



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY
13TH ASSEMBLY
ECONOMIC POLICY SCRUTINY COMMITTEE

Public Briefing Transcript

12.00 pm, Monday, 20 May 2019

Litchfield Room, Level 3, Parliament House, Darwin

Members:

Mr Tony Sievers MLA (Chair), Member for Brennan

Ms Kate Worden MLA, Member for Sanderson

Mrs Lia Finocchiaro MLA, Member for Spillett

Mr Yingiya Guyula MLA, Member for Nhulunbuy

Mr Lawrence Costa MLA, Member for Arafura

Witnesses:

Department of Primary Industry and Resources

Alister Trier: Chief Executive

Dr Warren Hunt: Manager Agricultural Policy and Analysis

Peter Zeroni: Director of Policy and Legislation

HEMP INDUSTRY BILL

Department of Primary Industry and Resources

Mr CHAIR: On behalf of the committee, I welcome everyone to this public briefing on the Hemp Industry Bill 2019. From the Department of Primary Industry and Resources I welcome to the table to give evidence to the committee: Mr Alister Trier, Chief Executive; Dr Warren Hunt, Manager Agricultural Policy and Analysis; and Mr Peter Zeroni, Director of Policy and Legislation.

On the committee here we have Lia Finocchiaro, Kate Worden and Mark Guyula, and on the phone we have the Member for Arafura, Mr Costa.

Thank you for coming before the committee, we appreciate you taking the time to speak to the committee and look forward to hearing from you today.

This is a formal proceeding of the committee under the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public briefing which is being webcast through the Assembly's website. A transcript will be made for use of the committee and may be put on the committee's website.

If at any time during the briefing, you are concerned that what you will say should not be made public, you may ask that the committee go into a closed session and take your evidence in private.

Could you each please state your name and the capacity in which you appearing here today. Alister, you may also make an opening statement if you like.

Mr TRIER: Alister Trier, Chief Executive, Department of Primary Industry and Resources.

Mr ZERONI: Peter Zeroni, Director Policy and Legislation, Department of Primary Industry and Resources.

Dr HUNT: Dr Warren Hunt, Manager Agricultural Policy and Analysis, Department of Primary Industry and Resources.

Mr TRIER: Thank you Mr Chair, and thank you for the opportunity to provide yourself and members of the committee with an overview of the Hemp Industry Bill, which I will refer to as the Bill, which was introduced in the Legislative Assembly last week on 16 May 2019 by the Minister for Primary Industry and Resources.

As the committee may recall from the minister's introductory speech, the purpose of this Bill is to create a new hemp industry which will allow for the regulation of low delta-9-tetra-hydro-cannabinol cannabis which I will refer to as THC going forward, for food, fibre and seed production. I thank my colleagues here for spelling that out for me.

Importantly, industrial hemp plants differ from regular hemp species in that they contain very low levels of THC, in other words, containing less or equal to 1% THC. If consumed, food and products made from industrial hemp have no psychoactive effects on individuals.

Some of the key aspects of the Bill include:

- establishing a licence regime to allow for the lawful possession, cultivation, processing or supply of industrial hemp for the commercial production of industrial hemp products and for using hemp for scientific research, instruction, analysis or study purposes;
- setting out how some of the administrative decisions on licencing matters are shared between the Chief Executive Officer of the designated regulatory agency and the Commissioner of Police;
- providing exemptions, where applicable, to the *Misuse of the Drugs Act* to allow for licensed persons to undertake activities in accordance with a new Hemp Industry Act;
- providing authorised inspectors under the Act, with appropriate powers of entry, inspection and seizure, to allow for the enforcement of necessary provisions to ensure compliance with the Act; and
- lastly, providing for offences and penalties for contravening specific provisions of the Act.

Hemp fibre has been used for manufacturing of textiles, ropes and lines, paper and building materials and its grain is a highly nutritious food source, either as a whole grain, an emulsified cake, flour or pressed oil.

Other value-added products include health lotions, sunscreens, shampoos, soaps, beer, biofuels, animal bedding, stockfeed and insulation and car mouldings.

