

CULTIVATION SNAPSHOT

U.S. HEMP PRICES AND SUPPLY

Exclusive findings into useful trends in supply, price and market outlook for producers, retailers and investors in hemp.

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From the Editor

Welcome to the first edition of the Cultivation Snapshot: U.S. Wholesale Hemp Prices and Supply, produced by the research team at Hemp Industry Daily.

It's an exciting time as we near the first harvest season for hemp since the plant was removed from the Controlled Substances Act.

But even though low-THC cannabis varieties are free of many of the legal barriers still dogging the marijuana industry, one negative hangover from the black market remains. Entrepreneurs across the hemp supply chain—from farmers putting seeds in the ground to manufacturers buying large quantities of hemp for extraction to retailers selling finished hemp products—have no reliable commodities index to gauge appropriate pricing.

The result is that the fast-growing hemp industry is rife with scammers and opportunists looking to capitalize on the scarcity of reliable market data. Some private tracking firms are trying to fill this void, and we hope this Cultivation Snapshot along with other sources will help you make quality business decisions.

How did we get these numbers?

The old-fashioned way—by picking up the telephone and surveying hemp farmers and purchasers to find out the wholesale prices they're seeing in their states.

This Cultivation Snapshot shared that collective intelligence from the top 10 hemp states by acreage licensed in 2018:

- Colorado
- Kentucky
- Montana
- Nevada
- New York
- North Carolina
- North Dakota
- Oregon
- Tennessee
- Wisconsin

As the hemp industry matures and becomes a national commodity, state-to-state differences in wholesale prices will decrease if not disappear. A major benefit of hemp legalization is that it frees producers and buyers alike to compare across state lines and make the best deals for themselves.

But right now, savvy hemp entrepreneurs know that wholesale hemp markets show regional variability.

This report doesn't take into account seasonal price swings, seen in every agricultural commodity. These prices are current as of late spring 2019 and might change by the fall.

So, with all those caveats in mind, we hope you'll find this Cultivation Snapshot a valuable addition to the market-research resources you're already using.

We're desperate for new sources of pricing information, and we need to hear from you!

Please let us know how closely this Cultivation Snapshot matches the landscape in your state.

Thanks in advance for your questions and feedback!



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COLORADO

Hemp farmers in Colorado say what the state may lack in an ideal cultivation climate, it makes up for with a supportive regulatory landscape.

Colorado established itself as a leader five years ago when it launched one of the first successful pilot hemp programs in the U.S. Now, following the passage of new industry-supporting laws, the state is taking further steps to develop its leadership position by establishing the new CHAMP initiative (Colorado Hemp Advancement and Management Plan), looking at all angles of cultivation, testing, research, processing, finance and economics to define a well-structured supply chain for hemp and establish a strong market for the state.

Colorado expects another record year of hemp farming with triple the number of acres from 2018 and an influx of new companies expanding into the state.



COLORADO CULTIVATION SNAPSHOT

Colorado's arid, low-humidity climate and high sunlight typically causes parched crops and a need for more irrigation during peak farming season, from planting in May to harvest in October. This year, however, Colorado farmers have an abundance of water—but it hasn't been all good news.

Heavy rains in parts of the state hampered early planting, and cold, wet conditions caused some farmers to rework their fields multiple times, which has impeded planting timelines.

Northern Colorado is also prone to hailstorms, so early crops may suffer. In 2018, farmers lost a significant percentage of their hemp crops to hail in the spring. Outdoor hemp has a short growing season in the state, so severe weather is always a concern for the harvest.

SUPPLY *(as of June 2019)*

Licensed acres: 80,000

Licensed indoor square footage: 9 million

Licensed growers: 2,300 active registrations

PRICES BY PRODUCT

Hemp flower: \$200-\$500 per pound

Whole-plant biomass: \$25-\$60 per pound

OUTLOOK

Farmers that started in Colorado are expanding into new hemp states such as New Mexico, Oklahoma and Texas, as they find the similar arid growing climates allow them to streamline production with the same varieties and practices.

