

Hemp Industry Strategic Proposal for Regulatory Change

Prepared by:

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Executive Summary

The global industrial Hemp (iHemp) market size is estimated to be valued at USD 6.8 billion in 2022 and is projected to reach USD 18.1 billion by 2027, recording a compound annual growth rate (CAGR) of 21.6% in terms of value¹. The global eco fibers market is estimated to be worth USD 52 billion in 2022 and is projected to reach USD 78.3 billion by 2027, rising at a CAGR of 8.5%². The recent establishment of the Federation of International Hemp Organisations (FIHO)* and a 2022 special issue report on iHemp from the UN Conference on Trade and Development³ both signal a turning point for the industry as the benefits of iHemp are being recognised globally and standards are being set for the industry to enable efficient international cooperation and trade. The New Zealand iHemp industry has an immediate opportunity to participate in this global market growth, subject to regulatory change critical to the success of the local industry.

The interested parties responsible for this proposal all have an involvement with the Hemp Industry liaison Group (HILG), and a desire to work with Government through this forum to facilitate positive outcomes for the iHemp Industry. As a follow up to the previous HILG meeting in August 2022, these parties have collated a set of Objectives for the wider industry, that require Regulatory intervention to be achieved. To facilitate constructive discussions with the respective Government agencies, supporting information across each of these Objectives has also been prepared so that Government is well informed on the required change, and the positive outcomes that this

change will generate for the iHemp Industry, and all of Aotearoa. These positive outcomes include the focal points of the economy, health (social, community and physical), and the environment.

Regulatory intervention for iHemp applies to the government departments of the Ministry of Health (MOH), the Regulatory Practice and Analysis (RPA) branch of Medsafe, the Medicinal Cannabis Agency (MCA), the Ministry of Primary Industries (MPI), and the regional development and economic benefits of iHemp as highlighted are also of relevance to the Ministry of Business, Innovation and Employment (MBIE). However, it should also be noted that this document includes information relevant to the Ministry for the Environment (MfE), given the repeated reference to the environmental benefits of iHemp and its ongoing relevance as an alternate land use to other more intensive farming sectors, as well as proposed amendments to the New Zealand Emissions Trading Scheme (ETS). A modern, robust iHemp economy - with reliable iHemp farming and supply chain applications - will help to achieve Aotearoa's environmental and carbon targets, since fast-growing iHemp is a mighty carbon sink with a plethora of industrial uses such as healthy homes made from hempcrete.

Due to the large range of issues to be addressed, the Strategic Proposal has taken a short and medium term approach, which can be reviewed against the priorities of government ministries and industry needs.

Industry Profiles of the Interested Parties

New Zealand Hemp Industries Association

The New Zealand Hemp Industries Association (NZHIA) has over the past 25 years recognised the remarkable potential of iHemp for Aotearoa and sought to overcome the stigma of cannabis that has held back its potential. As a non-profit organisation with members across all sectors including farmers, entrepreneurs, consumers and scientific partners such as Callaghan Innovation, the NZHIA has been leading the industry by hosting industry events, developing tools for iHemp licence holders, educating and sharing knowledge, and looking overseas to see what really works. The NZHIA's slogan is "Food. Fibre. Health.", because historically those are the three pillars of the global iHemp industry.



New Zealand Medicinal Cannabis Council

The New Zealand Medicinal Cannabis Council (NZMCC) is the peak body for the New Zealand medicinal cannabis sector to coordinate and represent organisations involved in all aspects of the industry in New Zealand. More than 20 member companies are represented by the Council, including ancillary services such as testing labs, "cultivation only" (biomass) suppliers, vertical (seed to sale) producers of finished products and regulatory consultants. The Council is determined that the New Zealand industry and its products will be built on sound science and underpinned by industry processes and standards that ensure patients, prescribers and our export markets have confidence in our sector and its products.



