Deutscher Hopfenwirtschaftsverband e.V.
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Based on crop results available at present, the world harvest for 2011 will amount to approx. 100,000m tons of hops (2010: 99,900m tons). Regarding alpha acid production we reckon with a result of 10,300m tons of alpha worldwide. After 2008, 2009 and 2010, the fourth successive above-average crop has been harvested in 2011. (N.B. all alpha quantities mentioned were calculated with alpha content prior to processing, i.e. storage losses were taken into account but not processing losses).

In Germany approx. 37,500m tons of hops or 4,100m tons of alpha acid have been produced. This would be around 700m tons more alpha than in the previous year. Germany's share of world alpha production crop 2011 amounts to nearly 40 %.

Current estimations for the **US** amount to about 3,800m tons of alpha. This means the US are producing nearly 200m tons of alpha more than last year. The reasons for this are exclusively the outstanding alpha values of nearly all varieties. Yields per hectar correspond more or less with the long term average. In 2011 the US produced approx. 37 % of the world alpha acid crop.

The crop in **China** will probably amount to approx. 800 – 850m tons of alpha. More detailed results are not available at present.

Although the world acreage has been reduced by 8,400 ha since 2008, world production has reached the 100,000m tons region for the fourth year running which has generated around 10,000 tons of alpha acid. The reasons for this are on the one hand the good growing conditions in these years but on the other hand the change in structure of the varieties grown. As mainly low yield inventories and varieties have been cleared, the share of new cultures with very high yields and alpha potential has risen considerably. This has resulted in a significant increase of acreage productivity.

While the world hops industry is constantly producing at a high level, the demands of the brewing industry have not yet recovered since the beginning of the world economic crisis in 2008. We assume a demand of approx. 7,700m tons of alpha acid for the brewing-year 2012. The calculated overproduction in 2011 may amount to more than 2,500m tons of alpha. This means that in the last four years a cumulated surplus of more than 10,000m tons of alpha has been produced. This represents the volume of a good world harvest.

The result is an enormous build up of inventories in the hops and brewing industries in various forms:

- unsold hops from the last crops in growers' storage facilities, especially in China, Poland, Slovenia and the Czech Republic
- unsold hops from crop 2008 and thereafter in trading companies
- sold hops from crop 2008 which are completely processed as end products but are still in storage waiting for call off and payment
- inventories in brewery warehouses which have been taken but not yet used for brewing

The world hop market's reaction to this situation is almost a complete purchasing standstill. In all hop growing countries of the IHGC there are only a few purchasing offers to growers for some special varieties while prices have to be rated as well below average. Otherwise mainly producer groups and private traders in Germany and the Czech Republic are taking over unsold hops into spot hop pools with minimal or no prepayments. However these hops probably won't be marketable – and if they are, they will only be sold in part at very low prices.

The situation for growers in the hop growing countries of the IHGC varies significantly. While the growers in Slovenia and Poland sold less than half ot their crop as contracted hops in 2011, the German growers have covered 85% of their crop with contracts.

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As all contracts were made at good prices and spot hops are either unmarketable or can only be sold at sub-production cost prices, there are large differences in the incomes of German and Eastern European growers. However even in Germany the contract coverage ratio will decrease to approx. 50% by 2014. As the purchasing standstill continues not only on the spot markets but even more so on the contract markets, there will be no chances to sign contracts at prices which cover the costs of production for the next few years.

To balance the market a further reduction of acreage is unavoidable. According to the yield potential of the present structure of varieties, the quantity of 7,700 to 7,800m tons of alpha at an acreage of around 42,000 ha could be produced. Consequently a further 6 – 7,000 ha has to be reduced worldwide.

This applies especially to the leading hop growing nations, the US and Germany, as it is only in those countries that the potential exists for the required reduction of acreage and yields.

Since 2008, the year with the largest acreage over the last decade, the US has reduced its hop growing area by nearly 4,500 ha. Between 2006 and 2008 they had increased acreage by 4,600 ha. Now, the level prior to this increase has been established again.

Although Germany expanded its acreage by just 1,500 ha from 2006 to 2008, it is a fact that since 2008 German hop growers have only decreased their acreage by 500 ha.

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