

# DIRTY HONEY

UNCOVERING THE LARGEST  
FOOD FRAUD IN U.S. HISTORY  
BY SUSAN BERFIELD  
PHOTOGRAPH BY JAMIE CHUNG

Magnus von Buddenbrock and Stefanie Giesselbach arrived in Chicago in 2006 full of hope. He was 30, she was 28, and they had both won their first overseas assignments at ALW Food Group, a family-owned food-trading company based in Hamburg. Von Buddenbrock had joined ALW—the initials stand for its founder, Alfred L. Wolff—four years earlier after earning a degree in marketing and international business, and he was expert in the buying and selling of gum arabic, a key ingredient in candy and soft drinks. Giesselbach had started at ALW as a 19-year-old apprentice. She worked hard, learned quickly, spoke five languages, and within three years had become the company's first female product manager. Her specialty was honey. When the two colleagues began their new jobs in a small fourth-floor office a few blocks from Millennium Park in downtown Chicago, ALW's business was growing, and all they saw was opportunity.

On March 24, 2008, von Buddenbrock came to the office around 8:30 a.m., as usual. He was expecting a quiet day: It was a holiday in Germany, and his bosses there had the day off. Giesselbach was on holiday, too; she had returned to Germany to visit her family and boyfriend. Sometime around 10 a.m., von Buddenbrock heard a commotion in the reception area and went to have a look. A half-dozen armed federal agents, all wearing bulletproof vests, had stormed in. "They made a good show, coming in with full force," he recalls. "It was pretty scary."

The agents asked if anybody was hiding anywhere, then separated von Buddenbrock and his assistant, the only two employees there. Agents brought von Buddenbrock into a conference room, where they questioned him about ALW's honey business. After a couple of hours they left, taking with them stacks of paper files, copies of computer hard drives, and samples of honey.

Giesselbach returned from Germany three days later. Her flight was about to land at O'Hare when the crew announced that everyone would have to show their passports at the gate. As Giesselbach walked off the plane, federal agents pulled her aside. She, too, answered their questions about ALW's honey shipments. After an hour, they let her leave. The agents, from the U.S. Department of Commerce and the Department of Homeland Security, had begun to uncover a plot by ALW to import millions of pounds of cheap honey from China by disguising its origins.

Americans consume more honey than anyone else in the world, nearly 400 million pounds every year. About half of that is used by food companies in cereals, bread, cookies, and all sorts of other processed food. Some 60 percent of the honey is imported from Argentina, Brazil, Canada, and other trading partners. Almost none comes from China. After U.S. beekeepers accused Chinese companies of selling their honey at artificially low prices, the government imposed import duties in 2001 that as much as tripled the





price of Chinese honey. Since then, little enters from China legally.

Von Buddenbrock and Giesselbach continued to cooperate with the investigators, according to court documents. In September 2010, though, the junior executives were formally accused of helping ALW perpetuate a sprawling \$80 million food fraud, the largest in U.S. history. Andrew Boutros, assistant U.S. attorney in Chicago, had put together the case: Eight other ALW executives, including Alexander Wolff, the chief executive officer, and a Chinese honey broker, were indicted on charges alleging a global conspiracy to illegally import Chinese honey going back to 2002. Most of the accused executives live in Germany and, for now, remain beyond the reach of the U.S. justice system. They are on Interpol's list of wanted people. U.S. lawyers for ALW declined to comment.

In the spring of 2006, as Giesselbach, who declined requests for an interview, was preparing for her job in Chicago, she started receiving e-mail updates about various shipments of honey moving through ports around the world. According to court documents, one on May 3 was titled "*Loesungsmoeglichkeiten*," or "Solution possibilities." During a rare inspection, U.S. customs agents had become suspicious about six shipping containers of honey headed for ALW's customers. The honey came from China but had been labeled Korean White Honey.

The broker, a small-time businessman from Taiwan named Michael Fan, had already received advice from ALW about how to get Chinese honey into the U.S. ALW executives had told him to ship his honey in black drums since the Chinese usually used green ones. And they had reminded him that the "taste should be better than regular mainland material." Chinese honey was often harvested early and dried by machine rather than bees. This allowed the bees to produce more honey, but the honey often had an odor and taste similar to sauerkraut. Fan was told to mix sugar and syrup into the honey in Taiwan to dull the pungent flavor.

