

## Statement of the

# EUROPEAN INDUSTRIAL HEMP ASSOCIATION (EIHA)

## regarding the draft proposal for the flax and hemp fibre processing aid scheme and the guidelines for rural development (modulation) of the European Commission

July 2008

The European Industrial Hemp Association (EIHA) hereby would like to discuss the proposed fibre aid processing scheme and the community strategic guidelines for rural development by first of all describing the hemp industry including applications, materials and advantages of hemp production. Following this introduction the statement aims at emphasizing the inequality of the transition period for the proposed fibre processing aid. It recommends a more nondiscriminatory proposal of fibre aid between hemp and flax production during the transition period. Finally EIHA is focussing on the inequality between the possible aid for bioenergy and biomaterials due to the modulation proposals of the Commission and attempts to emphasise the importance of the material use of agricultural resources.

### Why hemp should be a crop of the future!

Due to its robustness and adaptability hemp is well suited to the central European climate. It is fast growing (up to 4 m in 100 days), gives a large biomass yield despite modest fertilisation and has no requirement for agrochemicals whatsoever. It leaves the cultivated land free of weeds and aerated which benefits successive crops. Indeed it can be grown under an organic regime.

Compared to other crops, **hemp yields** a relatively high regional added value. Storage, processing and in most cases further steps of the process chain usually take place close to where crops are grown. This reduces the costs and increases its environmental credibility. According to the Ernst and Young report for the EU Commission, hemp as well as flax leads to more regional employment per hectare than wheat.

Currently about 15,000 ha of hemp are being produced in the European Union. Following the decortication and fibre separation, the hemp can be divided into two main products: fibres and shives. About 24,000 t of **hemp fibres** are being produced in the EU every year. Hemp fibres are most commonly used for speciality pulp and paper. New innovative applications include natural fibre composites used in the automobile industry (i.e. door panels) and many other applications (i.e. grinding discs), as insulation for the construction industry and agrotexiles for weed prevention and a renewable growing medium for cress and salad crops.

In 2007 48,000 t of **hemp shives** were produced in the EU. Shives are used for animal bedding, particle boards for construction, furniture and gardening, especially as a less acidic alternative to bark mulch. The most important new application for hemp shives mixed with Lime is for highly insulative wall construction in both domestic and industrial buildings. Hemp gives us the opportunity to lock up, sequester significant amounts of carbon in these constructions.

In addition to the two products (shives and fibre) following decortication, **hemp seeds** are a third product resulting out of hemp cultivation. They can be used for food, feed and cosmetics. Applications for hemp seeds are snacks, oil for human consumption as well as body care and detergent. The bulk of hemp seeds are used for bird and fish feed.

**Life cycle assessments (LCA)** for different hemp products show significant environmental advantages. Hemp replaces fibre glass in composites and insulation materials and is used in the construction industry instead of conventional materials. The cumulated energy demand for producing hemp fibres is ten to 20 times lower than that for fibre glass. Hemp fibres and shives belong to the “new biomaterials” which industry now demands. The use of hemp fibre will save finite resources, reduce CO<sub>2</sub> emissions and will store Carbon.

**Hemp, an innovative material, is good for agriculture, the environment and enhances regional development!**

## The inequality of fibre processing aid during the transition period

The present structure of the fibre processing aid already produces an inequality between flax and hemp resulting in a market distortion. The recent proposal of the Commission (Regulations (EC) No 320/2006, (EC) No 1234/2007, (EC) No 3/2008 and (EC) No 247/2008) leads to an even greater inequality between hemp and flax.

While the short fibre processing aid will be cancelled from the year 2009/10 onwards the long flax fibres will experience a rise in subsidies during the transition period from 160 €/t (2008/09) to 200 €/t (2010/11) until finally reaching 100 €/t (2011/12 and 2012/13). Since all hemp fibres are categorised as short fibres while the flax fibres are being divided into short and long fibres (approx. 50% each of the overall production) a cross-subsidisation between short and long flax fibres would be achieved. This cross-subsidisation would result in an even greater unfairness in competition between the aided flax short fibres and the unaided hemp short fibres than the present situation.

In order to overcome this substantial inequality and market distortion, EIHA is proposing a single aid for all natural fibres as recommended by the Ernst & Young report and the AND International report conducted on assignment of the Commission. This proposal would be the ideal solution and would suspend the inequality and market distortion of the current and the proposed aid of the Commission.

However, if the mentioned EIHA proposal should not be feasible a continuation of the current processing aid until 2013 should be accomplished (90 €/t for short fibres and 160 €/t for long fibres) since this would be less of an inequality than the new proposal. This would mean approx. 2 Mio. €/year (15,000 ha x 1,5 t fibre/ha x 90 €/t) of additional natural fibre processing aid but would guarantee the hemp industry a fair competition with the flax industry. In fact the increase would not be as great as this as long fibre flax would not then need to be increased to 200 from 160 Euros per tonne.

## Increase in compulsory modulation for material use of renewable resources (second pillar)

The Commission of the European Communities (Com(2008) 306/4) is proposing an establishment of common rules for direct support schemes for farmers under the common agricultural policy and the establishment of certain support schemes for farmers with the following priorities: climate change, renewable energies, water management and biodiversity.

Whereas the energy use of biomass will be directly supported by the modulation of the Commission (2006/144/EC), the material/industrial use of biomass can only be supported indirectly by clearly indicating the advantages concerning the climate and water protection as well as the biodiversity. EIHA is therefore proposing to add the use of agricultural resources for industrial feedstock / raw materials to the list of priorities. Regarding the climate protection, the water management and the biodiversity aspects which prove to be even better for biomaterials in comparison to the energy use, this step would be fair-minded and would diminish the current inequality of aid between energy and material use of agricultural resources for the industry.

Many members of the EU are currently discovering the importance of the material use of agricultural resources. Hemp fibres as well as many other agricultural resources are perfect materials for the use in many different industries. It would be a shame to penalise and possibly lose such an industry in Europe due to different aid calculations for energy and material use of agricultural resources resulting in a market distortion.



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