In Australia, the industrial hemp growing sector is in its infancy and consequently needs a reliable source of future seed supply of accredited grain or fibre varieties. The Territory appears to be well-positioned, geographically and climatically, to grow industrial hemp, in particular to become a region supplying seed for hemp propagation in southern areas of Australia.

This Bill, if passed by the Legislative Assembly, will allow the Northern Territory to participate in and compete with other Australian jurisdictions on the development of a lawful industrial hemp industry. Beneficiaries include growers, processors, researchers, those who provide goods and services in support of hemp cultivation and processing, and consumers.

I thank the committee for the opportunity to attend today and welcome any questions you may have on the Bill, the process undertaken in its development and on industrial hemp generally.

Mr CHAIR: Thanks Alister. I will open it up to our members.

Mrs FINOCCHIARO: Thank you. I would like to ask, does the Bill lay out restricted zones for growing hemp? Is it region-specific, are there only certain areas of the Territory you could undertake this industry?

Mr TRIER: My understanding is that it does not specify any regions whatsoever, it allows for growing industrial hemp in the Territory.

Mrs FINOCCHIARO: But what it does set out is the licensing requirements of the proponent to have to be registered to undertake that?

Mr TRIER: That is my understanding, but I will ask Peter Zeroni to provide more detail, if possible.

Mr ZERONI: Thank you Alister. There is capacity under the regulations to do many things including putting specifications on the land area, a minimum size so that you do not get many small growers wishing to grow in their backyard per se.

There is quite a stringent licensing assessment criteria to get a licence. You need to go through a fit and proper test. The Commissioner of Police shares powers with the CE of the regulatory agency to look at whether people are fit and proper, and the Police can use protective or controlled information to make their decisions as well on the basis of fit and proper.

To summarise your question, there is a possibility to put areas through the regulations. I guess that is a matter further down the path.

Mrs FINOCCHIARO: In terms of obtaining that licence, do both the Police Commissioner and the CE of the department have equal weighting in coming to that determination of the licence? How is that laid out in the Act?

Mr ZERONI: The process is a person would make an application to the Chief Executive of the regulatory agency. The Chief Executive, under the Bill, must then provide the application to the Commissioner of Police. If the Commissioner of Police makes a determination, say not to support the application, the Chief Executive must follow that direction. Similar to the *Poppy Regulation Act* which we had a few years earlier.

Mrs FINOCCHIARO: I was going to ask is much of it mirrored off the *Poppy Regulation Act*?

Mrs WORDEN: To add to that, was the legislation based on any legislation or any other jurisdiction's legislation—further to that question?

Mr TRIER: I will let Dr Warren Hunt answer that question.

Dr HUNT: We looked at every set of legislation in the country, as well as some international legislation. The Canadians have a long-running industrial hemp industry ...

Ms WORDEN: And the poppy legislation here?

Dr HUNT: We looked at that a bit, but we were looking more so at our interstate colleagues. We have developed something that is probably superior to most of—if I can be so bold—a superior set of legislative frameworks to some of our interstate colleagues because some of them have it housed within their *Misuse of Drugs Act*, which makes it a little unwieldy and cumbersome. Victoria and Queensland have that. The rest of the states have stand-alone Acts.

We looked at their strengths and we extracted the strengths from various states and territories. We also avoided some of the weaknesses. We also learned from our international example, particularly when it comes to regulations. We will have prescribed minimum land areas written into it because one of the regulatory burdens observed by our colleagues interstate is that they have had an undue number of people—an excessive number—who want to grow a patch as big as a tennis court in the back yard or something like that. That is an enormous regulatory burden we want to try to avoid.

Mrs WORDEN: What is that minimum?

Dr HUNT: Well, it is not set in concrete yet, but we are hedging at around about two hectares.

Mrs WORDEN: That would be in legislation or policy?

Dr HUNT: That will be in the regulations.

Mrs WORDEN: In the regs, sorry. Yes.

Dr HUNT: Those conditions are set out. Or should I say the land area conditions are spelled out under the miscellaneous component of the legislation. So, we will be able to anchor those minimum land areas in the regulations.

