

- **Jon Lanier** - Brief outline of timetable for the rule making process. Win the event that this IHC today moves to adopt the temporary rules. Our department would submit the rules next Wed Dec 28th. Then there is a 15-day public comment period. We will also have a public hearing, scheduled for January 12th. This is a rough deadline, depending on how we can move forward. There's a 30 day waiting period before the IHC can then adopt these rules. The next regularly scheduled meeting for the Rules Review Commission is February 16th, to see those rules codified.
- Presentations to Commission (*to be received as information*)
 - **Dr. Bill Foote**, Director, NC Crop Improvement Association
 - Role as the official seed certifying agency recognized by DAG & NCSU. A non-profit agency. 3rd party operation/ status. Role to administer seed quality programs. Goal to trade freely between states & 14 other countries
 - Overseen by 11 directors, NCSU administrator, & AOSCA
 - Set of uniform seed standards, widely recognized
 - Funded by seed producers
 - Review of elements of seed certifying programs: Sources of seed all varieties have to approved. Variety has to be stable, fully explained of what it is and some expected level of performance. All certified seed has some class designation. All starts with the breeders seed, supposed to be purist, conforms with exactly what the breeders has released. From that point maintained at foundation seed level and maintained at foundation seed producers or at a designated authority. This high quality seed is register and generally released but always able to be traced back to breeder. Tracking, sampling, monitoring, inspecting, documented. Diseases purity, varieties monitored. Isolation is important. Weeds, no inseparable weeds. Conditioning facility that cleans and bags seeds are audited. Maintain grow outs. Records, lot proofs, germination reports, tags/ certificates. Must be tagged to be certified.
 - Hemp Certification programs, if we handle, would be handled practically identical as Canada. Problems: new industry, highly regulated, limited experience and varieties. Certification is equally often voluntary. States that do not require certified seed are losing a percentage and often unhappy with the results. Source of seed will be important. Seed chain needs to be maintained, fields inspected. Isolation will be critical, must contain contaminated pollen. Purity will be important. Weeds, difficult separation issues. Record retention.
 - AOSCA tags.
 - Pitches for certified seed: pvp or patents will require it, contractual requires lack GAP programs in sweet potatoes. Limits generations, decreases impurities, long field rotations and isolation keeps varieties pure and clean. Keep the THC industries apart. Compares what's happening in Colorado and Washington. Certification maintains an audit trail in case something goes wrong. A grower and regulator has protection. Slows variety introduction.
 - It is much easier to relax regulations than to increase them later. (offers a hand-out)
 - **Dr. Melton** – one item to clarify – when you refer to stability and purity you are referring to genetic stability and purity, correct? Foote agrees.
 - **Sheriff Page** – why did they destroy why did they destroy 10 -15% of the crop tested? **Foote** – Those crops tested above the THC threshold.

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maybe if they were testing varieties right below .3 could environment or stress could bump them up over the level. **Dr. Edmisten** – agreed.

