



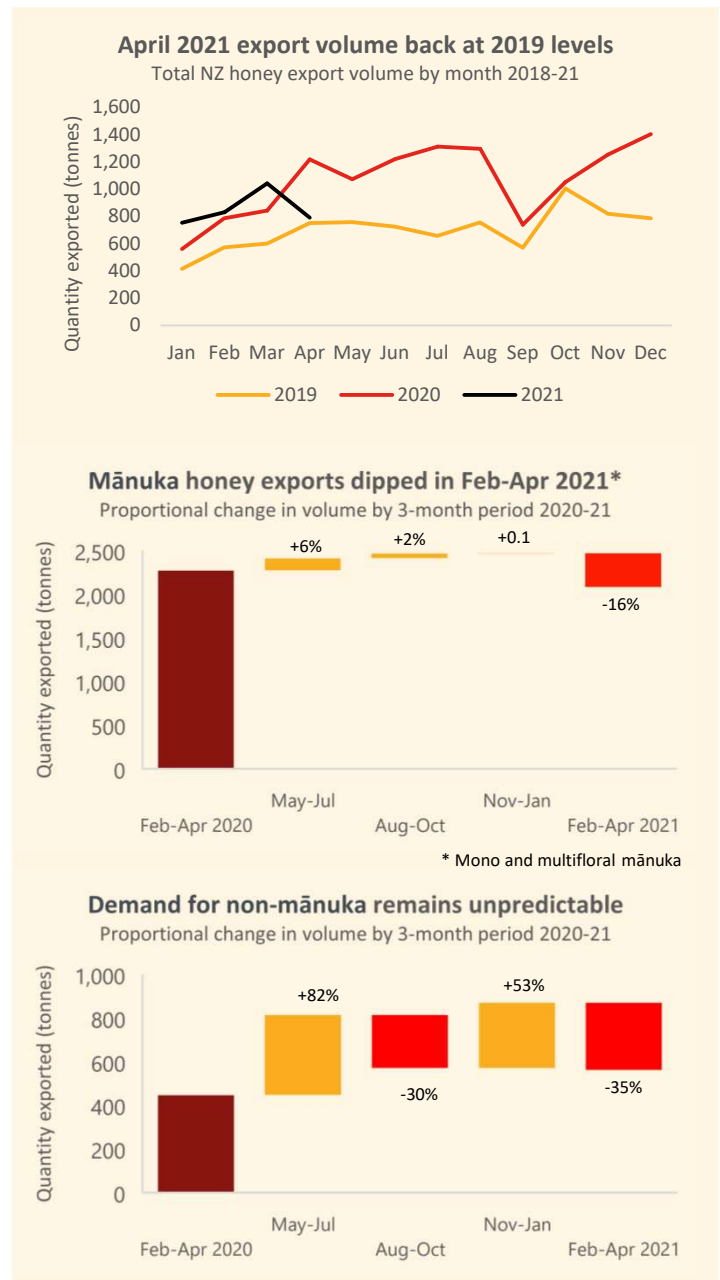
The NZ Honey Market Update is prepared by Apiculture New Zealand and published quarterly.

Near future uncertain but global trade growth promising

Short term demand for NZ honey continues to be difficult to read with the contrast between a surge in March and a significant lull in April indicative of a supply chain with unpredictable bottlenecks. This is not unique to honey - most primary sector food exporters have reported significant difficulties in matching supply with demand as shipping timeframes and consumer access to conventional retail channels remain disrupted by COVID-19. The flow on impact for NZ producers is less certainty that their honey will be required at times they are looking to sell.

The NZ industry did well last year to maintain the initial COVID-19-inspired spike in demand for mānuka honey. There were minor increases throughout 2020 to the already elevated level of volumes shipped in the three months to the end of April 2020. However, those heightened levels have showed signs of receding in 2021, with a 16% fall in exports of mānuka honey in the Feb-Apr period. It is presumptuous to say that this points to a sustained adjustment to 2020-type demand, but it is likely some key markets are well stocked.

The performance of non-mānuka exports in 2020 was initially encouraging, but interest has been more volatile. There was a delayed leap in demand (May-Jul) but unlike for mānuka honey, this was not sustained. NZ pasture/bush honey has no doubt benefited from a greater global interest in natural foods but is not purposely marketed in health and wellness consumer categories. Pricing changes over the past year have showed more of a commodity profile than one recognising new value; prices fell significantly (-33% in May-Jun 2020 and -18% in Nov-Jan). The average export price/kg for non-mānuka honey in Feb-Apr 2021 was 32% down on the same period in 2020.



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2020 an exceptional year for global honey trade

The overall global trade in honey for the full year 2020 was unprecedented. The UN Comtrade trade statistics for all countries shows significant increases in imports, particularly compared with the rate of import growth in the previous three years (2016-19). Japan and Canada re-entered the global market at a level well above their recent engagement while the UK continued to import more honey on the back of already high levels of growth. While still small compared to established markets, Saudi Arabia continues to exceed growth rates set elsewhere. Even more encouraging for exporters to Saudi Arabia was that the value (prices paid) increased 44% in 2020, well above the increase in volume (31%).

