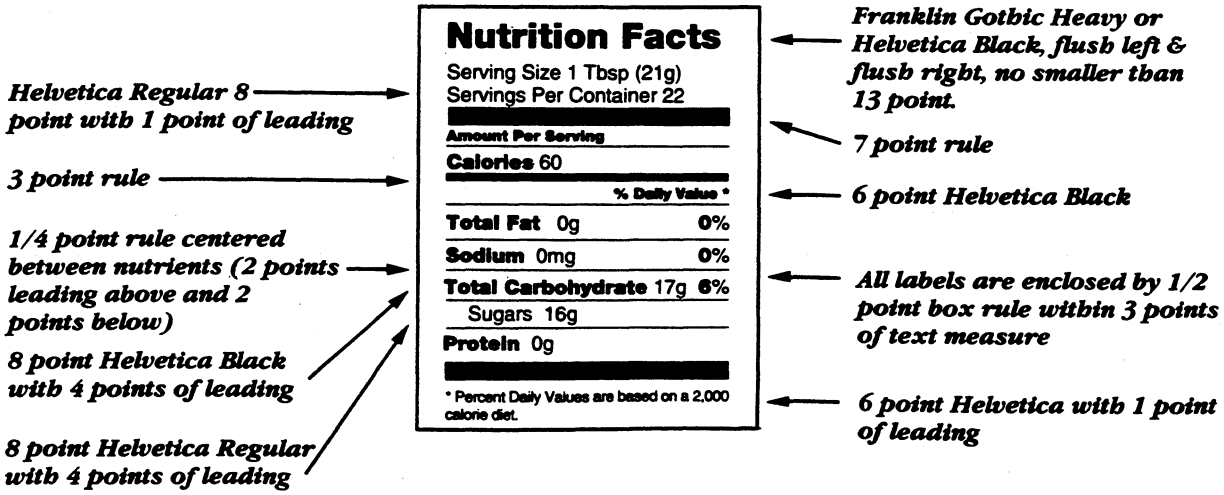
Source: National Honey Board.

Figure 8
Composition of honey



Source: National Honey Board.

Figure 9
Typical nutritional label for honey



Source: National Honey Board.

Industrial users typically purchase honey according to established specifications that govern, in order of importance, microbiological standards, grade, color, flavor, and honey type.[32] Extra-light to light amber is the color most used by food industry manufacturers.[33] Domestic producers' and packers' U.S. shipments, by color, are presented in appendix D.[34]

Substitute Products

Aside from flavor, honey is also used for its sweetening, hygroscopic abilities, and immunities to some types of spoilage.[35] These properties stem from the fact that honey is a concentrated solution of several sugars.[36] Many of the sugars in honey are not found in nectar, but form during the ripening in the wax cells. The sweetness of honey comes from dextrose (glucose) and levulose (fructose), which account for 85-95 percent of the total sugars in honey. Honey usually ranges from 31 to 44 percent fructose, 23 to 41 percent glucose, and around 17 percent water; generally, the higher the fructose content, the sweeter and more valuable the honey.[37] Honey also contains small quantities of several other saccharide components, such as maltose, and nonsaccharide components, such as enzymes, protein, and amino acids.

Tables 1 and 2 and figures 10 and 11 show U.S. consumption of honey compared with other caloric sweeteners. Syrups, jams, jellies, and preserves compete with honey for its main table usage as a spread for bread products. Although some consumers purchase honey for table use for its perceived nutritional and health benefits, others use honey primarily as a sweetener and therefore consider factors such as flavor and price when deciding among these products.

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[32] A study conducted by the National Honey Board in 1990 found the order of importance of specification criteria to be different than the 1992 study. In the earlier survey, 75 percent of all manufacturers cited color as the most often used specification, followed by flavor, U.S. grade, honey type, and microbiological standards. The National Honey Board's 1992 study indicated that the increased interest in microbiological standards most likely stemmed from highly publicized incidences of contaminated food outbreaks within the past several years.

[33] "U.S. Food Industry is 'Sweet' on Honey", *American Bee Journal*, July 1991, and "Industrial Use and Attitudes Study," National Honey Board, 1992.

[34] App. D also presents a variety of other trade data based on questionnaire responses of U.S. producers and U.S. packers.

[35] Hygroscopicity is the ability of a material to remove moisture from the air.

[36] *Symposium: Sweeteners*, Ed. George E. Inglett, The Avi Publishing Company, Inc., 1974, p. 118.

[37] *Sugar Chemistry*, R.S. Shallenberger and G.G. Birch, The AVI Publishing Company, Inc., Westport, CT, 1975.

Table 1
U.S. total consumption of caloric sweeteners, by types, 1980-94[1]

(1,000 short tons, dry basis)

Year	Refined sugar[2]	Corn sweeteners-- HFCS[3]	Corn sweeteners-- Glucose syrup[4]	Corn sweeteners-- Dextrose	Pure honey	Edible syrups	Total caloric sweeteners
1980	9,522	2,159	1,908	433	94	50	14,166
1981	9,130	2,625	1,940	442	96	50	14,283
1982	8,554	3,090	2,011	459	104	50	14,268
1983	8,236	3,657	2,066	474	111	50	14,594
1984	7,877	4,404	2,110	487	104	50	15,032
1985	7,479	5,396	2,157	497	107	50	15,686
1986	7,225	5,508	2,197	508	117	50	15,605
1987	7,573	5,808	2,240	517	133	50	16,321
1988	7,604	6,015	2,287	525	115	50	16,596
1989	7,761	5,986	2,348	538	124	50	16,807
1990	8,051	6,227	2,433	557	126	50	17,444
1991	8,051	6,401	2,558	570	128	50	17,758
1992	8,250	6,682	2,700	573	124	50	18,379
1993	8,293	7,134	2,811	584	126	50	18,998
1994[5]	8,425	7,335	2,900	600	125	50	19,435

[1] Totals may not add due to rounding.
[2] Does not include sugar imported in blends and mixtures.
[3] High-fructose corn syrup.
[4] Includes estimates for glucose syrup solids and maltodextrin, as well as for glucose syrup.
[5] Preliminary.

Source: Economic Research Service, USDA.

Table 2
U.S. per capita consumption of caloric sweeteners, by types, 1980-94[1]

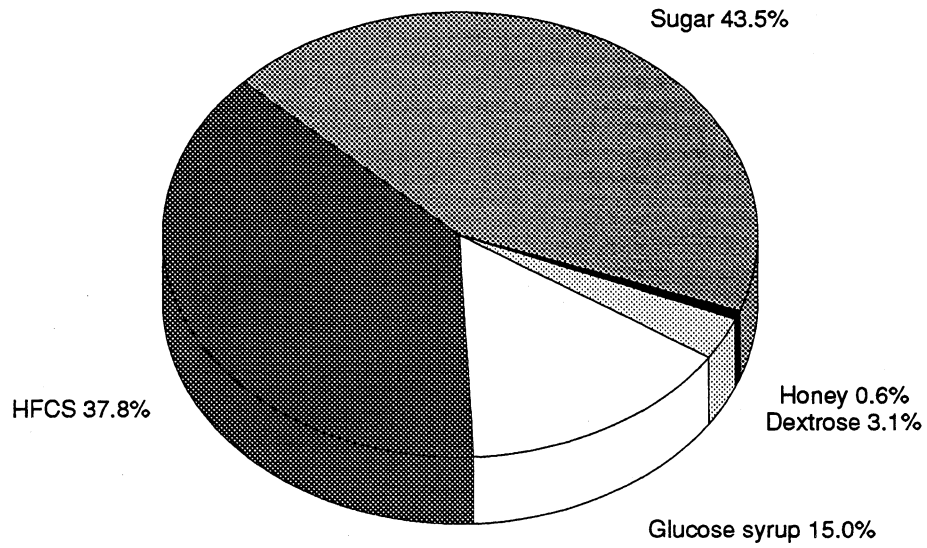
(Pounds, dry basis, except as noted)

Year	Refined sugar[2]	Corn sweeteners-- HFCS	Corn sweeteners-- Glucose syrup[3]	Corn sweeteners-- Dextrose	Pure honey	Edible syrups	Total caloric sweeteners	U.S. population[4]
								Millions
1980	83.6	19.0	16.8	3.8	0.8	0.4	124.4	227.726
1981	79.4	22.8	16.9	3.8	.8	.4	124.1	229.966
1982	73.7	26.6	17.3	3.9	.9	.4	122.8	232.188
1983	70.3	31.2	17.6	4.0	1.0	.4	124.5	234.307
1984	66.6	37.3	17.9	4.1	.9	.4	127.2	236.348
1985	62.7	45.2	18.1	4.2	.9	.4	131.5	238.466
1986	60.0	45.8	18.3	4.2	1.0	.4	129.7	240.651
1987	62.4	47.8	18.4	4.3	1.1	.4	134.4	242.804
1988	62.1	49.1	18.7	4.3	.9	.4	135.5	245.021
1989	62.8	48.4	19.0	4.4	1.0	.4	136.0	247.342
1990	64.4	49.8	19.5	4.5	1.0	.4	139.6	249.908
1991	63.7	50.7	20.2	4.5	1.0	.4	140.5	252.648
1992	64.5	52.3	21.1	4.5	1.0	.4	143.8	255.458
1993	64.2	55.3	21.8	4.5	1.0	.4	147.2	258.245
1994[5]	64.6	56.4	22.2	4.6	1.0	.4	149.2	260.862

[1] Totals may not add due to rounding.
[2] Does not include sugar imported in blends and mixture.
[3] Includes estimates for glucose syrup solids and maltodextrin, as well as for glucose syrup.
[4] As of July 1.
[5] Preliminary.

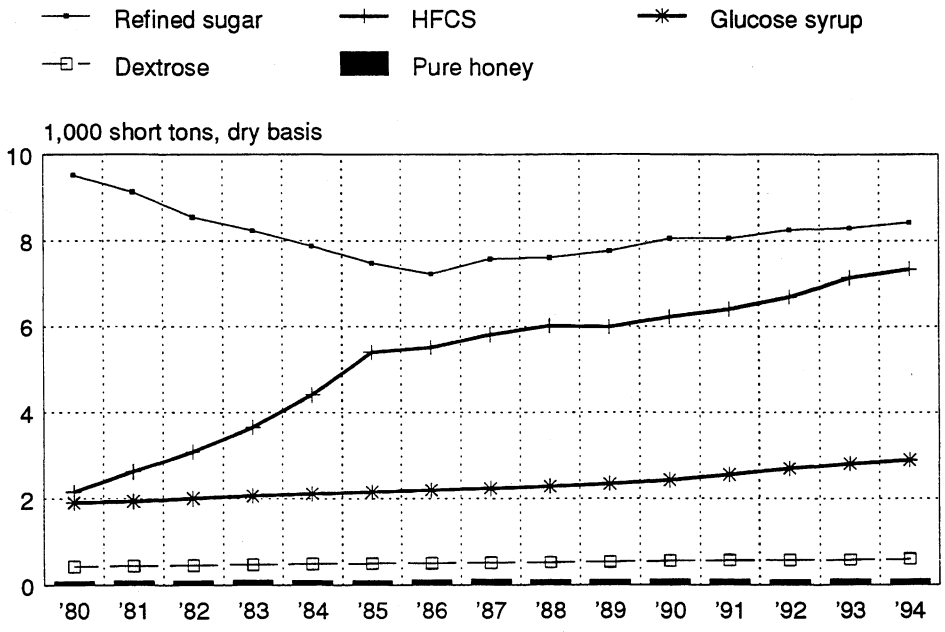
Source: Economic Research Service, USDA.

Figure 10
Honey: U.S. consumption of caloric sweeteners, estimated 1994



Source: Economic Research Service, USDA.

Figure 11
Honey: U.S. consumption of caloric sweetners, by types, 1980-94*



Source: Economic Research Service, USDA.

* Includes estimated 1994 data where available.

Sugar, high fructose corn syrup, invert sugar, fruit juice, and non-caloric sweeteners are the main alternative sweeteners for industrial use.[38] [39] When flavor is not important, high-fructose corn syrup may be substitutable for honey.

GOVERNMENT PROGRAMS AND REGULATIONS AFFECTING THE U.S. HONEY INDUSTRY

Food and Drug Administration

There is no official U.S. definition of "honey" or legal standard for honey composition, although the general provisions of the Food, Drug, and Cosmetic Act of 1938 apply. The Food and Drug Administration (FDA) is authorized to make factory inspections and randomly check imports upon entry into the country. The inspections focus on the purity and cleanliness of the honey.[40] [41]

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[38] "Industrial Use and Attitudes Study", National Honey Board, 1992.

[39] High-fructose corn syrup is a starch-based sweetener produced from corn and commercially marketed as either HFCS-42 or HFCS-55. The numerical designation indicates the level of fructose. HFCS-42 is generally used for processed foods, whereas HFCS-55 is usually used to sweeten beverages. Invert sugar is a mixture of glucose (dextrose) and fructose (levulose) formed by the hydrolysis of sucrose.

[40] On Nov. 29, 1991, the FDA posted an import alert in response to several incidences of imported honey being found to have been adulterated with corn or cane sugar syrups. Articles found to have been adulterated are subject to refusal under section 801(a)(3) of the Food, Drug, and Cosmetic Act. Additionally the FDA has issued an automatic detention alert, again under section 801(a)(3), for honey entering the United States from several specified Chinese shippers. The honey is to be detained unless the shipper or manufacturer provides valid certification showing that the honey does not contain residues of chlordimeform, a pesticide used in the treatment of mites.

[41] On Nov. 2, 1993, U.S. senators Malcolm Wallop (R-WY), Thomas Daschle (D-SD), Hank Brown (R-CO, David Pryor (D-AK), and Max Baucus (D-MT), sent a letter to FDA Commissioner David A. Kessler and U.S. Customs Commission George Weise, decrying mislabeled, adulterated, or contaminated honey imports from China. The letter was sent in response to allegations by U.S. honey packers located in their states that honey imports are "chemically contaminated or contain a significant corn syrup content." The senators' letter stated that "reportedly, up to 30 percent of Chinese honey imports must be rejected by some private packers...Moreover, it is our understanding that this rejected honey previously had been 'cleared' by the FDA and/or Customs at the port of entry." The senators asked USDA to look into these allegations of mislabeling or contamination of Chinese honey imports. *Food Chemical News*, Jan. 3, 1994, p. 6-7.

U.S. Department of Agriculture

Standards For Grades of Honey

The U.S. Department of Agriculture (USDA) maintains a voluntary grading system for extracted honey.[42] The grades are U.S. Grade A, U.S. Grade B, U.S. Grade C, and Substandard.[43] Determining the grade of honey is based on three main factors: flavor and aroma; absence of defects; and clarity. The relative importance of each factor is expressed numerically on a scale of 100, with the maximum number of points accorded each factor as follows:

Factor	Points
Flavor and aroma	50
Absence of defects	40
Clarity	10
Total	100

The type of extracted honey, whether clover, buckwheat, or other floral source, is not incorporated into the grade of the finished product, and therefore it is possible to have a dark U.S. Grade A honey such as buckwheat. The USDA does have approved color standards for determining the color of honey. The standard color designations range from "water white" to "dark amber." The color designations of extracted honey are determined using the pfund scale, which is a measurement system generally accepted in international trade based on optical density.

The following acronyms of Federal agencies are used throughout this report:

Agency title	Agency acronym
Agricultural Stabilization and Conservation Service	ASCS
National Agricultural Statistics Service	NASS
Foreign Agricultural Service	FAS
Commodity Credit Corporation	CCC

[42] 7 CFR 52 1391.

[43] These standards are also referred to as U.S. Fancy, U.S. Choice, U.S. Standard, and U.S. Grade D.

The Honey Program

A price-support program for honey was first established in 1949 to attempt to support and raise depressed honey prices. The depressed honey market following World War II stemmed from the increased honey production capacity promoted during the war in order to reduce dependence on sugar, which was largely imported or transported via sea from Hawaii. After 1951, the program evolved into two parts--a loan program and a purchase program. The purchase program has not been in operation since 1986. As determined by the 1990 Farm Act, the price of honey for the 1991 through 1995 crops was to be supported through the loan program at a price of 53.8 cents per pound. However, the Agricultural Reconciliation Act of 1993 made several changes to the administration of the program for the 1994 crop year. Table 3 and figure 12 show honey program activity since 1979.

The loan program, which has operated in every year since 1951 except 1975 and 1976, basically allows producers to take out loans using their honey as collateral. The purpose of the loan is to allow producers to market their honey in an orderly manner and to wait for the most advantageous price. The resulting market stability is intended to encourage maintenance of the bee population, which is considered vital for pollination purposes. Up until the 1994 crop year, the loan was an interest-free nonrecourse loan, which requires the CCC to take the honey if the producer elects to deliver it to the Government rather than repay the loan.

Loans are available to honey producers at a set loan rate per pound, using the honey as collateral. The loans are obtained through local ASCS offices for each crop year during the period April 1 of the applicable crop year through March 30 of the following year. All loans mature no more than 9 months following the month in which the loan application was made. The 9-month maturation of the loans allows a staggered maturation from January 31 to December 31 of the following crop year. During the loan period, the Government does not actually take possession of the collateral honey, and the producer is responsible for the cost of storing the honey.

Table 3
Honey price support rates and loan activity, crop years 1980-94

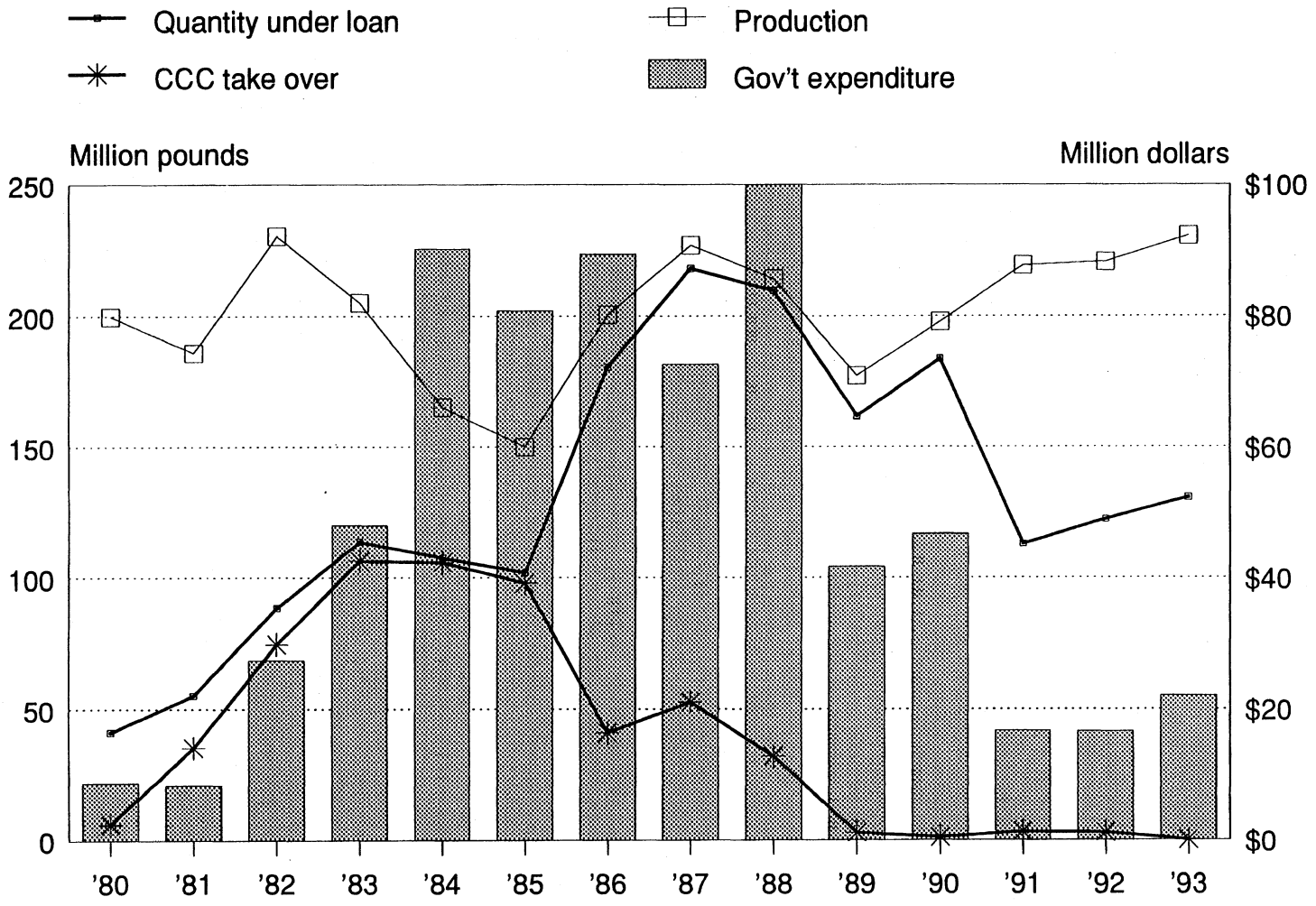
Year	National average price support rate[1]	Domestic average price, all honey	Buy-back rate	Program activity: Quantity placed under loan	Program activity: Quantity receiving payments	Program activity: CCC take-over	Net Government (return) or expenditure[2]
	Cents per pound			*Million pounds*			*Million dollars*
1980	50.3	61.5	([3])	41.1	([3])	6.0	8.7
1981	57.4	63.2	([3])	55.2	([3])	35.2	8.4
1982	60.4	56.8[4]	([3])	88.4	([3])	74.5	27.4
1983	62.2	54.4[4]	([3])	113.6	([3])	106.4	48.0
1984	65.8	49.5[4]	([3])	107.5	([3])	105.8	90.2
1985	65.3	45.5[4]	([3])	102.0	([3])	98.0	80.8
1986	64.0	51.3	41.0	180.4	([3])	41.0	89.4
1987	61.5[5]	50.3	40.4	218.0	([3])	52.7	72.6
1988	59.1	50.0	38.4	209.5	([3])	32.0	100.1
1989	56.4	49.8	38.4	161.7	([3])	2.8	41.7
1990	53.8	53.7	43.2	183.5	([3])	1.1	46.7
1991	53.8	55.6	47.9	112.9	85.7[6]	3.2	18.6
1992	53.8	55.0	47.4	122.4	74.1	2.9	16.6
1993	53.8	54.4	47.0	130.7	62.1	.1	22.1
1994	50.0	([7])	([3])	44.6[8]	([7])	([7])	([7])

[1] For extracted honey in 60-pound or larger containers.
[2] Fiscal year.
[3] Not applicable.
[4] Estimated by ASCS.
[5] Loan rate was reduced from 63 to 61 cents per pound on Dec. 23, 1987, because of the Omnibus Budget Reconciliation Act of 1987.
[6] Program option started Apr. 1, 1991, with the 1991 honey crop.
[7] Not available.
[8] Oct. 27, 1994, estimate by ASCS.

Note: See table 4 for more recent program activity for 1992-94.

Source: ASCS, U.S. Department of Agriculture.

Figure 12
Honey: Quantity placed under loan, U.S. production, CCC take-over, and net government expenditures, 1980-93



Source: ASCS, USDA.

The loan may be repaid any time before maturity. If the honey is sold on the market, the loan must be repaid with interest. If producers elect not to sell the honey on the market, they may forfeit the honey collateral to the CCC. At settlement, premiums and/or discounts (which may vary for each crop) based on the color and class of the honey forfeited are applied. The tabulation below shows the premiums and discounts for the 1994-crop honey, as reported by the ASCS:

Type	Cents per pound
Table:	
White	1.05 premium
Extra light amber	0.75 discount
Light amber	1.85 discount
Amber	2.35 discount
Nontable	3.15 discount

Honey Program Changes Since 1985

The Food Security Act of 1985 changed the honey program to allow producers to repay the loans at an administratively set lower rate (marketing loan rate) if the market price was lower than the initial loan rate. This provision, implemented at the discretion of the Secretary of Agriculture, was used for the 1986 through 1993 crops in order to (a) reduce loan forfeitures, (b) reduce Government stocks of honey, (c) reduce costs incurred by the Government in storing honey, and (d) maintain the competitiveness of U.S. honey in domestic and export markets.[44] The market loan option is not in effect for the 1994 crop.

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[44] In its *Honey: Background for 1990 Farm Legislation* publication (ERS, USDA, Sept. 1989, pp. 27-29) USDA reported a number of factors that precipitated changes in the honey program in 1985, as follows:

> *The cost of the program began increasing in the early 1980's. While the CCC did not acquire any honey in the 1970's, CCC acquisitions of forfeited honey climbed from 6 million pounds in 1980 to 106.4 million pounds in 1983. Inflation in the economy beginning in the mid-1970's caused the honey support price to escalate from 32.7 cents per pound for the 1977 crop to 65.8 cents per pound for the 1984 crop. Inflation also led to an increase in the index of prices paid by farmers which in turn led to an increase in the parity price used in the formula to compute the support price. In 1981, the support price rose to 57.4 cents per pound which exceeded import and domestic market prices.*
>
> *As honey support prices moved above the average domestic price, the industry found it profitable to import lower priced honey for domestic use and to forfeit domestically produced honey to the Government. U.S. honey imports reached successively record-high levels in 1981-85, forcing the domestic market price downward and further widening the gap between the support price and market prices. Forfeitures of honey*

(continued...)

The market loan repayment rate was reviewed by USDA monthly and set the third Friday of each month. Interest was not charged on loans repaid under this option. The following tabulation provides the marketing loan rate, buy-back rate, and net USDA subsidy rate for honey during crop years 1990-93 (in cents per pound):

Year	Loan rate	Buy-back rate	Net USDA subsidy rate
1990	53.8	43.2	10.6
1991	53.8	47.9	5.9
1992	53.8	47.4	6.4
1993	53.8	47.0	6.8

The Food, Agriculture, Conservation, and Trade Act of 1990 maintained this option and, to further cut administrative costs, established a loan deficiency payment. This payment is based on the difference between the loan rate and the market loan repayment rate and was available to producers in lieu of the price support loan. Loan forfeiture limits were established by the 1990 legislation. The 1990 Act also required a budget-reduction assessment on honey production equal to 1 percent of the marketing loan rate.

The Agricultural Reconciliation Act of 1993 made the following changes to the honey program:

Year	Honey loan rate[1] *(cents per pound)*	Payment limits
1993	53.8	$150,000
1994	50	$125,000
1995	50	$100,000
1996	49	$75,000
1997	48	$50,000
1998	47	$50,000

[1] The 1-percent budget-reduction assessment was dropped as of the 1994 crop year.

[44] (...continued)
to the Government peaked with the 1984 crop when it acquired 98 percent of the 107.5 million pounds of honey placed under loan. This represented about 64 percent of domestic honey production.

The provisions of the appropriations acts of 1994 and 1995 overrode the provisions for the 1994 honey price support program outlined above. The Appropriations Act for fiscal year (FY) 1994, signed October 21, 1993, limited subsidy payments and the value of forfeitures during FY 1994 to zero dollars for the 1994 crop of honey. When this legislation expired on September 30, 1994, the Appropriations Act for FY 1995, signed September 30, 1994, extended the zero dollar limit for payments and forfeitures on 1994-crop honey into FY 1995. Moreover, all 1994-crop loans redeemed during FY 1994 and FY 1995 must be repaid with interest at the prevailing loan rate, and no forfeitures will be permitted.

Recent Support Program Activity

Recent activities under the price-support program have been debated by the parties in this investigation. Parties opposed to the imposition of antidumping duties have argued that USDA has recently determined that imports of honey from China have not disrupted the U.S. market, citing a July 1993 letter from Secretary Espy, as follows:

> *While imports from China have increased 226 percent in the past five years, forfeitures of honey pledged as collateral for Commodity Credit Corporation (CCC) price support loans have decreased about 95 percent. This is an indication that because of strong demand for honey, the increased imports have been absorbed by our market without adversely affecting sales of domestically produced honey.*[45]

Parties in support of the imposition of antidumping duties argue that Secretary Espy's letter is not meaningful evidence of the economic condition of the domestic honey industry because (1) of the "large political element affecting the USDA position on the honey support program at that time, given President Clinton's public position concerning elimination of the program, and attacks of the program in 1993 by Congress and the press" and (2) "respondents cannot characterize the letter as 'analysis' in any case, as the letter is cursory and contains significant errors of crucial fact."[46]

Data on honey price support program activities as of November in each of the years 1989-94 were provided by ASCS and are presented in table 4.

---

[45] July 13, 1993, letter from USDA Secretary Mike Espy to Donald Schmidt, president, American Beekeeping Federation.

[46] Petitioners state that the 95 percent decline of forfeitures cited in the Secretary's letter relates to the 1986 to 1990 period. Using the same analysis applied by Secretary Espy, but to the correct time period, they allege, shows that from 1991 to 1993 forfeitures increased by at least 93 percent, while import volume from China increased by 71 percent. Petitioners' post conference brief, pp. 36-37.

Table 4
Honey: Agricultural Stabilization and Conservation Service price support program activities as of the first week of October, 1989-94

Year	Quantity *(pounds)*-- Under loan	Loans repaid	Forfeited to CCC	Loans outstanding	Share of loans--*(percent)*-- Redeemed	Forfeited	Outstanding
1989	161,725	158,939	2,786	0	93.4	0.9	5.7
1990	183,548	182,399	1,145	4	98.3	0.3	1.3
1991	112,932	109,717	3,217	-2	94.5	1.6	3.9
1992	122,686	118,615	4,058	13	91.0	1.2	7.7
1993	136,406	113,155	6,207	17,044	83.0	4.6	12.5
1994[2]	40,827	2,494	0	38,333	([1])	([1])	([1])

[1] Not available.
[2] Preliminary numbers. Crop year ends March 31, 1995.

Source: ASCS, USDA

Export Promotion Programs

U.S. exports of honey have been assisted by the Market Promotion Program (MPP) and its predecessor, the Targeted Export Assistance (TEA) program.[47] The FAS administers the program. The original TEA program was developed in order to help gain entrance abroad into markets for products affected by unfair trade practices of the importing country or other countries exporting to the same market. The MPP program performs basically the same function, but its promotional efforts are not limited to commodities affected by unfair trade practices. Under both the TEA and the MPP, the National Honey Board has received funds in order to assist in the promotion of U.S. honey exports. Table 5 presents an FAS summary of export assistance provided to the Honey Board under the TEA and MPP programs from 1989 to 1993.

[47] The MPP was established by the 1990 Farm Bill; the TEA program was created by the Food Security Act of 1985.

Table 5
Honey: Export assistance provided to the National Honey Board under various U.S. Department of Agriculture programs, 1989-93[1]

Year	Allocated	Budgeted	Spent
1989	$500,000	$500,000	$112,868
1990	1,000,000	863,000	481,291
1991[2]	520,000	516,000	723,891
1992	336,100	264,000	206,650
1993	257,350	257,350	230,000

[1] Assistance provided under the Targeted Export Assistance (TEA) and Market Promotion Program (MPP) programs.
[2] Money spent includes *** from the TEA program, and *** from the MPP program.

Source: FAS, USDA.

