Hemp as an Agricultural Commodity

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December 18, 2012
Summary

Industrial hemp is a variety of Cannabis sativa and is of the same plant species as marijuana. However, hemp is genetically different and distinguished by its use and chemical makeup. Hemp has long been cultivated for non-drug use in the production of industrial and other goods. Some estimate that the global market for hemp consists of more than 25,000 products. It can be grown as a fiber, seed, or other dual-purpose crop. Hemp fibers are used in a wide range of products, including fabrics and textiles, yarns and raw or processed spun fibers, paper, carpeting, home furnishings, construction and insulation materials, auto parts, and composites. The interior stalk (hurd) is used in various applications such as animal bedding, raw material inputs, low-quality papers, and composites. Hemp seed and oilcake are used in a range of foods and beverages, and can be an alternative food protein source. Oil from the crushed hemp seed is an ingredient in a range of body-care products and also nutritional supplements. Hemp seed is also used for industrial oils, cosmetics and personal care, and pharmaceuticals, among other composites.

Precise data are not available on the size of the U.S. market for hemp-based products. Current industry estimates report that U.S. retail sales of all hemp-based products may exceed $300 million per year. Because there is no commercial industrial hemp production in the United States, the U.S. market is largely dependent on imports, both as finished hemp-containing products and as ingredients for use in further processing. Under the current U.S. drug policy, all cannabis varieties, including hemp, are considered Schedule I controlled substances under the Controlled Substances Act (CSA, 21 U.S.C. §§801 et seq.; Title 21 CFR Part 1308.11). As such, while there are legitimate industrial uses, these are controlled and regulated by the U.S. Drug Enforcement Administration (DEA). Strictly speaking, the CSA does not make growing hemp illegal; rather, it places strict controls on its production and enforces standards governing the security conditions under which the crop must be grown, making it illegal to grow without a DEA permit. Currently, cannabis varieties may be legitimately grown for research purposes only. Among the concerns over changing current policies is how to allow for hemp production without undermining the agency’s drug enforcement efforts and regulation of the production and distribution of marijuana.

In the early 1990s a sustained resurgence of interest in allowing commercial cultivation of industrial hemp began in the United States. Several states have conducted economic or market studies, and have initiated or passed legislation to expand state-level resources and production. To date, nine states have legalized the cultivation and research of industrial hemp, including Hawaii, Kentucky, Maine, Maryland, Montana, North Dakota, Oregon, Vermont, and West Virginia. However, because federal law still prohibits cultivation, a grower still must get permission from the DEA in order to grow hemp, or face the possibility of federal charges or property confiscation, despite having a state-issued permit.

Over the past few Congresses, Representative Ron Paul has introduced legislation that would open the way for commercial cultivation of industrial hemp in the United States (H.R. 1831, 112th Congress; H.R. 1866, 111th Congress; H.R. 1009, 110th Congress; H.R. 3037, 109th Congress). In the 112th Congress, Senator Ron Wyden similarly introduced S. 3501 in the Senate. The Industrial Hemp Farming Act would amend Section 102 of the Controlled Substances Act (21 U.S.C. 802(16)) to specify that the term “marijuana” does not include industrial hemp, which the bill would define based on its content of delta-9 tetrahydrocannabinol (THC), marijuana’s primary psychoactive chemical. Such a change could remove low-THC hemp from being covered by the CSA as a controlled substance and subject to DEA regulation, thus allowing for industrial hemp to be grown and processed under some state laws.
Contacts
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Introduction

For centuries, industrial hemp (plant species *Cannabis sativa*) has been a source of fiber and oilseed used worldwide to produce a variety of industrial and consumer products. Currently, more than 30 nations grow industrial hemp as an agricultural commodity, which is sold on the world market. In the United States, however, production is strictly controlled under existing drug enforcement laws. There is no known commercial domestic production and the U.S. market depends on imports.

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Overview of Cannabis Varieties

Although marijuana is also a variety of cannabis, it is genetically distinct from industrial hemp and is further distinguished by its use and chemical makeup.

In this report, “hemp” refers to industrial hemp, “marijuana” (or “marihuana” as it is spelled in the older statutes) refers to the psychotropic drug (whether used for medicinal or recreational purposes), and “cannabis” refers to the plant species that has industrial, medicinal, and recreational varieties.¹

Comparison of Hemp and Marijuana

There are many different varieties of cannabis plants. Marijuana and hemp come from the same species of plant, *Cannabis sativa*, but from different varieties or cultivars. However, hemp is genetically different and is distinguished by its use and chemical makeup.²

Hemp, also called “industrial hemp,”³ refers to cannabis varieties that are primarily grown as an agricultural crop (such as seeds and fiber, and byproducts such as oil, seed cake, hurds) and is characterized by plants that are low in THC (delta-9 tetrahydrocannabinol, marijuana’s primary psychoactive chemical). THC levels for hemp are generally less than 1%.

Marijuana refers to the flowering tops and leaves of psychoactive cannabis varieties, which are grown for their high content of THC. Marijuana’s high THC content is primarily in the flowering tops and to a lesser extent in the leaves. THC levels for marijuana are much higher than for hemp.

¹ This report does not cover issues pertaining to medical marijuana. For information on that subject, see CRS Report RL33211, *Medical Marijuana: Review and Analysis of Federal and State Policies*, or related CRS reports.
and are reported to average about 10%; some sample tests indicate THC levels reaching 20%-30%, or greater.\textsuperscript{4}

A level of about 1% THC is considered the threshold for cannabis to have a psychotropic effect or an intoxicating potential.\textsuperscript{5} Current laws regulating hemp cultivation in the European Union (EU) and Canada use 0.3% THC as the dividing line between industrial and potentially drug-producing cannabis. Cultivars having less than 0.3% THC can be cultivated under license, while cultivars having more than that amount are considered to have too high a drug potential.\textsuperscript{6}

Some also claim that industrial hemp has higher levels of cannabidiol (CBD), the non-psychoactive part of marijuana, which might mitigate some of the effects of THC.\textsuperscript{7} A high ratio of CBD to THC might also classify hemp as a fiber-type plant rather than a drug-type plant. However, opinions are still mixed about how CBD levels might influence the psychoactive effects of THC.

