
The Farm Bill Just Passed

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What Does That Mean for the CBD Market?



After months of back and forth, Congress voted yesterday to pass the 2018 Farm Bill. The \$867 million bill contains lots of wide-reaching legislative measures, like expanded farm subsidies, SNAP revisions, and permanent funding for farmers markets. But perhaps most interestingly, the bill legalizes the production and sale of hemp at a federal level. And where there's hemp, there's CBD.

CBD (cannabidiol) is the non-psychoactive ingredient in

cannabis. It can be derived either from hemp or straight-up marijuana, two different strains of the same plant (though hemp contains very little THC). Until now, legality of the substance was unclear at best: Though legal to buy in the 47 states where CBD sales are legal, it was still considered a controlled substance by the DEA.

But the passage of the Farm Bill has the potential to rapidly grow the already buzzy CBD market. The bill rewrites the definition of marijuana to exclude industrial hemp, essentially removing hemp-derived CBD from the DEA's list of controlled substances. It also gives each state the power to decide if it wants to allow the sale of CBD products made from hemp.

There's clearly a demand for the trendy ingredient, which, its proponents believe, can do everything from reducing inflammation to treating anxiety and depression. As of now, the majority of the roughly \$800 million U.S. hemp market is for CBD products. CBD is showing up in beer, gummies, and skincare creams, spurred by media buzz around the substance as the next wellness miracle "drug". And there's no sign it's going to slow down any time soon. The CBD market is projected to hit between \$2 billion and \$3 billion in sales by 2021.

According to a Consumer Reports interview with Colleen Keahey, the President of the Hemp Industry Association, legalizing hemp in the U.S. could mean "doubling or tripling domestic cultivation within the next year." Though Ms. Keahey's job as the President of the Hemp Industry Association means that her predictions should be taken with a grain of salt, I wouldn't be surprised if it turns out to be justified.

Now it's up to farmers to meet this growing demand. Since hemp will now be a regular commodity crop, like corn or soybeans, farmers are also able to buy federally subsidized crop insurance and invest in advertising — neither of which they could do before the Farm Bill. Hemp will also be eligible for institutional funds, meaning farmers can grow their farms more quickly and invest in new equipment. Combine these points, and the hemp market is indeed about to experience a boom.

It's not all rainbows and pots (ha) of gold yet, though. The production and distribution of hemp-derived CBD may now be legal, but that doesn't mean it will immediately start popping up in more and more consumables. The biggest reason: the FDA still considers CBD to be an illegal food ingredient.

So while farmers can now legally grow hemp across the country to produce CBD, according to the National Law Review, it is “not allowed in food” — though that hasn't stopped plenty of companies from making CBD-infused products anyway. But until the FDA gives the thumbs-up to CBD, we likely won't see Big Food brands (like Coca-Cola, who was rumored to be exploring a move into the cannabis drink market) releasing any products with it.

The bill will now head to President Trump's desk, where he's expected to sign it. This next year will be a critical test to see if the Farm Bill will indeed be as pivotal for the CBD market as many hope.

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