

# HEMP THE NEXT "GOLD" CROP FOR OUR FARMERS?

1

---

---

---

---

---

---

---

---

## Objectives

- The topic of hemp has been much talked about for the past three years (at least).
- Some tout it as "the next best crop" for farm owners and producers...others see it as the gateway to cannabis production and potentially related drug issues.
- Neither is probably completely true.
- We will look at what the farmer can and cannot do, what to expect in the overall process of farming hemp, legal restrictions, market demands, seed considerations, what can it be grown and used for as well as the potential effect on our farmer – positive or not.



2

---

---

---

---

---

---

---

---

## Hemp v. Cannabis

- Cannabis is a genus of flowering plants in the cannabaceae family
- Three primary species
  - Cannabis sativa
  - Cannabis indica
  - Cannabis ruderalis



3

---

---

---

---

---

---

---

---

## Three Species

- Cannabis ruderalis
- Thick foliage but short in stature, 20-25 inches
- Not known to be highly psychotropic
- Primary use is as a source of genetic material for breeders & cultivators
- Used because it grows in more northerly climates and faster than the other two primary species



4

---

---

---

---

---

---

---

## Three Species

- Cannabis indica
- Grows three to six feet tall, a bushy plant with more round leaves than sativa
- Often grown indoors because of its stature
- Flowers faster than sativa – used for hashish due to its higher resin count
- The stoner's preferred plant



5

---

---

---

---

---

---

---

## Three Species

- Cannabis sativa
- Grows to heights of 15 feet
- Flowers more slowly than other species
- Relatively high in THC, though not as much as indica
- Grows best in hotter climates
- Often grown outdoors due to height
- The most common choice of smokers



6

---

---

---

---

---

---

---

## Three Species



7

---

---

---

---

---

---

---

---

## Basic Difference

- Hemp is a term commonly used to classify varieties of cannabis that contain 0.3% or less of THC content (dry weight)
- Cannabis (marijuana) is a term used to classify varieties of cannabis that contain more than 0.3% THC (dry weight)



8

---

---

---

---

---

---

---

---

## What's THC

- Tetrahydrocannabinol (THC)
- THC is the principal psychoactive constituent of cannabis
- Cannabis plants and derivatives that contain no more than 0.3 percent THC (dry weight) are no longer controlled substances under federal law



9

---

---

---

---

---

---

---

---

## Why 0.3%

- It is believed that this "standard" of THC (0.3%) came from the work of Canadian research botanist Dr. Ernest Small
- His work in 1976 with colleague, Arthur Cronquist, "A Practical and Natural Taxonomy for Cannabis"
- Set a dividing line between hemp and marijuana at 0.3 percent THC for purposes of establishing a biological taxonomy



10

---

---

---

---

---

---

---

## Hemp

- Varieties of cannabis that contain 0.3% (or less) of THC content (dry weight)
- Generally used to describe non-intoxicating cannabis that is harvested for industrial uses
- Believed to be one of the first crops cultivated
- Uses include food, rope, clothing, paper, housing materials



11

---

---

---

---

---

---

---

## Hemp v. Marijuana 4 Key Differences

- Composition
- Legality
- Cultivation
- Usage



12

---

---

---

---

---

---

---

## What's CBD

- CBD stands for cannabidiol
- The second most prevalent of the active ingredients of cannabis
- CBD, essential component of medical marijuana
- Derived directly from the hemp plant, a cousin of the marijuana plant



13

---

---

---

---

---

---

---

## The Farm Bill

- A federal legislative package passed once every five (5) years – also referred to as an omnibus, multi-year law that governs an array of food and agricultural programs
- It addresses, among other issues:
  - Crop insurance
  - Supplemental Nutrition Assistance Program (SNAP) (AKA: Food Stamp Program)
- Each bill is broken into various 12 "titles"



14

---

---

---

---

---

---

---

## The 2018 Farm Bill

- Expires at the end of 2023
- CBO estimates the total cost of the mandatory programs to be \$428b over five years
- Four titles account for 99% of proposed costs
  - Nutrition (SNAP) @ 76%
  - Risk management & commodity supports @ 16%
  - Conservation at 7%
  - Remainder of titles at 1%



15

---

---

---

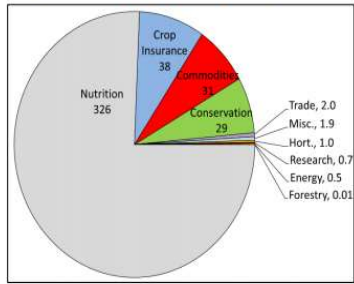
---

---

---

---

**Figure 2. Projected Outlays of the 2018 Farm Bill at Enactment**  
(Mandatory outlays, billions of dollars, FY2019-FY2023)



Source: CRS. Compiled from the CBO Baseline by Title (unpublished, April 2018); and CBO cost estimate of the conference agreement for H.R. 2, December 11, 2018.



