

## MARKET REPORT NOVEMBER 2023

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### **2023 harvest and expected supply situation in 2024**

Following the already very weak 2022 harvest, growing conditions in Central Europe were again characterized by numerous hot days and a lack of rainfall over longer periods in the summer of 2023. This is the result of a climate change that has been observed in Central Europe for over 10 years and which, according to current forecasting models, will continue to shape weather conditions in this region in the future.

These dry spells in the 2023 growing season particularly affected the Hallertau, Spalt and Tettwang growing regions, as well as the Czech Republic and France. Here, the alpha acid values in particular were significantly below average as a result. In the Elbe-Saale, Slovenia and Poland growing regions, on the other hand, there was sufficient rainfall in June and July, which is important for the crop, and even well above average in Slovenia, so that the harvest results here were average to good. In Spain, a massive mildew infestation during the harvest led to major losses due to a lack of pesticides.

For Europe as a whole, initial estimates indicate a crop volume of around 57,300 tons compared to 48,900 tons in 2022 (+17%) - although this result is better than in the previous year, it is still around 4% below the long-term average. The weather had a much greater impact on alpha acid levels, which were extremely low for most varieties.

In the USA, the harvest was average to good. Only in the Oregon and Washington growing regions did some varieties that ripened too early have to be harvested a little earlier. High alpha varieties showed average yields across the board. Irrigation supplies were assured throughout the entire growing period.

The US harvest exceeded the previous year's result despite a reduction in acreage of over 2,100 hectares or - 8.5%. With a total of 47,080 tons, the Pacific-North West region harvested around 1,100 tons more than in the previous year, which is primarily due to the increased growing of higher-yielding high alpha varieties.

According to initial projections, the global harvest amounts to 117,000 tons, or 9,930 mt of alpha acid. Although this represents an increase in volume yields of around 9% compared to the previous year, alpha acid production is only + 2.2%.

Global beer output has been very sobering since spring 2023. According to the latest figures and estimates for the 2023 brewing year, output figures are declining overall, particularly in North America, Europe and Asia. The hoped-for sustainable recovery after the end of the coronavirus-related restrictions has been weaker than expected in many countries due to changes in consumer behavior as a result of restrictive alcohol policies, fears of inflation, political crises and general economic developments. The craft beer segment is also losing significant sales volumes in almost all regions, with the result that demand for hops is falling. This means that alpha acid was also produced in excess of demand in harvest year 2023, the 8th time in a row. In addition, high stocks from previous harvests are weighing on the market and it is clear that many breweries are over-contracted. As a result, harvest-related market activity has been decoupled from the actual supply situation for several years now.

**Outlook for 2024**

For the 2024 brewing year, current estimates assume that the beer market will remain weak for the reasons mentioned above. As a result, prices for spot hops have already reacted significantly with falling prices. It is also to be expected that Russia, as an important buyer of European hops, will increase hop cultivation and become increasingly self-sufficient.

In order to bring the market back into balance, the overall acreage would have to be reduced in all main growing areas in order to adapt to the lower demand situation. Particular attention must also be paid to some aroma varieties, where demand is declining disproportionately.

This significant change in demand will continue to pose major challenges for the entire hop industry in the future. This begins with the persistently high costs in agricultural production and the cost burden on processors and marketers due to the continuing rise in energy, personnel and interest rates. It is obvious that the entire supply chain is under massive pressure.

Most hop growers in Germany currently still have a high proportion of contracts until 2025. Sustainable, cost-covering follow-up contracts from the brewing industry are essential for maintaining production beyond this period in order to give hop growers security in their planning for the coming decade. If follow-up contracts are not concluded, this could result in a sharp decline in acreage as many hop growers give up hop growing.

In this context, it should be mentioned that in order to achieve important sustainability goals and secure supplies, the hop industry has been appealing to the brewing industry for years to give priority to incorporating already available heat-stress and disease-resistant varieties into their recipes. These provide stable yields and quality even in a visibly changing climate and are suitable for saving costs thanks to their high performance.

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\*The quantities in tons of alpha acid are based on the calculated alpha values that are effectively available to the breweries when the products are used. The calculation therefore takes into account processing losses and storage losses until consumption. All figures reflect the opinion of the majority of DHWV member companies. Individual member companies may deviate slightly from this in the figures they publish.