Aotearoa Hemp Alliance

The Aotearoa Hemp Alliance (AHA) was established to enable and facilitate commercial pathways to market for low THC Hemp derived products in New Zealand and abroad, by engagement with parallel industry partners, regulatory bodies and government, that will support the successful development of a regional iHemp industry in New Zealand. The founding members of the alliance are three vertically integrated iHemp companies located in three diverse regions of NZ - Midlands (Canterbury), KANAPU Hemp Foods (Hawke's Bay) and Hemp Connect (Horowhenua). The ambition of the alliance is to achieve changes to current NZ legislation for iHemp and CBD that will open-up new and existing opportunities for growth, enabling better farm-gate returns and an economically sustainable industry for the regions.



Objective 1

Ease regulatory burdens
on iHemp growers and
processors



Supported By



Magnitude of Change: ★★★

Strategic Objective 1

Ease regulatory burdens on iHemp growers and processors.

Barriers

1. Low THC iHemp is heavily regulated as a controlled drug, relative to its low risk. This compliance and regulatory burden is deterring growers from producing iHemp.
2. Current laws and MOH licensing restrict where iHemp can be grown and by whom, and restrict access to some parts of the iHemp plant i.e. leaves and flowers.
3. The Misuse of Drugs (Industrial Hemp) Regulations 2006 have remained unchanged and are no longer fit for purpose relative to global changes in iHemp legislation and wider Cannabis legislation during this time.
4. The inconsistency of the Misuse of Drugs Act (MODA) 1975 categorising “any plant of the genus Cannabis” as a prohibited plant, while in comparison the Misuse of Drugs (Industrial Hemp) Regulations 2006 specifies that low THC cultivars can be approved by the Director-General as iHemp and only iHemp can be made into Hemp products.

Solutions

- Short term, review government interpretation and enable the existing regulations via examples such as longer licensing periods (i.e. 5 years), recognizing Seed certification and historical compliance as a means to reduce THC testing requirements, working with industry to define and standardize testing methodology for cannabinoids including acceptance of “Not Detected”, rewarding documentation compliance with shorter licensing turnaround times, and improving engagement and communication with Licence Holders.
- Medium term, undertake a review of the iHemp regulations to make legislative changes to enable the iHemp industry to achieve full plant utilization and access to export markets for food, fiber and health markets.
- Medium term, as part of the above review, amend MODA to exempt all approved iHemp cultivars and seed as defined in the Misuse of Drugs (Industrial Hemp) Regulations 2006.
- Medium term, shift iHemp administration to MPI and change to a more efficient framework for registering iHemp cultivation.
- MOH licensing may continue for medicinal varieties of cannabis.

Targeted Outcomes

- Farm gate revenue increase to the value of NZ\$19 million by 2027 based on the local production of an additional 2000 hectares of iHemp (1800ha for Dual cropping, and 200ha for Biomass production).
- Licensing regimes targeted to the specified use of a cannabis cultivar allow risk appropriate regulatory oversight while building arable industry (i.e. seed, grain, fibre) and horticultural industry (i.e. leaves and flowers) confidence.
- Job creation, created on farm and regionally throughout a high value, compliance based industry.
- Environmental benefits (as introduced above in the Executive Summary and as per Objective 5).
- Support industries will benefit from the economic activity, and logistics, marketing, legal and analytical businesses will thrive with positive outcomes for NZ, as we claim geographic indicators on new products, highlighting Aotearoa in overseas markets.

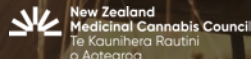
Magnitude of Change ★★★

Supported By AHA NZHIA NZMCC

Objective 2

Open commercial and regulatory pathways for the domestic supply of New Zealand iHemp products for Animal Nutrition.

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Magnitude of Change: ★★★★★

Strategic Objective 2

Open commercial and regulatory pathways for the domestic supply of New Zealand iHemp products for Animal Nutrition.

Barriers

1. Current scheduling of THC as a Controlled Drug.
2. Current scheduling of CBD as a prescription medicine.
3. MOH/MPI ACVM interpretation of THC content as absolute zero.
4. Perceived market access concerns, in selected export markets.

