



Otsego-Delaware Hops Alliance Initial Report

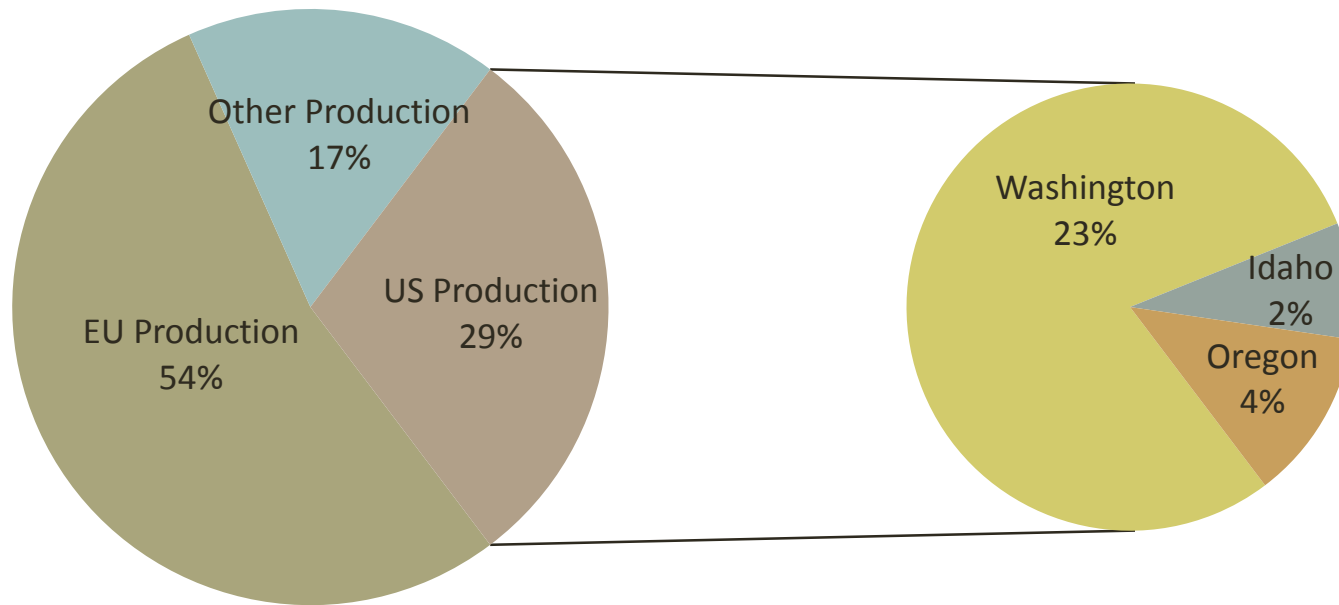
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Supply

From Where Does Commercial Hops Come?

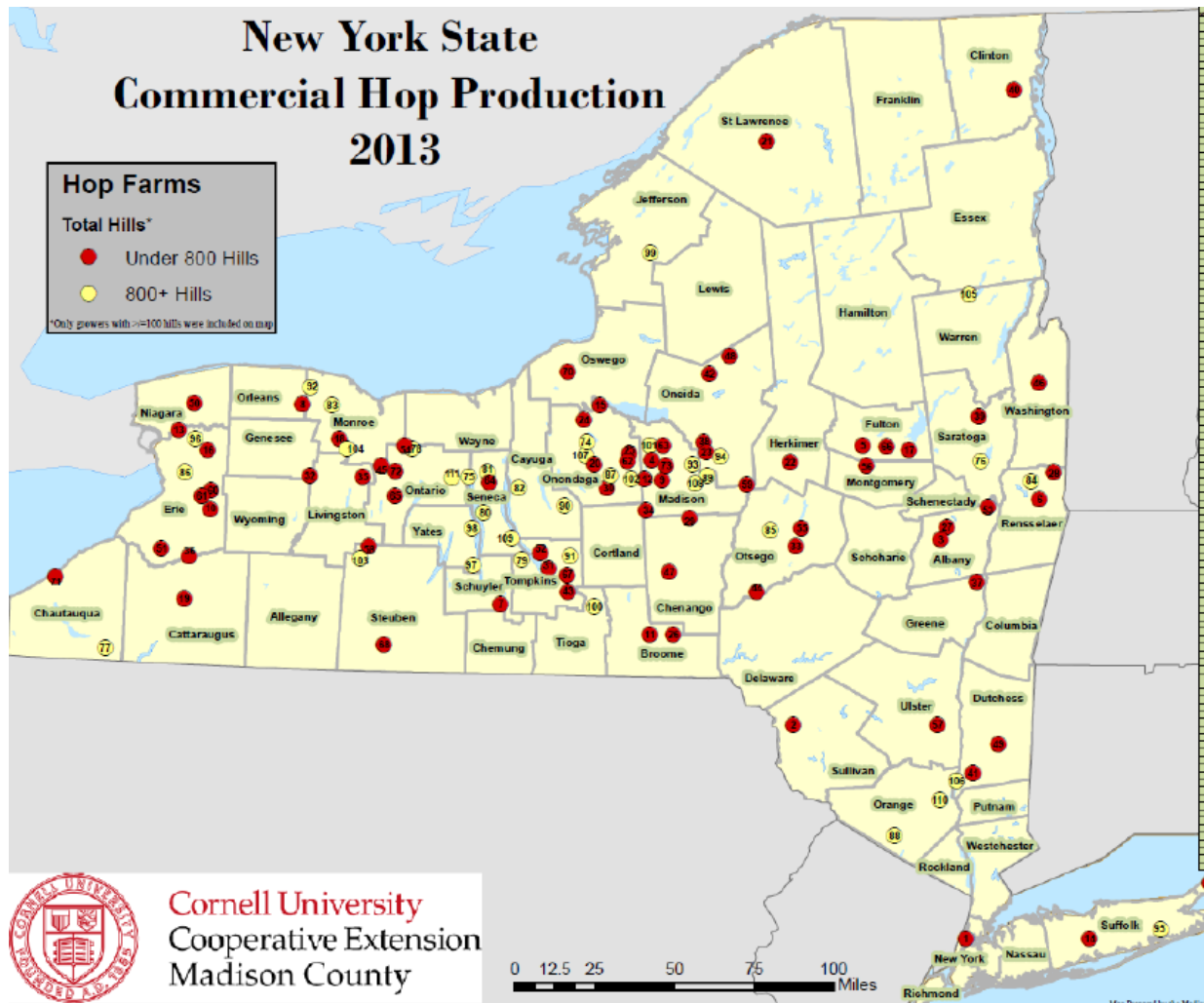
Distribution of Global Hops Production, 2011



