Deutscher Hopfenwirtschaftsverband e.V.
Türltorstr. 4
85276 Pfaffenhofen/Ilm

IHGC Market Report April 2015

Economic Commission of the IHGC – Paris, April 24

Crop Volumes and Market Developments

On the basis of all hitherto published yield results, the 2014 world hop crop is 94,520 tons of raw hops or 9,650 tons of (harvest-fresh) alpha acid, which was produced on a hop acreage of approximately 48,100 ha. Production worldwide thus increased by a total of around 12,300 tons of raw hops (an increase of 12% over the previous year) and around 1,450 tons of alpha acid (an increase of 18 % over the previous year).
Hop acreage worldwide has increased by 4.3% compared to the previous year. This reverses a five year trend that has seen acreage worldwide continually decreasing.

In the European hop growing countries, some 53,550 tons of raw hops were harvested. This corresponds to a surplus quantity – due to the significantly better growing conditions in comparison with the previous year – of around 12,000 tons hops, i.e. 29%. It is interesting to note that the five German cultivation areas alone accounted for 72% of the entire European crop. This weigh-in result of around 38,500 tons is about 10% higher than the official estimate of August 2014, which renders it a good to very good performance.

Based on the weighted long-term average in each variety, the levels of alpha acid were to be assessed quite differently. In particular as regards the important Tradition, Select, Hersbrucker, and Magnum varieties, the values were below the long-term average. In contrast, the results for Perle, Taurus and Herkules were above the long-term average. The alpha levels in the Saazer variety were below the long-term average, whereas those of the Slovenian variety Aurora were well above the average. In terms of quantity, the yield in Poland, however, was normal with predominantly low alpha levels.

In the United States, 53,550 tons of raw hops were harvested. Here the yield results were normal, with the volume growth mainly resulting from the increase in acreage by 7.9% or 1,129 ha respectively.

In addition to the traditional production areas of Oregon, Idaho, and Washington, 356 ha of hops were grown in another 14 states in the U.S.

The boom on the North American craft beer market is continuing as before, with the result that the demand for U.S. aroma varieties, whose share is now at 56% of the U.S. acreage, remains unbroken.

China as the third biggest supplying nation has once again reduced its acreage by another 420 ha with yields of around 6,000 tons of raw hops. The fourth biggest acreage behind China is the Czech Republic who brought in a good harvest of around. 5,900 tons.

On the spot market in the autumn of 2014, different scenarios could be seen: In the United States, the generally low quantities of spot market hops were quickly auctioned at very high prices – with some varieties being sold out soon after harvesting. In Europe, non-contracted hops were put on the market in larger quantities, which in the range of bitter, but also some "mainstream" aroma hops, led to an abundant supply situation. Only fine aroma varieties such as Saazer, Hersbruck and Golding were rapidly sold out. Across all varieties farmers could achieve significantly better prices as compared to previous years.

In Germany, the market for non-contracted hops in the autumn of 2014 opened at a relatively early stage. The marketers were offered fixed price arrangements only to a limited extent, but rather some very attractive and partly increasing deposit rates, and the farmers did so in spite of the aforementioned good crop expectations.

Whereas in the forward contract market, the undersupply from the 2013 crop did achieve significant impact. In view of the fact that the U.S. growers increasingly turn to the local craft brewers while attaching less importance to the supply of the world market with high alpha varieties, the German advance contract market showed signs of recovery with rising prices especially for high alpha hops.

Market Situation

For the brewing year 2015, we continue to expect an overall slight increase in beer sales by 0.5% to approximately 2,000 million hectolitres. This assumes a stagnation in the Chinese beer market, which as the world's largest market has consistently generated impressive growth rates in the past few decades.
After a downward trend over the past 10 years in Germany, beer production in 2014 picked up again slightly. Other regions in Europe are buffeted by mainly declining output figures (especially Russia, the Ukraine, and many Eastern European countries). However, Asia, Africa and South America have continued to increase their beer production and therefore their demand for hops as in previous years.

In terms of supplying the world market in the brewing year 2015, the demand for freshly harvested alpha acid can be estimated at around 9,900 tons. These figures include the increased needs of the thriving craft beer segment as well as the fact that outside the brewing industry only some 250 tons of alpha acid are used.
On the basis of an alpha acid production of approx. 9,650 tons, the supply deficit in the brewing year 2015 amounts to around 250 tons of alpha acid.

Although the quantities of residual stocks have reduced in the brewing year 2014 due to the weak results from crop year 2013, surpluses mostly of high alpha hops continue to depress the market.

For the year 2015, yet another increase in hop acreage can be expected. However, a clear assessment is not possible at present. In the United States, the general trend is towards increased cultivation of aroma varieties, while in Germany the area under hops is being expanded and beginning to be replaced in favor of the Herkules variety.

Pascal Piroué – Peter Hintermeier

Deutscher Hopfenwirtschaftsverband e.V.
info@hopfen.de - www.hopfen.de