

Overlooked provision in Prop 64 may have a big impact in California

Though overlooked, a provision in Proposition 64 allows for the production of industrial hemp

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[Rob Nikolewski](#)

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It's not amber waves of grain that [Christopher Boucher](#) sees in his dreams, but emerald waves of hemp.

"I think you're going to see a lot of industry move into California to set up operations," said Boucher, whose decades of advocacy for the plant has earned him the nickname in [some quarters as "Johnny Hempseed."](#)

"There are so many different players in the industry, so much investment money for people who want to set up their operations."

California voters [passed Proposition 64](#) back in November, legalizing recreational use of marijuana for adults 21 and older. But one part of the proposition was little-noticed — a provision allowing for the production of industrial hemp.

"Practically nobody knew about it, no one talked about it," said [Lawrence Serbin, president of Hemp Traders](#), a company based outside Long Beach that [bills itself as the largest supplier of hemp fiber products in the country](#). "Everyone overlooked it and I believe more money will be made from that provision than in recreational" marijuana.

California is not the first state to legalize hemp production but its sheer size and ample agricultural base has backers thinking the Golden State may soon tower over the U.S. market.

But getting from dormancy to dominance may hinge on how quickly and effectively the state's regulatory apparatus gets established. And then there is the larger question of whether hemp will live up to the hype.

For now, the hemp industry is relatively small — about [\\$600 million nationally](#).

[Products using hemp](#) range from items such as rope, clothing, textiles, lotions to even construction materials such as strengtheners for concrete and the automotive industry in things like [door panels](#).



In this 2013 file photo, volunteers harvest a hemp field in Colorado. California recently passed Proposition 64, which has a provision allowing industrial hemp to be grown in the Golden State. (AP Photo/P. Solomon Banda)

However, the sharpest growth may come from hemp's health and medicinal applications in products like nutritional supplements, protein powders and oils that come from [hemp-derived CBD](#), short for cannabidiol-based derivatives.

CBD has been used as a [treatment for juvenile epilepsy](#).

Last month, the [Hemp Business Journal](#) predicted the CBD market will [grow 700 percent](#), becoming a \$2.1 billion industry in the next three years.

"This is quantum growth in the economics of this," said Boucher, who works out of his Oceanside office as director of development for CBD manufacturer [Ananda Scientific](#), makers of [Hygia Nutrients](#), dietary supplements. "What other crop and agriculture commodity even falls into this category?"

But first, some much-needed clarification is in order.

Hemp and marijuana come from the same plant species — *Cannabis sativa*.

Hemp and marijuana often get lumped together but there is a crucial distinction.

The active ingredient in pot that gets you high is [THC \(tetrahydrocannabinol\)](#), a psychoactive chemical. A typical marijuana plant has a THC level of about 15-20 percent.

Hemp, on the other hand, must have a THC level of 0.3 percent or lower to get classified for industrial production, according to federal law.

"You can smoke it, it just won't get you high," said [Jeffrey Miron](#), with a laugh.

The [director of undergraduate studies in the department of economics at Harvard](#), Miron is a long-time advocate for legalizing marijuana and also works at the free-market think tank, the [Cato Institute](#).

Hemp has “been around for a long time,” Miron said. “It was used quite actively. The government encouraged farmers to grow it during World War II, then it gradually fell victim to its relationship with marijuana. And so it’s been suppressed for most of the last five, six decades.”

As more states legalize recreational and medicinal use of marijuana, hemp’s backers feel the time is ripe for a resurgence in the growing and cultivating of pot’s often misunderstood sibling.

“There were a lot of states in this past election that passed legalization initiatives but only California had the industrial provision,” said Serbin.

Most states allow hemp production for research purposes or pilot programs but slightly more than a dozen (it [depends on the source](#) one talks to) have OK’d it for commercial purposes.

Most hemp manufacturers in the U.S. look north to Canada or overseas to supply them with the seeds and the raw material needed to make things like shirts and CBD products.

That may likely change when California gets into the game.

Boucher said the company he works for is already looking to buy property to grow hemp.

“I can’t really disclose where but we’ll just say the Imperial Valley and Southern California,” Boucher said. “We’re looking for farmland.”

California figures to be a prime location to grow hemp. Boucher said the plant grows easily and uses only about one-third the water that a crop like cotton requires.

And the state’s mild climate, Boucher thinks, will make it a more attractive place to plant than states like Oregon or Colorado.

“Weather is a big predicament when it comes to the success of your crop,” said Boucher. “So your odds of success here are a lot greater than other states where you have (bad) weather, where weather can wipe out your crop. And it happens.”

In addition to the Imperial Valley, the San Joaquin Valley and the Central Valley figure to provide fertile fields for prospective hemp growers.

Serbin has set up a meeting Jan. 12 at his company’s 5,000-square-foot warehouse that will act as a networking event “for those interested in doing anything with industrial hemp.”

Now that Prop 64’s clearly-stated hemp provision has passed, backers think farmers who were nervous about growing the plant will jump in.

“We’re a huge agricultural state,” said Serbin. “We’re going to be No. 1 in hemp very soon because of our population.”

California has a population of 38.8 million, almost seven times larger than Colorado and nearly 10 times bigger than Oregon. [Colorado planted its first hemp crop in 2014](#) and [Oregon issued its first hemp license](#) in 2015.



