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Experienced Growers Suggest Planning Ahead
and Starting Slow to Expand Your Industrial
Hemp Operations

Scaling up hemp operations requires that growers be knowledgeable of market trends, infrastructure requirements, and understand their appetite for risk.

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Hemp growing is a passionate endeavor for many farmers. With thousands of potential uses including sustainable alternatives to plastic, fossil fuels, and building materials, growers are eager to expand their hemp acreage to stay ahead of the curve in a burgeoning market.

Unlike Canada and China, however, the U.S. does not have a consistent hemp infrastructure to get products from field to market, which leaves much of this process to growers. Scaling up hemp operations—whether for grain, fiber or CBD—requires that growers be knowledgeable of market trends, infrastructure requirements, and understand their appetite for risk.

Know the Market and Find a Buyer

In 2019, an estimated 250,000 acres of hemp were grown by U.S. farmers—nearly four times as much as in 2018. Prices for CBD hemp in particular plummeted; Whitney Economics shared [survey results](#) showing 65% of hemp farmers did not have a buyer lined up for their crop in 2019. Before planting any crop, it's wise not only to understand the current market demand for your crop or finished product, but also to find someone willing to buy it.

Industrial grain and fiber have a stronger domestic market than CBD because of their wide application for textiles, food and animal care products like feed and bedding. Yet there is still uncertainty in the regulatory market for cannabidiol hemp. Dan Dolgin, the co-founder of [Eaton Hemp](#) and JD Farms in upstate New York, recalls the gold rush for CBD hemp in the past few years which resulted in a saturated market. Dolgin and co-founder Mark Justh knew that to [grow their operations successfully](#), they needed to carve out their niche in the marketplace. So, they took their organic farming experience and started a vertically integrated hemp brand specializing in organic premium hemp snack and pet care products.

Creating a vertically integrated, niche brand is one way that hemp growers can scale their operations, but this approach comes with its assortment of high costs and investments such as extracting, bottling, promotion and marketing. It's important to have a good understanding if there is a niche in the CBD market you can tap into, before planting extensive acres of hemp. "It's a difficult industry to enter if you don't know the landscape and do your research," warns Dolgin.

Creating a brand isn't a realistic or necessary option for all farmers, which is why seasoned hemp growers strongly encourage hemp farmers to lock down a buyer before

planting. And don't expect buyers to come to you unbidden for your grain, fiber or cannabidiol hemp. Even as hemp increases in popularity, it's going to take concerted effort to ensure a confident relationship with a buyer.

"Be prepared to hit the phones and internet and do sales. There are Facebook groups, WhatsApp groups, Instagram, and LinkedIn," suggests Allan Gandelman, co-founder of [New York Hemp Oil](#) (NYHO). "You have to use all of the resources out there to try to find a good connection and a good buyer."

Establish Infrastructure

Planting is the easy part, says Gandelman. But those plants grow into a heavy, cumbersome crop that needs to be harvested, transported to a facility and processed. Scaling up your operations from a few dozen to 75 acres, for example, requires an infrastructure that can support the subsequent increase in labor, machinery, land use, harvesting and processing.

"Each [hemp] plant could weigh fifty pounds wet. There might be 1,800 or 2,000 plants per acre. You're talking about a lot of pounds, a lot of wet weight, a lot of labor harvesting and trucking into facilities and drying. There's just a lot of infrastructure requirements for that scale," says Gandelman. "It's easy to plant fifteen acres [of CBD hemp]. It's very hard to harvest fifteen acres."

Grain and fiber production requires tillage equipment, planter drills, cultivation and harvesting equipment and drying and storage facilities. Grain and fiber hemp do not incur as steep of a cost as CBD hemp because commercial processes such as those for soy or wheat can often be used, according to Dolgin. However, growing your operations will require more labor in terms of machine management and potentially more square footage in facility space to dry and store your crop. If you are growing higher-quality fiber for textiles, for example, your facilities will also need to be protected to ensure the quality of your crop, which may come at a higher cost.

NYHO specializes in full-spectrum CBD hemp oil. This means that Gandelman's farm team is in the field everyday checking each plant to ensure its high quality. After harvest, their 230-acre organic farm operation requires more than 40,000 square feet of climate-controlled space to dry hemp. Scaling up means making sure that you have the labor available to manage more crops as well as enough space for drying and storage.

Securing a processor or processing facility is also essential to properly scaling your operations. Transportation costs alone can reduce the profitability of your hemp crop, according to [Penn State Extension](#), if a processing facility is not close by. Processing your crop yourself is an option, but securing enough square footage might be a tall task. There are processors around the country, like Gandelman's, who are willing to process a farmer's crop for a fee and turn it into oil or a finished product on the farmer's behalf, but you'll need to consider the cost of transport.

If you do not have a processing facility, contracting with an industrial hemp processor before planting season will make sure you don't have crop wasting away in your storage barn. Establishing your infrastructure will help you understand the costs associated with

expanding your hemp production: labor cost, field maintenance, machine management, transportation, facilities and processing. Penn State Extension has created [sample budgets](#) for hemp grain and fiber growers that are useful in estimating many costs from seed to market.

Manage Risk

“Farms can survive small mistakes, but not big ones. So, it’s important for farmers to understand their own appetite for risk,” says Dolgin.

