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## Honey laundering - international trade increasingly rife with crime

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**(12-29) 18:13 PST Sultan, Wash.** -- Seven cars with darkened windows barreled east toward the Cascades, whizzing past this Snohomish County hamlet's smattering of shops and eateries.

The sedans and sport utility vehicles stirred up dust as they rolled into the parking lot of Pure Foods Inc., a Washington honey producer.

Out popped a dozen people in dark windbreakers identifying them as feds - agents from Homeland Security and Immigration and Customs Enforcement. Some raced to the loading docks. Others hurried through the front door. All were armed.

The man who runs the business, Mike Ingalls, was stunned.

"I just sell honey, what the hell is this all about?" he remembered asking, as he was hustled into a tiny room with his office manager and truck driver.

Three days before the April 25 raid, Customs had convinced a federal judge in Seattle to issue the search warrant shoved in Ingalls' hands. But it wasn't until Ingalls read "Attachment D" that he understood why investigators were seizing his business records, passport, phone logs, photographs, Rolodexes, mail and computer files - almost anything that could be copied or hauled away.

He was suspected of trafficking in counterfeit merchandise - a honey smuggler.

A far cry from the innocent image of Winnie the Pooh with a paw stuck in the honey pot, the international honey trade has become increasingly rife with crime and intrigue.

In the U.S., where bee colonies are dying off and demand for imported honey is soaring, traders of the thick amber liquid are resorting to elaborate schemes to dodge tariffs and health safeguards in order to dump cheap honey on the market, a five-month Seattle P-I investigation has found.

The business is plagued by foreign hucksters and shady importers who rip off conscientious U.S. packers with honey diluted with sugar water or corn syrup--or worse, tainted with pesticides or antibiotics.

Among the Seattle P-I's findings:

-- Big shipments of contaminated honey from China are frequently laundered in other countries - an illegal practice called "transshipping" - in order to avoid U.S. import fees, protective tariffs or taxes imposed on foreign products that intentionally undercut domestic prices.

In a series of shipments in the past year, tons of honey produced in China passed through the ports of Tacoma and Long Beach, Calif., after being fraudulently marked as a tariff-free product of Russia.

-- Tens of thousands of pounds of honey entering the U.S. each year come from countries that raise few bees and have no record of producing honey for export.

-- The government promises intense scrutiny of honey crossing our borders but only a small fraction is inspected, and seizures and arrests remain rare.

-- The feds haven't adopted a legal definition of honey, making it difficult for enforcement agents to keep bad honey off the shelves.

With threats of border incursions from terrorists and tainted products that can harm or kill people or their pets, why were federal agents swooping down on a honey packer in Sultan?

For the Food and Drug Administration, it's all about keeping adulterated and possibly hazardous food off grocery shelves.

For years, China has used an animal antibiotic - chloramphenicol - to treat diseases ravaging their beehives. The FDA has banned that drug in any food product.

Since 2002, FDA has issued three "import alerts" to inspectors at ports and border crossings to detain shipments of tainted Chinese honey. The order in 2002 came after Canadian and European food-safety agents seized more than 80 shipments containing chloramphenicol, which can cause serious illness or death among a very small percentage of people exposed to it.

In March 2007, U.S. officials revised the alert when Florida food detectives found two other antibiotics - iprofloxacin and Enrofloxacin - in honey and blends of honey syrup that originated from China. Last month, the FDA also warned that corn or cane sugar may be adulterated - loaded with honey to increase its bulk or weight and market value.

"We have continuing safety concerns that center on harmful materials being present in some imported honey. It's not something that can be ignored by FDA," said Martin Stutsman, a senior FDA food-safety officer and the agency's top cop when it comes to adulterated food.

"The consumer is cheated and the honest manufacturer trying to sell quality products is undercut and has a hard time competing," he said.

Customs and border-protection agencies began closely watching honey shipments eight years ago. That's when the Commerce department's International Trade Commission bowed to pleas from American honey producers and leveled anti-dumping fees on Argentine and Chinese honey being sold for far less than what domestic producers could charge.

Today, Argentine honey entering this country is taxed an additional 2.2 cents a pound. The tariff on Chinese honey is much stiffer at a \$1.20 a pound and some say it's expected to increase.

Although arrests in such cases remain rare, Customs can pursue criminal prosecutions of shippers and importers who launder or falsify the origin of products to avoid paying taxes, duties and other fees.

