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MARKET REPORT JULY 2008

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The production data for 2007 given in our April market report have mostly been confirmed. The world hop crop amounted to approx. 91,500 metric tons. 35% of this quantity was harvested in Germany, 30% in the US and 12% in China. An alpha quantity of approx. 7,600 mt was produced. Alpha losses from harvest to processing have been taken into account, however, processing losses and further storage losses until use of the hop products were not considered. This gives a world average alpha content of 8.3%. The US produced 38% of the world alpha, Germany 36% and China 8%.

In 2007, world beer production amounted to almost 1.8 billion hectolitres. Beer production rose by 5.4% or 91 million hectolitres year on year and was once again above average. China alone recorded 46% or 41.6 million hectolitres of the total increase in beer production. Further significant beer production increase was recorded in Europe (Russia and Ukraine), in America (Mexico, US, Brasil and Venezuela) as well as Africa (Nigeria).

For the brewing year 2008, a further increase in beer production of 3% can be assumed. Due to the rising usage of pre-isomerized hop products and the fact that growth occurs mainly in countries with low hop dosage, the alpha dosage continues to decrease. With a calculated 4.6 grams alpha per hectolitre of beer, the alpha demand will be 8,500 mt in the brewing year 2008. These statistics do not take into account the processing losses nor the alpha degradation that occurs during the time between processing of the hops and their use in the brewing industry nor the approx. 200 mt of alpha required for use outside the brewing industry.

This figures lead to the conclusion that the crop 2007 alpha quantity will not cover the alpha demand for brewing year 2008 and a calculated supply deficit of approx. 900 mt will occur. For the third year in succession, less alpha was harvested than was required. This amounted to a shortfall of more than 2,800 mt in the last three years.

As already mentioned in our April report, these supply shortages have caused the brewing industry to strive for security in raw material supply. Forward contracts have therefore been concluded on an unprecedented scale. Hop growers in the USA will probably benefit most from the structural shortfall in the supply of hops to the bewing industry and the resulting wave of forward contracts. For crop 2008, US growers have planted a little more than 2,900 hectares of new hop yards, mainly with high alpha varieties. Each newly planted hectare has already been sold on a long-term basis. The expected expansion of acreage in Germany of approx. 1,000 hectares is also covered by long-term contracts. Acreage in China has also been increased by an estimated 1,500 hectares, which is urgently needed to meet demand from the domestic brewing industry.

As a consequence of the behaviour of the Eastern European growers and trading companies, virtually no forward contracts are likely to have been placed in their region. The historically favourable opportunity to obtain long-term security was sacrificed in these countries for the sake of short-term profit.

As a result of the global increase in acreage totalling nearly 6,000 hectares, a higher crop volume is expected than in 2007. Based on average yields and alphas, approx. 1,500 mt alpha more will be produced. The entire hop industry is again hoping for a good harvest, so that a better balance may be achieved between production and demand.

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