**Production Differences**

Production differences depend on whether the cannabis plant is grown for fiber/oilseed or for medicinal/recreational uses. These differences involve the varieties being grown, the methods used to grow them, and the timing of their harvest (see discussion in “Hemp” and “Marijuana,” below). Concerns about cross-pollination among the different varieties are critical. All cannabis plants are open, wind and/or insect pollinated, and thus cross-pollination is possible.

Because of the compositional differences between the drug and fiber varieties of cannabis, farmers growing either crop would necessarily want to separate production of the different varieties or cultivars. This is particularly true for growers of medicinal or recreational marijuana in an effort to avoid cross-pollination with industrial hemp, which would significantly lower the THC content and thus degrade the value of the marijuana crop. Likewise, growers of industrial hemp would seek to avoid cross-pollination with marijuana plants, especially given the illegal status of marijuana. Plants grown of oilseed are also marketed according to the purity of the product, and the mixing of off-type genotypes would degrade the value of the crop.\textsuperscript{8}


\textsuperscript{6} E. Small and D. Marcus, “Tetrahydrocannabinol levels in hemp (Cannabis sativa) germplasm resources,” Economic Botany, vol. 57, no. 4 (October 2003); and G. Leson, “Evaluating Interference of THC Levels in Hemp Food Products with Employee Drug Testing” (prepared for the Province of Manitoba, Canada), July, 2000,.


\textsuperscript{8} CRS communication with Annndrea Hermann, Hemp Oil Canada Inc., December 2009. Pollen is present at a very early plant development stage.
The different cannabis varieties are also harvested at different times (depending on the growing area), increasing the chance of detection of illegal marijuana, if production is commingled. Because of these differences, many claim that drug varieties of cannabis cannot easily be grown with oilseed or fiber varieties without being easily detected. As discussed below, among the visual plant differences are **plant height** (hemp is encouraged to grow tall, whereas marijuana is selected to grow short and tightly clustered); **cultivation** (hemp is grown as a single main stalk with few leaves and branches, whereas marijuana is encouraged to become bushy with many leaves and branches to promote flowers and buds); and **planting density** (hemp is densely planted to discourage branching and flowering, whereas marijuana plants are well-spaced).

### Hemp

To maximize production of hemp fiber and/or seed, plants are encouraged to grow taller in height. Cultivated plants become a tall stalky crop that usually reaches between 6 and 15 feet, and generally consist of a single main stalk with few leaves and branches. Hemp plants grown for fiber or oilseed are planted densely (about 35-50 plants per square foot) to discourage branching and flowering. The period of seeding to harvest ranges from 70 to 140 days, depending on the purpose, cultivar or variety, and climatic conditions. The stalk and seed is the harvested product. The stalk of the plant provides two types of fibers: the outer portion of the stem contains the bast fibers, and the interior or core fiber (or hurds).

Industrial hemp production statistics for Canada indicate that one acre of hemp yields an average of about 700 pounds of grain, which can be pressed into about 50 gallons of oil and 530 pounds of meal. That same acre will also produce an average of 5,300 pounds of straw, which can be transformed into about 1,300 pounds of fiber.

### Marijuana

When cannabis is grown to produce marijuana, it is cultivated from monoecious fiber varieties that have both male and female flowers on each plant, but where the female flowers are selected to prevent the return of separate male and female plants (known as dioecious varieties). The female flowers are short and tightly clustered. In marijuana cultivation, growers remove all the male plants to prevent pollination and seed set. Some growers will hand-pollinate a female plant to get seed; this is done in isolation of the rest of the female plants. The incorporation and stabilization of monoecism in cannabis cultivation requires the skill of a competent plant breeder, and rarely occurs under non-cultivated conditions.

If marijuana is grown on or around industrial hemp varieties, the hemp would pollinate the female marijuana plant. Marijuana growers would not want to plant near a hemp field, since this would result in a harvest that is seedy and lower in THC, and degrade the value of their marijuana crop.

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12 Ibid.
Marijuana is cultivated to encourage the plant to become bushy with many leaves, with wide branching to promote flowers and buds. This requires that plants be well-spaced, by as much as about 1-2 plants per square yard. The flower and leaves are the harvested products.

**Hemp Production and Use**

**Commercial Uses of Hemp**

Industrial hemp can be grown as a fiber, seed, or dual-purpose crop. The interior of the stalk has short woody fibers called hurds; the outer portion has long bast fibers. Hemp seed/grains are smooth and about one-eighth to one-fourth of an inch long.

Hemp fibers are used in a wide range of products, including fabrics and textiles, yarns and spun fibers, paper, carpeting, home furnishings, construction and insulation materials, auto parts, and composites. Hurds are used in various applications such as animal bedding, material inputs, papermaking, and composites. Hemp seed and oilcake are used in a range of foods and beverages, and can be an alternative food protein source. Oil from the crushed hemp seed is used as an ingredient in a range of body-care products and nutritional supplements. Hemp seed is also used for industrial oils, cosmetics and personal care products, and pharmaceuticals, among other composites.

Some estimate that the global market for hemp consists of more than 25,000 products in nine submarkets: agriculture; textiles; recycling; automotive; furniture; food/nutrition/beverages; paper; construction materials; and personal care (Figure 1). For construction materials, such as hempcrete (a mixture of hemp hurds and lime products), hemp is used as a lightweight insulating material. Hemp has also been promoted as a potential biodiesel feedstock, although some analysts suggest that competing demands for other products might make it too costly to use as a feedstock.

These types of commercial uses are widely documented in a range of feasibility and marketing studies conducted by researchers at the U.S. Department of Agriculture (USDA) and various land grant universities and state agencies. (A listing of these studies is in the Appendix.)

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14 Different varieties have been developed may be better suited for one use or the other. Cultivation practices also differ depending upon the variety planted.
18 North Dakota State University (NSDU), “Biofuel Economics: Biocomposites—New Uses for North Dakota Agricultural Fibers and Oils” (no date).
Figure 1. Hemp Products Flowchart

Demand in the United States

Although hemp is not grown in the United States, both finished hemp products and raw material inputs are imported and sold for use in manufacturing for a wide range of product categories (Figure 1). Several feasibility and marketing studies have been conducted by researchers at the USDA and various land grant universities and state agencies (see Appendix).