16

## 2018 Farm Bill & Hemp

- 1. Removed hemp as a controlled substance & scheduled I drug
- 2. Stops states and tribes from prohibiting the interstate transportation & shipment of hemp and hemp based products
- 3. Individuals with felony convictions prohibited from producing hemp
- 4. States & tribes retain the right to regulate hemp production, including its growth in that state or territory



17

## Removal from Controlled Substances Act

- All derivatives, extracts and cannabinoids of no more than 0.3% dry weight are allowed
- Amended the CSA (controlled substances act) to exclude the THC in hemp
- Went into effect December 20, 2018
- Not dependent upon the enactment of other legislation or administrative actions
- Essentially this also removed CBD from Schedule I considerations



18

## Interstate Transportation and Shipment

- States and tribes MAY act as the primary regulatory authorities over production of hemp
- They may not, however, prohibit the interstate transportation or shipment of hemp that is lawfully produced



19

---

---

---

---

---

---

---

## Restrictions on Production by Certain Felons

- Bars any person convicted of a controlled substance related felony from producing hemp for ten (10) years after date of conviction



20

---

---

---

---

---

---

---

- States and tribes may regulate hemp production if they are more stringent than US laws

## Retention of State Authority to Regulate

- This includes the ability to prohibit growth or cultivation in that state or tribal territory
- NONE of the preceding changes authority of the Secretary of Health/Human Services or the FDA commissioner to regulate hemp under applicable food & drug administration standards



21

---

---

---

---

---

---

---

## Where Are We Today

- 47 states currently allow hemp growth, while three (3) do not
  - Idaho, Mississippi, New Hampshire
- Industrial hemp is defined as *Cannabis sativa* L. and required to be below a THC threshold of 0.3%.



22

---

---

---

---

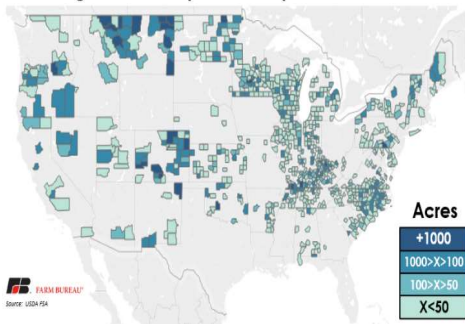
---

---

---

---

Figure 1. FSA Reported Hemp Planted Acres



23

---

---

---

---

---

---

---

---

## Requirements

- Farmer must be licensed by proper authorities
- USDA then issues a license
- Crops to be tested for THC content w/in fifteen (15) days of the anticipated harvest date
- Testing must be handled by an approved Drug Enforcement Administration registered lab
- If the 0.3% THC limit is within the range, then the sample will be considered to be hemp under these regulations, and not rise to a controlled substance.



24

---

---

---

---

---

---

---

---



## Requirements

- Although a farmer testing above 0.3% but below 0.5% may not be negligent, the crop is still considered a controlled substance and must be disposed of accordingly
- If a farmer negligently violates a state or tribal plan three times in a five-year period, they will be ineligible to produce hemp for the next five years.



25

---

---

---

---

---

---

---

## Requirements

- If a crop is above the THC limit, it is considered to be marijuana under the CSA and must be disposed of accordingly
- Farmers must document the disposal of the crop, which is now considered marijuana
- It will have to be collected for destruction by someone authorized to handle a Schedule I controlled substance
  - DEA-registered reverse distributor
  - Federal, state or local law enforcement officer



26

---

---

---

---

---

---

---

## It Remains a State-by-State Issue

- Banking issues still persist for
  - Cannabis producers
  - Not for hemp producers
- Regardless of that issue, insurance coverages still need to be reviewed



27

---

---

---

---

---

---

---

## KANSAS LAWS



28

---

---

---

---

---

---

---

---

## According to the KDA & Kansas Legislature

- Production of industrial hemp is allowed
- Producer must be licensed by the KDA
- Licensees may only use authorized seed or clone plants