The National Honey Board

The National Honey Board was created by the Honey Research, Promotion, and Consumer Information Act[48] on October 30, 1984. The purpose of the Act was to authorize the establishment of a program to conduct research and consumer education about honey, and to develop and expand markets for honey. The program is funded through an assessment. A referendum by honey producers and importers in May 1986 approved a National Honey Board composed of industry representatives appointed by the Secretary of Agriculture to administer the Act.[49] The actual Board is composed of 13 members appointed by the U.S. Secretary of Agriculture. The Secretary selects the appointees from nominees provided by a nominating committee of representatives from the state beekeeping associations. The board is composed of persons from various sectors of the industry--currently, seven producers, two packers, two importers, one cooperative representative, and one member from the general public.

[48] PL 98-590.

[49] A sunset provision of the Act provides for a referendum vote every 5 years on the continuance of the program. The first referendum was held in 1991, and was favorable. The next referendum will be in 1996.

Every year the National Honey Board develops a promotional plan for honey, which includes advertisements, developing new uses, and providing consumer information. In order to increase consumer awareness of products containing honey, the National Honey Board promotes the use of its registered trademark on products containing significant amounts of honey. In addition, the Honey Board also conducts extensive surveys on consumers in order to determine the most beneficial approaches for increasing the market for honey. Approximately one-quarter of the gross budget of the National Honey Board goes toward research and development of marketing strategies and market uses for honey.

The National Honey Board program is funded by an assessment of 1 cent per pound on honey entering the market. In 1992, assessments totaled $3,086,293, of which over $3,000,000 was spent on advertising, public relations, research, and export marketing programs. Those who produce, handle, or import less than 6,000 pounds of honey annually or donate their honey to charity are not liable for the assessment.

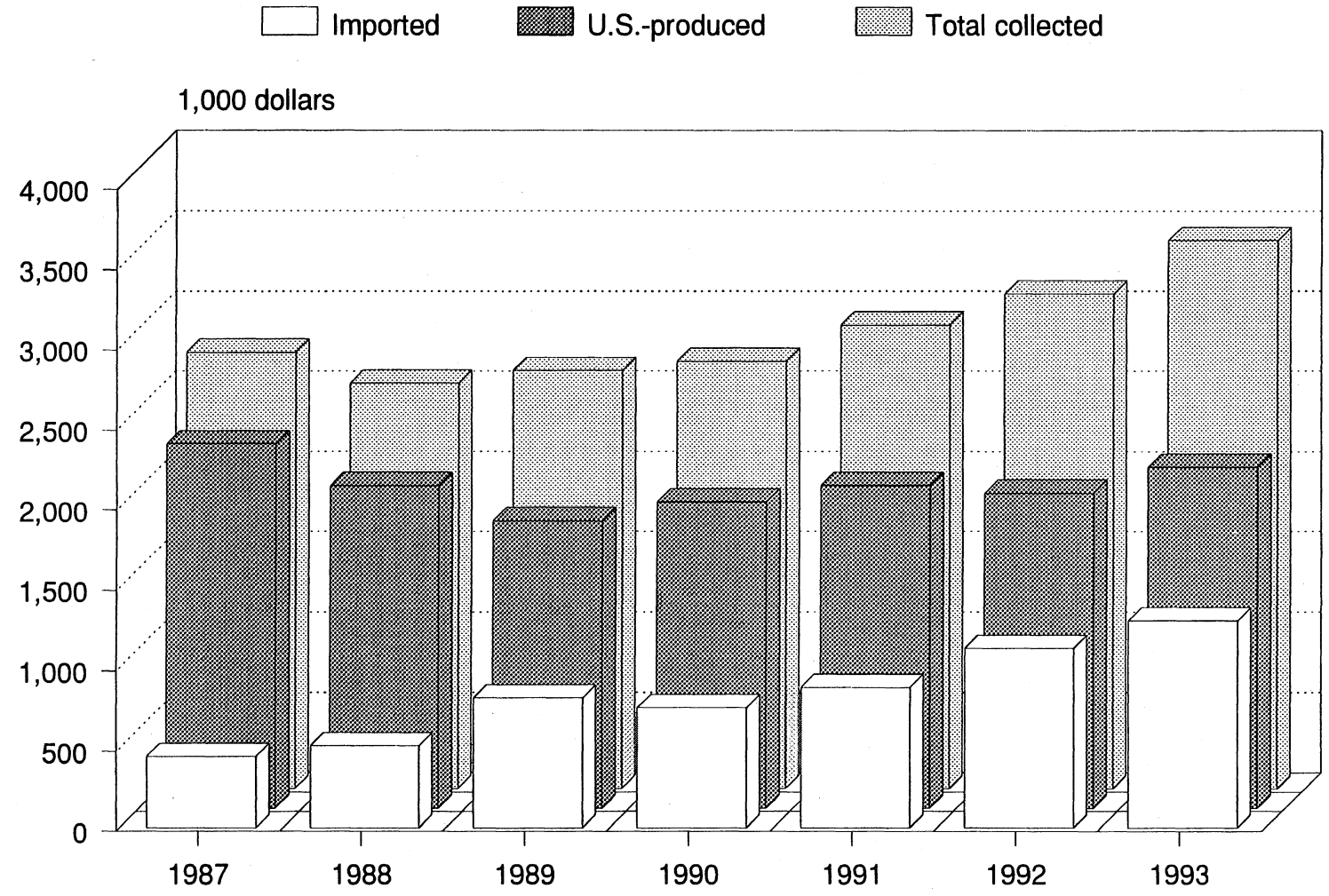
The increasing significance of the role imports of honey play in the U.S. market is reflected in table 6 and figure 13, which provide information on assessments paid to the Honey Board.

Table 6
Honey: Assessments paid to the National Honey Board, 1987-93

Year	Assessments collected from--			Share of total fees collected--		
	U.S.-produced honey	Imported honey	Total	U.S. produced honey	Imported honey	Total
	1,000 dollars			*Percent*		
1987	2,274	448	2,722	83.6	16.4	100.0
1988	2,012	515	2,527	79.6	20.4	100.0
1989	1,792	814	2,606	68.8	31.2	100.0
1990	1,910	753	2,664	71.7	28.3	100.0
1991	2,013	879	2,892	69.6	30.4	100.0
1992	1,966	1,120	3,086	63.7	36.3	100.0
1993	2,128	1,294	3,422	62.2	37.8	100.0

Source: National Honey Board.

Figure 13
Honey: Assessments paid to the National Honey Board, 1987-93



Source: National Honey Board.

U.S. TARIFF TREATMENT

Imports of pure honey are classified in HTS heading 0409.[50] Imports of artificial honey are classified under HTS subheading 1702.90 (a basket category containing other sweeteners).[51] Imports of preparations of natural honey are classified under HTS subheading 2106.90 (a basket category containing miscellaneous food items).[52] Duty rates for imports of these items are presented in table 7. Relevant HTS nomenclature is presented in appendix E.

THE NATURE AND EXTENT OF ALLEGED SALES AT LESS THAN FAIR VALUE

On October 31, 1994, Commerce published in the *Federal Register* its notice of initiation of an antidumping duty investigation concerning imports of honey from China.[53] A copy of Commerce's notice is presented in appendix A. Commerce is scheduled to make its preliminary determination in this investigation on or before March 20, 1995.

Based on a comparison of the Untied States Price (USP) and the Foreign Market Value (FMV), petitioners' alleged dumping margins as revised by Commerce for methodological errors and/or unsupported data range from 30.95 to 49.24 percent.[54]

THE GLOBAL MARKET

Table 8 presents honey production, supply, and distribution for selected countries for the years 1991-94. Figures 14 and 15 show global honey production, consumption, imports, and exports, by selected countries.

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[50] As of Jan. 1, 1994, the HTS has 2 additional statistical reporting numbers for natural honey in bulk form based on color (included in app. E).

[51] According to the U.S. Customs Service, imports of artificial honey and honey blended with corn or sugar syrups are a very small portion of products entering under this HTS classification.

[52] The U.S. Customs Service indicates that honey products comprise a very small portion of the products entering in this residual subheading.

[53] 59 F.R. 54434.

[54] The dumping margin alleged in the petition was 169.18 percent.

Table 7
Honey: U.S. import duties for HTS heading 0409 and subheadings 1702.90.50 and 2106.90.60, 1994

Subheading/eligibility status	*Duty column*	*Rate of duty*
Heading 0409 (natural honey)		
MFN countries[1]	Col. 1—General	2.2¢/kg
Canada,[2] Mexico,[2] Israel,[3] GSP,[4] CBERA,[5] ATPA[6]	Col. 1—Special	Free
Others[7]	Col. 2	6.6¢/kg
Subheading 1702.90.50 (basket category containing artificial honey)		
MFN countries[1]	Col. 1—General	6.0% ad valorem
Canada[2]	Col. 1—Special	2.4% ad valorem
Mexico[2]	Col. 1—Special	Free[8]
Israel,[3] GSP,[4] CBERA,[5] ATPA[6]	Col. 1—Special	Free
Others[7]	Col. 2	20.0% ad valorem
Subheading 2106.90.60 (basket category containing mixtures of natural honey)		
MFN countries[1]	Col. 1—General	10.0 % ad valorem
Canada[2]	Col. 1—Special	Free[9]
Mexico,[2] Israel,[3] GSP,[4] CBERA,[5] ATPA[6]	Col. 1—Special	Free
Others[7]	Col. 2	20.0% ad valorem

[1] Countries eligible for most-favored-nation tariff treatment.
[2] Imports are subject to requirements of the North American Free Trade Agreement (NAFTA).
[3] Imports are subject to provisions in the United States-Israel Free-Trade Area Implementation Act (IFTA).
[4] Countries eligible for special tariff treatment under the Generalized System of Preferences (GSP). Products of India are excluded from GSP benefits with respect to this subheading.
[5] Countries eligible for special tariff treatment under the Caribbean Basin Economic Recovery Act (CBERA).
[6] Countries eligible for special tariff treatment under the Andean Trade Preference Act (ATPA).
[7] Communist countries and areas enumerated in general note 3(b) to the HTS.
[8] See subheadings 9904.50.20 and 9904.50.40.
[9] See subheading 9905.21.10.

Source: *Harmonized Tariff Schedule of the United States* (1994).

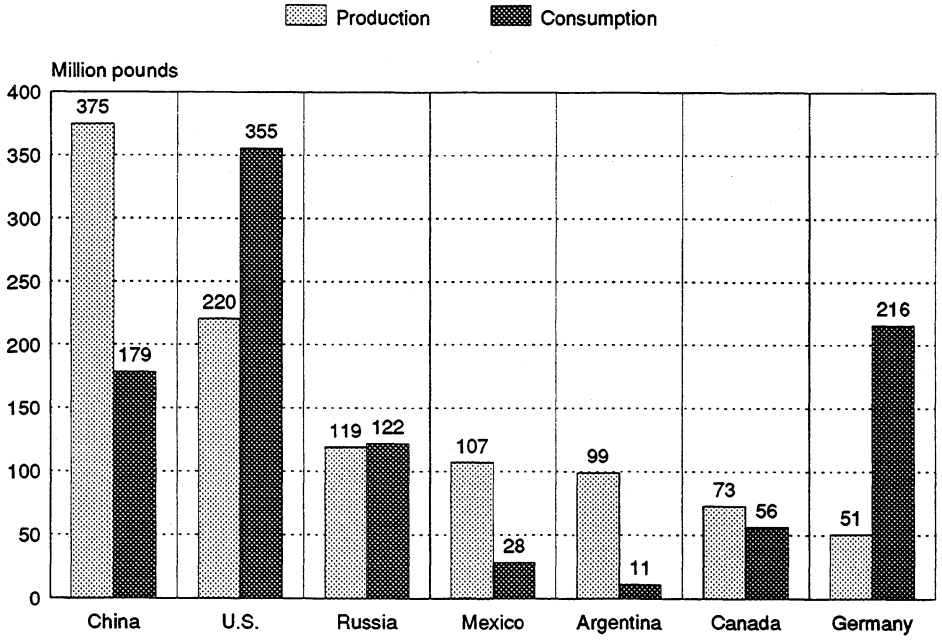
Table 8
Honey: Production, supply, and distribution for selected countries, 1991-94

Country	Year	Total Colonies 2/	Yield/ Colony	Honey Production	Begining Stocks	Imports	Total Supply/ Distribution	Exports	Domestic Consumption	Ending Stocks 3/
		(1,000)	(Kilograms)			METRIC TONS				
Argentina	1991	1,600	33.8	54,000	1,647	0	55,647	47,182	6,500	1,985
	1992	1,700	35.9	61,000	1,985	1	62,986	55,165	6,500	1,321
	1993	1,700	34.7	59,000	1,321	-1	60,322	55,000	5,000	322
	1994	1,700	26.5	45,000	322	0	45,322	40,000	5,000	322
Canada	1991	499	63.3	31,606	9,000	397	41,003	10,244	23,759	7,000
	1992	501	60.6	30,339	7,000	623	37,962	11,090	22,872	4,000
	1993	505	61.2	30,901	4,000	1,486	36,387	8,353	24,134	3,900
	1994	506	65.2	33,000	3,900	1,950	38,850	7,250	25,600	6,000
China	1991	7,541	27.3	206,000	4,000	0	210,000	69,958	131,042	9,000
	1992	7,012	25.4	178,000	9,000	3	187,003	91,745	91,258	4,000
	1993	6,500	27.1	176,000	4,000	6	180,006	96,538	80,468	3,000
	1994	6,200	27.4	170,000	3,000	8	173,008	90,000	81008	2,000
Germany 4/	1991	1,215	20.6	25,000	5,000	89,192	119,192	12,000	102,192	5,000
	1992	1,180	21.0	24,677	5,000	89,235	118,912	13,227	102,000	3,685
	1993	1,110	23.7	26,357	3,685	80,518	110,560	13,805	93,755	3,000
	1994	1,110	20.7	23,000	3,000	90,000	116,000	15,000	98,000	3,000
Mexico	1991	2,400	24.5	58,770	1,103	15	59,888	50,088	9,000	800
	1992	2,400	20.4	48,852	800	18	49,670	38,868	11,000	1,802
	1993	2,160	22.3	48,000	1,802	15	49,817	34,950	12,000	2,867
	1994	2,100	22.1	46,500	2,867	20	49,387	34,500	12,800	2,087
Russia 5/	1991	11,500	20.9	240,000	0	0	240,000	14,000	226,000	0
	1992	4,500	10.4	47,000	0	0	47,000	1,325	45,675	0
	1993	4,700	10.6	49,600	0	1,018	50,618	345	50,273	0
	1994	5,000	11.0	54,000	0	1,500	55,500	200	55,300	0
United States	1991	3,200	31.2	99,840	36,968	41,846	178,654	4,336	140,407	34,927
	1992	3,030	33.0	100,055	34,927	51,995	186,977	4,729	135,284	46,964
	1993	2,880	36.3	104,493	46,964	60,617	212,074	3,874	155,129	53,071
	1994	2,700	36.5	100,000	53,071	66,000	219,071	3,500	161,140	54,431
Total	1991	27,955	25.6	715,216	57,718	131,450	904,384	207,778	638,900	58,712
	1992	20,323	24.1	489,923	58,712	141,875	690,510	214,149	414,589	61,772
	1993	19,545	25.3	494,351	61,772	143,661	699,784	212,865	420,759	66,160
	1994	19,316	24.4	471,500	66,160	159,478	697,138	190,450	438,848	67,840

1/ Data for 1994 are forecasts. 2/ For the United States, only colonies with 5 or more hives are included. 3/ For the United Sates, includes honey in CCC inventory, in oustanding loans, and commercial stocks. 4/ Includes only West Germany prior to 1991. East Germany included beginning in 1991. 5/ Includes all the republics of the Former Soviet Union prior to 1992. Only Russia beginning in 1992.

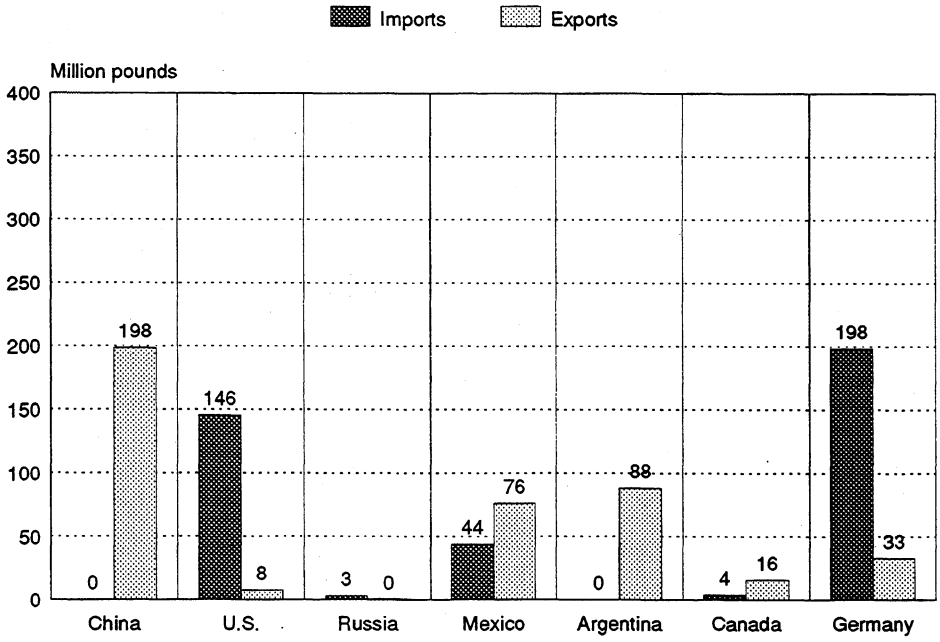
Source: *World Honey Situation*, FAS, USDA, Dec. 1993.

Figure 14
Honey: Global production and domestic consumption, by selected countries, estimated 1994



Source: FAS, USDA.

Figure 15
Honey: Global imports and exports, by selected countries, estimated 1994



Source: FAS, USDA.

THE U.S. MARKET

Apparent U.S. Consumption[55]

Table 9 and figure 16 present data on apparent U.S. consumption of honey. Since 1980, annual U.S. production levels of honey have varied substantially.[56] Over the period 1980 to 1994, the United States has been a net importer of honey. Table 10 presents data on the value and average unit value of U.S. production, imports, and exports.

Table 9
Honey: U.S. supply and disposition, 1980-94

(Million pounds)

Year	Supply-- Carryin[1]	Production	Imports	Total	Disposition-- Domestic	Export	Total
1980	37.7	199.8	49.0	286.5	226.2	8.5	234.7
1981	51.8	185.9	77.3	315.0	232.0	9.2	241.2
1982	73.8	230.0[2]	92.0	395.8	250.8	8.5	259.3
1983	136.5	205.0[2]	109.8	451.3	269.0	7.5	276.5
1984	174.8	165.1[2]	128.7	468.6	251.7	7.5	259.2
1985	209.4	150.1[2]	138.2	497.7	256.9	6.5	263.4
1986	234.3	200.4	120.0	554.7	282.9	9.2	292.1
1987	262.6	226.8	58.3	547.7	320.9	12.4	333.3
1988	214.4	214.1	55.9	484.4	278.0	14.0	292.0
1989	192.4	177.0	77.3	446.7	292.0	10.0	302.0
1990	144.7	197.8	77.0	419.5	303.4	12.4	315.8
1991	103.7	219.2	92.2	415.1	303.4	9.6	313.0
1992	102.1	220.6	114.6	437.5	298.2	10.4	308.6
1993	128.7	230.4	133.6	492.7	304.2	8.5	312.7
1994[2]	180.0	220.0	129.0	529.0	300.0	7.0	307.0

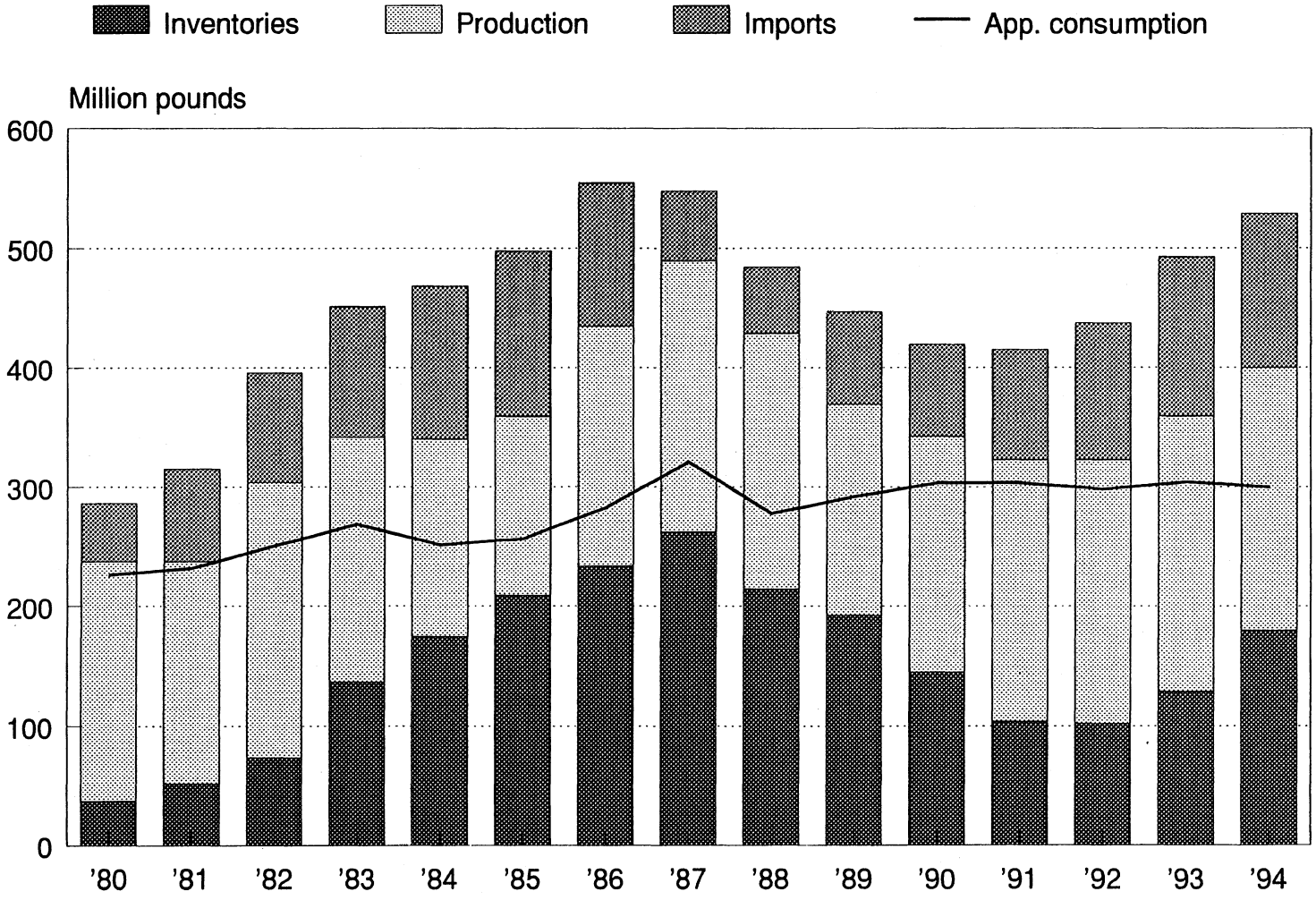
[1] Includes government inventory and commercial stocks.
[2] Estimated by USDA.

Source: ASCS and NASS, USDA.

[55] The USDA refers to "apparent consumption" as domestic disposition. Note that public honey data supplied to the Commission are from several different offices within USDA, leading to small differences among similar types of data.

[56] As shown previously in table 2, U.S. per-capita consumption of honey fluctuated between 0.8 and 1.1 pounds during 1980-88, then remained constant during 1989-94 at 1.0 pound. As indicated in the Commission's 1976 report on honey, U.S. per-capita consumption of honey gradually declined from 1.49 pounds in 1946-50 to 1.30 pounds in 1961-65 and 1.09 pounds in 1971-75.

Figure 16
Honey: U.S. inventories, production, imports, and apparent consumption, 1980-94*



Source: ASCS, NASS, USDA and Commerce.

* Includes estimated 1994 data where available.

Table 10
Honey: Value and unit value of U.S. production, imports, and exports, 1980-94[1]

Year	Value--			Unit value--		
	Production	Imports	Exports	Production	Imports	Exports
	Million dollars			*Cents per pound*		
1980	122.8	22.8	8.9	61.5	46.6	87.1
1981	117.6	35.4	7.9	63.2	45.7	64.8
1982	130.6[2]	40.9	5.8	56.8[3]	44.4	66.9
1983	111.5[2]	47.1	4.1	54.4[3]	42.9	67.9
1984	81.7[2]	51.8	5.4	49.5[3]	40.3	83.1
1985	68.3[2]	50.8	5.9	45.5[3]	36.7	85.1
1986	102.7	47.9	6.4	51.3	40.5	71.0
1987	113.7	23.1	7.1	50.3	39.7	82.2
1988	108.0	21.7	6.6	50.0	38.9	78.6
1989	89.4	31.0	6.3	49.8	40.2	63.7
1990	107.7	34.0	7.1	53.7	44.2	64.7
1991	121.9	44.4	6.8	55.6	48.1	91.9
1992	121.3	54.9	7.2	55.0	47.9	59.8
1993	125.3	59.1	6.0	54.4	44.2	68.9
1994	([4])	53.6[5]	4.8[5]	([4])	41.6[5]	69.2[5]

[1] Production valued at farm level; imports valued at landed-duty-paid; and exports valued at port of export.
[2] Estimated.
[3] Estimated by ASCS.
[4] Not available.
[5] Annualized from Jan.-Aug. 1994 official statistics.

Source: ASCS and NASS, USDA; and official statistics of the U.S. Dept. of Commerce; except as noted.

U.S. Market Participants

U.S. Beekeepers

Beekeepers as honey producers are classified as commercial or full-time producers (300 or more colonies), part-time or sideliner producers (25 to 299 hives), or hobbyists (fewer than 25 hives). In its 1976 investigation, the Commission reported the number of beekeepers per category as follows:

Category	Number
Commercial	2,000
Sideliners	10,000
Hobbyists	200,000

The 1987 *Census of Agriculture* reported 38,625 farms with honeybee colonies, down from 46,833 in 1982.[57] In addition, the A.I. Root Company conducted surveys of state apiary inspectors and reported in its *Bee Culture* magazine that the number of U.S. beekeepers was estimated to have declined from 139,061 in 1991 to 121,025 in 1992 (table 11).

As reported by the Commission in 1976 and the USDA in 1993, there are an estimated 1,600 to 2,000 full-time or commercial beekeepers in the United States, producing approximately 60 percent of the total honey extracted. Commercial beekeepers can be (a) migratory, relocating colonies several times during the year to provide pollination services and to extend the production season, or (b) nonmigratory, leaving colonies in the same location, summer and winter.

Among the commercial beekeepers are a small group that specialize in the production of queens and packaged bees, produce small quantities of honey, and are located in the South and in California. These beekeepers sell packages of bees to other beekeepers to (a) replace colonies killed or severely damaged in the fall and winter in northern areas, (b) strengthen colonies weakened by overwintering, diseases, or pesticides, and (c) stock new colonies.

[57] However, the Census estimate does not include the majority of hobbyists and non-farm-resident beekeepers.

Table 11
Number of U.S. beekeepers in 1991 and 1992, and number of bee colonies in 1992 and 1993, by regions

Regions/states	Number of beekeepers[1]--			Number of colonies[2]		
	1991	1992	% change	1992	1993	% change
Region 1[3] . . .	29,200	23,750	-18.7	147	117	-20.4
Region 2[4] . . .	37,538	33,350	-11.2	88	70	-20.5
Region 3[5] . . .	17,534	14,200	-19.0	389	327	-15.9
Region 4[6] . . .	23,390	20,300	-13.2	305	252	-17.4
Region 5[7] . . .	10,491	9,850	-6.1	861	835	-3.0
Region 6[8] . . .	9,730	8,350	-14.2	331	281	-15.1
Region 7[9] . . .	3,155	2,975	-5.7	377	363	-3.7
Region 8[10] . .	8,023	8,250	2.8	661	613	-7.3
Other[11]	([12])	([12])	([12])	22	18	-18.2
Total	139,061	121,025	-13.0	3,181	2,876	-9.6

[1] Latest survey years available.
[2] Only includes colonies with 5 or more hives.
[3] Region 1 includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.
[4] Region 2 includes Delaware, Kentucky, Maryland, North Carolina, Tennessee, Virginia, and West Virginia.
[5] Region 3 includes Alabama, Florida, Georgia, Mississippi, and South Carolina.
[6] Region 4 includes Illinois, Indiana, Michigan, Ohio, and Wisconsin.
[7] Region 5 includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.
[8] Region 6 includes Arizona, Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.
[9] Region 7 includes Colorado, Idaho, Montana, nevada, Utah, and Wyoming.
[10] Region 8 includes California, Oregon, and Washington.
[11] Other includes Alaska and Hawaii.
[12] Not available.

Source: *Bee Culture Magazine*, and NASS, USDA.

U.S. Packers

U.S. honey packers may be classified as producer/packers, cooperatives, or commercial packer/bottlers. According to the Commission's investigation No. TA-406-13, during 1992 there were approximately 500 producer/packers, 1 large-scale cooperative (Sioux Honey), and 450 packer/bottlers. The 15 largest packers (including the large-scale cooperative) accounted for 80 to 95 percent of the honey sold through wholesale and industrial channels of distribution.[58]

The Question of "Domestically Produced" Honey

As indicated in the Commission's section 406 investigation, many commercial packer/bottlers pack honey from both domestic and foreign sources. During the Commission's hearing in that investigation, the question was raised as to whether or not packers should be included in the domestic industry producing honey "where those packers have essentially mixed interests in handling both foreign product and domestic product."[59] Petitioners have contended in the instant antidumping investigation that:

> *The packers should be excluded from the domestic industry in this case because the packers contribution to the final product is 'small,' the majority of packers are not also producers, and there is no coincidence of economic interests between the packers and producers. Moreover . . . the producers' selling price is unrelated to the packers' selling price.*[60]

Alternatively, petitioners contend that:

> *Should the Commission include packers within the definition of domestic industry petitioners believe that the 'appropriate circumstances' exist under the statute to exclude many packers under the related-party provision. . . . In this analysis, the Commission should not limit its focus to packers who only import for their own account, but should also include packers who purchase Chinese imports from other importers. The Commission should exclude from the domestic industry definition all packers whose financial performance indicates that they are shielded from the injurious effects of the less-than-fair value imports. For example, any packers that demonstrate a*

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[58] *Honey From China*, Inv. No. TA-406-13, p. II-33.

[59] Transcript of the hearing in Inv. No. TA-406-13, p. 170.

