



BEER INSTITUTE



July 17, 2003

The Honorable Ann Veneman
United States Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Madam Secretary:

The Beer Institute is a trade association representing domestic and international brewers as well as suppliers of agricultural and other materials to the brewing industry. Our members produce well over 90% of the beer sold in the United States and they have a direct interest in the hops market, as virtually all hops grown in the US are used by brewers.

Cultivation of hops for use in brewing dates back over 1000 years in Europe, and early German and Dutch settlers grew hops shortly after their arrival in America. Larger scale production began in the early 1800's. Current hops production is centered in the Northwest, as indicated by the pending request from growers in Washington, Oregon, Idaho, and California. International competition is intense with the US producing approximately 25% of the world-wide crop and substantial production in Europe, Asia, Africa, and Australia.

The USDA's specific request for alternatives to the proposed order presupposes that an administrative system can be developed to deal with structural economic forces that have resulted in an oversupply of hops. Any such effort by the federal government is contrary to the current administration's recently stated agricultural policy that recognizes that "the marketplace is the best guide for allocating resources and provides the most objective reward for efficiency and good management."¹ The current business and social situation confronting American farmers is aptly described as a "competitive, consumer-driven, and rapidly changing...highly inter-dependent, blending the efforts of many industries to add value to farm sector products."² As the sole consumer of hops, brewers are primarily responsible for adding value to the crops of hops growers and other agricultural producers.

¹ United States Department of Agriculture, Food and Agricultural Policy—Taking Stock for the New Century, Government Printing Office, 2003, p.51.

² Id., p. 58.

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The future of the US hops industry is tied directly to many factors beyond the reach of agricultural marketing orders, including growth and technological advances in the worldwide brewing industry, international competition and crop yields, and exchange rates. Prior US experience with hops marketing orders has not provided effective long-term relief to American growers. Since 1938, the Department of Agriculture (USDA) has administered three different marketing orders that applied to growers in the same region that would be covered under the proposed order now being considered. All three failed to help US farmers. Artificial constraints on acreage, quota systems, and purchase pool arrangements did not adequately anticipate the effects of external market forces in the past, and they will not be able to do so in the current commercial environment.

Beyond history and practicality, a fundamental goal of marketing orders in US policy would be thwarted by imposition of a marketing order at this time: the maintenance of high-quality produce. Brewing is an art form that combines centuries of tradition with modern methods of production and quality control. US and international brewers have established their respective reputations through decades of effort and attention to detail. A marketing order could hurt growers who have worked to meet the standards of specific brewers or to develop new varieties to meet the demands of our nation's craft breweries, which often produce unique seasonal products. A new marketing order would set back the efforts of growers to meet basic customer needs, such as quality and variety.

In direct response to the USDA's request for alternatives to the proposed hops marketing order, the Beer Institute respectfully submits that no form of marketing order will alleviate current marketplace conditions but would only serve to disrupt and damage the industry, and that the Department should not establish a new order.

Sincerely,



Jeffrey G. Becker
President

✓cc: Docket Clerk – AMB Fruit and Vegetable Programs
Marketing Order Administration Branch