



## Alpha acid clause

### Sales of alpha acid – aroma hops Contract adjustment in the event of reduced crops

#### Preamble:

In order to ensure through forward planning that hops as specialty crop are grown appropriately to meet the needs of the brewing industry, hops and hop products are traded predominantly by means of multi-year forward contracts. Hops are natural raw materials whose availability and quality are subject to changes in the vegetation conditions from year to year. Particularly unfavourable vegetation conditions may result in the hop volume harvested and the hop quantities agreed in the forward contracts being out of proportion.

In order to create a predictable compensation mechanism for both contracting parties the event of such an imbalance, the following rules (alpha clause) may be agreed and applied to adjust hop delivery contracts in the delivery contracts concluded with the brewing industry.

Other agreements concluded individually between the contracting parties always take precedence, however.

#### 1. Scope of application (contract quantity affected)

The alpha clause applies solely to contracts for raw hops or hop products with

- a) agreed alpha acid content and/or agreed alpha acid quantity and only to
- b) the quantity of alpha acid to be delivered from a contractually defined crop year from
- c) aroma hop varieties

for which a reduced crop has been established for the respective crop year.

#### 2. Definition of terms

##### Aroma hop varieties

The aroma hop varieties affected by this rule can be seen from the “Aroma hops” section of the list of hop varieties published annually by the working group “Arbeitsgruppe Hopfenanalyse” (AHA) by 31 October following the respective harvest.

##### Reduced crop

The occurrence of a reduced crop is established separately for each hop variety. The crop of any one hop variety is deemed to be a reduced crop when the alpha acid content measured for that hop variety in a particular crop year is at least 15 % (relative) below the 10-year average alpha acid value for that hop variety. If there is no long-term average value available, the contracting parties may base their adjustment on a different value, which at least corresponds to the 5-year average value (AHA) for the variety in question.

### **Establishment of alpha acid content**

The alpha acid content established for a crop of an aroma hop variety is the value measured by the working group "Arbeitsgruppe Hopfenanalyse" (AHA) and published by 31 October of that crop year.

### **3. Seller's rights in the event of a reduced crop**

In the event of a reduced crop, for any contracted variety affected by this, the seller may request either

- a) that while the contract volume remains unchanged, the contract price be raised according to the formula

$$\mathbf{Lp = Vp \times Va / Ta}$$

Lp: actual price payable

Vp: contractually agreed price

Va: 10-year average alpha value

Ta: alpha value in contracted crop year

or

- b) that while the contract price remains unchanged, the contract quantity be reduced according to the formula

$$\mathbf{Lm = VM \times Ta / Va}$$

Lm: quantity to be delivered

Vm: contractually agreed delivery quantity

Ta: alpha value in contracted crop year

Va: 10-year average alpha value

### **4. Buyer's rights**

(1) In the event that the seller requests an adjustment of the contract price, the buyer is entitled either

- a) to request a reduction of the contract quantity concerned

or

- b) to withdraw completely from the purchase of the contract quantity concerned.

(2) If the seller requests that the contract quantity be adjusted while the contract price remains unchanged, the buyer can withdraw completely from the purchase of the contract quantity concerned from the crop year concerned.

## 5. Timeliness / Requirement of written form

The seller must declare his request for contract adjustment to the buyer in writing no later than 14 calendar days prior to the contractually agreed date of delivery. If delivery in consignments has been agreed, the applicable delivery date is that of the first consignment. If no specific delivery date has been agreed, the seller must declare his request to the buyer in writing immediately upon agreement of a delivery date by the two parties.

The buyer must declare his request to the seller in writing within a period of 7 calendar days upon receipt of the seller's declaration of request.

## 6. Application

This rule replaces the previous version with effect from 1 January 2017 and shall apply to the multi-year delivery contracts concluded after 1 August 2016.

Drawn up on 20 January 2017

German Brewers' Association



German Hop Industry Association

