

Inquiry into the industrial hemp industry in Victoria – Victorian Government response

June 2024

Introduction

The Victorian Government welcomes the findings and recommendations from the Parliament of Victoria's *Inquiry into the industrial hemp industry in Victoria* final report. The Legislative Council Economy and Infrastructure Committee (the Committee) initiated an inquiry on 31 May 2023 to investigate the issues, barriers and opportunities within the current Victorian industrial hemp industry. The Committee's report was released on 30 November 2023.

The Victorian Government is committed to working with the agriculture sector to ensure that Victorian agriculture is strong, innovative, and sustainable into the future. Agriculture Victoria has an important role in the hemp industry as a regulator of hemp cultivation and a provider of research and development to the industry.

In 2022, the Victorian Government amended legislation regulating industrial hemp in Victoria through the *Agriculture Legislation Amendment Act 2022*. The amendments increased the maximum allowable level of tetrahydrocannabinol (THC) to 1%, to be consistent with all other Australian states and territories. The amendments also widened the eligibility criteria for licence applicants, strengthened the 'fit and proper person' test for applicants, and made changes to the administration and enforcement of the Act.

Agriculture Victoria is currently co-investing with AgriFutures in the 3-year Industrial Hemp Variety Trials at the Hamilton SmartFarm. This research program aims to provide Australian industrial hemp growers with independent information about the performance of industrial hemp seed varieties grown for oil and suited to specific geographic locations within Australia. Results are made available to growers through annual reports and field days.

The Victorian Government looks forward to continuing to work with industry to develop the hemp industry in Victoria.

The Victorian Government's response

The government has considered the 9 recommendations and:

- Supports 2 recommendations in full
- Supports 6 recommendations in principle
- 1 recommendation is under review

The recommendations and the government's response is below.

Recommendation 1

That the Victorian Government amends the *Drugs, Poisons and Controlled Substances Act 1981 (DPCSA)* to remove industrial hemp and create fit for purpose industrial hemp legislation that is consistent with other jurisdictions in Australia.

Support in principle

Part IVA of the DPCSA provides the regulatory framework for cultivating and processing hemp in Victoria. Part IVA of the DPCSA is administered solely by the Minister for Agriculture, while most of the DPCSA is administered by the Minister for Health and the Minister for Mental Health. Agriculture Victoria is the responsible regulator of Part IVA.

Part IVA of the DPCSA operates similarly to a standalone Act. The hemp licensing (authority) framework facilitates and permits hemp production without risk or interference by the enforcement of broader prohibitions on cannabis or other prohibitions that would otherwise apply or be governed under the Act.

The legislative provisions included in Part IVA of the DPCSA are generally consistent with other jurisdictions (with some exceptions). The Victorian Government will however consider options to make improvements, including the investigation of a standalone piece of legislation.

Recommendation 2

That the Victorian Government, in conjunction with other hemp producing states, lobbies the Commonwealth Government for changes to enable for the use of the whole plant, including CBD extraction.

Support in principle

The Australian Government is responsible for the *Narcotic Drugs Act 1967* and administers the regulatory framework facilitating CBD production.

A person could use the 'whole' hemp plant including for the cultivation and production of CBD, provided they hold the relevant licence and permit from the Australian Government Office of Drug Control and a Victorian hemp authority with appropriate conditions.

Should the Australian Government propose changes to existing regulatory arrangements to simplify or extend current permissions, the Victorian Government would work constructively with the Australian Government and other jurisdictions to implement relevant changes in state legislation as appropriate.

Processed hemp (the stalk, denatured seed and hemp seed oil or meal) can be used as stock feed. Recent hemp stockfeed trials undertaken in Western Australia recommended further research to explore cannabinoid deposition and clearance rates from animal tissues, from animals fed raw cannabis leaf material. Agriculture Victoria will continue to monitor this area of research.

Recommendation 3

That the Victorian Government works with the industrial hemp sector to streamline existing licensing requirements. Areas for improvement should include reducing the administrative burden on the sector where possible, in particular the need to differential between industrial hemp and medicinal cannabis and improving cross departmental communication to avoid duplicate police checks.

