



2013 Harvest Info

The 2013 New Zealand Hop Harvest was completed at the end of March having started in the mid February.

By Doug Donelan

The New Zealand Hop Industry 2013 crop production volume was 682,500 kilograms made up from 15 unique New Zealand varieties, 8 traditional northern varieties with a mix of varieties produced under certified organics. (See crop report table accompanying this release for rounded volumes and variety mix).

The harvest commenced in mid February and ran until the end of March and was brought in under excellent climatic conditions. However the growing season itself saw unfavourable weather patterns delivering a cool spring and an extremely dry summer which affected overall plant performance. This saw the crop weighed in at approx 30 metric tonne below industry expectations with the two major varieties of Wakatu and Nelson Sauvín being the most highly impacted by the unseasonal conditions.

New Zealand Hops Chief Executive, Doug Donelan said, *“The result was a little disappointing, especially in what is a buoyant market but the reality is things could have been much worse when you consider just how persistently dry the summer was. The conditions throughout the 2012 growing season presented a number of difficulties, most importantly the cool spring which impacted plant development. Good levels of rainfall are always welcome and the region got its share during the winter which ensured plenty of water for subsequent irrigation. However when it comes down to it, hops thrive best when they receive regular intervals of warm summer rain”*.

Market conditions continue to improve in the specialty and aroma hop business, driven for the most part by the burgeoning international craft beer segment and while traditional mainstream beer production remains static growth has resumed in the emerging markets. Commodity hop markets remain oversupplied and it's believed this will continue for a further two to three years when future supply estimates look likely to balance with brewing industry demand. Previous overzealous expansion of commodity alpha has changed the makeup of plantings internationally to a point where a shortfall in specialty aroma types has created opportunities in the market.

Donelan remarked on the market, *“ The strong New Zealand Dollar is certainly not doing us any favours, especially in view of the fact that 85% percent of the crop is destined to export markets, primarily the USA, UK and Europe...all of which are hop producers. Fortunately New Zealand Hops unique selling proposition gives us a marketable point of difference which is helping us grow our business and market presence”*.

New Zealand hop growers are emerging out of some difficult years now as specialty producers with a growth strategy based on a tiered market and distribution model. New Zealand Hops unique range of varieties are a product of continued commitment to research and development in the breeding of new hop cultivars, most recently are the Waimea, Kohatu and Wai-iti varieties.

Production capability certainly does suffer from the effect of switching out of higher yielding commodity alpha types and into aroma or specialty hop varieties which tend to yield less and have a propensity to be early or mid season maturing. The result for lower yielding hops is quite obvious in that the same acreage produces fewer hops. Hop maturity though plays a different but quite significant role within production capability as all hops have their own particular picking window which requires a grower to have a spread of varieties, early, mid & late maturing programmed across the harvest picking schedule.

Hops are a specialised crop with their own unique challenges when looking to increase production. These include not only the costs of land and improvements but also those costs associated with expanding picking and kilning infrastructure. To give an example, a start-up hop business modelled on a 20 Hectare New Zealand operation would conservatively equate to an outlay of around \$5 million. Currently, even with some varieties returning an average of \$30,000 (gross) per hectare, the return on investment, depending on the cost of funds isn't really viable. A price drop, market plunge or further strengthening of the \$Kiwi could prove dire for any would be investor.

Established growers can develop existing infrastructure further, however picking and kilning operations are extremely capital intensive items with land development and standing gardens costing an estimated \$40,000 per hectare, which could increase to over a \$100,000 per hectare in areas where suitable land is needed to be purchased for the expansion. The industry growth strategy is targeting a sustainable increase from the current 350 hectares to over 400 hectares by 2016 which will be built on the back of forward contracts and include some of the new varieties within the mix. This type of expansion will require as a first step, an on farm

investment of approx \$ 5 million to be matched by a further \$ 2 million capital investment in company processing and packaging capability prior to the 2014 harvest.

The 2013 crop is sold to a position of greater than 95 % with some varieties fully sold. The forward sold position for 2014 will be known later in the season when the industry production guarantee's are matched to contracted forward sales volumes. Hops have been grown in New Zealand since settlement and have existed since that time as an industry in different guises under a multitude of conditions to remain today as an important regional producer with an annual turnover of circa \$ 12 million while exporting approx 85 % of the annual crop.

| New Zealand Varieties | Quantity | | Northern Varieties | Quantity |
|---------------------------|----------------|--|---------------------------------|-----------------|
| | (Kg) | | | (Kg) |
| Wakatu | 272,000 | | Cascade | 12,000 |
| Nelson Sauvín | 98,000 | | Fuggle | 1,500 |
| Motueka | 54,000 | | Styrian Golding | 1,000 |
| Green Bullet | 42,000 | | Chinook | 450 |
| Pacific Gem | 51,000 | | Other | 1,100 |
| Dr Rudi | 30,000 | | | |
| Pacific Jade | 28,000 | | Total Northern Varieties | 16,050 |
| Pacifica | 26,000 | | | |
| Rakau | 12,000 | | | |
| Southern Cross | 9,000 | | Organic Varieties | Quantity |
| Waimea | 7,000 | | | (Kg) |
| Riwaka | 6,000 | | | |
| Kohatu | 5,000 | | Wakatu | 6,500 |
| Wai-iti | 2,000 | | Cascade | 5,500 |
| Sticklebract | 3,000 | | Nelson Sauvín | 1,00 |
| Brewing Trials | 1,250 | | Pacific Gem | 5,000 |
| | | | Rakau | 1,000 |
| | | | Motueka | 600 |
| Total NZ Varieties | 646,250 | | | |
| | | | Total Organic | 20,200 |
| | | | | |
| | | | Harvest Total | *682,500 |

*New Zealand produces less than 1 % (0.7%) of the world crop.

Footnote: New Zealand Hops is a grower owned cooperative based in the Tasman District within New Zealand's Nelson Province situated at approx 41 Degrees South. Currently the industry has 17 growers including two joint venture operations all of which hold a shareholding in the cooperative and who run their individual hop growing operations to supply New Zealand Hops Limited. New Zealand Hops Limited is responsible for the off farm activity of the industry which includes storage, processing, marketing and sales on behalf of the grower shareholders. Farm size varies from between 10 to 70 hectares with the average size being approx 25 hectares.

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