Solutions

- Short term, update regulatory guidance consistent with industry best practice in major markets such as Australia and Canada, that allows the supply of iHemp products as an animal feed to selected companion or non-production animals.
- Medium term, amend regulatory guidance to allow the sale of iHemp seed foods for Animal Nutrition in New Zealand on a risk and evidence-based assessment for both companion animals and production animals. Examples could include an exemption under the ACVM Act, Section 8B, or an exemption under the ACVM Act, Section 8C.
- Medium term, provide government funding to facilitate local industry research on the use of iHemp seed foods and iHemp plant material as a feed for production animals in Aotearoa, which can be benchmarked against international research.
- Medium term, revise and align MOH/MPI ACVM interpretation of THC content as undetectable as opposed to absolute zero.
- Medium term, using the available local and international scientific evidence and clearly defined testing standards, make further improvements to the regulations that will enable the industry to grow domestic sales in the animal feed market.

Targeted Outcomes

- iHemp market value increase in the range of \$4.75 to \$5.25 million by 2025 based on securing >1% of the NZ Cat food market (estimated \$275 million) and >1% of the NZ Dog food market (estimated \$210 million)^.
- iHemp market value increase in the range of \$14.00 to \$23.00 million by 2027 based on securing >1% of the NZ production animal feed market (Livestock and Chickens, estimated \$1.9 billion)*.
- Improved economic returns from iHemp co-products will help the industry scale, as these secondary animal feed markets have a higher value than current uses as a soil conditioner or compost (or in some cases incurring a cost of disposal).
- Improved Animal Health.
- Utilization of co-products/waste stream contributing to Zero waste and a circular economy.
- Job creation, as detailed within Objective 1.

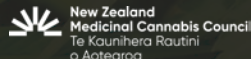
Magnitude of Change ★★★★★

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Objective 3

Open commercial and regulatory pathways for New Zealand iHemp derived Cannabinoids, by allowing the supply of iHemp derived Biomass (Leaves and Flowers) produced under an Industrial Hemp Licence to a Medicinal Cannabis Licence holder.

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Magnitude of Change: ★★★★★

Strategic Objective 3

Open commercial and regulatory pathways for New Zealand iHemp derived Cannabinoids, by allowing the supply of iHemp derived Biomass (Leaves and Flowers) produced under an Industrial Hemp Licence to a Medicinal Cannabis Licence holder.

Barriers

1. Current MOH iHemp Licensing framework.
2. Current MCA licensing framework, which for example only allows the supply of 50 iHemp seeds or 20 iHemp plants to a Medicinal Cannabis licence holder, which is not practical in a farming sense.
3. Current scheduling of THC as a Controlled Drug.
4. Current scheduling of CBD as a prescription medicine.

Solutions

- Short term, change Medicinal Cannabis regulations as part of MCA review, to allow the supply of iHemp derived Biomass produced under an Industrial Hemp Licence to a Medicinal Cannabis Licence holder.
- Short term, change Misuse of Drugs (Industrial Hemp) Regulations 2006 to align with the MCA revisions.
- Medium term, allow Dual cropping under an Industrial Hemp Licence, to permit the production and supply of Biomass (leaves and flower) with Fibre, or Biomass (leaves and flower) with seed/grain.

Targeted Outcomes

- Farm gate revenue increase to the value of NZ\$19 million by 2027 based on the local production of an additional 2000 hectares of iHemp (1800ha for Dual cropping, and 200ha for Biomass production)*.
- Job creation, created on farm and throughout a high value, compliance based industry involving high tech roles such as laboratory testing.
- Environmental benefits (as introduced above in the Executive Summary and as per Objective 5).
- Utilization of co-products/waste stream contributing to Zero waste and a circular economy.
- Support industries will benefit as detailed within Objective 1.

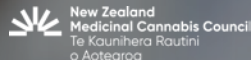
Magnitude of Change ★★★★★

Supported By AHA NZHIA NZMCC

Objective 4

Open commercial and regulatory pathways for New Zealand iHemp derived Biomass (Leaves and Flowers) to be processed into non-psychoactive cannabinoid, terpene and flavonoid iHemp products and to be sold as a dietary supplement/natural health product.

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Magnitude of Change: ★★★★★

Strategic Objective 4

Open commercial and regulatory pathways for New Zealand iHemp derived Biomass (Leaves and Flowers) to be processed into non-psychoactive cannabinoid, terpene and flavonoid iHemp products and to be sold as a dietary supplement/natural health product.