- **Carpenter** - when the THC level content percentage comes up it is consistently in the leaves in the flowers. If a plant does test positive, what is the likelihood of the stalk of the plant, the main growth area, not anything not even the branches. What is the possibility that those plant parts would test high in THC? From a fiber perspective that's the what we're going to be looking at. **Dr. Edmisten** - Understanding would be zero. **Carpenter** - So it is conceivable that even if a crops that did test out above the .3% of THC and needed to be destroyed could it be possible that that stalk could still be salvageable for commercial purposes? **Dr. Edmisten** – certainly don't think that stalk would be over .3%. that would be subject to whatever rule set up. As long as it doesn't have to be destroyed. It is my understanding that in other places when it has to be destroyed it means the whole crop. **Dr. Stewart**- what would be the likely that the percentage of THC seed content, as what Guy asked. What would it be? **Dr. Edmisten** – seed was not much different than stem. Clean of the brax. **Dr. Melton** - So you are saying that the seed would also not have very much THC content. **Carpenter** – what I am leading towards is this whole process of not allowing any production of value of what is not above .3%. the part that would be over .3% would not be of any particular commercial value in IH. The seed would still be left and the stalk would still be left. **Dr. Edmisten** – might be for the CBD.
- **Rascoe**- Dr. Edmisten, are you familiar with the European testing model? How they test the leaves for the highest THC data. **Dr. Edmisten** – this is research data. **Rascoe** - Right, but are you familiar with any difference and is it something we should look at? **Dr. Edmisten** – I think it would be a good idea to look at what several other countries are doing. Especially it was intriguing to me is that the European testing have some mechanism to throw varieties out.
- **Marshall Hurley**, North Carolina Industrial Hemp Association
 - Thanks IHC and notices that this is DEC 22 and the hard work of IHC.
 - The IHA is not in any way hostile to the certification of seed however we do have concerns. There are no AOSCA seed sources in the US. It can be presumed that this would be a limiting factor, as a cost factor to growers. Asserts that the definition of certified seed is already within the statute. In not opposing certification we simply ask that you strongly consider and adopt an option which allows seed to come in from other states that has appropriate documentation. This has worked in other states. Colorado problems is a good thing as it tells you that they are producing some good product that could come in with proper documentation. There are other states that provide options to facilitate. Common sense tells me that if we do allow more seed, or the possibility or availability that is will hasten the day when we find out what works well here.
 - In working with Dr. Foote's program we believe the day will come sooner when we can have certified seed. We believe that his program and the marketplace will take care of certification over time and that farmers will have incentives to use the best seed. This isn't an unbridle access to seed, there is a risk. A grower may well decide that it is safer path to work with already certified seed from those sources.

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- We have proposed to go along with Mr. Carpenter’s question. With an option with no risk in THC in fiber, we hope you’ll consider that option. Option two in Rule three.
- Under Rule 1, page 2 an Option for Inclusion introduces a new term of Aggregator. An arbitrary rule that names a person or business entity that works with licensed farmers and growers on a group basis. Proposes that these aggregators be able to get the appropriate documentation to receive and distribute the seed. The department nor the commission should be burdened with the warehousing and distributing, labor and paperwork go to the seed. The burden would be in the aggregator.
- Item number 16, Criminal background check options. Concerns based on his experience of the law. Procedural problems, therefore makes suggestion of self-disclosure with penalties of falsification. Created several options of wording to consider, at Dr. Stewart’s request. **Dr. Melton** – clarifies the IHC has a copy of rules with options 1-3 included, not option 4. **Dr. Stewart** – the self-disclosure would be analogous to what somebody would do if they were applying for a job. **Hurley** – precisely. If ever a problem or need then you identify who to look into and if they’ve falsified are then subject to prosecution.
- A hair splitting issue relates to reporting rules on the last page. (reads rules) “The total weight and plant part of IH purchased,... .” we question as to whether it is necessary, and request a clarification. **Dr. Stewart** – clarifies an intent to use that rule to recognize a processor or buyer could purchase IH from outside NC and process within NC. The wording may not yet be correct. The idea is to identify how much is purchased within the state and how much came from outside NC.
- Bert James, Bioregen Co-op
 - Choosing to address the IHC as a farmer before speaking as a BIO Regen representative. Trust is vital. We trust NC State, NCDAG NC A&T, resources around us and now the IHC. Market demand is why we are here. The importance of genetics is role they play front and center. This done in management strategy, defense against disease, and weeds and pest management. Small acreage crops aren’t paid much attention to chemical companies. Would like to see work done with states that have been recording success. Maintain a safe haven for AOSCA and still allow a little innovation seems like a sweet spot.
 - In the co-op the resources of farmers is further strengthened.
 - A little concerned over scaled production with this crop. Should limit setbacks. If someone were to get ahead of themselves and introduce too many acres that couple have damaging effects on the industry. The industry doesn’t understand that destroying 25% of the crop wouldn’t be good. Rough math will tell you that this crop going to have \$750 an acre invested in it. Go out of hand and that’s a substantial loss for farmers. Small farmers, especially organic acreage can’t afford great losses on land that is so valuable. I would applaud the idea that you’ve come to on your own that would allow a spike or a high/ hot test. Go grab the stem and the seed, there’s no THC there. That’s outstanding and that’s gold standard that we all speak of. The aggregator piece, we feel that’s really a good idea. Going back to the resources of your farmers.

