



ENTREPRENEURS WORKING TO KEEP CRAFT BREWERS IN BALANCE

Tuesday, September 16, 2014

Charlottesville, VA - It's no secret that business has been booming for craft brewers in recent years. New [Hop Shortage](#), [Rising Prices](#), [Hop Crisis](#) headlines roll out nearly every week, but there's more to it than the simple supply and demand issues that many report.

Most brewers buy hops from hop brokers, like Hopunion, Hopsteiner, Haas, BSG, etc. Brokers work with (and often own) growers to supply the industry with appropriate quantities of desired hop varieties. Brewers make spot purchases from brokers, or (now more commonly) sign multi-year contracts. "Brewers don't buy hops the same way they did just a few years ago," says Don Bryant, CEO of Hopunion, "When I joined Hopunion four years ago spot sales were roughly 80% of the business. These days, the spot market is about 5%."

"Contracting is imperative to get the hops we need to make our beers. The spot market is usually sold out and sadly not something a brewer can rely on anymore," says Jason Oliver, Head Brewer at Devils Backbone Brewing Co. While contracting is good for everyone, it is not always easy to accurately forecast demand a few years out. Oliver says, "In its first year of operation, our production brewery brewed the barrelage we had scheduled for *year ten* in our business plan! One of the strengths of our industry is its flexibility and speed to create new products, which unfortunately works at a faster rate than contracts can sometimes cover. To continue craft beer's streak of innovation it is great to have another source where brewers can have access to the hops we need."

All of this long-range forecasting and contracting often leaves brewers dealing with the difference between their hop contracts and actual hop usage. These new market realities have spawned a secondary hop market where brewers scramble to find varieties they need and unload ones they don't. Until now, this market has been largely improvised. Brewers (often in desperate need) obsessively monitor classified ads posted on brewer's message boards and listservs. Brewers who post classifieds to unload long positions usually end up with overwhelmed inboxes and spend far too much time managing transactions.

"Sometimes you're long on a variety, sometimes you're short. We get it – we're brewers too," says John Bryce, Founder of [The Lupulin Exchange](#), "Our goal is to streamline and secure this process for buyer and seller, so you can both get back to the brewhouse before your next hop addition." Bryce has been brewing commercially since he opened Blacksburg Brewing Co. in 2002. "We've created a centralized marketplace where brewers can list hops for sale, search for varieties, set up alerts, and make secure transactions quickly. We think a centralized marketplace for the growing secondary market will add balance, fairness, and transparency; all of which benefit brewers, brokers, and growers."