

The Industrial Hemp Market: Risk or Opportunity?

Have you made sale arrangements for your 2019 grown Industrial Hemp? What has happened to the energy and excitement for purchasing Industrial Hemp biomass for CBD extraction over the past year? I entered Extension on December 10, 2018 welcomed with questions on Industrial Hemp licensing, agronomics, testing, harvest and processing. I believe the general consensus at the time was that the biomass would sell itself if we could figure out how to plant, grow, harvest and process it. We successfully produced the Industrial Hemp crop, but due to market conditions a majority of the crop remains to be marketed!



Reported average biomass prices in February 2019 were \$3.50-\$4.50 / % CBD / pound. The projected prices at that time were to reach \$5.50-\$6.25 / % CBD / pound. By December 2019, average biomass prices dropped to \$1.17-\$1.73 / % CBD / pound. What was projected as a 66% increase in price in February became a 37% decrease in price by December. How did this happen? It's simple but also very complex, the Industrial Hemp market is immature! When raising children, we understand that predictability and immaturity don't work together well! As the Industrial Hemp market becomes more mature the predictability will begin to increase.

There are many signs of the CBD market functioning in an immature manner. The lack of a nationally accepted grading system for extracted CBD oil creates uncertainty. The FDA has shown concern for potential negative long term effects of using CBD oil. There is also concern for the risk of consuming potentially harmful contaminants in unapproved finished CBD products. The FDA has enforced the removal of CBD product lines that were being offered for sale in an FDA approved fashion without research and approval to meet the claims. What about the future of the CBD extract market?

USDA is working to provide risk management tools to assist with Industrial Hemp production in 2020. These tools will offer a similar level of insurance to hemp growers as to other crop growers. The wild card for the CBD market is the future direction of the FDA. Currently, investment in product research seems to be the best path forward in bringing a new CBD product to market. On the positive side, the USDA-AMS, Agricultural Marketing Service, predicts CBD product sales growth is expected to continue through 2022. The pieces may be falling into place slowly for the Hemp Industry to show its identity!

Until the CBD market has reached maturity, there will be mostly risk involved with producing the crop. With risk comes opportunity! Managing farm risk to allow for opportunity during good times and survival during the low times will continue through sound farm management decisions. If the risk to your farm business is high and unmanageable for the 2020 Hemp season, it may be best to not become involved. But, if you are able to manage input costs, insure crop production and locate a profitable market, then opportunity may offset the risk.

Wisconsin Extension Specialists are actively researching all areas involved with Industrial Hemp. County Extension Educators are willing to help identify solutions to the challenges. Continue to research, learn and apply knowledge to your farm business! Thanks for your attention.

Pricing Sources: CBD extract pricing for 2019 was from Kush.com and Hempbenchmarks.com

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