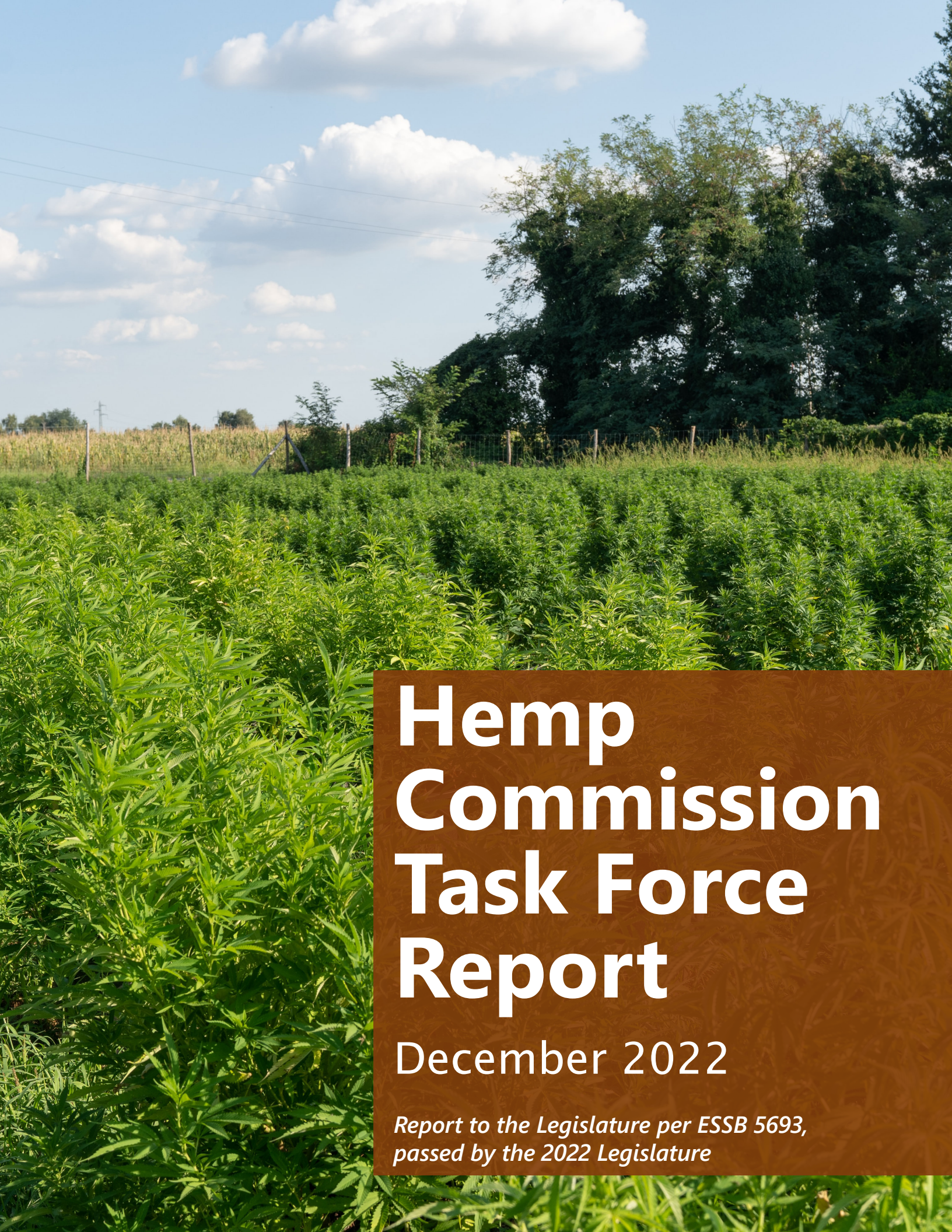




Hemp Commission Task Force Report

December 2022

*Report to the Legislature per ESSB 5693,
passed by the 2022 Legislature*

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EXECUTIVE SUMMARY & OVERVIEW