Barriers

1. Lack of understanding that low THC iHemp is not a risk in and of itself, and can have positive outcomes when used appropriately in food, fiber and health applications.
2. Ignoring regulatory lessons learnt overseas and international leads.
3. Naturally occurring CBD limited to 75 mg/kg i.e. Cannabidiol must not be present in any iHemp seed food for sale at a level greater than 75 mg/kg.
4. Lack of a pathway for the export of iHemp products that are legally acceptable in selected overseas jurisdictions.
5. Lack of protection from synthetic products and cannabinoids that can have a psychotropic effect, such as Delta 8 and HHC derived from CBD.

Magnitude of Change ★★★★★

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Solutions

- Short term, change regulations via the current Medicines Classification Committee (MCC) review to allow CBD to move from a Prescription medicine to “Pharmacist only”, as first step toward achieving this objective.
- Short term, acknowledge that whole plant utilisation is essential for a successful iHemp arable and horticultural industry.
- Short term, interpret and/or revise regulations to allow a pathway for the export of non-psychoactive Cannabinoid iHemp products to selected overseas jurisdictions where the legal sale of these products is permitted.
- Short term, establish the shortest distance to a political intervention for low dosage plant based CBD and other non-psychoactive Cannabinoid iHemp products[†].
- Short term, allow access to all parts of the plant to create innovative products and new technology in a wide range of industries.
- Medium term, change regulations to allow low dosage non-psychoactive iHemp products to be recognized as a safe and low risk natural health product under the Therapeutic Products Bill[†].
- Medium term, ban synthetic cannabinoids and any process that will produce a psychoactive substance from iHemp.

Targeted Outcomes

- Market value increase from a new horticultural crop in the range of \$24.7 million (MPI Sapere Report June 2021)[†] to \$1.5 billion (NZHIA/AGMARDT Nick Marsh Report September 2020) by 2023.
- Enhanced health outcomes for New Zealanders via improved homeostasis of the endocannabinoid system, delivered from iHemp foods and natural health products, whilst creating a new vertically integrated industry with significant export potential.
- Immediate access to export markets will keep the industry innovating and provide the necessary revenue to develop capacity and scale, creating regional development, and investment opportunities.
- Job creation, as detailed within Objective 3.
- Support industries will benefit as detailed within Objective 1.

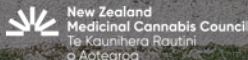
[†] Whilst the NZMCC supports this overall Objective, this solution is not currently supported by the NZMCC without evidence to support which components will be covered or excluded. The NZMCC also notes that it supports alignment between the Misuse of Drugs (Industrial Hemp) Regulations 2006 and the Medicinal Cannabis scheme and identifies this potential solution as an area in which it is essential for there to be alignment.



Objective 5

Integrate iHemp as a carbon sequestration offset of farming emissions within the He Waka Eke Noa framework.

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Magnitude of Change: ★★★★★

Strategic Objective 5

Integrate iHemp as a carbon sequestration offset of farming emissions within the He Waka Eke Noa framework.

Barriers

1. The Emissions Trading Scheme (ETS) only recognizes regenerating and planted native (indigenous) forest, forests of exotic tree species, and mixed-species forest.

Solutions

- Short term, recognise the carbon sequestering abilities of iHemp, and create a certifiable Carbon credit for trading via the New Zealand Emissions Trading Register (NZETR).
- Short term, provide government funding to facilitate local industry research on the environmental benefits of iHemp as an alternative land use and NZ farming cropping rotation option, which can be benchmarked against international research.

Targeted Outcomes

- Whereas forestry ties up land in the long-term, iHemp is useful as a rotational crop which means farmers can reduce carbon emissions at a faster rate than with forestry alone, improving returns to farmers.
- Increase production of iHemp plant material that can be sold for sustainable industrial purposes, such as building materials, biochar and biodiesel.
- Achieve industry scale and availability of raw materials for the circular economy.
- Job creation, as detailed within Objective 3.

