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Externalities with Establishing Hemp Production/Processing

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As production of hemp increases throughout the Southeast, producers and potential producers need to be aware of issues that may result from establishing production and processing operations. Notably, the impact these operations may have on their neighbors and communities can create business challenges that should be considered before beginning operations.

In economics, these side effects or unintended consequences are referred to as externalities. These unintended effects can be positive or negative. Potential negative externalities may include impacts on air quality (i.e., smells), increases in crime, and/or increased public scrutiny of ea

lar importance given that many
t of their county, community, and/or neighbors
operations may sell some or all of their product
p could cause an issue if their communities
ve externality. Issues could be not purchasing
ordinances to limit the operation, or enacting
ential for negative pushback is not limited to
ss the agricultural supply chain.

throughout the Southeastern U.S., we examine
establishing hemp production/processing in an
eyed with between 200 250 respondents from
entucky, Louisiana, Mississippi, North Carolina,
y 450 respondents from Georgia.

Concern about Living Next to Hemp Production and Processing

Respondents of the survey were generally "Somewhat Concerned" about living next to hemp production and processing. On a 100 point concern scale where 0 represents "No Concern," 50 is "Somewhat Concerned," and 100 is "Extremely Concerned," respondents averaged a score of 40.5 for living near production activities and 42.6 for living near a processing facility. Notably, 10.11% had "No Concern" with 6.7% being "Extremely Concerned."

For production, the average concern level was similar, ranging from 35.1 in North Carolina to 46.7 in Florida (Table 1). Similarly, concern for living near a processing operation ranged from 38.3 in North Carolina to 48.9 in Georgia. Further, between 5% and 13.9% of respondents had "No Concern" over living near hemp production, while between 5% and 12.8% had "No Concern" about living near a hemp processing facility. In contrast, between 3.8% and 7.6% of respondents were "Extremely Concerned" about living near hemp production, while respondents who were "Extremely Concerned" about living near a hemp processing facility ranged between 4.3% and 9.9%.

Table 1. Level of Concern for Living Near a Hemp Production or Processing Operation.

	Mean Level of Concern	Standard Deviation	Percent "No Concern"	Percent "Extremely Concerned"
Production only				
Alabama	42.6	33.3	10.2%	7.4%
Florida	46.7	33.9	5.0%	5.9%
Georgia	48.9	33.1	2.8%	4.5%
Kentucky	39.4	32.3	11.9%	7.6%
North Carolina	42.3	33.1	7.7%	8.2%
North Dakota	43.1	32.4	11.5%	6.8%
South Carolina	35.1	32.9	13.6%	3.8%

Environmental Externalities

Hemp production and processing impact on the air was consistently listed as a concern by respondents (Figure 1 and 2). Given hemp production can create issues with a “skunky” smell in the air, this could be a realistic externality that communities and residents experience. For

Social Externalities

For both hemp production and processing, the potential for illegal activity was listed as the top social concern across all states with 40% or more of respondents indicating that this was an issue (Figure 3 and 4). In fact, the proposed hemp production and processing rules from the Georgia

Conclusions

The overarching goal of this factsheet is to make producers and potential producers aware that negative externalities exist within hemp production and processing. Whether these are real or perceived, businesses need to consider that perception is reality. As such, before making decisions, producers should reach out to their neighbors, communities, and county policy makers or regulators to identify their concerns and work toward establishing a satisfactory outcome for all involved.

References

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