At the conclusion of the 2022 Legislative Session, the Washington State Legislature included a [proviso in the budget](#) for creation of a Hemp Commission Task Force (Task Force) at the Washington State Department of Agriculture (WSDA). WSDA was directed to appoint Task Force members representing relevant state agencies, the scientific community, and stakeholder organizations (including the hemp industry), that would collaboratively develop recommendations for a pathway to create a commodity commission for hemp in Washington. WSDA currently administers twenty-one agricultural commodity commissions, established either by a separate statute, referendum, or by the adoption of a marketing order administered by the Director of WSDA, who are most often responsible for the marketing/promotion and/or research of their specific commodity industry.

The inclusion of hemp as a legal commodity in the [2018 Farm Bill](#) (Farm Bill) created a new market opportunity for Washingtonians interested in growing and processing hemp. Subsequent to the passage of the Farm Bill, the Washington State Legislature passed Engrossed Second Substitute Senate Bill (ESSB) 5276 in 2019, which authorized (Chapter 15.140 RCW) hemp production in conformance with the Farm Bill. The Farm Bill established hemp as an “agricultural product that may be legally grown, produced, processed, possessed, transferred, commercially sold, and traded” in the State of Washington. Additionally, it led to the development of a federally approved hemp production plan, a voluntary registration for hemp processors, and food safety permits for hemp processors. With hemp now federally legal and a legal agricultural product in Washington State, it became necessary to explore options for a single voice for the marketing/promotion, research, and land, capital and market access for underserved and underrepresented producers and processors for this relatively new industry. According to Task Force research, the industrial hemp market size was worth around \$4.5 billion (US) and is estimated to hit approximately \$17.24+ billion (US) by 2030¹. The hemp derivatives market is expected to be \$21 billion (US) by 2028².

Over the course of five months, the Task Force met a total of eight (8) times and grouped their recommendations into the following categories:

- **Establishing the Commission**
- **Establishing Commission Funding**
- **Establishing the Commission Governance**
- **Establishing the Commission Operations**
- **Marketing**
- **Research**
- **Education and Outreach**
- **Equity & Inclusion**
- **Policy**

The above categories and subsequent recommendations represent the Task Force’s agreed-upon pathway to establishing a Washington State Hemp Commodity Commission. While there remains work to be done in terms of communication with the broader statewide hemp producer and processor industry, particularly underserved and underrepresented producers and processors, the Task Force has created, within this list of categories and recommendations, a solid foundation towards a commission.

- *The Task Force was facilitated by Steven Byers of the Athena Group. Task Force members were appointed by the Director of WSDA. The full Task Force membership is listed in Appendix A.*
- *This report was drafted by staff at the Washington State Department of Agriculture and reviewed by Hemp Commission Task Force members.*

<https://www.globenewswire.com/news-release/2022/08/05/2493242/0/en/17-24-Billion-Global-Industrial-Hemp-Market-Size-Rise-at-16-9-CAGR-by-2028-Market-is-Fueled-by-Superb-Nutritional-Value-Healthy-Fatty-Acid-Protein-Composition-of-Hemp-Globally-Hist.html>

https://www.einnews.com/pr_news/598917229/hemp-derivative-market-revenue-to-cross-usd-20-977-94-million-by-2028-says-the-insight-partners

TASK FORCE ACTIVITIES

As part of their review, the Task Force convened eight 2–3-hour meetings beginning in July 2022 to learn from state agencies, universities, organizations, representatives from other agricultural commodity commissions, and industry members involved in hemp production and processing.

At the September 28th meeting of the Task Force, a vision and mission statement as well as recommended areas of focus (or “PRIME” initiatives) were developed to advance the establishment of a hemp commodity commission.

