

HOPING FOR HEMP:

Could crop's legalization impact land & industrial prices?

ARTICLE UPDATE: On May 15, the Texas Senate passed a bill legalizing the farming of industrial hemp. That comes after the House's passage of a similar bill. State lawmakers will now negotiate the differences between the proposals before a final version is sent to Governor Greg Abbott.

BY BRANDI SMITH



SID MILLER



GENE HALL

A debate is brewing in the Texas Senate over whether the state should legalize hemp. The crop is already an option for farmers in more than 40 other states, which manufacture it for a variety of uses, including rope, textiles, paper, insulation and biofuel.

"Back in the colonial days, hemp was a major crop in this country," says Gene Hall, spokesman for the Texas Farm Bureau. "There are just a whole bunch of uses for the crop and there's no good reason to deny Texas farmers the opportunity to grow it."

When HB 1325 came before the Texas House of Representatives, the Farm Bureau testified in its favor. It passed and is now being considered by the Texas Senate.

"I don't want to hold out the hope that it's a silver bullet, but it is legally grown in more than 40 other states. It has done very well elsewhere, both in terms of production and the market price," Hall says. "It's another option and that's a good thing to allow farmers to respond to market forces."

As the crop has become a focus, its advocates are quick to point out the differences between hemp and its cousin, marijuana.

"[Hemp] has been viewed as some kind of gateway to the legalization of marijuana. We do not support that," Hall says, pointing out that industrial hemp cannot be used as a recreational drug. "You cannot smoke enough of it to get high."

He also highlights discrepancies in Texas law that would be remedied if industrial hemp were legalized.

"I know one farmer on the Gulf Coast of Texas who would grow hemp if given the opportunity. His wife

is actually in the business of selling the CBD oils and things of that nature. She can sell it, but he can't grow it," says Hall.

The Texas Department of Agriculture threw its support behind hemp being grown in Texas during the Farm Bill debate led by Texas Agriculture Commissioner Sid Miller.

"We view it as an advantageous crop, another option for farmers who could use some other options right now," he says. "Most of the other commodities are depressed because of the trade situation and other factors, and it would be nice to have a crop that is drought tolerant. Hemp has many uses and will grow anywhere you grow other row crops in Texas."

The plant's drought-tolerant nature is also of value in the sometimes water-challenged Lone Star State. "Everywhere you planted grain sorghum, which is also fairly drought tolerant, hemp is going to do well there too. There's no reason to expect that it would not," says Hall.

Because of its potential, Miller tells REDNews that farmers call his office daily, asking about the would-be crop.

"What I like about it besides all the different products that can be made from it is it's an excellent rotational crop. If you're harvesting for hemp oil or CBD oil, really all you need is either the seed or the buds. There's a lot of organic material produced in those stalks and stems that could be returned to the soil to enhance the soil's fertility and organic matter," he says. "It'd be an excellent rotational crop with our traditional crops of cotton, corn, wheat and grain."

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That's not to say hemp comes without challenges. There will be a variety of obstacles for farmers to overcome if it is legalized, the first being the price.

"It can be a very expensive crop. The seed is going to be highly controlled and highly regulated," says Miller. "I will do the bare minimum that the federal government requires, but there's going to be plenty that they require."

A farmer's field will also be subject to considerable tests to ensure the plant's THC levels are below federal guidelines.

"My people have to go out and inspect the crop," Miller explains "If it has too much THC in it, we'll have to destroy it."

If, and when, the Texas Legislature does legalize hemp, farmers will not be able to start planting the crop the next day. Miller expects the earliest it could be planted would be next spring.

"We have to decriminalize it. I have to write the rules and guidelines. I have to follow the federal guidelines, which we won't have until this fall. Then I'll start writing the rules," Miller says.

An eighth generation farmer and rancher, Miller emphasizes that he wants to be able to give Texas farmers every option possible and he recognizes that if Texas doesn't capitalize on this opportunity, the impact extends to other industries as well.

"The manufacturing and processing facilities will locate in states other than Texas if there's no crop here to farm," he argues. "We're looking to attract the manufacturers, the processors and all the ancillary services that come with this crop. We want those to be located here in Texas too."

That's an element of Hall's support for hemp legalization as well.