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- We are under the microscope, and we're sending a message loud and clear that we will very much be a leader in the country. (gives hand out)
 - **Carpenter** – that rough estimate of \$750 per acre, how'd you envision that? **James** – that's his farmer's estimate. Outside of the land rent, that's in a range I cannot speak of. Let's look at what the costs would be, if it's \$4 a pound for seed right now. 25-40 pounds depending on seed vs fiber. That's a healthy range. Best fertility is a mash up between soy bean and corn, easily \$125-150 an acre. Then chemicals and time would be \$40-50 range. Sclerotinia & spider mites are going to be major concerns. Dry and Wet conditions complicated..... there's going to be an uptick on the cost of impact on the machinery double cost of current grain system. Fiber,.. like sage or wheat,...expensive \$80-200 an acre range. On seed there's a drying cost similar to peanuts. Fuel costs could take this way up or way down. CBD is a total different angle in strategy. **Dr. Melton** – recognizes it is good to hear a farmer who has thought it out with so many distorted numbers thrown out everywhere you don't know what to think it realistic. **James** – while it'll be a really good crop we don't want farmers to be misled by the internet to think they can just throw it in the ground and make a lot of money.
 - Roland McReynolds, Carolina Farm Stewardship Association
 - Addressing the impact of these rules on smaller farmers. This is a tightly controlled government market for this crop. There are two things these rules include that will drive the costs. The requirement to use certified seed. While it has many benefits, the requirement requires a certain level of cost for the seed.
 - The licensing fee. The up-front fee in the first year and the ongoing fees. A small scale grower is looking at a larger increase of cost per project the smaller they go.
 - Although the government doesn't have a responsibility to eliminate the economies of scale challenges that small scaler producers have, but there is no need to tip the scale against them.
 - **Dr. Melton** – question to counsel; the annual fee is set by legislature, right? (reads portion of statute). That's set in law.
- Final Approval of Rules for licensing cultivation of industrial hemp
 - Dr. Melton, as Chair, reads or reviews the content of each section of the rules to be discussed.
 - Approved Seed for Planting: **Carpenter** – what's the percentage of germination of the seed in second generation seed? **Dr. Stewart** – it's probably something less than 100%, but you don't know. NC has a seed law, Vernon can you help us not supersede the existing seed law? **Cox** – Sandy you are correct the NC Seed law has been in existence for a number of years. It does require that if seed is distributed or offered for sale. Some discussion of Blue Tag. **Dr. Melton** – does anyone have any questions regarding these options or any specific wording? **Carpenter** – seems that Dr. Foote and Dr. Edmisten were advocating for certified seed only. **McLawhorn** – certainly provides a lot of safe guards as far as purity and noxious weeds, termination percentages. **Carpenter** – Mr. Hurley talked about the advantages to be able to buy from other sources. What's the cost difference between certified and non-certified seed? Is it all about price? **Dr. Melton** – refers to price and availability. Mr. Hurley, can you address that? **Mr. Hurley** –

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do not have cost figures to offer. The bigger picture is having options. A USA market place. Putting money on a Kentucky farmer than a Canadian farmer. Presumably I'm going to pay more for seed from out of the country. **Carpenter** – seed from a Kentucky farmer would have come from a Canadian farmer before that, right? **Dr. Stewart** - I don't think that would be a likely assumption.