- **MISSION:** To enhance the long-term profitability and competitiveness of Washington hemp stakeholders through actionable initiatives that will establish and sustain the Washington hemp industry.
- **VISION:** Washington will be recognized as a global industrial hemp leader.
- **PRIME Initiatives:**
 - **P**olicy
 - **R**esearch
 - **I**nclusion
 - **M**arketing
 - **E**ducation

To ensure the Task Force met its obligations in the short timeframe it was provided, it was decided at their initial August 2022 meeting to create workgroups with assignments intended to be completed between each Task Force meeting. Initially, the Task Force identified eight possible workgroups; after discussion and planning, a total of four were prioritized and convened. Over the course of the Task Force duration, the workgroups self-organized, with some consolidation of efforts taking place.

The workgroups convened are as follows:

- **#1: GOVERNANCE:** The governance workgroup focused on reviewing the proposed structure for governance of the commission with the goal of ensuring equal access.
- **#2: EDUCATION:** The education workgroup focused on the elements of education to ensure a greater likelihood of sustainability and success for the industry.
- **#3: RESEARCH:** The research workgroup was tasked with identifying opportunities for expanding the market through additional research opportunities and making that research broadly available to market participants. The issue of existing patents and ownership of the patents will be important to consider.
- **#4: EQUITY & INCLUSION:** The equity & inclusion workgroup focused on the challenges facing underserved and underrepresented producers.

TASK FORCE RECOMMENDATIONS

The Task Force identified the following nine categories of recommendations toward the establishment of a Hemp Commodity Commission. These recommendations are organized in a manner of priority.

ESTABLISHING THE COMMISSION

Recommendation: A Hemp Producers Research Commission shall be established in the near term via a referendum establishment procedure. The commission can be expanded via referendum or bill in the future to include other hemp market sectors and businesses.

Context: Washington State has an established and well-defined hemp producer base that can both support and benefit from establishment of a Hemp Commission. The economic support of the proposed Commission remains an unresolved matter based upon the nature of the producer/processor relationship and when assessments will be made and how much the assessments will be given the maturity of the hemp market in the United States. Due to required licensing within the state for hemp producers, hemp producers can easily be defined and included in a referendum vote. However, legislative action would be required to establish a commission that impacts potential processors since these components of the hemp industry are much less defined (no required licensing), and a referendum-style approach would therefore be much more difficult to pursue at this time if those segments of the industry are also directly targeted for involvement/assessment.

Research: The processes undertaken by other states for the creation of hemp commissions were researched. Presentations were given by other commissions under the WSDA. The decision was made to utilize Washington's referendum program for the creation of the Commission.

ESTABLISHING COMMISSION FUNDING

Recommendation: The Commission shall levy producers an assessment of no more than 1% to take effect no sooner than January 2024. In addition, other sources of funding shall be pursued by the Commission to support its operations.

Context: To be able to carry out its mission, sufficient funding to support its operations is imperative. Due to the burgeoning nature of the hemp industry, significant funding to support the Commission will not be realized for the next several years through producer assessments alone. Additional funding sources are required to support the development of the industry through Commission efforts.

Research: The Commission shall be self-supported through assessments and grants. The issue of assessments was considered extensively and discussed as to how and when to assess producers and processors. This is an area that needs extensive research, particularly when it comes to attracting new producers and processors to the market because of the shallow markets that currently exist.

ESTABLISHING THE COMMISSION GOVERNANCE

Recommendation: The Hemp Commission shall follow the operating rules and composition described for commodity commissions in the RCW (15.66.015 & 15.66.110). The members of the Commission Board, executive leadership, and staff should be fully representative of those participating in the industry and assessed by the Commission and shall follow the ideals of the Commission's Inclusion policy (including Black, Indigenous, and other People of Color).

Context: The hemp industry in Washington State is comprised of very diverse societal sectors, all of which need to be represented in the governance of the Commission for the full economic potential of the hemp industry to be realized.

Research: The governance of the Commission is critical to its sustainability. Throughout the United States, it is recognized that equity and inclusion must be considered part of the governance structure.