The Pacific Northwest is a prosperous portal for Asian honey traders.

In the fiscal year ending Oct. 1, 60 shipments of foreign honey totaling more than 7.5 million pounds arrived at the ports of Seattle, Tacoma and Portland, records show. All but one came from the Far East. Each year, another \$42 million worth of honey comes across the Canadian border from Washington state to North Dakota, Customs says.

Jerry Malmo, border protection's assistant area port director in Seattle, said intercepting illegal foreign shipments is a priority.

"We've had many problems with honey in the past," he said, "so we do our best to stay on top of it."

At the heart of the investigation into Pure Foods are 973 drums of imported honey worth about a half-million dollars. Most of the unmarked, blue drums were still in their shipping containers at the ports of Tacoma and Seattle when they were seized. But 66 had wrongly been released by Customs and were found piled high in Ingalls' outdoor storage area, filled with a rainbow of drums from South America, Canada and Asia.

Pure Foods, which produces tens of thousands of honey-filled plastic bears a year and sells more in bulk to commercial food manufacturers, routinely imports honey, as does almost every other U.S. honey packer.

But did the company knowingly break the law by secretly importing Chinese honey?

The trail for investigators leads 35 miles south of Sultan to Bellevue. There, living within blocks of each other, are Chung Po Liu of Rainier Cascade, the importer who bought the suspect honey overseas, and the man he sold it to: honey broker Bob Coyle.

Ingalls, who flatly denies the feds' smuggling allegation, said he was assured that the honey originated in Thailand.

"The smell, taste and color is unique to the Thai honey that I'm familiar with," Ingalls said he told federal agents. "I've been judging the floral sources of honey throughout the world for more than 35 years, and I know the different tastes of honey."

Ingalls said he's used Chinese honey in the past. He and his wife traveled to China in 1995 and worked closely with honey producers to help them improve their operations.

"But that ended when they made big changes in how they do business," he said. "The quality control, honesty and ethics doesn't seem to be there now. I no longer trust them."

Ingalls' disputed honey was seized, but so far no criminal charges have been filed. The federal agencies involved in the case have declined comment, as has Chung.

Ingalls and Coyle are experienced, nationally recognized honey traders. Ingalls has done work for major honey trade associations, and Coyle was appointed last summer by the Agriculture Secretary to the National Honey Board.

But Coyle is so disillusioned, he said he's getting out of the business.

"It's become so difficult in terms of risk to rewards and not knowing what's out there," he said. "I just don't want to take the chance anymore."

Even analyzing samples of honey before making a purchase--for quality and authenticity - is no longer a guarantee against running afoul of the law.

Said Coyle: "Too often what comes in is not what was in the sample we tested earlier."

Pure Foods is a small operation compared with Silverbow Honey, which runs a packing factory in Moses Lake.

Packing more than 5 millions pounds of honey each year, Gary Grigg said his company is the largest in the Northwest and one of the 10 biggest in the country, with corporate customers including Costco, Wal-Mart, Safeway, Unified Grocers and Fred Meyer.

Getting all the honey he needs isn't a problem.

"We buy what we can from local beekeepers, and we import the rest from other countries," said Grigg, noting that Silverbow imports honey for industrial and bakery customers using South American, Canadian, Indonesian and other suppliers.

Even though Grigg uses some of the same suppliers as Ingalls, he doesn't worry about getting bad overseas honey. "The FDA is on top of it and they pull samples and check on the containers before they release them to us to buy," Grigg said. "They're the watchdogs."

But shipping documents obtained by the Seattle P-I show that even the largest U.S. honey importers can be scammed.

In August, 350 drums containing 223,300 pounds of Chinese honey were shipped from Hubei Yangzijiang Apiculture Co. in Wuhan, China, and loaded on a ship in Shanghai. Within a month, the shipment arrived at Tuglakabad, an import warehouse near New Delhi.

There, according to Indian Customs reports, the honey marked "for re-export purposes" was accepted by Apis India Natural Products. The drums still contained instructions from the Chinese company, saying the load was to be shipped to America's biggest and oldest honey cooperative - Iowa-based Sue Bee Honey. Two containers of the honey reportedly were shipped to Norfolk, Va., and three more went to Jacksonville, Fla.; all were later routed to Iowa.

