

MARKET REVIEW APRIL 2019

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In the brewing year of 2018, the global beer market remained robust and stable despite a more difficult political and economic environment.

At 1,953 million hectoliters, total beer output was around 0.4% higher than in the previous year.

Brexit scenarios, trade disputes between the US and China and various indicators pointing to a slowdown in the global economy have not taken any toll on global beer production, which is still driven by a prospering craft beer segment. Overall, most countries in Europe and South America, as well as the US report stable beer consumption figures. Even in Russia, the second largest beer market in Europe, beer output has stabilized after years of decline, and is growing again in some regions. Some Asian and African countries continue to enjoy sustained increases in beer production.

Market Situation

The 2018 world harvest yielded 9,550 tons of alpha acid*. This is matched by requirements for 9,200 tons of alpha acid for the brewing year 2019; the supply is thus guaranteed. However, the market balance varies by variety group. While excess produce of certain types of US aroma are proving difficult to sell, the supply of high alpha varieties of all provenances is barely sufficient.

This was reflected in the spot prices, which increased significantly shortly after the beginning of the harvest and have remained at a high level over the marketing period. The prices for the German aroma varieties as well as for the Perle and Hallertauer Tradition varieties also rose significantly after the harvest; these varieties were traded at an elevated price level throughout the season.

In the fine aroma varieties segment, the market is sufficiently supplied despite a weak harvest in 2018 in the production areas in the Czech Republic and Poland. Stocks of Tettngang variety also remain available.

Acreage Forecast 2019

The acreage of the 2019 harvest is expected to continue to increase in the low single-digit percentage range with some variety-specific adjustments.

As the high alpha areas continue to expand both in the US and Germany, the areas for US varieties such as Cascade and Centennial as well as the German specialty aroma varieties are set to contract further. However, these reductions are not regarded as adequate measures to stabilize the prices in this category.

A slight increase in cultivation area is to be expected for the production areas in the Czech Republic, Slovenia and Poland.

The 2019 crop is over 90% pre-contracted in the main growing areas, with only limited amounts of spot hops expected on the market.

Outlook

The persistent weakness of the euro supports the competitiveness of European hops. However, the stabilization of weather-related crop fluctuations by breeding, the cultivation of new varieties or comprehensive irrigation concepts continues to be an important task, especially in Europe.

Globally observable tendencies to restrict chemical crop protection remain as a major challenge for the entire hop industry (discussion around environmental and climate protection).

Rising minimum wages and a visible competitive pressure on skilled labour are issues that confront the hop industry around the world.

Pascal Piroué

Deutscher Hopfenwirtschaftsverband e.V.

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