Mrs FINOCCHIARO: What consultation was conducted in the development of the Bill? I guess we do not have a hemp industry, so what industry did you consult with?

Dr HUNT: Okay. Fortunately, other states and territories do have hemp sectors—modest and very much in the early phases of development. You have to remember this is a plant that has largely been prohibited for 80 years. The world leaders, the Canadians, have only been in it seriously since the 1990s.

We have consulted with not only our state regulators, I am the NT representative on a recently established network called the Australian Industrial Hemp Regulators Network. I am the current secretary for that. There have been a lot of learnings about the practicalities of organising and implementing controls for industrial hemp and things to look out for and things to avoid. There has been a lot of good, practical learnings there.

We have also consulted with our local farmers associations, NT Farmers ...

Mr CHAIR: What was their feedback, Warren?

Dr HUNT: They are saying, *'Let us at it'*. They are very enthusiastic about it. There is a lot to learn about this crop. We have to do a lot more research as well in supporting industry development, I suggest.

There is a lot of learning to be done even amongst farmers, on how to farm this crop, because it is something that has not been in their inventories forever. Yes.

Mr CHAIR: When you say we have not done it before and it is a different plant—same plant with different THC levels? How do we go about those checks and balances? It is a marijuana plant, but its THC is not there?

Dr HUNT: Okay. We are talking about a species under the genus *Cannabis*. There are three species designated in the taxonomy. The difference with industrial hemp is that it is low-THC. They have been selected specifically through conventional breeding techniques for low-THC over many generations. Some plants are more suited and have been selected specifically for fibre growing purposes. In other words, they extract the fibrous epidermis of the stalk for textile manufacture. Others have been selected specifically for grain production. They have features that assist with grain production. In other words, they have dwarfism characteristics that make them easier to harvest.

Exactly the same organism we are dealing with here. It is a bit like cattle. We have pretty much the same animal but they are slightly different. The same genus but we have *Bos Taurus* and *Bos Indicus*.

Mrs FINOCCHIARO: Because there is still that THC present, what sort of rules are set out in the legislation, if any, around safeguarding the premises? Does it have to have a two metre fence around the perimeter? Does it go into that level of detail at this stage?

Dr HUNT: This is a low-risk crop in the big scheme of things. There are no prohibitions interstate in terms of barriers around it. In terms of the controls in the system, yes, we will have a list of registered farmers, those who will have licences. Those licences, once they are issued, protect everyone else in that supply chain. In other words, contractors associated with farm work and handling the grain; transport operators; processors who receive grain for further processing—cold pressing or whatever they want to do with it; including textile manufacturers who receive the fibre.

Another check and balance we will have captured in regulations is that we are going to be only accessing seed from other registered sources. The licences will ensure that not only do we have registered farmers but they can only access a registered or accredited seed source from interstate. We will have an accredited list of varieties that can be grown so you just cannot put anything up that looks like cannabis. You will have to have a paper trail to a seed distributor or a farmer who is selling seed interstate so that loop is closed. We can liaise with our colleagues' interstate in the regulation networks to make sure that these different people are kosher.

Mrs WORDEN: It is good to have contemporary legislation but only, from my purposes, when it is of use. There is no point doing a whole heap of work if there is nothing at the end. Can you tell me what the potential drivers in the marketplace are? You have talked about the textile industry and end users that we know of et cetera. What is driving the requirement for the legislation? Do we have this market sitting out there ready to go if we can get this up?

Mr TRIER: There is always a bit of chicken and egg but there has been considerable interest in industrial hemp across a range of things. I will ask Warren to speak to that.

Mrs WORDEN: In the Territory?

Mr TRIER: In the Territory. There has also been interest in medicinal marijuana, which is actually covered completely separately under separate legislation that is administered by the Australian Government. There is some confusion there but for industrial hemp, there has been considerable interest.

