

Trends from the Industrial Hemp Summit

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This week, we attended the Industrial Hemp Summit in Danville, VA.

The quality of the event, the information shared, and the people in attendance were incredible. Although the topics of discussion and educational materials varied, the experts and panelists that we observed seemed to largely agree on a number of overarching themes for the industry. This

article summarizes those key issues.

Testing

Many questions remain about testing, and there is a strong desire for clarity in the industry. Testing methods, protocols, and thresholds need to be more fully developed and applied by the industry in a consistent manner. There is hope that future statutes, regulations, and rules promulgated by state and federal governments will address these concerns in an industry-friendly manner. Until then, participants should continue to test products through the life cycle of their business to ensure compliance with current regulatory requirements – and to ensure that consumers are protected from potentially harmful substances, like heavy metals, pesticides, and microbiological contaminants.

Cultivation

Growers and the scientists and industry professionals that support them still have much to learn. Data from crop hauls prior to the Controlled Substances Act of 1972 are of limited value. Water, especially in the Southeast United States, and pest management remain critical issues. Harvesting methods, especially with respect to fiber-focused farms, have significant room for improvement. Storage and transport are areas for improvement as well.

Price Point for CBD Products

Many companies in the cannabidiol (CBD) space are enjoying comfortable margins on the sale of their products today. But, the price point for CBD products will eventually feel downward pressure. Businesses should be ready to meet that challenge in the not-so-distant future.

Regulatory Challenges Ahead

The recent Farm Bill legalized hemp. It also exposed hemp and hemp-derived products to substantial new regulations from a host of federal and state-level agencies. Businesses operating in the hemp industry – whether for CBD, other cannabinoids, fiber, or otherwise – should expect significant, ongoing regulatory challenges ahead. Especially from the Federal Food and Drug Administration (FDA) as it exercises authority and, potentially, increases its enforcement efforts in the industry. State-level regulations will also continue to be developed, implemented, and enforced. The North Carolina Department of Agriculture & Consumer Services has already begun to educate the public about its enforcement options in the food and drug space. Hemp businesses must remain educated on the changing regulatory landscape, and should adopt compliance measures to ensure they are operating within the law.

Crop Insurance

Federal crop insurance programs are on the way, but not for a while. The wheels of government turn slowly, and it seems that more data on the industry is needed to develop and implement insurance programs. A single crop insurance program for hemp is not expected for several years, but we are likely to see earlier coverage under whole farm revenue programs.

Banking

Hemp-related businesses continue to face access to capital challenges. There are limited options at present for traditional banking services, loans, and merchant services. As the regulatory framework continues to develop on the state and federal levels, some of the risk concerns presently held by financial institutions will dissipate and hemp-related businesses will expect to see more access to capital, credit, and banking services.

Not Just CBD

Although CBD businesses and products played a significant role at the summit, there are many other important, relevant, and potentially profitable segments of the hemp industry in motion. Commercial applications for other cannabinoids are being discussed, analyzed, and pursued – along with applications for the use of hemp and hemp fibers in building materials, pulp and paper, garments, industrial textiles, sporting goods, and other products.

Cooperation and Competition

Businesses, governments, and public institutions are working together for the betterment of the industry as a whole. And industry participants are striving to operate their businesses with integrity, honor, and in an ethical and responsible manner. Consumer safety, environmental sustainability and regeneration, and responsible growth are points of focus across the industry.

Challenges and risks remain, but the future is bright for hemp, and the industry is positioned for continued growth. Until the legal and regulatory landscape for hemp has matured and settled, it is imperative that

hemp and CBD industry participants stay abreast of these changes and developments. Ward and Smith's Hemp Law team is available to assist.

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