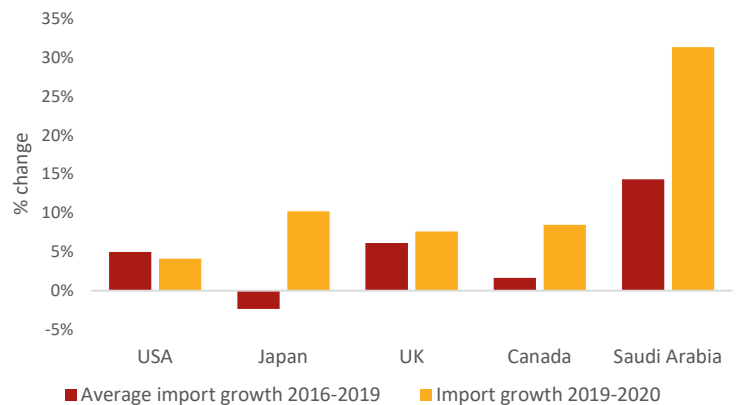
The increase in demand was sharpest in Europe. Honey imports lifted 11% on average across all EU states with Spain and the Netherlands showing exceptional new interest. Even more significant was that the rejuvenated interest in 2020 came after three years of negative honey import growth.

While not conclusive, it needs to be assumed COVID-19 had a marked, positive impact on all honey exporters in 2020. The aggregated global trade stats suggest global honey exports increased an extraordinary 19% from 2019. NZ was a distinct beneficiary of this trend (volumes shipped were up by more than half), but other major exporters shared in the growth – albeit to a lesser degree. As is shown in the bottom chart, the recent uptick in trade contrasts to almost flat growth in the three preceding years.

There are reasonable doubts that these exceptional growth rates are not sustainable. It is very unlikely global consumption of honey increased in one year in line with the aggregated import growth, and it is quite possible a significant amount of honey is now in imported storage. The emergence of shipping disruption post-COVID-19 has meant some importers have been managing this risk by building stocks in market.

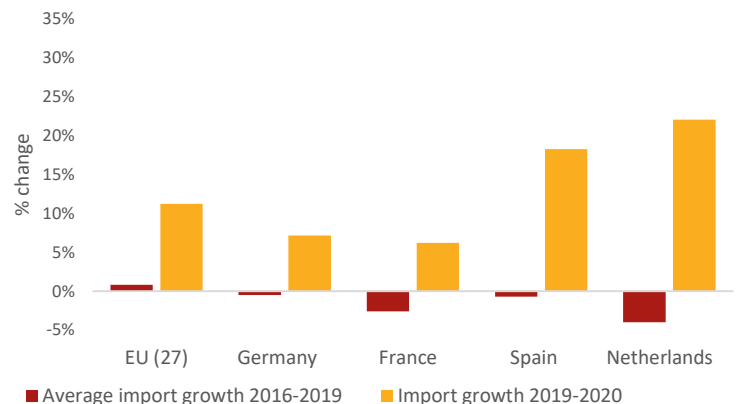
Key importers required more product in 2020

% change in honey import growth (volume) by key market 2016 v 2020



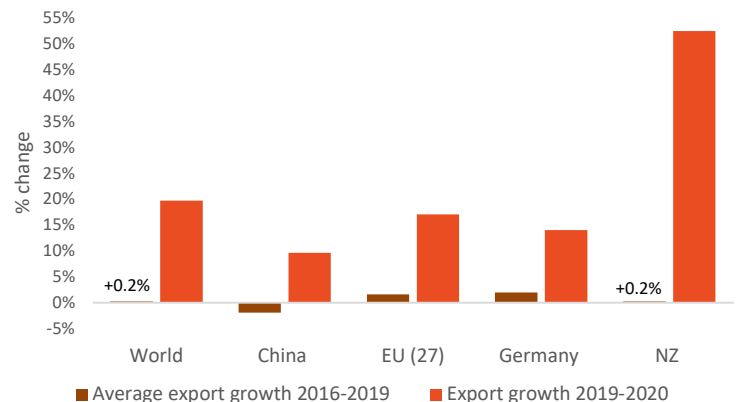
Big jump in EU demand for honey in 2020

% change in honey import growth (volume) by key market 2016 v 2020



20% more honey exported in 2020 than in 2019

% change in global export growth by select markets 2016 v 2020



Plentiful supply of honey supports UK & US demand

The UK and the USA imported more honey in 2020 than in the previous three years, with both markets looking to cheaper sources to fill rising demand. Both were able to import substantially more product for softer prices than in 2019.

China continued to be the UK's main source of honey (68% of all imports came from China), while Viet Nam was the top supplier to the US in 2020 (note: The US does not directly import honey from China).