A USDA study in 2000 projected that U.S. hemp markets “are, and will likely remain, small, thin markets” and also cited “uncertainty about long-run demand for hemp products and the potential for oversupply” among possible downsides of potential future hemp production.19

More recent studies have been conducted by researchers in Canada, following that country’s emerging hemp production. These studies by Canadian agriculture agencies, among others, provide a more positive market outlook, given growing consumer demand and also certain production advantages to growers, such as relatively low input and management requirements for the crop. For example, a 2008 study reported that acreage under cultivation in Canada, “while still showing significant annual fluctuations, is now regarded as being on a strong upward trend.”20

Another study noted that “hemp ... has such a diversity of possible uses, is being promoted by extremely enthusiastic market developers, and attracts so much attention that it is likely to carve

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out a much larger share of the North American marketplace than its detractors are willing to concede.” Other studies highlight certain production advantages associated with hemp, including that “it thrives without herbicides, it reinvigorates the soil, it requires less water than cotton, it matures in three to four months, and it can yield four times as much paper per acre as trees.” Other studies acknowledge hemp’s benefits as a rotational crop or further claim that hemp may be less environmentally degrading than other agricultural crops.

Retail Market

There is no official estimate of the value of U.S. sales of hemp-based products. Industry representatives claim that retail sales in North America exceed $400 million annually. This reported retail value is a rough estimate and is difficult to verify. Included in the industry estimate of total U.S. retail sales are estimates of the size of the U.S. market for hemp clothing and textiles, which is approximated at about $100 million annually. The estimate of total sales also includes between $40 million and $100 million annually for hemp-based foods, nutritional supplements, and body care products. Underlying data for this estimate are from SPINS survey data, however, because the data reportedly do not track retail sales for The Body Shop and Whole Foods Market—two major markets for hemp-based products—as well as for restaurants, hemp industry analysts have adjusted these upward to account for this gap in the reported survey data.

Available industry sources estimate that product sales for some categories, such as the market for foods and body care products, is growing. Growth in hemp specialty food products is driven, in part, by sales of hemp milk and related dairy alternatives, among other hemp-based foods. Market estimates are not available for the value of hemp-based construction or other manufacturing products, nor of paper and other product uses.

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22 Agriculture Canada, Canada’s Industrial Hemp Industry, March 2007.
28 SPINS tracks data and market trends on the Natural Product Industry sales (http://www.spins.com/).
29 CRS communication with representatives of Vote Hemp, Inc., May 2010. See also HIA’s press release, “Growing Hemp Food and Body Care Sales is Good News for Canadian Hemp Seed and Oil Producers,” April 29, 2009.
U.S. Hemp Imports

The import value of hemp-based products imported and sold in the United States is difficult to estimate accurately. For some traded products, available statistics have only limited breakouts or have been expanded only recently to capture hemp subcategories within the broader trade categories for oilseeds and fibers. Reporting errors are evident in some of the trade data, since reported export data for hemp from Canada do not consistently match reported U.S. import data for the same products (especially for hemp seeds).

Given these data limitations, available trade statistics indicate that the value of U.S. imports under categories actually labeled “hemp,” such as hemp seeds and fibers, which are more often used as inputs for use in further manufacturing, was nearly $11.5 million in 2015. Available data also show that import volumes have increased for some product categories such as hemp seeds and oilcake; however, import volumes for other products such as hemp oil and fabrics are lower (Table 1). Data are not available for most hemp-based finished products, such as clothing or other products including construction materials, carpets, or paper products.

The single largest supplier of U.S. imports of raw and processed hemp fiber is China. Other leading country suppliers include Romania, Hungary, India, and other European countries. The single largest source of U.S. imports of hemp seed and oilcake is Canada. The total value of Canada’s exports of hemp seed to the United States has grown significantly in recent years following resolution of a long-standing legal dispute over U.S. imports of hemp foods in late 2004 (see discussion under “Dispute over Hemp Food Imports (1999-2004)”). European countries such as the United Kingdom and Switzerland also have supplied hemp seed and oilcake to the United States.

Global Production

Current International Production

Approximately 30 countries in Europe, Asia, and North and South America currently permit farmers to grow hemp. Some of these countries never outlawed production, while some countries banned production for certain periods in the past. Recent, reliable, aggregated data on the number of acres worldwide devoted to industrial hemp production are not readily available.

China is among the largest producing and exporting countries of hemp textiles and related products, as well as a major supplier of these products to the United States.

The European Union (EU) has an active hemp market, with production in most member nations. Production is centered in France, the United Kingdom, Romania, and Hungary. EU hemp acreage was about 30,000 acres in 2008, which was below previous years, when more than 50,000 acres of hemp were under production. Most production is of hurds, seeds, and fibers.

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32 Other EU producing countries include Austria, Denmark, Finland, Germany, Italy, Netherlands, Poland, Portugal, Slovenia, and Spain.
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<td>751</td>
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**Total** | 1,416  | 2,538 | 2,074 | 4,789 | 6,589 | 6,872 | 9,822 | 11,494 |

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**Source:** Compiled by CRS using data from the U.S. International Trade Commission (USITC), http://dataweb.usitc.gov. Data are by Harmonized System (HS) code. Data shown as “—” indicate data are not available as breakout categories for some product subcategories were established only recently.

a. Data for 2007-2011 were supplemented by reported Canadian export data for hemp seeds (HS 12079910, Hemp seeds, whether or not broken) as reported by Global Trade Atlas, http://www.gtais.com/gta/. Official U.S. trade data reported no imports during these years for these HS subcategories. The Canadian export data as reported by Global Trade Atlas also differ for hemp seed oilcake (15159020, Hemp oil and its fractions, whether or not refined but not chemically modified) but were not similarly substituted since other countries exported product to the United States.
Many EU countries lifted their bans on hemp production in the 1990s and, although it is a minor crop, the EU’s farm programs support “flax and hemp” production under the Common Agricultural Policy. Other non-EU European countries with reported hemp production include Russia, Ukraine, and Switzerland. Other countries with active hemp grower and/or consumer markets are Australia, New Zealand, India, Japan, Korea, Turkey, Egypt, Chile, and Thailand.

