



**YAKIMA
CHIEF
- HOPS -**



HOP CONTRACTING

**BRYAN PIERCE – VICE PRESIDENT OF NORTH AMERICAN SALES
STEVE LONNEMAN – WESTERN DIVISION LEAD AND BUSINESS
DEVELOPMENT**

OUR MISSION

To connect family hop farms to the world's finest brewers

OUR VISION

We are the global supplier of choice, focused on sustainably produced, innovative hop products. We are a responsible neighbor and asset to our communities, enriching the products, businesses and lives of everyone we encounter.

OUR VALUES

- **Passion:** For people, product, planet and process
- **Respect:** Teamwork and collective responsibility
- **Integrity:** Transparency and accountability in all we do
- **Dedication:** Quality and Sustainability
- **Excellence:** An emphasis on Innovation and continuous improvement

GROWERS

We are a 100% grower owned hop company. Our grower families have been harvesting hops in the Northwest since the 1800s and have acquired a wealth of knowledge and expertise throughout the decades to create the highest quality hops.

Ownership Farms:

1. 3D Farm/BC Hop Farm - **OR**
2. Black Star Ranches - WA
3. Brulotte Farms - WA
4. B.T. Loftus Ranches - WA
5. Carpenter Ranches - WA
6. C&C Hop Farms - WA
7. Coleman Agriculture - **OR**
8. Double R Ranches - WA
9. Gasseling Ranches - WA
10. Oasis Farms - WA
11. Perrault Farms - WA
12. Sauve & Son Farms - WA
13. Sodbuster Farms - **OR**
14. Van Horn Farms - WA



CHARLIE DAVIDSON

3D & BC HOP FARMS
4th Generation
Woodburn, OR



ED ST. MARY

BLACK STAR RANCHES
5th Generation
Moxee, WA



REGGIE BRULOTTE

BRULOTTE FARMS
6th Generation
Toppenish, WA



MIKE SMITH

B.T. LOFTUS RANCHES
3rd Generation
Yakima, WA



KEITH HOUSER

C & C HOP FARMS
3rd Generation
Moxee, WA



CRAIG CARPENTER

CARPENTER RANCHES
5th Generation
Granger, WA



JOHN COLEMAN

COLEMAN AGRICULTURE
6th Generation
St. Paul, OR



KEVIN RIEL

DOUBLE R HOP RANCHES
5th Generation
Harrah, WA



PATRICK GASSELING

GASSELING RANCHES
4th Generation
Wapato, WA



BRENTON ROY

OASIS FARMS
4th Generation
Prosser, WA



STEVE PERRAULT

PERRAULT FARMS
3rd Generation
Toppenish, WA



RICK SAUVE

SAUVE & SON FARMS
3rd Generation
Mabton, WA



DOUG WEATHERS

SODBUSTER FARMS
3rd Generation
Salem, OR



RICH VAN HORN

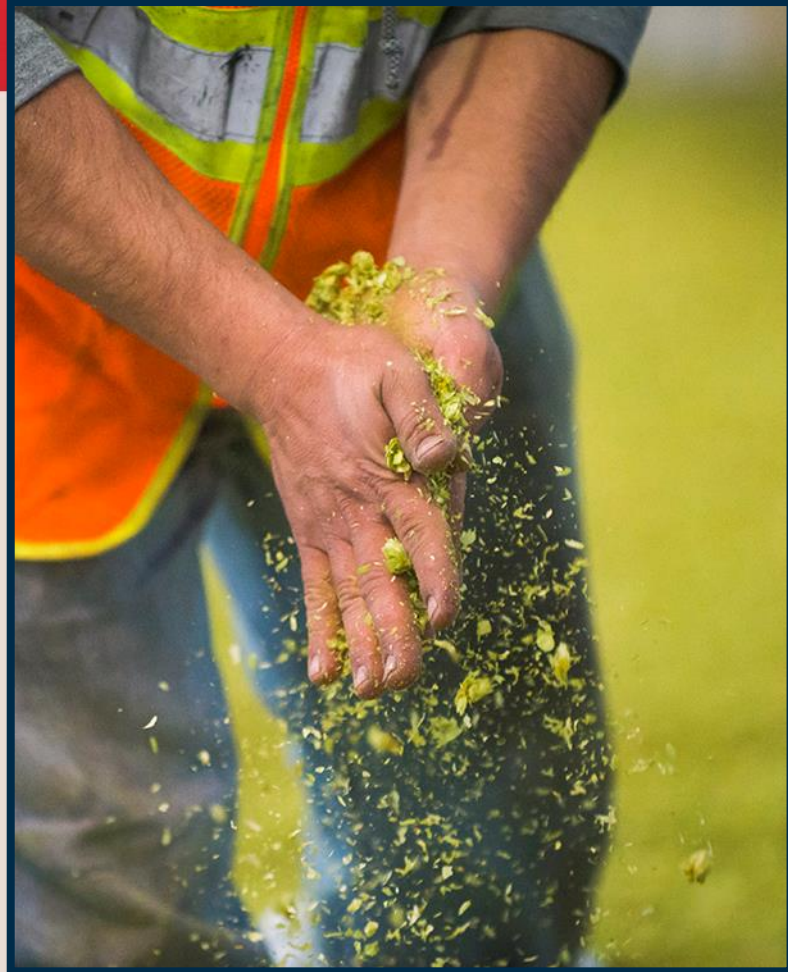
VAN HORN FARMS
2nd Generation
Moxee, WA

We receive hops from over 50 families throughout the Pacific Northwest.

