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MARKET REPORT JULY 2012

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In 2011 the world hop crop amounted to approx. 98,000 mt to 100,000 mt. 38% of this quantity was harvested in Germany and 29% in the US. An alpha quantity of approx. 10,000 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 10.3%. Germany produced 41% of the world alpha and the US 36%. Germany and the US are further strengthening their leading role in the world hop market.

- Nearly two thirds of the world acreage are situated in these two countries
- More than two thirds of the world hop crop are harvested in these two countries
- More than three fourths of the world alpha quantity are produced in Germany and in the US. The remaining market shares are split up between the other 28 hop growing countries.

In 2011 world beer production rose by more than 60 million hectolitres to a total of 1.9 billion hectolitres. Not all countries could participate in this increase. This is clearly visible by the fact that about 42 million of the total increase of 60 million hectolitres were produced in China. With growth rates of more than 7% Asia and Africa are the „winners“ in world beer production.

For the brewing year 2012, a further increase in beer production of 2% can be assumed. Nevertheless the alpha dosage per hectolitre of beer may only amount to 4.0 grams. Any late hop dosages (as usual in craft brewing) scarcely resulting in an isomerization of alpha acids are not considered in this calculation. Assuming these figures an alpha demand of approx. 7,850 mt computes for brewing year 2012. Approx. 200 mt of alpha are required for use beyond brewing purposes. Therefore the total demand of alpha is about 8,050 mt. Processing losses and further storage losses until use of the hop products were not considered.

Based on these figures the crop 2011 alpha quantity will exceed the calculated alpha demand for the brewing year 2012 by 2,000 mt.

In 2011 the hop market oscillated between extreme values:

- Never before world beer production was as high as in brewing year 2011 but never before the alpha dosage per hectolitre beer was so small.
- Since 1955 world acreage never has been as small as in 2011 with 48,500 ha but never before the yield per ha was as high amounting to more than 2 mt in 2011.
- Never before the average world alpha content over all varieties reached with more than 10% in 2011 a level as high - but never before the total alpha overproduction amounted to nearly 10,000 mt as just now.

Although acreage is constantly decreasing the oversupply of the market has continued since 2008.

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According to the available or estimated figures for 2012 the decrease in acreage will continue. The most important hop growing countries show the following development:

– Germany	- 1.100 ha
– Poland	- 200 to 300 ha
– Slovenia	- 200 to 300 ha
– Czech Republic	- 200 ha
– China	- 100 ha
– US	+ 400 ha

Regarding the US figures it is to be considered that about 700 ha of acreage of high alpha varieties were taken out of production whereas 1,100 ha were newly planted with aroma varietes for craft brewing.

The reduction of acreage worldwide amounts to approx. 1,500 – 1,600 ha in total and the acreage itself is round about 46,000 to 47,000 ha. Assuming a normal crop 2012 the world average yield of all varieties would amount to 1.95 mt per ha resulting in a world average alpha content of about 9.4%.

Calculating with these average figures for a normal crop and the acreage mentioned above a world crop result of 90,000 to 92,000 mt or approx. 8,600 mt alpha are probably. This quantity would again exceed the prognosticated alpha demand for the present crop year.

Even considering the growth of the US craft brewing industry with its high hop dosages this won't lead to a visible relaxation of the world hop market. Moreover there are no reliable studies or forecasts of the further development of this market.

In our point of view the acreage clearings effected are still not sufficient to stop the overproduction – especially in the high alpha sector. Considering additionally the high inventories due to overproduction in previous crops there is nearly no hope for a soon market recovery.

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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