# INTERNATIONAL HOP GROWERS CONVENTION

Economic Committee – Summary of Reports: Yakima, Washington, U.S.A., August 1, 2007

| Country | Hop Acreage 2006 (Hectares) | | | | Hop Production 2006 (MT) | | | Tot. α Prod. | Hop Acreage 2007 (Hectares) | | | | Hop Production 2007 (MT) | | | Tot. α Prod. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aroma | Alpha | Total | New | Aroma | Alpha | Total | MT | Aroma | Alpha | Total | New | Aroma | Alpha | Total | MT |
| Australia | 6 | 366 | 364 | 0 | 9 | 1035 | 1,044 | 128 | 9 | 432 | 441 | 0 | 11 | 879 | 890 | 117.2 |
| Belgium | 35 | 146 | 181 | 0 | 40 | 248 | 288 | 26.8 | 50 | 133 | 183 | 0 | 85 | 270 | 355 | 33.4 |
| Bulgaria* | 72 | 149 | 221 | 0 | 102 | 240 | 342 | 34.5 | 72 | 149 | 221 | 0 | 102 | 240 | 342 | 34.5 |
| China** | 547 | 1,440 | 1,987 | 120 | - | - | 9,500 | 550 | 580 | 5216 | 5010 | 786 | 1500 | 12000 | 13500 | 550 |
| Czech Republic | 5,220 | 85 | 5,305 | 109 | 5,100 | 130 | 5,230 | 145 | 5146 | 68 | 5214 | 194 | 5600 | 133 | 5733 | 220 |
| France | 717 | 39 | 757 | 39 | 1.126 | 62 | 1,188 | 35 | 733.3 | 35.2 | 768.5 | 24.4 | 1283.3 | 69.0 | 1352.3 | 39 |
| Germany | 9,964 | 6,728 | 16,692 | 477 | 15,750 | 12,750 | 28,500 | 2,328 | 10116 | 6628 | 16744 | 954 | 16200 | 14300 | 30500 | 2800 |
| New Zealand** | 224 | 129 | 353 | 0 | 419 | 247 | 666 | 64 | 218 | 136 | 354 | 0 | 490 | 210 | 700 | 64 |
| Poland | 839 | 1,395 | 2,234 | 0 | 900 | 1,800 | 2,700 | 161.9 | 848 | 1386 | 2234 | 0 | 874 | 2015 | 2889 | 172.32 |
| Portugal* | 0 | 37 | 37 | 0 | 0 | 57 | 57 | 5.5 | 0 | 37 | 37 | 0 | 0 | 57 | 57 | 5.5 |
| Russia* | 195 | 225 | 420 | 0 | 156 | 184 | 340 | 15 | 195 | 225 | 420 | 0 | 156 | 184 | 340 | 15 |
| Serbia | 34 | 33 | 67 | 0 | 65 | 69 | 134 | 11.6 | 34 | 63 | 97 | 0 | 68 | 138 | 206 | 12.8 |
| Slovakia | 350 | 0 | 350 | 0 | 387 | 0 | 387 | 10.8 | 350 | 0 | 350 | 0 | 420 | 0 | 420 | 14 |
| Slovenia**,*** | 1,400 | 60 | 1,460 | 62 | 1,548 | 76 | 1,624 | 89.5 | 1434 | 73 | 1507 | 105 | 1795 | 78 | 1873 | 89.5 |
| South Africa | 0 | 438 | 438 | 0 | 0 | 661 | 661 | 94.5 | 0 | 438 | 438 | 0 | 0 | 900 | 900 | 121 |
| Spain* | 0 | 600 | 600 | 0 | 0 | 1,133 | 1,133 | 130.4 | 0 | 600 | 600 | 0 | 0 | 1.133 | 1.133 | 130 |
| Ukraine* | 895 | 569 | 1,464 | 0 | 904 | 569 | 1,474 | 59.5 | 895 | 569 | 1.464 | 0 | 904 | 569 | 1.474 | 59.5 |
| UK – England* | 784 | 244 | 1,056 | 37 | 980 | 430 | 1,410 | 115 | 784 | 244 | 1.056 | 37 | 980 | 430 | 1.410 | 115 |
| USA | 4,392 | 7,520 | 11,912 | 0 | 6,810 | 17,600 | 24,410 | 2,929 | 4473 | 8167 | 12640 | 0 | 7157 | 19600 | 26757 | 3345 |
| IHGC Total | 25,674 | 20,203 | 45,898 | 844 | 34,296 | 37,291 | 81,088 | 6,611.5 | 25937.3 | 24599 | 47261 | 2100 | 37625 | 52073 | 86818 | 7938 |
| IHGC (n-1) | 25,004 | 23,377 | 49,949 | 836.4 | 42046.8 | 51026.9 | 93,140.5 | 8,072.4 | 25,674 | 20,203 | 45898 | 844 | 34,296 | 37,291 | 81,088 | 6,612 |
| | Difference 2006 - 2005 | | | | | | | | Difference 2007 - 2006 | | | | | | | |
| +/- (%) | 2.68 | -13.58 | -8.11 | 0.91 | -18.43 | -26.92 | -12.94 | -18.10 | 1.03 | 21.76 | 2.97 | 148.8 | 9.71 | 39.64 | 7.07 | 20.05 |