Canada is another major supplier of U.S. imports, particularly of hemp-based foods and related imported products. Canada’s commercial hemp industry is fairly new: Canada began to issue licenses for research crops in 1994, followed by commercial licenses starting in 1998; since then production has grown rapidly.

The development of Canada’s hemp market followed a 60-year prohibition and is strictly regulated. Its program is administered by the Office of Controlled Substances of Health Canada, which issues licenses for all activities involving hemp. Under the regulation, all industrial hemp grown, processed, and sold in Canada may contain THC levels no more than 0.3% of the weight of leaves and flowering parts. Canada also has set a maximum level of 10 parts per million (ppm) for THC residues in products derived from hemp grain, such as flour and oil. To obtain a license to grow hemp, Canadian farmers must submit extensive documentation, including background criminal record checks, the Global Positioning System (GPS) coordinates of their fields, and supporting documents (from the Canadian Seed Growers’ Association or the Canadian Food Inspection Agency) regarding their use of low-THC hemp seeds and approved cultivars; and they must allow government testing of their crop for THC levels. Since hemp cultivation was legalized in 1998, production has been variable, ranging from a high of 48,000 acres planted in 2006, to under 4,000 acres in 2001-2002, to a reported 26,800 acres in 2010—double 2009 acreage, but still less than 1% of the country’s available farmland. About 100 Canadian farmers are engaged in hemp production, mostly in Manitoba and Ontario. Reportedly more than 300 cultivation licenses were granted in 2011, and 38 approved cultivars during the growing season.

Historical U.S. Production

Hemp was widely grown in the United States from the colonial period into the mid-1800s; fine and coarse fabrics, twine, and paper from hemp were in common use. By the 1890s, labor-saving

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41 Health Canada, “Industrial Hemp Regulations List of Approved Cultivars for the 2011 Growing Season;” also Health Canada memorandum, October 25, 2011.
machinery for harvesting cotton made the latter more competitive as a source of fabric for clothing, and the demand for coarse natural fibers was met increasingly by imports. Industrial hemp was handled in the same way as any other farm commodity, in that USDA compiled statistics and published crop reports, and provided assistance to farmers promoting production and distribution. In the early 1900s, hemp continued to be grown and researchers at USDA continued to publish information related to hemp production and also reported on hemp’s potential for use in textiles and in paper manufacturing. Several hemp advocacy groups, including the Hemp Industries Association (HIA) and Vote Hemp Inc., have compiled other historical information and have copies of original source documents.

Between 1914 and 1933, in an effort to stem the use of Cannabis flowers and leaves for their psychotropic effects, 33 states passed laws restricting legal production to medicinal and industrial purposes only. The 1937 Marihuana Tax Act defined hemp as a narcotic drug, requiring that farmers growing hemp hold a federal registration and special tax stamp, effectively limiting further production expansion.

Hemp was briefly brought back into large-scale production during World War II, at the urging of USDA, to provide for “products spun from American-grown hemp” including “twine of various kinds for tying and upholsters work; rope for marine rigging and towing; for hay forks, derricks, and heavy duty tackle; light duty fire hose; thread for shoes for millions of American soldiers; and parachute webbing for our paratroopers,” as well as “hemp for mooring ships; hemp for tow lines; hemp for tackle and gear; hemp for countless naval uses both on ship and shore.”

In 1943, U.S. hemp production reached more than 150 million pounds (140.7 million pounds hemp fiber; 10.7 million pound hemp seed) on 146,200 harvested acres. This compared to pre-war production levels of about 1 million pounds. After reaching a peak in 1943, production started to decline. By 1948, production had dropped back to 3 million pounds on 2,800 harvested acres, with no recorded production after the late 1950s.

Currently, industrial hemp is not commercially produced in the United States. No active federal licenses allow U.S. commercial cultivation at this time.

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42 See, for example, editions of USDA Agricultural Statistics. A compilation of U.S. government publications is available from the Hemp Industries Association (HIA) at http://www.hempology.org/ALLARTICLES.html.


47 Text from a short film produced by USDA in 1942, “Hemp for Victory,” to promote the cultivation of hemp during WWII. Text from this film, as reported by HIA, is available at http://www.hempology.org/ALLARTICLES.html.

48 USDA Agricultural Statistics, various years through 1949. A summary of data spanning 1931-1945 is available in the 1946 edition. See “Table 391—Hemp Fiber and hempseed: Acreage, Yield, and Production, United States.”
Legal Status in the United States

Federal Law

In 1937, Congress passed the first federal law to discourage Cannabis production for marijuana while still permitting industrial uses of the crop (the Marihuana Tax Act; 50 Stat. 551). Under this statute, the government actively encouraged farmers to grow hemp for fiber and oil during World War II. After the war, competition from synthetic fibers, the Marihuana Tax Act, and increasing public anti-drug sentiment resulted in fewer and fewer acres of hemp being planted, and none at all after 1958.

Strictly speaking, the Controlled Substances Act of 1970 (CSA, 21 U.S.C. §801 et. seq.) does not make growing hemp illegal; rather, it places strict controls on the production of hemp, making it illegal to grow the crop without a DEA permit.

The CSA adopted the same definition of *Cannabis sativa* that appeared in the 1937 Marihuana Tax Act. The definition of “marihuana” (21 U.S.C. §802(16) reads:

> The term marihuana means all parts of the plant Cannabis sativa L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin. Such term does not include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound ... or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of such plant which is incapable of germination.

The statute thus retains control over all varieties of the cannabis plant by virtue of including them under the term “marijuana” and does not distinguish between low- and high-THC varieties. The language exempts from control the parts of mature plants—stalks, fiber, oil, cake, etc.—intended for industrial uses. Some have argued that the CSA definition exempts industrial hemp under its term exclusions for stalks, fiber, oil and cake, and seeds.\(^49\) DEA refutes this interpretation.\(^50\)

Since federal law prohibits cultivation without a permit, DEA determines whether any industrial hemp production authorized under a state statute is permitted, and it enforces standards governing the security conditions under which the crop must be grown. In other words, a grower needs to get permission from the DEA to grow hemp or faces the possibility of federal charges or property confiscation, regardless of whether the grower has a state-issued permit.