Colorado farmers are seeing massive demand for high-quality flower to supply the new smokable hemp flower trend, especially from Eastern states that weren't open for hemp production until this year. Nationwide, manufacturers of products ranging from tinctures to topicals to infused products are also seeking CBD isolate and distillate extracted from experienced Colorado hemp producers.



KENTUCKY

With broad support and advocacy from state and national lawmakers, Kentucky has been on the forefront of the hemp revival. Senate Majority Leader Mitch McConnell, a Republican from Kentucky, has become hemp's self-proclaimed federal champion and was largely responsible for hemp's inclusion in the 2018 Farm Bill. Since that victory, McConnell has continued advocating for hemp businesses to receive equal treatment as legitimate agricultural businesses, including access to banking, financing and crop insurance.

Eager to capitalize on its hemp heritage, Kentucky was the first state to submit its state regulation plan to the U.S. Department of Agriculture, and this year it approved five times more hemp farmers and triple the acreage over 2018. The state has also seen rapid entry of large, vertically integrated hemp companies and processors in the past months, as well as tobacco companies and Canadian cannabis companies looking to gain a foothold in the state.



KENTUCKY CULTIVATION SNAPSHOT

It's been a wet spring throughout the Southeast, but Kentucky farmers say the state has been especially soggy with nearly three times more rain than normal, making the growing climate there quite challenging this year. Farmers who planted early have seen the best growing conditions, but those who got started late have had difficulty getting seeds in the ground. Wet, humid weather will mean farmers will need to check early and often for mold and other fungal diseases throughout planting season and harvest.

From the hills and hollers in the east that are ideal for high-quality, small-plot CBD farming to the larger tracts of row crops in western Kentucky, the state's rich, well-drained soil, gently rolling hills, climate and adequate rainfall have historically created ideal conditions for hemp production. As a state with a rich agricultural economy in tobacco and other commodities, Kentucky has built-in infrastructure for growing hemp for cannabinoid production, food and industrial uses.

SUPPLY *(as of March 2019)*

Licensed acres: 58,000

Licensed indoor square footage: 6 million

Licensed growers: 1,047

PRICES BY PRODUCT

Hemp flower: \$200-\$400 per pound

Whole-plant biomass: \$25-\$40 per pound

OUTLOOK

Kentucky's diverse hemp industry includes an ecosystem of producers, processors and ancillary businesses ranging in specialty from CBD oil and extracts to hemp hearts and oil to hemp fiber. As a result, hemp farmers are looking to diversify their crops to capitalize on increasing demand for hemp-derived products from all parts of the plant.

Processors look for consistent quality and supply of floral material with a CBD range of 7% to 10%, while CBD retailers are interested in tinctures, softgel caps and topicals. One of the most popular products is unadulterated CBD oil, or true, raw full-spectrum extract tinctures.

Kentucky-grown hemp hearts, hempseed oil and hemp protein originating from Kentucky are in high demand, and the state's bourbon and craft beer industries are even adding hempseeds to their mash or grain bills.



MONTANA

The top-producing hemp state by acreage in 2018 plans to double production this year. Montana went from 542 planted hemp acres in 2017 to 22,000 planted acres in 2018. The state, known for grain production, hopes increasing hemp acreage will alleviate some of the pressures Montana's farmers have seen due to tariffs, thinning profit margins on traditional crops and a soft spring.

Three new laws signed by Gov. Steve Bullock encourage growth of the state's industry by exempting hemp-processing equipment from property taxes, removing background-check requirements for hemp growers and creating a new "Montana-grown hemp" certification.

Montana wants to attract more businesses, particularly processors, to keep hemp in state rather than exporting the crop to neighboring states for processing. Montana also puts the onus on farmers to decide for themselves how many acres they will plant for the season and extended the licensing deadline to allow for expanded production this year.