[60] Petitioners' post-conference brief, pp. 9-11. Also see transcript of the conference in this investigation (transcript), pp. 46-48.

positive correlation between the percentage of their honey imported from China and their profit margins, should be excluded.[61]

Respondents argue that packers should be included in the domestic industry because:

The packers are an integral part of the domestic honey industry. . . All honey undergoes at least some processing before it is sold to the final user and the packers thus serve as an indispensable bridge linking production and consumption. Moreover, the value added to the final product as a result of the processing operation is small relative to the value of the final product. In addition, there is some degree of overlap in financial interest between beekeepers and processors because at least some beekeepers pack and sell their own honey or use cooperatives...to pack and sell their honey. . . . Moreover, the National Honey Board includes both beekeepers and packers in its membership in order to reflect the scope and extent of the overall domestic honey industry. . . . Finally, there is no reason for the Commission to exclude financial data for those packers which pack imported Chinese honey. The Commission did not exclude these packers in the 406 case. Moreover, no packers pack only imported Chinese honey.[62]

Data relating to purchases of honey by source for 28 packers (27 commercial packers and Sioux Honey, a cooperative) accounting for 62 percent of the domestic disposition (i.e., apparent U.S. consumption) of honey in 1993, are presented in appendix F. Purchases of honey from China by the 28 packers accounted for 65 percent of aggregate U.S. imports of honey from China in 1993. Although all of the 28 firms purchase at least some U.S.-produced honey, only 1 of the packers (other than Sioux Honey) produced honey in the United States (another firm, ***, is affiliated with a U.S. producer). A summary of data by categories of domestic share for the 28 packers supplying purchase information is presented in the following tabulation:[63]

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[61] Petitioners' post-conference brief, pp. 12-13. Also see transcript, pp. 48-49.

[62] Post-conference brief on behalf of the National Honey Packers and Dealers Association, pp. 4-6. In connection with footnote 11 of respondents' brief, which states that "The statement by counsel for petitioners at the hearing that many packers exist primarily on packing imported honey is incorrect," it should be noted that although the number of packers that rely on imports for more than half of their supplies of honey is relatively small (12 known firms in 1993), those same firms account for a disproportionately large portion of total U.S. imports of Chinese honey (51 percent in 1993).

[63] See app. F for greater detail concerning purchases by the 28 packers during 1991-93 and the Jan.-Aug. periods of 1993 and 1994.

Domestic share	No. firms	Purchases *(1,000 pounds)*: Total	China	Other imports	U.S.	Purchases as a share of *(percent)*-- Total disp.	Reported purchases-- China	Other	U.S.
<50%	12	83,413	39,454	25,133	18,827	27.4	47.3	30.1	22.6
≥50%<100% . . .	8	95,028	10,682	6,240	78,106	31.2	11.2	6.6	82.2
100%	8	10,039	0	0	10,039	3.3	0.0	0.0	100.0
Total		188,480	50,136	31,373	106,972	62.0	21.4	17.9	60.7

As indicated above, 12 commercial packers, which accounted for 27.4 percent of the total domestic disposition of honey in 1993, each used less than 50 percent U.S.-produced honey in their packing operations. These 12 packers accounted for 51 percent of aggregate U.S. imports of honey from China in 1993; none of these 12 firms produces honey in the United States. The average U.S. share of total purchases for this category of packers was 22.6 percent, with U.S. shares ranging from a low of 6.6 percent to a high of 46.0 percent. Purchases of Chinese honey accounted for 50 percent or more of the total purchases by 7 of these 12 packers.

The 12 commercial packers purchasing the largest quantity of Chinese honey in 1993 (these firms include 11 of the above 12 packers) accounted for *** percent of imports from China in 1993.[64] The following tabulation illustrates how most of these firms increased their reliance on imports from China during 1991-93, while correspondingly reducing their reliance on U.S.-produced honey:

* * * * * * *

[64] Sioux Honey, a cooperative, purchased *** pounds of Chinese honey in 1993. Sioux Honey was the *** largest purchaser of Chinese honey in 1993.

U.S. Importers

Based on data provided by the National Honey Board during investigation No. 406-TA-13, there are approximately 200 importers of honey in the United States. As reported in that investigation, seven firms accounted for approximately 95 percent of imports of honey from China in 1992. *** importers of honey from China were packers that imported for their own consumption; these firms represented approximately *** percent of imports during 1992.

A list of importers supplying usable data in response to the Commission's questionnaires in this investigation is presented in table 12. These firms accounted for almost 79 percent of total U.S. imports of honey from China in 1993. The two packers shown in the table accounted for *** percent of total U.S. imports of honey from China in 1993.

Table 12
Honey: U.S. importers responding to the Commission's questionnaires

Company	Location
* * * * * * *	

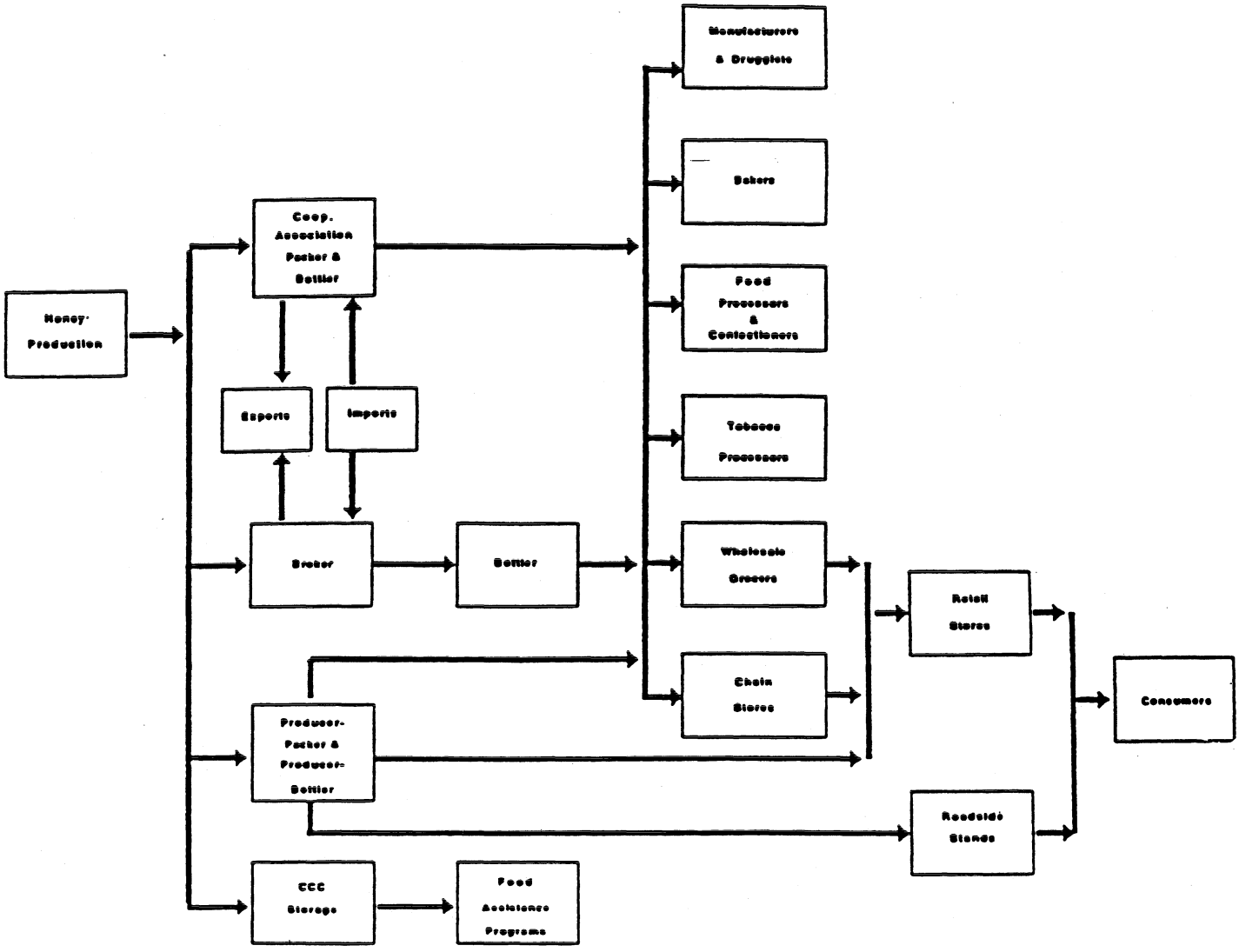
Source: Compiled from responses to questionnaires of the U.S. International Trade Commission.

Channels of Distribution

The channels of distribution for U.S.-produced and imported honey sold in the United States are shown in figure 17. Three types of firms process, pack, and market honey. Producer-packers are beekeepers that pack and process their own honey (although they may purchase small amounts from other beekeepers) and sell it directly to retail stores and industrial users or through roadside stands. Beekeepers may also be members of cooperatives that process, pack, and market honey. Sioux Honey Association, which markets honey under the Sue Bee label, is the largest such cooperative in the United States. These cooperatives may also purchase imported honey. Finally, independent packers process, pack, and market a large proportion of U.S.-produced honey and almost all imported honey, including that imported from China. Often these packers will blend U.S.-produced and imported honey for sales to end users. Packers may market their retail products under their own brand name or under private label brands.

Packers sell the processed, packed honey to retailers, food service operations, and industrial users. Industrial users include bakers, confectioners, and other food processors that purchase honey in barrels, tankers, or totes. At the retail level, honey is sold in glass jars, plastic containers (including those shaped as figures such as bears), foil containers, and tins. In general, lighter-colored honey is sold at the retail level for table use, whereas darker-colored honey is used more often by industrial users. Table 13 and figure 18 present U.S. packers' shipments by markets for the period 1991-93.

Figure 17
Principal distribution channels for honey marketed in the United States



Source: Willett, L.S. "The U.S. Honey Industry: An Economic Analysis," Cornell Agr. Econ. Staff Paper, No. 88-1, Jan. 1988.

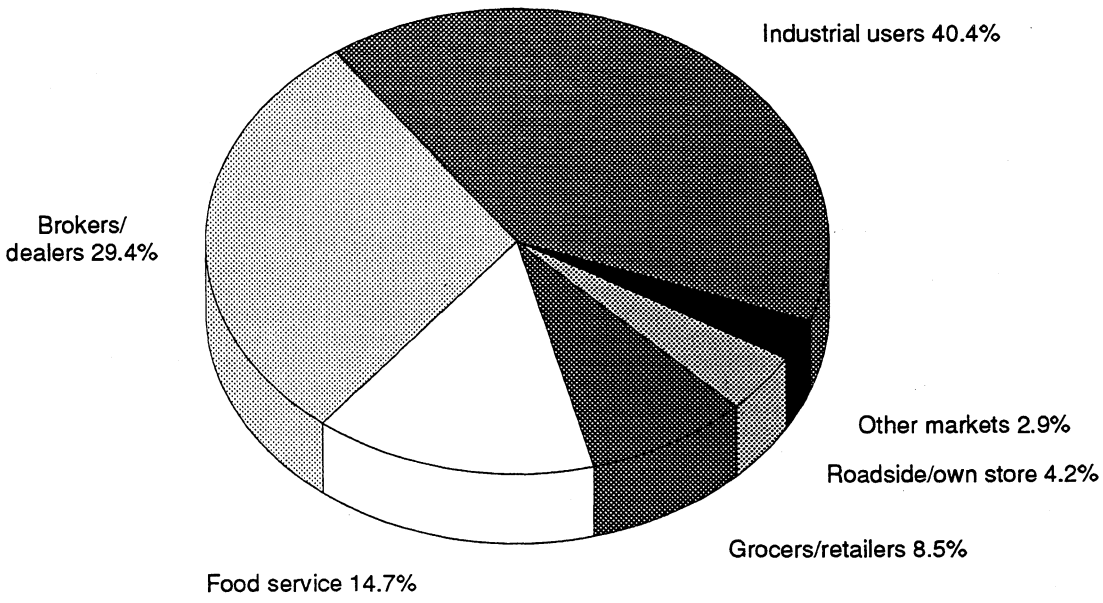
Table 13
Honey: Shipments by U.S. packers, by markets, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. market:			
Roadside or own store	7,458	7,873	7,758
Industrial users	66,068	70,789	75,351
Food service	26,542	28,951	27,405
Brokers and dealers	47,654	51,538	54,844
Grocers and retailers	13,526	14,915	15,866
Forfeited to CCC	0	0	0
Other U.S. markets	6,087	6,376	5,373
Subtotal	167,336	180,442	186,597
Exports	2,761	2,566	3,025
Total	170,098	183,008	189,623
	Value (*1,000 dollars*)		
U.S. market:			
Roadside or own store	8,026	8,931	8,408
Industrial users	40,317	42,742	45,080
Food service	19,163	20,755	19,862
Brokers and dealers	52,415	56,784	58,688
Grocers and retailers	14,024	15,435	16,316
Forfeited to CCC	0	0	0
Other U.S. markets	4,229	4,560	4,464
Subtotal	138,173	149,207	152,818
Exports	2,290	2,412	2,679
Total	140,463	151,619	155,496
	Unit value (*per pound*)		
U.S. market:			
Roadside or own store	$0.93	$0.96	$0.95
Industrial users	.61	.60	.60
Food service	.72	.72	.72
Brokers and dealers	1.10	1.10	1.07
Grocers and retailers	1.04	1.03	1.03
Forfeited to CCC	(1)	(1)	(1)
Other U.S. markets	.69	.72	.83
Average	.82	.82	.81
Exports	.83	.94	.89
Average	.82	.82	.81

[1] Not applicable.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 18
Honey: Domestic shipments by U.S. packers, by markets, 1993



Source: Table 13.

CONSIDERATION OF ALLEGED MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

In an effort to supplement secondary source information available from the USDA on the U.S. honey industry, the Commission sent questionnaires to approximately 535 firms, as follows:

Category	Number in universe[1]	Number receiving questionnaire	Number responding affirmatively to questionnaire	Coverage
Producers and producer/packers . . .	4,867	400	180	19[2]
Packers	443	100	31	65[3]
Importers	50	35	7	([4])

[1] Based on listings of firms provided by the National Honey Board for 1992, which was supplemented by listings from other associations and Customs.
[2] Share of total U.S. production.
[3] Share of total domestic disposition; includes packers' own imports plus purchases of imports from importers.
[4] Not available.

Questionnaire responses were received from approximately 180 producers and producer/packers accounting for approximately 19 percent of U.S. honey production in 1993. U.S. producers' useable data relating to production, shipments, inventories, and employment are presented in appendix D.

Questionnaire responses were received from 31 packers of honey, accounting for approximately 65 percent of domestic disposition of honey in 1993.[65] Packers' data are presented throughout the report, with additional questionnaire data presented in appendix D. A summary of producer and USDA data is presented in appendix G.

[65] Includes packers' own imports plus purchases of imports from importers.

U.S. Production, Capacity, and Capacity Utilization

U.S. Beekeepers' Colonies, Production, and Yield

U.S. production of honey varies widely among regions and from year to year depending on rainfall, soil conditions, temperature, cropping patterns, management, and various other environmental factors. Cold and rainy weather can prevent bees from collecting nectar, which reduces honey production. Rain, drought, or freezing temperatures can also cut honey production by damaging nectar sources.[66]

Table 14 and figure 19 present data on U.S. beekeepers' colonies, production, and yield/colony for 1989 to 1994. The number of bee colonies in the United States decreased by 18.2 percent from 1989 to 1994. More than one-third of all colonies in the United States are located in California, North Dakota, South Dakota, and Florida.

Nonetheless, due to contrary patterns in yield per colony, honey production increased by 24.6 percent from 1989 to 1994. Despite the recent decline in colony numbers, the increasing annual yields of honey per colony (owing to more favorable weather conditions and technological improvements) have allowed U.S. production to increase. The average yield per colony increased by 50.2 percent from 1989 to 1994. For comparative purposes, similar data for China are also presented in table 14.

[66] *The U.S. Beekeeping Industry*, ERS, USDA, Aug. 1993, p. 6.

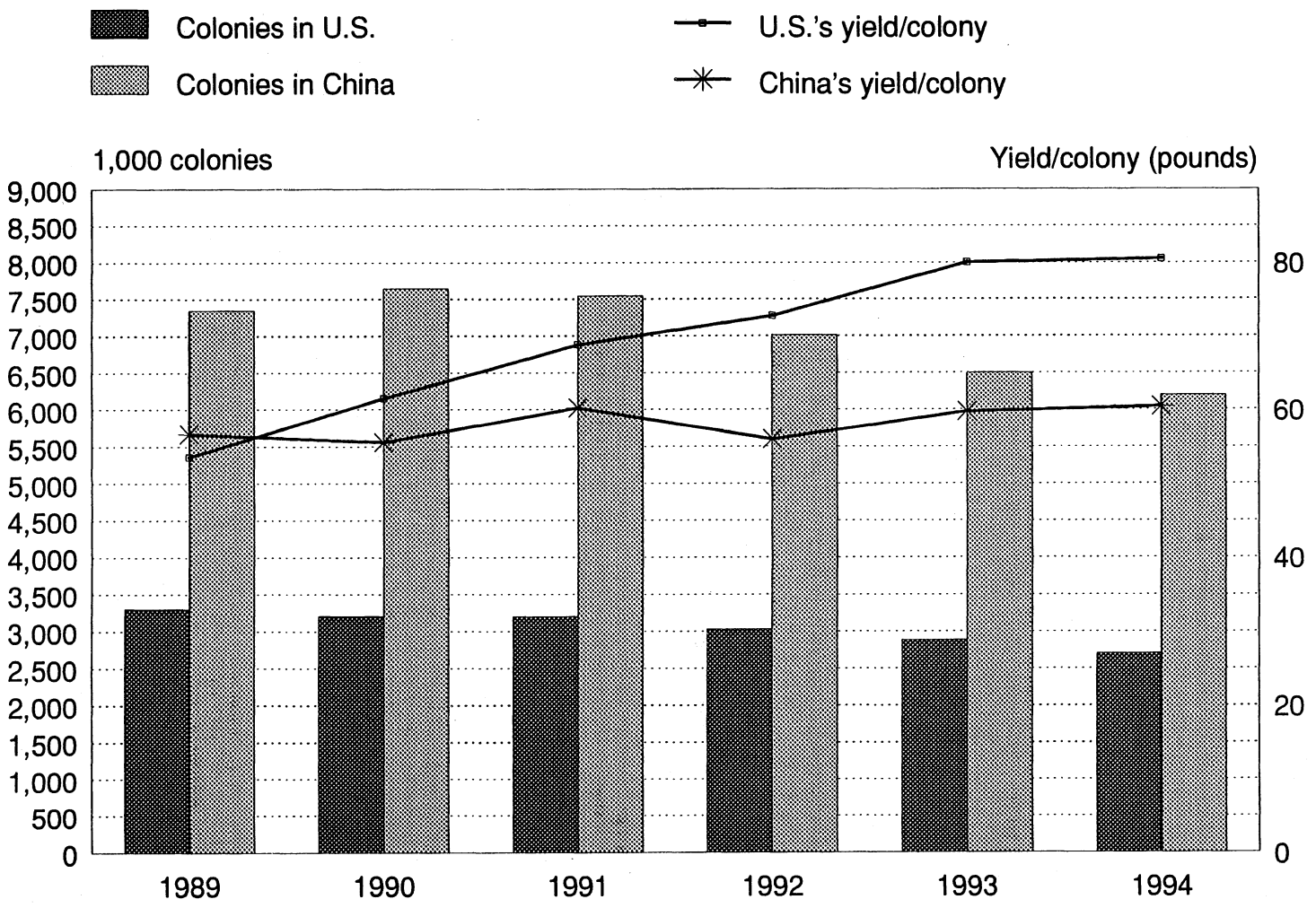
Table 14
Number of bee colonies, honey production, and yield per colony in the United States and China, 1989-94[1]

Year	Total colonies[2]	Production	Change in production	Yield/colony	Change in yields
	1,000s	*1,000 pounds*	*Percent*	*Pounds*	*Percent*
United States:					
1989	3,300	176,935	([3])	53.6	([3])
1990	3,210	197,769	11.8	61.5	14.7
1991	3,200	220,109	11.3	68.8	11.9
1992	3,030	220,583	0.2	72.7	5.7
1993	2,880	230,367	4.4	80.0	10.0
1994[4]	2,700	220,462	-4.3	80.5	0.6
China:					
1989	7,350	416,624	([3])	56.7	([3])
1990	7,645	425,441	2.1	55.6	-1.9
1991	7,541	454,152	6.8	60.2	8.3
1992	7,012	392,422	-13.6	56.0	-7.0
1993	6,500	388,013	-1.1	59.7	6.6
1994[4]	6,200	374,785	-3.4	60.4	1.2

[1] Calendar years.
[2] For the United states, only colonies with 5 or more hives are included.
[3] Not applicable.
[4] Forecast by USDA.

Source: *World Honey Situation*, FAS, USDA, preliminary release, October 1994.

Figure 19
Honey: Number of colonies and yield per colony in the United States and China, 1989-94



Source: FAS, USDA.

U.S. Packers' Capacity, Production, and Capacity Utilization

Data from the Commission's packer's questionnaire regarding capacity, production and capacity utilization are presented in table 15. Data on producers' and producer/packers' capacity, production, and capacity utilization are presented in appendix D.

Table 15
Honey: U.S. packers' capacity, production, and capacity utilization, by products, 1991-93

Item	1991	1992	1993
	Average-of-period capacity (*1,000 pounds*)		
Honey	247,064	254,675	259,477
	Packing/bottling (*1,000 pounds*)		
Natural honey	155,775	166,857	168,059
Mixtures of honey	0	0	0
Preparations of honey	0	0	0
Mixtures and preparations of honey	0	0	0
Total	155,775	166,857	168,059
	Capacity utilization (*percent*)		
Honey	63.1	65.5	64.8

Note.--Capacity utilization is calculated from unrounded figures, using data of firms providing both capacity and production information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Inventories

Data on ending inventories of U.S.-produced honey (including Government and commercial stocks) compiled by the USDA show declining trends in inventories from 1986 to 1990, and then increases from 1991 to 1993. These data are presented in table 16.

Table 16
Honey: U.S. inventories, 1986-94

Year	End-of-period Total inventories	Production	Inventories as a share of production
	Million pounds	*Million pounds*	*Percent*
1986	262.6	200.4	131.0
1987	214.4	226.8	94.5
1988	192.4	214.1	89.9
1989	144.7	177.0	81.8
1990	103.7	197.8	52.4
1991	102.1	219.2	46.6
1992	128.7	220.6	58.3
1993	180.0	230.4	78.1
1994[1]	222.0	220.0	100.9

[1] Data are derived from USDA estimated production in 1994.

Source: U.S. Department of Agriculture, ASCS and NASS.

Data on U.S. inventories held by packers, as provided in response to the Commission's questionnaires, are presented in table 17. It should be noted that a substantial but unknown portion of U.S. packers' inventories shown in table 17 is imported honey. Inventories of U.S. producers, as provided in response to the Commission's questionnaires, are presented in appendix D.

Table 17
Honey: End-of-period inventories of U.S. packers, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Stocks	28,295	31,976	30,530
Packaged	9,506	11,631	10,792
Total	37,802	43,607	41,323
	Ratio to production (*percent*)		
Stocks	22.4	23.7	21.9
Packaged	7.5	8.6	7.8
Total	29.9	32.3	29.7

Note.--Ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Employment, Wages, and Productivity

U.S. Beekeepers

Data on employment by U.S. producers, as provided in response to the Commission's questionnaires, are presented in appendix D. Estimates made by the American Beekeeping Federation of the total number of jobs provided by beekeeping operations in 1992 are shown in the following tabulation:

Type of employee	Number
Unpaid beekeepers	4,000[1]
Full-time employees	2,424[2]
Part-time employees	6,060[3]
Total	12,484

[1] Beekeepers who use the honey program.
[2] Calculated at 1 per 800 colonies.
[3] Calculated at 2.5 per 10,000 colonies.

U.S. Packers

Data on employment by U.S. packers as provided in response to the Commission's questionnaires are presented in table 18.

Table 18
Average number of U.S. packers' employees and production and related workers producing honey, hours worked,[1] and wages and total compensation paid to such employees, 1991-93

Item	1991	1992	1993
	Number of employees		
All workers	680	694	701
	Number of production and related workers (PRWs)		
Full time	340	321	342
Seasonal/part time	61	57	53
Total	401	378	395
	Hours worked by PRWs		
Full time	508,888	539,106	519,156
Seasonal/part time	13,179	11,278	14,371
Total	522,067	550,384	533,527
	Wages paid to PRWs (*1,000 dollars*)		
Full time	6,158	6,583	7,269
Seasonal/part time	288	282	294
Total	6,446	6,865	7,563
	Total compensation paid to PRWs (*1,000 dollars*)		
Full time	(2)	(2)	(2)
Seasonal/part time	(2)	(2)	(2)
Total	7,329	7,877	8,289
	Hourly wages paid to PRWs		
Full time	$11.43	$11.36	$12.27
Seasonal/part time	6.35	6.45	6.86
Average	11.30	11.25	12.13
	Hourly total compensation paid to PRWs		
Full time	(2)	(2)	(2)
Seasonal/part time	(2)	(2)	(2)
Average	$12.92	$13.04	$13.47

[1] Includes hours worked plus hours of paid leave time.
[2] Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Financial Experience of U.S. Producers and Packers

Financial data from 116 honey producers[67] and 20 honey packers (including 1 cooperative) were compiled for this report. The producers accounted for approximately 15 percent of U.S. honey production in reporting year 1993.[68] The packers accounted for 32 percent of U.S. disposition of honey in fiscal year 1993.[69]

Overall Beekeeping Operations, Including Honey

The financial data were requested on a crop-year basis (April 1-March 31) or any other 12-month period regularly used for keeping the books and computing income.[70] Most producers were unable to provide crop-year data and instead submitted financial data for fiscal or calendar years, mainly on a cash basis. The year ending December 31 is the most common reporting period for the producers reporting financial data. The term "reporting" year is used to indicate the mixture of crop, fiscal, and calendar years.

Partial year data (January-June) for 1993 and 1994 were requested; however, reliable data for these periods are not available since revenue is typically not received uniformly throughout the year and expenses are not recorded evenly throughout the year. Many producers were not able to estimate the partial-year data. For these reasons, interim-period data are not presented for honey producers.[71]

Revenues from honey for a particular year do not necessarily represent production or match expenses that occurred in that year. They may consist of the proceeds from the sale or loan forfeiture of honey produced in one or more years. Many agricultural program payments are recorded in years subsequent to the year when the actual production expenses were incurred. As a result, individual producers may have changes in their income (loss) from year to year that are not indicative of current market conditions.

Producers generally were able to provide revenue for each of their income producing activities; however, there is no precise, reliable method for most producers to directly attribute or allocate expenses between honey sales and other income sources.[72] For the 1993

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[67] Data for producers and producer/packers are aggregated.

[68] Producer data include crop or fiscal years ending in 1994.

[69] Financial data for packers are on a fiscal-year basis.

[70] The April 1-March 31 crop year is the period which the ASCS uses as a basis to determine loans for the honey producers. The actual producer crop year varies from region to region.

[71] In response to a staff question at the conference (transcript, p. 93), Mr. Coursey (attorney for petitioners) said that the producers indicated that this "particular aspect of the questionnaire is quite difficult."

[72] Producers were requested to not include pollination fees if appropriate pollination costs could be deleted from honey production expenses.

reporting period, sales of honey accounted for 67.7 percent of all beekeeping revenue. Other principal sources of income in 1993 were (as a percent of revenue) pollination fees--16.2 percent, agricultural program payments--5.6 percent, other beekeeping income--4.8 percent, beeswax--3.9 percent, and package bees sold (including queens)--1.7 percent. Of these other sources of income, pollination fees and the sale of package bees would generally not be included in the financial data for honey. Agricultural program payments are a revenue source derived from honey. Other income from operations on honey production is appropriately included as are the related expenses. Beeswax (based on the overwhelming response from producers) is a byproduct of honey production.

Income-and-loss data for the beekeepers, including honey production, are shown in table 19; both part- and full-time producers are included. Honey revenues increased between 1991 and 1993, after declining in 1992. Net income before taxes declined between 1991 and 1993. Pretax net income of U.S. producers and producer/packers as a share of total revenue are shown in figure 20. Operating income and pretax net income of U.S. commercial packers as a share of net sales (discussed in a subssequent section of this report) are presented in figure 21.

If those producers with income from pollination fees in excess of 10 percent of their total revenue are deleted from the data, there would remain approximately 75 producers with financial results, as indicated in table 20. An analysis of the data indicates that producers with significant pollination fees do not unduly skew the net income margins of the overall sample of responding producers (given the sample size and in view of the variance among producers in their net income margins, there are only minor differences between the sample with minimal pollination fees and the overall sample).

Although the average revenue per producer was approximately $234,855 in 1993, the size of the producers varied widely. Table 21 groups the reporting producers based on revenue levels for 1991-93, and indicates the net income margins for each segment. The table shows that while income levels of the larger producers fluctuated between 1991 and 1993, the net income of the smaller producers in 1993 declined sharply from the 1991 and 1992 levels.[73]

[73] The net income margins in 1991 and 1992 for this sample of producers are somewhat higher than those indicated in *Honey From China*, inv. No. TA-406-13, USITC Pub. 2715, Jan. 1994. The samples most likely vary in terms of producer size. In addition, some producers with losses in those years may not currently be in a position to respond to the second Commission questionnaire.

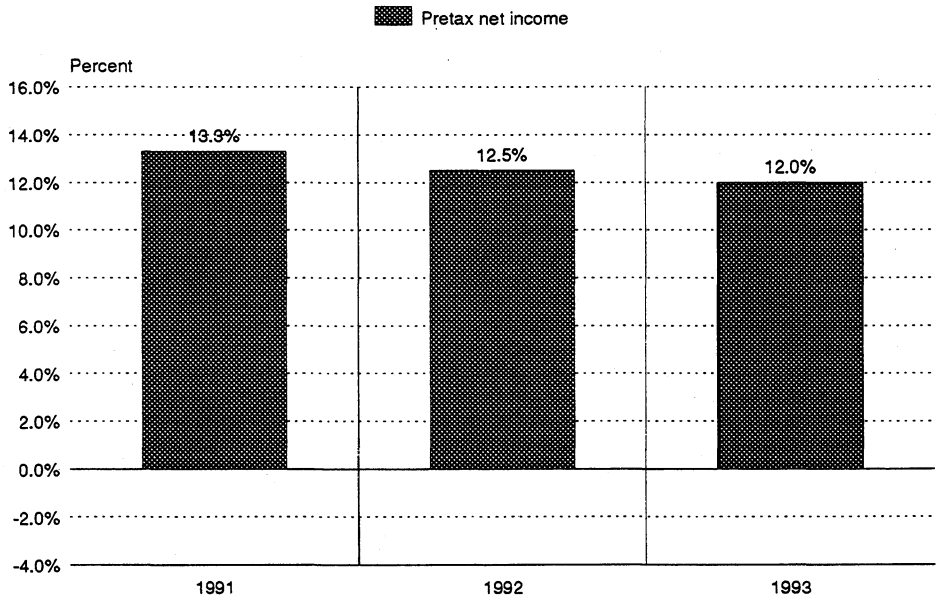
Table 19
Income-and-loss experience of U.S. producers and producer/packers on their operations producing honey, fiscal or crop years 1991-93

Item	1991	1992	1993
Number of honey-producing colonies	338,784	353,035	339,802
	Quantity (*1,000 pounds*)[1]		
Honey produced and sold	31,540	30,922	33,630
Beeswax	426	403	482
	Value (*1,000 dollars*)		
Revenues:			
Honey produced and sold	17,916	17,529	18,294
Beeswax	749	925	1,058
Pollination fees	3,478	3,936	4,388
Package bees sold, including queens	368	294	466
Agricultural program payments	2,053	2,265	1,512
Other beekeeping income	1,225	931	1,290
Total	25,789	25,879	27,008
Beekeeping and operating expenses:			
Hired labor	4,309	4,683	4,846
Partner's, officer's, and other salaries	1,440	1,442	1,514
General and administrative costs	1,416	1,418	1,641
Repairs and maintenance	1,173	1,350	1,434
Bee supplies	2,632	2,895	2,922
All other expenses	11,380	10,863	11,405
Total	22,350	22,652	23,762
Net income or (loss) before income taxes	3,439	3,228	3,247
Depreciation	1,769	1,933	1,993
Cash flow	5,208	5,161	5,240
	Ratio to total revenue (*percent*)		
Total beekeeping expense	86.7	87.5	88.0
Net income before income taxes	13.3	12.5	12.0
	Number of firms reporting		
Net losses	27	25	31
Data	116	116	115

[1] Not all producers provided quantity data.

