

Industrial Hemp Work Group –

Members Present: Robert Spiers, Sandy Ratliff, Robert Mills, Felix Schapiro, Christy Morton

Public Present: Andrew Smith, Richard Grossman, Sara Payne, Mike Kaestner, The Farms, Rebecca Hobden

Staff Present: Emily Flippo, Stephen Versen, Erin Williams, Kevin Schmidt

Stephen Versen called the meeting to order at 2:41 p.m. and welcomed the members of the industrial hemp work group. The group introduced themselves.

Meeting 1 Minutes approval– Robert Spiers, second Sandy Ratliff, unanimous

Meeting 2 Minutes approval – Robert Mills, second Felix Schapiro, unanimous

Stephen Versen quickly reviewed the requirements of Chapter 745 and summarized the first draft of the report of the work group’s findings due to the House and Senate agriculture committees by November 30, 2020. The report includes:

- State of the industry and interest in new opportunities
- Opportunities for development and manufacturing of industrial hemp fiber, CBD and hemp seed
- Areas for consideration requested by Chapter 745:
 - i. Federal and state requirements
 - ii. Key drivers and challenges
 - iii. Anticipated job growth and wage expectations
 - iv. Talent and skill requirements
 - v. Site and building needs
 - vi. Manufacturing companies and supply chain requirements
- Work Group Partner resources
- Conclusion

Stephen Versen asked the group for suggested additions or revisions to each section.

Suggestions for background section:

- Christy Morton and the VEDP research team suggested including information on federal crop insurance program, FDA regulation of CBD oil in food products, research activity at higher education centers and other efforts to support industry in the Commonwealth such as the GO Virginia grant to Region 8
- There were no additional comments.

Suggestions for industry development section:

- There were no comments.

Suggestions for areas for consideration:

- There were no comments.

Conclusion

- Christy Morton asked the group for any input on best practices and models or policy recommendations for Virginia that could be included in the conclusion section.
- Robert Mills says that there's only so much our state government can change because of federal law, but that one issue they can fix is existing testing protocols. The most helpful adjustment to testing protocols would be sampling THC content of the entire cross-section of the plant as opposed to testing only a portion from the top six inches of the plant. Robert Mills said that the infrastructure is here, there are businesses popping up, and that should continue to thrive provided that the state does not regulate the processors and growers out of business
- Felix Schapiro asked if moving the THC threshold from 0.3 percent to 0.6 percent is a federal or state issue? Robert Mills said that most of the growers consider 0.6 percent THC as the optimal level for the plant to meet its full CBD potential (13-16 percent) required to be profitable. 0.3 percent THC results in about 6-8 percent CBD. If Virginia increased threshold to 0.6, transporting product across state lines would be illegal.
 - Felix Schapiro asked if this would apply to the processed, value-added goods or just to raw material. Robert Mills said that currently any product with more than 0.3 percent THC is federally considered marijuana, regardless if it is a raw product or finished consumer product.
- Robert Spiers asked that the findings in the report clarify that CBD-derived plants are not as bulky as the fiber variety and therefore the supply chain is not restricted to that 50-mile distribution radius.
- Robert Spiers said that it is evident the market is becoming saturated because planting this year is down in compared to last year in all states, not just Virginia, since the price per pound of CBD oil has dropped
- Robert Mills said that as a livestock producer, he is always looking for by-products that could serve as animal feed. It would be interesting to pursue the idea of industrial hemp by-product as potential animal feed. Over the next couple of years as this industry develops, industry players will be able to make a better, more education decision about how to market to each of the three hemp-derived products in a regional way. Eventually, fiber production is going to thrive in one region and CBD processing in another. Robert Mills estimates that Virginia will probably finish the year with higher production than some of our neighboring states. Last year, people planted without

contracts. This year, most growers executed contracts before growing. Last year was novelty, this year is more business.

- Stephen asked if the group thinks the market could sustain another CBD processor like Golden Piedmont Processing? Robert Mills said that there is substantial potential for additional growth along the Rte. 58-corridor. Some are waiting to see what Golden Piedmont does after this year with hopes that the company will further expand. Robert Mills said that several neighboring growers are waiting to see what happens this year before making the investment to grow on their own. Robert Mills believes that hemp farming in the Rte. 58 corridor alone could support two extraction companies, but the question remains if the end-users will be able to support the market for the consumer products. There is absolutely room in the market for another processor, but it remains unclear if there is a market for the amount of product that would come from two processors. This will become more clear when the FDA finally provides regulation where some of the largest food and beverage manufacturers like Coke and Pepsi will be able to incorporate CBD into their products.
- Robert Mills said that the Commonwealth should work to recruit the secondary CBD product manufacturers for now; however, eventually, CBD crude oil extraction facilities will likely vertically integrate and further refine into consumer products.
- Robert Spiers says that there might be some new opportunities for medical users in the future. The uncertainty and risks for growing right now is palpable – some last year didn't have a good experience, others this year are taking a wait-and-see attitude. The potential for growth on the farming side is tremendous. Everyone is looking for a strong commodity to grow with a high market value. The fiber and especially CBD really fit well in the tobacco footprint but the seed might not thrive in those soils/climates.
- Robert Mills asked about the law that was passed a few years ago that licensed five companies to produce marijuana products on a pharmaceutical level – is there anything in that law that prohibits companies like Golden Piedmont from selling CBD crude oil to those companies?
 - Erin Williams said that the Board of Pharmacy has the opportunity to license five companies with the ability to grow and process pharmaceutical marijuana products. This general assembly did allow this year for the Virginia licensed processors to sell their CBD process to those pharmaceutical processors
- Sandy Ratliff said that she is excited about the possibilities that industrial hemp could bring to Southwest Virginia, especially because former tobacco farmers wouldn't have to make a large initial investment to get into the market

Stephen Versen opened the meeting up for public comment at 3:33 p.m.

- There were no public comments.