MONTANA CULTIVATION SNAPSHOT

Bordering Canada, Montana's short summer means crops must be planted in May once the ground reaches 55 degrees and harvest started in August before frosts hit.

Hemp grows well in Montana's dry, arid climate, but irrigation woes had been an issue until state agriculture authorities helped hemp farmers secure water rights from the U.S. Bureau of Reclamation in 2018. Still, farmers must receive permission to use the federal resource on a case-by-case basis.

Traditionally, Montana farmers have been known for growing wheat, malt barley and other staple grains. Their vast knowledge and application of agricultural production and harvesting practices to hemp should help Montana farmers maintain a leadership position in the market.

SUPPLY *(as of June 2019)*

Licensed acres: More than 40,000 acres

Licensed indoor square footage: unknown

Licensed growers: More than 250

PRICES BY PRODUCT

Hemp flower: \$200-\$400 per pound

Whole-plant biomass: \$40-\$60 per pound

OUTLOOK

Nearby Idaho and South Dakota opted out of hemp programs for 2019, which should offer more regional opportunities for Montana's hemp farmers and businesses.

The state's "Montana-grown hemp" certification will establish a marketing label, similar to its natural beef program, and requires laboratory testing to meet safety and labeling laws. But the hope among proponents of the program is that the seal of approval will differentiate Montana's hemp products and help farmers and businesses more effectively market their products.



NEVADA

A business obstacle for some can become a business opportunity for others. That seems to be the case for Nevada, where hemp growers are seeing healthy profits in part because of slow-going hemp development in neighboring California.

Wholesale hemp prices in Nevada have been consistently higher than processors see in other states. Nevada hemp producers say they have no trouble finding buyers for flower varieties of hemp, even when the flower varieties aren't especially rich in CBD.



NEVADA CULTIVATION SNAPSHOT

Nevada growers say they've had little trouble adapting foreign hemp cultivars to thrive in dry, hot weather. That is, as long as the hemp producer has water rights. Hemp can thrive in dry climates, but irrigation dramatically boosts production and is a necessity for Nevada hemp farmers to be profitable.

SUPPLY *(as of May 2019)*

Licensed acres: 9,145

Licensed indoor square footage: 1.27 million

Licensed growers: 154

PRICES BY PRODUCT

Hemp flower: \$200-\$400 per pound

Whole-plant biomass: \$40-\$60 per pound

OUTLOOK

Nevada hemp producers have good reason for optimism. California's patchwork hemp-regulation woes are likely to continue through much of 2019, and Nevada's arid climate deters white mold and other pests that can devastate hemp grown in rainy climates.

Still, there's a reason Nevada is not a powerhouse agricultural state. Irrigation isn't cheap, and potential hemp producers need to line up water rights to guarantee a profitable harvest.

Nevada has seen hemp investment coming from well-capitalized Canadian cannabis producers in the past year. Once some of those larger outfits get established in the market, wholesale hemp prices will likely head downward.



NEW YORK

Big and bold is how New York likes to approach things, and the hemp market is no exception. Where some states have waited for federal direction on how to allow hemp cultivation, New York has made deep investments to attract hemp manufacturers—a strategy that paid off when the world's largest cannabis company by market cap, Canadian giant Canopy Growth, chose New York to start its U.S. expansion strategy.

Canopy's \$150 million plan to build a network of New York hemp growers for cannabinoid extraction is having a significant impact on the state. The company already started work converting a former vacuum-cleaner factory into a CBD production site and is lining up grower contracts, speeding New York's rise as a significant hemp producer and processor.



NEW YORK CULTIVATION SNAPSHOT

New York's hemp farmers have had more success than new hemp growers in other states. That's likely because its environment is closer to the European climates where many certified seed cultivars originate. As in other states, most hemp farmers here are looking for CBD-rich flower varieties, but New York also has producers successfully growing food products (even edible greens) and selling fiber for animal bedding.