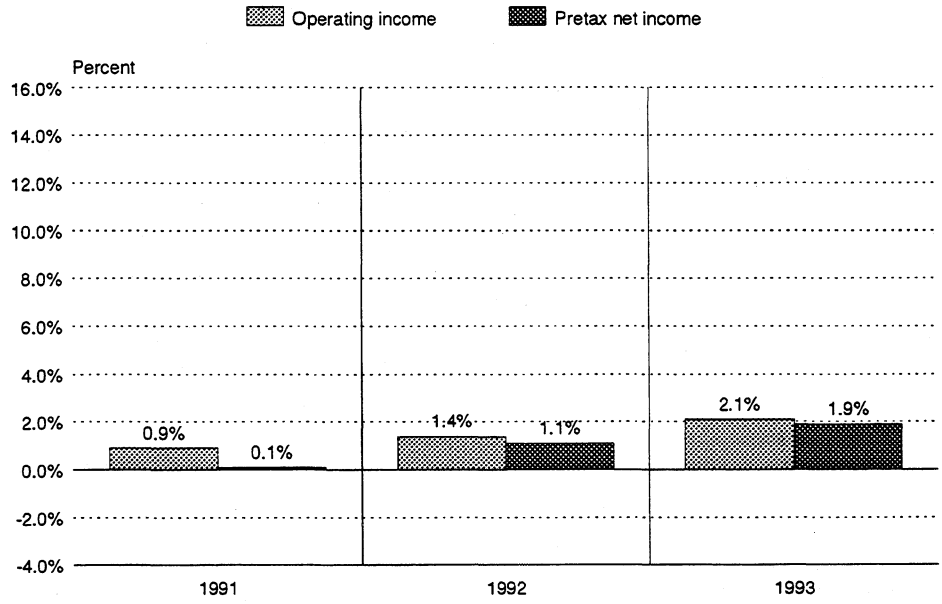
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 20
Pretax net income of U.S. producers and producer/packers on their operations producing honey as a share of total revenue, fiscal or crop years 1991-93



Source: Table 19.

Figure 21
Operating income and pretax net income of U.S. commercial packers on their honey packing operations as a share of net sales, fiscal years 1991-93



Source: Table 23.

Table 20
Income-and-loss experience of U.S. producers and producer/packers (with pollination fees less than 10 percent of their revenues) on their operations producing honey, fiscal or crop years 1991-93

Item	1991	1992	1993
Number of honey-producing colonies	208,394	218,893	204,984
	Quantity (*1,000 pounds*)[1]		
Honey produced and sold	22,045	20,527	21,530
Beeswax	301	279	263
	Value (*1,000 dollars*)		
Revenues:			
Honey produced and sold	12,727	12,080	12,516
Beeswax	579	764	760
Pollination fees	40	49	236
Package bees sold, including queens	112	87	184
Agricultural program payments	1,504	1,723	923
Other beekeeping income	890	643	984
Total	15,853	15,347	15,603
Beekeeping and operating expenses:			
Hired labor	2,773	2,943	2,921
Partner's, officer's, and other salaries	641	557	583
General and administrative costs	739	829	915
Repairs and maintenance	602	748	777
Bee supplies	1,919	2,077	2,021
All other expenses	7,190	6,665	6,678
Total	13,864	13,820	13,894
Net income or (loss) before income taxes	1,989	1,528	1,709
Depreciation	1,140	1,240	1,215
Cash flow	3,129	2,767	2,924
	Ratio to total revenue (*percent*)		
Total beekeeping expense	87.5	90.0	89.0
Net income before income tax	12.5	10.0	11.0
	Number of firms reporting		
Net losses	17	18	19
Data	75	75	74

[1] Not all producers were able to provide quantity data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 21
Summary of honey revenues, net losses, and net income by revenue size, reporting years 1991-93

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Individual beekeeping expenses vary from one honey producer to another. This is true even for producers with the same number of bee colonies. Local climatic and economic conditions play a part in the variation in expenses. Because of various production disruptions to beekeeping operations in one or more years, income-and-loss data for individual producers were not consistent from period to period. Producers cited unfavorable weather (excessive heat or cold, rain, drought), disease (mites), pesticide losses, packer bankruptcy, insufficient labor, and losses from bears as extraordinary factors in their operations.

Owner-labor Expenses

Labor costs vary according to the type of entity and the use of family workers. Some producers, such as sole proprietorships, do not include as an expense the cost of their labor for their beekeeping and office work, whereas other producers use a combination of paid workers and self employment. Firms that do not fully expense the cost of their labor may generally report higher net incomes than other producers. In other firms, some of the owners and/or partners do not draw salaries, thus their firm's reported net income is larger. However, in many of these cases the net income would be the owner's income and/or partner's share, which is typical in agricultural cases with sole proprietorships.

Twenty-eight producers indicated that owner-labor was included in their data, and 57 producers stated that owner-labor was not included in their data. The remainder did not respond. Shown below is a tabulation of the financial data for those producers whose owner-labor was included in the financial data and those whose labor was not included in the data (in 1,000 dollars, except as noted):

Item	1991	1992	1993
Net sales:			
Included	8,279	8,492	9,311
Not included	10,242	10,527	10,890
Net income before income taxes:			
Included	874	902	878
Not included	1,463	1,998	1,716
Ratio to net sales (percent):			
Included	10.6	10.6	9.4
Not included	14.3	19.0	15.8

Analysis of Unit Values and Costs

Income-and-loss data on a value-per-pound and a value-per-colony basis are shown in table 22. These unit values may be affected by product mix. On a per-pound basis, the unit value of honey produced and sold, total beekeeping and operating expenses, and net beekeeping income declined between 1991 and 1993. Conversely, on a per-colony basis, the quantity, value, revenue, and expenses increased between 1991 and 1993, after declining in 1992. However, the net income per colony decreased between 1991 and 1993, but increased between 1992 and 1993.

Summary of the Beekeeping Industry

The producers' net income declined modestly between 1991 and 1993. However, the reported income-and-loss data do not reflect the problems that the industry says it is experiencing with its 1994 crop, and unsold inventory of its 1993 crop. While 77 producers reported that there are actual negative effects (of imports from China), 30 reported no actual negative effects; 106 producers anticipated negative effects and only 3 did not anticipate negative effects. Nine did not respond on the negative effects and seven did not respond on the anticipated effects.[74]

[74] See producer comments in appendix I.

Table 22
Income-and-loss experience (*on per-pound and per-colony bases*) of U.S. producers and producer/packers on their operations producing honey, fiscal or crop years 1991-93[1]

Item	1991	1992	1993
	Value (*per pound*)		
Beeswax produced and sold	$1.31	$1.42	$1.31
Honey:			
Honey produced and sold	0.54	0.53	0.50
Total beekeeping and operating expenses	0.47	0.47	0.46
Net beekeeping income or (loss)	0.11	0.10	0.09
	Per colony		
Honey produced and sold:			
Quantity (pounds)	96.4	90.5	102.4
Value	$51.61	$47.82	$51.65
Beekeeping operations:			
Income	$74.85	$71.57	$77.34
Expenses	$64.55	$62.81	$68.00
Net income or (loss)	$10.29	$8.76	$9.34

[1] Beeswax, pollination, and package bees sold were treated as byproducts for the computation of total beekeeping and operating expenses.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Packers

Reporting honey packers consist of commercial packers and one cooperative organization. The commercial honey packers accounted for *** percent and the cooperative *** percent of the value of total reported packed honey sales in fiscal 1993.

The largest reporting commercial honey packer was ***, with 1993 sales of *** million, and the second largest was ***, with sales of *** million. Purchased honey usually accounts for more than 80 percent of the total costs of a commercial honey packer. *** primarily imports its honey, whereas *** primarily purchases domestic honey. All other reporting companies had under *** million in sales. The only reporting cooperative was Sioux Honey Association. Its fiscal 1994 sales were *** million.[75]

[75] Sioux Honey Association's last fiscal year ended June 30, 1994.

Income-and-loss Experience of Commercial Honey Packers

The income-and-loss experience of the 19 commercial honey packers that reported financial information is shown in table 23. Both net sales and operating income rose between 1991 and 1993. Separate financial data are presented in appendix H for (a) those packers that rely on imports for 50 percent or more of their honey supplies and (b) those packers that rely on imports for less than 50 percent of their honey supplies.[76] The packers that import more than 50 percent of their honey (9 firms) had an increasing profit trend from 1991 to 1993, whereas those that import less than 50 percent of their honey (10 firms) had a decline in profitability from 1992 to 1993, after an increase from 1991 to 1992.

Most of the packers did not provide interim data. The seven that did showed increases in net sales, operating income, and operating income margins. Two of the packers incurred operating losses in both interim periods.

Financial Data for the Sioux Honey Association

Cooperatives, such as Sioux, do not prepare conventional income-and-loss statements, thus their financial data are not directly comparable to data for commercial honey packers. The sales values (gross operating proceeds) represent Sioux's market sales. Net proceeds to members are the amounts paid to the cooperative members for their honey. The cooperative's net proceeds per pound could be comparable to the cost of unpacked honey paid by commercial packers. Sioux's financial data are shown in table 24.

The major source of most of the unpacked honey for the Sioux Honey Association is from its members. Minnesota, North Dakota, South Dakota, Montana, and California are the primary states, with their members accounting for approximately *** of the total. Members are required to deliver 100 percent of their production to the cooperative. In fiscal 1994 about *** percent of Sioux's unpacked honey was purchased from non-members, and relatively smaller amounts were imported from China and other countries.[77]

* * * * * * *[78]

[76] Categorization of packers was made on the basis of their aggregate purchases of honey in 1993.

[77] Computed from Sioux Honey Association fiscal 1994 annual report, p. 5.

[78] Telephone conference with Gary Evans, President of the Sioux Honey Association, Nov. 2, 1994.

Table 23
Income-and-loss experience of U.S. commercial packers on their honey packing operations, fiscal years 1991-93[1]

Item	1991	1992	1993
	Quantity (*1,000 pounds*)[2]		
Trade sales	90,352	89,719	97,937
Company transfers	79	41	87
Total	90,431	89,760	98,024
	Value (*1,000 dollars*)		
Net sales:			
Trade sales	87,337	93,422	97,387
Company transfers	43	22	47
Total	87,380	93,444	97,434
Cost of goods sold:			
Unpacked honey:			
U.S.-produced honey	8,583	7,216	9,217
Imported honey	8,076	9,986	10,080
Total	16,659	17,202	19,297
Packing costs	2,658	2,902	2,848
All other costs[3]	56,316	60,615	60,121
Total cost of goods sold	75,633	80,719	82,266
Gross profit	11,747	12,725	15,168
Selling, general, and administrative expenses	10,930	11,385	13,126
Operating income	817	1,340	2,042
Interest expense	1,108	983	1,011
Other expense items	47	14	71
Other income items	407	643	890
Net income before income taxes	69	986	1,850
Depreciation and amortization	816	783	845
Cash flow[4]	885	1,769	2,695
	Ratio to net sales (*percent*)		
Cost of goods sold	86.6	86.4	84.4
Gross profit	13.4	13.6	15.6
Selling, general, and administrative expenses	12.5	12.2	13.5
Operating income	0.9	1.4	2.1
Net income before income taxes	0.1	1.1	1.9
	Number of firms reporting		
Operating losses	5	5	3
Net losses	5	7	3
Data	19	19	19

[1] The number of companies that have fiscal years ending in the following periods are as follows: 1/31 (1), 3/31 (2), 5/31 (2), 6/30 (2), 7/31 (1), 9/30 (1), 10/31 (2), and 12/31 (8).

[2] Some producers did not provide quantities.

[3] Some packers were unable to break down their costs, thus this category includes both domestic and imported purchases of honey, packing costs, and all other costs.

[4] Cash flow is defined as net income or loss plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 24
Financial data for the Sioux Honey Association Cooperative on its honey packing operations, fiscal years 1992-94

*	*	*	*	*	*	*

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The fiscal 1994 annual report of the Sioux Honey Association discussed the honey industry as follows:

*	*	*	*	*	*	*[79]
*	*	*	*	*	*	*[80]

Other Financial Data

A summary of the capital expenditures and assets of the honey producers is shown in table 25.

[79] "Chairman's & President's Report," p. 3.

[80] Ibid, p. 5.

Table 25
Certain salient financial data for honey producers and packers, fiscal years 1991-93

(1,000 dollars)

Item	1991	1992	1993
Producers:[1]			
Capital expenditures	1,082	840	724
Total assets	22,152	21,990	22,573
Packers:			
Commercial:[2]			
Capital expenditures	1,568	883	586
Assets	17,671	17,021	17,289
Cooperative:[3]			
Capital expenditures	***	***	***
Assets	***	***	***
Liabilities	***	***	***
Equity	***	***	***

[1] Fifty-two producers provided data.
[2] Eleven commercial packers provided data.
[3] Data are for Sioux Honey only.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Research and Development

A recent Commission report[81] discussed research and development in the honey industry as follows:

> *Research and development in the honey industry can be divided into two distinct types: product research and bee research. Product research is most notably done by the National Honey Board. The National Honey Board is composed of industry representatives appointed by the Secretary of Agriculture to administer the Honey Research Promotion and Consumer Information Order. Approximately one-quarter of the gross budget of the National Honey Board (about $2.5 million in 1991) goes toward research and development of marketing strategies and market uses of honey.*
>
> *The U.S. Government, through research grants and its own research conducted by the U.S. Department of Agriculture, has actively engaged in study of a number of diseases and parasites that are affecting honeybees in the United States.*

[81] USITC, *Industry and Trade Summary, Natural Sweeteners*, publication No. 2545 (AG-8), Nov. 1992.

Impact of Imports on Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of honey from China on their growth, investment, ability to raise capital, the scale of capital investments, or production efforts. Their responses are shown in appendix I.

CONSIDERATION OF ALLEGED THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

Subsection 771(7)(F)(i) of the Act[82] provides that—

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the merchandise, the Commission shall consider, among other relevant economic factors[83]—

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

---

[82] 19 U.S.C. § 1677(7)(F)(i).

[83] Subsection 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this subtitle which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.

Following is available information on U.S. inventories of the subject products (item (V) above); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII)); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets.[84]

Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of Alleged Material Injury to an Industry in the United States." Item (I) above is not relevant in this investigation.

[84] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

U.S. Importers' Inventories

Table 26 present U.S. importers' end-of-period inventories. End-of-period inventories are based on the responses of six importers to the Commission's importers'/ brokers' questionnaire. It should be noted that there are relatively large inventories of imported honey stored at U.S. packers' warehouses that are not included in table 26.

Table 26
Honey: End-of-period inventories of U.S. importers, by sources, 1991-93

Item	1991	1992	1993
	Quantity (*pounds*)		
China	0	7,793	7,793
Other sources	0	129	0
Total	0	7,922	7,793
	Ratio to imports (*percent*)		
China	(1)	0.2	(2)
Other sources	(1)	42.3	(1)
Average	(1)	.2	(2)

[1] Not applicable.
[2] Less than 0.05 percent.

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Ability of China To Generate Exports and Availability of Export Markets Other Than the United States

Information gathered on China's production, consumption, imports and exports are based on data supplied by the U.S. Department of Agriculture. In addition to relying on public data, the Commission sent foreign producer questionnaires to counsel representing several large Chinese exporters. To date, the Commission has received no response to these questionnaires. The Commission also sent a telegram soliciting data from the U.S. Embassy in Beijing. To date, no information has been received in response to this telegram.[85]

With the breakup of the former Soviet Union, China has become the world's largest producer and exporter of honey. According to the USDA's FAS, the bulk of China's honey is produced by itinerant apiarists in eastern and central China, who travel from south to north following the spring season.[86] Producers transport their hives, usually numbering at least 50, on trains and trucks, and follow the flowering season of some 40 major and 300 minor flora.

The FAS reports that producers sell to local supply and sale cooperatives which act as middlemen and resell honey to retailers, food and beverage processors, producers of Chinese medicines, or, in the case of honey destined for the export market, to the China Native Products Import & Export Corporation (also known as TUHSU) and its provincial trading companies.

Zhejiang Province produced about 30 percent of China's honey in 1992 and accounted for 15 percent of China's total colonies. Other important honey-producing provinces include Sichuan (10 percent), Henan (8 percent), and Jiangsu (6 percent) (table 27). China is also the world's leading producer of royal jelly (food secreted by worker bees and placed in queen cells for larval food), producing over 2.2 million pounds a year.[87] The Chinese Ministry of Agriculture has 40 apiculture production bases, with each base containing at least 10,000 colonies. These production bases, along with 1,000 processing facilities, are located primarily in Zhejiang and Jiangsu Provinces.[88]

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[85] The U.S. Embassy in Beijing supplies the FAS of USDA on an annual basis with updated data on China's honey production, consumption, shipments, exports, and imports which are based on official Chinese agricultural and foreign export statistics.

[86] *World Honey Situation*, FAS, USDA, Dec. 1993.

[87] *World Honey Situation*, FAS, USDA, Dec. 1993, p. 8-9.

[88] The State Research Institute of Apiculture and its 6 Provincial branches are responsible for the technological development of the honey industry.

Table 27
Honey: Number of bee colonies, honey production, and yields in China, by provinces, 1991 and 1992[1]

Province	1991			1992		
	Colonies	Production	Yield	Colonies	Production	Yield
	1,000	*1,000 pounds*	*Pounds/ colony*	*1,000*	*1,000 pounds*	*Pounds/ colony*
Zhejiang	1,286	149,914	117	1,084	116,844	108
Sichuan	1,052	39,683	38	1,142	39,683	35
Henan	440	30,865	70	459	33,069	72
Jiangsu	270	26,455	98	235	22,044	94
Jiangxi	276	19,842	72	283	19,842	70
Guangdong	292	13,228	45	279	17,637	63
Shandong	175	17,637	101	177	17,637	100
Fujian	222	17,637	79	249	15,432	62
Hubei	423	19,842	47	356	15,432	43
Shaanxi	301	11,023	37	312	11,023	35
Hebei	177	4,409	25	158	11,023	70
Shanxi	137	11,023	80	134	6,614	49
Yunnan	918	8,818	10	853	6,614	8
Liaoning	83	6,614	80	77	6,614	86
Jilin	79	11,023	140	75	4,409	59
Anhui	227	17,637	78	221	0	0
Others	1,183	48,502	41	918	48,502	53
Total/ average	7,541	454,152	60	7,012	392,422	56

[1] Some officials have cautioned that double counting may occur. China's beekeepers are registered to a specific Province, and all of their honey production is tallied to that province. But, for example, honey which is produced and sold by Zhejiang beekeepers in Anhui may be counted in both province totals.

Source: FAS, USDA.

Although production reached a record 454 million pounds in 1991, higher production costs reduced the number of bee colonies during 1991-94.[89] Largely as a result of the reduction in bee colonies, honey output declined to 392 million pounds in 1992, 388 million pounds in 1993, and is estimated to be 375 million pounds in 1994 (table 28). China's domestic honey consumption was estimated to be 179 million pounds in 1994, down sharply from the 289 million pounds consumed in 1991.[90] The FAS states that "Reasonable procurement prices in 1994 and strong domestic demand should result in a slight increase in honey production by 1995." The FAS also noted that average yields are forecast to increase slightly in 1994 as a result of improved management techniques, but the increase will be limited by unfavorable weather conditions through the first half of 1994, as compared with 1993.[91]

Exports account for a significant share of China's honey production. Exports accounted for 33.3 percent of production in 1991, 49.1 percent in 1992, 53.6 percent in 1993, and are estimated to account for 52.0 percent in 1994. Figures 22 and 23 show data on China's exports to principal markets in 1993. The FAS noted that:

> *A 14-percent drop in honey production had little effect on the surging export trade in 1993. Honey exports reach(ed) record levels of 96,538 MT, an increase of 5 percent over 1992, spurred by strong sales to the United States and Japan. These top two markets saw import volumes increase by 35 percent and 17 percent, respectively. But increased export volumes were not sufficient to offset the drop in sales value. The unit value of honey sales dropped from USD 873/MT in 1992 to USD 727/MT in 1993. . . Price declines, coupled with trade investigations, have forced Chinese trade officials to reevaluate export policies. The "Reform Measures of Quota and License Administration on Export Commodities" and "Measures for Calling for Tenders for Export Commodity Quotas" were announced by MOFTEC on February 28, 1994.*

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[89] The FAS reported in July 1994 that "The life of an itinerant beekeeper has become increasingly difficult, and is the major factor in the decline in the number of colonies in China." The FAS cited the following problems facing Chinese beekeepers: increasing transportation costs, difficulty in finding places to set up their hives, and lack of payment for pollination services. However, FAS noted that "The Ministry of Agriculture is encouraging stationary honey production bases. The state has invested in bases in northeast and central China to provide technical training to beekeepers and to minimize transportation costs associated with migratory colonies.

[90] The FAS states that "With 50 percent of production currently entering the export market domestic supply is well below demand. Nonetheless, the reduction in the number of bee colonies is seen as an appropriate measure to increase prices." *Honey* (PRC Annual Report), FAS, USDA, July 1994, p. 4. The FAS also reported that about 20 percent of China's domestic consumption of honey is for industrial uses, while the remainder is for direct consumption, and added that "the rising costs have had little impact on the strong domestic demand for honey.

[91] Ibid, pp. 2-4.

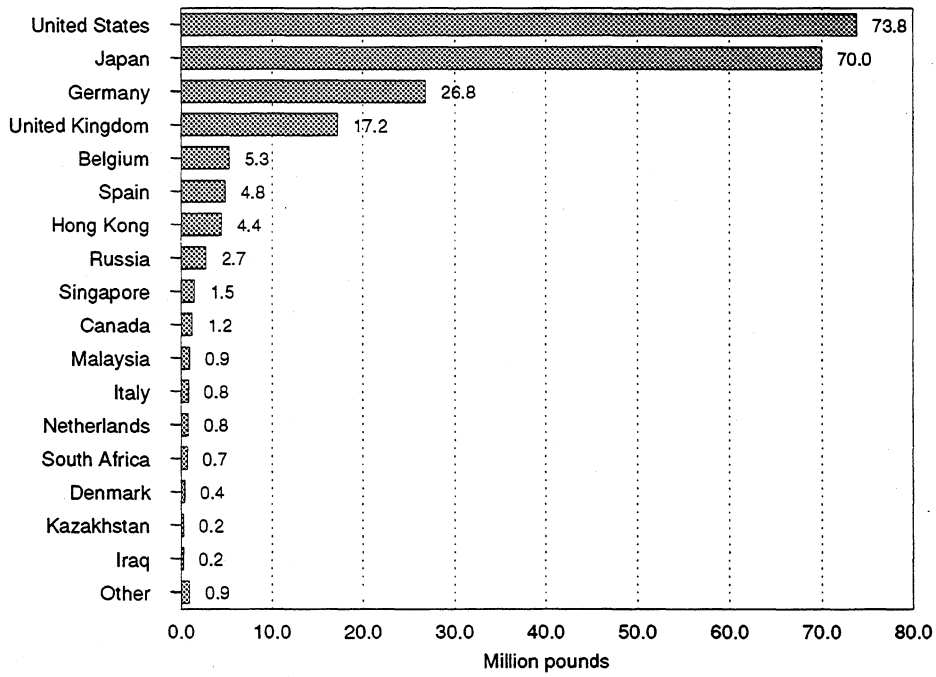
Table 28
Honey: Production, supply, and distribution in China, 1991-94

Item	1991	1992	1993	1994[1]
Total colonies *(1,000)*	7,541	7,012	6,500	6,200
Yield/colony *(pounds)*	60	56	60	60
	Quantity *(1,000 pounds)*			
Beginning stocks	8,818	19,842	8,818	6,614
Production	454,152	392,422	388,013	374,785
Imports	0	7	13	18
Total supply	462,970	412,271	396,845	381,417
Exports	154,231	202,263	212,830	198,416
Domestic consumption	288,898	201,189	177,401	178,592
Ending stocks	19,842	8,818	6,614	4,409
Total distribution	462,970	412,271	396,845	381,417
	Ratios *(percent)*			
Share of total supply:				
Beginning stocks	1.9	4.8	2.2	1.7
Production	98.1	95.2	97.8	98.3
Imports	([2])	([3])	([3])	([3])
Total supply	100.0	100.0	100.0	100.0
Share of total distribution:				
Exports	33.3	49.1	53.6	52.0
Domestic consumption	62.4	48.8	44.7	46.8
Ending stocks	4.3	2.1	1.7	1.2
Total distribution	100.0	100.0	100.0	100.0

[1] Estimated by USDA.
[2] Not applicable.
[3] Less than 0.05 percent.

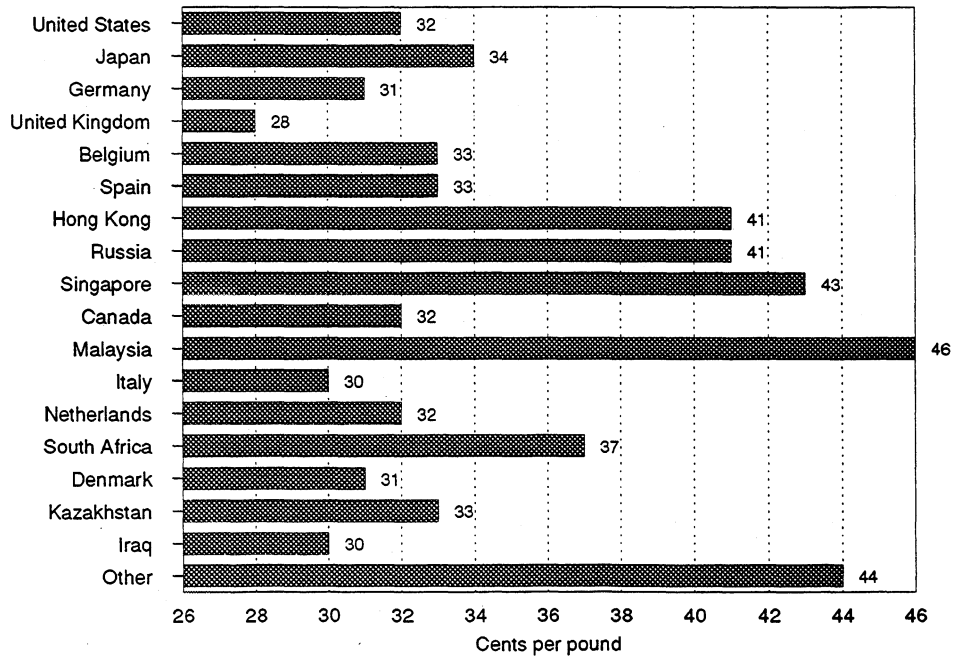
Source: FAS, USDA.

Figure 22
Honey: China's exports, by principal markets, 1993



Source: FAS, USDA.

Figure 23
Honey: Average unit values of Chinese exports, by principal markets, 1993



Source: FAS, USDA.

With the introduction of a tendered export quota system, PRC honey traders are implicitly conceding that the U.S. export market will be subject to competition from other exporters, e.g., Brazil and Argentina. However, traders hope to continue to dominate the Japanese import sector to insure continued profitability for the honey trade industry. Sales through the first third of 1994 are ahead of the 1993 pace, but with the increased export floor prices, exports are expected to decline through the second half of 1994. . . .

MOFTEC has responded to an ITC trade investigation of market disruption by PRC honey exports to the United States by instituting a tendered export quota system. By establishing total export quotas and floor prices (neither of which are published), MOFTEC officials expect to exercise control over potentially contentious exports. . .

Initial tenders are accepted following a two step process. First, bids specifying price and quantity are submitted. Exporters submitting bids at a price above the average price level for all tenders advance to step two. Individual quota shares are then allotted, based on submitted bid price and aggregate quota. The higher the tender price, and the bigger the tender quantity, the larger the share of the total quota. Tenders are not differentiated to allow for quality variations. Export volume quotas are global, rather than country specific; although country destinations must be indicated when an accepted exporter is granted an export license by MOFTEC. Winning bidders must also show that their contracted prices do not fall below a 'coordinate' floor price.

Once the tenders have been awarded, trade monitoring becomes the responsibility of TUHSU. If a successful bidder is unable to meet the awarded quota and does not transfer the tender, the exporter is barred from the next tender call.

Although the stated rationale for the new policy is to allow fair competition and equitable distribution of export markets, the number of companies exporting honey dropped from more than 100 to 35 as a result of the first call for tenders. A TUHSU representative suggested that the floor price for honey would increase by USD 200/MT initially with further increases due before the end of 1994. The TUHSU official noted that the results of the policy should become apparent with honey shipments beginning in July or August, 1994.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports[92]

Information on U.S. imports was compiled from official statistics of Commerce, and is presented in table 29. Figure 24 shows U.S. imports by principal sources for the period 1980-93. Figure 25 shows the average unit value of U.S. imports for this same period. Figure 26 shows U.S imports by sources during 1991-93, January-August 1993, and January-August 1994. Figure 27 shows U.S. imports from China by types for these same periods. Figures 28 and 29 show U.S. imports by types and by sources during January-August 1994.

U.S. Market Penetration By Imports

Market penetration ratios of imports of honey as a share of the quantity and value of U.S. consumption are presented in table 30 and figure 30.

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[92] Import data are presented for natural honey only (HTS heading 0409). Imports of artificial honey (HTS 1702.90.50) and preparations of natural honey (2106.90.60) are classified in residual HTS subheadings containing sweeteners not listed elsewhere. In addition, the HTS classifications do not breakout artificial honey and preparations of natural honey that contain greater than or less than 50 percent natural honey by weight. Imports from China of all items under subheadings 1702.90.50 and 2106.90.60 were small during the period for which data were collected.

