**U.S. Department of Justice**
United States Attorney
Northern District of Illinois

**Gary S. Shapiro**
United States Attorney

Dirksen Federal Courthouse
219 South Dearborn Street, 5th Floor
Chicago, Illinois 60604
(312) 353-5300

FOR IMMEDIATE RELEASE February 20, 2013

# TWO COMPANIES AND FIVE INDIVIDUALS CHARGED WITH ROLES IN ILLEGAL HONEY IMPORTS; AVOIDED $180 MILLION IN ANTIDUMPING DUTIES

CHICAGO — Five individuals and two domestic honey processing companies have been charged with federal crimes in connection with a nationwide investigation of illegal importations of honey from China that was mislabeled as coming from other countries to avoid antidumping duties or was adulterated with antibiotics not approved for use in honey. Altogether, the seven defendants allegedly avoided antidumping duties totaling more than $180 million.

None of the charges allege any instances of illness or other public health consequences attributed to consumption of the honey.

The charges represent the second phase of an investigation led by agents of U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI). In June 2011, an undercover agent assumed the role of director of procurement at defendant HONEY HOLDING I, LTD., which by then was cooperating with the investigation.

Honey Holding, doing business as Honey Solutions, of Baytown, Tex., and defendant GROEB FARMS, INC., of Onsted, Mich., two of the nation's largest honey suppliers, have both entered into deferred prosecution agreements with the government, subject to court approval, with Honey Holding agreeing to pay a $1 million fine and Groeb Farms agreeing to the payment of a $2 million fine. Both companies have agreed to implement corporate compliance programs as part of their respective agreements.

The individual defendants include three honey brokers, as well as DOUGLAS A. MURPHY, former director of sales for Honey Holding, and DONALD COUTURE, president of Premium Food Sales, Inc., a broker and distributor of raw and processed honey in Bradford, Ontario.

In December 2001, the Commerce Department determined that Chinese-origin honey was being sold in the United States at less than fair market value, and imposed antidumping duties. The duties were as high as 221 percent of the declared value, and later were assessed against the entered net weight, currently at $2.63 per net kilogram, in addition to a "honey assessment fee" of one cent per pound of all honey. In October 2002, the Food and Drug Administration issued an import alert for honey containing the antibiotic Chloramphenicol, a broad spectrum antibiotic that is used to treat serious infections in humans, but which is not approved for use in honey. Honey containing certain antibiotics is deemed "adulterated" within the meaning of federal food and drug safety laws.

In 2008, federal authorities began investigating allegations involving circumventing antidumping duties through illegal imports, including transshipment and mislabeling, on the "supply side" of the honey industry. The investigation resulted in charges against 14 individuals, including executives of Alfred L. Wolff GmbH and several affiliated companies of the German food conglomerate whose U.S. honey-importing business was based in Chicago, and others for allegedly avoiding approximately $80 million in antidumping duties on Chinese-origin honey.

Authorities seized and forfeited more than 3,000 drums of honey that entered the country illegally.

The second phase of the investigation, announced today, involves allegations of illegal buying, processing, and trading of honey that illegally entered the U.S. on the “demand side” of the industry. The investigation is continuing.

“We applaud the efforts of HSI, Customs and Border Protection, and other agencies involved in this complex, long-term investigation to enforce the laws that exist to protect U.S. consumers and the honey market,” said Gary S. Shapiro, United States Attorney for the Northern District of Illinois.

“These businesses intentionally deprived the U.S. government of millions of dollars in unpaid duties,” said ICE Deputy Director Daniel Ragsdale. “Schemes like these result in legitimate importers and the domestic honey-producing industry enduring years of unprofitable operations, with some even being put out of business. We will continue to enforce criminal violations of antidumping laws in all industries and ports of entry so American businesses and foreign producers of goods all play by the same rules.”

Also announcing the charges were Gary Hartwig, Special Agent-in-Charge of HSI Chicago; William A. Ferrara, Acting Director of Field Operations for U.S. Customs and Border Protection (CBP) in Chicago, and Daniel Henson, Special Agent-in-Charge of the Chicago Field Office of the Food and Drug Administration’s Office of Criminal Investigations.

The U.S. Food and Drug Administration operates a toll-free number for consumer inquiries: 1-888-INFO-FDA (463-6332).

The government is being represented by Assistant U.S. Attorney Andrew S. Boutros.

The public is reminded that indictments and informations contain only charges and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt. If convicted, courts must impose a reasonable sentence under federal statutes and the advisory United States Sentencing Guidelines. Three of the five individuals charged have authorized the government to disclose that they intend to plead guilty to the charges against them.

Details of the six separate cases follow:

**United States v. Groeb Farms, Inc., 13 CR 137**

GROEB FARMS, INC., of Onsted, Mich., described as the largest industrial honey supplier in the United States, was charged with buying 1,578 container loads of Chinese-origin honey between February 2008 and April 2012, knowing that it was illegally imported into the United States to avoid more than $78.8 million in antidumping duties.

The company has entered into a deferred prosecution agreement in which it accepted and acknowledged responsibility for its conduct and that of its current and former executives and employees. The agreement requires the company to continue cooperating fully for two years, to pay a $2 million fine based on its ability to pay, and to dispose any illegally-entered Chinese-origin honey in its possession.

The company admitted in a factual statement that two former executives purchased Chinese-origin honey for processing at its facilities and sold that honey to its domestic retail, foodservice, and industrial customers as mislabeled non-Chinese honey, and at other times, as Chinese honey, all while knowing that it had been illegally imported to avoid antidumping duties and, at times, honey assessment fees. The honey was variously described falsely as sugars and syrups instead of Chinese-origin honey, and as having originated in Indonesia, Malaysia, Mongolia, Thailand, and Vietnam, instead of China.