DEA issued a permit for an experimental quarter-acre plot in Hawaii in 1999 (now expired). Most reports indicate that the DEA has not granted any current licenses to grow hemp, even for research purposes. To date, all commercial hemp products sold in the United States are imported or manufactured from imported hemp materials.

Even if DEA were to approve a permit, it could be argued that production might be limited or discouraged because of the perceived difficulties of working through DEA licensing requirements

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\(^{49}\) See, for example, *Hemp Industries Association v. Drug Enforcement Administration*, 357 F.2d (9th Circuit 2004).

\(^{50}\) 66 Federal Register 51530.
and installing the types of structures necessary to obtain a permit (such as fencing and security to prevent public access). It could also be argued that, because of the necessary time-consuming steps involved in obtaining and operating under a DEA permit, the additional management and production costs from installing structures, as well as other business and regulatory requirements, could ultimately limit the operation’s profitability.

The United States is a signatory of the United Nations Single Convention on Narcotic Drugs, 1961 (as amended by the 1972 Protocol Amending the Single Convention on Narcotic Drugs, 1961). The principal objectives of the convention are to “limit the possession, use, trade in, distribution, import, export, manufacture and production of drugs exclusively to medical and scientific purposes and to address drug trafficking through international cooperation to deter and discourage drug traffickers.” The convention requires that each party control cannabis cultivation within its borders; however, Article 28.2 of the convention states: “This Convention shall not apply to the cultivation of the cannabis plant exclusively for industrial purposes (fibre and seed) or horticultural purposes.” Thus the convention need not present an impediment to the development of a regulated hemp farming sector in the United States.

Previous DEA Actions

DEA’s 2003 Rules

In March 2003, DEA issued two final rules addressing the legal status of hemp products derived from the cannabis plant. The DEA found that hemp products “often contain the hallucinogenic substance tetrahydrocannabinols (THC) ... the primary psychoactive chemical found in the cannabis (marijuana) plant.” Although the DEA acknowledged that “in some cases, a Schedule I controlled substance may have a legitimate industrial use,” such use would only be allowed under highly controlled circumstances. These rules set forth what products may contain “hemp” and also prohibit “cannabis products containing THC that are intended or used for human consumption (foods and beverages).” This development of the 2003 rule sparked a fierce battle over the permissibility of imported hemp-based food products that lasted from 1999 until 2004.

Dispute over Hemp Food Imports (1999-2004)

In late 1999, during the development of the 2003 rules (described in the previous section), the DEA acted administratively to demand that the U.S. Customs Service enforce a zero-tolerance standard for the THC content of all forms of imported hemp, and hemp foods in particular.

The DEA followed up, in October 2001, with publication of an interpretive rule in the Federal Register explaining the basis of its zero-tolerance standard. It held that when Congress wrote the

52 Information posted on International Narcotics Control Board (INCB) website.
53 Ibid.
54 DEA, “DEA History in Depth,” 1999-2003, and other DEA published resources.
55 Ibid.
56 66 Federal Register 51530.
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statutory definition of marijuana in 1937, it “exempted certain portions of the Cannabis plant from the definition of marijuana based on the assumption (now refuted) that such portions of the plant contain none of the psychoactive component now known as THC.” Both the proposed rule (which was published concurrently with the interpretive rule) and the final 2003 rule gave retailers of hemp foods a date after which the DEA could seize all such products remaining on shelves. On both rules, hemp trade associations requested and received court-ordered stays blocking enforcement of that provision. The DEA’s interpretation made hemp with any THC content subject to enforcement as a controlled substance.

Hemp industry trade groups, retailers, and a major Canadian exporter filed suit against the DEA, arguing that congressional intent was to exempt plant parts containing naturally occurring THC at non-psychoactive levels, the same way it exempts poppy seeds containing trace amounts of naturally occurring opiates. Industry groups maintain that (1) naturally occurring THC in the leaves and flowers of cannabis varieties grown for fiber and food is already at below-psychoactive levels (compared with drug varieties); (2) the parts used for food purposes (seeds and oil) contain even less; and (3) after processing, the THC content is at or close to zero. U.S. and Canadian hemp seed and food manufacturers have in place a voluntary program for certifying low, industry-determined standards in hemp-containing foods. Background information on the TestPledge Program is available at http://www.TestPledge.com. The intent of the program is to assure that consumption of hemp foods will not interfere with workplace drug testing programs or produce undesirable mental or physical health effects.

On February 6, 2004, the U.S. Court of Appeals for the Ninth Circuit permanently enjoined the enforcement of the final rule. The court stated that “the DEA’s definition of ‘THC’ contravenes the unambiguously expressed intent of Congress in the CSA and cannot be upheld.” In late September 2004 the Bush Administration let the final deadline pass without filing an appeal.

Other Policy Statements

In a recent DEA report, the agency acknowledged that it has been reviewing inquiries about the legal status of hemp-based products (such as those shown in Figure 1), including inquiries from U.S. Customs inspectors regarding the need for guidance regarding imported hemp products.

DEA took the position that it would follow the plain language of the Controlled Substances Act (CSA), which expressly states that anything that contains “any quantity” of marijuana or THC is a schedule I controlled substance. However, as a reasonable accommodation, DEA exempted from control legitimate industrial products that contained THC but were not intended for human consumption (such as clothing, paper, and animal feed).

DEA’s position that “anything that contains ‘any quantity’ of marijuana or THC” should be regarded as a controlled substance is further supported by reports published by the National Institute on Drug Abuse (NIDA), which is part of the National Institutes of Health. Although NIDA does not have a formal position about industrial hemp, NIDA’s research tends to conflate all cannabis varieties, including marijuana and hemp. For example, NIDA reports: “All forms of

57 21 U.S.C. §802 (19) and (20).
58 68 Federal Register 14113.
59 Hemp Industries Association v. Drug Enforcement Administration, 357 F.2d (9th Circuit 2004).
60 DEA, “DEA History in Depth,” 1999-2003, and other DEA published resources.
marijuana are mind-altering (psychoactive)” and “they all contain THC (delta-9-tetrahydrocannabinol), the main active chemical in marijuana.” The DEA further maintains that the CSA does not differentiate between different varieties of cannabis based on THC content.