Table 29
Honey: U.S. imports, by types and by sources, 1991-93, Jan.-Aug. 1993, and Jan.-Aug. 1994

Item	1991	1992	1993	Jan.-Aug.--- 1993	1994
	Quantity *(1,000 pounds)*				
China:					
Packaged for retail sale	100	140	506	295	187
ELA and lighter[1]	26,797	36,843	37,688	23,229	22,792
LA and darker[2]	17,932	23,095	38,582	24,022	19,075
Total	44,829	60,078	76,776	47,546	42,054
All other sources:					
Packaged for retail sale	2,766	1,989	1,610	882	1,099
ELA and lighter[1]	32,988	42,158	44,556	28,260	29,527
LA and darker[2]	11,672	10,404	10,694	6,836	13,159
Total	47,426	54,551	56,860	35,978	43,785
Total all sources:					
Packaged for retail sale	2,866	2,129	2,117	1,177	1,285
ELA and lighter[1]	59,785	79,001	82,245	51,489	52,319
LA and darker[2]	29,603	33,499	49,276	30,858	32,234
Total	92,254	114,629	133,638	83,524	85,838
	Value *(1,000 dollars)*				
China:					
Packaged for retail sale	106	162	358	190	114
ELA and lighter[1]	11,486	15,933	14,569	9,188	8,316
LA and darker[2]	7,703	10,001	15,122	9,877	6,886
Total	19,295	26,095	30,049	19,255	15,316
All other sources:					
Packaged for retail sale	3,328	2,353	2,116	1,265	1,429
ELA and lighter[1]	16,341	21,480	21,889	13,988	13,504
LA and darker[2]	5,420	4,966	5,055	3,328	5,418
Total	25,088	28,799	29,060	18,581	20,351
Total all sources:					
Packaged for retail sale	3,434	2,515	2,473	1,456	1,543
ELA and lighter[1]	27,827	37,413	36,458	23,175	21,820
LA and darker[2]	13,123	14,966	20,177	13,205	12,304
Total	44,383	54,894	59,109	37,836	35,667

Table continued. See footnotes at end of table.

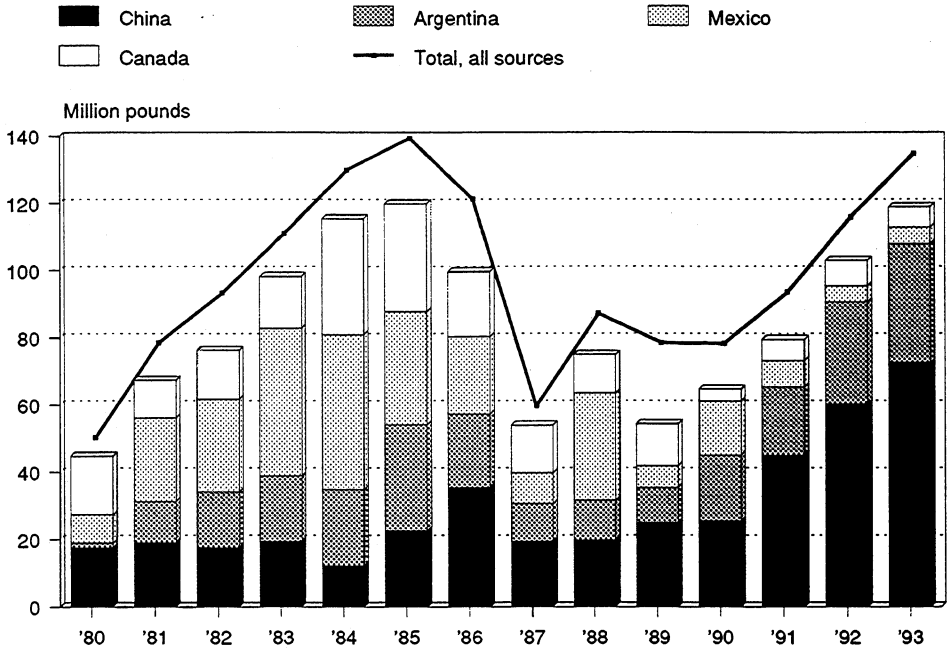
Table 29—*Continued*
Honey: U.S. imports, by types and by sources, 1991-93, Jan.-Aug. 1993, and Jan.-Aug. 1994

Item	1991	1992	1993	Jan.-Aug.--- 1993	1994
	Unit value *(dollars per pound)*				
China:					
Packaged for retail sale	$1.06	$1.15	$0.71	$0.64	$0.61
ELA and lighter[1]	.43	.43	.39	.40	.36
LA and darker[2]	.43	.43	.39	.41	.36
Total	.43	.43	.39	.40	.36
All other sources:					
Packaged for retail sale	1.20	1.18	1.31	1.43	1.30
ELA and lighter[1]	.50	.51	.49	.49	.46
LA and darker[2]	.46	.48	.47	.49	.41
Total	.53	.53	.51	.52	.46
Total all sources:					
Packaged for retail sale	1.20	1.18	1.17	1.24	1.20
ELA and lighter[1]	.47	.47	.44	.45	.42
LA and darker[2]	.44	.45	.41	.43	.38
Total	.48	.48	.44	.45	.42
	Share of total quantity *(percent)*				
China:					
Packaged for retail sale	0.1	0.1	0.4	0.4	0.2
ELA and lighter[1]	29.0	32.1	28.2	27.8	26.6
LA and darker[2]	19.4	20.1	28.9	28.8	22.2
Total	48.6	52.4	57.5	56.9	49.0
All other sources:					
Packaged for retail sale	3.0	1.7	1.2	1.1	1.3
ELA and lighter[1]	35.8	36.8	33.3	33.8	34.4
LA and darker[2]	12.7	9.1	8.0	8.2	15.3
Total	51.4	47.6	42.5	43.1	51.0
Total all sources:					
Packaged for retail sale	3.1	1.9	1.6	1.4	1.5
ELA and lighter[1]	64.8	68.9	61.5	61.6	61.0
LA and darker[2]	32.1	29.2	36.9	36.9	37.6
Total	100.0	100.0	100.0	100.0	100.0

[1] Extra-light amber and white honey in bulk form.
[2] Light-amber and darker honey in bulk form.

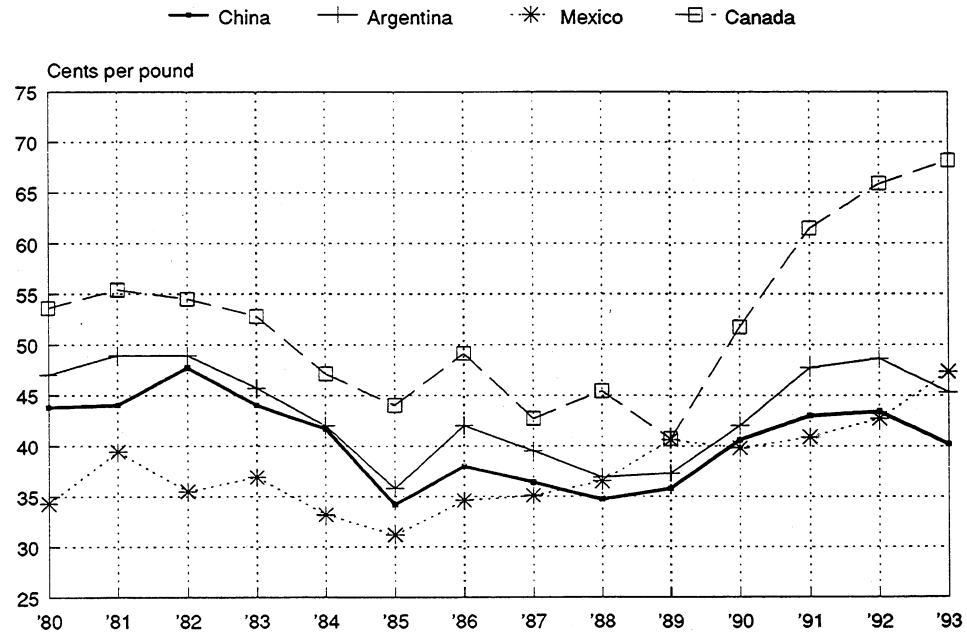
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 24
Honey: U.S. imports, by principal sources, 1980-93



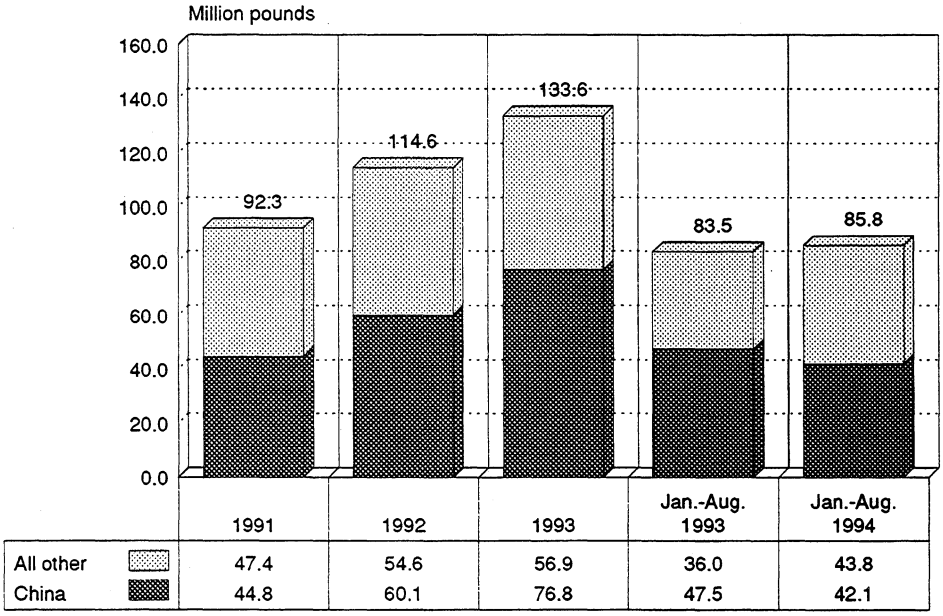
Source: U.S. Department of Commerce.

Figure 25
Honey: Average unit value of imports, by principal sources, 1980-93



Source: U.S. Department of Commerce.

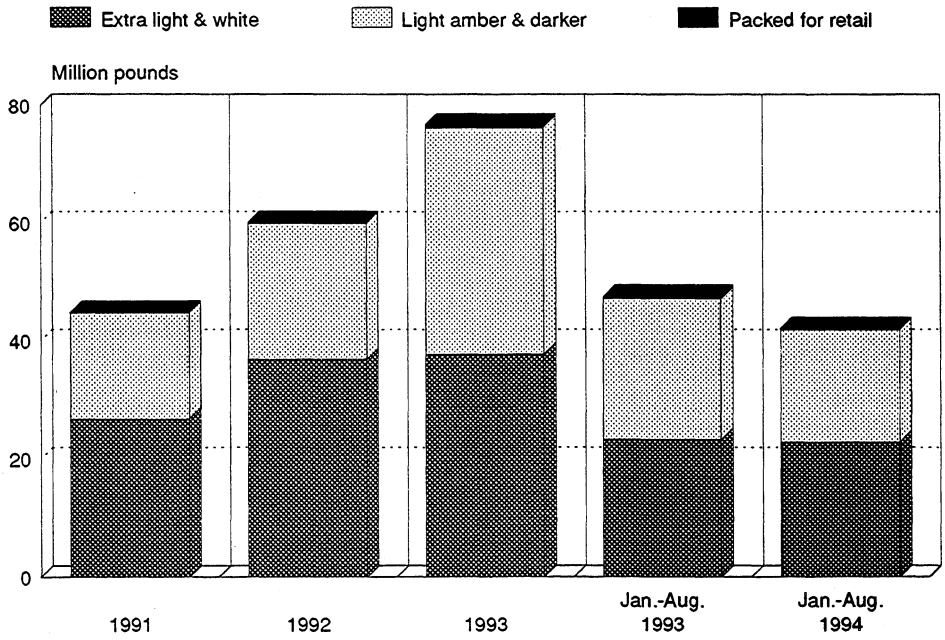
Figure 26
Honey: U.S. imports, by sources, 1991-93, Jan.-Aug. 1993, and Jan.-Aug. 1994



	1991	1992	1993	Jan.-Aug. 1993	Jan.-Aug. 1994
All other	47.4	54.6	56.9	36.0	43.8
China	44.8	60.1	76.8	47.5	42.1

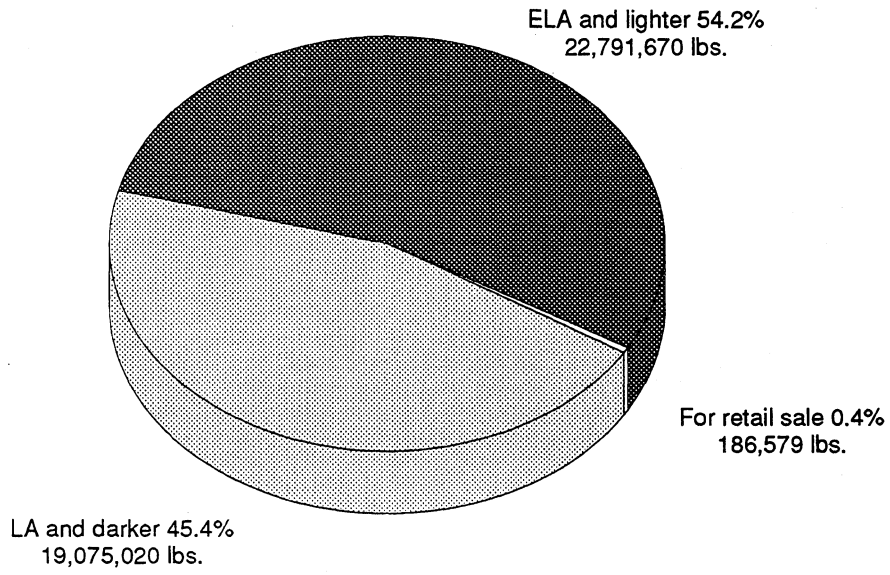
Source: Official statistics of the U.S. Department of Commerce.

Figure 27
Honey: Imports from China, by types, 1991-93, Jan.-Aug. 1993, and Jan.-Aug. 1994



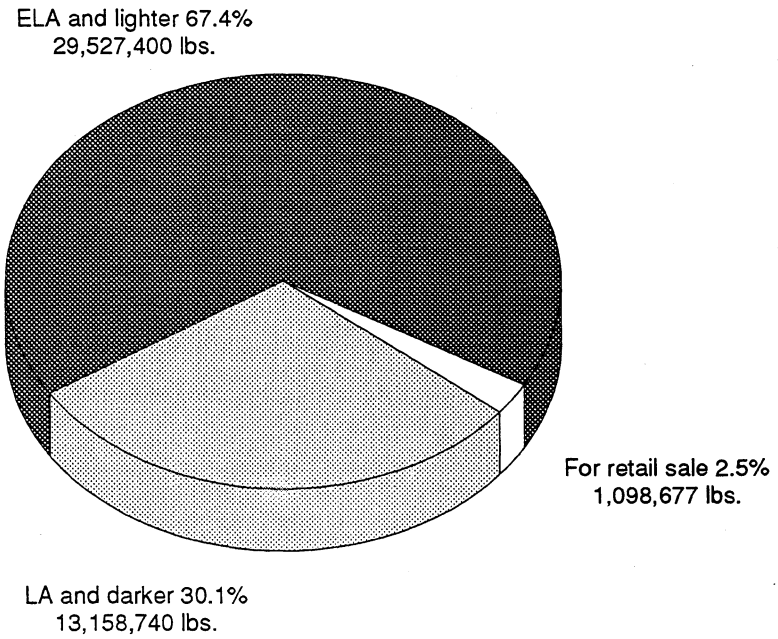
Source: Official statistics of the U.S. Department of Commerce.

Figure 28
Honey: U.S. imports from China, by types,
Jan.-Aug. 1994



Source: U.S. Department of Commerce.

Figure 29
Honey: U.S. imports from all other sources, by types,
Jan.-Aug. 1994



Source: U.S. Department of Commerce.

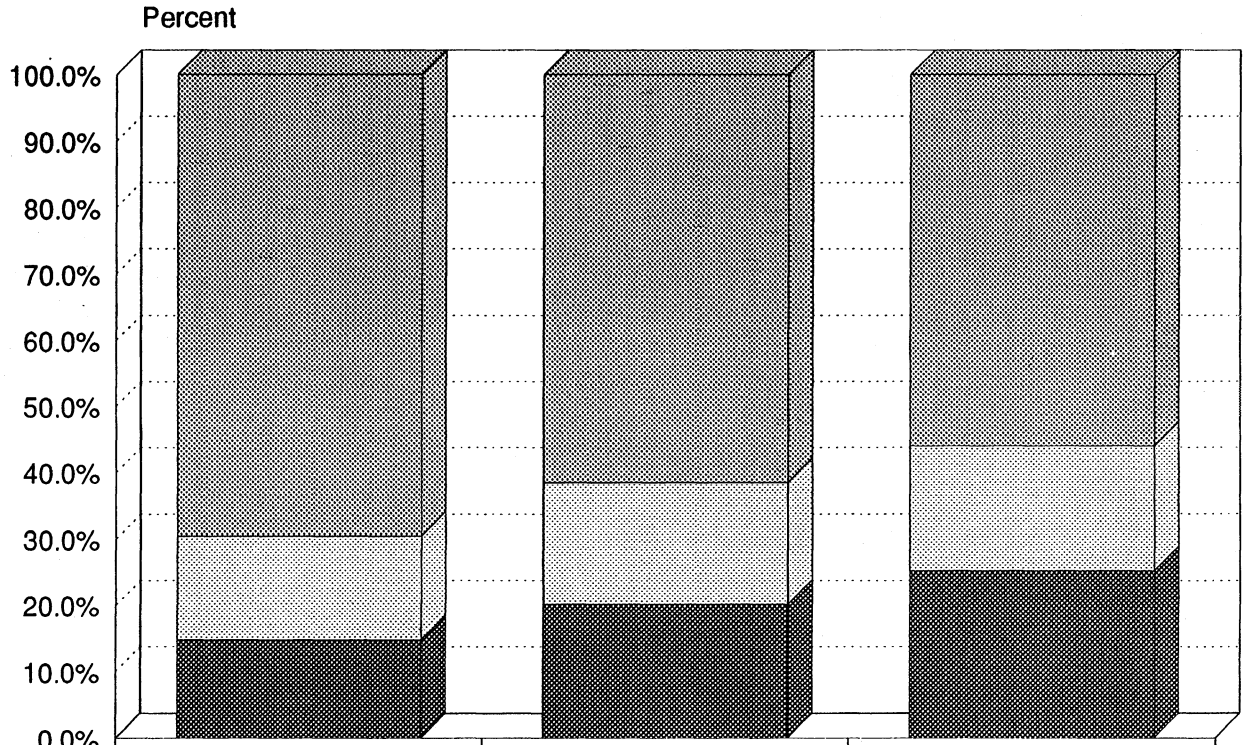
Table 30
Honey: U.S. consumption and ratios to consumption, by sources, 1991-93, Jan.-Aug. 1993, and Jan.-Aug. 1994

Item	1991	1992	1993	Jan.-Aug.-- 1993	Jan.-Aug.-- 1994
	Quantity *(1,000 pounds)*				
U.S. produced	211,146	183,571	170,562	(1)	(1)
Imports from--					
China	44,829	60,078	76,776	47,546	42,054
All other sources	47,426	54,551	56,860	35,978	43,785
Subtotal, imports	92,254	114,629	133,638	83,524	85,838
U.S. consumption	303,400	298,200	304,200	(1)	(1)
	Share of the quantity of U.S. consumption *(percent)*				
U.S. produced	69.6	61.6	56.1	(1)	(1)
Imports from--					
China	14.8	20.1	25.2	(1)	(1)
All other sources	15.6	18.3	18.7	(1)	(1)
Subtotal, imports	30.4	38.4	43.9	(1)	(1)
	Value *(1,000 dollars)*				
U.S. produced[2]	117,397	100,964	92,786	(1)	(1)
Imports from--					
China	19,295	26,095	30,049	19,255	15,316
All other sources	25,088	28,799	29,060	18,581	20,351
Subtotal, imports	44,383	54,894	59,109	37,836	35,667
U.S. consumption[3]	161,780	155,858	151,895	(1)	(1)
	Share of the value of U.S. consumption *(percent)*				
U.S. produced	72.6	64.8	61.1	(1)	(1)
Imports from--					
China	11.9	16.7	19.8	(1)	(1)
All other sources	15.5	18.5	19.1	(1)	(1)
Subtotal, imports	27.4	35.2	38.9	(1)	(1)

[1] Not available.
[2] The value of U.S. production was derived from the quantity of production multiplied by the average unit value of production.

Source: Compiled from official statistics of the U.S. Department of Agriculture and official statistics of the U.S. Department of Commerce.

Figure 30
Honey: Share of the quantity of U.S. consumption, by sources, 1991-93



	1991	1992	1993
U.S. producers	69.6%	61.6%	56.1%
Other sources	15.6%	18.3%	18.7%
China	14.8%	20.1%	25.2%

Source: Table 30.

Pricing and Marketing Considerations[93]

Market Characteristics

As discussed earlier in the report, the market for honey consists of the industrial, food service, and retail sectors. Although U.S. producers (i.e., beekeepers) may pack some of their product for sale locally, most of the honey produced in the United States is sold to packers. U.S. packers then sell primarily to industrial, food service, and large retail accounts.

The demand for honey is influenced by overall macroeconomic trends that affect food consumption in general, the development and promotion of new food products that contain honey, and, to some extent, changes in the relative prices of alternative sweeteners. In their questionnaire responses, many packers reported that sales to industrial users increased during the past 3 years while sales of honey to retailers were relatively stable.[94] A number of these firms attributed growth in demand to the successful marketing efforts of the National Honey Board. Since its establishment in 1986, the National Honey Board has promoted honey nationwide. Prior to this, there was not much national advertising and few national marketing campaigns for honey.

Producers and packers market honey on the basis of color, floral source, container size, stage of processing, location, and season.[95] As mentioned earlier, lighter colored honey is usually sold for table use and generally is priced higher than darker colored honey, which is chiefly sold for industrial uses.[96] However, floral source affects the color of honey; specialty honeys such as blackberry, orange blossom, and tupelo receive a premium price. In addition, honey prices will vary depending on whether the shipments are bulk wholesale

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[93] The information presented in this section is derived from interviews, information presented at the conference, responses to the Commission's questionnaires submitted by producer/packers, importers, and packers, as well as information provided by the parties. Statistics developed from questionnaire responses are based on 29 responses from U.S. packers, 123 responses from U.S. producer/packers, and 5 responses from U.S. importers. Producers and producer/packers are hereafter referred to as producers.

[94] Although individual firms may have increased their sales of honey to the industrial sector, the trend is not reflected in aggregate market data. See fig. 4.

[95] The Commission asked producers whether they attempted to produce honey with specific characteristics for certain customers or markets. Although 69 percent of the 104 firms responding to the question indicated "no," the remainder indicated that firms did attempt to produce separate types or grades of honey. For example, *** reported "We have a market for honey from specific floral sources as blueberry, rasberry, apple." *** stated that "1. We harvest 'ripe' or sealed honey when moisture is minimal. 2. We maintain separation of 'kinds' of honey so as to maintain marketing flexibility." *** reported "I attempt to produce orange and sage honey every year, however the market price for these premium honeys is depressed due to the low price of Chinese honey."

[96] Lighter colored honey such as white and extra light amber may also be used in some industrial applications. For example, white honey is used in products such as honey-flavored meats, salad dressings, mustards, and some bakery products. Staff conversation with ***, Nov. 3, 1994.

shipments of unprocessed honey or retail sales of processed honey. Prices also differ depending on the region of the country and the season.

Purchase Considerations and Conditions of Sale

The Commission asked packers to list the three most important factors influencing their purchasing decisions. Packers cited quality, price, reliance on traditional suppliers, and availability as major factors considered in deciding from whom to purchase honey (figure 31). In response to another question, 86 percent of the 29 firms reported that non-price factors greatly influence their purchasing decisions.[97]

Packers cited availability (in particular, the availability of specific amounts of certain grades of honey) as being important because of long-term contracts with their retail and industrial customers. Almost all import sales are on a contract basis. In contrast, U.S. producers of honey generally sell on a spot basis or enter into contracts that generally run one to six months.[98] Importer contract lengths generally run 4 to 6 months but may be for a year or longer. In addition, importers usually sell honey in much larger quantities than U.S.producers, with minimum purchases of one full container--approximately 35,000-40,000 pounds of honey. Packers also reported differences in average lead times between order and delivery required by suppliers of U.S. and Chinese honey, with most firms reporting one week or less for deliveries of U.S. honey and one to three months for the Chinese products.[99]

The majority of producers reported that their firms marketed honey to regional markets. However, these regional markets frequently encompass relatively large areas as many of these firms indicated that a significant percentage of their sales are shipped greater than 500 miles. Only 15 producers reported having national markets for their products. Producers generally cited the location of packers, demand conditions (or price), and freight costs as the factors that determined their marketing areas.

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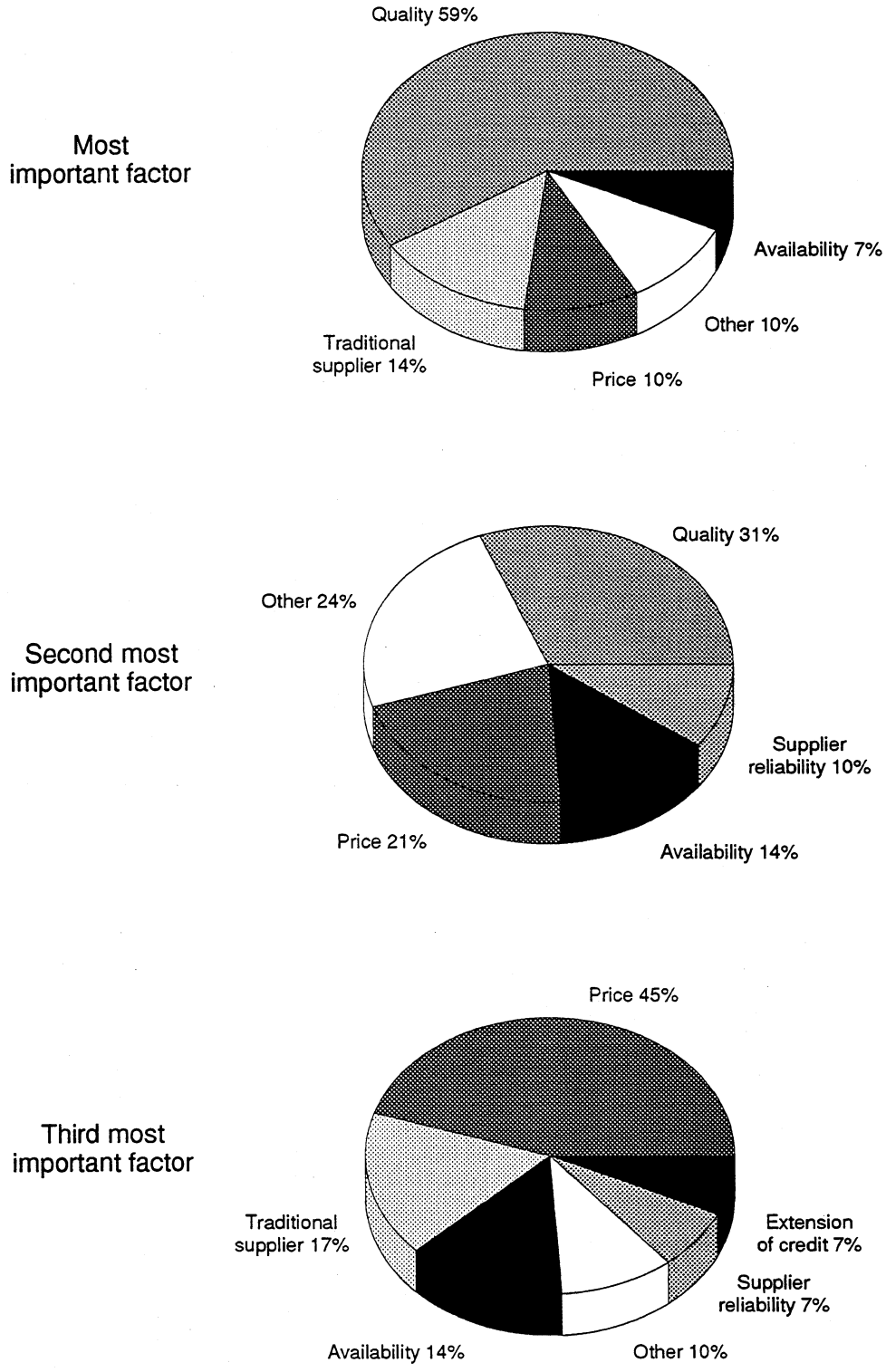
[97] In contrast, 49 percent of the producers indicated that non-price factors greatly influenced their customers' purchasing decisions.

[98] Of the 96 firms that responded to this section of the Commission's questionnaire, 80 percent reported that all of their sales were made on a spot basis.

[99] The information reported by the packers was consistent with information reported by producers. The majority of producers reported that the average lead time between order and delivery was one month or less.

Figure 31
Factors affecting purchases of honey by levels of importance



Source: Questionnaires of the USITC.

Although a number of packers indicated that there was no difference between suppliers of the U.S. and Chinese products with respect to service, sales, and/or promotion, over one-third of the packers reported that importers were able to compete more effectively in terms of service than U.S. producers because they were able to reliably supply larger quantities of like-quality honey and/or enter into longer-term contracts, thus allowing the packers to ensure more stable prices and availability in order to meet their contracts with end users.[100] However, one packer reported that it was easier to communicate with U.S. producers and another firm noted that the longer lead time required for imports from China constituted a disadvantage.

The Commission also asked packers to describe differences in payment terms between suppliers of U.S. and Chinese-produced honey. Of the 22 firms that were able to provide comparative responses, 12 indicated that the terms were essentially the same. One firm reported that it set the terms. Although the vast majority of U.S. producers reported that their firms did not offer discounts and that their typical sales terms were net, 30 days, some producers reported that their firms had begun to extend payment terms in order to retain accounts.[101]

Chinese honey is imported and sold to packers in closed-top drums, whereas U.S.-produced honey is sold in open-top drums. Some packers reported that they prefer open-top drums, which allow for easier inspection and testing of the honey. At all stages of distribution, labeling of country of origin is required by law. However, when imported honey is sold by packers it is usually blended with U.S.-produced honey and/or honey imported from other countries. Labeling laws for retail packages require packers to specify countries of origin for foreign honey accounting for at least 75 percent of the foreign honey used in a particular container.

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[100] For example, *** indicated that importers have an advantage over U.S. producers in terms of sales service because they are able to offer firm contract prices for up to one year. Bill Gamber, of Dutch Gold, said in an interview with *Bee Culture* that "It's difficult to contract long range U.S. honey and to cover the long range planning we have to do, we sometimes must go foreign." He also added "price plays some role in buying foreign honey, but availability is more the key." *Bee Culture*, Feb. 1993, p. 95. In its questionnaire response, ***.

[101] For example, *** reported that "We have been required to give 90 day payment terms to compete with imports. We are normally 60 days."

