

Hemp and the 2018 Farm Bill



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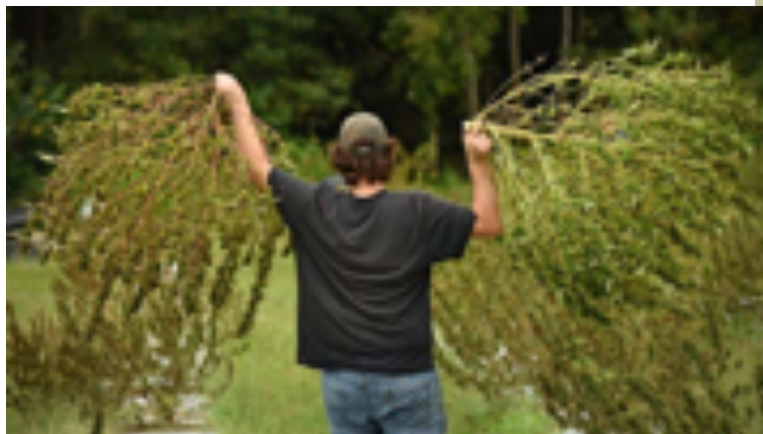
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Goals for Today

- Hemp provisions in the 2018 Farm Bill
 - Background and Issues
- Crop Insurance for Hemp
 - Potential structure?



2018 Farm Bill

- Agriculture Improvement Act of 2018 signed into law on December 20, 2018
- Legalization of hemp production is one of the more popular new provisions
 - Through the efforts of Sen. McConnell (R-KY)

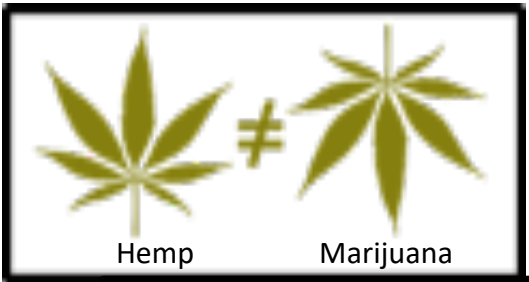


What is hemp?

- Defined in the Farm Bill as:
 - “The plant **Cannabis sativa L.** and any part of that plant, including seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a **delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.**”



Hemp vs. Marijuana



How are they different?	
Hemp	Marijuana
Grows to be up to 20 feet high with leaves bunched near the top of the stem.*	Grows much wider and shorter containing more leaves and buds.*
Contains THC equal to or below 0.3% THC.	Contains 5-35% THC.
No psychoactive effects.	Various levels of psychoactive properties.
Easily grown in variety of climates.*	Grown in controlled areas and requires a great deal of care.*

*Observed differences only if hemp produced for fiber/grain, if hemp for CBD hard to physically distinguish

Controlled Substance?

- Sec. 12619 of the 2018 Farm Bill **removes hemp-derived products** from Schedule I list of the Controlled Substances Act
 - Decriminalizes THC and cannabidiol (CBD) in hemp **if and only if** that hemp is produced in a manner consistent with the 2018 Farm Bill, associated federal & state regulations, and by a licensed grower
 - Hemp & CBDs produced in any other manner (i.e., THC above 0.3%) is still a Schedule I controlled substance

State-Federal Regulatory Framework

- Cannot just start growing hemp in your backyard!
- “Shared regulatory program”
- State (or Indian Tribes) wanting regulations:
 - States must submit licensing and regulatory plan to USDA for approval
 - May take a year or so
 - NC producers must still follow standing NC rules until this is approved
- For States not wanting to submit a plan
 - Follow USDA-developed rules (federally-run)

State-Federal Regulatory Framework

- State plans should include:
 1. Way to keep track of land where hemp is produced
 2. Methods to test THC in hemp plants
 3. Way to dispose plant/products with THC above limit
 4. Procedure for inspecting hemp producers
 5. Plan for enforcing law
 6. A system to provide USDA with hemp producer info.
 7. Assurances that State has resources to carry out plan

Handling Producer Violations

- If violate State or USDA rules, subject to law enforcement
 - First **negligent** violation - no criminal punishment but must comply with State/USDA corrective action plan
 - Repeat **negligent** violation - banned if 3 negligent violations in 5 years
 - **Culpable** violations – report to law enforcement
 - Controlled substance conviction – 10 year ban
 - Falsified information – totally barred from program

Interstate Commerce

- Allows interstate commerce of legally produced hemp and hemp products
- States can prohibit sale of hemp or hemp products within its borders, but must allow legal hemp & hemp products to move freely within State



Hemp Research

- 2018 Farm Bill legitimizes funding of Hemp Research
 - Conduct study to determine economic viability of hemp
 - Review of State pilot programs & available academic research after 1 yr
 - Include hemp in Critical Agricultural Materials Act
 - Recognize hemp as “critical” material for strategic and industrial purpose, and thus allow further studies



Crop Insurance for Hemp



- Title XI, recognize hemp as an **“agricultural commodity”** and makes it eligible for crop insurance
 - Also allow bankers & other businesses to legally transact with hemp producers
- Facilitates development of hemp crop insurance product(s)
 - Waived viability & marketability requirement in product development