For example, two weeks ago I visited an area of land down in the Roper River region and subsequently met with the property owners and they are very interested in industrial hemp and looking at what might be able to happen. I suppose, one of the broader drivers for myself is how things like industrial hemp fit as part of a broader rotation system of crops, and industrial hemp does fit neatly with other crops that sit under a single infrastructure system that complement soil management, weeds management. It does have a lot of compatibilities. It lends itself to a systems-approach for agricultural development. More broadly, it also has application for supporting the pastoral industry with by-product and those sorts of things for livestock.

We absolutely support the live export trade and where that is going, however we should always be looking for a second string to that bow—that is diversification. That requires feed products to be grown locally and economically which will support that. They are some of the drivers that have pre-empted this.

Mrs WORDEN: That is good to know. It is a lot of effort for everyone to be going through, let alone the Parliamentary Counsel and all the work that is happening. Then you find out that in the end it does not make a difference and no one is interested.

Dr HUNT: On the market front, in terms of value, there is probably an ascending order. On the bottom of that order is the fibre for the likes of textiles. Take this the right way, hemp is an incredibly good fibre, it is strong, tough and very resilient, it lasts a long time. However, it is also more expensive to process. At this point in the world, it is a bit harder to get. It is not as lucrative.

The next rung on the ladder is food. Hemp foods are in demand, you can go to Woolworths or Coles and you can buy this stuff now. You can buy pressed oils in health shops as well. Foods are derived from the grain, and are a reasonably lucrative proposition. It is starting to become defensible even under irrigated agriculture, just on some of the economic modelling I've had a go at.

Further up the value chain would be—once again I will caution this as we need to do more research—is positioning the Territory as a location that grows viable hemp seed for propagation purposes for the rest of the country. The advantage we have is distance and remoteness between farms and agricultural precincts. This is an open-air pollinated crop. That means you can potentially contaminate one varietal line against another, if they are too close together. Some people will say just a few kilometres, other people will say 10 kilometres between different varietal sites in the breeding business.

That is quite a lucrative end, if we could bring that together.

In the future, the way our legislation is constructed is that it is at the bottom end of a cascade of legislative frameworks. Should there be changes, at the top end — being with the *United Nations Single Convention on Narcotic Drugs*. Note: the World Health Organisation of the UN is meeting to declassify a number of hemp cannabinoid-type products—non-psychoactive products. Should that happen, that will cascade down into our Commonwealth *Narcotic Drugs Act*. Those changes will then cascade down to us.

The way we have written our legislation, this Bill, is that we will not have to amend it, we will just leave it in accord with that Act. That potentially opens up business opportunity for extraction of other non-psychoactive compounds, like cannabinoids and terpenes, which is a further string to the bow.

Mrs FINOCCHIARO: On the open air pollinated crops, does the Bill or the regulations set out the distance between operations or is that something you are still working through?

Dr HUNT: We have not gone that far yet and that just could be a straight agricultural planning activity. That is an issue internationally. In California, there is actually serious conflict between those who are in medicinal business and those in the industrial hemp business. If you are in the medicinal or recreational production field, the last thing you want is an industrial crop nearby, because you will essentially neuter that crop.

Mrs FINOCCHIARO: Flowing on from that, have any other agricultural sectors raised concern about it, like proximity of a crop like that to other crops. I do not know if there is any...

Mr TRIER: If I may go back to that former question, I think just on prescription, we would need to be careful of not being overly prescriptive, especially in a potential new industry's infancy, where we over-regulate and kill the opportunity. Should that, over time, start to develop and some of these issues start to become real, then we would need to go through a consultation process with industry about what additional mechanisms might need to be brought to bear. But I stress that being overly prescriptive in the first instance will not help the establishment of the industry in its infancy.

Coming to your second question, my understanding is that, when I talked about a systems approach, the crops that we are talking about are a completely different species. There are no cross-pollination issues. More importantly, the things that I alluded to before about weed management of one crop as opposed to another, this is where hemp fits in really well in that it can co-exist with other crops in a co-existence model to your point, Member for Sanderson, of diversification.