Product Comparisons

The majority of packers and producers reported that U.S. and Chinese-produced honey are used interchangeably. Forty-nine percent of the producers indicated that differences in quality between their firms' honey and the Chinese product amounted to a significant factor in their firms' sales.

The Commission also asked packers that purchased U.S. and/or Chinese honey during 1993 to compare these products in terms of price and quality. Eighty-nine percent of the packers responding to the Commission's questionnaire reported that Chinese honey was available at a lower price than U.S. honey. Over half of the packers indicated that the quality of honey imported from China was inferior to U.S.-produced honey.[102] These firms reported purchasing U.S. honey because of its superior quality and, in some cases, because there was an advantage to being able to market honey as "Made in the USA."

Flavor was cited most often by packers as the area in which quality of U.S.-produced honey and Chinese honey varied. Differences in flavor stem, in part, from the different floral sources used in the United States than in China. Although flavor differences may be of importance to users in all sectors of the market, these differences are particularly important in the retail sector. U.S. consumer preferences for honey with specific flavor profiles (e.g., clover) generally result in higher prices for these products. Although packers may market blended products containing lower-priced honey varieties as "clover honey," blended products frequently are labeled as "pure honey" rather than as honey associated with a particular floral source.[103]

Packers also reported that higher moisture levels in Chinese honey were another source of quality differences. Packers generally reported that they sell imported honey from China to industrial users, which can use darker, higher moisture honey than that sold for table use.[104]

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[102] Thirty-one percent of the packers (8 firms) reported that Chinese and U.S. honey were comparable in terms of quality. However, two of these firms indicated that this was the case only for honey sold for industrial uses and one firm reported that domestic and Chinese honey were comparable in terms of color and moisture but not flavor.

[103] FDA regulations specify that the name of the plant that is the chief floral source of the honey may be used on the label as part of the product name. However, the honey producer must be able to show that the plant or flower designated on the label is the chief floral source of the honey. See FDA Compliance Policy Guide No. 7105.03, Oct. 1, 1980. *** indicated that in practice it was often difficult to establish what the source of the honey is. Tests designed to establish floral source do so by testing for pollen types. When honey is processed, the pollen is frequently filtered out. Staff conversation, Nov. 8, 1994.

[104] Differences in moisture levels may be a positive or negative attribute depending on the needs of a particular user. One packer that responded to the Commission's questionnaire indicated that Chinese honey was actually superior to U.S. honey because of differences in moisture levels.

Although problems with adulteration (e.g., the addition of high-fructose corn syrup) and contamination were cited by a few of the packers, most packers responding to the Commission's questionnaire did not mention these problems in their discussions of quality differences. ***.[105]

Three of the 26 packers that responded to this section of the questionnaire reported that the quality of the Chinese product was superior to honey produced in the United States, in part, because there is less variation in the quality and more testing carried out in China. These packers reported that Chinese honey was more consistent in color and flavor, and of better quality than U.S.-produced honey for industrial applications.

Competition with Other Imports

Packers were also asked to discuss whether their firms had increased their purchases of honey from countries other than China during the period of investigation. Eleven of the 29 firms indicated that purchases of honey from other countries (primarily Argentina and Canada) had increased during this period. The firms cited favorable price terms, quality, and availability as reasons for these purchases.[106]

Prices of Substitute Products

The Commission also asked packers whether there were other products available that could be substituted for honey in its end uses and the extent to which the prices for alternative products affect honey prices. Seventy-six percent of the 29 packers reported that other sweeteners could be used as substitutes for honey, at least under certain circumstances. Sixty-six percent indicated that the relative prices of these products had an impact on honey prices.[107] However, most of these firms also indicated that the possibility of substitution applied primarily to the industrial sector of the market.

Although other sweeteners, such as high fructose corn syrup and sugar, are much less expensive than honey, products containing honey as an ingredient can command a higher price. A survey by the National Honey Board indicated that 90 percent of consumers surveyed were willing to pay up to 20 percent more for products which contained honey, as

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[105] In a conversation with staff (Nov. 3, 1994), ***. ***. ***. ***. *** also reported having problems with adulterated Chinese honey.

[106] For example, *** reported that ***. ***. Similarly, *** noted that its imports ***. *** reported importing honey from Canada and Mexico that was certified organic.

[107] Fourteen percent indicated that there was no relationship between the price of honey and prices of alternative products. The remaining firms did not respond to the question.

opposed to other sweeteners. Honey can also be blended with corn syrup, thus reducing the price considerably.[108]

Prices of honey and prices of two alternative sweeteners, high fructose corn syrup and refined beet sugar, are shown in figure 32.

Questionnaire Price Data

The Commission requested packers to report the total quantity and total f.o.b. value of purchases in each quarter during January 1991-June 1994 of each of the following four types of honey:

Product 1: white (0-34mm)[109]

Product 2: extra light amber (35-50mm)

Product 3: light amber (51-86mm)

Product 4: amber (greater than 86mm)

Packers were requested to report information for purchases of U.S.-produced and imported honey from China shipped in 55 gallon drums.[110] Twenty-six packers reported usable pricing data.[111] Weighted-average f.o.b. prices and quantities are shown in tables 31-34 and figure 33.

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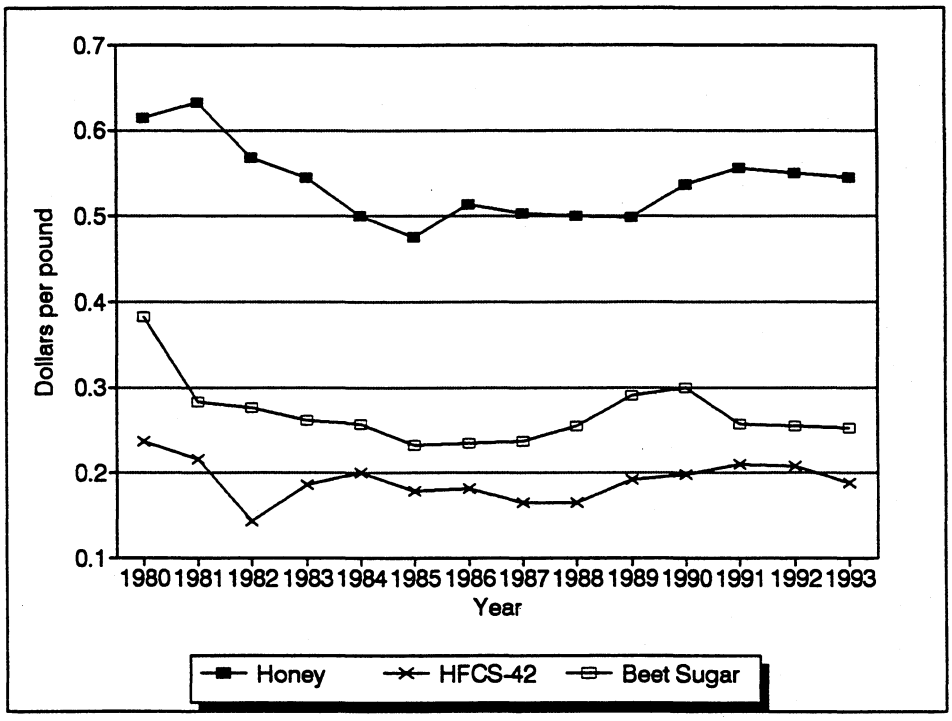
[108] The effect of changes in sweetener prices on the price of honey may have little effect on certain honey users. FDA guidelines (FDA Compliance Policy Guide 7102.03) require that products labeled "honey bread" and "honey buns" contain 8 percent honey (by weight of the flour). Thus, if a manufacturer of these products is already using the minimum amount of honey, the cost savings associated with switching to an alternative lower-priced sweetener may be offset by the value of being able to market the product as one containing honey. Conversation with ***, Nov. 1, 1994. In addition, products may be targeted to specific niche markets where the use of less-expensive alternative sweeteners is viewed as being undesirable.

[109] Color range on the pfund scale.

[110] Similar pricing information for U.S.-producer and importer sales to packers was also requested, but the information received by the Commission was less comprehensive than that reported by packers. Ninety-one producer/packers and 5 importers supplied usable quarterly data. These data are included in app. J.

[111] In terms of quantity, purchases reported for 1993 account for 40 percent of U.S. honey production as shown in table 30.

Figure 32
Sweetener prices: Average honey prices, wholesale list prices for high fructose corn syrup (HFCS), and wholesale refined beet sugar prices, 1980-93



Source: Compiled from official statistics of the USDA.

Table 31
Weighted-average f.o.b. purchase prices of product 1 (white) reported by U.S. packers, and margins of underselling, by quarters, Jan. 1991-June 1994

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	Per pound	*1,000 pounds*	*Per pound*	*1,000 pounds*	*Percent*
1991:					
Jan.-Mar.	$0.51	15,357	$0.48	6,857	6.4
Apr.-June	.53	8,119	.50	3,156	5.1
July-Sept.	.56	20,869	.48	991	13.0
Oct.-Dec.	.55	20,731	.50	1,607	10.3
1992:					
Jan.-Mar.	.55	11,733	.51	3,935	8.4
Apr.-June	.54	9,572	.50	2,723	7.4
July-Sept.	.54	21,256	.50	2,225	6.8
Oct.-Dec.	.54	20,698	.46	3,545	13.9
1993:					
Jan.-Mar.	.53	13,528	.48	2,860	8.9
Apr.-June	.53	10,757	.48	3,231	10.5
July-Sept.	.52	23,795	.46	4,966	10.3
Oct.-Dec.	.52	20,615	.46	3,744	11.9
1994:					
Jan.-Mar.	.52	15,750	.45	4,702	14.6
Apr.-June	.53	11,215	.43	3,105	18.1

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 32
Weighted-average f.o.b. purchase prices of product 2 (extra light amber) reported by U.S. packers, and margins of underselling, by quarters, Jan. 1991-June 1994

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	Per pound	*1,000 pounds*	*Per pound*	*1,000 pounds*	*Percent*
1991:					
Jan.-Mar.	$0.49	3,251	$0.47	2,138	4.1
Apr.-June	.50	2,295	.48	1,554	4.8
July-Sept.	.52	3,598	.43	1,470	17.1
Oct.-Dec.	.52	4,177	.45	3,564	14.5
1992:					
Jan.-Mar.	.52	2,673	.48	4,464	8.7
Apr.-June	.51	1,566	.49	3,629	4.7
July-Sept.	.50	3,140	.48	3,251	5.1
Oct.-Dec.	.51	3,316	.46	3,491	8.6
1993:					
Jan.-Mar.	.51	1,996	.47	5,742	6.8
Apr.-June	.50	1,825	.47	3,437	7.2
July-Sept.	.50	2,618	.46	5,287	8.0
Oct.-Dec.	.50	2,463	.46	4,807	8.1
1994:					
Jan.-Mar.	.49	2,239	.44	6,036	9.9
Apr.-June	.49	1,979	.42	5,325	14.1

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 33
Weighted-average f.o.b. purchase prices of product 3 (light amber) reported by U.S. packers, and margins of underselling, by quarters, Jan. 1991-June 1994

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	Per pound	*1,000 pounds*	*Per pound*	*1,000 pounds*	*Percent*
1991:					
Jan.-Mar.	$0.49	4,228	$0.48	2,199	2.6
Apr.-June	.49	3,936	.48	841	2.6
July-Sept.	.51	4,749	.46	2,260	9.2
Oct.-Dec.	.50	4,663	.49	2,053	2.0
1992:					
Jan.-Mar.	.51	3,129	.49	3,124	5.0
Apr.-June	.50	2,194	.48	2,835	4.4
July-Sept.	.50	5,345	.49	1,994	1.2
Oct.-Dec.	.50	5,558	.49	2,244	2.4
1993:					
Jan.-Mar.	.50	4,103	.47	1,123	5.4
Apr.-June	.47	3,018	.46	2,571	3.8
July-Sept.	.51	3,259	.44	5,271	13.5
Oct.-Dec.	.47	3,413	.42	3,637	9.9
1994:					
Jan.-Mar.	.46	3,439	.41	4,125	10.7
Apr.-June	.45	3,328	.42	2,133	8.5

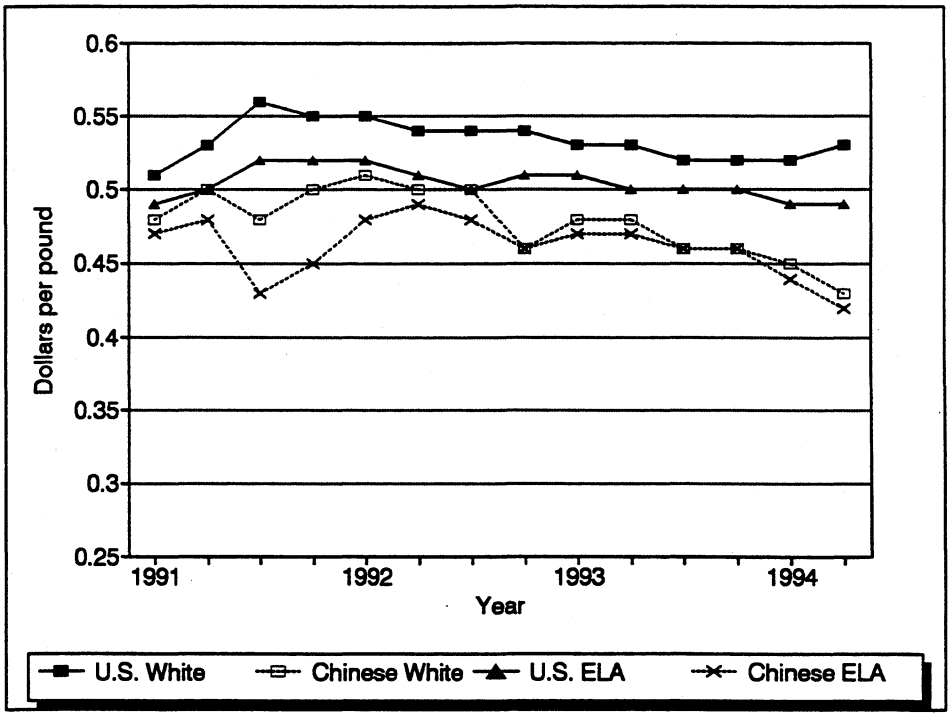
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 34
Weighted-average f.o.b. purchase prices of product 4 (amber) reported by U.S. packers, and margins of underselling, by quarters, Jan. 1991-June 1994

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 33
Honey: Weighted-average f.o.b. purchase prices, by product types, reported by U.S. packers, by quarters, Jan. 1991-June 1994



* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Packer Price Trends and Comparisons

Data collected by the Commission from U.S. packers show that prices of bulk, unprocessed U.S.-produced honey generally increased during 1991-92, with greater percentage increases for darker colored honey than for white and extra light amber honey. Prices then declined during 1992-93, with greater percentage price decreases for darker colored honey. Although the price of white honey increased slightly during the first half of 1994, the prices of the other grades continued to decline.

Prices of honey imported from China followed a somewhat similar trend to those reported for the U.S. products during the period of investigation. However, the reported pricing data show differences in pricing patterns across grades. The weighted-average prices reported by packers for U.S.-produced products were consistently lower, the darker the grade (e.g., U.S. product 2 was priced higher than U.S. product 3). In contrast, the reported weighted-average prices for Chinese honey did not always follow this pattern. To some extent, these differences may be a function of differences in volumes. In addition, these differences may stem from the existence of overlapping contracts of variable lengths.

Prices paid by packers for U.S.-produced honey were higher than prices paid for honey imported from China in almost every quarter. The largest price differences occurred during the latter part of 1991 and during 1994 for both of the lighter grades. The margins calculated for the two darker grades exhibit different patterns.[112]

Differences in quality between U.S.-produced honey and that imported from China and larger volume per sale by importers may account for some of the difference in price. As discussed above, differences in flavor are of more concern to users of lighter-colored honey, particularly those firms that market the honey for table use. Although lighter colored honey from different sources including China can substitute for U.S. honey to some extent in this sector of the market, labeling requirements and regional differences in flavor may limit the degree of substitution in some cases. In contrast, use of the darker grades (in particular, product 4) is limited to the industrial sector of the market where these requirements and differences are of less concern.[113]

Pricing data were also available from published reports. U.S.-producer prices for unprocessed honey are shown in figure 34 and retail prices are shown in figure 35. Prices of bulk honey and retail honey both increased during January 1991-October 1994. Long-term honey prices, shown in figure 32, decreased during 1981-85, were flat during 1986-89, increased from 1989 to 1991, and then fell slightly in 1991-93.

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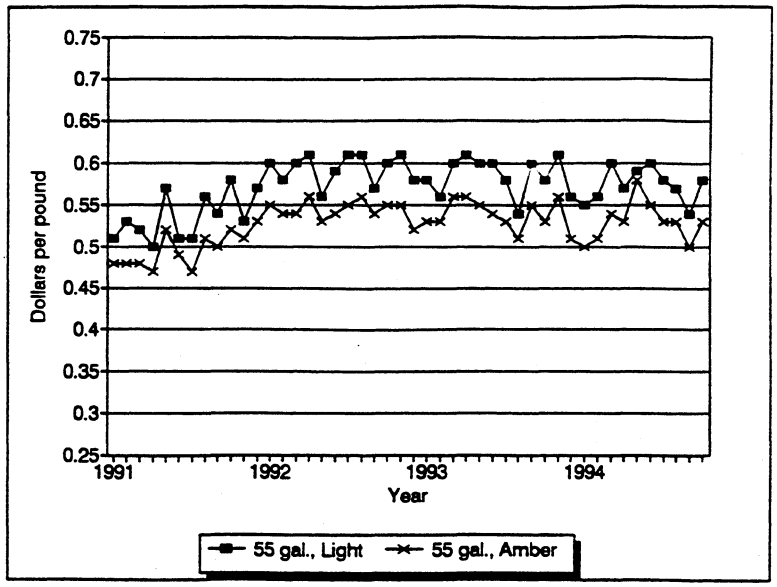
[112] Prices reported for purchases of U.S. and Chinese product 4 (amber) were the only comparisons that reflected overselling.

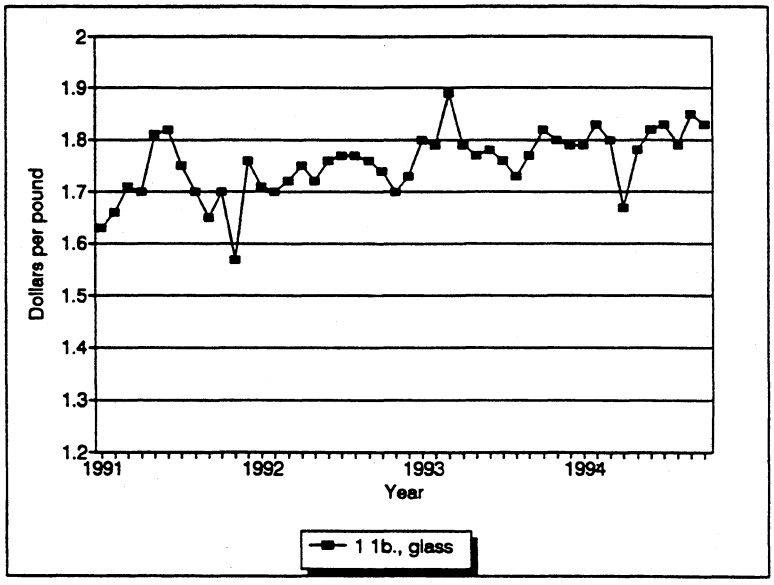
[113] ***, a producer/packer, noted in its questionnaire response that "Prices of U.S. honey of ELA or LA are generally related to price of contracts for imported honey."

Figure 34
Honey: Average monthly f.o.b. U.S.-producer prices of extracted, unprocessed honey sold to packers in 55-gallon drums, Jan. 1991-Oct. 1994



Source: Compiled from data published in *Bee Culture* monthly reports.

Figure 35
Average monthly retail sales prices for 1-pound containers of honey, Jan. 1991-Oct. 1994

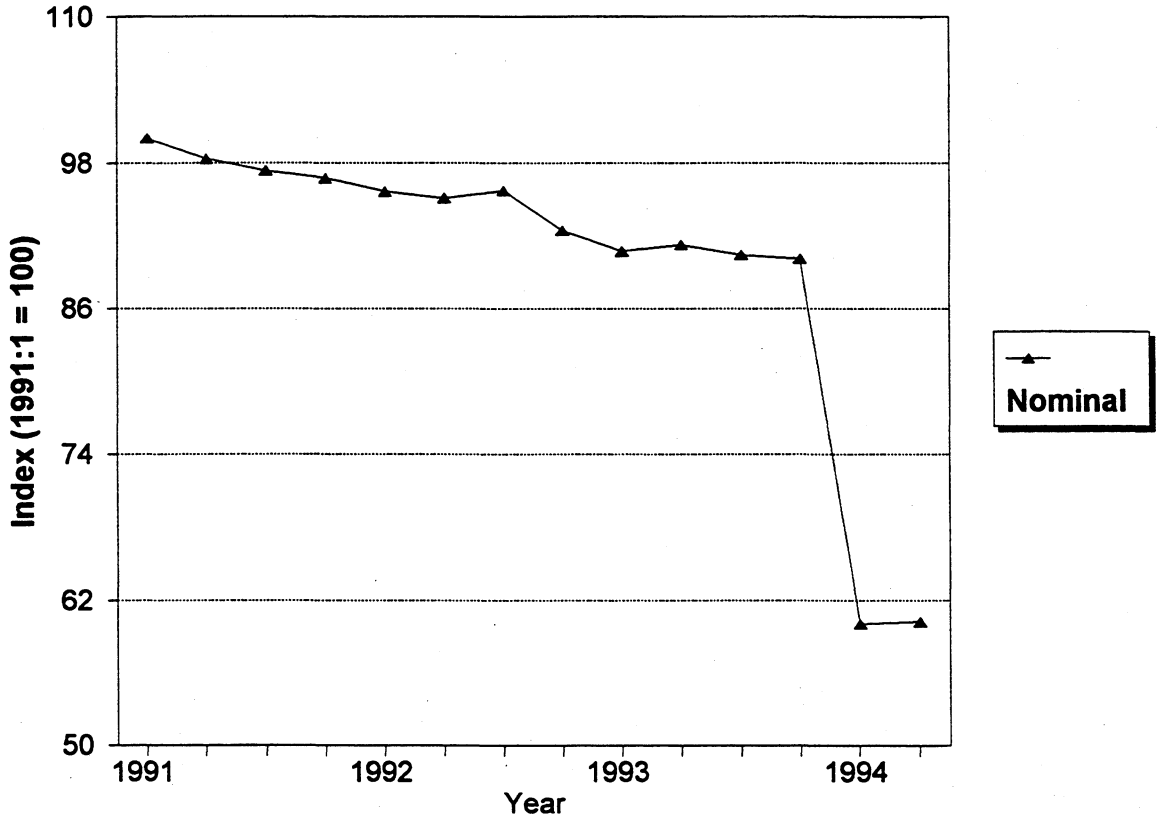


Source: Compiled from data published in *Bee Culture* monthly reports.

Exchange Rates

The nominal value of the Chinese yuan (figure 36) depreciated by 39.8 percent in relation to the U.S. dollar during January 1991-June 1994. The sharp drop in the nominal exchange rate at the beginning of 1994 is the result of changes in the way the People's Bank of China sets the exchange rate.[114] Producer price index information for China is unavailable, thus real exchange rates cannot be calculated.

Figure 36
Index of the nominal exchange rate between the U.S. dollar and Chinese yuan, by quarters, Jan. 1991-June 1994



Source: International Monetary Fund, *International Financial Statistics*, Oct. 1994

[114] International Monetary Fund, *International Financial Statistics*, Oct. 1994, p. 164.

Lost Sales and Lost Revenues

Producers

Twenty-three producers of honey provided full or partial information describing instances in which, as a direct result of competition from Chinese honey, they found it necessary to reduce prices in order to make a sale to a packer or in which the packer ultimately purchased the Chinese honey rather than the U.S.-produced product. Thirty-four packers were named in these allegations, a number of which were named multiple times by different producers. Because the supporting information provided for many of the allegations was incomplete, the total quantity and value accounted for in these incidents cannot be accurately calculated. Staff contacted those packers named most often to explore the allegations.

*** was named by four producers in allegations of lost revenues of about $18,500 involving approximately 1.5 million pounds of honey during the period 1991-94, and by three producers in allegations of lost sales involving approximately 470,000 pounds of honey.[115]

*	*	*	*	*	*	*[116]
*	*	*	*	*	*	*[117]
*	*	*	*	*	*	*[118]
*	*	*	*	*	*	*[119]

[115] In some instances of lost sales, producers apparently tried initially to sell to *** but ultimately forfeited to the USDA at the support price.

[116] ***.

[117] ***.

[118] ***, only unacceptable Chinese drums were available. It is apparently common practice for a supplier to pick up replacement drums from its customer in connection with the delivery of full drums. The standard U.S. drum is constructed so that the entire top of the drum can be removed, allowing easy transfer of the honey. Chinese drums, on the other hand, have non-removable tops and the honey must be poured through holes. *** noted that any firm purchasing Chinese honey would accumulate these drums because they are very difficult to dispose of, a situation created by the refusal of land fills to accept the drums.

[119] Several of the allegations stated only that there was a refusal to purchase the honey at the offering price.

*	*	*	*	*	*	*[120]
*	*	*	*	*	*	*[121]
*	*	*	*	*	*	*[122]
*	*	*	*	*	*	* [123]

Packers

*	*	*	*	*	*	*

[120] ***.

[121] According to its questionnaire response, the firm's purchases of Chinese honey ***.

[122] *** refused to elaborate on these claims but offered to show the test reports to Commission personnel if an on-site visit were made.

[123] ***.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Inv. No. 731–TA–722 (Preliminary)]

Honey From the People's Republic of China

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of preliminary antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731–TA–722 (Preliminary) under section 733(a) of the Tariff Act of 1930 [1] to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the People's Republic of China of honey,[2] that are alleged to be sold in the United States at less than fair value. The Commission must complete preliminary antidumping investigations in 45 days, or in this case by November 17, 1994.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: October 3, 1994.

FOR FURTHER INFORMATION CONTACT: Fred H. Fischer (202–205–3179), Office of Investigations, U.S. International Trade Commission, 500 E Street S.W., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202–205–1895 (N,8,1).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on October 3, 1994, by counsel on behalf of the American Beekeeping Federation, Inc., and the American Honey Producers Association.

Participation in the Investigation and Public Service List

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the **Federal Register.** The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this preliminary investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven (7) days after the publication of this notice in the **Federal Register.** A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on Monday, October 24, 1994, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Fred Fischer (202–205–3179) not later than October 21, 1994, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before October 27, 1994, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules.

By order of the Commission.

Issued: October 7, 1994.

Donna R. Koehnke,

Secretary.

[FR Doc. 94–25367 Filed 10–7–94; 8:45 am]

BILLING CODE 7020–02–P–M

[1] 19 U.S.C. § 1673b(a).

[2] The honey products included in this investigation are imports of natural honey, artificial honey mixed with natural honey, and preparations of natural honey, provided for in heading 0409 and subheadings 1702.90 and 2106.90 of the Harmonized Tariff Schedule of the United States (HTS). Included within this class or kind of merchandise is honey in liquid, creamed, comb, cut comb, or chunk form.

[A-570-838]

Initiation of Antidumping Duty Investigation: Honey From the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: October 31, 1994.

FOR FURTHER INFORMATION CONTACT: David J. Goldberger or Louis Apple, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC, 20230; telephone (202) 482-4136 or (202) 482-1769, respectively.

Initiation of Investigation

The Petition

On October 3, 1994, we received a petition filed in proper form by members of the American Beekeeping Federation and the American Honey Producers Association. In accordance with 19 CFR 353.12, petitioners allege that honey from the People's Republic of China (PRC) is being, or is likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a United States industry.

Petitioners have stated that they have standing to file the petition because they are interested parties, as defined under section 771(9)(C) of the Act, and because the petition is filed on behalf of a significant portion of the U.S. industry producing the product subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to this petition, it should file a written notification with the Assistant Secretary for Import Administration.

Scope of Investigation

The products covered by this investigation are natural honey, artificial honey containing more than 50 percent natural honey by weight, and preparations of natural honey containing more than 50 percent natural honey by weight. The subject products include all grades and colors of honey whether in liquid, creamed, comb, cut comb, or chunk form, and whether packaged for retail or in bulk form.

The subject merchandise is currently classifiable under subheadings 0409.00.00, 1702.90.50, 2106.90.60, 2106.90.61, 2106.90.65, and 2106.90.69 of the *Harmonized Tariff Schedule of the United States* (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

United States Price and Foreign Market Value

United States Price

Petitioners based United States price (USP) on contract prices from a U.S. importer of the subject merchandise from the PRC. In calculating USP, petitioners deducted amounts for the following: U.S. duties, ocean freight, marine insurance, U.S. harbor maintenance fee, U.S. merchandise processing fee, and the Honey Board fee (a U.S. Department of Agriculture assessment on honey or honey used in honey products in the United States).

Foreign Market Value

A. Non-Market Economy Determination

Petitioners contend that the PRC is a non-market economy (NME) country within the meaning of section 771(18)(A) of the Act. The Department has determined in previous investigations that the PRC is an NME, and the presumption of NME status continues for purposes of initiation of this investigation. See *e.g., Final Determination of Sales at Less than Fair Value: Certain Paper Clips from the PRC*, 59 FR 51168 (October 7, 1994) (Paper Clips).

In accordance with section 773(c) of the Act, foreign market value in NME cases is based on NME producers' factors of production, valued in a market economy country. Consistent with Department practice (*see Initiation of Antidumping Duty Investigation: Glycine from the PRC*, 59 FR 38435, July 28, 1994), absent evidence that the PRC government determines which of its beekeepers/processors shall produce for export to the United States, we intend, for purposes of this investigation, to base FMV only on those beekeepers/processors that produced honey sold to the United States during the period of investigation (POI).

In the course of this investigation, parties will have the opportunity to address this NME determination and provide relevant information and argument related to the issues of the PRC's NME status and granting of separates rates to individual exporters.

B. FMV Calculations

Petitioners calculated FMV on the basis of the valuation of factors of production derived from information developed by a market researcher in India about production processes in India, which petitioners claim are similar to the PRC. Petitioners valued these factors, where possible, based on publicly available published information from India (*see* foreign market research report submitted by petitioners on October 14, 1994, at Exhibit 1). Petitioners argue that India is a country at a comparable level of economic development to the PRC and India is a significant producer of comparable merchandise, thus meeting the requirements of section 773(c)(4) of the Act. For purposes of this initiation, we have accepted India as an appropriate surrogate country selection.

Where Indian values were not available, petitioners valued the factors of production using the U.S. industry's costs, where petitioners determined that this provided a reasonable basis upon which to value such factors.