After Fan's honey shipment was confiscated, an ALW executive wrote to Giesselbach and her colleagues: "I request that all recipients not to write e-mail about this topic. Please OVER THE TELEPHONE and in German! Thank you!"

Nonetheless, Giesselbach and executives

in Hamburg, Hong Kong, and Beijing continued to use e-mail for sensitive discussions about the mislabeled honey. When Yan Yong Xiang, an established honey broker from China they called the "famous Mr. Non Stop Smoker," was due to visit Chicago, Giesselbach received an e-mail. "Topic: we do not say he is shipping the fake stuff. But we can tell him that he should be careful on this topic + antibiotics." E-mails mention falsifying reports from a German lab, creating fake documents for U.S. customs agents, finding new ways to pass Chinese honey through other countries, and setting up a Chinese company that would be eligible to apply for lower tariffs. Giesselbach comes across as accommodating, unquestioning, and adept.

ALW relied on a network of brokers from China and Taiwan, who shipped honey from China to India, Malaysia, Indonesia, Russia, South Korea, Mongolia, Thailand, Taiwan, and the Philippines. The 50-gallon drums would be relabeled in these countries and sent on to the U.S. Often the honey was filtered to remove the pollen, which could help identify its origin. Some of the honey was adulterated with rice sugar, molasses, or fructose syrup.

In a few cases the honey was contaminated with the residue of antibiotics banned in the U.S. In late 2006 an ALW customer rejected part of Order 995, three container loads of "Polish Light Amber," valued at \$85,000. Testing revealed one container was contaminated with chloramphenicol, an antibiotic the U.S. bans from food. Chinese beekeepers use chloramphenicol to prevent Foulbrood disease, which is widespread and destructive. A deal was made to sell the contaminated honey at a big discount to another customer in Texas, a processor that sold honey to food companies. According to court documents, ALW executives called Honey Holding the "garbage can" for the company's willingness to buy what others would not. Giesselbach followed up with Honey Holding, noting "quality as discussed." The contaminated container was delivered on Dec. 14, 2006.

Von Buddenbrock's introduction to the honey-laundering scheme came months after he'd settled into Chicago. In the spring of 2007 he was getting ready to take over the U.S. operation from a university friend, Thomas Marten. They talked about the business every other week for a couple of hours over dinner. One night at an Italian restaurant near their office, Marten told

von Buddenbrock about ALW's mislabeling Chinese honey to avoid the high tariffs. "The conversation started normally," says von Buddenbrock. "Then he started talking about honey. I always took notes in all our meetings, and I tried to take notes then. He told me I shouldn't. I was surprised and a bit shocked about what I was hearing. We were talking about something criminal, and some people imagine meeting undercover, in a shady garage." They were out in the open, eating pasta. Marten could not be reached for comment.

Von Buddenbrock took over from Marten in August 2007. The raid on the ALW office on North Wabash Avenue occurred seven months later, after U.S. honey producers had warned Commerce and Homeland Security that companies might be smuggling in cheap Chinese honey. Low prices made them suspicious. So did the large amount of honey suddenly coming from Indonesia, Malaysia, and India—more, in total, than those countries historically produced.

