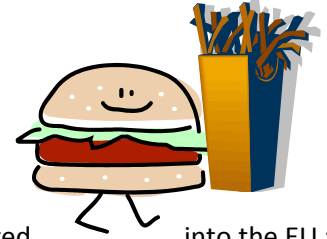




“Right Sizing Is . . . ?”

1. How to order your meal?
2. How you feel after the holidays?
3. The process of restructuring or reorganizing. *(I say we go with #3!)*



We have seen Chinese honey have issues with antibiotics 2001, Chinese honey being accepted into the EU again 2008 and finally we have seen Homeland Security policy and procedures impact the Asian honey market 2010.

What do these events have to do with the price of Honey?.....**Right Sizing!** Simply stated supply typically trends to the markets that are most favorable for its purchase! *(If my kids didn't tell me differently- I would think I was a genius!)*

Facts:

- ❖ USA produces 150M/lbs. of honey and consumes 400M/lbs.
- ❖ China is the largest producer of honey in the world at approx. 300M/lbs.
- ❖ The EU and the USA are the 2 largest honey consumption markets.

Results:

2001 Chinese antibiotic issues removed the largest producer from the market escalating prices to all-time highs. Approx. 6 months from China being able to reship we saw prices settle into a higher stable market price.

In 2008 the EU allowed imports of Chinese honey to begin in earnest and a producer/packer predicted price increase was stemmed until the end of 2009!



Homeland Security in Oct.-Nov. 2010 has increased scrutiny of Asian honey for possible transshipping issues. Importer confusion concerning what tests and or paperwork will be accepted has either caused importers to cease or greatly limit imports.

What does this all mean for 2011?

The elimination and or slowing of 40% of Imported honey supplied to the USA. The EU can still accept Chinese honey and or Asian. Currently they blend at a rate of 25%. The EU is paying roughly \$1.05/lb. for Chinese honey coupled with a potential flood of Asian honey on the horizon. *(Did I just hear a blend rate increase for the EU?)*

USA suppliers will profit heavily on our markets until honey they had historically sold to the EU is replaced by the Asian supply. *(Just imagine cutting your hand and then jumping in with a pool of sharks!)*



Once the Right Sizing occurs, markets will still remain higher than current markets, but less than the inflated prices the USA will pay until supply levels out in the EU and USA markets.

I may need to increase my Prozac® usage!

I doubt supply will be an issue as long as packers have good lines of working capital (yes, that was a shallow jab). Timing for the “Right Sizing” of the market is open for discussion, but GFI is buying and planning for all of 2011!

Bottom line:

Higher prices and stressed Honey packer lines of credit! GFI can't do much about the price increases except use our buying power to lessen the impact....but you will have honey!

“Do not argue with an idiot, he will drag you down to his level and beat you with experience.”!

I Remain **“The Swami”**Ernie Groeb
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Say a prayer for the men and women still serving our country, they make it possible for us to enjoy our freedoms!