The two former executives engaged in fraudulent practices despite the company's own audits and inspections that raised substantial concerns that the honey was illegally imported. They also provided false information to the company's board of directors, customers, and the public regarding Groeb Farms' involvement in knowingly purchasing, processing, and selling illegally smuggled Chinese-origin honey.

The corporate compliance program is designed to ensure that Groeb Farms maintains supply chain integrity and conducts reasonable inquiries to safeguard against any illegal activity.

**United States v. Douglas A. Murphy and Honey Holding I, 13 CR 138**

DOUGLAS A. MURPHY, 56, of Kingwood, Tex., and HONEY HOLDING I, LTD., doing business as Honey Solutions, a large industrial honey supplier based in Baytown, Tex., were charged together with violating the federal Food, Drug, and Cosmetic Act for allegedly purchasing discounted Polish-origin honey containing the prohibited antibiotic Chloramphenicol from Alfred L. Wolff USA in 2006. Murphy was director of sales between 2003 and 2008 and was responsible for the purchase of wholesale quantities of honey, maintaining relationships with suppliers, and the sale of honey to U.S. customers.

Murphy pleaded guilty today and, under the terms of his cooperation plea agreement, subject to court approval, he will receive a sentence of six months' imprisonment and a fine of $26,624 when he is sentenced on May 31.

Honey Holding has entered into a deferred prosecution agreement in which it accepted and acknowledged responsibility for its conduct and that of its employees and agents. The agreement requires the company to continue cooperating fully for two years and to pay a $1 million fine based on its ability to pay. The agreement describes Honey Holding's "extensive cooperation, including its agreement to allow an undercover law enforcement agent to assume the role of [its] director of procurement in an undercover capacity since June 2011."

The company admitted in a factual statement that Honey Holding defrauded its downstream customers of approximately $26,624 by purchasing, processing, and selling the Polish-origin honey that was adulterated with the antibiotic.

The company also admitted that it purchased Chinese-origin honey from at least seven shell and front companies that were controlled by various Chinese honey producers and manufacturers. These illegal honey imports avoided more than $33.4 million in antidumping duties.

Honey Holding also agreed to establish a corporate compliance program to ensure that it maintains supply chain integrity and takes steps to safeguard against any illegal activity.

**United States v. Jun Yang, 13 CR 139**

JUN YANG, 39, of Houston, who brokered the sale of honey to Honey Holding among others, and who operated National Honey, Inc., which did business as National Commodities Company in Houston, was charged with brokering the sale of illegal Chinese-origin honey, which was misrepresented as originating in India, into the United States to avoid antidumping duties.

Yang, through his attorney, has authorized the government to disclose that he will plead guilty, admitting responsibility for fraudulently avoiding antidumping duties totaling as much as $37.9 million on Chinese-origin honey that entered the country illegally as Malaysian and Indian honey between 2009 and 2012. Yang has agreed to pay a fine of $250,000 and restitution totaling $2.64 million, in addition to whatever other sentence is imposed by the court. The government has agreed to recommend a sentence of 74 months in prison.

**United States v. Urbain Tran, 13 CR 140**

URBAIN TRAN, 78, of Culver City, Calif., an agent of Honey Holding who brokered honey transactions for the company since 2006, was charged with two counts of brokering the sale and transportation of illegal Chinese-origin honey, which was misrepresented as originating in Malaysia and Vietnam, into the United States to avoid antidumping duties.

Tran, through his attorney, has authorized the government to disclose that he will plead guilty under the terms of an agreement calling for a fine of $500,000 and restitution totaling $204,403, in addition to whatever other sentence is imposed by the court. Tran faces a maximum of 20 years in prison on each fraudulent sales and transportation count.

**United States v. Hung Yi Lin, 13 CR 125**

HUNG YI LIN, also known as "Katy Lin," 42, of Temple City, Calif., was charged in a federal grand jury indictment returned yesterday with one count of transporting 10 container loads of Chinese-origin honey through the Chicago area after it entered the country illegally. Lin owned and operated KBB Express Inc., of South El Monte, Calif., and served as the U.S. agent for at least 12 importers that were controlled by Chinese honey producers and manufacturers. She was initially charged in a criminal complaint and arrested on Feb. 9 in California. She was released on a $100,000 secured bond and will be arraigned on a later date in U.S. District Court in Chicago.

According to the indictment, between 2009 and 2012, Lin schemed to falsify the contents of hundreds of shipping containers of Chinese-origin honey by misrepresenting them as sugars and syrups during the importation process. As a result, the honey, which had an aggregate declared value of nearly $11.5 million when it entered the country, avoided antidumping duties and honey assessments totaling $39.2 million, the charges allege.

The charge carries a maximum penalty of 20 years in prison and a $250,000 fine.

**<u>United States v. Donald Couture</u>, 11 CR 781**

DONALD COUTURE, 60, of Bradford, Ontario, the president, owner, and operator of Premium Food Sales, Inc., a Canadian broker and distributor of raw and processed honey, was indicted on four counts of violating the Food, Drug, and Cosmetic Act. In May 2009, Couture allegedly caused four container loads of his company's honey that were rejected by one U.S. customer because of the presence of a prohibited antibiotic, Tetracycline, to be delivered to a second U.S. customer without disclosing that the honey contained the antibiotic. The honey was shipped through the Chicago area when it was transported from one customer to the other.

An arrest warrant was issued in the U.S. for Couture. Couture was initially charged in a sealed complaint in November 2011 and the complaint was unsealed after he was indicted last week. Each count carries a maximum penalty of three years in prison and a $250,000 fine.

# # # #