



**YAKIMA  
CHIEF  
- HOPS -**



## HOP CONTRACTING

Katie Richardson – Regional Sales Manager – Southern UK & Scandinavia  
Jason Little – Regional Sales Manager – North UK & Ireland  
Zoltan Sivo – Director of Key Accounts (Europe)

## **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.

# PARTNERSHIP FROM PROPAGATION TO PINT



## QUALITY & SUPPLY MANAGEMENT

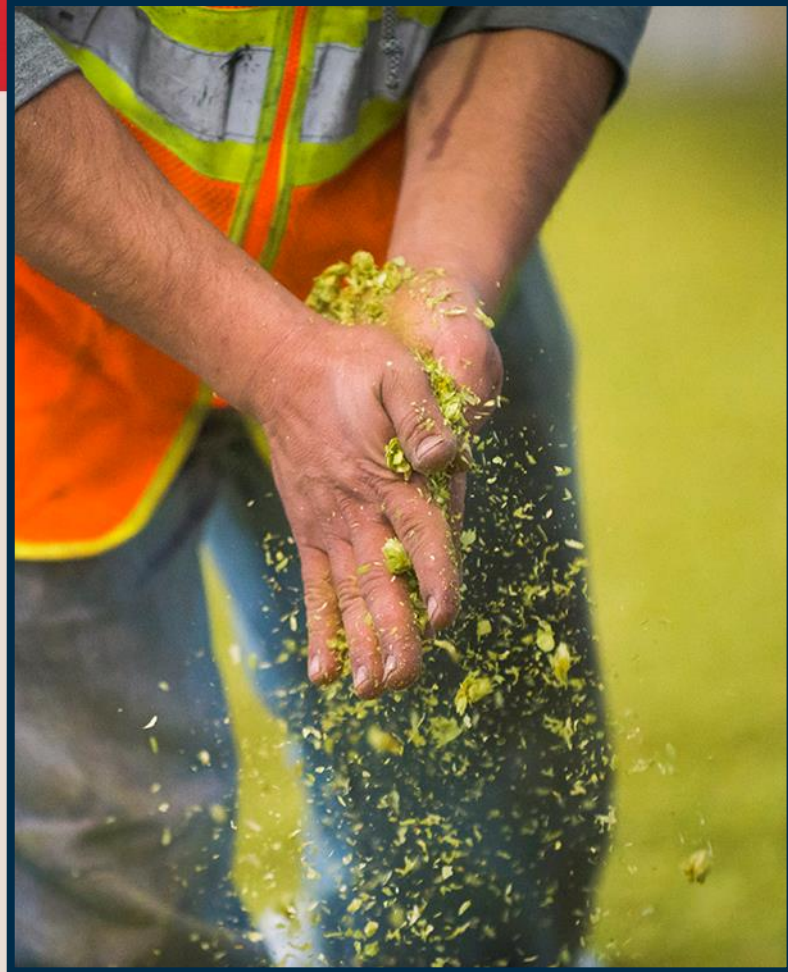
ISO 9001, 14001, CSR Plan



## 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

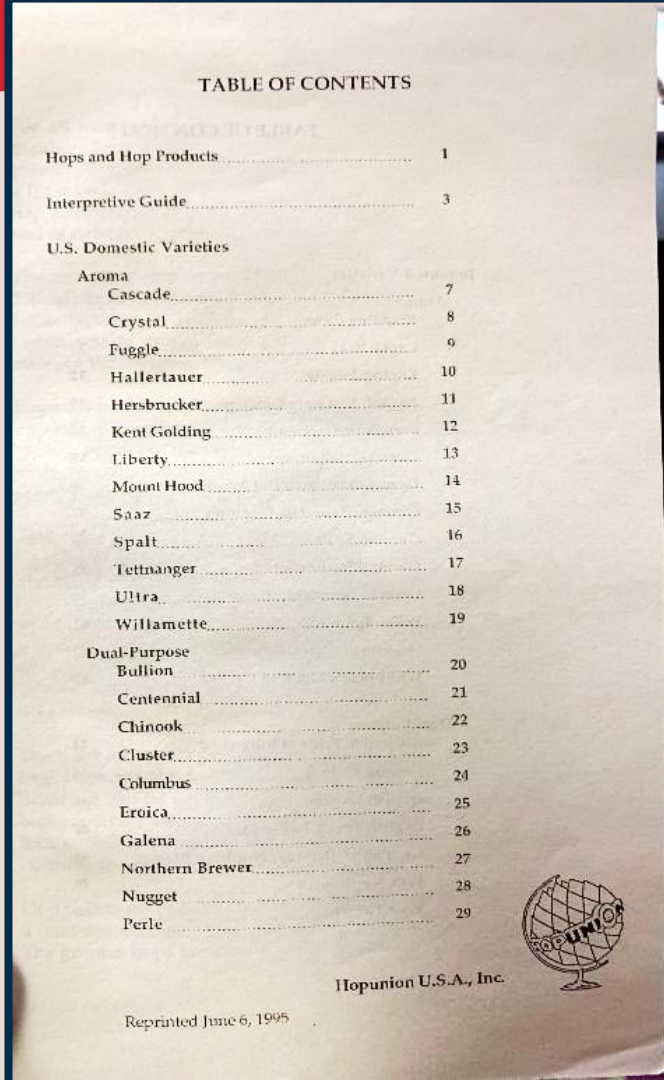
- Volatile Market
  - Boom/bust cycle
  - Strain on brewers and growers
- Fewer Varieties
  - Less need for predictability
  - Low innovation
- Alpha vs. Aroma
  - Commodity driven
  - GR vs US
  - Quality not a focus