ORIGINS OF HOP CONTRACTING

For many years hops existed in a commodity market, traded at low margins for use by a small number of large brewers

- Volatile Market
 - Boom/bust cycle
 - Strain on brewers and growers
- Fewer Varieties
 - Less need for predictability
 - Low innovation
- Alpha vs. Aroma
 - Commodity driven
 - GR vs US
 - Quality not a focus



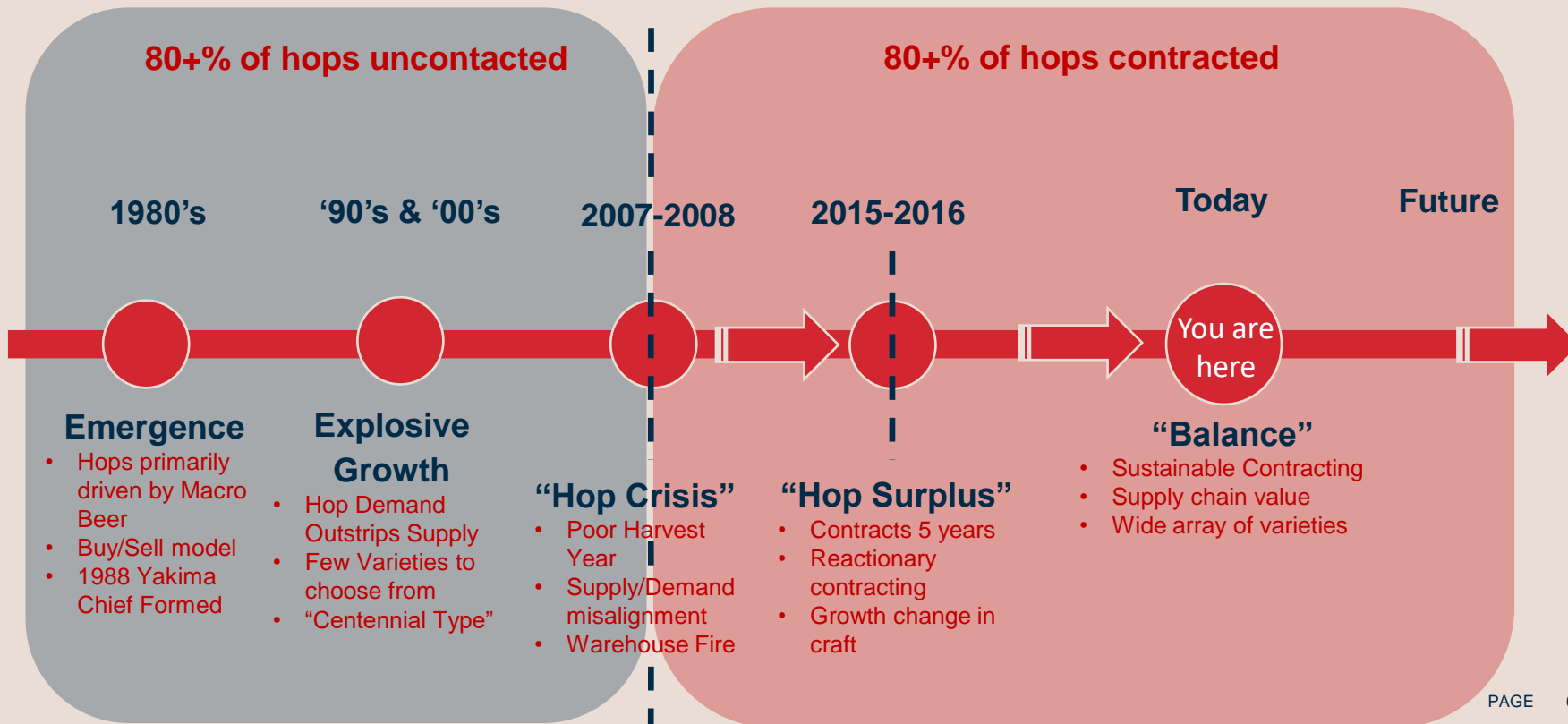
CROP YEAR 2020

Harvest Going well!