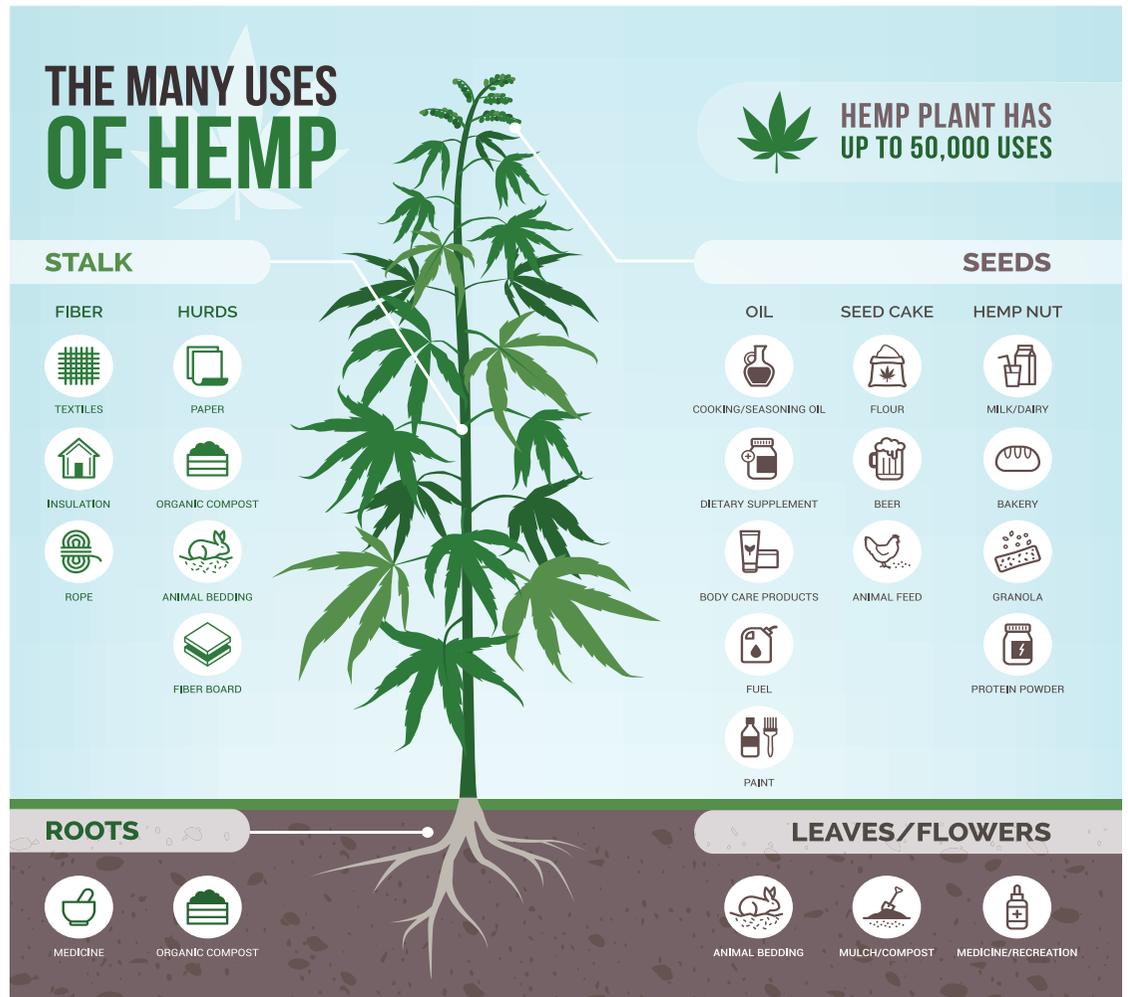
"It's been my experience that where a crop is grown, people will move in to capitalize on the opportunity to process. That would be a logical progression and certainly, it has a potential for fueling new jobs and new economic growth in some parts of the state," he says, adding that he's had some phone calls from companies interested in the industrial opportunities that legalizing hemp provides.

Miller, though, tempers his expectations, laughing that "if you give farmers a profitable crop, they'll plant the world level with it until there's so much of it you can't give it away." That's why he says he cautions farmers who are eager to plant as soon as it's legal.

"I tell them, 'Make absolutely sure you have an ironclad contract to sell it,'" says Miller. "I wouldn't grow any of it on speculation, it's too expensive to grow. So farmers can be their own worst enemies because they can overproduce."

Despite any concerns, a brand-new industry in a state the size of Texas is an idea that is generating a lot of positive buzz within the real estate community.

"There's a lot of excitement about it, but nobody really



knows what the bottom line number is going to be," says Dr. Charles Gilliland, a research economist working with Texas A&M University's Real Estate Center. "There's a great promise that as a new industry it will take hold and could possibly become a competitor for some of our fiber producers, like cotton for example, but at this point there seem to be a lot of questions about how this is going to work out."

He says there are many factors that point to hemp becoming a thriving industry, but adds that it's too early in the game to make any definitive statement about its impact on property prices.

As it stands now, Gilliland says the Texas land market is doing fairly well in most places. He points out that most of the demand is for recreational use, not crop production or livestock.

"It's a broad umbrella that covers a lot of different potential motivations for everything from just having some place to get away from the cities to bird watching, to actually having active wildlife and hunting operation," he explains. "Wildlife plays a big role in demand for Texas land. We don't have very public land available, so you have to gain access on private land."

Gilliland specifically points to northeast Texas, the Dallas-Fort Worth area and the Gulf Coast as locations where there has been a burst of activity. He attributes that, in

part, to Hurricane Harvey.

"People who have spent a while digging out and repairing things now get excited about going out and buying new things," he says. "While the level of activity for the preceding year was somewhat depressed, it's making up for it this year. Prices are strong."

The Rio Grande Valley is a region Gilliland bills as having shown some weakness in the past year, but not because the market is actually going soft.

"There were very few irrigated crop sales because the owners wanted to hang onto them. So now people can't find those kind of properties to buy down in that part of the state," he says.

He is watching those details closely, while keeping an eye on the legislative discussions over hemp legalization.

"I think on hemp production, stay tuned. There's a lot of speculation about what's going to happen with it at this point, a lot of guessing going on," Gilliland says. "It will take a little while for some people to put some numbers to that."

While state leaders work out those details, those in the farming, processing and manufacturing industries are patiently waiting to see for sure what impact hemp could have for them. ■