

## **California Hemp Market - First Quarter 2019**

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

The 2018 Federal Farm Bill was signed in December! Hemp is now 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

### **California Hemp Regulation**

California is positioned grow into the USA's largest hemp growing, production and consumption market. But unlike Colorado, Oregon, Kentucky, and other states, industrial hemp is not being grown now in California. In California only companies using imported hemp for manufacturing and product sales are doing business with hemp. Hemp is legal to grow in California. The California Department of Food and Agriculture (CDFA) is the state agency responsible for hemp regulation in California. CDFA is just now (January), after over a year of work, completing its hemp agriculture rules and farming registration process. They are going through the final review with the Office of Administrative Law. CDFA is requesting an "Early Effective Date" so that Farmers growing hemp will be able to register with their local County Agricultural Commissioner at the end of February. If this early effective date is not granted, then regulations will take effect and registration will start on April 1<sup>st</sup>. County Agricultural Commission offices will share a registration fee with CDFA and information from a one-page registration form. California hemp farming fees will be about \$900. per year.

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

The CDFA hemp department has just one staff person now, while the California Bureau of Cannabis Control (BCC) that regulates medical and recreational marijuana has 100 staffers. The state has under-funded and under-prioritized its efforts on hemp. It is moving slow, but it is moving.

California will have a higher priority for hemp business development under governor Gavin Newsom. He has the understanding and the motivation to advance the good jobs, revenues and sustainable economic development that the hemp industry is bringing to California.

The Hemp Industries Association [www.thehia.org](http://www.thehia.org) and Vote Hemp [www.votehemp.org](http://www.votehemp.org) are the two biggest hemp business and advocacy organizations active in California. The HIA has over 1,000 hemp business members nationally and over 130 business members in California.

## **Net Revenues for Industrial Hemp Agriculture**

Industrial hemp production 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 also 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 with one square meter or 3 square feet of separation.

Depending on the state, circumstances, and cultivation method; cultivating hemp for CBD can generate \$10,000 or more per acre. Prices for dried Hemp flower can range from \$25 - \$35 to \$100 - \$200 per pound or more with various percentages of CBD content. **Tested and verified CBD content levels are the key 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 and \$137mm were for hemp food products. Food sales were led by the Snack Food category and 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.