A Canadian variety of a female hemp plant in a greenhouse at the University of Nebraska-Lincoln. The plant is being grown for research purposes. (Ted Kirk / AP)

The California Department of Food and Agriculture (CDFA) will eventually regulate hemp in the state but it's still an open question as to how long it will take for the agency to set up a licensing regime.

In addition to approving who gets to grow and cultivate hemp, regulators will likely also have to test hemp fields to ensure they don't exceed the 0.3 percent THC threshold.

"At this point there's not a whole lot to say," said Steve Lyle, CDFA director of public affairs, in an email last month to the Union-Tribune.

The department is waiting on the state attorney general's office to clarify the scope of CDFA's authority.

Boucher thinks hemp farming may start as early as April.

"There could be people who will set up operations, get their fields ready and basically be ready to jump to planting some time in the spring," he said.

Serbin sees an opportunity for his business, which generates about \$2 million a year in sales with a workforce of four full-time employees, to expand while also cutting costs.

In the past, Serbin's company sold medium-density fiber boards made from hemp. But he had to import the product from China.

"But now that we'll be growing it here (in California), I can find a factory to grow hemp and have them make the boards right there," Serbin said.

Boucher sees the same thing happening when it comes to buying hemp seeds, which have hybridized versions to specifically suit whatever industrial application a cultivator is looking to produce — whether it be for plywood, textiles or CBD.

“I used to import seeds from China and just the carbon foot print and the cost and the timelines were bad,” Boucher said. “Hopefully, that supply chain is going to end and it’s all going to be grown here.”

In a sign the marijuana market is going mainstream, [Scotts Miracle-Gro plans to invest](#) about a half-billion dollars in the pot business. It spent \$135 million in 2015 on [two California-based businesses](#) that sell fertilizers, soils and accessories to marijuana growers.

Will Scotts look to get into the California hemp business? Questions from the Union-Tribune to the company and [its hydroponics subsidiary](#) went unanswered.

But Boucher expects national and international companies to move into the state.

“If you look at the whole industry, we’re talking about hundreds of millions of dollars that we don’t have to import anymore,” Boucher said. “It just opens the door for the global economy, I think.”

But Harvard’s Miron has doubts.

“My view is, the market will decide,” Miron said. “It will be whatever it will be. I am probably on the skeptical side because in countries where hemp has been legal already, I don’t think we’ve seen it become a major product.”

Worldwide, only about 200,000 acres were devoted to hemp cultivation [in 2011](#), according to the Food and Agriculture Organization, based in Italy. In comparison, corn is planted on more than 85 million acres in the U.S. alone.

Governments in [Finland and the United Kingdom](#) provide hemp producers with subsidies and other countries extend them to hemp producers through more general agricultural subsidies.

“Will (hemp) persist in a marketplace without the benefit of any subsidy? Maybe,” Miron said. “I don’t think we really know that for sure yet.”

[A 2004 study by the University of Wisconsin-Madison](#) concluded hemp production in the U.S. “is not likely to generate sizeable profits,” citing in part the labor-intensive nature of harvesting the plant. Some farmers [avoid using mechanical combines](#) in order to protect their hemp stalks.

A more recent study by the agriculture department at the [University of Kentucky in 2013](#) predicted hemp production in that state will lead to job growth in the “dozens” rather than in the hundreds.

Other obstacles remain on the legal, bureaucratic and political fronts.

The [U.S. Drug Enforcement Administration](#) lists cannabis — and by extension, marijuana — as a [Schedule I drug](#), in the same classification as LSD or heroin.

Although DEA has [no enforcement power over hemp products](#), it insists it has power to oversee hemp cultivation and says growers need to get a permit from the agency. The only exception comes from the 2014 Farm Bill that allows states agricultural departments, colleges and universities to cultivate without a permit but [only for educational and research purposes](#).

What's more, the DEA has long expressed the suspicion that growing large industrial hemp fields [could hide the production of illegally-grown marijuana](#).

Hemp's backers dispute DEA's claims of authority but for years the ambiguity has scared off potential farmers and growers from entering the market.

Another question mark for hemp stems from president-elect [Donald Trump](#)'s nomination of Sen. [Jeff Sessions](#), R-Alabama, for U.S. Attorney General. Sessions has been [a steadfast opponent](#) to marijuana legalization.

Hemp, as mentioned, is distinct from pot but an outspoken opponent at the U.S. Attorney General's Office may slow any momentum for the hemp industry.

Trump himself has [made no reference to hemp](#) in any public pronouncements. In February 2015, Trump said he supported medical marijuana but [said legalizing recreational pot](#) is "bad — and I feel strongly about that" while appearing before a conservative group.

"We don't know what a new attorney general's going to do," said Boucher, but "we believe they're going to honor states' rights."

Any signs of uncertainty don't diminish the enthusiasm of Serbin, who said a corner has been turned for the hemp industry in the U.S. in general and California in particular.

"Now that it's legal in California, I have the opportunity to expand my business into hemp board, into CBD products, hemp fiber products, things like that," Serbin said. "There are things I can do here that I wasn't able to do before.

"I've been in business since 1990, so I have 27 years of ideas."

rob.nikolewski@sduniontribune.com (619) 293-1251 [Twitter: @robnikolewski](https://twitter.com/robnikolewski)

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