# BIRTH OF CRAFT BEER

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

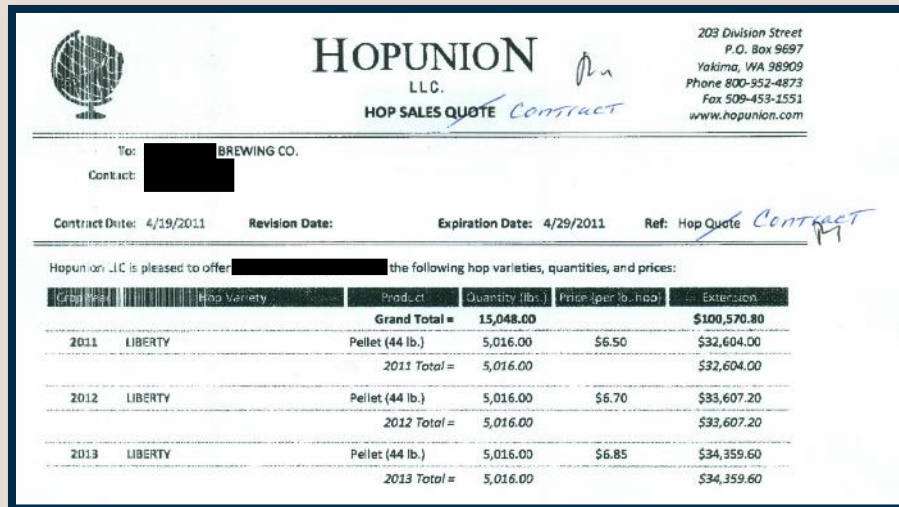
- Pros
  - Higher \$/acre
  - Quality-focused
  - Larger customer base
- Cons
  - Aroma hops yield less bales/acre
  - More diversity=more difficult to predict
  - Acreage shifts are expensive



## ENTER THE CONTRACT

Growing hops is expensive, especially compared to crop alternatives. At \$14,000+/acre (30,000 Eur/Hectare) 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. *Contract*