Support in full

The Victorian Government supports continuous improvement of the licensing process such as application forms and licence conditions, to reduce administrative burden. Agriculture Victoria will review the current application form to streamline and simplify the process, including:

- Move application processes online via the new Agriculture Victoria Connect portal, when appropriate.
- Simplify language and remove references to drugs and poisons and the term 'cannabis' on licence application forms and other external facing information to differentiate between the hemp and medicinal cannabis licensing frameworks.

- Review and streamline the hemp authority (licence) conditions to reduce the obligations on authority holders where possible.
- Review documentation to ensure it is clear that an applicant may provide Agriculture Victoria a national criminal history check (police check) they obtained for another purpose, provided it is less than 6 months old. Police checks provided to Agriculture Victoria as part of an application for a hemp authority must be less than 6 months old to ensure the information is current.

Recommendation 4

That the Minister for Planning consider defining hemp products as Rural Industry in the Victorian Planning Provisions.

Support in full

The Victorian Government supports this recommendation in full and the Department of Transport and Planning (DTP) will investigate an amendment to the Victoria Planning Provisions (VPP). DTP accepts that there may be potential barriers in the planning system to the industrial hemp industry, especially in rural areas, and is open to reforms to help facilitate the industry. DTP will commence investigations into potential amendments to the VPP, which will involve further stakeholder consultation, to be followed by preparation of an amendment to the VPP.

An amendment to the VPP will need to ensure that the facilitation of the hemp industry is balanced against other objectives of planning in Victoria, including preservation of agricultural land, supporting rural amenity expectations and minimising land-use conflicts. Stakeholder input will help shape the final form of the amendment.

Recommendation 5

That the Victorian Government work with the Commonwealth Government and the Clean Energy Regulator to establish an accreditation framework for industrial hemp crops to be recognised in the Australian carbon credit scheme.

Support in principle

The accreditation framework for the Australian Carbon Credit Unit (ACCU) scheme is a matter for the Australian Government.

Opportunities to recognise emerging areas of carbon sequestration in the ACCU scheme will be supported as the Australian Government moves from a government-led, to a proponent-led approach to method development, as recommended by the Independent Review of ACCUs. The new process, which is planned for implementation in 2024, is intended to provide more flexibility in developing new approaches to abatement, promoting innovation and increasing the speed of method development.

The Victorian Government will continue to work with the Australian Government to advocate for the development of new methods that better recognise carbon abatement already occurring, and to support the development of new and innovative industries to achieve Victoria's emissions reduction targets.

Recommendation 6

That the Victorian Government develop procurement and infrastructure contracts that consider the use of industrial hemp in developments as relevant, with particular focus given to the potential use for fire resistance.

Support in principle

The Social Procurement Framework is an effective lever for increasing the use of environmentally sustainable products, including industrial hemp, in relevant government procurements.

Victoria's Social Procurement Framework aims to ensure value-for-money considerations are not solely focused on price, but encompass opportunities to deliver social and sustainable outcomes that benefit the Victorian community. Under the Social Procurement Framework, government procurement teams prioritise social and sustainable objectives that are relevant to the context, scale and nature of the procurement. These include:

- Environmentally sustainable outputs – for example, this could be prioritised in a tender for the purchase of uniforms. In response, bidders could commit to incorporating hemp during manufacture and demonstrate the associated environmental benefits, and
- Environmentally sustainable business practices – for example, this could be prioritised in a logistics tender. In response, bidders could commit to using hemp-based packaging products and demonstrate the associated environmental benefits.

Social and sustainable commitments made during procurement by the selected supplier are included in the contract.

A key to achieving the intended outcomes will be ensuring continued effective Social Procurement Framework awareness and implementation across buyers. The Department of Government Services is responsible for supporting and ensuring effective implementation of the Social Procurement Framework across the Victorian Government.

Recommendation 7

That the Victorian Government instruct Agriculture Victoria to prioritise hemp as a growth crop and increase its role in research, including regulatory structures and public education. Investment in industrial hemp research and development should include:

- a. the national industry hemp variety trial
- b. the potential for fireproof building materials
- c. the genetics of hemp with focus given to yield, varieties and water usage.

