

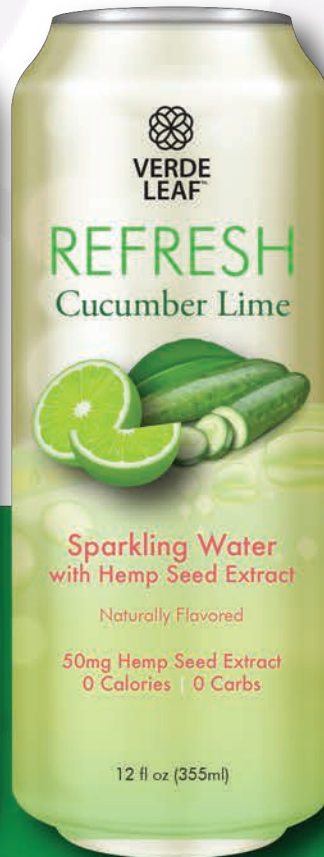
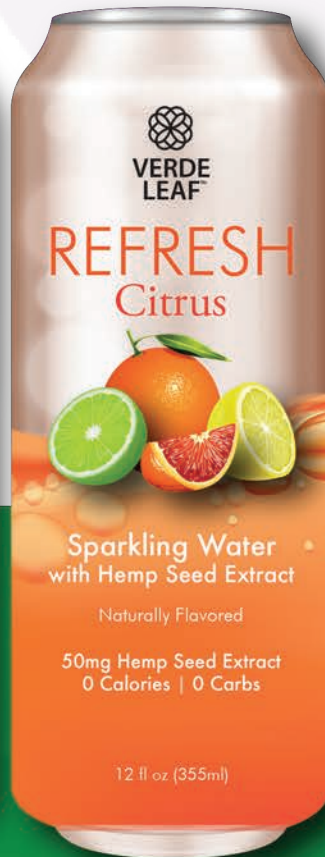
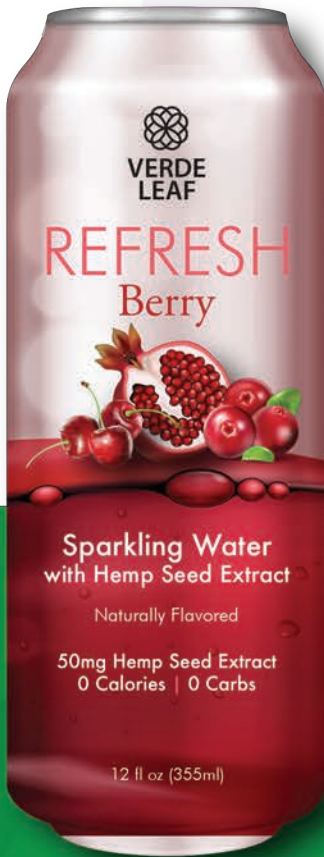
HOW TO NAVIGATE THE COMPLICATED WORLD OF CBD IN RETAIL



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FROM THE EDITOR



Laura Drotleff
Hemp Industry Daily

The hemp-derived CBD market is booming—and it’s just getting started. Despite a lack of federal regulations and an already overly saturated market with more than 3,000 known brands, the category remains wide open and full of opportunity.

And with regulations expected to increase consumer safety standards and lead to an industrywide upgrade, hemp-CBD sales stand to grow fivefold within five years to \$6.9 billion, thanks to a captivated retail audience and new interest from consumer groups that are just coming on board.

Hemp Industry Daily is pleased to present “How to Navigate the Complicated World of CBD in Retail,” in collaboration with Nielsen Global Connect. This report will help you understand the many aspects and considerations of the continuously evolving hemp-CBD consumer products market.

It’s part of an ongoing partnership between the two companies that aims to provide exclusive data on hemp-CBD retail markets and consumer-purchasing behaviors for these products.

As the market for hemp-CBD products continues to grow and new product manufacturers, retailers and consumers join in, there will no doubt be additional sectors to analyze over time.