203 Division Street  
P.O. Box 9697  
Yakima, WA 98909  
Phone 800-952-4873  
Fax 509-453-1551  
www.hopunion.com

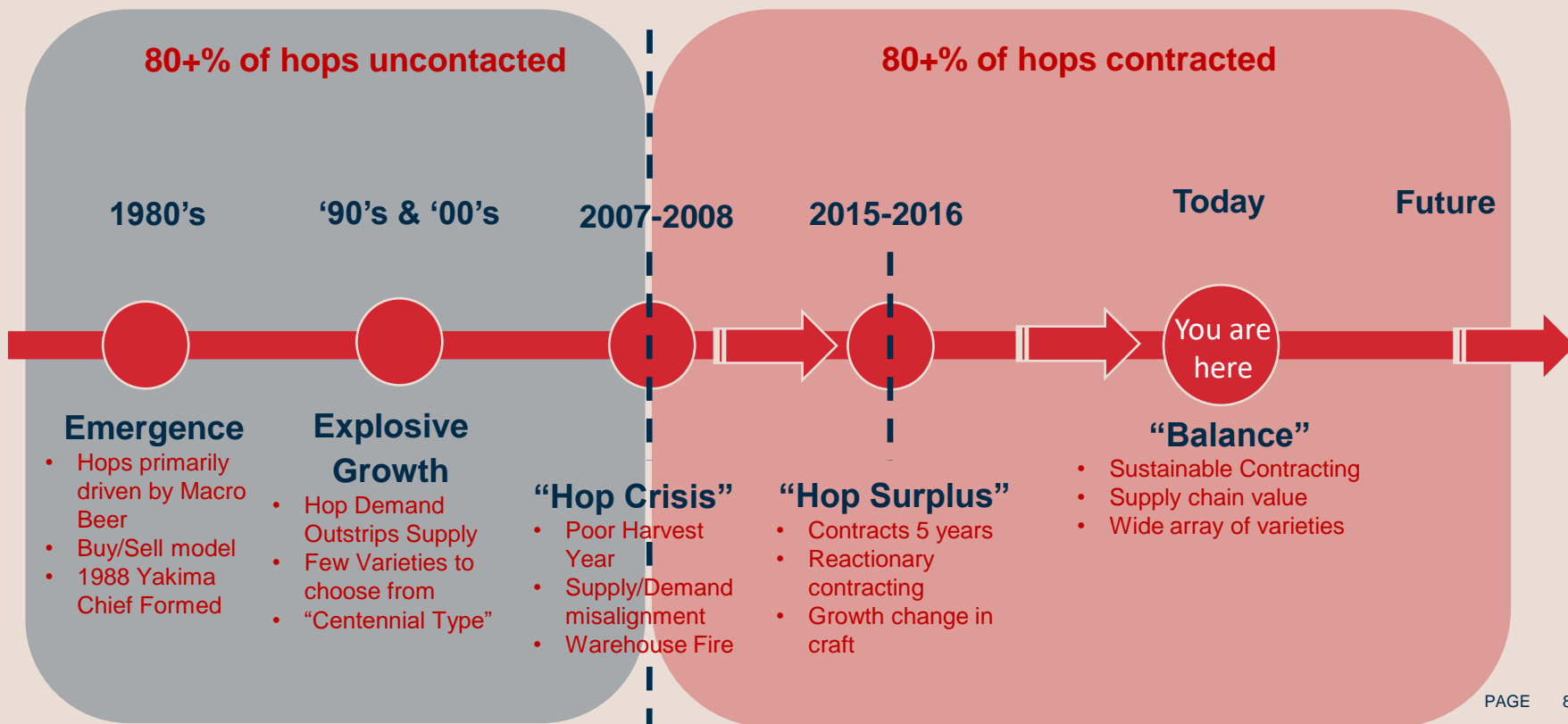
To: [REDACTED] BREWING CO.  
Contact: [REDACTED]

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
			<b>Grand Total =</b>	<b>15,048.00</b>	<b>\$100,570.80</b>
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

# CONTRACTING WITH YCH – A BRIEF HISTORY





## WHY CONTRACT?

**10,000+ breweries across Europe (+ many more globally)**

- Record number of breweries
- Record number of varieties in the market
  - 2008 approximately 90 different varieties used in the US Craft Beer market
  - As of 2018 approx. 154 varieties used in US Craft Beer market
- Least amount of insight into breweries needs since 2008...

The Brewers of Europe Annual European Beer Trends Statistics Report 2019

## Why Contract?

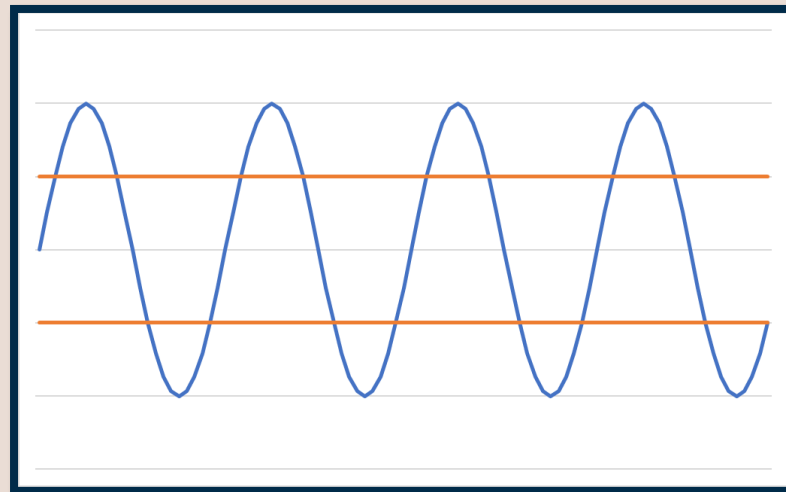
The hop market is inherently challenging