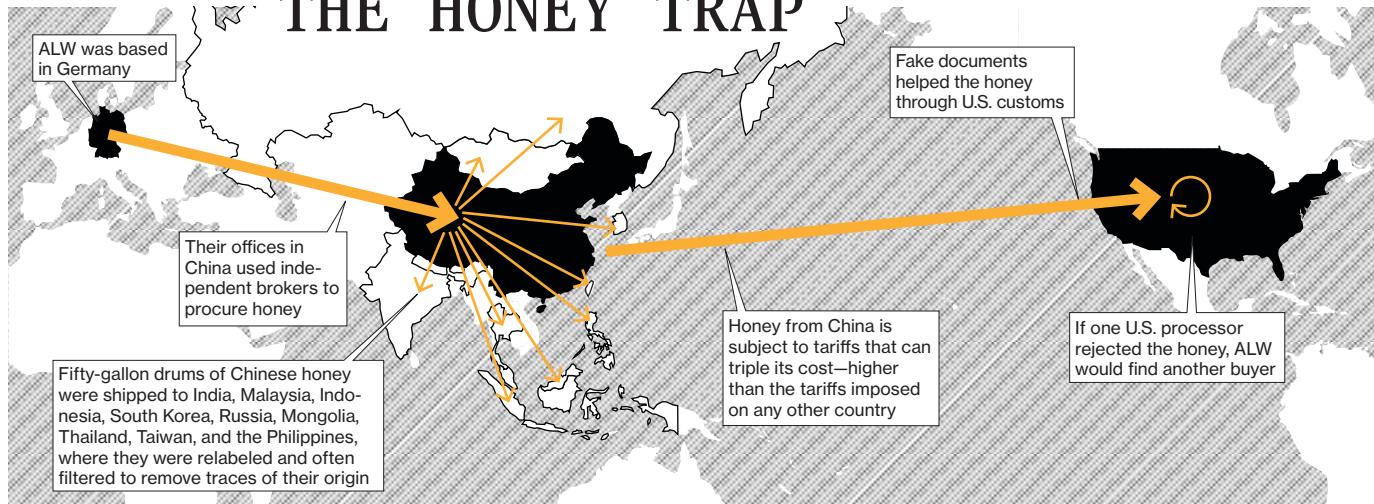
Although the illicit honey never posed a public health threat, the ease with which the German company maneuvered suggests how vulnerable the food supply chain is to potential danger. "People don't know what they're eating," says Karen Everstine, a research associate at the National Center for Food Protection and Defense. The honey business is only one example of an uncontrolled market. "We don't know how it works, and we have to know how it works if we want to be able to identify hazards."

After they were questioned in March 2008, von Buddenbrock and Giesselbach continued to work for ALW. "We didn't know what direction this was going to go," says von Buddenbrock. "I was considering leaving, but I thought this might actually be a good opportunity for me." If ALW got out of the honey business, he could focus on selling the products he knew more about. The ALW executives in Hamburg, he notes, kept in touch by e-mail but for obvious reasons no longer traveled to the U.S. Giesselbach, meanwhile, arranged to return to ALW's Hamburg office; it's not clear if she was being sent home by the company. Her flight to Germany was on Friday, May 23.

Von Buddenbrock drove her to O'Hare, hugged her goodbye beside the curb, and got back in his car. It was late afternoon, the beginning of Memorial Day weekend, and he called his assistant to see if he needed to return to the office. While he was on the phone, an unmarked Chevy Impala drove up behind him. Officials shouted for him to pull over, arrested him, and drove him to a downtown Chicago courthouse where Immigration and Customs Enforcement (ICE) agents, federal prosecutors, and his lawyer were waiting. About 20 minutes later, Gies-

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# THE HONEY TRAP



selbach was brought in. She had been arrested before she checked in for her flight. “We were not allowed to talk, but I could see on her face that she was shocked,” says von Buddenbrock. “We were both in complete disbelief.”

Von Buddenbrock had also booked a flight to Germany for the following week; he planned to attend a friend’s wedding and return to Chicago. “I think that made the agents nervous,” he says. “At that point they didn’t know the complexity of the scheme. They probably thought No. 1 and No. 2 are leaving the country.”

He and Giesselbach were charged with conspiring to import honey from China that was mislabeled and adulterated. They were taken next door to the Metropolitan Correctional Center, where they turned over their belongings, put on orange jumpsuits, and waited. “I was tense and nervous,” says von Buddenbrock. “But I managed to get along. I speak Spanish. I like soccer.” He played Monopoly with someone’s contraband dice. He got to know Joey Lombardo, the mafia boss. “He gave me a recommendation for an Italian restaurant.”

Back in Hamburg, Wolff told local newspaper *Abendblatt*: “The accusations against us are unfounded, and we will fight them with every legal means.”