For now, consider this a basic handbook on the existing hemp-CBD consumer product market in the U.S., including data and insights on:

- Estimated sales of hemp-CBD products.
- Demographics for current and future CBD consumers.
- How and why consumers are using CBD.
- Barriers to consumer adoption.
- Prices compared to non-CBD products.
- Category management trends.
- How to stand out at retail.
- The federal regulatory outlook.

These tools will help you assess where and how to focus your business plans in the hemp-derived CBD category and serve as resources to help you along the way.

If you have any questions about this report or want to provide feedback, please contact me at laura.drotleff@hempindustrydaily.com.

A handwritten signature in black ink that reads "Laura Drotleff".

Laura Drotleff
Hemp Industry Daily

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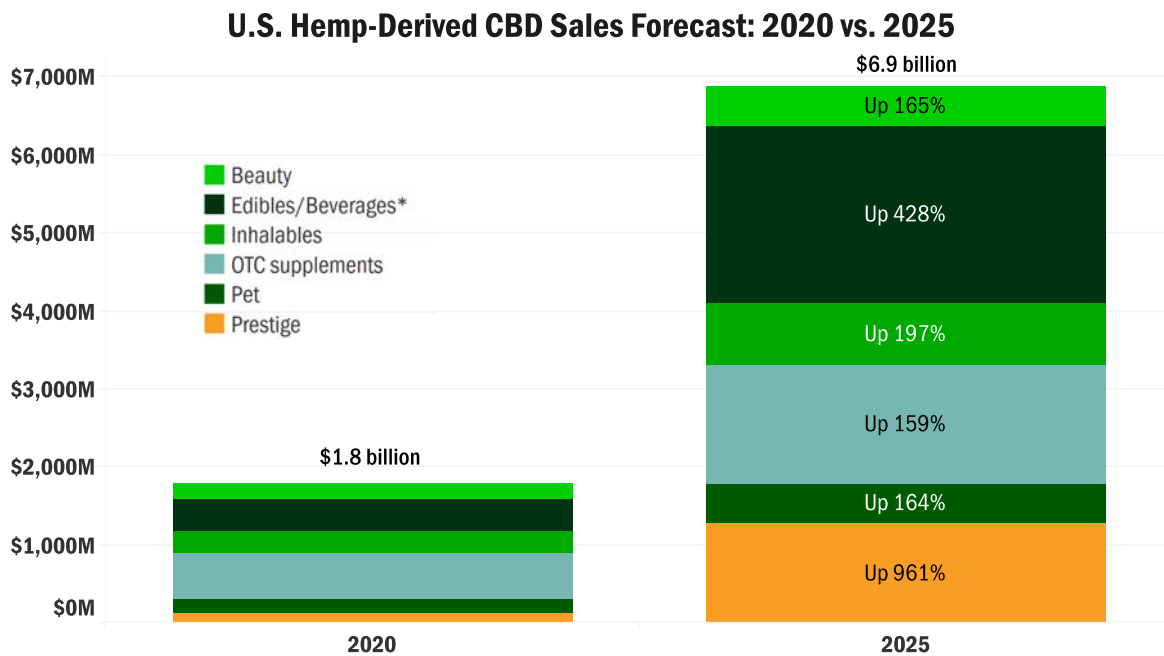
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Chart 1. Estimated Overall Sales of Hemp-Derived CBD Products



*Edibles/Beverages category includes beverages, candy/gum and food.
 Source: Nielsen "Thinking Beyond the Buzz" study (2019), CannaUse (2020), Nielsen HomeScan Panel and Nielsen Answers on Demand xAOC+Pet*+Convenience
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Consumers are going gangbusters for CBD, as evidenced by the rapid growth of the industry since hemp became a legal crop under the 2018 Farm Bill and the green rush began.

In the past year, consumers likely have become even more dependent on hemp-CBD products because of increased anxiety and stress during the coronavirus pandemic. The pandemic-induced, widespread economic disruption and uncertainty at the same time general interest in wellness products was increasing.

