

# Help for the Hemp Industry in the COVID-19 Crisis

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**The last month has been difficult for everyone, to say the least.**

The hemp industry as a whole has faced tremendous economic pressures and worries for months. Businesses continue to operate under regulatory uncertainty due to a lack of clear guidance and action from the FDA and other agencies. Prices and margins for biomass and

intermediate cannabinoid products have fallen significantly. And now, our industry – like others – faces doubt, economic distress, and real world health concerns caused by the COVID-19 crisis. We all need a little help to get through the near term challenges that hemp-related businesses are facing. Thankfully, a handful of options do exist.

## **Paycheck Protection Program**

The CARES Act provides for the Paycheck Protection Program, which is meant to help small businesses both retain their employees and meet their rent and operating expenses during the COVID-19 pandemic. Successful applicants may receive 100% federally guaranteed loans that can be forgiven if borrowers maintain or restore their payrolls during the crisis. We have provided a detailed summary of the most recent Department of Treasury guidance [here](#) and [here](#).

This program is still rapidly developing and changing, but for now, it appears that the Department of Treasury will allow small businesses and sole proprietorships to start applying for relief on April 3, 2020. Independent contractors and self-employed individuals will be allowed to submit applications starting April 10, 2020. Large volumes of applications and backlogs are expected, and we encourage interested businesses to submit their applications as quickly as possible.

Applications will be submitted through existing SBA 7(a) lenders and other participating financial institutions. A list of participating lenders and additional information on the program can be accessed [here](#).

At least 75% of the funds must be used on payroll costs and benefits in order to qualify for full loan forgiveness, but a portion of the proceeds may be used to cover rent, interest on mortgages, and utilities as well. Loan amounts will not exceed more than 2.5 times the borrower's average monthly payroll costs, up to \$10 million. Paycheck Protection Program loans will not require collateral or personal guarantees from the borrower. Any principal balance that does not qualify for forgiveness will be amortized and repaid over a

period of years and bear interest, but the first repayment obligation may be deferred for up to a year. Additional rules apply, and businesses should familiarize themselves with those requirements to ensure they properly deploy any loan funds.

Hemp industry participants do qualify for relief under this program. But, as always, it is imperative that businesses ensure they are operating in full compliance with state and federal laws. Applicants must certify that they are not engaged in any illegal activities, among other things. You should be ready to complete a comprehensive application and provide significant detail about your business operations.

Guidelines and clarifications on this program are continuing to be released, and we encourage all interested hemp-businesses to routinely check the SBA website for new updates and answers to FAQs.

## **Express Bridge Loan Pilot Program**

The SBA's website describes this program in the following way:

*The SBA has also established a pilot program that allows SBA Express Lenders authority to deliver expedited SBA-guaranteed financing on an emergency basis for disaster-related purposes to eligible small businesses, while the small businesses apply for and await long-term financing.*

These bridge loans can be provided on an emergency basis in amounts up to \$25,000 for disaster-related purposes. There are underwriting requirements for these loans and they must be repaid over time. This may serve as a short term financial solution while your hemp-related business waits for underwriting and loan approval on an Economic Injury Disaster Loan or other long term financing options. More information can be accessed [here](#).

## **Economic Injury Disaster Loans**

The SBA also offers disaster assistance in the form of low-interest loans to businesses, renters, and homeowners located in regions affected by declared disasters. Some farm coops are included in the list of eligible businesses, but individual farmers and growers are generally not eligible for relief under this loan program. Loans can be obtained to cover small business operating expenses and economic injury after a declared disaster, including payroll, fixed debts, accounts payable, and other expenses that cannot be paid because of the disaster's impact. The loans generally cap out at \$2 million. These loans are not forgivable and must be repaid. More information on these loans can be found [here](#), along with information on the application process itself.

## **Farm Service Agency (FSA) Loans**

Hemp growers are a part of our nation's vital agricultural industry. Licensed growers may qualify for FSA loans just like other row crops and traditional farmers. Starting with the 2020 crop year, FSA is able to consider applications from hemp growers. There are prerequisites for hemp-related applicants, including submission of a copy of the grower's license and a requirement that the grower has a valid contract for the sale of his/her crop. The latter requirement is, of course, becoming more and more difficult for growers to meet and satisfy. More information on available loan and crop insurance programs for 2020 can be accessed [here](#).

These options are not all encompassing, and they are not a panacea for the difficulties facing hemp growers, processors, product manufacturers, and retailers. But it is important to utilize all tools available in times like these. You're not alone. Talk to other market participants and help one another where you can. Utilize the resources available through the North Carolina Industrial Hemp Association and other important trade groups and organizations.

And we're here for you. Our COVID-19 Response Team and Hemp Law attorneys form a multidisciplinary group that can provide insight, guidance, and legal counsel to help businesses weather this storm. By working together, we can minimize some of the stress and risks that have overtaken our industry. We'll get through this together, and we'll be stronger on the other side.

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