On Monday, June 2, agents seized thousands more files from ALW’s office. Later that month, Giesselbach and von Buddenbrock were released after posting bond and continued to cooperate. “At first we didn’t have any clue how big it was,” says Gary Hartwig, the ICE special agent in Chicago in charge of the investigation.

ALW soon closed its U.S. operations and cut off contact with Giesselbach and von Buddenbrock. “ALW had such a nice scheme that functioned so well for a while,” says T. Markus Funk, an internal investigations and white-collar defense partner at Perkins Coie who was a federal prosecutor in Chicago when the ALW investigation began. “They were extremely sophisticated and intelligent in some ways, but so sloppy in other ways. What do

they think—no one can translate German?”

In Germany, Giesselbach’s parents pleaded with ALW to help their daughter, but “the company cowardly abandoned their young employee without any help when she was in dire straits,” her father, Frank, says in an e-mail. One ICE agent called Giesselbach a marionette; the puppet master was Wolff. “I feel that Stefanie and Magnus got the rough end of the pineapple,” says Funk.

Giesselbach and von Buddenbrock each pleaded guilty to one count of fraud in the spring of 2012. According to Giesselbach’s plea agreement, between November 2006, when she arrived in Chicago, and May 2008, when she was arrested, as much as 90 percent of all honey imported into the U.S. by ALW was “falsely declared as to its country of origin.”

In February 2010, Wolff & Olsen, the century-old conglomerate that owned ALW, sold it to a Hamburg company called Norevo. According to an affidavit by one of the ICE agents, the sale was a sham; a former ALW executive assured customers in the U.S. by e-mail that after the sale was complete it would be “business as usual.” The transaction price was not disclosed. Norevo replied to a request for comment with a statement that had been posted on its website in March 2010. It concludes: “Within the frame of this acquisition, as legally required, the whole staff [of ALW] was taken over by Norevo, allowing for the business continuity of the company.”

**G** iesselbach went to jail. For one year and one day, she was Prisoner 22604-424 at Hazelton, a federal penitentiary in Bruceton Mills, W. Va. In a sentencing memo, Giesselbach’s lawyer wrote of his client: “She was living her youthful dream of international travel and business; under those circumstances she ignored her good judgment and went along with her predecessor’s scheme knowing it was wrong.” Giesselbach was released on Sept. 8 and is being deported. Von Buddenbrock was put under home confinement in Chicago for six

months. His last day in an ankle bracelet was Friday, March 8. On the Monday after that, he self-deported. “I was relieved and happy, but I wasn’t sure what’s going to come,” he says. He’s settling back into life in Germany. “At the beginning it was a bad, lone wolf, so to speak,” he says. “Later, digging deeper the government found it was more than just ALW. A lot of people were doing it. It was an open secret.”

A second phase of the investigation began in 2011, when Homeland Security agents approached Honey Holding, ALW’s “garbage can,” and one of the biggest suppliers of honey to U.S. food companies. In “Project Honeygate,” as agents called it, Homeland Security had an agent work undercover for a full year as a director of procurement at Honey Holding.

In February 2013, the Department of Justice accused Honey Holding, as well as a company called Groeb Farms and several honey brokers, of evading \$180 million in tariffs. Five people pleaded guilty to fraud, including one executive at Honey Holding, who was given a six-month sentence. Honey Holding and Groeb Farms entered into deferred prosecution agreements, which require them to follow a strict code of conduct and to continue cooperating with the investigation.

When it announced the deferred prosecution agreement, Groeb Farms, which is based in Onsted, Mich., said it dismissed two executives who created fake documents and lied to the board of directors even as the company’s own audits raised concerns that honey was being illegally imported. “Everything we are doing at Groeb Farms this year has been to ensure the integrity of our supply chain,” Rolf Richter, the company’s new CEO, said via e-mail. Groeb Farms paid a \$2 million fine.

In a statement on its website, Honey Holding says it accepted full responsibility and that in its settlement “there will be neither admission of guilt nor finding of guilt.” The company, now called Honey Solutions, is paying its \$1 million fine in installments. **B**