"We do not buy Chinese honey," Sue Bee Vice President Bill Huser said. Then he quickly added: "We're trying not to buy Chinese honey. Someone could be trying to bamboozle us."

Huser, who's in charge of quality control, said 40 percent of the cooperative's 60 million pounds of honey packed each year is imported. But Sue Bee boasts an in-house laboratory that Huser claims is used to put foreign honey through a number of tests, including checks for antibiotic residue.

Those tests have found chloramphenicol-laced honey, he said. "It's still out there, yeah. ... We find it once a month or so."

The tainted honey is returned to the supplier, said Huser, who concedes it could find its way back into the pipeline.

"There's definitely a likelihood that it's being sold to someone else," he said.

If the steel drums cited in Customs Special Agent Susan Jensen's criminal complaint were filled with plutonium instead of honey, she'd have a dynamite start for a novel that could out-do Tom Clancy or Robert Ludlum.

It's a drama of international intrigue, but the key players sound more benign than sinister. In February, agents took samples from nine shipping containers that had entered the country through the West Coast and were being held for one of the world's leading honey distributors, Alfred L. Wolff, in a Customs warehouse 25 miles west of Chicago.

The paperwork accompanying the shipment claimed the honey was Russian. But scientists in Customs' lab in Savannah, Ga., analyzed the honey for natural soil residue and discovered it was really Chinese, Jensen reported in the complaint.

On March 24, federal agents stopped Wolff's general manager, Stefanie Giesselbach, at Chicago's

O'Hare International Airport as she got off a plane from Frankfurt, Germany. According to Jensen, Giesselbach admitted that her company, which has imported about \$30 million worth of honey into the U.S. in the past three years, was "transshipping" honey.

She told investigators that the seized Chinese honey had been shipped to Russia and then rerouted to the U.S., entering the country with bogus papers in order to avoid higher import fees and testing.

For three months, federal agents pursued the case. Computer databases were searched, informants and witnesses questioned, company records seized.

In May, a confidential informant told investigators it was "common knowledge" among Wolff executives that their honey shipments were frequently contaminated with antibiotics. If a customer complained, the informant said, the honey was routed elsewhere.

Jensen reported in court documents that much of the contaminated honey would be resold at a discount to a Texas packer or to a Michigan firm that rarely tested for contaminants.

Documents seized from the company also showed that employees at the German parent company, Wolff & Olson, knew of other shipments of contaminated Chinese honey being sold to U.S. firms. In one case, 125,000 pounds of contaminated honey from China was sold to a Wisconsin packager as "Polish Light Amber Honey," Jensen said in the complaint.

The night of May 23, when Wolff's national sales manager, Magnus von Buddenbrock, dropped Giesselbach off at O'Hare for a flight home, the executives were arrested.

The pair have been charged with conspiring to import Chinese honey into the U.S. by falsifying country of origin. The German citizens remain free on bail, but if convicted, the conspiracy charges carry up to five years in prison and a \$250,000 fine.

There is quality honey produced in the U.S., Canada and other countries, and honest people in the industry are working hard to keep it clean. But they say there's nothing easy about fixing the problems.

While per capita consumption of honey in America is 1.1 pounds per year, the country produces only about 190 million pounds of the 450 million pounds consumed.

And demand keeps rising. Brokers say the retail market hasn't changed much in the past several years, but use of honey as an ingredient in other products has grown.

That means more scams, said Elise Gagnon, president of Quebec-based Odem International, one of North America's largest honey importers.

"There's more crooks than ever, and it has become a real nasty business out there," said Gagnon,

the spokeswoman for an international group formed to fight Chinese honey transshipments. "They gamble and very, very few--almost none--get caught. So they keep corrupting the system."

Around the globe, honey laundering is so rampant that crackdowns are being pushed in a number of countries, including Russia, India and Australia.

In the wake of the Wolff case, Russia's Interregional Beekeepers Organization held a rare meeting with U.S. and Russian trade officials in June, with both sides pledging to combat Chinese smuggling operations.

It's a big problem, investigators say. While very little Russian-made honey is exported, according to the Federal Customs Service of Russia, records obtained by the P-I show that more than 11 million pounds of honey purportedly originating in Russia entered the U.S. last year alone.

In February, the Australian Supreme Court imposed almost a half-million dollars in fines against two companies that shipped 1.8 million quarts of Chinese honey to the U.S. after falsely relabeling the honey as Australian.

