

Bank Strategy Briefing

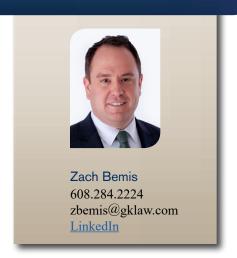
Ideas and analysis for community bank executives

Bank Strategy Briefing: The Hemp and CBD Proposition for Wisconsin Banks

Wisconsin's hemp and CBD economy is officially online and community banks are getting a front row seat. In its second year, buoyed by the 2018 Farm Bill at the federal level, which removed hemp from the Controlled Substances Act and cleared the way for hemp as a mainstream crop, the Wisconsin Industrial Hemp Research Pilot Program is seeing immense growth in the number of grower and processor license applications. Wisconsin is retaking its historical position as the national leader in hemp production.

Skyrocketing growth in license applications

For the 2019 growing season, the Department of Agriculture, Trade and Consumer Protection received 2,227 applications from growers or processors. Of those, roughly 700 are for processors and roughly 1,500 are for growers, a noteworthy increase from an already robust 100 processor licenses (~700% increase) and 247 grower licenses (~607% increase) issued in 2018. In total, roughly 1,200 acres throughout Wisconsin have been registered for hemp production in 2019.



This level of interest far exceeds the scope of other leading hemp states. In 2018, Colorado had 386 licensed growers, while Kentucky had 209 licensed growers and 43 licensed processors.³

Financial benefit for growers

As we await hard data on Wisconsin's first years of production, it is not hard to imagine why farmers across the state are looking to hemp as a solution to years' worth of thin margins and depressed commodity prices on traditional cash crops. A survey of other states shows the potential of this new crop:⁴

Wholesale Price By Product; Average price per pound		
State	Seed	Flower
Colorado	\$9	\$28
Kentucky	\$0.75	\$35
Oregon	\$0.05	\$100
New York	\$1.38	\$100
North Carolina	\$1	\$25
Tennessee	\$10	\$100
Vermont	\$1	\$100
Nevada	\$10	\$200

¹Numbers provided by DATCP as of May 10, 2019.

² Provided by DATCP as of May 10, 2019.

³ Hemp Report: Top 10 U.S. States 2018, *Hemp Industry Daily*, available at https://mjbizdaily.com/wp-content/uploads/2018/04/Hemp-Report_Top-10-US-States.pdf
⁴ Id.

By comparison, a bushel of corn weighs 56 pounds and sells for around \$3.30 a bushel, or approximately \$0.06 a pound. A bushel of soybeans weighs 60 pounds and sells for around \$8.00 a bushel or approximately \$0.13 a pound.

New Businesses Abound

Since 2018, corporate records maintained by the Department of Financial Institutions show 236 newly organized corporate entities referencing either "hemp," "CBD" or "cannabis" in the company name. This number, while impressive, captures only a fraction of the businesses entering this market.

As with any new sector, change will remain a constant. In the coming years, Wisconsin will be shifting from the pilot program to a more robust market regulated under the 2018 Farm Bill leading to changes in state laws and regulations surrounding hemp and CBD...and possibly creating new opportunities for banks.

Our Financial Institutions Team and regulatory attorneys at Godfrey & Kahn are closely following this dynamic area of the law and economy. If your board or management team would like more information, please contact any one of our attorneys.

Bank Strategy Briefing is prepared by the Banking & Financial Institutions Practice Group at Godfrey & Kahn, S.C., Milwaukee, Wisconsin, as a service to the community banking industry. It features commentary focusing on strategic business and legal issues relevant to community banks. Each written edition contains 500 words or less and no more than 2 editions are published per month. Information found in Bank Strategy Briefing is for educational and informational purposes only and is not to be construed or relied upon as legal advice.

