

**DRAFT MINUTES**

Tuesday, July 28, 2020

The meeting of the Industrial Hemp Industry Development Work Group convened at approximately 2:30 p.m. on Tuesday, July 28, 2020. The meeting was held by electronic communications means due to the state of emergency issued by Governor Northam as a result of the novel coronavirus (COVID-19). The meeting was issued using Cisco Webex Events. Stephen Versen called the meeting to order.

**WORK GROUP MEMBERS PRESENT**

Robert Mills, Pittsylvania County farmer  
Sandy Ratliff, Virginia Community Capital  
Lindsay Barker, Virginia Economic Development Partnership  
Christy Morton, Virginia Economic Development Partnership  
Robert Spiers, Dinwiddie County farmer, Tobacco Commission  
Felix Schapiro, Workforce Policy Analyst, Governor’s Office  
Delegate Lashrecse Aird, 63<sup>rd</sup> district, Tobacco Commission  
Delegate Sam Rasoul, 11<sup>th</sup> district  
Gayle Barts, Pittsylvania County farmer, Tobacco Commission

**WORK GROUP MEMBERS ABSENT**

Ryan Turman, Industrial Hemp Farmer

**PRESENTERS**

Rick Gregory, CoFounder, Golden Piedmont Labs  
Christopher and Susan Moore, Founders, Appalachian Biomass Processing  
Michaela Martin, Virginia Economic Development Partnership

**STAFF PRESENT:**

Emily Flippo, VDACS  
Erin Williams, VDACS  
Kevin Schmidt, VDACS  
Stephen Versen, VDACS

**APPROVAL OF MINUTES** (to be voted on at Aug. 25 meeting)

NAME moved that the draft minutes of the meeting on July 14, 2020, be approved as distributed. NAME seconded the motion. The motion was approved by a unanimous roll call vote.

**APPROVE:** NAMES

**OPPOSE:** None

Stephen Versen presented the SWOT analysis compiled from discussions during the first meeting of the working group.

Strengths:

- Research opportunities and progress at VT and other higher education centers
- Similarity to tobacco industry practices
- General enthusiasm for new industry from growers and consumers

Weaknesses:

- Need more efficient method for fiber processing
- Lack of guidance from FDA/legal discrepancies between states
- Lack of processing infrastructure
- Virginia is not recognized as a grower and producer of quality hemp – we are in need of a comprehensive marketing plan

Opportunities:

- New processors getting started in VA (hemp fiber and CBD)
- Potential for hemp seed processing in the future
- Economic development opportunity well-suited for rural Virginia
- COVID-19 could open up potential to grow industry as an anti-inflammatory for patients
- Virginia has an extensive knowledge of the textile industry that could translate into opportunities for hemp fiber

Threats:

- Current THC regulation is too low for the industry to be profitable
- Limited support from banks
- Crop insurance is limited; the only available program is unaffordable
- Unreasonable sampling/testing regulations

**Rick Gregory presented on his experience in establishing Blue Ribbon Extraction, the Commonwealth's first, commercial-scale CBD extraction facility, located in South Boston.**

Mr. Gregory discussed:

- \$2.6 million building renovation for food-grade CBD processing facility with state-of-the-art extraction equipment
- Site selection process; benefits of locating in Halifax County
- Health and safety concerns of CBD processing in spite of limited federal regulation
- Importance of strong relationships with growers with transparent purchase agreements
  - Split-contract agreements with growers (flat-rate purchase price for raw materials, grower and processor split crude oil sale revenue 50/50)
  - Education program who work with growers to select appropriate plant varieties, best practices for maximizing CBD levels without exceeding THC threshold

- Currently are producing a crude product that is sold to manufacturers of consumer products (cosmetics, hemp cigarettes, etc.). In the future, once there is more guidance from the FDA, the company might introduce its own line of consumer products.

Stephen Versen asked about specific site and labor needs for the industry. Blue Ribbon Extraction will employ one plant manager and 21 chemists. The most important aspect of selecting a location is proximity to growers.

Sandy Ratliff asked if there are any specific utility requirements for this sort of processing facility. The amount of power required is easily acquired from Dominion, uses limited quantities of water and no natural gas. The company does use a sizeable amount of nitrogen.