29

---

---

---

---

---

---

---

---

## Licensing Process

- Submit an application
  - Fee of \$100.00
- Submit fingerprints & National criminal history record check
  - \$47.00 per person
- License fee is \$1200 annually
- If one has a drug-related felony on their record over the past ten (10) years – they will not be issued a license



30

---

---

---

---

---

---

---

---

## Other Fees & Requirements

- Laboratory testing fee of \$225
- Registration fee of \$200
- Planting reports provided to KDA along th elines of the FSA hemp acreage reports
- Pre-harvest reports are due 30 days prior to the harvest



31

---

---

---

---

---

---

---

---

## Other Requirements

- Harvest reports due 15 days after harvest
- Voluntary destruction reports due no more than 14 days after destruction
- Licenses expire at the end of each calendar year
- Industrial hemp seed dealers certified by KDA
- Authorized seed or clone plants approved by KDA
- Established transportation rules for unprocessed hemp



32

---

---

---

---

---

---

---

---

## Licensed to Grow

- KDA issues an annual license to grow or to be involved in the production of industrial hemp
- Applications must be submitted by no later than the 15<sup>th</sup> of March
- It remains unlawful to grow hemp until one receives their appropriate license from the state
- Kansas follows theFederal based approvals when it comes to growing hemp and it's THC content



33

---

---

---

---

---

---

---

---

## Kansas Licensees

2022 Kansas Commercial Industrial Hemp Program  
Hemp Producer Licenses 06-January 2022

Table 1. 2022 Kansas commercial industrial hemp program active hemp producer licenses

KDA License #	Last Name	First Name	County
20_0083	Boman	Brent	Shawnee
20_0045	Gress	Joanna	Lyon
20_0004	Griffin	Jason	Sedgwick
20_0005	Hart	David	Johnson
20_0013	Nilsen	Kyle	Butler
20_0003	Rivard	Cary	Johnson
20_0081	Roozeboom	Kraig	Riley
20_0060	Thurlow	Justin	Clay
20_0082	Wall	Danny	Reno
20_0012	Wells	David	Sedgwick



34

## 2020 Production

- 2020 saw 4,000 acres planted
- 761 harvested for production
- Of that amount 1/8th had to be destroyed...reason...
- THC levels above the .3% standard



35

## Recent National Production Numbers

- 2019
  - 230,000 acres planted
  - 115,000 acres harvested
- 2020
  - 105,600 acres planted
  - 74,000 acres harvested
- 2021 (estimates)
  - 40,000 acres planted + or -
  - Harvested acres TBD



36

## Certified Seed

- Industrial hemp that was produced from plants that were tested during the active growing season
- Found to have acceptable levels of THC
- Certified by the grower or distributor of such seeds

• OR

- Meets other authorized standards approved by the KDA through rules and regulations issued
- But clones and seeds must meet the standards as adopted by the USDA



37

---

---

---

---

---

---

---

---

## Certified Seed Dealers

**Table 1-** List of registered seed dealers permitted to offer industrial hemp for sale

NAME*	CITY	STATE
AGHEMP SEED, INC	WAKEFIELD	KS
BACK TO THE ROOTS	OAKLAND	CA
BLUE FOREST FARMS	LONGMONT	CO
BOMAR AGRA ESTATES, LLC	MONTE VISTA	CO
COLORADO BREEDERS DEPOT LLC	CANON CITY	CO
CULTIVAS BIO INC.	LAFAYETTE	CO
DAVIS FARMS OF OREGON	BEND	OR
GOALDI LLC	WINTER PARK	FL
HEMP SEED WAREHOUSE	CUMBERLAND FURNACE	TN
HIGH GRADE HEMP SEED	LONGMONT	CO
HHE PRODUCTIONS LLC	BOULDER	CO
KLR FARMS, LLC	ALBANY	OR
NEW WEST GENETICS, INC	FORT COLLINS	CO
OREGON CBD	INDEPENDENCE	OR
SG NURSERY	SHERWOOD	OR
SOVEREIGN FIELDS, LLC	MEDFORD	OR
TESORO GENETICS	DENVER	CO
THE PLUG SUPPLY	WESTMINSTER	CO
UNITED AMERICAN HEMP LLC	LOUISBURG	KS

\*If you are a seed dealer registered pursuant to the Act who offers industrial hemp seed for sale, but do not appear on this list and would like to be added or if you would like to be removed, contact KDA via email at [kda@ksagriculture.gov](mailto:kda@ksagriculture.gov).