Even if you have a buyer in place, weather volatility can still impact the success of a crop, which Dolgin experienced firsthand. After a successful harvest of thirty acres of grain and fiber hemp, JD Farms quadrupled their output the following year, which was subsequently wiped out by a drought and a deluge of rain.

Managing risk requires having a backup plan or a security net such as a contract that will cover the costs of damaged or lost crops. For growers who also have a product brand, Dolgin encourages having redundancy in your supply as you scale operations. Having more than one source of hemp will ensure that you can still get supply for your brand if your crop is lost due to weather, pests, or disease.

Losing any amount of crop to a damaging weather event can be devastating. That’s why Kaelan Castetter, director of policy analysis at [Castetter Cannabis Group](#), took a lower-risk approach by expanding operations across different climate zones in New York, instead of concentrating the company’s crop on contiguous fields. Castetter and his team worked with fifteen farms ranging from two to thirty-five acres to grow their crop. If one field experienced hardship, there were several other fields that could yield a successful crop. Spreading out your expanded acreage can help mitigate risks associated with weather volatility.

Dolgin and Gandelman suggest growing hemp as part of an agricultural portfolio, not an all-in investment, to mitigate risk.

“People should be doing this as a diversified crop. The people who are successful, they’ve just added hemp to their rotation. They haven’t gone out and bought a whole brand new farm and invested millions of dollars in a monocultural crop,” says Gandelman. “I think diversity is key and being able to do multiple things.”

Take It Slow

The potential uses for all parts of the hemp plant, from fiber for clothes to oil for wellness products, can have growers eager to cash in. Still, experienced growers suggest taking it slow when scaling up your hemp operations.

“Take the next few years, and plan out how you can grow hemp in a way that’s going to teach you the most productive way to grow hemp at scale,” says Castetter. “Learn how to grow hemp at scale and do it in a way that you can afford to lose everything you invest in that crop. When the demand is really there, which I do believe it will be there in

the next three or four years, you are ready to go and you can produce it in a productive way and a reliable way.”

It will take time for government regulations and domestic demand to reflect what growers already know: hemp is a powerful plant that has the ability to change the landscape of many industries. Know the market, secure a buyer or brand, establish an infrastructure to support your expansion, and be prepared to manage risk so that when the demand increases, you have taken the appropriate steps to scale your hemp production successfully.

[Average Cost Per Acre](#)

[Scaling Your Cannabis Company](#)

[Hemp Planting Tips](#)

[Field Selection](#)

[How Many Acres of Hemp in U.S.](#)

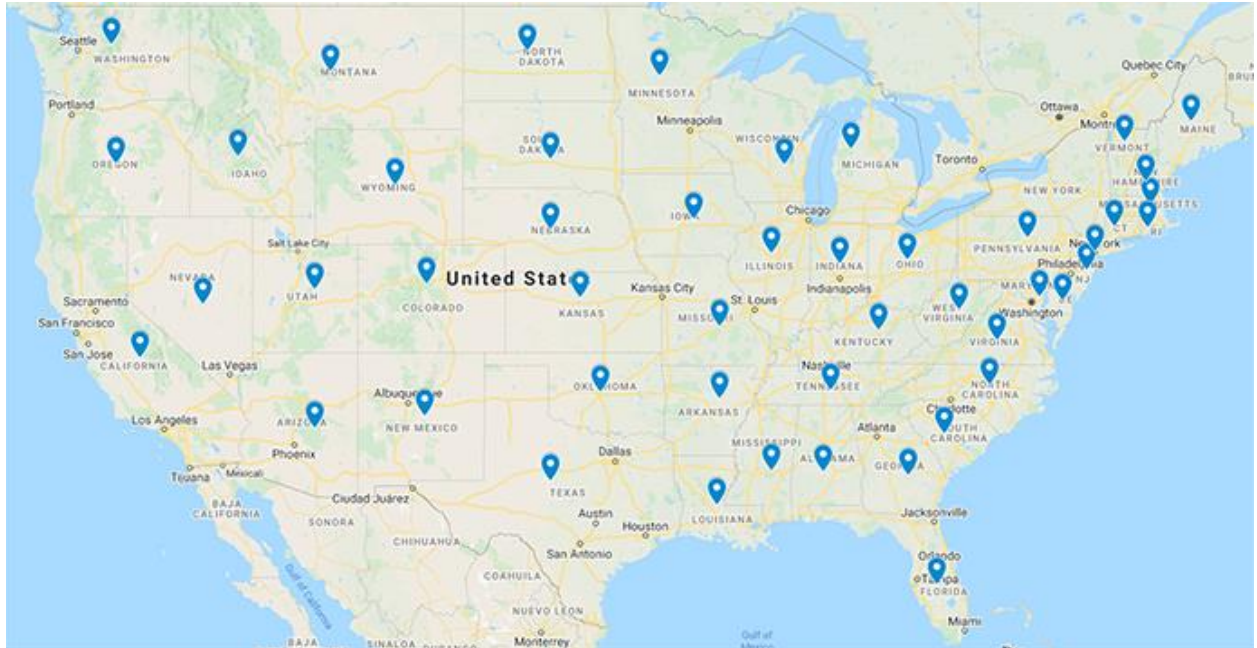
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2021 HEMP CULTIVATION MAP



Data from the USDA's recent Hemp Acreage and Production Survey breaks down acres planted and acres harvested in each state.[view more](#)

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