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MARKET REPORT JULY 2022

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For the first time in 10 years, global acreage is down on the previous year, albeit insignificantly. The main contributors to this development are the U.S. growing regions of Idaho and Washington with corresponding acreage reductions. The acreage estimate shows a total of 62,532 hectares worldwide for the 2022 crop - a decrease of 714 hectares or - 1.1% compared to the 2021 crop.
The area under cultivation in Germany remains stable at -17 hectares (-0.1%), as does that of most other regions in Europe. Only Slovenia (+185 hectares) and Russia (about +250 hectares) are adding new acreage. For Ukraine, we record a significant decrease in area.

Weather conditions in Europe have been exceptionally warm and low in precipitation since the beginning of the growing season. The second half of July in particular has seen a prolonged period of heat and drought, which will lead to crop losses if they persist.
The available plant protection products have been able to keep the crops healthy as far as possible to date.
In the USA, unusually cool weather conditions prevailed into June. It was not until July that temperatures rose to the usual level, which significantly improved the plant stand. The young plants are still delayed in their development. Downy mildew infestation pressure is very pronounced in much of Washington and Oregon. Irrigation is assured for the remainder of the growing season. With continued favorable weather conditions, a normal crop can be expected for the Pacific Northwest region.

The sharp increase in the cost of growing hops is a major challenge for all growers worldwide. This is primarily due to pronounced cost increases for energy, fertilizer and plant protection products, as well as rising wages for outside labor.

Market outlook:
Whether a surplus of alpha can be expected again from the 2022 harvest for the 2023 brewing year depends on the further course of the weather. The supply situation will vary in the individual variety groups, as in previous years. Due to the visible reduction of high alpha areas in the USA, this segment may be somewhat more tightly supplied.
The supply of hops on the spot market appears limited, as more than 90% of all hops for the 2022 crop are pre-contracted and the stocks accumulated over the years are mainly in the hands of breweries. There is still an oversupply of some specialty aroma varieties.

Global beer output continues to recover and will soon reach pre-Covid levels. The situation in the global craft beer industry appears mixed. Inflation is depressing purchasing power and weakening consumption for beers in the higher price segment.

The Russia-Ukraine crisis currently has no impact on the global hop market.

Overall, the challenges currently facing the hop industry are extremely diverse. In addition to massive cost increases, which affect not only cultivation but also processing into hop products, disrupted supply chains are hampering the availability of important process materials and the logistics of delivery to the breweries. Further, reliable forecasts are not possible due to the known uncertainties of energy supply as well as the politically desired measures to reduce fertilization and plant protection and decarbonize the industry.

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