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# MARKET REVIEW FEBRUARY 2021

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A grueling year is behind us – unfortunately, the pandemic is not. The fight against the virus continues to keep us on our toes, and the consequences of the global lockdown measures are leaving deep marks on society and the economy.

**Covid and its consequences on the brewing industry**

The brewing industry has so far shown itself to be surprisingly resilient on a global scale, even though some countries and subsectors have experienced severe cutbacks due to the closure of restaurants and bars and restrictions on alcohol consumption. Small, regional breweries with a high presence in the food service industry but a lack of a distribution network are particularly affected.

Looking back to 2020, global beer sales are expected to decline by around 9-10%, with some countries in Eastern Europe, Germany, and the U.S. showing better sales figures than Southern European countries, South Africa, and a few countries in Asia, including Japan.

From today’s perspective, this weakness in demand will continue for large parts of 2021 - a normalization is not expected until the 2022 brewing year at the earliest.

**Marketing of the 2020 harvest**

According to current projections, the 2020 world harvest will amount to around 122,000 tons of hops. That is about 7,000 tons (5.7%) less in harvested volume than the previous year. Expressed in alpha acid, excellent alpha values in Europe result in a world harvest of 12,600 tons. This would be a comparable result to that from the 2019 crop, in which the volume of hops harvested was higher overall, however, alpha acid levels were below average in Europe.

The 2020 crop hops harvested in Europe allowed for the fulfillment of concluded contracts in accordance with their terms. The limited quantities of free hops were quickly marketed. Immediately after the harvest, marketing companies offered hop producers prices at which the limited supply of free hops in most varieties found their buyers. This was particularly the case in Germany and Slovenia. The Czech crop was surprisingly small (-17% compared to the previous year), thus hardly any free hops could be offered. Overall, the market has largely been cleared.

Price levels for many varieties were well below those of the previous year, although high alpha varieties and most aroma varieties in particular achieved adequate prices. Only for a few special aroma varieties and marginal varieties did the price level not reach production costs.

In the USA, marketing of spot hops was of secondary importance, as an unusual wind event in the first days of September and skies covered in smoke for weeks due to forest fires impacted yields. Harvest results of around 47,541 metric tons were significantly lower than the previous year’s 51,636 metric tons (-7%), despite a 4.4% increase in area.

Existing contracts were largely serviced. Lively spot market activity was observed with the traditional aroma variety Cascade, which had been in an oversupply for many years and for which supply and demand are now in harmony again due to ongoing area reductions.

## Market situation

From the weak demand, a build-up of alpha acid stocks in the order of 2,500 metric tons of alpha acid from the 2019 harvest is calculated, which corresponds to about 20% of a normal harvest. The 2020 crop, which supplies the 2021 brewing year, should have produced surpluses of a similar magnitude. However, a serious forecast is not possible at the current time due to the uncertain further development of the restrictive measures. However, most of these accumulated surpluses are tied up in advance contracts, so they are not immediately available to the market.

The accumulated surpluses are also unevenly distributed among the variety groups. While some categories, such as various specialty aroma varieties, are facing a noticeable drop in demand, the demand situation for other varieties, such as high alpha varieties, is proving to be persistently stable.

In order to counteract the accumulating surplus of stocks, the supply in critical variety groups must be adequately adapted by reducing the area in the 2021 harvest and the cleared areas must not be re-occupied if possible.

**Pascal Piroué**

2nd Chairman
German Hop Industry Association
February 22, 2021

*The quantities stated in tons of alpha acid are based on the calculated alpha values at the time of processing. Degradation losses up to processing are taken into account, processing losses and further storage losses up to consumption are not taken into account.*

*All figures reflect the opinion of the majority of DHWV member companies. Individual member companies can differ slightly in the figures they publish.*