ESTABLISHING THE COMMISSION OPERATIONS

Recommendation: The Hemp Commission shall have an organizational structure that is similar (if not identical in several aspects) to other state commodity commissions – the grain commission, the potato commission, the tree fruit commission, the wine commission – with a Commission Board comprising nine or more members, an Executive Director, a Research Coordinator, a Marketing Coordinator and other officers/staff as required to efficiently run the Commission. Emphasis shall be placed on ensuring member representation within the Board and that the executive/staff positions represent all segments of the hemp industry in Washington State and comply with the ideals of the Commission's Inclusion policy (including Black, Indigenous, and other People of Color).

Context & Research: To create a framework consistent with other Washington commodity commissions, it is critical for this Commission to have a diversified board, funding allocations, rulemaking procedures, a marketing plan, and programs developed for engagement in a sustainable way that is beneficial to the growth of Washington's hemp industry.

MARKETING & MARKET DEVELOPMENT

Recommendation #1: The Commission shall run marketing campaigns at the state, national, and international levels that focus on further supporting and improving the reputation and image of Washington State hemp and the Washington hemp industry (suggested slogan/tagline for consideration of "Evergreen State Hemp").

MARKETING FOCUS: Reduction and elimination of trade barriers for the Washington hemp industry.

MARKETING CONSIDERATIONS: Strategically separate targeted marketing efforts toward the three major classes of hemp **1)** fiber, **2)** grain, and **3)** chemical/essential oil (cannabinoid).

Context #1: Increased adoption of Washington state hemp products as ingredients in numerous products sold in the marketplace has the potential to not only lead the world in quality but could provide significant economic benefit to growers with downstream economic impacts on rural and urban communities as hemp develops into a mature commodity crop.

Research: At present, the hemp markets throughout the United States are considered "shallow" making it challenging to succeed in the market. The cost of seeds alone exceeds the market value of the raw hemp product and processing the hemp requires extensive capital expenditures. Simply, marketing Washington hemp will also require market development.

Recommendation #2: The Commission shall develop a brand for Washington State hemp (suggested slogan/tagline: "Evergreen State Hemp") based on marketing and consumer preference research efforts.

Context #2: Establishing a strong brand presence is critical to the long-term success of the hemp industry in Washington State.

RESEARCH

Recommendation #1: The Commission shall support research at all levels and scales that will benefit the hemp industry in Washington State.

One major research-related effort shall be the establishment and administration of Commission-driven grant programs; the second shall be commitment to collaboration with other funding agencies/partners.

Commission granting efforts shall focus on furthering the development of the hemp industry within the State of Washington, including, but not limited to the following: new product development; life cycle analysis; environmental impact and climate-smart commodities; bioenergy/bioproducts design; supply chain and logistics; regional hub location and rural/urban economic development; equipment development and evaluation for hemp cultivation, harvesting and processing; pathogen research to enable rapid response to arising disease threats; integrated pest management (IPM) research to enable rapid and environmentally friendly response to arising pest threats; marketing research to identify new/potential markets; consumer and producer/processor acceptance; agronomic research; genetics/variety evaluation and development; and the establishment and support for local/regional breeding program(s).

A key component of Commission research efforts will be intellectual property development, and the Commission shall seek every opportunity to either retain intellectual property rights from research outcomes, or partner with other state agencies or organizations and educational institutions to do so, such that the state's hemp industry will benefit long-term from those research efforts.

Context #1: To rapidly develop the hemp industry in Washington State, a multipronged research approach is necessary that addresses all segments, scales, and levels of the hemp industry.

Recommendation #2: The Commission shall partner with sister commissions in the Western states region, particularly in Oregon and California, to develop a tri-(multi-)state hemp commodity group that will focus on regional hemp industry development, much as other regional crops (e.g., potatoes) have done.

Context #2: This broader research effort will have a larger impact than a singular state-driven effort.