*No new data submitted. Most recent data used.

** New Zealand, Slovenia and China did not provide an total alpha production number for 2007 so the 2006 figure was used.

*** Slovenia did not provide production estimates for 2007 so 2006 figures were used.

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DHWV
Deutscher HopfenWirtschaftsVerband e.V.

# MARKET REPORT AUGUST 2007

**Economic Commission of IHB Yakima WA. 01 August 2007**

The world hop crop for 2006 resulted in an overall volume of approximately 85,000 tons, of which the main producers were Germany with 34%, USA with 31% and China with 11%. The amount of freshly-harvested alpha acid available following a fire in the USA only amounted to 6,900 tons, corresponding to a global average alpha value of 8.2%-8.3%. In terms of alpha acid, Germany produced 31%, the USA 42% and China 9% of the world total. The decisive factor for the brewing industry is the amount of alpha still contained in the hops product. This was a maximum of 6,300 tons.

We expect an increase in global beer production to 1.750 million hl for the 2007 brewing year. The high rates of increase in China, at over 10% annually, are expected to continue. In 2006, more than 350 million hl were brewed in China. Globally, alpha dosage per hectoliter of beer is still slightly on the decline. We have calculated 4.2-4.3 g alpha/hl in the form of hop products for the 2007 brewing year, which corresponds to a demand of more than 7,500 tons of alpha acid for the brewing industry alone. If we add to that the demand for alpha acid for non-brewing purposes, the 2006 harvest results in an undersupply of 1,300 – 1,400 tons of alpha.

This deficit has almost completely depleted the stocks of breweries, merchants and growers. This has caused inventories to slip down to their lowest ever levels. Even if there is an above-average harvest for 2007, there will be no major changes to the supply situation.
All involved parties on the production and sales sides were surprised by this development. Indeed, the purchase patterns of a major part of the brewing industry after the 2005 harvest seemed to indicate that sufficient supplies were available. Despite the existing need for hop products on the part of breweries, demand was very sluggish, with the only movement showing at a low price level. Demand was covered by depleting stocks in hopes that, after a good harvest in 2006, supplies could be restocked. However, when the 2006 harvest proved below average, a full-blown shortage developed. The supply situation of the brewing industry was completely unclear for merchants.

For the first time in several years, the brewing industry is confronted with supply shortages for the two major primary products, hops and malt. By implementing the forward-contract system for hops, a procedure which in the past had been well established but was subsequently partly neglected, numerous breweries were able to obtain long-term security for their basic supplies by once again covering forward requirements over several years. These contracts were of course concluded at prices considerably higher than those paid in recent years on the spot market. Prices for growers have finally once again reached a level at which continuity of production seems to be assured. In the hop industry forward contracts as far ahead as crops 2012 and even 2013 have been concluded both by the growers and with the breweries. The forward contract quotas for the 2007 and 2008 harvests are considered to be fully sold, and crops 2010 and 2011 are regarded as largely sold. The final supply to the brewing industry thus ultimately depends on the available spot quantities. Despite the higher prices for producers, there was no major increase in the area under cultivation, as had been expected. Global area increase of about 2,000 hectares can still be considered moderate and appropriate. We must also consider that the majority of this new area does not yield anything in the first year. Only in the USA can we expect an initial yield of 80% of a normal harvest in the first year of growth on approximately 600 hectares. We do not expect major acreage growth for the next crop year either.

In Germany, acreage has increased by 530 ha, although only 58 ha will give full yields for crop 2007. Acreage expansion of more than 800 ha is also being reported from China.
The 2007 spot market will depend on the respective alpha and volume results of the harvest. Demand for spot hops exists; in order for the market to be stimulated, growers must be willing to release their crop. Reserved behavior on the market could have a negative effect.

Yakima, WA (USA) August, 1st, 2007

Deutscher Hopfenwirtschaftsverband e.V.
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