

**STANDING COMMITTEE ON
AGRICULTURE AND AGRI-FOOD**



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

**COMITÉ PERMANENT DE
L'AGRICULTURE ET DE
L'AGROALIMENTAIRE**

Ottawa, July 26, 2022

The Honourable Jean-Yves Duclos, PC, MP
Minister of Health

Dear Minister Duclos:

The House of Commons Standing Committee on Agriculture and Agri-Food held a meeting on June 20, 2022, to hear from representatives of the industrial hemp sector about the opportunities for growth in this sector as well as the challenges these companies face because of the implementation of the legislative and regulatory framework surrounding hemp production and processing.

The Committee heard of the important opportunities for industrial hemp to become a key value-added industry in Canada. Mr. Devin Dubois, Vice-President, Corporate Affairs and Counsel of Blue Sky Hemp Venture explained that industrial hemp is a multi-use crop: food and ingredients can be derived from the seed, industrial products from the stalk and nutraceutical compounds from the flower. According to Mr. Keith Jones, Board Chair of the Canadian Hemp Trade Alliance, in 2017, the sector generated more than \$180 million in sales, exported \$97 million in value-added products, supported over 1,000 jobs and contributed approximately \$370 million to the Canadian economy. In addition, hemp can potentially make a significant contribution to carbon sequestration, in the soil when the plant grows, but also through the use of its biomass in building materials. Mr. Dubois stated that Canada has a competitive edge for hemp production due to favourable soil and climate in the Canadian Prairies as well as agronomic knowledge, production economics and immediate processing capacity.

However, while the sector has been growing steadily since 1998 – when hemp production and processing were legalized – until 2017, the entry into force of the *Cannabis Act*, which created new dispositions for hemp, has disturbed the market and hemp acreage has decreased since. The witnesses

affirmed that the *Act* and the *Industrial Hemp Regulations* are not the main cause of their concerns, but rather the interpretation that Health Canada has made of them since their entry into force.

The *Industrial Hemp Regulations* define industrial hemp as a cannabis plant whose leaves and flower heads contain no more than 0.3% delta-9-tetrahydrocannabinol (THC), and regulate the growing and processing of industrial hemp through a licensing system. Furthermore, Schedule 2 of the *Cannabis Act* excludes from the definition of cannabis the non-viable seed of a hemp plant, its mature stalk, the fibre derived from the stalk and the roots, and processing of these parts of the plant do not require a license. Still, Mr. Jones reported that Health Canada has regulated all hemp parts as controlled substances requiring a cannabis type of handling even in cases where the exemption should have applied. He reported that Health Canada provided advice to apply for a license to any person in the industry interested in using hemp. For example, he reported that processors have approached Health Canada regarding including hemp protein or hemp oil in their food formulations and have been told that they would need to register under the *Cannabis Act* as licensed processors, even though the parts they want to use are exempted under Schedule 2.

Similarly, Mr. Ted Haney, President and Chief Executive Officer of the Canadian Hemp Trade Alliance reported that Health Canada currently considers that the whole plant falls within the definition of cannabis under the Act. This undermines the ability of processors to use hemp roots to extract bioactives even though hemp roots do not contain any cannabinoids at all. According to him, processes guiding hemp breeding and cultivar registration have become more complex and less transparent since 2018, which has resulted in less innovation and higher risk in the hemp sector. Witnesses have strongly emphasized that Health Canada should acknowledge that hemp is different from cannabis and implement the *Cannabis Act* and the *Industrial Hemp Regulations* accordingly.

The Committee recommends that Health Canada consider these testimonies during this year's statutory review of the *Cannabis Act*. In particular, the Committee recommends that Health Canada pay close attention to:

- undertaking a comprehensive review of the way Health Canada currently interprets the *Cannabis Act* and the *Industrial Hemp Regulations*, and that it makes sure that the interpretation does fully take into account the exemptions to licensing for products provided under Schedule 2 of the *Cannabis Act*;
- considering transferring the responsibility of the regulation of industrial hemp to Agriculture and Agri-Food Canada;
- considering a more integrated approach across government departments who share expertise in regulating agricultural and food products, including Agriculture and Agri-Food Canada and the Canadian Food Inspection Agency;
- working with the Canadian Food Inspection Agency to allow the use of hemp seeds as commercial feed;

- considering the economic potential of the hemp sector, as well as its potential contribution to carbon sequestration; and
- creating a regulatory environment that fosters the growth of the industrial hemp sector.

If these changes cannot be brought, the Committee asks that Health Canada explain the barriers preventing their adoption.

Hemp is an important agricultural sector that has the potential of driving economic growth, fostering value-added processing and job creation throughout Canada and particularly in rural regions. The statutory review of the *Cannabis Act* is a unique opportunity to improve the current regime and make it adequate to boost the development of this important sector and ensuring that Canada preserves its competitive advantage in hemp production and processing. On behalf of the Committee, I hope that the information provided by the Committee will guide you as your department undertakes that process.

Yours sincerely,

A handwritten signature in blue ink that reads "Kody Blois". The signature is fluid and cursive, with the first name "Kody" being more prominent than the last name "Blois".

Kody Blois, MP Kings—Hants

Chair of the House of Commons Standing Committee on Agriculture and Agri-Food

CC:

The Honourable Marie-Claude Bibeau, PC, MP, Minister of Agriculture and Agri-Food.