For 2019, total sales of hemp-derived CBD consumer products in the U.S. were roughly \$1.2 billion. Nielsen Global Connect, a division of Nielsen that focuses on data for manufacturers and retailers, projects that number will reach \$1.7 billion to \$2 billion in 2020. The average of that range, \$1.85 billion, would represent a 54% increase in year-over-year sales.

By 2025, Nielsen expects that the market for hemp-derived CBD products will generate \$6.9 billion, a threefold increase over five years.

Nielsen's sales forecast is based on the following assumptions:

- Favorable U.S. Food and Drug Administration guidance and/or legislation from Congress approving CBD in ingestible products in early 2021. Such a move would support widespread distribution of CBD products in traditional brick-and-mortar retail.
- No major adverse clinical studies related to the efficacy and safety of hemp-CBD products.
- Retailers and consumer packaged goods manufacturers reacting to hemp-CBD product development and distribution in a manner that is at least comparable to other functional ingredient introductions.
- Prices for hemp-CBD products remaining significantly higher than comparable conventional, non-CBD products, as can be seen in the Hemp-CBD Product Price Comparisons on page 23.

Mainstream sales of hemp-derived CBD products remain controversial because lack of regulation and efficacy are key barriers for consumers not already in the market for hemp-derived CBD products.

METHODOLOGY NOTE

Nielsen derives these figures by triangulating multiple data sources, including consumer cooperators in food, drug and convenience stores, spend and penetration for comparative consumer product good categories and direct-to-consumer sales data provided by hemp-CBD partners and clients. Tracked sales data does not include independent retailers such as vape and tobacco shops, local neighborhood pharmacies or convenience stores.

Additionally, Nielsen does not include sales of CBD-dominant marijuana products sold at licensed retailers or sales of any pharmaceutical CBD products.

Chart 2: Estimated CBD Product Sales by Category

ESTIMATED CBD PRODUCT SALES BY CATEGORY		
SEGMENT	2020	2025
Beauty	\$191 million	\$508 million
Beverages	\$246 million	\$1.3 billion
Candy/Gum	\$71 million	\$374 million
Food	\$113 million	\$596 million
Inhalables	\$267 million	\$793 million
Over-the-counter supplements	\$589 million	\$1.5 billion
Pet	\$192 million	\$506 million
Prestige*	\$121 million	\$1.3 billion
TOTAL	\$1.8 billion	\$6.9 billion

*The prestige category includes high-end beauty and skin care products usually sold in speciality retail stores.

Hemp-driven CBD can be found in nearly every product imaginable, from traditional cannabis ingestibles such as tinctures all the way to bath bombs and cosmetics. The availability of different segments of hemp-CBD, however, are limited by the types of retailers willing to carry them. For example, dozens of mainstream retailers have entered the CBD category by picking up topicals such as hand and body cream, balms and cosmetics, although most have been hesitant to sell ingestible products until there is more regulatory clarity from the U.S. Food and Drug Administration.

Despite this lack of regulation, it's clear that ingestibles already are and will continue to be huge moneymakers for manufacturers and retailers. Nielsen estimates that sales for over-the-counter (OTC) supplements will reach more than \$588 million in 2020, while other ingestible categories (including beverages, food, candy and gum) will top \$400 million.

Inhalable hemp-CBD products are expected to reach \$288 million this year.

