

## Hops & Brew School: Ralph Olsen's State of the Hop Market Address

Written by Mark Emiley

Friday, 12 September 2008 07:22 -

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In the afternoon of the first day, Ralph got up to talk about the hop market, where Hop Union fit in it, where it came from, and where he saw things going. At this point, a few brewers were getting a bit tipsy so a lot of this "speech" turned into a somewhat heated discussion about how Hop Union and the hop market "screwed" the craft brewers. In my notes, I filtered out a lot of the individual complaints and gripes so this section may seem a bit thinner than my other write-ups, but trust me a lot was said (but some of it wasn't productive).

Ralph has been in the hop market for a long time (1978) working for several companies before he ended up taking over what is now Hop Union. He covered the basic hop harvesting process (which I'm not going to repeat again) and talked about how labor is one of the driving costs of hop harvesting. For Washington this can be a bit problematic since we have one of the highest minimum wages in the country.

Ralph mentioned that an interesting observation about hops from Oregon is that they are typically more yellow. This is due to less photosynthetic activity because on average there is more cloud cover in Oregon. Despite this, he notices better aromas while having lower alpha acid content.

He discussed the importance of a rigorous inspection when hops arrive. In particular, monitoring moisture and temperature is important for avoiding spontaneous combustion and the associated warehouse fires...

Around the world, there was a 9,000 acre increase in hop fields. Germany planted about 3,000 acres, China planted 3,500, and England planted a whopping 100 (they only have a total of 2,400 right now). These new acres will not necessarily all produce well, especially not too soon as it takes a few years to reach full production (66% may be normal for first year, he may expect 40%). The primary limiting factor right now is how fast we can harvest. Hop season comes around all at once and the hops need to be harvested at the right time. It becomes a careful balance of manning and equipment management.

Ralph had a few points about things he saw coming up. He felt that Hercules would soon be replacing many German noble hops. Overall, aroma hops are hurting (500-1,000 of the new acres planted were aroma). In general, he saw a "tight supply" ahead, not a "short supply."

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A lot of this all deals back to where we were coming from. In the 1990's we had 234,000 acres planted (leading to a surplus). In 2007 we were down to 118,000 acres. Over the past decade we had been burning through the excess hops (typically in the form of extract) and finally reached that bottom as the hop acreage reached a bottom as well. We went from having 200+ growers down to 50-60. Farms were either going out of business or being bought up by other farms.

Ralph had been hearing of some of the international big boys buying hops for \$77-140 a pound. They had the money, their Euros were worth more, and they wanted it. Rates for hops began becoming more and more correlated with alpha acids. Since higher alpha acid hops typically have higher yields, it becomes very difficult for growers to justify planting aroma hops because they simply can't ask for the price they need to make an equivalent profit. One of the main things that aroma hops have going for them is that they are harvested earlier which helps spread out the harvesting schedule. Doing a simultaneous harvesting of high alpha acid hops also drives the need to dry/cool faster which leads to harvesters trying to cut corners which may lead to conditions prone for spontaneous combustion. So possibly watch for more news stories in the future!

So, overall with the planting and market rebalancing, in 1-2 years we should be back to having a manageable surplus / reserve again. Ralph justified some of the initial panic with investment / risk management. He couldn't promise hops that he didn't have and had to be conservative on hop estimates because harvests don't always come in as high and he can't just tell his buyer that the harvest wasn't enough. So after things all came in, there was flexibility to rebalance, sell unexpected excesses, and retrade through the industry. Basically, things will level out this year and start moving back into a better "steady-state" next year, but prices will never get back down to where they were. However, after seeing and hearing how hard the farmers have had it, I believe we can all pay a bit more for the hard work they doing.