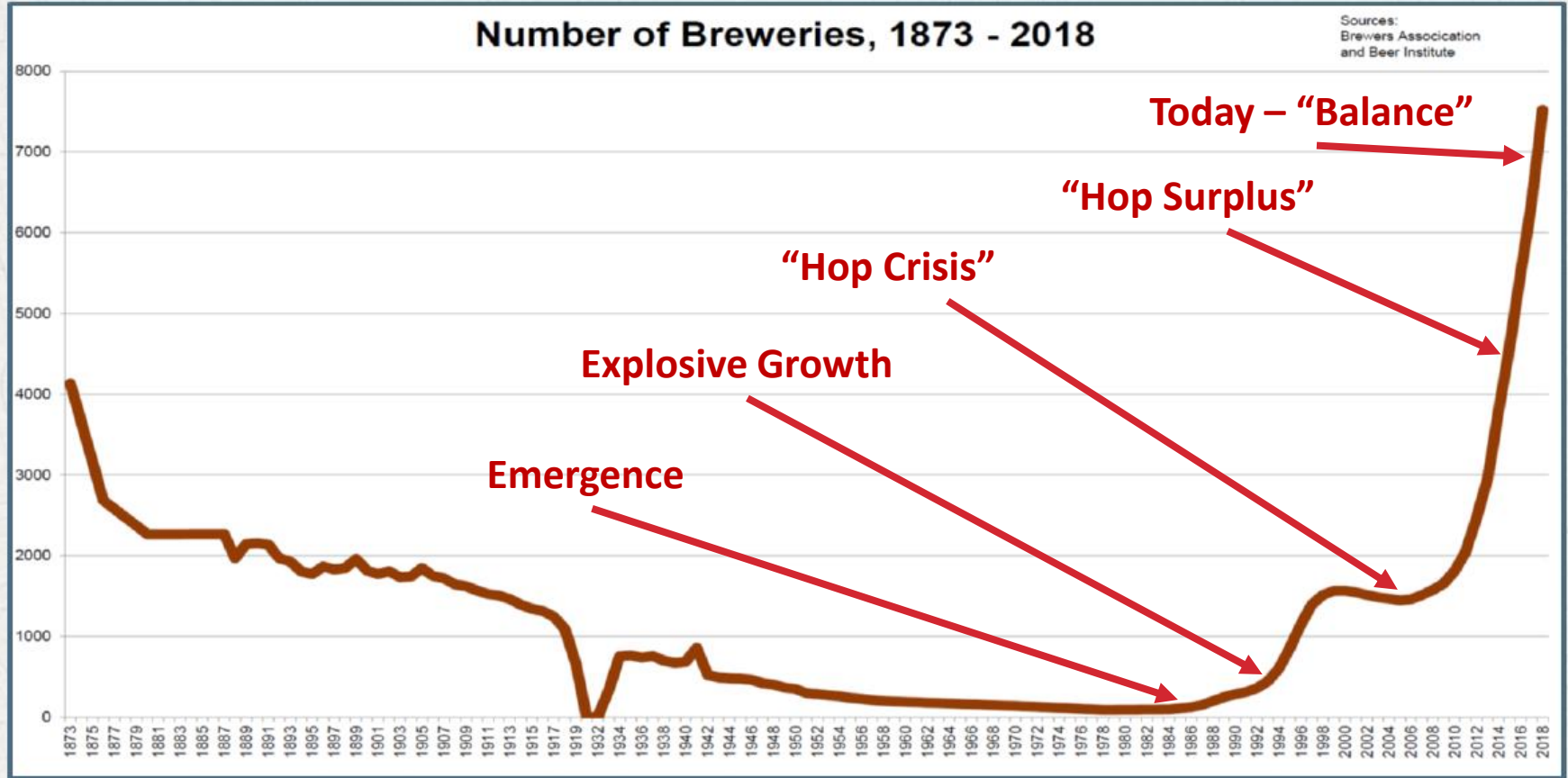
- Wind and fires but no concerns from a supply side to brewing industry
- Yields average some varieties up and down
- Quality looking great across the board!
- Acreage and its relation to Contracting
- Acreage up overall this year in PNW
 - Down 10% through YCH overall
 - Trying to maintain “balance” as best we can
 - Hop Acreage trends Cascade, Centennial, Chinook



CONTRACTING WITH YCH – A BRIEF HISTORY



Brewing Industry Update



BIRTH OF CRAFT BEER

As the US craft beer industry blossomed the demand for new and diverse varieties increased. Farmers began growing a more diverse array of varieties


- Pros
 - Higher \$/acre
 - Quality-focused
 - Larger customer base
- Cons
 - Aroma hops yield less bales/acre
 - More diversity=more difficult to predict
 - Acreage shifts are expensive

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Hopunion U.S.A., Inc.

