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MARKET REPORT JULY 2014

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In 2013 worldwide hop growing acreage decreased for the fifth consecutive year. Since 2008, 11,500 hectares of hops were taken out of production. This acreage reduction would have been even more dramatic if the US had not registered an acreage increase by 2,200 hectares since 2011 in response to the increasing demand from the US craft beer segment.

With an area of 46,246 hectares the world hop growing acreage in 2013 was the smallest since 1955, when it was 45,818 hectares. Only approx. 83,200 metric tons of hops were harvested worldwide (2012: 89,090 mt). This was almost entirely due to the poor hop crop in Germany for weather-related reasons. As a consequence, only 33 % of the world hop crop came from Germany, but 38 % from the US. An alpha quantity of approx. 8,170 mt was produced. These quantities are based on the calculated alpha values at time of processing. Storage losses until processing have been considered, processing losses and further storage losses until use, however, have not been considered. The global average alpha is thus calculated at 9.8 %.

The US produced a share of 47 % of the global alpha crop, Germany 32 %. Almost 80 % of the world's alpha production come from the US and Germany. The remaining market share is distributed amongst the other 26 countries that grow hops.

In 2013 beer production rose by 11 million hectolitres, or 0.6 %, worldwide to a total of 1,960 million hectolitres. Europe saw its output fall by 17.6 million hectolitres, or 3.2 %. In the Americas, beer production volume rose only marginally by 0.3 %. In 2013, China was not only the world's biggest beer producer, but also the country with the highest growth in output by 16.3 million hectolitres. Asia increased its beer output by a total of 19.3 million hectolitres, or 2.8 %. Africa remained the continent with the highest growth rate. Output of the African breweries rose by 7.5 million hectolitres, or 6.0 %.

For the current brewing year 2014 we anticipate an increase in beer production by 1.5 % worldwide. Alpha dosage is supposed to increase further to 4.7 grams per hectolitre. This is mainly due to the increasing demand by the craft beer segment.

Using these figures the calculated alpha demand for the brewing year 2014 amounts to approx. 9,540 mt. The demand for hops for use beyond brewing has been taken into account in the calculation. Processing losses and further storage losses until use have not been considered.

Based on these figures the calculated demand for alpha acids in the brewing year will exceed the alpha crop 2013 by 1,370 mt alpha acids. Nevertheless, the surpluses – mostly of high alpha hops – accumulated in crop years 2008 to 2011 continue to depress the market.

The poor crop in Germany and other EU hop growing countries in 2013, combined with the reduction in acreage over a period of years, led to a noticeable improvement in price levels for all variety segments. For the first time in years, producers in all hop-growing countries were able to obtain prices above their production costs in the fine aroma and aroma hop segments. The prices for high alpha varieties also rose, but the spot market prices did not match the production costs for all varieties.

In the meantime, all fine aroma hops harvested in crop year 2013 are sold out worldwide, and only small quantities of the other aroma varieties in the 2013 crop are still available. The only hops in good to very good supply on the world market are the high alpha varieties. This is due to the stocks from previous crop years held by the brewing companies.

As in previous years, the flavour hop segment is another story. Flavour hops are not a separate variety group. They include conventional aroma and bitter/high alpha varieties. Those varieties which are classed by the market as flavour hops have been in the ascendant for some years, in terms of both acreage development and price. In the meantime they are commanding top prices. The decisive factor in this development is the astonishing fact that although the US craft beer segment accounts for only 1 % of world beer production, it requires more than 10 % of the world hop crop for it. As this segment has been growing at a rate of 15 % per annum for some years, the price for flavour hops is currently of purely secondary importance. Availability and quality are the priorities.

If the hop consumption of the craft beer movement, which is increasingly spreading around the world, continues to grow in this disproportionate manner, it could cause excitement in the world hop market. The rapid and sustained abandonment of high alpha varieties by hop farmers in the US is already noticeable. Within the last five years (including 2013) they have cleared 3,900 hectares high alpha hops while at the same time planting aroma hops on an area of 2,000 hectares. This trend is likely to continue and thus increasingly change the world hop market.

World hop growing acreage increases for the first time since 2008. According to the figures available up to now or estimated it will reach slightly more than 48,000 hectares again in 2014. Acreage development in the most important growing countries is as follows:

– US	+ 1.290 ha
– Germany	+ 460 ha
– Czech Republic	+ 150 ha
– Slovenia	+ 130 ha
– Poland	+/- 0 ha
– China	- 230 ha

All figures mentioned herein correspond to the opinion of the majority of the members of the German Hop Industry Association.The figures published by single member companies may slightly deviate.

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