

MARKT REPORT NOVEMBER 2017

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Looking Back at the 2016 Crop

Last year's crop has been the largest since 2009 with almost 112,000 mt on a quantity basis corresponding to about 10,500 mt of alpha acid. Because both beer output and particularly the hopping rate per hectoliter have also increased during the same period, there will arise another deficit in the alpha balance in the 2017 brewing year. However, as there were consecutive years of surplus stocks from the years 2008 to 2012, the continued supply of the brewing industry can be guaranteed.

Spot prices for 2016 were consistently at a high level. Already shortly after the crop, an active contract market began in all European cultivation areas. The contract prices offered remained high. In comparison to the conditions of the previous year, contracting periods became shorter. But for most varieties, contracting periods still remained at up to 7 years.

Up to the beginning of the 2017 harvest and furthermore during the hop picking, contracts for most varieties were offered and finalized at elevated prices.

Hop Growing Area in 2017

Worldwide additional hops were put in the ground. The world hop acreage rose by around 3,000 ha to around 59,200 ha.

Until 2016 the U.S.A. quadrupled their hop acreage of aroma and flavor varieties for craft breweries within just 5 years. Despite clear signs already last year that the contracted volumes on the U.S. craft sector tend to be more than saturated, the U.S. growers planted additional areas with aroma and flavor varieties. An overproduction of U.S. aromas and flavors is likely to occur in this crop.

After the 2016 crop, the high alpha acreage was expanded once more in Germany. However, this new acreage was almost completely contracted. After a decline of seven years, the high alpha acreage also rose again in the U.S.A. For a situation with average crops and average alphas, the market could have been supplied with more alpha acid from alpha varieties than last year. Before the crop began, the supply situation for aroma and superfine aroma varieties was also tight.

The result of the worldwide crop was decisive for the hop market.

2017 Crop

Weather conditions in most European growing areas were far from favourable during the 2017 vegetation period.

Based on current data, Germany nevertheless brought in a good average harvest. Despite difficult weather conditions, yields were satisfactory. However, the alpha values were below the long-term average and are disappointing.

The crop in the Czech Republic was slightly above average. But here, too, the alpha values leave much to be desired.

In Slovenia, the crop was below average regarding yields and alphas. In Poland, a yield slightly above average was brought in, but here, too, the alpha values are below average.

This crop year was a very good one for the U.S.A. The yield of the aroma and high alpha varieties exceeds the long-term average. The alpha acid contents, especially those of the high alpha varieties, are above average.

According to the latest estimates, there is a world harvest of roughly 117,000 mt raw hops or more than 11,000 tons of alpha acid.

Supply and Market Situation

The supply situation for each group of varieties is different.

The superfine aroma varieties of the Saaz range were presumably not completely sold out after the 2016 crop. Due to the normal yields, there is enough Saaz on the market, even though alpha contents are below average.

Last year price quotes for European flavor hops were in the midrange area. This year they attained the lowest prices. This clearly indicates an oversupply of these varieties in the market.

Due to the disappointing alpha values, the market is tight regarding all other aroma and high alpha varieties.

Since the opening of the first spot market pools in Germany both advances and offered fixed prices have risen steadily. This year we again see the strongest price increases on the spot market in the high alpha varieties.

Also in all other European growing areas spot hops were respectively traded at consistently high prices.

Summary

In conclusion, we can see the following: Hop stocks worldwide dating back to 2008 – 2012 presumably have been reduced as far as possible. Despite predominantly good crops the supply is short regarding almost all varieties due to the alpha contents being below average. There could arise a shortage regarding some varieties during the 2018 brewing year. Spot market prices for many varieties remain the same. This equally applies for long-term contract quotes.

Price signals remain strong so that the world hop acreage is due to increase even after this crop.

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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.