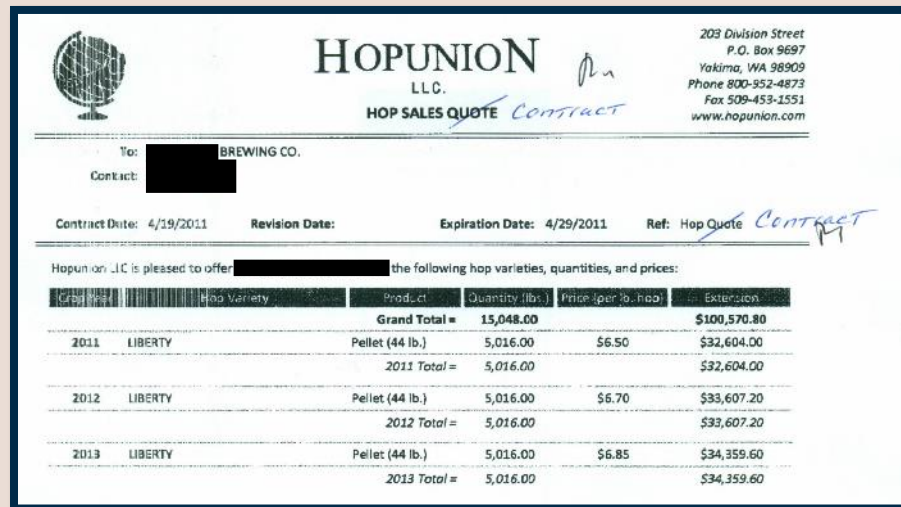
Reprinted June 6, 1995



ENTER THE CONTRACT

Growing hops is expensive, especially compared to crop alternatives. At \$14,000+/acre growers needed assurance that their investments would be met with a workable return

- Craft brewers begin contracting
 - Drives aroma market forward, giving growers confidence to install acreage on new varieties
- Breeding programs shift focus
 - Proper contract structure makes breeding for aroma varieties fiscally viable
 - No need to focus solely on alpha acid



HOPUNION
L.L.C.
HOP SALES QUOTE CONTRACT

203 Division Street
P.O. Box 9697
Yakima, WA 98909
Phone 800-952-4673
Fax 509-453-1551
www.hopunion.com

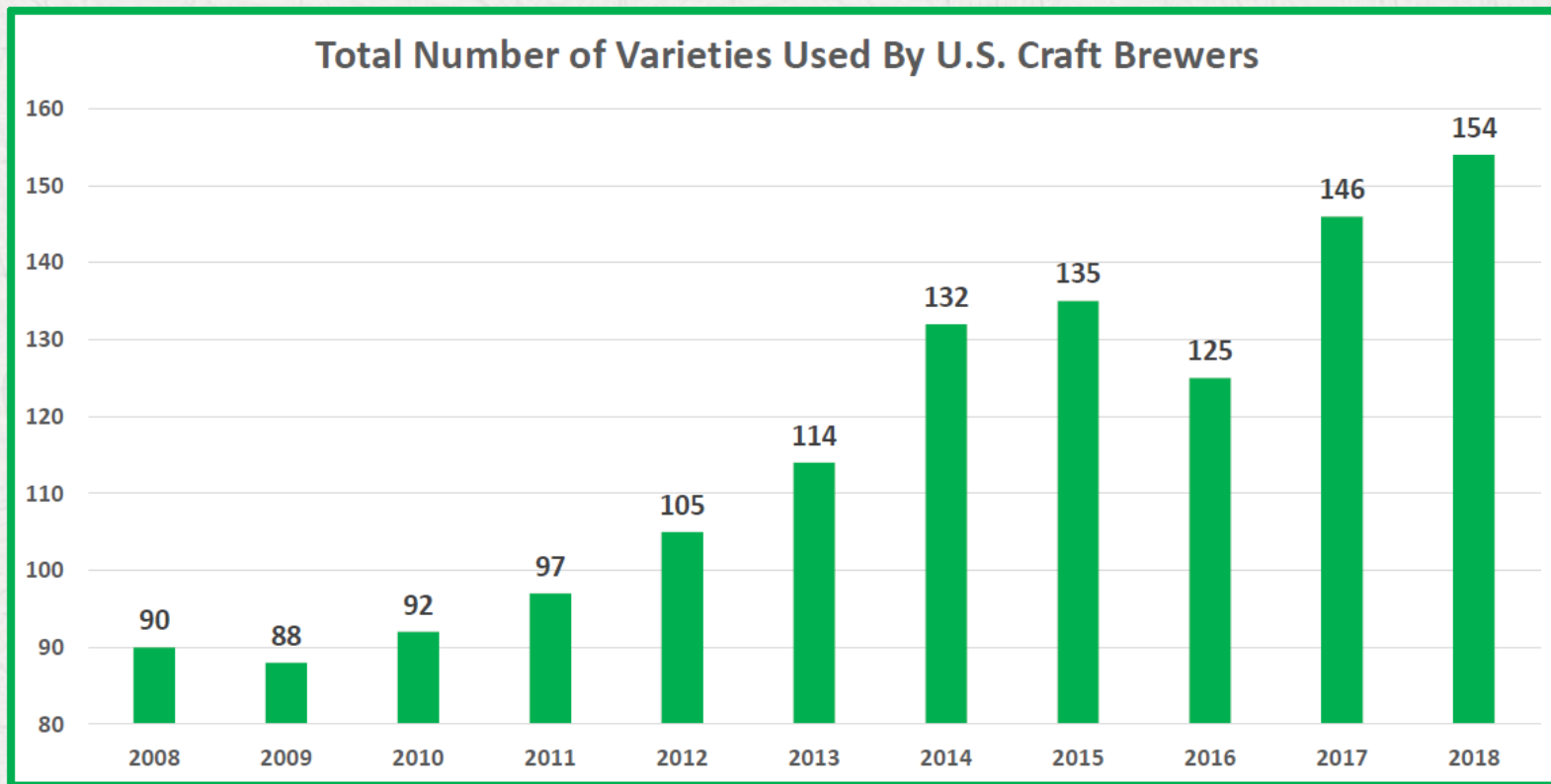
To: [REDACTED] BREWING CO.
Contact: [REDACTED]