Earlier this month, the Indian government passed legislation aimed at preventing its ports from becoming laundering points for Chinese honey. The national Directorate of Revenue Intelligence found that through mid-November, 471 out of 665 honey shipments that listed India as the country of origin actually came from China.

The U.S. imported 237 million pounds of raw honey last year. But honey brokers, bee experts and foreign customs officials say they're suspicious that seven of the top 12 countries appear to be exporting far more honey than their domestic bees produce or their export agencies acknowledge. These countries include Vietnam, India, Thailand, Russia, Taiwan, Indonesia and Malaysia.

Some of the honey laundering is so brazen, it's hard to believe there haven't been more arrests, yet federal law enforcement agencies refer to the Chicago arrests as the only ones they can recall.

Countries that have few if any commercial beekeepers, such as Singapore, are now exporting significant quantities of honey, records show. That includes the Grand Bahamas, which has been listed as the country of origin for honey shipped into Houston, authorities say. "I have a difficult time seeing the Grand Bahamas as a major honey producer," said David Westervelt, a Florida state apiculture inspector. "It's an island. You move bees on there and they'll die."

And other countries that locally produce mostly dark, strong-tasting honey, such as India, Vietnam and Korea, are shipping tons of the more marketable white honey.

Vietnam is now the No. 2 honey exporter to the U.S., second to Canada. But Vietnamese honey officials say much Chinese honey is being transshipped through their country, citing 24 containers

that arrived in Los Angeles earlier this month.

"When the Chinese first got into trouble with this antibiotic adulteration, all of a sudden Vietnam became a major exporter of honey to the United States," said Mike Burgett, professor emeritus in entomology at Oregon State University who has monitored Southeast Asian beekeeping for 27 years. "I know damn well that the Vietnamese bee industry cannot be pumping out that much honey."

Falsifying records to get honey illegally into the U.S. is a common practice, said a former Shanghai honey shipper.

"In Hai Phong (Vietnam), the Chinese honey became Vietnamese and in Pusan (Korea) the papers were changed to say it came from Russia," said the former shipper, who asked not to be identified.

The Port of Tacoma is never a quiet place, and the morning of Nov. 5 wasn't any different.

Almost around the clock, towering orange cranes eased 40-foot-long containers from freighters on to waiting trucks. About a third of a mile away from Pier 7, drivers effortlessly jostled steel containers up to the doors of the loading bays of K-PAC, a centralized container-examination warehouse.

The pace wasn't any slower inside the cavernous metal building. Customs Import Specialist Frank McCracken walked around 66 steel drums spread out in a secure holding area.

The green drums, marked "Pure honey, Extra light, Amber, Product of China," came from Hefei in southeastern China's Anhui Province, and were headed to Chicago. Using a hammer and crowbar to remove the bungs on three of the drums, McCracken inserted a stainless steel collection tube deep into each.

"This is the most watery sample I've ever seen in a honey shipment," the 30-year veteran said.

The samples were sent to a lab for testing. When the results come in, Customs officials said the agency will decide whether to release the honey or pursue criminal charges.

An alphabet soup of federal agencies insist that they work tirelessly to prevent adulterated honey from reaching store shelves. The closer you get to their headquarters, the stronger is the insistence that every shipment of honey is examined.

But last month's testing at the Port of Tacoma isn't often repeated. The FDA's Stutsman said the agency only tests about a hundred honey samples a year and relies heavily on tips from industry whistle-blowers.

"We sort of rely on that early warning system," he said.

Most honey shipments aren't inspected when they arrive at a U.S. seaport, or when they cross the border by truck or train. To prevent traffic jams at the ports, it's also common for the shipments to be moved to bonded warehouses close to the purchaser for a customs inspection.

Customs and FDA inspectors, however, say some sly importers do this to avoid more thorough dockside inspections by agents more familiar with smuggling techniques.

A Customs supervisor on the U.S.-Canada border, who asked not to be identified, disputed the notion that stopping honey smugglers is a top concern.

"Honey is not only not near the top of the list of priorities," he said, "it's just not on the damn list."

With so much adulterated honey crossing the border, the risk to the public is very real, said Westervelt, the Florida inspector.

"Someday, some really harmful honey will be shipped into this country, and a lot of people will get sick or worse--and then the government will do something about it," he said. "We shouldn't have to wait for people to get sick."

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