Deutscher Hopfenwirtschaftsverband e.V.
Türltorstr. 4
85276 Pfaffenhofen/Ilm

MARKET REVIEW JULY 2018

Economic Commission of the IHGC • León • 31 July 2018

True to the trend, the global cultivated area for 2018 is also growing for the fifth year in a row, to a total of 60,315 hectares, or +2% compared with the previous year. Thus, the cultivated area has reached a peak since the 1997 harvest. A volume of around 120,000 mil. t. (previous year 117,020 mil. t.) is to be expected on this area in the coming harvest year in normal weather conditions.
The greatest increase was - as in previous years - in the USA, where a continuous increase has been recorded since 2011 and, for the harvest in 2018, the cultivated area amounts to 23,150 ha. This means that the area has expanded by almost + 50% within only 5 years. The developments in the traditional growing regions of the Pacific Northwest are different for 2018. While the regions of Washington and Oregon show only a moderate or no expansion in land use, the area in Idaho is increasing by nearly 18%. The total area also includes 931 hectares that have appeared in 26 states outside of the Pacific Northwest of the USA. These have diminished slightly for the first time compared with the previous year.

In Europe, the area under cultivation for 2018 is growing by a moderate 2.1% over the previous year. The hops are as good as sold by a high preliminary contract rate during an average harvest. This also applies equally to all growing areas in Germany.

The decrease in the cultivation area in China continues, as the structures of the hop-growing regions are not internationally competitive. In addition, the breweries of the "Middle Kingdom" report a slight decline in beer output.

Weather conditions:

The weather conditions prevailing since March can be considered favourable both in the United States and Europe as a whole. However, above-average high temperatures in the months of April and May resulted in the early blossoming of some aromatic varieties in Central Europe, whose yield remains below average because of the inhibited growth. For the rest of the European varieties, an average harvest is to be expected - provided that the favourable weather conditions last.

Market outlook:

Overall, supplies from the brewing year 2019 seem to be ensured by an average harvest in 2018. As always, there are differences in the variety groups.
While a number of US-American and European special aroma varieties such as Cascade, Centennial or Mandarina Bavaria could not be marketed entirely from the harvest of 2017, the over-supply of these variety groups will be maintained for the upcoming harvest. Other special aroma varieties, on the other hand, are in accordance with the offer.

The market situation for standard European aroma varieties, such as Perle or Tradition, and also for fine aroma varieties, is predicted to even out, subject to normal alpha values. A good 90% of the quantities are already sold.

In the case of the high-alpha varieties for 2018, a larger harvest is to be expected than in the previous year - assuming an average yield. This could lead to a slight easing in the market. In the USA as well as in Europe, the area of this category expands by approximately 1,600 hectares in total. The calculated increase in the production of alpha acid is due, however, to the bandwidth of fluctuations, induced by the weather, of German high-alpha hops, the area of which reached its peak in 2018, with around 8,950 ha.

On the demand side, the US-American craft beer market continues to be a major influencing factor. Although the rates of growth in the craft beer sector are only moving in the single-digit percentage range, the global average hopping rate per hl is increasing. Thus the demand for hops is again increasing in a globally stagnating beer output in the brewing year 2019.
In addition, the proportion of craft beer in other continents, such as South America, Europe and Asia, is steadily growing, although it is of far less overall importance than in the United States.

Overall, a slight surplus of alpha volumes can be expected for the brewing year 2019, if the favourable weather conditions continue, whereby the distribution of the various groups of varieties and the contractual acceptance have a material impact. The past years have shown that some craft beer breweries, especially in the USA, are oversupplied, and contracts are being postponed for the future. On the other hand, stocks seem to be somewhat reduced in some breweries, which could lead to an increase in demand.

Generally speaking, it should be noted that growers and marketers must set more challenges in future years. Here, the declining social acceptance of agriculture and the associated increased public debate about the use of plant protection products and fertilization play just as much a role as restrictive trade measures, such as tariff barriers which threaten unrestricted export.

Pascal Piroué
Deutscher Hopfenwirtschaftsverband e.V.
León, 31 July 2018