Contract Date: 4/19/2011 Revision Date: Expiration Date: 4/29/2011 Ref: Hop Quote CONTRACT

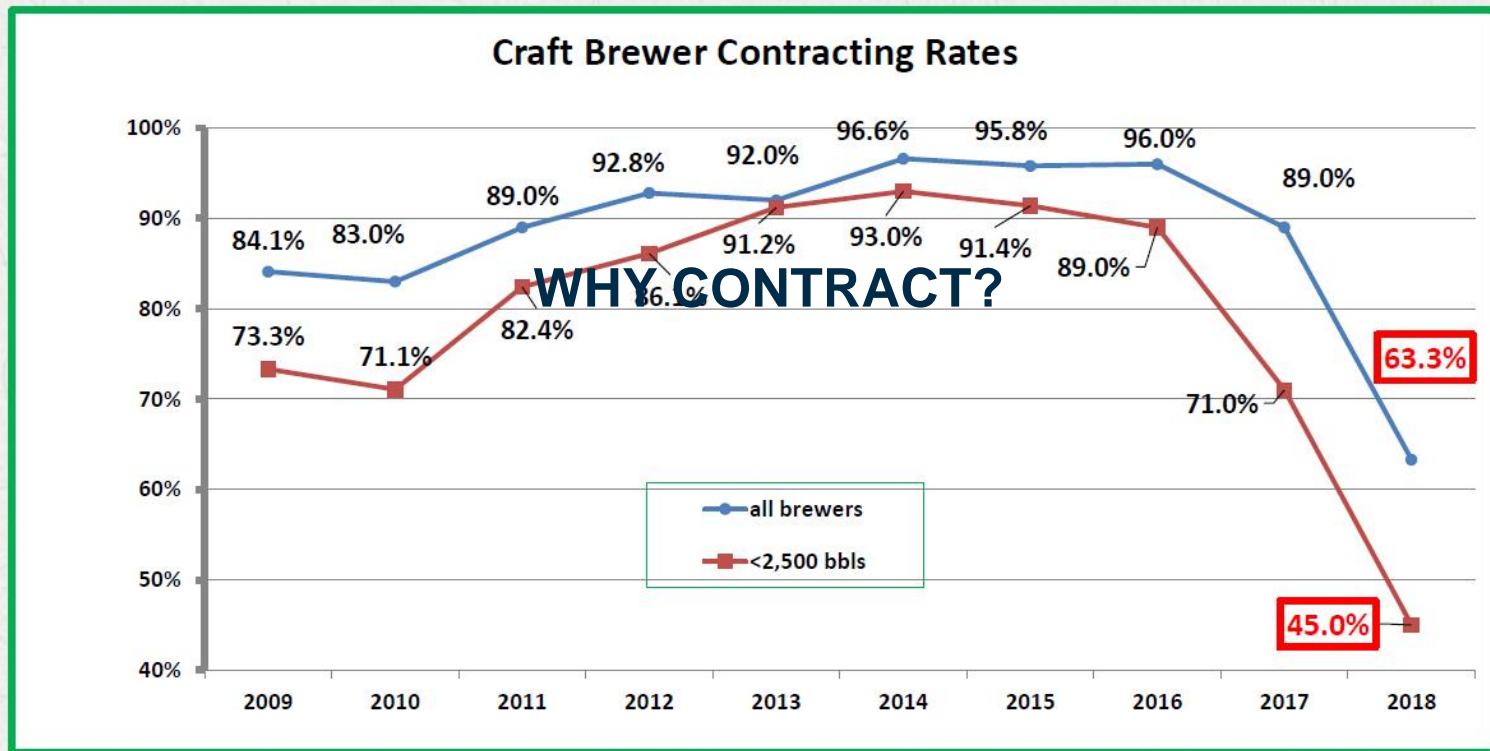
Hopunion L.L.C. is pleased to offer [REDACTED] the following hop varieties, quantities, and prices:

Crop Year	Hop Variety	Product	Quantity (lbs.)	Price (per lb. hop)	Extension
Grand Total =			15,048.00		\$100,570.80
2011	LIBERTY	Pellet (44 lb.)	5,016.00	\$6.50	\$32,604.00
			2011 Total =	5,016.00	\$32,604.00
2012	LIBERTY	Pellet (44 lb.)	5,016.00	\$6.70	\$33,607.20
			2012 Total =	5,016.00	\$33,607.20
2013	LIBERTY	Pellet (44 lb.)	5,016.00	\$6.85	\$34,359.60
			2013 Total =	5,016.00	\$34,359.60

Annual BA Hop Survey Results



Annual BA Hop Survey Results





WHY CONTRACT?

63.3% of all US breweries (7,350) = 2,698 breweries not contracting...

- Record number of breweries
- Record number of varieties in the market
- Least amount of insight into breweries needs since 2008...



Why Contract?

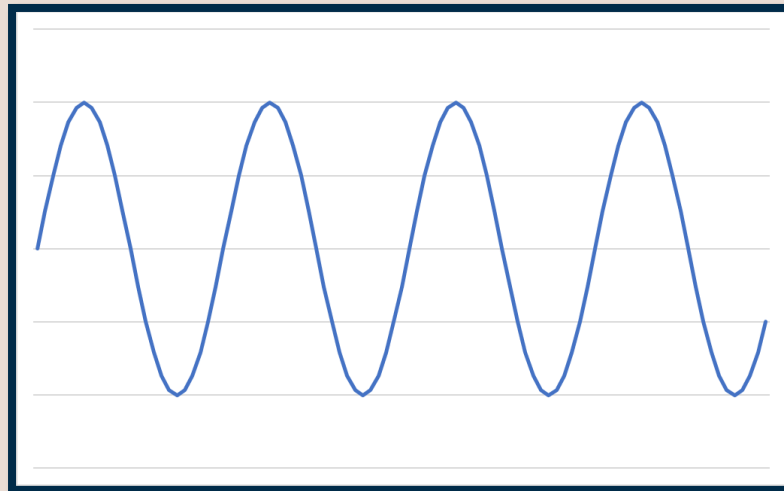
\$35.00  per lb	US Citra 2018	44 lbs 1 × 44 lbs 1 package minimum	\$1.47  per lb	US Cascade 2017	22 lbs 2 × 11 lbs 1 package minimum
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Stability

Why Contract?

The hop market is inherently challenging

- Agricultural
 - One harvest a year
 - Some level of unpredictability
- Poor Storing
- High cost of production and barrier to entry



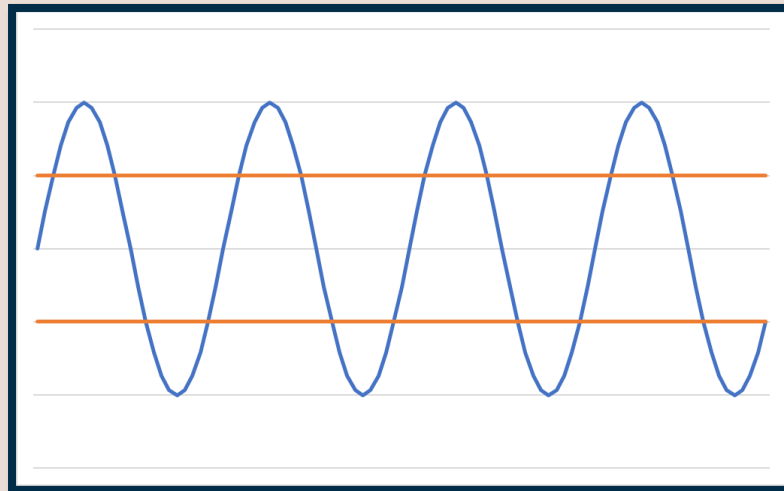
Why Contract?

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Contracts mitigate boom/bust cycles by:

- Assuring a fair return to growers
- Locking in stable supply and pricing for brewers
- Allowing growers to make predictable, appropriate acreage decisions and mitigate risk





Why Contract?

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Stability

Sustainability



PARTNERSHIP FROM PROPAGATION TO PINT



QUALITY & SUPPLY MANAGEMENT

ISO 9001, 14001, CSR Plan

WHY SHOULD I CARE?