- **Dr. Melton** - let's do a vote by a show of hands. All who favor *Option One*? Sandy, Page voices in, Carpenter, Godwin, McLawhorn, Yang. *Option two*? Rascoe, Short.
- **Carpenter** – makes a motion that this particular issue be voted again upon the permanent rule making. **Lanier** – the Pilot Program continues until there is Federal law change to be a more wholesale legalization of IH not a limited legalization. **McLawhorn** – experience with importance of certified seed while having reservations about limited availability for the seed. Short – concerned about the difficulty being placed on the seed. Very restrictive of availability to any farmers to use seed this year. The sources are going to be very limited. **Rascoe** – If we're going to do a research program we've automatically limited ourselves with restricting to certified seed. We are limiting ourselves to not start certifying ourselves in the future. While we are under the guise of a pilot program why not let them choose. **Short** – there's no guarantee that certified or non-certified won't test hot. Put it on the farmer. **Dr. Stewart** – I don't have a problem with a revote. There are well reasoned arguments for both options. If we need further discussion before we vote. In an effort to formalize it: motion to adopt Option 1. Godwin seconds. All agree. Let's discuss.
- How much are we limited? **Foote** – knowledge of certified seed production within US? Belief is certified seed offered for sale as seed is under 100 acres at this point. Four states have active breeding programs and are working with certifying agencies but none have been released yet.
- **Godwin** – if we require certified seed it may not test hot. If we require certified seed could it still become hot? Even using certified would require testing then right? **Short** – confirms. **Dr. Melton** – discusses the testing what it would assure. **Dr. Stewart** – option 2 the documentation would not be through on organization like Foote's. It is in two ways that it is grown by a permitted grower lawfully and that the seed has been tested for THC levels. Those are the two forms of documentation that would accompany the certified seed. **Carpenter** – now an understanding is that it isn't a matter of seed cost but availability and if we limit the prospect of this pilot program even getting started if we limit ourselves. **Dr. Melton** – it would limit there being enough seed for all interested. **Short** – as a farmer not wanting options limited to the farmers. **Dr. Melton** – takes a vote: in favor Option 1 - Dr. Stewart and Sheriff Page – opposed to Option 1 is Carpenter, Godwin, McLawhorn, Rascoe, Short, Dr. Yang. Option 2 a-c can be voted on: Short motions in favor this portion, Carpenter seconds the motion in favor Option 2 a-c in favor of this motion is Carpenter, Godwin, McLawhorn, Rascoe, Short, Dr. Yang and opposed to Option 2 a-c Dr. Stewart and Sheriff Page . Final vote is in favor of Option 2 a-c
- **Dr. Melton** - Letter d is an addition to this rule – aggregator, as written and read. **Rascoe** – benefits of provision. **Dr. Stewart** - agrees with a caveat; change the wording to prevent seed obtained outside of DEA guidelines & permits. **Brown** – that isn't necessary. **Lanier** – to Dr. Stewart that it is already covered. Motion to accept "letter d" by Rascoe, second by Dr. Yang. Unanimous vote.

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- Control of Volunteers: Motion to accept by Short with second by Rascoe. Unanimous vote. Sampling of THC level a-f: Motion to accept by McLawhorn with second by Godwin. Unanimous vote.
- Letter g reporting of sampling: call for a motion to accept Option 1 – none. Motion to accept Option 2 by Carpenter second by Short. **Dr. Stewart** – for a point of clarification this provision if hot THC test occurs the fiber harvested still. If the seed was certified as previously debated there is the possibility it could be harvested. **Rascoe** – farmer would be glad not to have to destroy the whole crop. **Stewart** – if it has a high THC test and is not from a certified seed than it may not be a viable IH seed. If we have a certified seed, we have documentation and pedigree to begin with. Without a certification there is no known origin which creates a scenario for a brown bag seed by taking that chance. **Dr. Melton** – call for a vote. Unanimous vote for Option 2.
- Cost of sampling letter h– motion by to accept Short and Dr. Yang seconds the motion. Unanimous vote.
- License sections “a-e 15” motion to accept by Godwin second by Short. **Dr. Stewart** – in light of what we heard by Mr. McReynolds earlier suggest discussing further the fees. **Carpenter** – how were these fees developed? Some discussion about fees and relative costs associated with IHC. Statute dictates the annual fee therefore “letter i” initial fee. **Short** – can this be adjusted later? **Brown** – reads statute. **Dr. Yang** – would like to reduce the fee by about half. Since this is a pilot program maybe on a trial basis we can revisit that \$500. Discussion by all over some confusion about which fee is for which aspect. Reminder of the statute in document form in the binders stated. Multiple suggestions for fee ranges, some graduated some flat fees. **McReynolds** - doesn’t have specific numbers but states that small farmers can have between 5-30 acres and the proposed flat fees would be cost prohibitive to the small grower. **Rascoe** – this fee is low by standard of statute’s limit. **Short** – the commission’s dependence upon these fees. **Dr. Yang** – makes a suggested motion, discussion follows to change this. The motion is proposed to change the fee to \$250 for 49 acres or less and \$500 for 50 acres or more. Carpenter seconds the motion. Those in favor: Yang, Carpenter, Stewart, McLawhorn, Page. Those opposed: Rascoe, Short, Godwin. Motion is passed.
- Applicant’s background check requirement: Dr. Melton reads and offers the discussion for the wording in the proposed application. **Rascoe** – has serious concern with the length that this wording has that requires a product, IH, that can be sold at Whole Foods should be this restricted. States any individuals who’ve made poor choices in their past could be eliminated. If this was a case of medical marijuana it would be more understood. **Carpenter** - no background checks are necessary to grow onions is compared. **Dr. Melton** – is disclosure also an unreasonable request? There is discussion of the common hiring practices to request disclosures. Then Option 4 alters the wording to felony. **Dr. Stewart** – the statute provides for criminal penalties if false information is provided. **Godwin** – confirms the option 4 as a good choice of wording. Explains there is a distinct difference between these crops and holds some issue with the comparison of this restriction to that potential abuse of onions. Reminds that you cannot look at this crop and tell the difference between IH and marijuana. It is important that there is some background check. Industrial Hemp is still considered a control substance and outside of this commission it is even illegal to grow. Therefore, we need to include this. **Dr. Stewart** – we all need to remember at this time we are licensing people to grow

