

California Hemp Market - Second Quarter 2019

Now is the time for California growers, processors, manufacturers, retailers, and business of all kinds to starting up or expand their hemp business.

The 2018 Federal Farm Bill was signed in December making hemp a completely legal crop coast to coast in the USA! Under the new law, hemp is managed by Department of Agriculture as a crop rather than by the Justice Department as an illegal substance. Hemp is now under the prevue of the U. S. Department of Agriculture (USDA) and CBD is now under the U.S. Food and Drug Administration (FDA).

- Banks and payment processors/credit card companies can service the hemp industry
- Investment and capital infusion is allowed in both the oil and fibrous hemp businesses
- Interstate commerce of hemp and hemp products is allowed
- Convicted felons can join the industry 10 years after the bill passes
- Hemp farmers will be allowed to buy crop insurance for the first time.
- Hemp futures can be traded for the first time, locking in prices for farmers

The California Advantage

California is positioned grow into the USA's largest hemp growing, production and consumption market. It is the largest state by population, the largest agricultural state, and has no snow or frost in its prime growing areas. While states like Colorado, Oregon and Kentucky have been growing hemp for many years, California will surpass them all in hemp production and sales in the next few years.

"CBD hemp" is now being grown and sold in California. "Industrial hemp" is **only**^[BW1] starting to be being grown here. Many companies are now entering the California CBD hemp industry because it is both legal and has less tax and regulation than the CBD industry related to medical cannabis.

California Hemp Regulation

Hemp is legal to grow in California, and in all its 58 counties. The California Department of Food and Agriculture (CDFA) is the state agency responsible for hemp regulation in California. The CDFA has now issued its hemp agriculture rules and farming registration process. Hemp farmers need to register with their local County Agricultural Commissioner. County Agricultural Commission offices will share a registration fee with CDFA and information from a one-page registration form. The California hemp farming fee is \$900. per year. Hemp has no special taxes. Farmers can grow as many acres as they wish on land zoned for agricultural purposes. As of mid-May there are over 2,000 acres of land on California registered to grow hemp.

Only 6 farmers grew CBD hemp in California in 2018 using a MOU with an “established research organization” that exempted them from state regulations. Several California hemp farms are growing hemp in 2019 again using a MOU with an established research organization. This gives them both additional legal standing and a platform for documenting their agriculture work in the California hemp market.

The Industrial Hemp Advisory Board (IHAB) is a voluntary board that advises CDFA on hemp rules and regulation. It has public meetings at the CDFA building in Sacramento.

Over the past years California has under-funded and under-prioritized its efforts on hemp. While the California Bureau of Cannabis Control (BCC) that regulates medical and adult use marijuana has 100 staffers, the CDFA has just a few staff working on hemp. Under Governor Newsom, California has a higher priority for hemp. He understands the good jobs, revenue and economic development the hemp industry is bringing to California. Hemp and cannabis are both handled by the Governor’s office of Business and Economic Development, GO-Biz. (www.business.ca.gov)

The Hemp Industries Association (www.thehia.org) is the largest hemp business advocacy organizations in California. The HIA has over 1,000 hemp business members nationally and 130+ business members in California. The California Hemp Council is industries’ lobbying and policy organization in California (www.calhempcouncil.com).

Industrial Hemp

Industrial Hemp grows very fast and tall like bamboo. It is grown for fiber and seed. There are thousands of different products that are made from industrial hemp.

Industrial Hemp Agriculture Net Revenues: Statistics for Canada indicate that 1-acre of hemp yields an average of about 700-lbs of grain, which can be pressed into about 50 gallons of seed oil and 530-lbs of meal. That same acre will produce an average of 5,300-lbs of straw, which can be processed into ~ 1,300-lbs of fiber for a total value exceeding \$1,000 per acre. - **Hemp as an Agricultural Commodity, U. S. Congressional Research Service, March 2017.**

Irrigated pasture and commodity crops account for approximately 40% of California water usage (i.e. hay, alfalfa, pasture, corn, wheat, rice and cotton). Crop rotation with industrial hemp would save the State billions of gallons in groundwater and add excess revenues back to producers for cultivating a higher priced crop per acre. **(alfalfa = \$250-\$500/acre; hemp = \$500-\$1,500 per acre)**

Industrial hemp is considered to be a row crop that is not likely to compete with specialty crops, fruit and nuts commonly grown in California due to its specific microclimates. Industrial hemp will compete for acreage production alongside alfalfa, corn and grain silage, hay, safflower, potatoes, cotton, etc. Due to industrial hemp’s rapid growth (12-ft in 100-days), California farmers can grow at least two crops per year.

CBD Hemp

Cannabidiol (CBD) is a naturally occurring element of the industrial hemp plant. CBD has become a highly sought-after compound in the natural products industry. CBD hemp oil is different than the organic hemp oil you find in grocery stores. Hemp crops are put through a specialized extraction process to yield a CBD hemp oil that is naturally high in cannabidiol. CBD hemp oil products are being purchased from online stores and shipped directly to all 50 states and many countries. Growing Hemp for CBD is the most profitable segment of the market today.

The term “short, bulky Christmas trees” describes a typical CBD hemp crop. Hemp CBD plants are planted outdoors with 3 square feet of separation.

Depending on the circumstances, and farming method; cultivating hemp for CBD can generate \$10,000 to \$25,000 or more per acre. Prices for dried hemp flower (CBD Hemp Biomass) can range from \$20 - \$25 - \$35 per pound with various percentages of CBD content. Trimmed and packaged CBD hemp buds for smokable hemp can wholesale for \$250. per pound or more. Tested and verified CBD content levels is the key and primary factor for the price of CBD Hemp.

Largest California Companies Selling Hemp Products

There are over 10,000 products that can be made from hemp. The three largest companies in California selling hemp products are Dr. Bronner’s, Patagonia and Nutiva. Dr. Bronner’s in Vista, CA makes soap with hemp oil. Patagonia in Ventura, CA sells hemp clothes as well as outdoor & active gear. Nutiva in Richmond, CA sells organic super foods. HempTaders.com in Paramount, CA is the oldest online retailer of hemp products in California. BulkHempWarehouse.com sells both hemp products and seeds.

The National Market

According to the Hemp Business Journal, the total sales for the U.S. Hemp Industry in 2017 were \$820mm. \$190mm were for Hemp-Derived CBD products, \$181mm were for personal care products. \$137mm were for hemp food products. Food sales were led by the Snack Food category. Industrial Product sales were led by the Automotive category. The U.S. hemp industry grew 16% in 2017 amidst continued domestic legal and regulatory challenges. The hemp industry was bolstered by explosive growth in the hemp-derived CBD category that grew from a market category that did not exist five years ago to \$190mm in sales in 2017. The U.S. hemp industry is poised to reach a \$1 billion-dollar market in 2018 led by hemp-derived CBD, food, personal care and industrial products. Now that hemp is federally legal, the market is rapidly expanding.

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