SUPPLY *(as of May 2019)*

Licensed acres: 5,000

Licensed indoor square footage: not available

Licensed growers: 278

PRICES BY PRODUCT

Hemp flower: \$200-\$500 per pound

Whole-plant biomass: \$40-\$75 per pound

OUTLOOK

New York's many hemp advantages don't erase the fact the state's ultimate position in the U.S. hemp market will likely be as a manufacturing hub, not a production hub.

High land and labor costs coupled with a relatively short growing season leave New York at a disadvantage to some other hemp-producing states. The same agronomic forces at play in other commodity crops affect hemp, of course, making New York's investment in manufacturing infrastructure, rather than cultivation, a wise bet.

Already there are signs that major processors such as Canopy are driving down New York's wholesale hemp prices, with manufacturing giants able to secure contract prices that smaller processors can't. The result may be a squeeze on small and midsize producers, though consumer interest in craft cannabis and locally grown products will leave room for New York hemp producers catering to big-city sophisticates.



NORTH CAROLINA

North Carolina's rich tobacco history is playing an oversized role in its current hemp industry. Producers and buyers say they're seeing enormous market interest in whole hemp-flower buds, which are being dried and sold as smokable products in shops called dispensaries that sell no marijuana, only hemp.

North Carolina has seen little activity in the production or sale of hemp fibers or grains—perhaps a result of the interest in smokable hemp. The few hemp entrepreneurs buying fiber and grain varieties say they are buying material grown outside the state.

North Carolina authorized hemp production in 2017 and, like many states, has seen an explosion of farming and processing activity. The state saw nearly a tenfold increase in growers from 2017 to 2019, with more coming on board each month. The state has no cap on growers or acreage and licenses new hemp producers throughout the year.



NORTH CAROLINA CULTIVATION SNAPSHOT

Undeterred by setbacks both natural and manmade, North Carolina's hemp producers report exponential growth. North Carolina's first growing season in 2017 was hindered by federal delays in authorization to import hemp clones from Colorado; the 2018 growing season was marred by heavy losses from Hurricane Florence.

North Carolina farmers have brushed off those concerns and are growing more hemp in 2019 than in the previous two years combined. The state reports nearly 10 times more licensed hemp producers than in 2017, and growers see lively interest from hemp processors and retailers looking to capitalize on the CBD boom in a region with limited access to medical or adult-use marijuana.

SUPPLY *(as of May 2019)*

Licensed acres: 11,572

Licensed indoor square footage: 4,540,925

Licensed growers: 933

PRICES BY PRODUCT

Hemp flower: \$250-\$700 per pound

Whole-plant biomass: \$40-\$120 per pound

OUTLOOK

North Carolina's hope that hemp could prove a profitable alternative to tobacco is playing out—for now. The state has abundant rainfall, cheap land and a cost-competitive workforce, making it a logical production hotbed.

However, farmers will be watching to see whether hemp runs into the same problems tobacco did—oversupply followed by health concerns and a government crackdown in the form of steep taxes and limits on who can buy smokable hemp flower. North Carolina lawmakers this year adopted a ban on smokable hemp products. The ban doesn't take effect until next year. But it could be a harbinger of increased government oversight and a signal of how closely regulators are prepared to see the hemp market mirror the tobacco market.



NORTH DAKOTA

North Dakota went the wrong way on hemp in 2018, dropping in overall licensed acres and falling far behind nearby Montana and Colorado. The reason was simple: North Dakota limited its hemp farmers to selling only fiber and grain products, cutting them entirely out of the CBD boom.

That changed in 2019, when Gov. Doug Burgum signed a law eliminating that restriction and allowing his state's farmers to sell flower and whole biomass for cannabinoid extraction. The same law lowered per-acre licensing fees for producers, showing a decidedly industry-friendly turn in a state wanting to reclaim its place among the nation's top hemp producers.