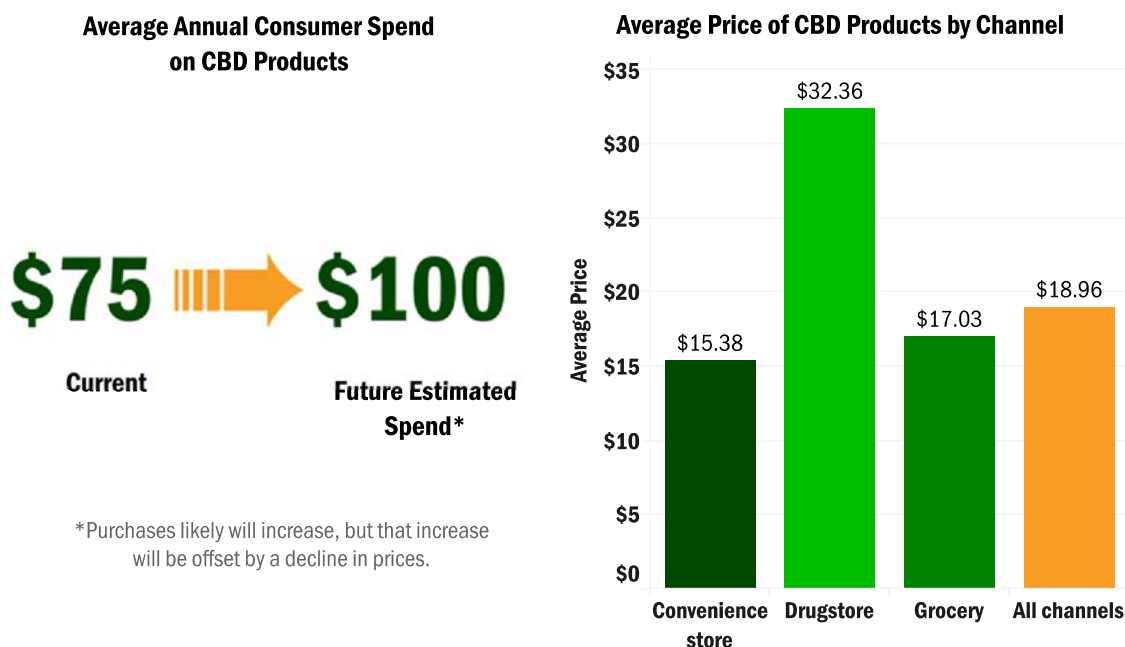
Comparably, 2025 sales are projected to increase by:

- 159% for OTC supplements to \$1.5 billion.
- 428% for beverages to \$1.2 billion.
- 197% for inhalables to \$792 million.
- 428% for food items to \$595 million.
- 428% for candy and gum to \$373 million.

Manufacturers have been focused on getting CBD approved as a food ingredient, yet the food category is one of the smallest CBD segments, according to Nielsen. On the other hand, the prestige category, which includes beauty and skin care products typically available from higher-end retailers, might offer greater opportunity—both in the short term and the future—as sales are expected to increase by nearly 1,000% in the next five years.

Following closely behind food products are the similarly sized hemp-derived CBD beauty products and pet-products segments. Beauty products are projected to reach \$191 million in 2020, with estimated 7% growth to \$507 million by 2025. Likewise, the hemp-CBD pet products market, estimated at \$191 million in sales this year, is projected to grow 7% in five years to \$506 million. Like food and other ingestibles, however, growth of the pet-products sector is highly dependent on regulatory clarity.

Chart 3: Average Consumer Spend for Hemp-CBD Products



Source: Nielsen "CannaUse" study (2020) and Nielsen Answers on Demand xAOC+Pet*+Convenience
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Consumers spend \$75 per year on average on hemp-derived CBD products, showing that the category is still in its infancy with most users still in the “canna-curious” group. Many are making purchases but not yet using their hemp-CBD products regimentally, which leads to longer purchase cycles and smaller baskets. The longer purchase cycle is particularly apparent for capsules, topicals and tinctures.

Nielsen projects that many current consumers will become more frequent users, leading to an increase in the average spend. However, the average price per unit will decrease to become more competitive with conventional consumer product goods, netting out to an approximate \$100 per year average annual spend.

Hemp-CBD product prices are already compressing, driven by eroding prices for hemp biomass and plans to reach consumers with less disposable income in response to soaring unemployment numbers amid the coronavirus pandemic.

The aggregate price of hemp-CBD biomass dropped by 79% from April 2019 to April 2020, according to Hemp Benchmarks, a pricing and tracking agency. That means per-pound prices decreased from \$38 to \$8.10.

The falling CBD prices show up in direct sales faster than through mass-market retailers, according to Nielsen. Tracking prices for roughly 2,500 CBD products in food, convenience and drugstores revealed an average product price of \$20.69 in a four-week period ending June 13.

