



MARKET REPORT OCTOBER 2005

Economic Commission of the IHGC, Prague, 14th November 2005

Although the final yield and harvest numbers for 2005 are not yet available from the individual hop growing countries, it is possible to present some trends.

The world hop crop is supposed to be between 91,000 and 92,000 mts, i.e. approximately the same quantity as last year. We expect a world-wide alpha acid production of between 7,800 and 7,900 mts alpha (based on values at time of harvest). This would be approx. 200 mts alpha less than last year.

Germany produced approx. 34,000 mts hops or 3,050 mts alpha. The amount of alpha acids is almost the same as last year. However, the alpha quantity of high alpha varieties is approx. 200 mts lower, whereas that of the aroma varieties, due to larger acreage, good yields per hectare and partially above average alpha values, is by approx. 200 mts higher than in 2004.

Current estimates for the USA are 2,500 mts alpha. That would be approx. 200 mts alpha less than last year. The US crop must therefore be called "below-average".

The alpha quantity harvested in China is estimated at approx. 650 mts alpha, same as last year.

Also the crop in the Czech republic is worth mentioning. According to forecasts, it is supposed to be between 7,300 and 7,350 mts hops and would thus be approx. 1,000 mts higher than in the previous year. The alpha values are within the average of many years.

The trend can be seen that the alpha sector world-wide produced approx. 400 mts alpha less, whereas the aroma sector produced approx. 200 mts alpha more than in 2004.

Already during harvest, spot hops were purchased by the hop trade in the German growing areas. The varieties Perle, Tradition and Select were almost completely purchased at fixed prices of 4.10 EUR/kg. Other aroma varieties were contracted to the trade by means of pools or actions with pre-payments.

The high alpha varieties Magnum and Taurus were both taken over at fixed prices of 2.50 or 2.90 EUR/kg and via pools or actions with pre-payments between 2.30 and 2.70 EUR/kg. At present, there seem to remain almost no hops in growers' hands.

So far only small quantities of aroma hop products were sold on the spot market. Despite the increased quantity on offer, product sales prices were obtained which corresponded to the high purchase basis price mentioned. In particular because of the good alpha values it was possible to sell aroma products to the breweries at acceptable prices, despite the high purchase prices at the growers. At present it cannot be foreseen, however, how the market will develop further as marketing has not yet progressed far enough. The undersupply with aroma hops from crop 2003 will be balanced this year at the latest. That also means, however, that the future world aroma market cannot stand any additional aroma acreage.

In view of the enormous harvest quantity in the Czech republic the price for the Saaz variety is under strong pressure. Pools for spot market hops, which were made this year for the first time in the Czech republic, will not change this situation either as they will not decrease the quantity of Saaz hops on offer.

It is calculated that the market for alpha and high alpha hops will be balanced or slightly under-supplied in the brewing year 2006, depending on the estimated need. However the current price situation of alpha hop sales does not reflect this situation. The high alpha spot market has been very slow so far despite the small quantity on offer. That could be due to the fact that breweries overstocked at favourable prices last year or that the customers are hesitating in view of the slightly higher prices. Apparently, there are still cheap remaining quantities from crop 2004 on the market, which disturb the price level for hops from 2005. Also the marketing of alpha hops has advanced too little, however, to make reliable prognoses on the further price development but this will also be decisive for future marketing and the associated price level of precontracts.