“For us, this is about generations down the road, not years. We have literally bet the farm on our relationships with brewers (with the substantial long-term debt incurred to reinvest), but the stability that YCH, YCR, and breweries bring gives us the confidence to make that bet.”

—Jason Perrault, Perrault Farms



WHY SHOULD I CARE?

- Sustainable grower returns=reinvestments in quality
 - Contracts allow for long-term farm investment
- Sustainable grower returns=breeding program viability
 - Breeding adds value to the overall supply chain
 - Unique flavors
 - Agronomic improvements
 - Brewer-to-grower feedback

Sustainable returns=Quality Hops



RETURN TO GROWER (RTG)

- For every \$/KG of hops sold, 78% of the sales revenue goes to the growers. This includes both grower owners and allied growers.
- Strong, sustainable returns allow growers to make critical investments in people, land, infrastructure, and farming practices that lead to high quality, stable hops
- For example, over the last 6 years:
 - 33 New Picking Machines
 - 22 New Kilns
 - 24 New Baling Rooms
 - Fair wages for labor
- Why should brewers care?
 - Superior Hop Quality**
 - Great Beer**



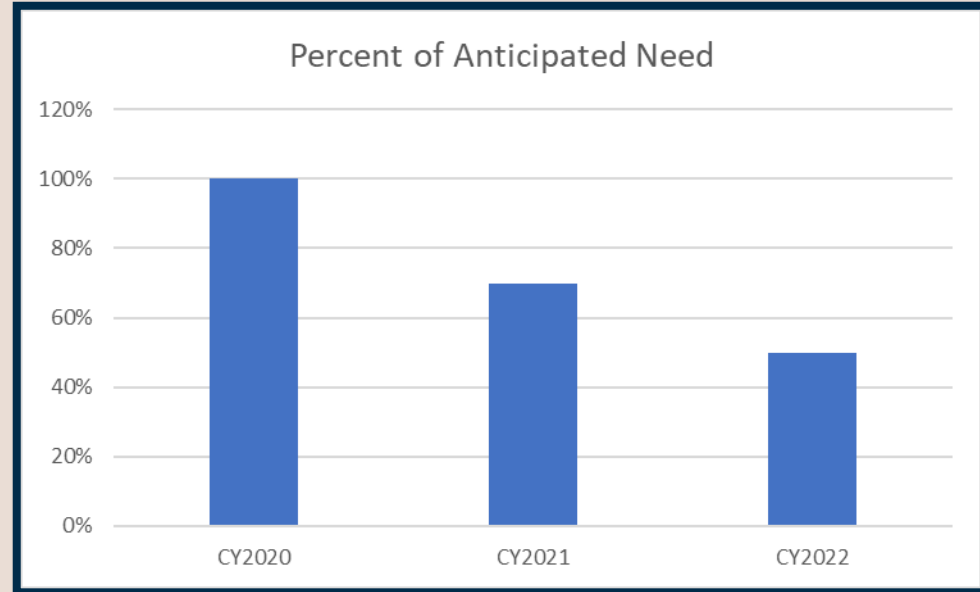
HOP CONTRACTING

“OK, HOW DO I DO IT?”

TIPS FOR SUCCESSFUL CONTRACTING

Use a downward stair-step model when contracting

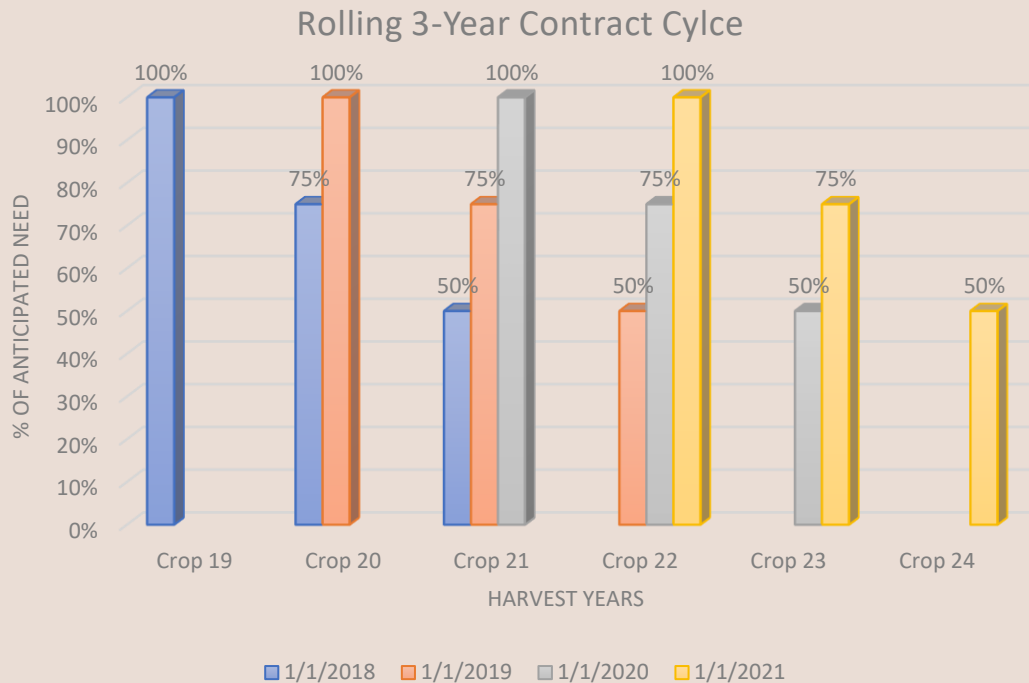
- 3-year rolling contract cycle
 - Recommended
 - Allows time for readjustment
 - Balance of Risk, Responsibility and Planning