Across all products Nielsen Global Connect is tracking in census food, convenience and drugstore accounts, the average hemp-CBD item price as of October is \$18.96. In food stores, the average hemp-CBD item price is \$17.03 while in drugstores, the average price comes in at \$32.36 and at \$15.38 in convenience—the channel with the lowest average price.

CBD manufacturers have higher margins when selling directly to consumers, giving them more pricing flexibility when inputs become cheaper. Discounting can be used as a marketing tool to get consumers on the site and signed up for a subscription, options not offered by brick-and-mortar retailers.

CONSUMER USE OF CBD DURING THE CORONAVIRUS PANDEMIC

Early indications showed that CBD purchases held strong and even trended up among consumers during the coronavirus pandemic, despite retailer closures across the United States, including independent CBD stores that were deemed “nonessential” in several states.

For example, California-based Papa & Barkley lost about half the 400 small CBD retail shops where the company was selling its products to closures. But then the company’s online sales surged.

In March alone, the company’s number of online transactions grew 240% over previous monthly averages, according to the company, which sells both marijuana and CBD products. In April, online sales increased another 88%.

It’s not just Papa & Barkley seeing a consumer shift to online purchases as brick-and-mortar retailers feel the financial pain of the pandemic. The U.S. Department of Commerce reported that retail sales dropped 16.4% from March to April.

Colorado-based CBD manufacturer Charlotte’s Web saw its direct-to-consumer sales jump more than a third in the second quarter of 2020 compared to the same period a year ago. That jump in online sales softened the company’s big sales loss to other retailers, which fell 55% year-over-year, from \$13.4 million to \$6.1 million. This decline came on the heels of Charlotte’s Web expanding its retail contracts earlier this year, with its products now available in roughly 12,000 locations.

CV Sciences, a San Diego CBD manufacturer, reported \$8.3 million in revenue for the quarter ending March 31—a 45% decrease from the same period last year, but the company’s online sales accounted for 24% of its total revenue. That’s up from 15% during the same quarter last year.

In the second quarter, the company reported \$5.4 million in revenue, down 68% from the \$16.9 million it reported during the same period in 2019. The company attributed the losses, in part, to COVID-19 and its wide-ranging impacts on business.

E-COMMERCE MOVES

About one-third of CBD consumers said they would shift from brick-and-mortar stores to online sources to buy their products during the pandemic, according to Bethany Gomez, managing director of the Brightfield Group, a Chicago-based consumer research firm.

Forty-seven percent of CBD customers already had or planned to stock up on CBD, and 37% of CBD customers planned to use CBD more frequently because of the COVID-19 pandemic, which means ongoing opportunities for more online sales, Gomez told *Hemp Industry Daily* in April.

Before the coronavirus pandemic, 85% of goods “were bought in a four-wall physical retail environment,” said Christopher Gavigan, founder and CEO of California-based Prima, which sells CBD-infused topicals at Sephora stores.

“That is going to shift,” Gavigan said, adding that he didn’t “know how long that’s going to last.” But he encouraged companies to focus on their e-commerce strategy to adapt to the new market reality.

For some companies, including Papa & Barkley’s, the pandemic is changing other aspects of their business to online as well.

Instead of doing in-store demonstrations for customers and training for budtenders, for example, the company is producing educational videos for its website and YouTube.

“I expect that many of those assets and the approaches will just be the norm for us at the company going forward,” Grossman said.

CBD ATTRACTS WELLNESS-FOCUSED CONSUMERS

A June study by Aclara Research, a Chicago-based firm that analyzes cannabis and CBD consumers and works in collaboration with Nielsen Global Connect, highlights how current and new consumers will develop a proactive health-care regimen to manage their mental health, including how these behaviors may continue post-pandemic.

Among a panel of nearly 3,000 consumers across states where cannabis is legal, Aclara Research found that approximately 1 in 5 consumers indicated they are buying more CBD products during the pandemic. More than half the participants (55%) said they hadn't changed how much cannabis or CBD they've purchased.