Support in principle

The Victorian Government is committed to growing the value and output of agriculture through increased exports, investment, greater diversification, and new products including the growth potential of key emerging industries.

Agriculture Victoria has the knowledge and skills to help expand and support the industrial hemp industry through capability in genetic improvement to meet requirements for diverse markets and optimising production systems that minimise water usage. Agriculture Victoria Research (AVR) has world-leading capability in cannabis genetics that could enable Agriculture Victoria to further deliver key research and development (R&D) outcomes for the advancement of the hemp industry. Proprietary technologies developed from previous investment in medicinal cannabis could be used to fast-track breeding programs focusing on yield gains and reduced water use. These research capabilities, coupled with AVR's unique multidisciplinary approach to R&D, positions AVR to be an ideal organisation to address genetic improvement, enhance production potential and reduce risks for farmers, while meeting the requirements for diverse market specifications and environmental sustainability.

Agriculture Victoria is currently co-investing with AgriFutures in industrial hemp R&D through the Industrial Hemp Variety Trials (IHVT) at the Hamilton SmartFarm. The Victorian IHVT aims to test the genetic suitability of hemp varieties from five countries to Victorian conditions. In the first two years, grain varieties targeting the health food industry performed well. Dual purpose varieties suited for both grain and fibre are being tested in this third year and will provide further information on the varieties with potential to produce fireproof building materials. The research also measured water use and the effects of different planting times.

Recommendation 8

That the Victorian Government explores the repurposing of existing infrastructure for industrial hemp processing with specific focus given to transitioning machinery from Victorian timber production facilities.

Support in principle

The Victorian Government supports, in principle, the exploration of opportunities to assist the hemp industry, prioritising R&D with a specific focus on repurposing existing timber infrastructure for industrial hemp processing.

The viability of hemp as a replacement for timber products has not been fully evaluated and technical challenges to modifying timber processing equipment for hemp processing are anticipated.

Repurposing infrastructure would require capital investment and funding from the private and public sector.

Under the Forestry Transition Program, the government provides a comprehensive range of financial and non-financial support to aid businesses affected by the forestry transition to alternative fibres, aiming to diversify industries, generate job opportunities, and support communities.

The Forestry Transition Program includes the Victorian Timber Innovation Fund and the Transition Fund.

- The Victorian Timber Innovation Fund is designed to assist existing timber businesses to innovate, remain operational and generate new jobs and economic development. Conversion to a hemp plant is likely to be an eligible activity.
- The Transition Fund is designed to assist new businesses or expand existing businesses in areas affected by the forestry transition to create jobs and economic growth. Again, conversion to a hemp plant is likely to be an eligible activity.
- Before any decision to fund an activity through either of these programs is made, government would conduct the required due diligence.
- The suite of financial and non-financial programs available through the Victorian Government's Forestry Transition Program to support affected businesses, communities and workers can be found at <https://www.deeca.vic.gov.au/forestry/forestry-transition-program>.

Recommendation 9

That the Victorian Government provide seed funding as a minor partner for the establishment of a hemp cooperative in Victoria.

Under review

The Victorian Government does not yet have the evidence required to review the merits of a hemp cooperative. To date, the Victorian Government has not received a request for seed funding for a hemp cooperative in Victoria. If a proposal were to be received, the Victorian Government would conduct the required due diligence before making any decision.

Any proposal for a hemp cooperative would need to outline the problem being addressed, the rationale for and benefits of government investment in a cooperative, a clear delivery plan, and a consideration of end markets. It will be important for any new cooperative proposal to consider a range of funding sources beyond government investment.

Through the Regional Investment Attraction Project, the Victorian Government is working with the CSIRO and a consortium of Victorian universities to identify strategic opportunities across the supply chain for hemp fibre production in Victoria, with a focus on Gippsland.

The Victorian Government will liaise with the Australian Government, AgriFutures Australia, and other national organisations to ensure coordination of government activities regarding hemp.