Petitioners provided FMV calculations based on data associated with two species of bee known to produce honey in the PRC, *i.e.*, the low-yield A. cerana (eastern) honeybee and the high-yield A. mellifera (western) honeybee. Petitioners have provided public information which indicates that each species accounts for approximately one-half of the commercial honey-producing colonies in the PRC (*see* October 14, 1994, submission of petitioners, at p. 8). In accordance with 19 CFR 353.52(a)(2), petitioners' FMV for the two species consisted of the sum of beekeeping costs, processing costs, profit, and packing, and the factors were valued as follows:

- For variable and fixed costs associated with beekeeping operations, as well as processing costs, petitioners used Indian factors of production based on their foreign market research.
- For labor costs associated with beekeeping operations, petitioners relied on Indian factors based on their foreign market research. Petitioner valued labor costs on the basis of

publicly available Indian agricultural wage rates.

- Petitioners added amounts for transportation and land-lease costs associated with high-yield western honeybee beekeeping operations, and valued these based on a U.S. producer's cost-per-pound.
- For profit, petitioners used the profit margins for beekeeping operations contained in their foreign market research, and the statutory minimum of eight percent of the cost of production for processing operations.
- Petitioners added an amount for packing in steel drums based on a U.S. producer's cost per drum.

Based on our analysis of the petition and petitioners' subsequent amendments, we have made certain adjustments to petitioners' FMV calculations as follows:

- We disallowed additional transportation and land-leasing expenses for western honeybee beekeeping because they are based on U.S. costs, and are either inadequately supported or are based on incomplete methodology (*i.e.*, with regard to transportation, petitioners have failed to take into account the increase in yield associated with migratory beekeeping).
- We adjusted beekeeping costs to offset the costs associated with beekeeping services and products other than honey.
- We valued packing costs associated with steel drums using Indian import statistics rather than U.S. costs.
- We have revised the FMV calculation for the eastern bee using a higher yield, as derived from the supporting data for the eastern bee presented in the petitioners' foreign market research.

Fair Value Comparisons

Based on a comparison of USP and FMV, petitioners' alleged dumping margins, as revised by the Department, range from 30.95 to 49.24 percent.

Initiation of Investigation

We have examined the petition on honey and have found that the petition meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of honey from the PRC are being, or are likely to be, sold in the United States at less than fair value.

International Trade Commission (ITC) Notification

Section 732(d) of the Act requires us to notify the ITC of this action and we have done so.

Preliminary Determination by the ITC

The ITC will determine by November 7, 1994, whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of honey from the PRC. A negative ITC determination will result in a termination of the investigation; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: October 24, 1994.

Susan G. Esserman,

Assistant Secretary for Import Administration.

[FR Doc. 94–26894 Filed 10–28–94; 8:45 am]

BILLING CODE 3510–DS–M

APPENDIX B

LIST OF PARTICIPANTS IN THE PUBLIC CONFERENCE

LIST OF PARTICIPANTS IN THE PUBLIC CONFERENCE

INVESTIGATION NO. 731-TA-722 (PRELIMINARY)

HONEY FROM THE PEOPLE'S REPUBLIC OF CHINA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on October 24, 1994, in the Commission's main hearing room, 500 E Street, S.W., Washington, DC.

In Support of the Imposition of Antidumping Duties

COLLIER, SHANNON, RILL & SCOTT
WASHINGTON, DC

On behalf of—

American Honey Producers Association (AHPA)

- Richard Adee—President, AHPA / Adee Honey Farms
- Jerry Stroope—V.P., AHPA / Stroope Bee & Honey Co.
- Brent Barkman—Director, National Honey Packers & Dealers Association
- Jack Meyer—Legislative Director, AHPA / A.H. Meyer & Sons
- Lyle Johnson—Johnson Honey Farms

American Beekeepers Federation, Inc. (ABFI)

- David Sundberg—President, ABFI / Sundberg Apiary, Inc.
- Bill Merrit—V.P., ABFI / Merritt Apiaries
- Don Schmidt—Past President, ABFI
- Troy Fore—Executive Secretary, ABFI / The Speedy Bee
- David Hackenberg—Hackenberg Apiaries

Michigan State University

- Dr. Roger Hoopingarner—Department of Entomology

Paul C. Rosenthal, Esq.)
Michael J. Coursey, Esq.)
David C. Smith, Esq.)--Of Counsel
Craig L. Silliman, Esq.)

Daniel W. Klett—Economic Consultant, Capital Trade

In Opposition to the Imposition of Antidumping Duties

AKIN, GUMP, STRAUSS, HAUER & FELD
WASHINGTON, DC

On behalf of—

National Honey Packers and Dealers Association (NHPDA)

- Dwight Stoller—President, NHPDA / W. Stoller's Honey, Inc.
- Mike Ingalls—President, Western States Packers & Dealers Association / Pure Foods, Inc.
- Ronald Phipps—China Products North America, Inc.
- Nick Sargeantson—Sunland International, Inc.

Spencer S. Griffith)--Of Counsel

OBER, KALER, GRIMES & SHRIVER
WASHINGTON, DC

On behalf of—

China Chamber of Commerce for Imports and Exporters of Foodstuffs and Native Produce

Native Produce & Animal By-Products Imports and Export Corp.

Jiangsu Native Produce and Import and Export Corp.

William E. Perry)--Of Counsel

APPENDIX C

U.S. TRADE REPRESENTATIVE'S QUARTERLY HONEY MONITORING REPORTS

Quarterly Monitoring Report of U.S. Imports of Honey from the People's Republic of China

	Imports from China		Imports from World		
Quarterly Summary	Quantity (MT)	Current Qtr Change from Jan-Mar 94 Qtr	Quantity (MT)	Current Qtr Change from Jan-Mar 94 Qtr	China's Share of Total U.S. Imports
Current Quarter					
January - March 1994	7,836		15,194		51.6%
Previous Three Quarters					
October - December 1993	10,745	-27.1%	17,435	-12.9%	61.6%
July - September 1993	9,363	-16.3%	16,252	-6.5%	57.6%
April - June 1993	7,616	2.9%	14,066	8.0%	54.1%
Same Qtr of Previous Three Years					
January - March 1993	7,102	10.3%	12,864	18.1%	55.2%
January - March 1992	9,046	-13.4%	15,667	-3.0%	57.7%
January - March 1991	8,838	-11.3%	11,320	34.2%	78.1%
Cumulative-to-Date Summary		Previous Yr		Previous Yr	
Current Year					
January - March 1994	7,836		15,194		51.6%
Previous Years					
January - March 1993	7,102	10.3%	12,864	18.1%	55.2%
January - March 1992	9,046	-13.4%	15,667	-3.0%	57.7%
January - March 1991	8,838	-11.3%	11,320	34.2%	78.1%

Notes: Import figures include all 'natural honey'; sold in retail and bulk packages, and covering the full color range.
Natural honey is classified under heading 0409 of the U.S. Harmonized Tariff Schedule (HTS).
Artificial honey mixed with natural honey and natural honey preparations are a very small portion of U.S. imports entering under HTS 1702.90 and HTS 2106.90.

U.S. imports of honey from China were down in the current quarter compared to two of the three previous quarters. Current quarter imports from China totaled 7,836 metric tons (MT), down 16% to 27% from two of the three previous quarters and up 3% from April-June 1993. China's share of U.S. imports has also fallen, from 54% to 62% during the previous three quarters to a current share of 52%. U.S. imports of honey from all countries declined in the current quarter, down 7% to 13% from the previous three quarters. Although U.S. imports of honey from China are up 10% during the first quarter of 1994, compared to the first quarter of 1993, China's share of total U.S. imports has dropped from a high of 78% in 1991 to 52% in 1994.

Data Source: U.S. Bureau of the Census. Report #1 – June 30, 1994

Quarterly Monitoring Report of U.S. Imports of Honey from the People's Republic of China

	Imports from China		Imports from World		
Quarterly Summary	Quantity (MT)	Current Qtr Change from Jan-Mar 94 Qtr	Quantity (MT)	Current Qtr Change from Jan-Mar 94 Qtr	China's Share of Total U.S. Imports
Current Quarter					
April - June 1994	6,512		14,361		45.3%
Previous Three Quarters					
January - March 1994	7,836	-16.9%	15,194	-5.5%	51.6%
October - December 1993	10,745	-39.4%	16,252	-11.6%	66.1%
July - September 1993	9,363	-30.4%	14,066	2.1%	66.6%
Same Qtr of Previous Three Years					
April - June 1993	7,616	-14.5%	14,066	2.1%	54.1%
April - June 1992	5,885	10.7%	12,079	18.9%	48.7%
April - June 1991	2,260	188.1%	9,530	50.7%	23.7%
Cumulative-to-Date Summary		**Previous Yr**		**Previous Yr**	
Current Year					
January - June 1994	14,349		29,555		48.6%
Previous Years					
January - June 1993	14,718	-2.5%	26,930	9.7%	54.7%
January - June 1992	14,931	-3.9%	27,746	6.5%	53.8%
January - June 1991	11,098	29.3%	20,850	41.8%	53.2%

Notes: Import figures include all 'natural honey'; sold in retail and bulk packages, and covering the full color range.
Natural honey is classified under heading 0409 of the U.S. Harmonized Tariff Schedule (HTS).
Artificial honey mixed with natural honey and natural honey preparations are a very small portion of U.S. imports entering under HTS 1702.90 and HTS 2106.90.

U.S. imports of honey from China were down in the current quarter compared to two of the three previous quarters. Current quarter imports from China totaled 6,512 metric tons (MT), down 17% from the previous quarter, and 39% to 30% from the two previous quarters. China's share of total U.S. imports fell to 45%, down from 52% to 62% during the previous three quarters. U.S. imports of honey from all countries totaled 14,361 MT in the current quarter, 6% to 18% lower than the previous three quarters. Year-to-date (Jan.-June 94) imports of honey from China declined 3% compared to the same period a year ago. Also, China's share of total U.S. imports has dropped during the first half of 1994 to 49%, down from 55% in 1993.

Data Source: U.S. Bureau of the Census. Report #2 – August 30, 1994

APPENDIX D

QUESTIONNAIRE DATA OF U.S. PRODUCERS, PACKERS, AND IMPORTERS

Table D-1
Honey: Number of U.S. bee colonies, production, and honey-colony yield, 1991-93

Item	1991	1992	1993
Number of colonies operated for--			
Honey production	524,404	512,314	688,906
Pollination services	149,308	155,452	162,583
Other purposes	22,100	23,561	23,063
All purposes[1]	475,571	510,509	514,998
Production:			
Honey (*1,000 pounds*)	40,733	40,930	43,510
Beeswax (*1,000 pounds*)	690	707	734
Yield per honey production colony:			
Honey (*pounds*)	91.7	89.3	98.5
Beeswax (*pounds*)	1.7	1.7	1.8

[1] Not a total--colonies may be used for multiple purposes.

Note.--Capacity utilization is calculated from unrounded figures, using data of firms providing both capacity and production information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-2
Honey: U.S. producers' capacity, production, and capacity utilization, by products, 1991-93

Item	1991	1992	1993
	Average-of-period capacity (*pounds*)		
Honey	2,810,097	2,833,340	2,917,640
	Packing/bottling (*pounds*)		
Natural honey	1,097,344	1,357,157	1,348,726
Mixtures and preparations of honey	0	0	0
Total	1,097,344	1,357,157	1,348,726
	Capacity utilization (*percent*)		
Honey	34.9	40.9	37.1

Note.--Capacity utilization is calculated using data of firms providing both capacity and production information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-3
Natural honey: U.S. shipments by U.S. producers, by categories, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
White	23,200	25,042	25,062
Extra light	4,746	6,384	5,677
Light amber and darker	5,164	5,642	6,073
Area specialities	89	82	62
Total	33,199	37,149	36,874
	Value (*1,000 dollars*)		
White	12,268	12,829	12,354
Extra light	2,274	3,406	3,130
Light amber and darker	2,708	2,766	3,062
Area specialities	97	83	63
Total	17,349	19,083	18,608
	Unit value (*per pound*)		
White	$0.54	$0.53	$0.50
Extra light	.53	.54	.59
Light amber and darker	.54	.51	.52
Area specialities	1.09	1.02	1.00
Average	.54	.53	.52

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-4
Natural honey: U.S. shipments by U.S. packers, by categories, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
White	64,933	67,321	70,916
Extra light	40,892	45,121	45,709
Light amber and darker	52,591	55,514	57,545
Area specialities	670	1,702	1,871
Total	159,086	169,658	176,041
	Value (*1,000 dollars*)		
White	56,874	61,417	63,893
Extra light	29,392	32,880	36,786
Light amber and darker	27,429	28,202	29,579
Area specialities	131	141	143
Total	113,827	122,640	130,401
	Unit value (*per pound*)		
White	$1.00	$1.01	$1.00
Extra light	.74	.73	.81
Light amber and darker	.64	.64	.65
Area specialities	.83	.83	.91
Average	.81	.82	.84

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-5
Honey: Shipments by U.S. producers, by markets, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. market:			
Packers and bottlers:			
Cooperatives	30,193	33,595	24,875
Private processors	8,153	10,221	12,201
Subtotal	38,346	43,817	37,076
Forfeited to CCC	190	438	1,606
Other U.S. markets	1,153	1,132	1,093
Subtotal	39,689	45,387	39,775
Exports	199	469	211
Other	1,238	1,180	1,464
Total	41,126	47,036	41,450
	Value (*1,000 dollars*)		
U.S. market:			
Packers and bottlers:			
Cooperatives	11,515	12,178	11,987
Private processors	4,333	5,497	4,548
Subtotal	15,847	17,675	16,534
Forfeited to CCC	4	181	667
Other U.S. markets	804	817	931
Subtotal	16,655	18,673	18,132
Exports	105	242	101
Other	677	680	733
Total	17,436	19,595	18,966
	Unit value (*per pound*)		
U.S. market:			
Packers and bottlers:			
Cooperatives	$0.54	$0.53	$0.52
Private processors	.53	.54	.36
Average	.54	.53	.46
Forfeited to CCC	.53	.54	.50
Other U.S. markets	.65	.64	.68
Average	.54	.53	.47
Exports	.52	.51	.48
Other	.47	.47	.43
Average	.54	.53	.47

Table continued. See footnotes at end of table.

Table D-5—*Continued*
Honey: Shipments by U.S. producers, by markets, 1991-93

Item	1991	1992	1993
	Share of total shipments quantity (*percent*)		
U.S. market:			
Packers and bottlers:			
Cooperatives	73.4	71.4	60.0
Private processors	19.8	21.7	29.4
Subtotal	93.2	93.2	89.4
Forfeited to CCC	.5	.9	3.9
Other U.S. markets	2.8	2.4	2.6
Subtotal	96.5	96.5	96.0
Exports	.5	1.0	.5
Other	3.0	2.5	3.5
Total	100.0	100.0	100.0
	Share of total shipments value (*percent*)		
U.S. market:			
Packers and bottlers:			
Cooperatives	66.0	62.1	63.2
Private processors	24.8	28.1	24.0
Subtotal	90.9	90.2	87.2
Forfeited to CCC	(1)	.9	3.5
Other U.S. markets	4.6	4.2	4.9
Subtotal	95.5	95.3	95.6
Exports	.6	1.2	.5
Other	3.9	3.5	3.9
Total	100.0	100.0	100.0

[1] Positive figure, but less than significant digits displayed.

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-6
Natural honey: Nonimport purchases of U.S. packers, by sources, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. importers of product from--			
China	18,919	26,333	33,867
Other sources	20,197	25,898	27,872
Total	39,116	52,231	61,739
Domestic producers	72,068	69,488	61,085
Other sources	37,634	36,160	40,823
Total	148,818	157,878	163,647
	Value (*1,000 dollars*)		
U.S. importers of product from--			
China	9,396	13,327	15,353
Other sources	10,662	13,785	14,351
Total	20,058	27,112	29,704
Domestic producers	38,245	38,325	32,607
Other sources	21,204	19,790	20,693
Total	79,507	85,228	83,004
	Unit value (*per pound*)		
U.S. importers of product from--			
China	$0.50	$0.51	$0.45
Other sources	.53	.53	.51
Average	.51	.52	.48
Domestic producers	.51	.53	.50
Other sources	.56	.55	.51
Average	.52	.53	.50

Note.--Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-7
Honey: End-of-period inventories of U.S. producers, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Stocks	2,017	1,334	2,703
Packaged	74	66	73
Total	2,091	1,400	2,776
	Ratio to production (*percent*)		
Stocks	17.4	11.9	27.7
Packaged	.6	.6	.7
Total	18.1	12.5	28.4

Note.--Ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-8
Average number of U.S. producers' production and related workers producing honey, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by products, 1991-93

Item	1991	1992	1993
	Number of employees		
All workers	124,886	209,679	245,644
	Number of production and related workers (PRWs)		
Full time	381	388	399
Seasonal/part time	2,135	2,241	2,490
Total	2,516	2,629	2,889
	Hours worked by PRWs		
Full time	600,053	627,945	614,716
Seasonal/part time	229,459	249,411	217,599
Total	829,512	877,356	832,315
	Wages paid to PRWs (*dollars*)		
Full time	4,529,661	5,269,993	5,273,918
Seasonal/part time	1,297,568	1,359,985	1,423,472
Total	5,827,229	6,629,978	6,697,390
	Total compensation paid to PRWs (*dollars*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	5,733,086	6,455,672	6,576,736
	Hourly wages paid to PRWs		
Full time	$7.60	$8.09	$8.05
Seasonal/part time	5.76	5.53	6.15
Average	7.12	7.39	7.58
	Hourly total compensation paid to PRWs		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Average	$6.59	$6.80	$7.04
	Productivity (*pounds per hour*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Average	39.0	36.6	38.7
	Unit labor costs (*per pound*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	$0.18	$0.20	$0.18

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-9
Honey: U.S. packers' (using over 50 percent imported honey) capacity, production, and capacity utilization, by products, 1991-93

Item	1991	1992	1993
	Average-of-period capacity (*1,000 pounds*)		
Honey	82,132	89,743	91,845
	Packing/bottling (*1,000 pounds*)		
Natural honey	66,942	70,603	77,151
Mixtures of honey	0	0	0
Preparations of honey	0	0	0
Mixtures and preparations of honey	0	0	0
Total	66,942	70,603	77,151
	Capacity utilization (*percent*)		
Honey	81.5	78.7	84.0

Note.--Capacity utilization is calculated from unrounded figures, using data of firms providing both capacity and production information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-10
Honey: U.S. packers' (using under 50 percent imported honey) capacity, production, and capacity utilization, by products, 1991-93

Item	1991	1992	1993
	Average-of-period capacity (*1,000 pounds*)		
Honey	164,932	164,932	167,632
	Packing/bottling (*1,000 pounds*)		
Natural honey	88,834	96,254	90,909
Mixtures of honey	0	0	0
Preparations of honey	0	0	0
Mixtures and preparations of honey	0	0	0
Total	88,834	96,254	90,909
	Capacity utilization (*percent*)		
Honey	53.9	58.4	55.2

Note.--Capacity utilization is calculated from unrounded figures, using data of firms providing both capacity and production information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-11
Honey: Shipments by U.S. packers who use over 50 percent imported honey, by markets, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. market:			
Roadside or own store	245	245	227
Industrial users	39,886	42,212	43,881
Food service	11,678	12,092	12,007
Brokers and dealers	8,462	9,605	10,903
Grocers and retailers	13,002	14,326	15,230
Forfeited to CCC	0	0	0
Other U.S. markets	75	90	78
Subtotal	73,347	78,569	82,327
Exports	241	245	121
Total	73,588	78,814	82,448
	Value (*1,000 dollars*)		
U.S. market:			
Roadside or own store	206	233	187
Industrial users	23,443	25,289	26,467
Food service	8,142	8,191	7,671
Brokers and dealers	7,976	9,253	9,687
Grocers and retailers	13,535	14,882	15,659
Forfeited to CCC	0	0	0
Other U.S. markets	60	72	62
Subtotal	53,362	57,920	59,733
Exports	146	125	65
Total	53,507	58,046	59,798
	Unit value (*per pound*)		
U.S. market:			
Roadside or own store	$0.64	$0.65	$0.65
Industrial users	.59	.60	.60
Food service	.70	.68	.64
Brokers and dealers	.94	.96	.89
Grocers and retailers	1.04	1.04	1.03
Forfeited to CCC	(1)	(1)	(1)
Other U.S. markets	.80	.80	.79
Average	.73	.74	.73
Exports	.61	.51	.54
Average	.73	.74	.72

Table continued. See footnotes at end of table.

Table D-11—*Continued*
Honey: Shipments by U.S. packers who use over 50 percent imported honey, by markets, 1991-93

Item	1991	1992	1993
	Share of total shipments quantity (*percent*)		
U.S. market:			
Roadside or own store	0.3	0.3	0.3
Industrial users	54.2	53.6	53.2
Food service	15.9	15.3	14.6
Brokers and dealers	11.5	12.2	13.2
Grocers and retailers	17.7	18.2	18.5
Forfeited to CCC	0	0	0
Other U.S. markets	.1	.1	.1
Subtotal	99.7	99.7	99.9
Exports	.3	.3	.1
Total	100.0	100.0	100.0
	Share of total shipments value (*percent*)		
U.S. market:			
Roadside or own store	0.4	0.4	0.3
Industrial users	43.8	43.6	44.3
Food service	15.2	14.1	12.8
Brokers and dealers	14.9	15.9	16.2
Grocers and retailers	25.3	25.6	26.2
Forfeited to CCC	0	0	0
Other U.S. markets	.1	.1	.1
Subtotal	99.7	99.8	99.9
Exports	.3	.2	.1
Total	100.0	100.0	100.0

[1] Not applicable.

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-12
Honey: Shipments by U.S. packers who use under 50 percent imported honey, by markets, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. market:			
Roadside or own store	7,214	7,628	7,531
Industrial users	26,183	28,578	31,470
Food service	14,864	16,859	15,398
Brokers and dealers	39,193	41,934	43,941
Grocers and retailers	524	588	636
Forfeited to CCC	0	0	0
Other U.S. markets	6,012	6,286	5,295
Subtotal	93,989	101,873	104,271
Exports	2,521	2,321	2,904
Total	96,510	104,194	107,175
	Value (*1,000 dollars*)		
U.S. market:			
Roadside or own store	7,821	8,699	8,221
Industrial users	16,873	17,452	18,612
Food service	11,021	12,563	12,190
Brokers and dealers	44,439	47,531	49,001
Grocers and retailers	489	553	657
Forfeited to CCC	0	0	0
Other U.S. markets	4,169	4,488	4,403
Subtotal	84,812	91,287	93,084
Exports	2,144	2,287	2,614
Total	86,956	93,574	95,698
	Unit value (*per pound*)		
U.S. market:			
Roadside or own store	$0.94	$0.97	$0.96
Industrial users	.64	.61	.59
Food service	.74	.75	.79
Brokers and dealers	1.13	1.13	1.12
Grocers and retailers	.93	.94	1.03
Forfeited to CCC	(1)	(1)	(1)
Other U.S. markets	.69	.71	.83
Average	.89	.88	.88
Exports	.85	.99	.90
Average	.89	.89	.88

Table continued. See footnotes at end of table.

Table D-12—*Continued*
Honey: Shipments by U.S. packers who use under 50 percent imported honey, by markets, 1991-93

Item	1991	1992	1993
	Share of total shipments quantity (*percent*)		
U.S. market:			
Roadside or own store	7.5	7.3	7.0
Industrial users	27.1	27.4	29.4
Food service	15.4	16.2	14.4
Brokers and dealers	40.6	40.2	41.0
Grocers and retailers	.5	.6	.6
Forfeited to CCC	0	0	0
Other U.S. markets	6.2	6.0	4.9
Subtotal	97.4	97.8	97.3
Exports	2.6	2.2	2.7
Total	100.0	100.0	100.0
	Share of total shipments value (*percent*)		
U.S. market:			
Roadside or own store	9.0	9.3	8.6
Industrial users	19.4	18.7	19.4
Food service	12.7	13.4	12.7
Brokers and dealers	51.1	50.8	51.2
Grocers and retailers	.6	.6	.7
Forfeited to CCC	0	0	0
Other U.S. markets	4.8	4.8	4.6
Subtotal	97.5	97.6	97.3
Exports	2.5	2.4	2.7
Total	100.0	100.0	100.0

[1] Not applicable.

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-13
Natural honey: U.S. shipments by U.S. packers who use over 50 percent imported honey, by categories, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
White	14,585	14,662	17,115
Extra light	25,888	28,296	29,379
Light amber and darker	28,162	28,019	28,069
Area specialities	670	1,702	1,871
Total	69,305	72,679	76,435
	Value (*1,000 dollars*)		
White	12,762	13,212	15,181
Extra light	16,041	17,915	21,803
Light amber and darker	15,959	16,365	17,124
Area specialities	131	141	143
Total	44,894	47,633	54,252
	Unit value (*per pound*)		
White	$0.89	$0.91	$0.89
Extra light	.65	.64	.74
Light amber and darker	.57	.58	.61
Area specialities	.83	.83	.91
Average	.67	.67	.73

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-14
Natural honey: U.S. shipments by U.S. packers who use under 50 percent imported honey, by categories, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
White	50,348	52,659	53,801
Extra light	15,004	16,826	16,330
Light amber and darker	24,429	27,494	29,476
Area specialities	0	0	0
Total	89,781	96,979	99,607
	Value (*1,000 dollars*)		
White	44,112	48,205	48,712
Extra light	13,351	14,965	14,982
Light amber and darker	11,470	11,838	12,454
Area specialities	0	0	0
Total	68,933	75,007	76,149
	Unit value (*per pound*)		
White	$1.03	$1.04	$1.05
Extra light	.89	.89	.92
Light amber and darker	.77	.73	.70
Area specialities	(1)	(1)	(1)
Average	.95	.95	.94

[1] Not applicable.

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-15
Honey: End-of-period inventories of U.S. packers who use over 50 percent imported honey, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Stocks	7,568	6,682	7,243
Packaged	1,539	2,014	1,898
Total	9,107	8,696	9,141
	Ratio to production (*percent*)		
Stocks	13.2	11.1	10.6
Packaged	2.7	3.4	2.8
Total	15.9	14.5	13.4

Note.--Ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-16
Honey: End-of-period inventories of U.S. packers who use under 50 percent imported honey, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Stocks	20,727	25,294	23,287
Packaged	7,967	9,617	8,894
Total	28,694	34,911	32,182
	Ratio to production (*percent*)		
Stocks	29.9	33.7	33.1
Packaged	11.5	12.8	12.7
Total	41.4	46.5	45.8

Note.--Ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-17
Average number of U.S. packers' (who use over 50 percent imported honey) production and related workers producing honey, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by products, 1991-93

Item	1991	1992	1993
	Number of employees		
All workers	209	243	237
	Number of production and related workers (PRWs)		
Full time	118	119	120
Seasonal/part time	4	4	4
Total	122	123	124
	Hours worked by PRWs		
Full time	198,491	202,949	203,855
Seasonal/part time	4,875	5,057	6,737
Total	203,366	208,006	210,592
	Wages paid to PRWs (*1,000 dollars*)		
Full time	2,641	2,894	3,637
Seasonal/part time	28	30	46
Total	2,670	2,924	3,682
	(Total compensation paid to PRWs *1,000 dollars*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	3,175	3,405	4,100
	Hourly wages paid to PRWs		
Full time	$13.03	$13.51	$14.88
Seasonal/part time	5.83	5.99	6.78
Average	12.84	13.31	14.62
	Hourly total compensation paid to PRWs		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Average	$15.46	$15.71	$16.55
	Productivity (*pounds per hour*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	285.1	290.1	327.1
	Unit labor costs (*per pound*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	$0.05	$0.05	$0.05

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-18
Average number of U.S. packers' (who use under 50 percent imported honey) production and related workers producing honey, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by products, 1991-93

Item	1991	1992	1993
	Number of employees		
All workers	471	451	464
	Number of production and related workers (PRWs)		
Full time	222	202	222
Seasonal/part time	57	53	49
Total	279	255	271
	Hours worked by PRWs		
Full time	310,397	336,157	315,301
Seasonal/part time	8,304	6,221	7,634
Total	318,701	342,378	322,935
	Wages paid to PRWs (*1,000 dollars*)		
Full time	3,517	3,690	3,632
Seasonal/part time	260	252	249
Total	3,777	3,941	3,881
	Total compensation paid to PRWs (*1,000 dollars*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	4,153	4,472	4,189
	Hourly wages paid to PRWs		
Full time	$10.49	$10.16	$10.59
Seasonal/part time	6.65	6.83	6.92
Average	10.39	10.10	10.50
	Hourly total compensation paid to PRWs		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Average	$11.42	$11.54	$11.46
	Productivity (*pounds per hour*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	204.7	207.0	210.3
	Unit labor costs (*per pound*)		
Full time	(3)	(3)	(3)
Seasonal/part time	(3)	(3)	(3)
Total	$0.06	$0.06	$0.06

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-19
Natural honey: Nonimport purchases of U.S. packers using over 50 percent imported honey, by sources, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. importers of product from--			
China	14,771	20,476	29,216
Other sources	17,317	20,413	23,896
Total	32,088	40,888	53,112
Domestic producers	22,856	19,783	18,049
Other sources	0	0	0
Total	54,944	60,671	71,161
	Value (*1,000 dollars*)		
U.S. importers of product from--			
China	7,324	10,329	13,173
Other sources	9,160	10,895	12,401
Total	16,484	21,223	25,574
Domestic producers	11,649	10,151	9,089
Other sources	0	0	0
Total	28,133	31,375	34,663
	Unit value (*per pound*)		
U.S. importers of product from--			
China	$0.50	$0.50	$0.45
Other sources	.53	.53	.52
Average	.51	.52	.48
Domestic producers	.51	.51	.50
Other sources	(1)	(1)	(1)
Average	.51	.52	.49

[1] Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-20
Natural honey: Nonimport purchases of U.S. packers using under 50 percent imported honey, by sources, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
U.S. importers of product from--			
China	4,149	5,857	4,651
Other sources	2,880	5,485	3,976
Total	7,028	11,343	8,627
Domestic producers	49,212	49,705	43,036
Other sources	37,634	36,160	40,823
Total	93,874	97,208	92,486
	Value (*1,000 dollars*)		
U.S. importers of product from--			
China	2,072	2,998	2,180
Other sources	1,502	2,891	1,950
Total	3,574	5,889	4,130
Domestic producers	26,596	28,174	23,518
Other sources	21,204	19,790	20,693
Total	51,374	53,853	48,341
	Unit value (*per pound*)		
U.S. importers of product from--			
China	$0.50	$0.51	$0.47
Other sources	.52	.53	.49
Average	.51	.52	.48
Domestic producers	.51	.53	.50
Other sources	.56	.55	.51
Average	.53	.54	.50

Note.--Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-21
Honey: U.S. shipments of Chinese product by U.S. importers, by markets, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Roadside or own store	0	0	0
Industrial users	0	0	5,247
Food service	0	3	784
Brokers and dealers	0	0	0
Packers and bottlers:			
Cooperatives	16,920	20,196	28,950
Private processors	0	77	0
Subtotal	16,920	20,273	28,950
Other U.S. markets	0	0	0
Total	16,920	20,276	34,981
	Value (*1,000 dollars*)		
Roadside or own store	0	0	0
Industrial users	0	0	2,215
Food service	0	3	331
Brokers and dealers	0	0	0
Packers and bottlers:			
Cooperatives	8,060	9,075	12,760
Private processors	0	35	0
Subtotal	8,060	9,109	12,760
Other U.S. markets	0	0	0
Total	8,060	9,113	15,306
	Unit value (*per pound*)		
Roadside or own store	(1)	(1)	(1)
Industrial users	(1)	(1)	.42
Food service	(1)	1.08	.42
Brokers and dealers	(1)	(1)	(1)
Packers and bottlers:			
Cooperatives	$0.48	$0.45	$0.44
Private processors	(1)	.45	(1)
Average	.48	.45	.44
Other U.S. markets	(1)	(1)	(1)
Average	.48	.45	.44

Table continued. See footnotes at end of table.

