

## MARKET REPORT NOVEMBER 2024

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### 2024 Crop and Forecast Supply 2025

The continued weak demand for hops over the past two years has led to a further reduction in acreage worldwide. In particular, acreage in the US Pacific Northwest growing region has declined by an additional 4,150 ha, or 18.5 %, from the previous year, resulting in a further significant adjustment. This means that US acreage has lost around 7,370 ha, or 28.7 %, since its peak in 2021.

The 2024 harvest yield of almost 40,000 tons can be described as good and is in line with expectations

In Europe, the acreage fell by just 460 ha, or 1.4%, in the past harvest. The reason for this lies in the persistently high rate of forward contracts between hop merchants and growers, which was almost 90 %. This rate prevented more extensive acreage adjustments, which would have been necessary to restore the balance between supply and demand.

The growing season of 2024 in Germany was characterized by mostly above-average precipitation but also by very warm temperatures. Unfortunately, expectations of a good quality crop in terms of the hop ingredients were not fulfilled. With 28 hot days at over 30°C, the traditional aroma varieties suffered particularly from heat stress in August, with the result that the alpha levels were below average. The harvested raw hop volumes were good or even above average in many variety groups.

In the overseas hop-growing regions, such as Argentina, Australia, China, New Zealand and South Africa, the harvests were average.

The total global hop harvest in 2024 amounted to 113,500 metric tons – almost 5,000 metric tons less than the previous year's harvest – and the average alpha acid content was 9.4 %, which is a slight increase compared to the 9.2 % of the 2023 harvest.

Demand for hops remains weak. The extent varies from region to region. From a global perspective, demographic change and a change in lifestyle among younger generations plays a significant role in westernized countries, with the younger generation being much more conscious in their consumption of alcohol than their parents or grandparents were. In almost all countries, stricter legal regulations regarding alcohol advertising, lower alcohol limits in road traffic and a sustained weakening of purchasing power can be observed, which reinforce this trend.

The craft beer segment, which is important for the use of hops, is not spared from these factors either and, according to initial projections, will show a decline of almost 5 % this year.

Breweries are responding to this development with new, often non-alcoholic beverages which, if they are not non-alcoholic beers, rarely contain hops.

The current weakness in demand cannot, however, be explained only by the absolute change in beer output, but also, especially in the case of some large customers, by the massive physical and contractual stocks that built up in previous years.

As has already been reported several times, the harvest-related market has been decoupled from the actual supply situation for a number of years and has sent out false signals through over-contracting, which has led to the expansion of areas beyond demand. It is to be feared that these stocks will continue to burden the market for several years to come.

The massive inventories and oversupply represent a major financial challenge for hop merchants. With declining sales, interest and storage costs have to be borne, which significantly impact earnings. It is to be expected that after the 2025 and 2026 harvests, significant acreage reductions and farm closures will also be seen in Europe.

Calculations of the extent of the acreage reduction needed to restore the market balance show that at least another 5,000 to 10,000 ha would have to be cleared worldwide in the short term, which in turn will lead to the loss of market partners in the supply chain.

### **Outlook for 2025**

The 2024 harvest has again produced more alpha acid than is needed – for the ninth year in a row – as the spot market shows.

Due to the lack of prospects for adequate marketing, the spot hops produced, such as Perle and Tradition varieties, as well as bitter varieties, were purchased by the merchants at prices that often do not even cover variable costs.

The number of new varieties has increased significantly over the past decade. Breeders and merchants are endeavoring to present pioneering options with new resistant hop varieties, which can also help to achieve important sustainability goals.

There are no supply bottlenecks at present, but when the market cycle turns again and supply may tighten, those breweries that have a broader range of hop varieties implemented will be better placed.

### **Pascal Piroué**

*Chairman*

*German Hop Industry Association*

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.