



MARKET REPORT APRIL 2007

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The hot and dry summer all over Europe was most probably decisive for the 2006 hop crop result. July showed record temperatures and rainfalls well below the average of several years. Cooler weather in Europe started only gradually at the beginning of August with the much needed rainfall. For the early maturing varieties the rainfall probably came too late. Yield per hectare and alpha values were below average. The later the harvest time the closer the results came to long-year average values. Final crop results are not yet available for all hop growing countries. The tendency is, however, that in Europe approx. 1,250 mt alpha or approx. 30% less alpha acid were harvested in 2006 than in the previous year. On the contrary, the US crop quantity was approx. 450 mt higher than that of the previous year. The crop in China was average but as the acreage was increased slightly by approx. 60 ha, the alpha acid amounted to approx. 680 mt, i.e. slightly higher than in 2005.

Worldwide alpha production amounted to approx. 7,000 mt compared to 7,900 mt in the previous year. Because approx. 110 mt of alpha were destroyed in a fire in the US, only approx. 6,890 mt were available for the market. First estimates suggest that the alpha need of the international brewing industry will be approx. 8,000 mt for the brewing year 2007. These numbers result in a calculated deficit of approx. 1,100 mt of alpha acid. These alpha quantities were calculated based on alpha contents before processing.

Already before harvest the hop trade's publications estimated the supply situation of the international brewing industry to be tight. The market for high alpha and bitter hops was considered very tight whereas the market for aroma hops was considered balanced at best. The above-mentioned adverse weather conditions in July and the resulting lower crop additionally worsened the situation on the hop market. Some more factors gave a surprisingly fierce and explosive situation, i.e:

- strongly reduced stocks at the breweries
- increasing import of hop products by Chinese brewery groups
- continuing reduction of acreage due to bad prices
- increasing switch from forward contracts to volatile spot purchases by the breweries to profit from short-term price advantages
- strong increase in the sale of hop products outside of the brewing industry to currently approx. 150 mt alpha acid per year

The market evaluation showed that the needs of the brewing industry must be much higher than it was supposed to be and that at least during the last two years stocks were reduced by buying less than needed. In all regional purchase markets the grower prices for all varieties rose continuously. Many varieties were considered to be sold out very quickly. At the end of October, all growing areas were mostly sold out. The brewing industry's demand for hops of crop 2006 continues. It is still open if all demand can be covered.



In early November, the spot market led to the contract market almost without a break. Finally, long-year contracts were offered to growers globally for almost all varieties at prices that do not only cover cost but also allow for profits. On the sales side, the contract market only started with a time gap so that the hop trade had to buy first at their own risk. The brewing industry switched more and more to securing their raw material supply by contracts for future years. In the course of the contract market the purchase and sales prices increased and the validity of contracts was extended.

In the hop industry – growers and trade – this situation caused a stability which had been longed for for years. In the meantime a lot of varieties for the crop years 2007 and 2008 are supposed to be sold out by grower contracts. Moreover, contracts were concluded partly until 2012 which gives production security to growers and trade.

The international hop market can currently stand a slight acreage increase. It remains to hope that worldwide hop growers will react sensibly. Hop growing acreage and therefore potential hop production govern the price level in the long run.

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