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

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

## STABILITY & SUSTAINABILITY



## WHY SHOULD THE BREWER 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



## 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**





## 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

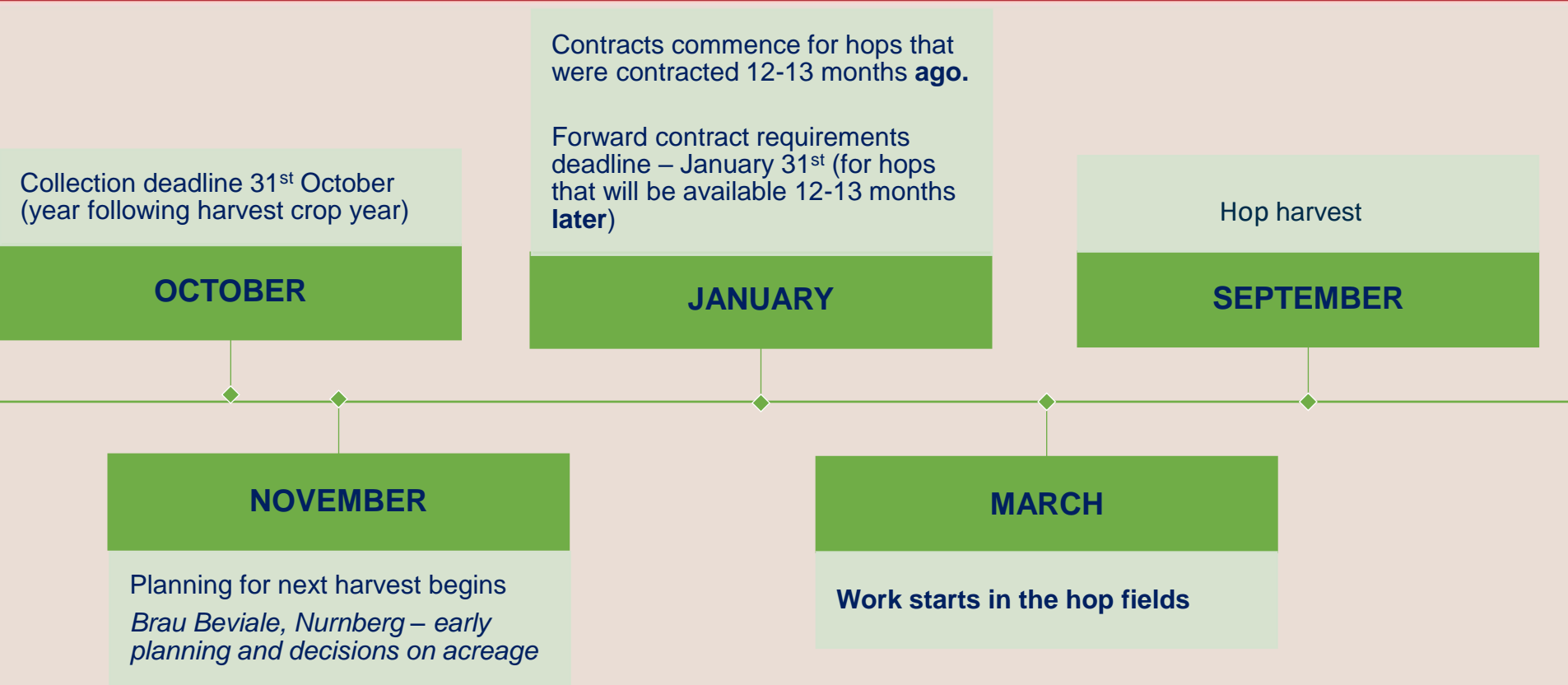
Sustainable returns=Quality Hops





**HOP CONTRACTING**

**“OK, HOW DO I DO IT?”**



# CONTRACTING & PLANNING CALENDAR

## Specific example if we are in September 2020 (now)

### **JANUARY 2021**

Contracts/Deliveries start for **Crop 20** hops.

### **JANUARY 31<sup>st</sup> 2021**

Forward contract requirements deadline for Crop 21 hops, which will become available in January 2022, so in essence brewers are contracting 12-13 months in advance of when they will be able to order them

**MARCH 2021** – Work starts in the hop fields on **Crop 21**

**SEPT. 2021** – Harvest of **Crop 21** hops

### **OCTOBER 31<sup>ST</sup> 2021**

Collection deadline for contracted **Crop 20** hops

### **JANUARY 2022**

Contracts/Deliveries start for **Crop 21** hops.

