

Memorandum in Support of Targeted Amendments to HB 325

To: House Labor and Commerce Committee; Bill Sponsors; Relevant Legislative Offices

From: Sacred Seeds Foundation

Date: April 27, 2026

Re: HB 325: Targeted amendments to preserve agricultural modernization while addressing diversion, jurisdictional, and consumer protection concerns

Executive Summary

HB 325 should move forward, but it should not move forward carelessly. As drafted, the bill modernizes Alaska's industrial hemp framework by establishing tiered grower categories, risk-based testing, corrective action procedures, and streamlined in-state transportation for registered parties. Those are real improvements for farmers and manufacturers, and Sacred Seeds Foundation supports the bill's core purpose of treating industrial hemp as a legitimate agricultural and manufacturing sector in Alaska.

At the same time, the concerns raised in opposition are not all imaginary. The strongest objections focus on five issues:

1. Possible diversion of noncompliant material;
2. Unclear boundaries between industrial hemp and consumable flower-derived products;
3. Indoor micro-grower oversight;
4. Transport documentation; and
5. The risk that intoxicating cannabinoid products could be sold outside Alaska's regulated marijuana framework.

Some of the opposition memo overreaches by treating all modernization as a threat, but several of its enforcement and jurisdictional concerns are serious enough that ignoring them would be sloppy policy.

Sacred Seeds Foundation therefore recommends targeted amendments, not a retreat from HB 325's modernization goals. The right answer is to preserve regulatory streamlining for true industrial hemp, including fiber, grain, hurd, construction materials, textiles, bioplastics, seed oil, seed cake, protein products from seed, and similar non-intoxicating uses, while routing consumable flower-derived hemp products into a more appropriate regulatory lane.

Sacred Seeds Position

Sacred Seeds Foundation supports a two-tier approach that distinguishes between low-risk industrial hemp uses and higher-risk consumable flower-derived products.

The March 20, 2026 Sacred Seeds proposal would leave non-consumable industrial hemp under the Department of Natural Resources while placing consumable flower-derived hemp products under the Alcohol and Marijuana Control Office and Marijuana Control Board.

That structure preserves agricultural viability for farmers and processors while directly addressing the opposition memo's core complaints about intoxicating hemp loopholes, enforcement gaps, and unfair competition with licensed marijuana businesses.

Recommended Amendment Package

1. Clarify DNR authority over non-consumable industrial hemp only

HB 325 currently permits the manufacturing and retail sale of industrial hemp and products made from industrial hemp. Sacred Seeds recommends amending AS 03.05.010(a)(7)(E) so that DNR authority covers manufacturing and sale of industrial hemp products for non-consumable industrial uses only, and expressly excludes consumable hemp products and flower-derived hemp products from DNR authority.

This directly addresses opposition concerns that HB 325 could open the door to intoxicating or consumer cannabinoid products outside the AMCO/MCB system.

2. Clarify producer authority in AS 03.05.076(b)

HB 325 currently authorizes registered producers to grow, process, transport, sell, and buy industrial hemp, and to remediate hemp that tests between 0.3 percent and one percent delta-9 THC.

Sacred Seeds recommends preserving those authorities for non-consumable industrial uses while adding a new limitation that registrants may not manufacture, process, or sell consumable hemp products or flower-derived hemp products under the industrial hemp registration system.

This keeps the agricultural side workable while sharply narrowing the jurisdictional ambiguity that opposition stakeholders flagged.

3. Assign consumable flower-derived products to AMCO/MCB

Sacred Seeds proposes a new AS 03.05.076(f) providing that consumable hemp products and flower-derived hemp products may not be manufactured, processed, or sold under the industrial hemp program and are instead subject to licensing, testing, packaging, labeling, and sale requirements adopted by AMCO and the Marijuana Control Board.

This is the cleanest way to answer the opposition memo's concerns about regulatory arbitrage, intoxicating hemp products, and consumer safety without undermining fiber, grain, or construction-material pathways.

4. Preserve industrial hemp streamlining while tightening transport and oversight

The Sacred Seeds proposal intentionally preserves lighter-touch compliance for industrial hemp cultivated for fiber, grain, and other non-consumable uses, including:

- No mandatory fencing;
- No seed-to-sale tracking;
- Processor-level or random risk-based THC compliance testing rather than universal field-level pre-harvest testing.

That policy choice is designed to remove barriers that make true industrial hemp economically nonviable for Alaska farmers.

However, to answer legitimate enforcement concerns raised in opposition, the committee should consider adding minimum shipment documentation requirements for in-state transport between registered parties, including:

- Certificate of analysis;
- Bill of lading;
- Origin and destination information;
- Quantity;
- Registrant identifiers.

5. Tighten definitions to separate industrial hemp from consumable flower-derived products

HB 325 adds a definition of "micro-grower" but does not define "consumable hemp product" or "flower-derived hemp product."

Sacred Seeds recommends adding those definitions and clarifying that "industrial hemp" in this chapter includes hemp cultivated, processed, or sold for non-consumable uses, while expressly excluding flower-derived products intended for human or animal consumption.

Hemp grain and grain-derived food products, including seed oil and protein products, should remain protected as industrial hemp.

This is the definitional backbone that makes the rest of the compromise coherent.

Response to Opposition Concerns

Concern Raised in Opposition	Sacred Seeds Response
Material above 0.3 percent THC creates federal and diversion concerns.	Keep HB 325's compliance structure, but ensure non-consumable remediation remains tightly cabined and keep consumable flower-derived product pathways out of DNR's program.
Post-harvest testing may allow "hot hemp" handling before results are known.	Retain risk-based agricultural testing, but pair it with stronger chain-of-custody and shipment documentation where material is moved.
Indoor micro-growers resemble marijuana grows and create diversion risk.	Keep micro-grower access for agricultural viability, but define jurisdiction more clearly and allow enhanced oversight in regulation for higher-risk operations rather than banning the category outright.
Reduced MCB/DPS notification weakens coordination.	Clarify AMCO/MCB jurisdiction over consumable flower-derived products and preserve DNR notification duties for repeated or knowing violations, while considering targeted notification triggers for suspected diversion.
Hemp operators could gain unfair advantage over licensed marijuana businesses.	That concern is valid only if consumable flower-derived products remain in the hemp lane. Sacred Seeds' two-tier amendment removes that loophole by placing those products under AMCO/MCB.

Why This Approach Is Stronger Than the Opposition Memo

The opposition memo asks the Legislature to solve every perceived risk by hardening the entire hemp program. That is blunt-force regulation, and it would hit fiber, grain, and industrial materials producers with compliance burdens better suited to intoxicating consumer products.

Sacred Seeds' amendment package is stronger because it does the hard work of drawing real lines:

- Industrial hemp remains an agricultural and manufacturing commodity under DNR.

- Consumable flower-derived products move into the marijuana regulatory framework where the opposition itself says they belong.

That is not a compromise for the sake of optics. It is a cleaner legal architecture that reduces ambiguity, protects public safety, and preserves the economic viability of industrial hemp for Alaska farmers, processors, and manufacturers.

Requested Committee Action

Sacred Seeds Foundation respectfully asks the committee to retain HB 325's modernization framework and adopt targeted amendments consistent with the March 20, 2026 Sacred Seeds proposal.

Specifically, the committee should:

1. Limit DNR authority to non-consumable industrial hemp uses;
2. Place consumable flower-derived hemp products under AMCO/MCB jurisdiction;
3. Add clear statutory definitions to separate those categories; and
4. Incorporate basic transport and chain-of-custody safeguards responsive to legitimate diversion concerns.

HB 325 does not need to be gutted.

It needs to be sharpened.