Robert Spiers asked if the company provides storage for the hemp growers. Growers deliver hemp to the receiving station in Danville where it is further graded. Samples are sent to testing areas and the remainder of plants are stored in the receiving station.

Robert Spiers asked if there is a market for the THC that is extracted from the product. Hopefully the General Assembly will allow for this in the future.

Felix Schapiro asked if infrastructure needed to process THC is the same as the equipment used to process CBD. Yes, the equipment would be the same – the company already extracts the THC but is a by-product, there's no market at this time.

**Susan and Christopher Moore presented on their experience in growing industrial hemp for fiber and establishing a hemp fiber processing business, Appalachian Biomass Processing in Wythe County.**

The Moore's discussed:

- Background of growing industrial hemp for medicinal research purposes with UVA beginning in 2018
- An overview of their farming and processing practices, challenges and successes they have encountered.
- Challenges include:
  - Farmers are afraid to grow because of lack of processing infrastructure
  - No American origin cultivars of hemp
  - Limited financial support
  - Transportation expenses
- Successes include:
  - Crop experience with Ukraine, Poland and Chinese suppliers
  - Controlled costs because of limited funds
  - Created reproducible model for processing equipment
  - Improving quality of end product
  - Decreasing manual labor needs
- Hemp fiber products, markets and utilization: hurd and bast fiber
- Hemp Fiber SWOT analysis:
  - Strengths:

- Agriculture principle
- Renewable fiber
- Renewable energy
- Resilient crop
- No abuse potential (THC content issues)
- Weaknesses:
  - Little experience
  - Trial and error method
  - Financial support
  - Bad reputation
- Opportunities:
  - Supplemental income
  - Market is ripe
  - Industrial Jobs
  - International trade
  - Protects environment
- Threats:
  - International Trade
  - Exhaust Finances
  - Regional Support
  - Market does not wait for supply chain

Sandy Ratliff asked if the company supplies the seeds to farmers if they have the acreage/equipment? Goal is to help sponsor start-up fiber farmers to ease the early expense of seed. The company has been working with partner growers in Ukraine to get an affordable seed, which is roughly \$250/acres (less than alfalfa and corn).

Christy Morton asked if there are any recommendations for the state to strengthen the fiber supply chain from beginning to end. To further grow the industry, it's important to make a decordicator more widely available. This step in the process is the current "bottle neck." The company purchased a decordicator from Canada, but the quality of the end product wasn't satisfactory. Therefore, they've made changes to the machine and rebuilt to their satisfaction in a way that can be easily replicated.

**Michaela Martin presented on VEDP's approach to economic development and how the resources they provide can help grow the industrial hemp industry.**

Michaela discussed:

- VEDP's principal role in economic development across the state:
  - Business Development
  - Product Development
  - International trade
  - Talent solutions
- Partnerships with other state agencies, local governments, federal agencies and higher education institutions

- Sector-focused approach starting with research and lead generation outreach to alignment with local economic development partners for site development support.
- VEDP's current approach to Industrial Hemp:
  - Part of the Food & Beverage/Life Sciences/Advanced materials target sectors
  - Call trips to targeted growth companies
  - Marketing trips including Industrial Hemp Summit
  - Collateral/Marketing materials

Christy Morton suggested that it would be helpful to identify what the industry needs are to be successful, which needs are already available in Virginia, what we may be missing and how the Commonwealth can make policy changes and outreach strategies to meet those specific needs.

Stephen asked the presenters if there were any additional needs for the industry that hasn't been discussed:

Felix Schapiro said that many of the challenges that have been discussed today are similar to the challenges that have been faced in the illegal marijuana industry and ultimately will be faced in the legal marijuana industry.

Sandy Ratliff asked if this industry is active year-round or if it's only for a few months after harvest. Susan Moore said that the fiber industry is active year-round because the bales of fiber can be stored indefinitely without impacting the plant structure. Provided that there's enough supply, the processing can run multiple shifts per day for the full year. Rick Gregory said that the CBD process is much more labor intensive than fiber processing. Migrant workers who come to harvest tobacco in early spring would stay to harvest hemp in fall. Once the crop is harvested, the CBD content in the plant will drop .75% per month. It will take about 10-months to process the CBD, but can stop the degradation of CBD using nitrogen.

**Stephen Versen opened the meeting for public comment. There were no comments.**

The meeting was adjourned at 4:38pm