38

---

---

---

---

---

---

---

---

## Transportation

- No license is currently required to transport hemp in Kansas
- Individual transporters must meet all local, state and federal laws in regards to transportation



39

---

---

---

---

---

---

---

---

## Current Issues & Challenges

- Oversupply is an issue
- 2019 was a big production year compared to demand
- Items contributing to a lessening in acreage planted include
  - Changing regulations on hemp derived CBD
  - Immature supply chain
  - Risky farming conditions in a drought year
  - Low wholesale prices
  - Surplus of leftover flower & biomass from prior year
- Licensed producers in the US are licensed to plant 284,793 acres



40

---

---

---

---

---

---

---

---

## INSURANCE COVERAGES, EXCLUSIONS, ENDORSEMENTS



41

---

---

---

---

---

---

---

---

## FARM COVERAGES



42

---

---

---

---

---

---

---

---

## Property – FP 00 13 (ISO)

- Is Hemp a grain, "livestock" feed, silage, fodder or something else
  - Get clarity
- Is it subject to a stack limit valuation
  - Depends on what it is categorized as
- Is it being stored in the open or in buildings or structures



43

---

---

---

---

---

---

---

## Property – Cause of Loss Form – FP 10 60

- Coverage provided on a Basic or Broad Cause of Loss option
- No coverage for intentional destruction of the crop due to high THC levels



44

---

---

---

---

---

---

---

## Liability – FL 00 20 – Farm Liability Coverage Form

- It does meet the definition of "farming"
- Exclusion 2.x. would seem to apply if the THC levels exceeded the .3% requirement



45

---

---

---

---

---

---

---

## CGL



46

---

---

---

---

---

---

---

## Commercial General Liability – CG 00 01

- No obvious issues with the coverage form, CG 00 01
- Endorsements that exclude coverage for controlled substances would seem to apply should the THC level of .3% be exceeded



47

---

---

---

---

---

---

---

## Three CGL Endorsements To Consider

- CG 40 14 – Cannabis Exclusion
- CG 40 15 – Cannabis Exclusion with Hemp Exception
- CG 40 16 – Cannabis Exclusion with Hemp and Lessors Risk Exceptions



48

---

---

---

---

---

---

---



## Three Others Affecting Aggregate Limits

- CG 23 04 -Cannabis Activity Coverage Aggregate Limit
- CG 23 05 – Cannabis Exclusion with Hemp Exception Subject to Hemp Aggregate Limit
- CG 23 06 – Cannabis Exclusion with Designated Product or Work Exception Subject to Cannabis Products/Completed Operations Aggregate Limit



49

---

---

---

---

---

---

---

## Commercial Property Forms



50

---

---

---

---

---

---

---

## CP 00 10 & CP 10 30

- It would qualify as BPP
- It is not contraband, so it meets the covered property definition
- If it is a grain, hay, straw or other crop (which it is) and it is outside of a building – it is not covered property
- If the government seizes it then no coverage would apply



51

---

---

---

---

---

---

---

## Three Endorsements

- CP 99 04 – Cannabis Exclusion with Hemp Exception
- CP 99 03 – Cannabis Exclusion
- CP 99 06 - Cannabis Coverage



52

---

---

---

---

---

---

---

## Business Owners Policy BP 00 03



53

---

---

---

---

---

---

---

## Similar Concerns as Seen With CP Forms

- BP 15 30 – Cannabis Property Exclusion
- BP 15 31 – Cannabis Property Exclusion with Hemp Exception
- BP 15 32 – Cannabis Liability Exclusion



54

---

---

---

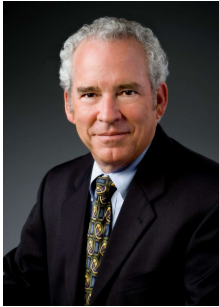
---

---

---

---

## Thank You !



- Casey Roberts, ACSR, AFIS, CIC
- (707) 477-0913
- Laurus Insurance Consulting
- 328 Cupola Court
- Lincoln, Ca. 95648
- [casey@laurusinsuranceconsulting.com](mailto:casey@laurusinsuranceconsulting.com)



---

---

---

---

---

---

---