

Price of Beer Expected to Rise

2007/11/09

It seems that the price of beer will be going up. Here's the text of an email from Weyerbacher Brewing Co.

OK, here it is, your inside the industry explanation of the ridiculous price increases in Craft Brew that you are going to see very soon. I'll explain what's happened to the price of Malt and Hops and why, what can be done about it, and why you are going to see prices jump likely between 15 and 25% on the retail end for Craft brews in a matter of weeks. I'll then finish with an appeal to all craft brew fans for continued support. We need it now more than ever to get through this rough period and not lose any more quality craft breweries, which could likely happen to some you might not expect.

I own and operate Weyerbacher Brewing Co. (with partners) in Easton, PA, so you're getting info straight from the brewery. In late September I was told by another brewery that malt was going up about 40% and hops 30 to 40%. I started calling suppliers and they confirmed this was true, and also that they have no prices locked in yet. Additionally, I was informed that many farmers are not honoring their contracts to the fullest extent (don't blame the farmers please) due to the crazy price situation that's evolving in crop farming, with corn being twice the price it was last year.

What does corn have to do with it? Our supplier tells us that with Uncle Sam's push and financial support for ethanol the price of corn has doubled and many farmers grew corn instead of barley this year. In the UK, where the EU has also required ethanol production, rape seed is the crop of choice and again, a lot more profitable than growing barley and wheat. Couple this with bad weather and growing conditions this year and in Europe and you have a crisis in barley supply. We were told this was coming in early summer, but we assumed our malt company might have meant a 10 to 15% increase in price, not this. When we finally got nailed down pricing last week, one malt price was up 45% and the other up 56%. Plus, we were told to be happy that we're able to get the supply (with growth) that we've asked for. Some brewers will not be so lucky.

Now for Hops. A glut of hops on the market in the mid-90s, caused a 10 year decline in hops acreage and hops farmers throughout the world. Each year more acreage dwindled and it didn't matter as there was still an oversupply of hops. Beginning perhaps 2 to 4 years ago, the astounding success and strength of the craft brew industry put a big dent in the overage, but prices stayed essentially the same and farmers didn't have incentive to plant more. Throw in the runaway success of Double IPAs (and bigger) and we've jumped up the demand again for those fragrant cones. Sooner or later something had to give. And its happened last month. Rather than going up 30 or 40% as expected, US and European hops have gone up 400%!! That's not a typo, 400%. There is not enough to go around. Weyerbacher has our supply lined up, but some recipes may require a few substitutions in hops due to lack of supply of some varieties. In a recent Wall Street Journal article on this problem, Larry Bell of Kalamazoo brewing and Jim Koch of Sam Adams were also quoted as saying they would probably have to alter a few recipes.

There simply is no choice for some breweries. Some Craft breweries have locked in contracts for several years for supply, but they're still going to see the price increase sooner or later. Many farmers are not honoring contracts...