EDUCATION AND OUTREACH

Recommendation #1: The Commission shall develop and provide educational materials and engagement opportunities (web-based resources and attendance at conferences) that reach all the diverse communities across Washington that focus on improving the understanding of and appreciation for hemp and hemp-derived products. Developed materials/experiences shall target all segments of the hemp industry. Outreach to underserved and underrepresented communities must consider the restrictions that can impact the success of those who do not traditionally have access to resources (land, capital, and markets).

Context #1: The legalization of the hemp industry is relatively new and understanding the challenges facing the industry – particularly given the shallow markets that currently exist – requires significant educational efforts. In order for the market to thrive, education throughout the supply chain is needed and critical.

Recommendation #2: In conjunction with its research efforts, the Commission shall sponsor internship and fellowship programs to support student/new worker inclusion and engagement in the hemp industry. These efforts will follow inclusion guidelines developed by the Commission.

Context #2: Providing an opportunity for internship and fellowship programs will allow those that are interested in the market to learn the aspects of the industry without taking on excessive risk. These programs also provide a “feeder” opportunity for producers and processors to attract participants into the industry to grow their businesses and are exceptionally well positioned for equity and inclusion initiatives.

Recommendation #3: The Commission shall support workforce development efforts (e.g., certification and continuing education credits) targeting diverse communities across Washington. These efforts will follow inclusion guidelines developed by the Commission and may include IPM, herbicide, and other pesticide application education and certification associated with hemp production, product development, and entrepreneurship efforts.

Context #3: Workforce development for all aspects of the industry is an essential component of market development. Industrial hemp has recently been added to the International Construction Codes (ICC), thus providing education from engineering to architecture to the building trades will be important to continue to expand the markets.

INCLUSION

Recommendation: The Commission shall continually apply a social equity lens to all aspects of its operation.

The Commission shall ensure its membership is fully representative of those engaged in the industry or assessed by the Commission. In this effort, the Commission shall commit to full support of and participation in the Washington State [Office of Equity](#) program.

Context: Collaboration with the Office of Equity can ensure implementation of state equity guidance that can benefit the hemp grower community, particularly groups that have historically experienced marginalization/disadvantage in the industry.

POLICY

Recommendation: The Commission shall establish a policy committee, facilitated by the selected Policy Coordinator, to evaluate issues and formulate policy opinions/stances in topic areas important to the Washington hemp industry. These critical topic areas include (but are not limited to):

- Statutory and legal framework for hemp's legal status as an agricultural crop, and protection/expansion thereof.
- Legal status as a commodity in the State of Washington and right to farm consideration.
- Interstate and international trade relations.
- Connections to the climate commitment act, climate-smart commodities, renewable energy, and green energy transformation incentives such as cap-and-invest.
- Social equity, including issues related to licensing and resource access, among others.

Context: Although the primary focus areas of the Commission will be on marketing, research, and education/outreach, consistent messaging related to policy issues is an important consideration for this new commodity/industry. Educating policymakers, without lobbying, regarding the benefits of industrial hemp such as its superior ability to capture and remove carbon dioxide from the atmosphere, will be critical to its sustainable success.

CONCLUSION

The Hemp Commission Task Force completed a significant amount of work in a very short period to meet the deadlines identified in the 2022 budget. While there is still more work to be done to build out the possible scope for a hemp commodity commission in Washington State, the Task Force recommends proceeding with a referendum for hemp producers to form a hemp commission as outlined in this report.

With anticipated significant economic benefits looming in the near future, it is of tremendous value to strategically increase opportunities for Washington State's existing and well-defined hemp producer industry so that downstream economic impacts benefit communities, particularly those underserved and underrepresented, as hemp develops into a mature commodity crop.

This work would not have been possible without significant input from the Task Force members. Their contributions have been and continue to be invaluable. Task Force members are listed in the Appendix.

APPENDIX

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