Regarding DEA’s issuance of its 2003 rules and the import dispute that followed (discussed in the previous report sections), the agency continues to maintain that the courts have expressed conflicting opinions on these issues:

Despite the plain language of the statute supporting DEA’s position, the ninth circuit ruled in 2004 that the DEA rules were impermissible under the statute and therefore ordered DEA to refrain from enforcing them. Subsequently, in 2006, another federal court of appeals (the eighth circuit) took a different view, stating, as DEA had said in its rules: “The plain language of the CSA states that schedule I(c) includes ‘any material ... which contains any quantity of THC’ and thus such material is regulated.” Thus, the federal courts have expressed conflicting views regarding the legal status of cannabis derivatives.

Regarding interest among growers in some states to cultivate hemp for industrial use, DEA claims that the courts have supported the agency’s current policy that all hemp growers—regardless of whether a state permit has been issued and of the THC content—are subject to the CSA and must obtain a federal permit:

Under the CSA, anyone who seeks to grow marijuana for any purpose must first obtain a DEA registration authorizing such activity. However, several persons have claimed that growing marijuana to produce so-called “hemp” (which purportedly contains a relatively low percentage of THC) is not subject to CSA control and requires no DEA registration. All such claims have thus far failed, as every federal court that has addressed the issue has ruled that any person who seeks to grow any form of marijuana (no matter the THC content or the purpose for which it is grown) must obtain a DEA registration.

Regarding states that have enacted laws legalizing cannabis grown for industrial purposes, “these laws conflict with the CSA, which does not differentiate, for control purposes, between marijuana of relatively low THC content and marijuana of greater THC content.”

Other Federal Actions

In 1994, President Clinton issued Executive Order 12919, entitled “National Defense Industrial Resources Preparedness,” which was intended to strengthen the U.S. industrial and technology base for meeting national defense requirements. The order included hemp among the essential agricultural products that should be stocked for defense preparedness purposes. Some hemp

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63 Ibid.
64 DEA-cited court case: United States v. White Plume, 447 F.3d 1067, 1073 (8th Cir. 2006).
67 Hemp is included under the category of “food resources,” which it defined to mean, in part, “all starches, sugars, vegetable and animal or marine fats and oils, cotton, tobacco, wool, mohair, hemp, flax, fiber and other materials, but (continued...)
supporters have argued that the executive order gives hemp a renewed value as a strategic crop for national security purposes, in line with its role in World War II.  

USDA has supported research on alternative crops and industrial uses of common commodities since the late 1930s. Some alternative crops have become established in certain parts of the United States—kenaf (for fiber) in Texas, jojoba (for oil) in Arizona and California, and amaranth (for nutritious grain) in the Great Plains states. Many have benefits similar to those ascribed to hemp, but are not complicated by having a psychotropic variety within the same species.

The Critical Agricultural Materials Act of 1984 (P.L. 98-284, 7 U.S.C. §178) supports the supplemental and alternative crops provisions of the 1985 and 1990 omnibus farm acts and other authorities, and funds research and development on alternative crops at USDA and state laboratories. In 2010, USDA recommended $1.083 million for programs under the act. In addition, Section 1473D of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA, 7 U.S.C. §3319d(c)) authorizes USDA to make competitive grants toward the development of new commercial products derived from natural plant material for industrial, medical, and agricultural applications. In 2010, USDA recommended $835,000 for the program. To date, these authorities have not been used to develop hemp cultivation and use.

State Laws

The past decade has witnessed a resurgence of interest in the United States in producing industrial hemp. Farmers in regions of the country that are highly dependent upon a single crop, such as tobacco or wheat, have shown interest in hemp’s potential as a high-value alternative crop, although the economic studies conducted so far paint a mixed profitability picture.

Beginning around 1995, an increasing number of state legislatures began to consider a variety of initiatives related to industrial hemp. Most of these have been resolutions calling for scientific, economic, or environmental studies, and some are laws authorizing planting experimental plots under state statutes. Nonetheless, the actual planting of hemp, even for state-authorized experimental purposes, remains regulated by the DEA under the Controlled Substances Act.

To date, nine states have legalized the cultivation of and research on industrial hemp. These states include Hawaii, Kentucky, Maine, Maryland, Montana, North Dakota, Oregon, Vermont, and West Virginia (see text box). Several states also have conducted feasibility and/or marketing studies, including Arkansas, California, Hawaii, Illinois, Kentucky, Maine, Maryland, North Carolina, North Dakota, and Vermont. Several other states have passed various bills or resolutions related to industrial hemp, including Colorado, Minnesota, New Mexico, North Dakota, and

(...continued)

not any such material after it loses its identity as an agricultural commodity or product.”

70 For information, see USDA, http://www.csrees.usda.gov/funding/rfas/pdfs/10_alt_crops.pdf.
Virginia, among others. Efforts in other states are pending. However, in California, efforts in 2011 to allow for a hemp pilot program in selected counties were vetoed by the state’s governor.

**Actions in Selected States**

Although several states have established programs under which a farmer may be able to grow industrial hemp under certain circumstances, a grower would still need to obtain a DEA permit and abide by the DEA’s strict production controls. This relationship has resulted in some high-profile cases, wherein growers have applied for but been denied a DEA permit to grow hemp even in states that authorize cultivation under state laws. Two ongoing cases involve attempts to grow hemp under state law in North Dakota and Montana.

North Dakota passed its state law authorizing industrial hemp production in 1999. In 2007, researchers at North Dakota State University applied for, but did not receive, a DEA permit to cultivate hemp for research purposes in the state. That same year two North Dakota farmers were granted state hemp farming licenses and, in June 2007, filed a lawsuit in U.S. District Court (North Dakota) seeking “a declaratory judgment” that the CSA “does not prohibit their cultivation of industrial hemp pursuant to their state licenses.” The case was dismissed in November 2007. The case was appealed to the U.S. Court of Appeals (Eighth Circuit), but was again dismissed in December 2009. Their latest appeal was filed in May 2010.

