

## Hop Market 2008

The world hop crop estimate for 2008 of 110,000 metric tons is approximately 18,600 metric tons larger than crop 2007. Crop 2008 alpha production is estimated to be ca. 9,439 mt.

World beer production during 2008 has lagged projections, particularly in Asia. For example, Chinese beer sales growth has been approximately half of the 12% that was expected. Around the world many brewers were forced to raise prices as a result of steep increases in the prices of raw materials and other inputs. At the same time, the increasingly unsure economic circumstances in many countries led consumers to limit their spending. In China, summertime beer sales were surprisingly below expectations. This was caused by changes in government policies pertaining to security surrounding the Olympics as well as by the aftereffects of natural disasters on the economy. Beer sales growth projections for 2009 are also modest, which will affect demand for hops. In addition, the difficult supply situation of the past two years has led brewers to become more economical in their use of hops via reduced hopping rates or increased usage of isomerized and/or downstream hop products. We currently expect that the demand for alpha for brewing year 2009 will be 7,631 metric tons. When taken into account with 2008 hop production, this means that there will be adequate supply available and may give brewers the option to rebuild their inventories.

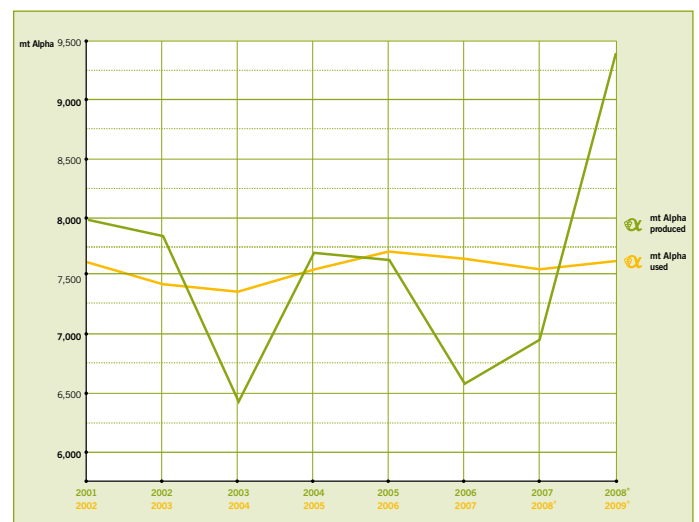
Crop 2008 European hop growing conditions were above-average. Temperatures were moderate and precipitation in most growing areas was adequate. For these reasons, weight yields and alpha levels were above average in Germany, the Czech Republic, Slovenia and other areas. The Chinese crop was also normal. Acreage was up nearly 43% as many new entrants appeared to take advantage of historically high hop prices. As a consequence, production was up by approximately 33% over 2007.

In USA the 2008 crop was average in most respects other than the large increase in acres. The crop is estimated to be approximately 7,300 metric tons larger (26.6%) than crop 2007. The increase in plantings was primarily in super high alpha varieties, which will lead

to a proportionally greater increase of alpha production from future crops.

The crop 2008 spot market has been slow to start. Prior to harvest, the extreme prices for remaining crop 2007 material or forward contracts caused uncertainty in the marketplace. In Germany this has led to spot hops of all varieties once again being placed in pools. In the USA the high level of forward contracts and the mediocre crop means that there are very few spot hops available. In China brewers are taking a wait-and-see approach to the market.

While in total there are adequate stocks of spot hops available, a portion of the mathematical oversupply is dedicated to forward contracts that were put in place to rebuild hop inventories. There are still a number of brewers who need to purchase spot hops to meet their 2009 brewing year needs. The limited U.S. spot market is also a sign that Mother Nature retains an important role in the quantity of hops that actually end up on the market. This is a reminder of the value of forward contracts as a stabilizing influence on the market.



## World Alpha Acid Supply and Demand 2001 – 2008

Production		Beer Production		Alpha Dosage	Alpha Usage	Annual Balance
	(mt Alpha)		(Mio hl)	(g Alpha / hl)	(mt Alpha)	(mt Alpha)
2001	7,992	2002	1,451	5.3	7,690	302
2002	7,935	2003	1,497	5.0	7,485	450
2003	6,490	2004	1,552	4.8	7,450	- 960
2004	7,653	2005	1,611	4.7	7,572	81
2005	7,626	2006	1,704	4.5	7,668	- 42
2006	6,570 <sup>1)</sup>	2007	1,779	4.3	7,650	- 1,080
2007	6,983	2008*	1,799	4.2	7,556	- 573
2008*	9,439	2009*	1,817	4.2	7,631	1,808

<sup>1)</sup> This figure takes into account the destruction of approx. 110 mt alpha acid in a warehouse fire in USA.

\*Estimate