

## MARKET REPORT MARCH 2020

Executive Meeting of the IHGC • March 30<sup>th</sup> 2020

### Situation highlights:

- At the present moment, we are unable to work with reliable figures, and for this reason, the situation remains unclear, with circumstances constantly changing
- It is possible, however, for us to identify trends
- Beer output figures are falling worldwide
  - We are also receiving information via customer feedback
  - For example, China's top 5 breweries report a 45% drop in the first quarter of 2020 to this point
  - Beer in China is primarily consumed in bars and restaurants, and this is/was no longer an option due to the closures
  - This could be an indication of similar effects in other countries affected by the pandemic
- Craft beer output in the United States is in free fall
  - Craft beer is primarily dispensed in the breweries' bars and tap rooms, which have been closed
  - Many craft breweries have halted production and are fighting for survival
  - The slump in craft beer output is likely to have its greatest impact on the hops market
  - Almost 30% of the demand for hops currently comes from the craft brewing sector
- The collapse of beer consumption will impact the demand for hops, leading to a production surplus. This is expected to put a strain on the market for several years
- U.S. trading companies are negotiating with American growers regarding cancellation of planned expansion of crop-growing areas and shifting of contracts into the future to counteract a foreseeable overproduction primarily of aroma hops. Results are only beginning to appear and are not completely known at this time
  - In the United States, a 1200-hectare net increase in growing area was/is planned, almost all of this in aroma hops

- The lack of Eastern European seasonal workers will certainly affect early work in the German growing region, since larger operations will be especially affected by the worker shortage.  
In the end, whether and to what extent this will lead to lost harvests cannot be assessed at this point.
- To a greater or lesser extent, regardless of the success of these actions, a significant surplus of aroma hops for the craft brewing sector will come onto the market. In Europe, likewise, this will result in a demand shortfall in the craft brewing sector.
  - Since the alpha acid content of these hops ranges from 10% to 14%, they are suitable to be used as high alpha hops at any time during surplus situations
  - This will result in the surplus situation spilling over into the high alpha market, which in turn will especially impact German hops production
- Market supply
  - Hop processing facilities are working at full capacity under stringent safety procedures and precautionary measures
  - Supply chains to customers remain intact despite occasional delays caused by logistics; still, customer supply is currently assured
- Hop industry
  - Following an initial surge in contacts from customers worried over the possibility that the product might no longer be obtainable, calls are again decreasing
  - In the hop industry as in all economic sectors, diminishing customer demand and delayed payments would have a negative influence on the liquidity situation of the trading companies and processing facilities that would vary depending on the length of the crisis
  - Further developments remain to be seen

Peter Hintermeier

Deutscher Hopfenwirtschaftsverband e.V.

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