Montana passed its state law authorizing hemp production in 2001. In October 2009, Montana’s Agriculture Department issued its first state license for an industrial hemp-growing operation in the state. Media reports indicate that the grower does not intend to request a federal permit, which would make the grower’s attempt to grow hemp technically illegal. Some argue that this case could pose a potential challenge to DEA of whether it is willing to override the state’s authority to allow for hemp production in the state, as well as a test of state’s rights.

**Legislative Activity**

In the past four legislative sessions (109th-112th Congress), Representative Ron Paul has introduced legislation that would open the way for commercial cultivation of industrial hemp in the United States (H.R. 1831, 112th Congress; H.R. 1866, 111th Congress; H.R. 1009, 110th Congress; H.R. 3037, 109th Congress). Also, in the 112th Congress, Senator Ron Wyden similarly introduced S. 3501 in the Senate.

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74 The North Dakota Department of Agriculture issued final regulations in 2007 on licensing hemp production. For information on the state’s requirements, see http://www.agdepartment.com/Programs/Plant/HempFarming.htm.
75 David Monson and Wayne Hauge v. Drug Enforcement Administration and United States Department of Justice, Complaint for Declaratory Judgment, U.S. District Court for the District of North Dakota, June 18, 2007. For an overview, see Vote Hemp Inc. website: http://www.votehemp.com/legal_cases_ND.html#overview
77 Monson v. DEA, 589 F.3d 952 (8th Cir. 2009).
### State Laws Providing for Hemp Cultivation and Research

To date, nine states have taken steps to allow for the cultivation and research of industrial hemp, including Hawaii, Kentucky, Maine, Maryland, Montana, North Dakota, Oregon, Vermont, and West Virginia. Several states also have passed legislation to conduct feasibility and/or marketing studies, including Arkansas, California, Hawaii, Illinois, Kentucky, Maine, Maryland, North Carolina, North Dakota, and Vermont.


**Kentucky (2001):** Provided for an industrial hemp research program to conduct research on industrial hemp as an agricultural product in Kentucky (HB 100, [http://www.lrc.state.ky.us/recarch/01rs/HB100.htm](http://www.lrc.state.ky.us/recarch/01rs/HB100.htm)). The state study is ongoing.

**Maine (2009, 2003):** Provided for the growing of industrial hemp if a person holds a license issued by the Commissioner of Agriculture, Food and Rural Resources and the hemp is grown under a federal permit in compliance with the conditions of that permit (LD 1159, [http://www.mainelegislature.org/LawMakerWeb/summary.asp?ID=280032156](http://www.mainelegislature.org/LawMakerWeb/summary.asp?ID=280032156)). A previous 2003 law authorized the Maine Agricultural Experiment Station to study cultivation of industrial hemp and defined industrial hemp as any variety of Cannabis sativa L. with a THC concentration that “does not exceed 0.3% on a dry weight basis” and that “grown under a federal permit in compliance with the conditions of that permit” (LD 53, [http://www.mainelegislature.org/legis/bills_121st/LD.asp?LD=53](http://www.mainelegislature.org/legis/bills_121st/LD.asp?LD=53)). The state study is ongoing.

**Maryland (2000):** Established a pilot program to study the growth and marketing of industrial hemp under certain conditions and in consultation with specified state and federal agencies; also established licensing procedures for researchers who wish to grow hemp for research purposes (HB 1250, [http://mlis.state.md.us/2000rs/billfile/HB1250.htm](http://mlis.state.md.us/2000rs/billfile/HB1250.htm)). The state study is ongoing.

**Montana (2001):** Authorized the production of industrial hemp as an agricultural crop under certain conditions; recognized hemp with no more than 0.3 percent THC as an “agricultural crop” (SB 261).


**Oregon (2009):** Permitted production and possession of industrial hemp and trade in industrial hemp commodities and products. Authorized the State Department of Agriculture to administer licensing, permitting and inspection program for growers and handlers of industrial hemp. Allowed the department to charge fees to growers and handlers, and to impose civil penalty not exceeding $2,500 for violation of license or permit requirements (SB 676, [http://www.leg.state.or.us/09reg/measures/sb0600.dir/sb0676.intro.html](http://www.leg.state.or.us/09reg/measures/sb0600.dir/sb0676.intro.html)).


**Source:** Compiled by CRS from legislation information at various state website and summary information posted by Vote Hemp ([http://www.votehemp.com/state.html](http://www.votehemp.com/state.html)) and NORML ([http://norml.org/index.cfm?Group_ID=3395](http://norml.org/index.cfm?Group_ID=3395)).
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The Industrial Hemp Farming Act is the first legislative proposal at the federal level intended to facilitate the possible commercial cultivation of industrial hemp in the United States. The bill would amend the Controlled Substances Act (21 U.S.C. §802(16)) to add language stating that the term “marijuana” does not include industrial hemp, which the bill would define based on its THC content. Each Congress, this measure was referred to the House Committee on Energy and Commerce and to the House Committee on the Judiciary. If enacted, Representative Paul’s bill could remove low-THC hemp from being covered by the CSA as a controlled substance and subject to DEA regulation. The bill could grant authority to any state permitting industrial hemp production and processing to determine whether any such cannabis plants met the limit on THC concentration as set forth in the CSA. In any criminal or civil action or administrative proceeding, the state’s determination may be conclusive and binding.

In addition to groups such as HIA and Vote Hemp Inc. that are actively promoting reintroducing hemp as a commodity crop in the United States, some key agricultural groups also support U.S. policy changes regarding industrial hemp. For example:

- The National Farmers Union (NFU) has adopted as part of its 2010 farm policy regarding specialty crops a policy that supports “urging the President, Attorney General and Congress to direct the U.S. Drug Enforcement Administration (DEA) to differentiate between industrial hemp and marijuana and adopt policy to allow American farmers to grow industrial hemp under state law without requiring DEA licenses.”