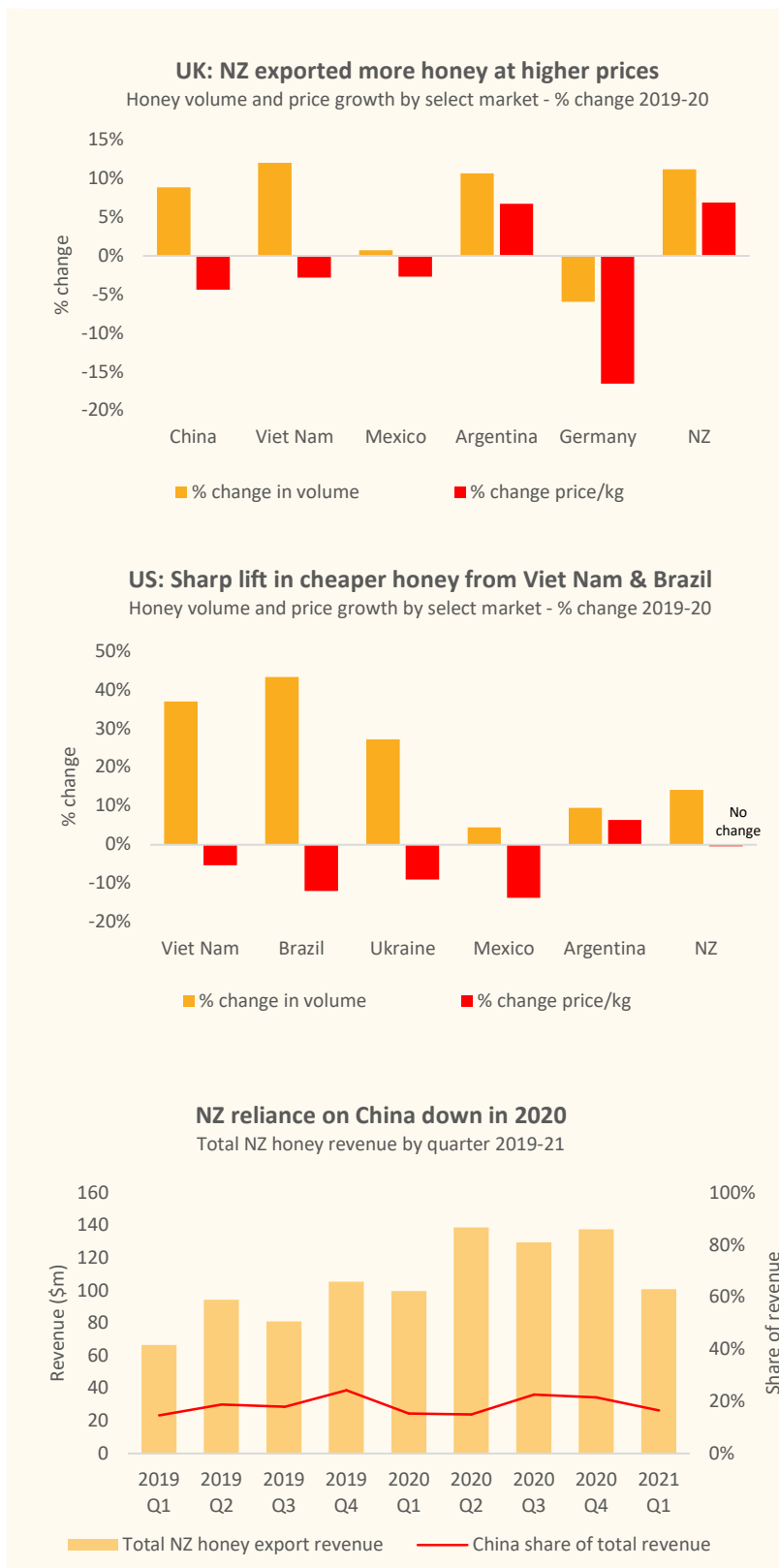
The ability of China, Viet Nam, Brazil, Argentina and Ukraine to turn on the honey export tap provides a reminder there are no obvious issues with honey supply. As in NZ, global production has exceeded demand and there is clearly an excess of honey products looking for a home. The distinct implication of this is fewer opportunities to increase prices for undifferentiated honey products in the near future.

NZ was an outlier in the UK and US – supporting the demand growth, while maintaining (US) and increasing (UK) the price/kg paid for honey. Argentina also negotiated higher prices in both markets, but its average price/kg (NZ\$3.30) in both markets compared unfavourably with NZ's \$30.90/kg in US and \$26.00/kg in the UK.

NZ reliance on China slipping

The NZ government has recently called for exporting industries to consider their exposure to China and actively seek to diversify if they are over-exposed.

NZ does rely heavily on China as a destination for honey exports, but it has not expanded as a proportion of all exports over the past year. China accounted for 20% of all NZ honey export revenue in 2019 but fell to 17% in 2020. The first three months of the calendar year are typically quiet for China, but the 13% share of all revenue in Q1 2021 was down from 16% for the same period in 2020.



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