RotaChrom North America
300 Spectrum Center Dr.
Irvine CA, 92618

February 5, 2020

VIA E-MAIL (*haglu.exhibits@oregonlegislature.gov; sjud.exhibits@oregonlegislature.gov*)

House Committee on Agriculture and Land Use
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Senate Judiciary Committee
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Re: HB 4051, HB 4072, HB 4158, and SB 1561

Dear House Committee on Agriculture and Land Use and Senate Judiciary Committee:

We wish to provide testimony regarding HB 4051, HB 4072, HB 4158, and SB 1561 (the "Bills"). We are a pharmaceutical chromatography purification equipment manufacturer. Many companies use our machines for purifying hemp in several states including Oregon. We are in the process of establishing our operations in Oregon, which would include providing several new jobs, tax revenue, and local support for cutting-edge hemp processing technology. We hope to make Oregon our long-term regional center, with possible plans for expansion in the near and more distant future. In the interest of advancing the hemp industry in Oregon, we recommend the following points for considerations.

1. Implication of modifying the definition of Hemp

First and foremost, we are concerned that some of the Bills, in their current form, would place an undue burden on hemp CBD processors. For example, currently, ODA regulations and policies allow for a hemp processor to temporarily possess waste material in excess of 0.3% THC without running afoul of Oregon's "marijuana" laws. No method currently exists for concentrating hemp into CBD hemp products or commodities without byproduct containing more than 0.3% THC. Outlawing possession of 0.3% THC hemp-derived material would effectively outlaw the CBD processing industry in Oregon.

However, it appears as though at least one of the Bills – HB 4158 – may do just that. Sections 36 and 39 both define a "marijuana item" to include a hemp product or commodity that exceeds 0.3 % THC and that is transferred to a person who is not ODA-licensed or licensed under the Agriculture Improvement Act of 2018 (the "2018 Farm Bill"). Further, Section 9 re-defines the term "hemp" to *include* hemp products and commodities.

Currently, ODA regulations do not define "industrial hemp" to include "hemp products and commodities," and ODA regulations and policy do not restrict the possession or in-state transfer of hemp-derived material that exceeds 0.3% THC (so long as a finished product contains less than 0.3% THC prior to sale to a consumer). Therefore, currently, a business that obtains an existing hemp product or commodity (e.g., lawfully produced crude CBD oil) may further process it into another hemp product or commodity, (e.g., CBD isolate, edibles, tinctures, etc.) without requiring an ODA handler registration. Such a business may also possess and dispose of any byproduct containing more than 0.3% THC.

HB 4158 – and possibly one or more of the other Bills – risks foreclosing the above option for hemp CBD processors. First, by redefining "hemp" to include "hemp products and commodities," all hemp CBD manufacturers, even those that do not convert hemp biomass into a hemp product or commodity, would have to obtain a license from ODA. This would include bakeries, coffee shops, candy manufacturers, etc. who never actually "process" hemp biomass, but simply add CBD to an existing product. This would place an undue regulatory and monetary burden on businesses and individuals who are not currently required to obtain an ODA registration and may force them to submit to unnecessary federal scrutiny. The 2018 Farm Bill and USDA Interim Final Rule ("IFR") do not require this

Further, by defining "hemp" to include hemp products and commodities and restricting "hemp" (including products and commodities) that exceeds 0.3% THC to only ODA licensees and/or 2018 Farm Bill licensees, the Legislature would effectively eliminate existing businesses from the market and may risk rejection of its State Plan by USDA. The 2018 Farm Bill and Interim Final Rule ("IFR") define "hemp" to include "cannabinoids" and Cannabis plant "derivatives" that contain 0.3% or less THC and the IFR specifically states that "hemp" that contains more than 0.3% THC is "marijuana" subject to DEA enforcement. USDA, therefore, would be unlikely to approve a State Plan that provides for ODA-licensed businesses to possess and transfer "hemp" (i.e., hemp byproduct) that contains more than .3% THC, which is necessary to the processing of hemp into nearly any CBD product. We encourage the legislature to consider carefully how it defines "hemp," who may possess hemp-derived substances that exceed 0.3% THC, and who must be licensed by ODA. Note that by requiring non-hemp biomass processors to obtain an ODA hemp handler license, the Legislature may be de facto prohibiting businesses from employing some convicted felons, who have paid their debt to society, from entering into the hemp processing industry even though this is not required by the 2018 Farm Bill or IFR.

2. Environmental considerations

Secondly, we wish to express our desire for the Legislature to pass legislation which promotes and rewards new technologies in the hemp space and which minimizes waste. For the good of Oregon and our planet, we believe that hemp growers, handlers, and sellers should be encouraged to employ efficient technological methods and reduce the human hemp footprint. For that reason, we applaud Representative Helm's and Senator Prozanski's introduction of HB 4156 – creating a cannabis business certificate that would encourage the use of low-carbon production methods – and hope to see more such legislation passed in the current session.

Sincerely,

Gyula Kangiszer
President
RotaChrom North America