

Hop stocks continue to outrun demand

Oversupply puts pressure on industry

By DAN WHEAT
EO Media Group

YAKIMA, Wash. — Even before this fall's harvest, U.S. hop stocks are up substantially from a year ago, reflective of an oversupply that's putting pressure on dealers and growers.

Stocks were up 15 percent at 98 million pounds on Sept. 1 versus 85 million pounds a year ago, according to a report released Wednesday by the U.S. Department of Agriculture's National Agricultural Statistics Service.

It is the largest percentage increase in inventory of the four reports showing supply increases dating back to March 2016. The new report shows dealers and grow-



Dan Wheat/Capital Press

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ers with 64 million pounds of hops and brewers with 34 million pounds.

"It's actually a pretty good-sized overage and it was expected. We knew craft (beer) was slowing while aroma variety hop acreage is still increasing," said Pete Mahony, director of supply chain management and purchasing for John I. Haas, a major proces-

sor and grower in Yakima.

Previous overages, years ago, were high alpha commodity varieties that keep for years, he said. This year's overage is of aroma varieties for craft beer. Aroma varieties need to be used in a year or two, he said.

This past summer, 47 Hops of Yakima, a hop broker, filed for Chapter 11 bankruptcy

protection to shield itself from creditors while developing a restructuring plan to pay more than \$7.4 million in debts and remain operational.

Doug MacKinnon, company president, blamed the bankruptcy on craft brewers contracting for more hops than they needed.

"There definitely will be pressure on the entire supply chain, whether growers or dealers. And will there be other casualties? I don't know," Mahony said. "Larger dealers are pretty solid. We've lived through these markets for decades. Smaller ones may struggle. It's all about proper management of inventories. Aroma varieties are expensive inventories."

For years the proliferation of small, craft breweries fueled the demand for more aroma hop varieties. While still growing, the rate of craft brewery growth has slowed, resulting in some breweries

renegotiating contracts that were based on expectations of higher growth, said Ann George, executive director of Hop Growers of America and the Washington Hop Commission in Moxee.

That returns the hops to dealer and grower inventories, she said.

George said the U.S. produces more than 80 hop varieties, and while there's an excess supply of some, demand for others is still growing.

"The key is re-balancing by changing varieties in response to new contracts," she said.

It takes a couple of years to bring new hops into full production and for the past five years the industry has been trying to catch up to brewer demand, she said.

"Now it appears hop acreage has exceeded current brewer demand, so it will be important to take the foot off the gas pedal until brewer demand catches up with hop

acreage," she said.

Another factor in the oversupply of hops, she has said, is big brewers are losing market share worldwide because of increased competition from other beverages. The top 10 breweries in the world decreased production by 11.4 million hectoliters — about 301.2 million gallons — from 2014 to 2015, she said.

While craft, export craft and import U.S. beer sales were all up in 2016, overall beer sales were flat, according to the Brewers Association in Boulder, Colorado.

In June, the USDA estimated Pacific Northwest hop acreage at 54,135, a 6 percent increase over the previous year.

"Hopefully, we won't see increased acreage in 2018," George said.

Prices of certain varieties have decreased due to plentiful supplies on the spot market, she said.

Brown, Buehler stockpile cash for governor's race

By ANDREW SELSKY
Associated Press

SALEM — An election to choose Oregon's next governor is more than a year away and the primary is eight months down the road, but the main Democratic and Republican candidates' fundraising is already going full steam, with a total of almost \$2.4 million raised so far.

Gov. Kate Brown, a Democrat, is shrugging off the \$500,000 donation Nike co-founder Phil Knight gave in August to her Republican rival, state Rep. Knute Buehler.

"Just to give you an example of the fundraising efforts we do: In my 2016 campaign, we received 20,000 contributions from folks across the United States," Brown said Tuesday when The Associated Press asked her about Knight's donation and her own fundraising efforts. "I think it's really important that many voices be heard, and that one megaphone doesn't drown out all the other voices."

When the billionaire Knight's donation was announced, Buehler, an orthopedic surgeon from Bend, said in a statement that he was "thrilled."

"Phil Knight looks beyond narrow political labels — and so do I," added Buehler, a moderate who has pushed for access to birth control and who voted in favor of an anti-coal bill that doubled the state's renewable energy requirements.

Brown's campaign has reported raising more than \$1.2 million in cash contributions since January, according to figures compiled by the Oregon Secretary of State's Office. More than 10,000 contributions have been made since January, said Brown campaign consultant Thomas Wheatley.

Though the Buehler campaign's fundraising dates back to early August, when he announced his candidacy, the contributions it has reported already amount to more than \$1.1 million, state data show. The campaign has received 2,887 contributions since August, said Rebecca Tweed, Buehler's campaign manager.

Brown finds herself in the rare situation of having to run for governor twice in two years.

She shifted over from being secretary of state to governor in February 2015, when John Kitzhaber resigned amid an influence-peddling inquiry. She then had to run in the 2016 primary and election to fill the remaining two years of Kitzhaber's term, handily beating Bud Pierce, the Republican nominee who is a Salem oncologist.

Now she has to do it all over again.

But both Buehler and Brown might be experiencing a bit of deja vu. They ran against each other for secretary of state in 2012. Brown won, with 863,656 votes to Buehler's 727,607.

Oregon Public Broadcasting said in August that one of the big questions to keep in mind during the early stages of the gubernatorial race is: "Can Buehler revive the Republican money machine?"

So far, the answer seems to be "yes."

Having a deep campaign chest, though, doesn't always translate into victory.

Republican gubernatorial candidates Ron Saxton in 2006 and Chris Dudley in 2010 both outraised their Democratic rivals, Oregon Public Broadcasting noted.

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