Table D-21—*Continued*
Honey: U.S. shipments of Chinese product by U.S. importers, by markets, 1991-93

Item	1991	1992	1993
	Share of total shipments quantity (*percent*)		
Roadside or own store	0	0	0
Industrial users	0	0	15.0
Food service	0	(2)	2.2
Brokers and dealers	0	0	0
Packers and bottlers:			
Cooperatives	100.0	99.6	82.8
Private processors	0	.4	0
Subtotal	100.0	100.0	82.8
Other U.S. markets	0	0	0
Total	100.0	100.0	100.0
	Share of total shipments value (*percent*)		
Roadside or own store	0	0	0
Industrial users	0	0	14.5
Food service	0	(2)	2.2
Brokers and dealers	0	0	0
Packers and bottlers:			
Cooperatives	100.0	99.6	83.4
Private processors	0	.4	0
Subtotal	100.0	100.0	83.4
Other U.S. markets	0	0	0
Total	100.0	100.0	100.0

[1] Not applicable.
[2] Positive figure, but less than significant digits displayed.

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-22
Natural honey: U.S. shipments of Chinese product by U.S. importers, by categories, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
White	11,459	10,536	14,574
Extra light	10,124	12,240	16,777
Light amber and darker	8,441	12,840	20,528
Area specialities	316	288	554
Total	30,340	35,904	52,434
	Value (*1,000 dollars*)		
White	5,528	4,850	6,945
Extra light	4,622	5,454	7,474
Light amber and darker	3,927	5,728	8,491
Area specialities	169	155	248
Total	14,246	16,188	23,158
	Unit value (*per pound*)		
White	$0.48	$0.46	$0.48
Extra light	.46	.45	.45
Light amber and darker	.47	.45	.41
Area specialities	.53	.54	.45
Average	.47	.45	.44

Note.--Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-23
Honey: End-of-period inventories of U.S. imports from China, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Stocks	0	0	0
Packaged	(1)	8	8
Total	0	8	8
	Ratio to imports (*percent*)		
Stocks	0	0	0
Packaged	(1)	.2	-
Average	0	.2	0

[1] Not available.

Note.--Ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-24
Honey: U.S. imports, by products and by sources, 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)		
Natural honey:			
China	30,423	35,904	52,322
Other sources	13,686	17,124	21,421
Total	44,109	53,028	73,744
Mixtures of honey:			
China	0	0	0
Other sources	0	0	0
Total	0	0	0
Preparations of honey:			
China	0	0	0
Other sources	0	(1)	0
Total	0	(1)	0
Honey:			
China	30,423	35,904	52,322
Other sources	13,686	17,125	21,421
Total	44,109	53,028	73,744
	Value (*1,000 dollars*)		
Natural honey:			
China	14,285	16,187	22,580
Other sources	6,991	8,605	8,935
Total	21,276	24,793	31,515
Mixtures of honey:			
China	0	0	0
Other sources	0	0	0
Total	0	0	0
Preparations of honey:			
China	0	0	0
Other sources	0	(1)	0
Total	0	(1)	0
Honey:			
China	14,285	16,187	22,580
Other sources	6,991	8,605	8,935
Total	21,276	24,793	31,515

Table continued. See footnotes at end of table.

Table D-24—*Continued*
Honey: U.S. imports, by products and by sources, 1991-93

Item	1991	1992	1993
	Unit value (*per pound*)		
Natural honey:			
China	$0.47	$0.45	$0.43
Other sources	.51	.50	.42
Average	.48	.47	.43
Mixtures of honey:			
China	(2)	(2)	(2)
Other sources	(2)	(2)	(2)
Average	(2)	(2)	(2)
Preparations of honey:			
China	(2)	(2)	(2)
Other sources	(2)	.71	(2)
Average	(2)	.71	(2)
Honey:			
China	.47	.45	.43
Other sources	.51	.50	.42
Average	.48	.47	.43

[1] Positive figure, but less than significant digits displayed.
[2] Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

APPENDIX E

HARMONIZED TARIFF SYSTEM NOMENCLATURE FOR HONEY

Heading/ Subheading	Stat. Suf- fix	Article Description	Units of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
0407.00.00		Birds' eggs, in shell, fresh, preserved or cooked	.....	3.5¢/doz.	Free (A,E,IL,J,MX) 1.4¢/doz. (CA)	10¢/doz.
	20	For hatching	doz			
	40	Other	doz			
0408		Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, molded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter:				
		Egg yolks:				
0408.11.00	00	Dried	kg.....	59.5¢/kg	Free (E,IL,J,MX) 23.8¢/kg (CA)	59.5¢/kg
0408.19.00	00	Other	kg.....	12.1¢/kg	Free (E,IL,J,MX) 4.8¢/kg (CA)	24.3¢/kg
		Other:				
0408.91.00	00	Dried	kg.....	59.5¢/kg	Free (E,IL,J,MX) 23.8¢/kg (CA)	59.5¢/kg
0408.99.00	00	Other	kg.....	12.1¢/kg	Free (E,IL,J,MX) 4.8¢/kg (CA)	24.3¢/kg
0409.00.00		Natural honey	.....	2.2¢/kg	Free (CA,E,IL,J, MX)	6.6¢/kg
	20	Packaged for retail sale	kg			
		Other:				
	42	White	kg			
	44	Extra light amber	kg			
	62	Light amber	kg			
	64	Other	kg			
0410.00.00	00	Edible products of animal origin, not elsewhere specified or included	kg.....	2.5%	Free (A,CA,E,IL,J, MX)	10%

Heading/ Subheading	Stat. Suf- fix	Article Description	Units of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
1702 (con.)		Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavoring or coloring matter; artificial honey, whether or not mixed with natural honey; caramel (con):				
1702.60.00		Other fructose and fructose syrup, containing in the dry state more than 50 percent by weight of fructose 1/	.....	6%	Free (A,E,IL,J) 2.4% (CA) See 9906.17.11-9906.17.15 (MX)	20%
		Derived solely from starches:				
	10	Entered from a foreign trade zone pursuant to U.S. note 2(e) of subchapter IV to chapter 99	kg			
	30	Other	kg			
		Other:				
		Syrup:				
	50	Entered from a foreign trade zone pursuant to U.S. note 2(e) of subchapter IV to chapter 99	kg			
	55	Other	kg			
	60	Other	kg			
1702.90		Other, including invert sugar:				
		Derived from sugar cane or sugar beets:				
		Containing soluble non-sugar solids (excluding any foreign substances that may have been added or developed in the product) equal to 6 percent or less by weight of the total soluble solids:				
1702.90.31	00	Described in paragraphs (a) and (b) of additional U.S. note 3 to chapter 17 and entered pursuant to its provisions	kg	1.4606¢/kg of total sugars 2/	Free (A,E*,IL,J,MX) 2/ 0.5842¢/kg of total sugars (CA) 2/	Dutiable on total sugars at the rate per kg applicable under heading 1701 to sugar testing 100 degrees 2/
1702.90.32	00	Other	kg	37.386¢/kg 2/	0.5842¢/kg of total sugars (CA) 2/ See 9906.17.16-9906.17.17 (MX)	37.386¢/kg 2/
		Other:				
1702.90.35	00	Invert molasses	liters.v kg	0.77¢/liter	Free (A,E,IL,J,MX) 0.3¢/liter (CA)	1.8¢/liter
1702.90.40	00	Other	liters.v kg	0.77¢/liter	Free (A,E,IL,J,MX) 0.3¢/liter (CA)	1.8¢/liter
1702.90.50		Other 3/	.....	6%	Free (A,E,IL,J) 2.4% (CA) See 9906.17.18-9906.17.24 (MX)	20%
	40	Entered from a foreign trade zone pursuant to U.S. note 2(e) of subchapter IV to chapter 99	kg			
	80	Other	kg			

1/ See heading 9904.50.20.
2/ See subheading 9904.40.60.
3/ See headings 9904.50.20 and 9904.50.40.

SUBCHAPTER IV

ADDITIONAL IMPORT RESTRICTIONS ESTABLISHED PURSUANT TO SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED

U.S. Notes

1. This subchapter covers the provisions established pursuant to section 22 of the Agricultural Adjustment Act, as amended (17 U.S.C. 624), imposing import fees, herein referred to as duties, and quantitative limitations on articles imported into the United States. The duties provided for in this subchapter are cumulative duties which apply in addition to the duties, if any, otherwise imposed on the articles involved. Unless otherwise stated, the duties and quantitative limitations provided for in this subchapter apply until suspended or terminated. The provisions of this subchapter shall not apply to articles imported into the United States that are qualifying goods of Mexico.

2. Exclusions.--The import restrictions provided for in this subchapter do not apply with respect to:

   (a) Articles imported by or for the account of any agency of the United States;

   (b) Commercial samples of cotton or cotton waste of any origin in uncompressed packages each weighing not more than 22.65 kilograms gross weight; and articles (except cotton and cotton waste) with an aggregate value not over $25 in any shipment, if imported as samples for taking orders, for the personal use of the importer or for research;

   (c) Articles entered for exhibition, display or sampling at a trade fair or for research, but only if written approval of the Secretary of Agriculture or his designated representative is presented at the time of entry or bond is furnished in a form prescribed by the Commissioner of Customs in an amount equal to the value of the merchandise as set forth in the entry plus the estimated duty as determined at the time of entry, conditioned upon the production of such written approval within 6 months from the date of entry; and

   (d) Cotton produced in the United States with respect to which the Secretary of Agriculture shall have certified that there has been exported without benefit of subsidy, as an offset to the proposed reentry, an equal or greater number of kilograms of cotton produced in the United States, of any grade or staple.

   (e) Blended syrups of heading 9904.50.20, if entered from a foreign trade zone by a foreign trade zone user whose facilities were in operation on June 1, 1990, to the extent that the annual quantity entered into the customs territory from such zone does not contain an amount of sugar of nondomestic origin greater than that authorized by the Foreign Trade Zones Board for processing in such zone during calendar year 1985.

3. (a) Dairy products.--

   (i) Imported articles subject to the import quotas provided for in subheadings 9904.10.09 through 9904.10.57, except 9904.10.15 and 9904.10.24, may be entered only by or for the account of a person or firm to which a license has been issued by or under the authority of the Secretary of Agriculture, and only in accordance with the terms of such license; except that no such license shall be required for up to 833,417 kilograms per quota year of natural Cheddar cheese, the product of Canada, made from unpasteurized milk and aged not less than 9 months, which prior to exportation has been certified to meet such requirements by an official of the Canadian Government. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines will, to the fullest extent practicable, result in the equitable distribution of the respective quotas for such articles among importers or users and facilitate the utilization of the quotas by the supplying countries, taking due account of any special factors which may have affected or may be affecting the trade in the articles concerned.

   (ii) Under subheading 9904.10.30 not more than 4,702,889 kilograms of the annual quota quantity shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months.

   (iii) Notwithstanding any other provision of this subchapter, if the Secretary of Agriculture determines that a quantity specified in the column entitled "Quota Quantity" opposite the name of any country is not likely to be entered from such country within any calendar year, he may provide with respect to such article for the adjustment for that calendar year, within the aggregate quantity of such article permitted to be entered from all countries during such calendar year, of the quantities of such article which may be entered during such year from the countries specified as countries of origin for such article. Whenever the designation "Other" appears after named countries in subheadings 9904.10.03 through 9904.10.81, unless the quota quantity appearing opposite such designation is "None", the Secretary of Agriculture shall include that designation in any adjustment of quota quantities. The Secretary of Agriculture shall notify the Secretary of the Treasury of such adjustment and, with respect to country of origin adjustments for any article for which a license is not required, file notice thereof with the Federal Register. With respect to articles for which a license is not required, such adjustment shall become effective 3 days after the date of publication in the Federal Register.

   (iv) For the purposes of this subchapter, the term "soft ripened cow's milk cheese" means cheese which:

      (A) Has a prominent crust formed on the exterior surface as a result of curing or ripening by biological curing agents such as molds, yeasts or other microorganisms;

      (B) Visibly cures or ripens from the surface toward the center;

      (C) Has a fat content by weight (on a moisture-free basis) of not less than 50 percent; and

      (D) Has a moisture content (calculated by weight of the non-fatty matter) of not less than 65 percent, but does not include cheese with mold distributed throughout its interior.

Heading/ Subheading	Stat. Suf- fix	Article Description	Units of Quantity	Quota Quantity (in metric tons)
9904.50.20	1/	Blended syrups provided for in subheading 1702.20.20, 1702.30.20, 1702.40, 1702.60, 1702.90.50, 1806.20.80, 1806.90, 2101.10.40, 2101.20.40, 2106.90.51 or 2106.90.59, containing sugars derived from sugar cane or sugar beets, capable of being further processed or mixed with similar or other ingredients and not prepared for marketing to the retail consumers in the identical form and package in which imported.....	1/	None
9904.50.40	1/	Articles containing over 65 percent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles provided for in subheading 1701.91.40, 1702.90.50, 1704.90.60, 1806.10.30, 1806.20.70, 1806.90, 1901.20, 1901.90.81, 1901.90.89, 2101.10.40, 2101.20.40, 2103.90.60, 2106.90.51 or 2106.90.59, except articles within the scope of other import restrictions provided for in subchapter IV of this chapter.....	1/	None
		Whenever, in any 12-month period beginning October 1 in any year, the respective aggregate quantity specified below for one of the numbered classes of articles has been entered, no article in such class may be entered during the remainder of such period:		
		Articles containing over 10 percent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, except (a) articles not principally of crystalline structure or not in dry amorphous form that are prepared for marketing to the retail consumer in the identical form and package in which imported, or (b) articles within the scope of headings 9904.50.20, 9904.50.40 or other import restrictions provided for in this subchapter:		
9904.60.20	1/	Provided for in subheading 1806.10.20 or 1806.10.30.....	1/	2,313
9904.60.40	1/	Provided for in subheading 1901.20.....	1/	5,398
9904.60.60	1/	Provided for in subheading 1704.90.60, 1806.20.70, 1806.20.80, 1806.90, 1901.90.81, 1901.90.89, 2101.10.40, 2101.20.40, 2103.90.60, 2106.90.51 or 2106.90.59, except cake decorations and similar products to be used in the same condition as imported without any further processing other than the direct application to individual pastries or confections; finely ground or masticated coconut meat or juice thereof mixed with those sugars; and sauces and preparations therefore.....	1/	64,773

1/ See chapter 99 statistical note 2.

Heading/ Subheading	Stat. Suf- fix	Article Description	Units of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
2106 (con.)		Food preparations not elsewhere specified or included (con.):				
2106.90 (con.)		Other (con.):				
		Other (con.):				
		Other (con.):				
		Other (con.):				
		Other:				
2106.90.61		Containing over 10 percent by weight of milk solids.....	.....	10%	Free (A,E,IL,J,MX) 4% (CA) 1/	20%
		Preparations for the manufacture of beverages:				
	71	Containing high-intensity sweeteners (e.g., aspartame and/or saccharin.....	kg			
	72	Containing sugar derived from sugar cane and/or sugar beets.....	kg			
	73	Other.....	kg			
	75	Non-dairy coffee whiteners.....	kg			
	80	Other cream or milk substitutes.....	kg			
	85	Confectionery (including gum) containing synthetic sweetening agents (e.g., saccharin) instead of sugar.....	kg			
	87	Herbal teas and herbal infusions comprising mixed herbs.....	kg			
		Other:				
	90	Canned.....	kg			
		Other:				
	95	Frozen.....	kg			
		Other:				
	97	Containing sugar derived from sugar cane and/or sugar beets.....	kg			
	99	Other.....	kg			

1/ See subheading 9905.21.10.

Heading/ Subheading	Stat. Suf- fix	Article Description	Units of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
2106 (con.)		Food preparations not elsewhere specified or included (con.):				
2106.90 (con.)		Other (con.):				
		Other (con.):				
		Other (con.):				
		Other (con.):				
		Other (con.)::				
2106.90.69		Other.....	.....	10%	Free (A,E,IL,J,MX) 4% (CA) 1/	20%
		Preparations for the manufacture of beverages:				
	71	Containing high-intensity sweeteners (e.g., aspartame and/or saccharin.....	kg			
	72	Containing sugar derived from sugar cane and/or sugar beets.....	kg			
	73	Other.....	kg			
	75	Non-dairy coffee whiteners.....	kg			
	80	Other cream or milk substitutes.....	kg			
	85	Confectionery (including gum) containing synthetic sweetening agents (e.g., saccharin) instead of sugar.....	kg			
	87	Herbal teas and herbal infusions comprising mixed herbs.....	kg			
		Other:				
	90	Canned.....	kg			
		Other:				
	95	Frozen.....	kg			
		Other:				
	97	Containing sugar derived from sugar cane and/or sugar beets.....	kg			
	99	Other.....	kg			

1/ See subheading 9905.21.10.

Heading/ Subheading	Stat. Suf- fix	Article Description	Units of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
		Goods of Canada, under the terms of general note 12 of the tariff schedule (con.):				
9905.15.10	1/	Other vegetable fats and oils and their fractions (other than soybean oil and its fractions) (provided for in subheading 1516.20.90).....	1/		Free (CA)	
9905.16.10	1/	Prepared meals, not dehydrated and not requiring refrigeration, in vacuum-sealed airtight pouches or trays; and prepared or preserved bovine meat, meat offal or blood (other than prepared meals) (all the foregoing goods provided for in subheading 1602.50.90).....	1/		Free (CA)	
9905.16.12	1/	Other prepared or preserved meat, meat offal or blood (other than prepared meals) (provided for in subheading 1602.90).....	1/		Free (CA)	
9905.20.05	1/	Frozen battered and breaded onion rings and chips (provided for in subheading 2004.90.90).....	1/		2.8% (CA)	
9905.20.08	1/	Cranberry puree (provided for in subheading 2007.99.65).....	1/		Free (CA)	
9905.20.09	1/	Cranberries, prepared or preserved (provided for in subheading 2008.99.20).....	1/		Free (CA)	
9905.20.10	1/	Grape juice, not concentrated (provided for in subheading 2009.60.00).....	1/		Free (CA)	
9905.20.15	1/	Frozen cranberry concentrate, 50°; juice of any single fruit, except fruits provided for elsewhere in heading 2009, not concentrated (provided for in subheading 2009.80.60).....	1/		Free (CA)	
9905.20.20	1/	Mixtures of fruit juices, not concentrated, and concentrated mixtures of fruit juices containing not less than 50 percent by volume of pineapple juice (provided for in subheading 2009.90.40).....	1/		Free (CA)	
9905.21.05	1/	Prepared ingredients for salads, consisting of a salad dressing and other components packaged together for retail sale (provided for in subheading 2103.90.60).....	1/		Free (CA)	
9905.21.10	1/	Conditioning, maturing or nutrient additives for flour; dry honey coating; honey flake; and honey powder (all the foregoing goods provided for in subheading 2106.90.61 or 2106.90.69).....	1/		Free (CA)	
9905.22.10	1/	Citric acid additives containing citric acid, water, and more than 85 percent but not more than 95 percent of alcohol by weight (provided for in subheading 2207.10.30).....	1/		Free (CA)	
9905.24.10	1/	Cigar binders (provided for in subheading 2403.91.40).....	1/		Free (CA)	
9905.28.06	1/	Tetrapotassium pyrophosphate (provided for in subheading 2835.39.10).....	1/		Free (CA)	
9905.29.09	1/	6-Amino-1-naphthol-3-sulfonic acid (provided for in subheading 2922.21.10).....	1/		Free (CA)	
9905.29.15	1/	Dioctyl diphenylamine (provided for in subheading 2921.44.50).....	1/		Free (CA)	
9905.29.18	1/	Methylamine, whether or not in solution (provided for in subheading 2921.11.00).....	1/		Free (CA)	

1/ See chapter 99 statistical note 1.

APPENDIX F

U.S. PACKERS RANKED BY THEIR SHARE OF DOMESTICALLY PURCHASED HONEY

Table F-1
Honey: List of packers, ranked by ascending order of the domestic share of firm's purchases, 1991

*	*	*	*	*	*	*

Table F-2
Honey: List of packers, ranked by ascending order of the domestic share of firm's purchases, 1992

*	*	*	*	*	*	*

Table F-3
Honey: List of packers, ranked by ascending order of the domestic share of firm's purchases, 1993

*	*	*	*	*	*	*

Table F-4
Honey: List of packers, ranked by ascending order of the domestic share of firm's purchases, Jan.-Aug. 1993

*	*	*	*	*	*	*

Table F-5
Honey: List of packers, ranked by ascending order of the domestic share of firm's purchases, Jan.-Aug. 1994

*	*	*	*	*	*	*

APPENDIX G

SUMMARY DATA CONCERNING THE U.S. MARKET

Table G-1
Honey: Summary data concerning the U.S. market and U.S. beekeepers' operations, 1991-93, Jan.-Aug. 1993, and Jan.-Aug. 1994

				Jan.-Aug.--		Period changes			
	1991	1992	1993	1993	1994	91-92	92-93	91-93	J-A93-94
U.S. consumption--quantity:									
Amount (million lbs)	303.4	298.2	304.2	(1)	(1)	-1.7	2.0	0.3	(1)
Producers' share	69.6	61.6	56.1	(1)	(1)	-8.0	-5.5	-13.5	(1)
Importers' share:									
China	14.8	20.1	25.2	(1)	(1)	5.3	5.1	10.4	(1)
Other	15.6	18.3	18.7	(1)	(1)	2.7	0.4	3.1	(1)
Total	30.4	38.4	43.9	(1)	(1)	8.0	5.5	13.5	(1)
U.S. consumption--value:									
Amount (million $)	161.8	155.9	151.9	(1)	(1)	-3.7	-2.5	-6.1	(1)
Producers' share	72.6	64.8	61.1	(1)	(1)	-7.8	-3.7	-11.5	(1)
Importers' share:									
China	11.9	16.7	19.8	(1)	(1)	4.8	3.1	7.9	(1)
Other	15.5	18.5	19.1	(1)	(1)	3.0	0.6	3.6	(1)
Total	27.4	35.2	38.9	(1)	(1)	7.8	3.7	11.5	(1)
U.S. imports from--									
China:									
Qty. (million lbs)	44.8	60.1	76.8	47.5	42.0	34.0	27.8	71.3	-11.6
Value (million $)	19.3	26.1	30.0	19.2	15.3	35.2	15.2	55.7	-20.4
Unit value (cents/lb)	43.0	43.4	39.1	40.4	36.4	0.9	-9.9	-9.1	-10.1
Other sources:									
Qty. (million lbs)	47.4	54.6	56.9	36.0	43.8	15.0	4.2	19.9	21.7
Value (million $)	25.1	28.8	29.1	18.6	20.4	14.8	0.9	15.8	9.5
Unit value (cents/lb)	52.9	52.8	51.1	51.6	46.5	-0.2	-3.2	-3.4	-10.0
All sources:									
Qty. (million lbs)	92.3	114.6	133.6	83.5	85.8	24.2	16.6	44.9	2.8
Value (million $)	44.4	54.9	59.1	37.8	35.7	23.7	7.7	33.2	-5.7
Unit value (cents/lb)	48.1	47.9	44.2	45.3	41.6	-0.5	-7.6	-8.1	-8.3
Ratio of Chinese imports--									
To U.S. production:									
Quantity basis	20.4	27.2	33.3	(1)	(1)	6.8	6.1	12.9	(1)
Value basis	15.8	21.5	24.0	(1)	(1)	5.7	2.5	8.2	(1)
U.S. producers (beekeepers):									
Colonies (1,000)	3,200	3,030	2,880	(1)	(1)	-5.3	-5.0	-10.0	(1)
Production (mil.lbs)	220.1	220.6	230.4	(1)	(1)	0.2	4.4	4.7	(1)
Yield (lbs/colony)	68.8	72.7	80.0	(1)	(1)	5.7	10.0	16.3	(1)
End-of-period inventories (mil.lbs)	102.1	128.7	180.0	(1)	(1)	26.0	39.9	76.3	(1)
Inven./prod. (percent)	46.6	58.3	78.1	(1)	(1)	11.7	19.8	31.5	(1)
Revenues:									
Honey (million $)	17.9	17.5	18.3	(1)	(1)	-2.2	4.4	2.1	(1)
Total (million $)	25.8	25.9	27.0	(1)	(1)	0.3	4.4	4.7	(1)
Expenses (million $)	22.4	22.7	23.8	(1)	(1)	1.4	4.9	6.3	(1)
Net income before taxes (million $)	3.4	3.2	3.2	(1)	(1)	-6.1	0.6	-5.6	(1)
Expenses/revenues (%)	86.7	87.5	88.0	(1)	(1)	0.8	0.5	1.3	(1)
Net income/revenues (%)	13.3	12.5	12.0	(1)	(1)	-0.8	-0.5	-1.3	(1)

(1) Not available.

Note.--Period changes are derived from the unrounded data.

Source: Compiled from official statistics of the U.S. Department of Agriculture, the U.S. Department of Commerce, and from data submitted in response to questionaires of the U.S. International Trade Commission.

APPENDIX H

ADDITIONAL FINANCIAL DATA ON U.S. PACKERS

Table H-1
Income-and-loss experience of U.S. commercial packers who use over 50 percent imported honey on their honey packing operations,[1] fiscal years 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)[2]		
Trade sales	54,321	55,467	61,908
Company transfers	0	0	0
Total	54,321	55,467	61,908
	Value (*1,000 dollars*)		
Net sales:			
Trade sales	48,017	51,863	55,668
Company transfers	0	0	0
Total	48,017	51,863	55,668
Cost of goods sold:			
Unpacked honey:			
U.S.-produced honey	4,814	3,409	4,436
Imported honey	7,829	9,814	9,956
Total	12,643	13,223	14,392
Packing costs	1,119	1,374	1,617
All other costs[3]	29,033	31,785	31,570
Total cost of goods sold	42,795	46,382	47,579
Gross profit	5,222	5,481	8,089
Selling, general, and administrative expenses	5,247	5,283	6,615
Operating income or (loss)	(25)	198	1,474
Interest expense	442	423	413
Other expense items	1	0	3
Other income items	370	603	538
Net income or (loss) before income taxes	(98)	378	1,596
Depreciation and amortization	521	502	530
Cash flow[4]	423	880	2,126
	Ratio to net sales (*percent*)		
Cost of goods sold	89.1	89.4	85.5
Gross profit	10.9	10.6	14.5
Selling, general, and administrative expenses	10.9	10.2	11.9
Operating income or (loss)	(0.1)	0.4	2.6
Net income or (loss) before income taxes	(0.2)	0.7	2.9
	Number of firms reporting		
Operating losses	3	3	1
Net losses	3	4	1
Data	9	9	9

[1] Based on their purchases in 1993.
[2] Some producers did not provide quantities.
[3] Some packers were unable to break down their costs, thus this category includes both domestic and imported purchases of honey, packing costs, and all other costs.
[4] Cash flow is defined as net income or loss plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table H-2
Income-and-loss experience of U.S. commercial packers who use under 50 percent imported honey on their honey packing operations,[1] fiscal years 1991-93

Item	1991	1992	1993
	Quantity (*1,000 pounds*)[2]		
Trade sales	36,031	34,252	36,029
Company transfers	79	41	87
Total	36,110	34,293	36,116
	Value (*1,000 dollars*)		
Net sales:			
Trade sales	39,320	41,559	41,719
Company transfers	43	22	47
Total	39,363	41,581	41,766
Cost of goods sold:			
Unpacked honey:			
U.S.-produced honey	3,769	3,807	4,781
Imported honey	247	172	124
Total	4,016	3,979	4,905
Packing costs	1,539	1,528	1,231
All other costs[3]	27,283	28,830	28,551
Total cost of goods sold	32,838	34,337	34,687
Gross profit	6,525	7,244	7,079
Selling, general, and administrative expenses	5,683	6,102	6,511
Operating income or (loss)	842	1,142	568
Interest expense	666	560	598
Other expense items	46	14	68
Other income items	37	40	352
Net income or (loss) before income taxes	167	608	254
Depreciation and amortization	295	281	315
Cash flow[4]	462	889	569
	Ratio to net sales (*percent*)		
Cost of goods sold	83.4	82.6	83.1
Gross profit	16.6	17.4	16.9
Selling, general, and administrative expenses	14.4	14.7	15.6
Operating income or (loss)	2.1	2.7	1.4
Net income or (loss) before income taxes	0.4	1.5	0.6
	Number of firms reporting		
Operating losses	2	2	2
Net losses	2	3	2
Data	10	10	10

[1] Based on their purchases in 1993.
[2] Some producers did not provide quantities.
[3] Some packers were unable to break down their costs, thus this category includes both domestic and imported purchases of honey, packing costs, and all other costs.
[4] Cash flow is defined as net income or loss plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

APPENDIX I

EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers and packers to describe and explain the actual and negative effects, if any, of imports of honey from China on their growth, investment, ability to raise capital, and the scale of capital investments.

ACTUAL NEGATIVE EFFECTS

Honey Producers

Of the responding producers, 77 reported actual negative effects, and 30 reported no actual negative effects. However, 106 anticipated negative effects, whereas only 3 did not anticipate negative effects. The number of producers that reported a negative impact for specific categories is shown below (some producers responded in more than one category):

	Number	Percent
Cancellation or rejection of expansion projects	40	37.4
Denial or rejection of investment proposal	12	11.6
Reduction in the size of capital investments	39	36.4
Rejection of bank loans	8	7.5
Lowering of credit rating	15	14.0
Selling of assets to pay debt obligations	19	17.8
Increase in debt obligations	41	38.3
Obtaining other or additional employment	13	12.1
Difficulty in repaying agricultural program loans	20	18.7
Other (almost all were low profits due to low price)	17	15.9

Some of the specific comments are shown below:

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APPENDIX J

PRICE DATA OF U.S. PRODUCERS AND U.S. IMPORTERS

Table J-1
Weighted-average f.o.b. sales prices of product 1 (white) reported by U.S. producers and U.S. producer/packers and U.S. importers, by quarters, Jan. 1991-June 1994

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Table J-2
Weighted-average f.o.b. purchase prices of product 2 (extra light amber) reported by U.S. producers and producer/packers and U.S. importers, by quarters, Jan. 1991-June 1994

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Table J-3
Weighted-average f.o.b. sales prices of product 3 (light amber) reported by U.S. producers and U.S. producer/packers and U.S. importers, by quarters, Jan. 1991-June 1994

*	*	*	*	*	*	*

Table J-4
Weighted-average f.o.b. purchase prices of product 4 (amber) reported by U.S. producers and producer/packers and U.S. importers, by quarters, Jan. 1991-June 1994

*	*	*	*	*	*	*