Sources: EU data (<http://ec.europa.eu/agriculture/markets/hops/>) and US data (Hops Growers of America 2012 Statistical Report)

Current NY Supply

- 2% of 2013 state acreage in Otsego County



2013 NY Hops by the Numbers

- 101,552 hills on ~100 acres statewide
 - (<0.1% of US production)
- Acreage concentrated
 - Finger Lakes region
 - Western Madison eastern Onondaga counties
- 4 locations in Otsego County

A Potential for More – Idle Acreage

- Otsego County
 - 7,498 acres of idle farm land
 - 185 farms (40 acre average)
- Delaware county
 - 1,909 idle acres
 - 94 farms (20 acre average)

A Potential for More -- Suitable Climate and Soil

	Requirement	Local Conditions
Latitude	35° N-55° N	42.6175° N
Temperature April-September	10-19° C	14° C
Average Precipitation April-September	64-569 mm	96 mm
Average daylight April-September	10-19 hours per day	14 hours per day
Soil Type	Well-drained, sandy loam	chanery silt loam
Soil Depth	Average 3-4 feet top soil before hitting bedrock	very deep or moderately deep



Demand

Current NY Demand

- Otsego County home to a few large brewers



Source: NYSBA, 2013

Local Demand by the Numbers

- Approximately 100 NY craft breweries
 - Appear to drive hops production
- Otsego county is home to four of these
 - Brewery Ommegang
 - Butternuts
 - Cooperstown Brewing Company
 - Council Rock Brewery
- Matts brewery in neighboring Oneida County is 8th largest craft brewer in the nation
 - Rough estimate of annual production 210,000 barrels for Matts

How Much Hops is Needed?

- Rough estimates* of existing local demand (100% conversion to local aromatic hops purchase)
 - 80,000 – 100,000 lbs. supported on ~90 acres

BUT...

- 100% conversion unlikely**

SO...

- Need additional local beer production

* Based on 2010 VT feasibility study (Wilson 2010). Current NY survey in progress.

** Based upon phone conversation with state hops expert.

Existing Incentives for Entry of New Breweries

- Growing craft beer industry*
 - 2012: 15% growth by volume and 17% by dollars
 - 2011: 13% growth by volume and 15% by dollars.
- New York State Farm Brewery Law
 - Allows for on and off-site sales at reduced cost
 - Requirement: ingredients grown in NY (not necessarily on brewery site)
 - 20% until the end of 2018
 - 60% until the end of 2023
 - 90% after January 1, 2024

Source: Brewers Association data (<http://www.brewersassociation.org/pages/business-tools/craft-brewing-statistics/facts>)



Proposal

Rough Proposal-- 2 Prong Approach

- Pilot 6 farm cooperative to scale from 6 to 30 acres over 5 years
 - Initial (rough) estimates of 5.7% annual ROI over 12 years at \$15/lb. price point and 1,000 lb/acre yield
 - Plan can be replicated on additional farmer groups
 - Farmers can scale to 10 acres at end of pilot
- Encourage brewery(s) to locate in Otsego County
 - Purchase local hops
 - Access railway

Barriers to Local Hops Production

- Farmers -- Producers
 - Start-up capital
 - Cash flow
 - Access to processing infrastructure
 - Risk aversion / independence
- Brewers – Consumers*
 - Volume?
 - Consistent quality?

*Based on VT feasibility study (Wilson, 2010). NY survey in process.

Barriers to Brewery Entry

- TBA