



Industrial Hemp - Can Your Bank Jump In?

by [Steve Brown](#) Topics: [compliance](#), [regulatory](#), [business customers](#)

Summary: There are advantages for farmers and community bankers alike, with the passing of the 2018 Farm Bill. But much remains unsettled as of yet.

If you want to keep your younger employees, Deloitte research finds loyalty from this group is built when your company delivers the best "financial performance, community impact, talent development, and diversity and inclusion." Easier said than done, but at least you know now what to work towards perhaps.

Succession planning is one opportunity for community banks to focus on, while another less obvious one might be related to hemp. As a follow on to yesterday's BID on marijuana banking, we wanted to shed some light on the discussions around the [2018 Farm Bill](#) and specifically the legalization of industrial hemp.

An important element of this bill is that it delisted hemp as a Schedule 1 controlled substance under the Controlled Substances Act. The 2018 Farm Bill also changed the federal agency responsible for overseeing compliance to the law from the DEA to the USDA.

So, now that the bill has been passed, the USDA needs to create rules and guidance around it. Once the regulator creates its guidance, there will be a period for comments, then a review of the comments and then finally, the establishment of the final rules. This is indeed a process which will likely take us to the end of this year. It is USDA's goal, in fact, to have regulations in effect by the fall of 2019 to accommodate the 2020 planting season.

For farmers thinking of planting hemp in 2020, it appears the rules around doing so will have to wait until Q4 probably. In the meantime though, farmers and bankers alike can begin by reviewing the high-level requirements that plans must have: a practice to maintain relevant information on land producing hemp for at least 3 calendar years; a reliable procedure for testing THC levels; a procedure to properly dispose of plants and products derived from those plants and more. If you are interested in more information on these requirements, [check them out here](#). You may want to talk to your agriculture customers about this.

The new law expands on the 2014 Farm Bill that allowed for pilot programs, "legal cultivation of industrial hemp without a permit from the DEA." Given low commodity prices and the continuing trade dispute with China (which imported \$24B in agricultural products in 2017), the potential gain from industrial hemp is understandably important.

One area of confusion lies in understanding the difference between hemp and marijuana. The difference is in the THC levels, which is the main element that causes that feeling of being "high" in marijuana. The [common threshold level of allowable THC for industrial hemp is 0.3%](#) on a dry weight basis, while marijuana has THC ranges from around 1% to 20%. One problem here of course is how government agencies will measure this exactly, and what will happen if farmers are over the limit.

There are clear advantages for farmers to plant industrial hemp, which translate to benefits for community bankers too. But much remains in motion or unsettled as of yet. Patience will be needed, as the rule writing occurs, to totally understand how all the pieces will fit together for regulators, farmers and bankers. We will continue to keep you updated as this matter progresses.

ECONOMY & RATES

Rates As Of: 07/31/2019 11:26AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.06	-0.03	-0.30
6M	2.05	-0.04	-0.42
1Y	1.96	0.03	-0.64
2Y	1.83	0.08	-0.65
5Y	1.81	0.04	-0.70
10Y	2.01	0.01	-0.67
30Y	2.53	0.00	-0.48
FF Market	FF Target	Fed Disc	
2.39	2.25	3.00	
SOFR	Prime	Unemp	
2.39	5.50	3.70	

[More Market Rates](#)

BANK NEWS

Hacked

Credit card giant Capital One Financial said a hacker had accessed the personal information of about 106mm card customers and applicants in one of the largest data breaches ever of a bank. The hacker (who was arrested) reportedly broke through a Capital One firewall and accessed information stored on Amazon's cloud service (she reportedly previously worked at cloud service provider Amazon Web Services Inc.).

M&A Action

S&P Global Market Intelligence research finds the top states for US bank M&A activity for the first half of this year were WI (14 deals for about 12% of the total), FL (11 for 9%), MN (10 for 8%), IL (8 for 7%) and TX (7 for 6%). This group of 5 states was also about 42% of the total activity in the country.

JV Ended

JPMorgan Chase said it has ended a business loan partnership with online lending platform OnDeck. As such, OnDeck said it will pursue a bank charter.

Seeking Charter

The largest e-commerce company in Japan known as Rakuten, has applied to open an industrial loan company in UT as it seeks to offer banking services to its 13mm US customers.

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