Magnitude of Change ★★★★★

Supported By AHA NZHIA NZMCC

Strategic Objectives Summary & Concluding Statements

This paper clearly defines a set of selected Objectives for the New Zealand iHemp industry, all of which require intervention from Government for these Objectives and related targeted outcomes to be achieved.

These Objectives include the following;

- Ease regulatory burdens on iHemp growers and processors.
- Open commercial and regulatory pathways for the domestic supply of New Zealand iHemp products for animal nutrition.
- Open commercial and regulatory pathways for New Zealand iHemp derived Cannabinoids, by allowing the supply of iHemp derived Biomass (Leaves and Flowers) produced under an Industrial Hemp Licence to a Medicinal Cannabis Licence holder.

- Open commercial and regulatory pathways for New Zealand iHemp derived Biomass (Leaves and Flowers) to be processed into non-psychoactive cannabinoid, terpene and flavonoid iHemp products and to be sold as a dietary supplement/ natural health product.
- Integrate iHemp as a carbon sequestration offset of farming emissions within the He Waka Eke Noa framework.

The supporting information across each of these Objectives (Barriers, Solutions, Targeted Outcomes) has been collated to ensure that Government is well informed on the required change, and the positive outcomes across economy, health (social, community and physical), and the environment, that this regulatory change will generate for the iHemp Industry and all of Aotearoa. On behalf of the wider industry, the unified parties of the NZHIA, AHA and NZMCC look forward to working with Government to bring these required regulatory changes into effect.




References

- 1) Research & Markets. (2022). *Global industrial hemp market*.
www.researchandmarkets.com/reports/4791504/global-industrial-hemp-market-by-type-hemp
- 2) Research & Markets. (2022). *Global eco fibers market*.
www.researchandmarkets.com/reports/5670585/global-eco-fibers-market-by-type-regenerated
- 3) United Nations Conference on Trade and Development. (2022).
Commodities at a glance: special issue of industrial hemp.
www.unctad.org/system/files/official-document/ditocom2022d1_en.pdf
- 4) Moore, D., Graham, D., & Zabard Hartman, WL. (2021). *Facilitating growth in the New Zealand hemp industry*. Sapere. www.nzhia.com/wp-content/uploads/2023/04/Facilitating-growth-in-the-NZ-hemp-industry-Sapere-June-2021.pdf
- 5) Marsh, N. (2020). *NZ hemp export driven investor report*. New Zealand Hemp Industries Association. www.nzhia.com/wp-content/uploads/2020/09/FULL-REPORT-final-55.pdf

Supporting Information

- * Federation of International Hemp Organizations.
www.fiho.org
 - ^ New Zealand Petfood Manufacturers Association.
www.petfoodnz.co.nz/market.htm
 - + Animal feed market calculation – objective 2 – basis of calculation: total “2022” supply (domestic and imported, includes all grains) 5,831,288 tonnes, 1% = 58,300 Tonnes – at \$300/ton= \$17.49 million and at \$500/ton = \$29.15 million Range of feed values from \$300/ton (~PKE) to \$500 (~Maize or Wheat)
 - ‡ Farm gate revenue calculation – Objective 3 – basis of calculation: \$19 million = \$5,000*1800 hectares + \$50,000*200 hectares
- International Federation of Cannabis and Hemp Associations.
www.ifcha.org/en/homepage
- Hemp Feed Coalition.
www.hempfeedcoalition.org/

Summary of Strategic Objectives

	Objectives				
	1	2	3	4	5
	Ease Regulatory Burdens	Animal Nutrition	iHemp Derived Biomass	Supplements / Natural Health	Carbon Offset
 NZHIA Food. Fibre. Health.	✓	✓	✓	✓	✓
 AOTEAROA HEMP ALLIANCE	✓	✓	✓	✓	✓
 New Zealand Medicinal Cannabis Council Te Kaunihera Rautini o Aotearoa	✓	✓	✓	✓	✓
Short Term	✓	✓	✓	✓	✓
Medium Term	✓	✓	✓	✓	✓
Magnitude of Change	★★★★	★★★★★	★★★★★	★★★★★★	★★★★★★

Notes: Short term < 12 months, medium term < 36 months.