- The National Association of State Departments of Agriculture (NASDA) “supports revisions to the federal rules and regulations authorizing commercial production of industrial hemp,” and has urged USDA, DEA, and the Office of National Drug Control Policy (ONDCP) to “collaboratively develop and adopt an official definition of industrial hemp that comports with definitions currently used by countries producing hemp.” NASDA also “urges Congress to statutorily distinguish between industrial hemp and marijuana and to direct the DEA to revise its policies to allow USDA to establish a regulatory program that allows the development of domestic industrial hemp production by American farmers and manufacturers.”

- The National Grange voted in 2009 to support “research, production, processing and marketing of industrial hemp as a viable agricultural activity.”

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80 The 112th Congress and previous versions of the bill differ. Specifically, Section 3 of the 2009 bill would apply when a state has an industrial hemp regulatory scheme, whereas the 2011 bills would apply whenever state law permits “making industrial hemp,” which a state might do by exempting industrial hemp making from its controlled substance regulatory scheme. In addition, Section 3 of the 2009 bill would have afforded state officials “exclusive authority” to construe the proposed industrial hemp exclusion from the definition of marijuana (amending 21 U.S.C. §802(16)(B)), whereas the 2011 bills would include within the proposed industrial hemp exclusion (amending 21 U.S.C. §802(57)) any industrial hemp grown or possessed in accordance with state law relating to making industrial hemp. For more information, contact Charles Doyle, CRS attorney, 7-6968.


Regional farmers’ organizations also have policies regarding hemp. For example, the North Dakota Farmers Union (NDFU), as part of its federal agricultural policy recommendations, has urged “Congress to legalize the production of industrial hemp.”84 The Rocky Mountain Farmers Union (RMFU) has urged “Congress and the USDA to re-commit and fully fund research into alternative crops and uses for crops” including industrial hemp; also they “support the decoupling of industrial hemp from the definition of marijuana” under the CSA and “demand the President and the Attorney General direct the U.S. Drug Enforcement Agency (DEA) to differentiate between industrial hemp and marijuana and adopt a policy to allow American farmers to grow industrial hemp under state law without requiring DEA licenses,” to “legalize the production of industrial hemp as an alternative crop for agricultural producers.”85

In California, efforts in 2011 to establish a pilot program to grow industrial hemp in selected counties was supported by the county farm bureau and two sheriff’s offices (although the bill, SB 676, was later vetoed by the state’s governor).86

Despite support by some, other groups continue to oppose policy changes regarding cannabis. For example, the National Alliance for Health and Safety, as part of Drug Watch International, claims that proposals to reintroduce hemp as an agricultural crop are merely a strategy by “the international pro-drug lobby to legalize cannabis and other illicit substances.”87 The California Narcotic Officer’s Association claims that allowing for industrial hemp production would undermine state and federal enforcement efforts to regulate marijuana production, since they claim the two crops are not distinguishable through ground or aerial surveillance, but would require costly and time-consuming lab work to be conducted.88 This group also claims that these similarities would create an incentive to use hemp crops to mask illicit marijuana production, since marijuana is such a lucrative cash crop.89 Concerns about the potential linkages to the growing and use of illegal drugs are also expressed by some parent and community organizations, such as Drug Free America Foundation, Inc. and PRIDE Inc.90

Given the DEA’s current policy positions (see section titled “Previous DEA Actions”) and perceived DEA opposition to changing its current policies because of concerns over how to allow for hemp production without undermining the agency’s drug enforcement efforts and regulation of the production and distribution of marijuana, further policy changes regarding industrial hemp are likely not forthcoming absent congressional legislative action.

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86 Letters of support for SB 678 to California State Senator, Mark Leno, from the Imperial County Farm Bureau (June 16, 2011), Office of Sheriff, Kings County (July 19, 2011), and Office of Sheriff, Kern County (July 21, 2011).
87 See, for example, Drug Watch International, “Position Statement on Hemp (Cannabis sativa L.),” November 2002.
88 Letter from the California Narcotic Officer’s Association to Governor Arnold Schwarzenegger, September 18, 2007.
89 CRS conversation with John Coleman, August 22, 2011.
90 Information provided to CRS by Jeanette McDougal, National Alliance for Health and Safety, August 22, 2011.
Concluding Remarks

Hemp production in the United States faces a number of obstacles in the foreseeable future. The main obstacles facing this potential market are U.S. government drug policies and DEA concerns about the ramifications of U.S. commercial hemp production. These concerns are that commercial cultivation could increase the likelihood of covert production of high-THC marijuana, significantly complicating DEA’s surveillance and enforcement activities and sending the wrong message to the American public concerning the government’s position on drugs. DEA officials and a variety of other observers also express the concern that efforts to legalize hemp—as well as those to legalize medical marijuana—are a front for individuals and organizations whose real aim is to see marijuana decriminalized.91

Hemp production in the United States also faces competition from other global suppliers. The world market for hemp products remains relatively small, and China, as the world’s largest hemp fiber and seed producer, has had and likely will continue to have major influence on market prices and thus on the year-to-year profits of producers and processors in other countries.92 Canada’s head start in the North American market for hemp seed and oil also would likely affect the profitability of a start-up industry in the United States.

Nevertheless, the U.S. market for hemp-based products has a highly dedicated and growing demand base, as indicated by recent U.S. market and import data for hemp products and ingredients, as well as market trends for some natural foods and body care products. Given the existence of these small-scale, but profitable, niche markets for a wide array of industrial and consumer products, commercial hemp industry in the United States could provide opportunities as an economically viable alternative crop for some U.S. growers.

91 For more information on legislative and executive branch actions concerning illegal drugs, see CRS Report RL32352, War on Drugs: Reauthorization and Oversight of the Office of National Drug Control Policy. For information on issues pertaining to medical marijuana, see CRS Report CRS Report RL33211, Medical Marijuana: Review and Analysis of Federal and State Policies.

Appendix. Listing of Selected Hemp Studies

Below is a listing of reports and studies, ranked by date (beginning with the most recent).

- Manitoba Agriculture, National Industrial Hemp Strategy, March 2008 (prepared for Food and Rural Initiative Agriculture and Agri-Food Canada).
• E. C. Thompson et al., *Economic Impact of Industrial Hemp in Kentucky*, University of Kentucky, July 1998.


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