NORTH DAKOTA CULTIVATION SNAPSHOT

A lot of products sold as “hemp oil” are really other types of oil with cannabinoid molecules added. North Dakota makes the real stuff, using its extensive oilseed infrastructure to pivot to pressing hempseeds and manufacturing hemp hearts for snacking. Light in cannabinoids but loaded with healthy omega fats, hempseeds and oils give producers access to nationwide distribution without waiting on federal action on the legality of those CBD-infused oils. Still, new opportunities in hemp don't yet pose any significant threat to flaxseed production here.

North Dakota farmers have been producing oilseeds since prairie sod was first broken. Just as in other markets, though, the state's hemp farmers say they're experimenting with flower production to see if the higher value afforded CBD-rich flowers will translate to higher profits.

SUPPLY *(as of May 2019)*

Licensed acres: 2,175

Licensed indoor square footage: unknown

Licensed growers: 38

PRICES BY PRODUCT

Hemp flower: N/A *(not legal until 2019)*

Hemp seed: 45 to 60 cents a pound

Whole-plant biomass: N/A
(extraction not legal until 2019)

OUTLOOK

If North Dakota's regulators are smiling on the hemp industry, Mother Nature is harder to read. Parts of the state saw significant flooding in the spring of 2019, delaying spring planting. The state climatologist has pronounced the floods not as severe as those seen in recent history. Still, the growing season for outdoor hemp in North Dakota is short, as is the season for other crops, so soggy fields can have significant ramifications.



OREGON

The state has been a leader in marijuana production since 2015, so Oregon's farmers want to take that experience and drive it into an ambitious hemp crop nearly five times larger than in 2018. Marijuana prices continue to sink to new lows amid a product glut, so some growers are looking to diversify their revenue stream by turning to hemp.

Oregon's state agriculture department expects the hemp industry to be more lucrative than its largest agricultural industry, greenhouse and nursery, which was worth \$947 million in 2017.

With such promise, Oregon is committing to the crop by building the nation's largest research center devoted to its study at Oregon State University, which will be the first and only university in the United States to certify hempseed. The seed will be available for the state's licensed hemp farmers to plant.

The Global Hemp Innovation Center will be part of the university's College of Agricultural Sciences, with more than 40 faculty members directing research focused on plant research, food innovation, pharmacy, public health, public policy, business and engineering.



OREGON CULTIVATION SNAPSHOT

Although April was one of the wettest on record in Oregon, the higher-than-average rainfall improved drought conditions throughout the state. Following that, the spring growing season started out warm and sunny, and farmers say those who planted early may see large plants at harvest.

With good access to water, fertile valleys and a reliably dry, hot summer season, Oregon's climate is ideal for hemp production. Coastal air cools soil temperatures at night, allowing root systems to restore, then sunny, hot days allow plants to thrive.

Oregon's farmers are eager to capitalize on these growing conditions, with nearly a fivefold increase of acreage registered in 2019 over last year's 11,754 growing acres.

SUPPLY *(as of June 2019)*

Licensed acres: 51,313

Licensed indoor square footage: 7,741,934

Licensed growers: 1,449

PRICES BY PRODUCT

Hemp flower: \$275-\$800 per pound

Whole-plant biomass: \$35-\$100 per pound

OUTLOOK

Famous for overproducing marijuana, it's possible that Oregon could make the same mistake with hemp. But unlike marijuana, which is constricted by state borders, Oregon's farmers have been shipping high-quality hemp flower to Eastern states since the smokable hemp trend revealed itself over the past year. Oregon's farmers say they continue to see large interest in their product from Texas, Florida and the Mid-Atlantic—regions with limited access to cannabis products, large aging populations and affluent city centers.

Significant hemp processing capacity is also being built in Oregon; last year, much of the state's hemp crop moved to Colorado or Kentucky for processing. The state's agriculture department registered nearly 350 handlers, compared with 189 in 2018. Farmers report early demand from processors for high-quality flower and whole-plant biomass.