Mrs FINOCCHIARO: Then of course, because it is considered a low-risk crop and you do not have the requirement of barriers and things like that. I was just thinking if one property borders another and one person is growing hemp and the other is grazing cattle, for example, and they felt that was a risky industry that might attract interest from other people who might then be traversing other property to access—that is not really an issue then?

Mr TRIER: I agree. This will be covered under other regulations, specifically trespass. That is a very real issue that we have seen interstate and yes, we are looking at that but separately to this.

Mrs FINOCCHIARO: I was just wondering if some other industries had raised that as a possible consequence.

Mrs WORDEN: I just have a silly technical question but the whole time we have been speaking, all you have spoken about is industrial hemp, which is fine, but we have called this the Hemp Industry Bill. I am being a bit semantic here. The two sit very differently for me. Industrial hemp says to me exactly what it is. When you talk about hemp industry, I think it broadens out people's thinking. Is there a reason we have gone for Hemp Industry Bill as a title—as against everything you have spoken about—industrial hemp?

It may just be semantics but the two say very different things to me.

Mr TRIER: I will let Peter Zeroni answer that question.

Mr ZERONI: From my understanding, there are three different terms for hemp —hemp is basically the non-THC variety and is what has been responsible pretty much for centuries of lots of wonderful things like sails and lines for boats. And then there are different terms, there is industrial hemp which also means hemp as well, and what was the third one Warren? There is a third term, anyway, for hemp.

I think for hemp generally, when people talk about cannabis they start thinking about marijuana, but hemp is—for example hemp clothing has been around for a long time. I remember my time in alcohol and other drugs where ...

Mr SIEVERS: That was a long time ago.

Mr ZERONI: ... one of our educators used to wear his hemp pants to talk about marijuana. That really did not answer your question so I am going to switch you to Warren.

Dr HUNT: Now this is an interesting new development in that we could actually see an industrial-type crop be utilised under potentially a medicinal framework. In other words, we could see a situation where we have someone who secures a medicinal licence for concentration and processing of a whole range of cannabis-type compounds, but the source will be an industrial crop because they are not interested in THC. They might be interested in CBDs for medicinal purposes or they might not be interested in CBDs at all. They might be interested in terpenes which, basically, are the compounds that are used in essential oils to give it that aromatic effect—deodorises and that sort of thing.

At the moment, we are prohibited from extracting anything out of the hemp leaf matter and flower heads from an industrial framework. But that could change should the UN implement its changes and how we fall into line. It is to open it up a bit.

The other thing is within this Act, we also have a specific Class B research licence which will allow for access of high THC genus types to enter breeding programs. That way, we are not just confined to industrial hemp genotypes. We could potentially bring in those genetics that might have a feature like dwarfism or disease resistance or insect resistance that we—or someone—might want to capture. Technically, we then are not working with industrial hemp. The label we put on the Bill is deliberate to make it a more accurate description.

Mr CHAIR: A hemp industry, All right. Sorry, Alister.

Mrs WORDEN: I am satisfied with the answer. You do not have to explain it any more. It confused me slightly but that explains it for me. You always have to think of the possible future. Thank you.

Mr CHAIR: Mark, do you have anything? No. All good? Lia, all good? Kate, do you have anything else.

Mrs WORDEN: No, it is fine, thank you.

Mr CHAIR: Lawrence, do you have any questions.

Mr COSTA: No, no, I am fine. I am a bit like Kate, just getting a bit confused. But no, all good.

Mr CHAIR: All right. That is it from the committee. We will go through it. We can put any further questions in writing to you, obviously. You have some papers you would like to table?

Mr ZERONI: We have three documents here. We have a fact sheet on the Hemp Industry Bill. We also have a list of stakeholders that were consulted as part of this process. We also have copies of Alister's opening statement. Electronic copies are also available.

Mr CHAIR: Fantastic.

Mrs FINOCCHIARO: You have done this before, Mr Zeroni.

Mr CHAIR: We will get them. On behalf of our Committee, we thank you for coming in and giving us that briefing. We look forward to catching up again. As I said, we will form any further questions and go from there. Thank you very much.

Mr TRIER: Thank you very much for the opportunity.

The committee suspended.