### **JANUARY 31<sup>st</sup> 2022**

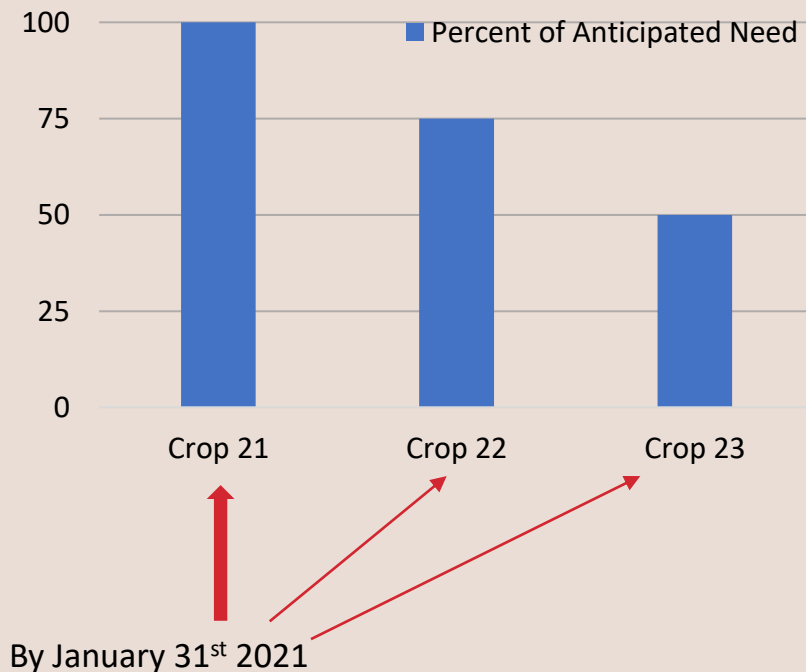
Forward contract requirements deadline for **Crop 22** hops, which will become available in January 2023,



## 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
  - Quality information from brewers to growers
  - Allows growers to make strong and effective forward plans

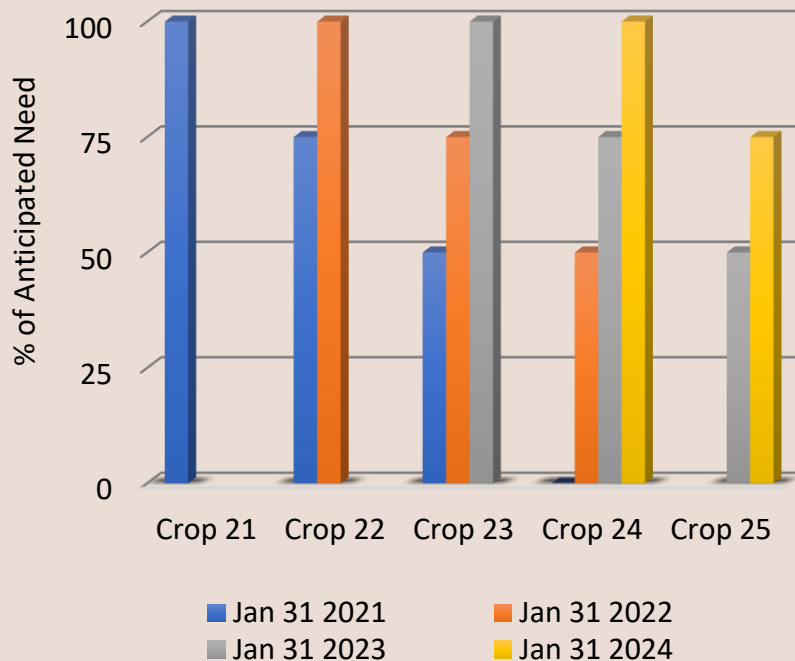


# TIPS FOR SUCCESSFUL CONTRACTING

## 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

Rolling 3-year contract cycle





# 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
  - We are happy to advise on how to contract for your specific circumstances and future growth



## 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**

## TAKEAWAYS

- Contracts underpin the market
  - Enjoy spot supply when available, but no contract is not a strategy
- Less than 100 growers in USA
  - Without contracts they won't exist
  - Being grower-owned = meaningful & tangible connection to family hop farms
  - Helps to make impactful decisions with best interest of both growers and brewers in mind
- A contract is a living organism
  - Just like pumps, forklifts, and centrifuges, they require regular maintenance
- Footprints®, Hop Breeding Company®, Green Chief®, Field and Facility Investment all exist as a result of quality contracting practices



# KEY DATES REMINDER

**JANUARY 31 PRIOR TO HARVEST**

**Forward contracting deadline – submit key requirements to your RSM**

**JANUARY – OCTOBER 31<sup>ST</sup>**

**Contracts timeframe and collection date**

**Don't forget... Set these dates up in your diary!**

**• AMERICAN HOPS. •**  
**FROM THE**  
**PACIFIC NORTHWEST™**

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