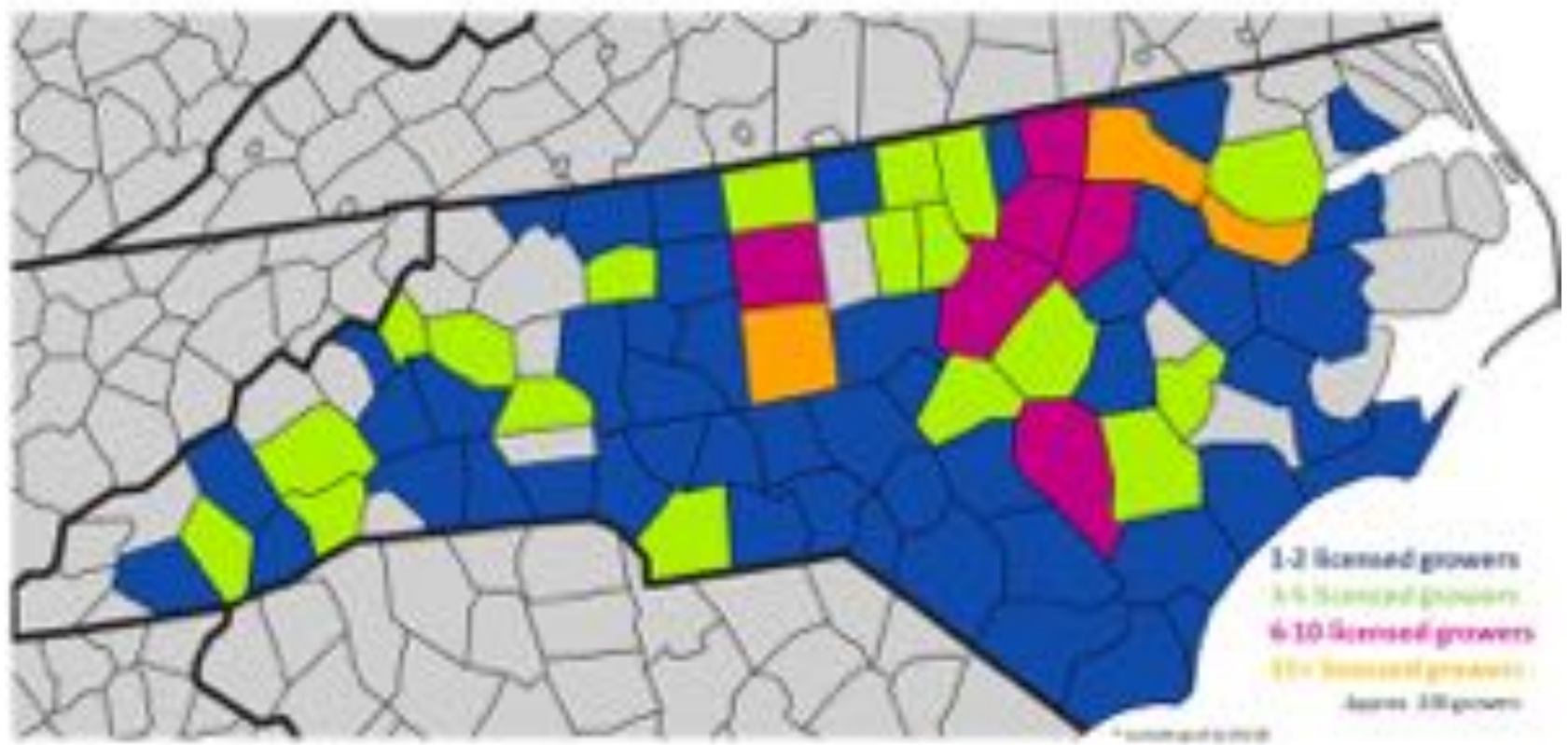
Crop Insurance for Hemp

- How might a hemp insurance product look like?
 - Individual **yield-** or **revenue-loss** triggered product
 - Like existing YP and RP products
 - Challenges:
 - **No actual production history (APH)** – probably use existing historical data from pilot programs (2014-2018) to establish county T-yields
 - Establish “true” APH as one accumulates history
 - **How to establish planting time hemp price? How to establish harvest time price (for revenue products)?**
 - No futures markets
 - Likely based on forecast of prices

Crop Insurance for Hemp

- Other options:
 - Actual Revenue History (ARH)
 - Establish ARH and triggers if revenue-to-count is less than guarantee
 - Whole-Farm Revenue Protection (WFRP)
 - Include hemp as an insurable product in WFRP
 - Based on whole-farm revenue calculated using tax records
 - Written Agreements (through RMA)
 - Noninsured Crop Disaster Assistance Program (NAP)
 - Through FSA
 - Typically available for crops not insurable through RMA
 - Can use while RMA product being developed?

Hemp In North Carolina



- 600 licensed hemp producers in North Carolina now (with 80 to be approved soon) – from NC Industrial Hemp Commission Chair Tom Melton

Take Home Message(s)

- 2018 Farm Bill “legalizes”
hemp production
 - State-Federal framework still to be established (including in NC)
 - Should still follow existing NC rules until State Plan is approved by USDA
- Hemp is eligible for crop insurance
 - But product still need to be developed
 - USDA is fast-tracking development, but may still take a year or more



Thank you!

- **Questions?**

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- **Website:**

- **Agricultural Policy and Farm Bill Extension Website at NC Dept. of Ag. & Resource Economics:**

- <https://cals.ncsu.edu/are-extension/policy-and-regulation/agricultural-policy-and-farm-bill/>