

Dear trading partners,

During the spring and summer of this year as well as the autumn of last year there appeared numerous evaluations of the situation of Czech hop growing from the side of some of the world hop trading companies. We would like to point out that some of these evaluations and outlooks are very generalising, in many cases inaccurate and misleading. It is possible that the goal of this information is to lower the potential and the value of the Czech hop growing in the eyes of the customers of Czech hop industry and gain a competitive advantage for the future.

We are in no case denying that the Czech hop growing is currently facing many problems due to the under the cost pricing that the hop farmers encountered within the last very long period, due to extremely rapid strengthening of the Czech currency and also due to bad crops 2006 and 2007 in yields as well as in alpha content. Despite these above mentioned problems it is however necessary, in opposition to some information, to stress that even in these difficult conditions the customers of the Czech hop industry received hop quantities that reflected the climatic stroke into the whole production in the last two crops.

This difficult situation forced the Czech hop growers and hop merchants to start negotiations with their partners about the possibility of making provisions for this in price that could reflect the increasing costs, and at the same time the exchange rate development which is not affecting to this extent no other hop growing region in the world, for the crop 2008 and following years. According to our information all these negotiations are led on voluntary basis and their goal is with possible amendments of the contract conditions to increase to a maximum the security and trust of our customers.

To an extent that is limited by financial situation there are hop yards renewals underway as well as constructions of new trellises in order to balance the demand and supply as soon as possible. The Czech hop growers have a support of the responsible national institutions such as the Ministry of Agriculture of the Czech Republic and its minister Mr. Petr Gandalovic claimed during this year Czech hop growing congress that "It is in the interest of the Czech Republic to maintain the thousand year old tradition of hop growing" and the ministry opened for hop growers possibilities of gaining financial sources from national as well as European subsidy programmes in order to help to stabilize this traditional industry in the Czech Republic. We can provide further information on this issue. This ministry support can also be seen for example in the support of the European protected designation of origin "ZATECKY CHMEL" (SAAZ HOPS).

There is therefore no reason to see the Czech hop growing industry with its long tradition and time-proved partnership as an in any way insecure or unstable partner for future. In the last decades it was just the case of the Czech hop farmers who as almost the only ones had their full faith in the long term contract partnership and trust in their contract partners and closed therefore contracts for their entire production and did not try to participate in the trading on the spot hops market. This has however now turned against the Czech hop growing and its economics due to rapid unforeseeable changes of the exchange rate as well as rises in costs. Despite this experience the hop growers in the Czech Republic want to sustain this principle of mutual security of deliveries and there are currently intensive negotiations from the side of the hop merchant companies with the hop growers following the lasting interest of breweries for

crops for many years ahead.

We are looking forward to our further cooperation and we thank you for your trust.

Zatec, 28th July 2008

HOP GROWERS UNION OF THE CZECH REPUBLIC
CHMELARSTVI, COOPERATIVE ZATEC
BOHEMIA HOP
TOP HOP
ARIX EU