TIPS FOR SUCCESSFUL CONTRACTING

Follow harvest cycles

- Growers plan acreage in late winter
 - This is when brewers should have upcoming harvest numbers nailed down
- **Summer is too late for near-harvest contracting!**
 - Acreage is already planted and growing



TIPS FOR SUCCESSFUL CONTRACTING

Talk to your supplier often

- Suppliers have fluid inventories
 - They can often help more than anticipated
 - “Checking the pulse” of the contract at least once a quarter can help drastically in keeping a balanced contract



TIPS FOR SUCCESSFUL CONTRACTING

There is no “set it and forget it”

- Planning for growth?
 - Check in often to top up contracts
- Stable demand?
 - Maintain rolling cycle and top up as winter approaches
- Too many hops?
 - Check in often to explore changing options from your supplier

JANUARY 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

**CHECK IN
WITH YAKIMA
CHIEF**

CONTRACTING & PLANNING CALENDAR

SEPTEMBER

- Hop Harvest
- Positions change from projected to actual

NOVEMBER

- Planning for next harvest begins
- *YCH and YCR begin assessing needed adjustments for next harvest*
- Availability of current crop year begins

JANUARY

- Forward contract requirements deadline – January 31st (prior to forthcoming harvest)
 - *Hop Growers Convention – final decisions on acreage and variety demands*
 - *Full communication to growers occurs on acreage changes on their farms*

August 31ST (year following harvest crop year)

- Contracts end for previous crop year
- Space is a premium as a year's-worth of hops are brought into our facilities

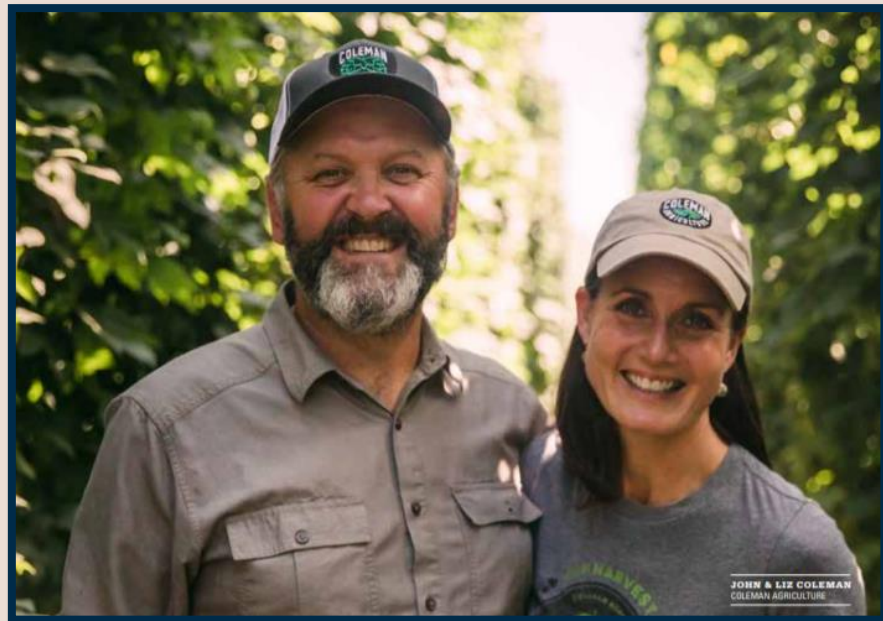
RTG – Return to Grower Dates

Grower Payments for the current crop

- November
- March
- July
- December

You contract is not just with YCH – it is with family farms!

- Impacts of contracting
- Why the dates matter



TAKEAWAYS

- Contracts underpin the market
 - Enjoy spot supply when available, but no contracts is not a strategy
- Less than 100 growers in USA
 - Without contracts they won't exist
- A contract is a living organism
 - Just like pumps, forklifts, and centrifuges, they require regular maintenance





QUESTIONS?

• AMERICAN HOPS. •
FROM THE
PACIFIC NORTHWEST™