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something that is otherwise a felony. Dr. Stewart makes the motion to adopt Option 4 wording, changing the word permit to license. McLawhorn seconds. Unanimous.

- Reporting: **Carpenter** – makes objection based on concern based around fiber attributes and the processors for fiber. Should reporting include listed scenarios? Lanier & Brown counsel of the scope of regulatory rules that can be placed within the rules of this commission. Examples and scenarios are discussed for the fiber. If we include wording to limit this aspect to NC producers but not wanting to limit the NC markets. **Dr. Melton** – begins breaking down the different letters and aspects of this rule. Can we have a motion to accept portion “a”? Godwin makes the motion, Short seconds it. Unanimous vote, now is all with the absence of Sheriff Page. Opens floor for letter “b”. McLawhorn motions to accept letter b, Dr. Yang seconds it. Unanimous vote. Opens floor for letter “c”. Dr. Stewart makes the motion, Short seconds it. Discussion continues. Dr. Melton offers potential rewording with Ann Brown’s counsel. **Carpenter** – objects and states he doesn’t think it should be reported at all. Lanier – reminds “..that the commission has a reporting requirement from processors. That’s in the law.” **Dr. Stewart** – three reasons to keep something of this nature in here: **1.** Statutory requirement to report **2.** Keeping track and monitoring the program’s success or lack thereof **3.** The Processors and Buyers are not required to be permitted which leaves them to fall short of protection from us from the federal government to possess a controlled one substance. It is a minimum to ask them to register. **Carpenter** – agrees if it’s in the statute then it is. Clarifies his concern of handicapping NC business. **Dr. Stewart** – is this too much, how can we reword it best? Short suggests Mr. Hurley make recommendation. A few variations are discussed. Calls for a motion to accept letter c with modification as: eliminate buyers from text and first two line items and keep only *“iii: Total weight and type of industrial hemp processed from the North Carolina Industrial Hemp pilot program.”* Short makes the motion, Carpenter seconds it. Unanimous vote.
- Adoption by reference: Godwin makes the motion to accept this with Carpenter seconds this motion.
- Request for letter of support for hempcrete research: Dr. Stewart explains some NCSU civil engineering students exploring hempcrete and requesting a letter of support. Approved.
- Other Business
 - **Dr. Melton** – with caution not to overstep any bounds suggests the need for real research done at universities doing some of the more critical things like variety testing and screening data. We want to know what will grow best here in NC. Recommend that this is data we need asap. There is no formal grower group yet doing assessments which is how we pay for other commodity research. Makes recommendation to set aside a small amount of money from the IHC for some funding set aside for strictly variety testing? None of this money would affect me or my programs. **Dr. Stewart** – clarifies is this a proposal for a small competitive grant program within NCSU and NC A&T that would be managed in the universities? **Dr. Melton** – the actual funds totaled would be his interest to get the academic parties moving forward. **Dr. Yang** - roughly, how much of the 200 thousand dollars can be allocated for this variety testing? **Dr. Melton** – There is nothing in the law that says that. The expenses of the IHC and the law does allow for the NCDA to be reimbursed for its expense. **Brown** – this might need to be looked into. These funds may not be for this. The IHC may receive gifts,.... Unsure the statute provides that we can do this. Tabled for research. **McLawhorn** – thinks this

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