TENNESSEE

Building on a rich agricultural heritage of traditional crops such as tobacco and cotton, Tennessee farmers have become overtly enthusiastic about growing hemp, with its many positive aspects and uses. Following passage of the 2018 Farm Bill, the state approved 12 times the number of production applications for 2019 as it did the previous year. Tennessee also changed its hemp rules to allow farmers to apply year-round and eliminated the need for processors to register with the agriculture department.

Existing tobacco harvesting and drying infrastructure allows that crop's former farmers to more seamlessly switch over to hemp production and capitalize on the demand for high-quality smokable flower. Tennessee producers also report increased demand for tinctures, as well as CBD-infused goods such as edibles, topicals and pet products.



TENNESSEE CULTIVATION SNAPSHOT

In Tennessee's notoriously warm climate with high humidity and more than 50 inches of rain annually, hemp farmers have had issues with finicky varieties better suited for arid markets. In pilot growing years, Tennessee hemp farmers have lost crops to Fusarium wilt, gray mold and botrytis, diseases that attack cannabis plants grown in wet, humid conditions.

This spring has been warmer and wetter than the past few, but it hasn't deterred Tennessee farmers from planting. With more knowledge of the four distinct microclimates in Tennessee, hemp farmers have learned that the state's latitude, light photoperiods and fertile terroir allow for multi-staggered crops, especially in middle Tennessee.

SUPPLY *(as of June 2019)*

Licensed acres: 37,416

Licensed indoor square footage: 2,643

Licensed growers: 2,900

PRICES BY PRODUCT

Hemp flower: \$300-\$1,1000 per pound

Whole-plant biomass: \$40-\$80 per pound

OUTLOOK

Despite disappointing crop results and all-out failures in previous years, Tennessee farmers and businesses say they are energized about developing hemp as a viable agricultural commodity in their state. With a strong history in hemp, government officials have shown enthusiasm for helping the industry, eager to reclaim hemp market share from neighboring Kentucky.

Farmers in the state are producing hemp for fiber, seed and CBD extraction, and lawmakers have considered allowing the plant's use in animal feed to open more opportunity. Consumers are also becoming more educated about hemp and its derived products, farmers say, showing increasing demand recently for smokable flower.



WISCONSIN

Nowhere reveals the way that global economic trends change farming quite like Wisconsin. Hemp excitement here can't be separated from its gloomy cause—the collapse of the global dairy industry.

Wisconsin lost an estimated 700 dairy farms last year, victims of overproduction and falling export markets that have sent wholesale prices plummeting, according to the state's agriculture regulators.

The downturn has an increasing number of Wisconsin farmers looking to hemp. The state was once a top hemp-fiber producer, and optimism about hemp's potential is evident across the dairylands, where farmers are eager to cash in on a 2017 law allowing commercial cultivation.



WISCONSIN CULTIVATION SNAPSHOT

Wisconsin's hemp renaissance has fallen short of expectations so far. Grain growers suffered total failure in 2018, when a rainy summer led to 100% of the cultivated grain being lost to white mold. Mold also destroyed about 75% of Wisconsin's hemp fiber market last year, one industry association predicted. (The state did not keep accurate numbers on hemp fiber losses.)

Some small-scale flower producers reported healthy prices for trimmed flower, but the state's hemp landscape remains decidedly uncertain.

SUPPLY *(as of June 2019)*

Licensed acres: 16,100 (combined outdoor/indoor)

Licensed growers: 1,240

PRICES BY PRODUCT

Hemp flower: \$150-\$500 per pound

Whole-plant biomass: \$37-\$80 per pound

OUTLOOK

Mold concerns aren't going away in Wisconsin. Some areas of the state saw more than 15 inches of rain in both April and May, delaying spring planting and throwing into question how this year's crop would withstand the conditions.

Still, the state is recording enormous interest from farmers wanting to try the new crop. State agriculture authorities produced free how-to cultivation videos and are rooting for hemp to give Wisconsin farmers a much-needed economic boost.