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MARKET REPORT NOVEMBER 2020

Economic Commission of the IHGC • Video Conference • November 9th, 2020

Hop Growing Acreage 2020

The global expansion of the hop cultivation area continued. In 2020 about 62,700 ha of hops were cultivated worldwide. This corresponds to an increase in acreage of 1,100 ha compared to 2019.

In the USA, particularly the hop acreage of Cascade, Centennial, Chinook and Summit had been reduced, while the acreage of aroma varieties Citra, Mosaic and Idaho 7 had been significantly expanded.

In Germany, the acreage of most flavour varieties was corrected downwards. The largest increase in acreage was recorded for the varieties Herkules, Perle and Tradition.

The acreage in the Czech Republic remained nearly unchanged. Poland expanded its cultivation only slightly. Due to the infection with Citrus Bark Cracking Viroid, Slovenia had to grub up areas again. UK reduced its cultivation by 50 ha.

2020 Crop

According to the data available today, Germany is having a good average crop. The alpha values for all varieties are above the long-term averages.

After a long time when everything pointed to a very good crop, the Czech Republic surprisingly recorded yields well below average. However, the alpha values of most varieties are above the long-term average.
Poland has an average crop, and alpha values are expected to be above average.

The yields per hectare and the alpha content in Slovenia are well above average, so that both crop and alpha volume will be above last year´s level despite the decline in acreage.

The USA records a below average crop this year. Yields are below the long-term average for aroma and high-alpha varieties. The alpha values of most high-alpha and aroma varieties are also disappointing, with values slightly below to below average.

Current projections result a world crop of around 123,800 tonnes of hops. That would be 5,700 tonnes less than last year. Expressed in alpha acid, the good alpha values in Europe would result in almost 12,700 tonnes. That would be as much as in 2019.

Supply and Market Situation

Against the background of the corona pandemic it is difficult this year to make a precise forecast the supply situation for hops. The pandemic has affected many sectors, including the brewing industry. Especially the craft sector, which is very important for the hop industry, suffers disproportionately because a large part of the craft breweries depend on local supply. The effects are still unclear. We are still in a current pandemic worldwide, and now the number of infections is even rising. The unpredictable further course makes it impossible to give good forecasts for the world beer market.

There is no denying that beer output has collapsed in 2020. The question is: how much? According to estimates, beer output could fall by eight to fourteen percent in 2020 compared to 2019, depending on the model. This corresponds to a reduced demand of up to 2,000 tonnes of alpha.

The alpha surplus from the 2019 crop would thus be between 2,200 and 2,900 tonnes of alpha.

From today's perspective, beer output will not return to 2019 levels until 2022 at the earliest. That means: Whatever hops were not used in the intervening years will never be used again. For some variety groups, we are faced with a loss of demand that cannot be made up.

Whatever the level of surpluses produced last year, this year and possibly next year, they will cumulate and thus burden the markets. The course of the spot market in 2020 is all the more astonishing: supply is the same as last year, demand is falling and yet prices are rising, contrary to all the theorems of economics.

Summary

Depending on the actual development of beer output and the demand for alpha acid, the alpha balance for the brewing year 2020 will be more or less positive. Production surpluses can also be expected in following years, depending on the further course of the corona pandemic. If the assumption that we will build up stocks in this and the coming years is correct, the supply will have to be adjusted to counteract this. Of course, market must be considered differentiated according to varieties and variety groups. The global acreage would have to be reduced for some varieties and variety groups to reduce supply. For other varieties, the acreage must at least not increase.

In my report from last year I already pointed out that other factors will have an unfavourable impact on the hop sector. Climate change is having an increasingly negative impact on yields and especially alpha values. Under the European Community's "Green Deal", more and more statutory restrictions on plant protection and fertilisation are being imposed on hop growing, which have just as much potential to have a negative impact on yields and international trade.

Production and trading must expect more unknowns and higher risks than in the past. They must work together to find solutions to the problems ahead.

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November 9th, 2020

The quantities indicated in mt alpha acids are based on the calculated alpha values at time of processing. Storage losses until processing have been considered, processing losses and further storage losses until use have not been considered.

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.