Consumers involved in the panel are knowledgeable about cannabis, with more than 80% saying they consider themselves immediate or advanced product users, and 8 in 10 use both marijuana and CBD products. Additionally, 60% of marijuana users are also buying hemp-derived CBD products.

The consumers on the panel spend about \$900 per year on CBD products, with the largest annual spending on beauty care, beverages or flower, according to Aclara Research.

HOW HAS THE CORONAVIRUS PANDEMIC IMPACTED YOUR MARIJUANA AND CBD PURCHASES?

	BUYING MORE	BUYING LESS	NO CHANGE
Marijuana products	32%	23%	45%
CBD products	21%	23%	56%

The panelists said that they use CBD products regularly and 88% use them a few times per week or more, according to Carmen Brace, founder and principal of Aclara Research.

As the pandemic continues, the leading reasons for marijuana and hemp-derived CBD use become more relevant as consumers seek ways to manage increasing stress and anxiety, Brace said.

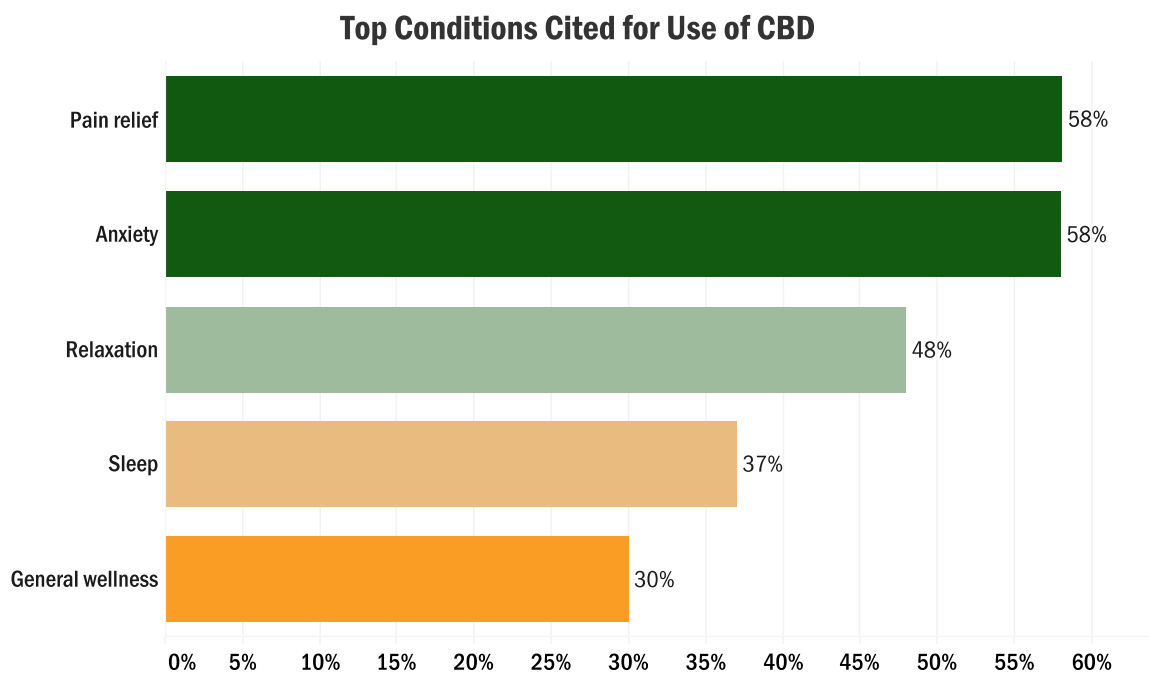
Research from the Kaiser Family Foundation indicated that more than 53% of adults said their mental health and well-being has been negatively impacted by the coronavirus pandemic. More than one-third of adults have reported symptoms of anxiety, versus 1 in 10 adults from January 2019 to June 2019. Further, Missouri-based pharmacy benefit service Express Scripts reported that prescriptions for anxiety medications have increased by 34% since the pandemic, Brace said.

In the June 2020 CBD consumer panel, Aclara Research found that:

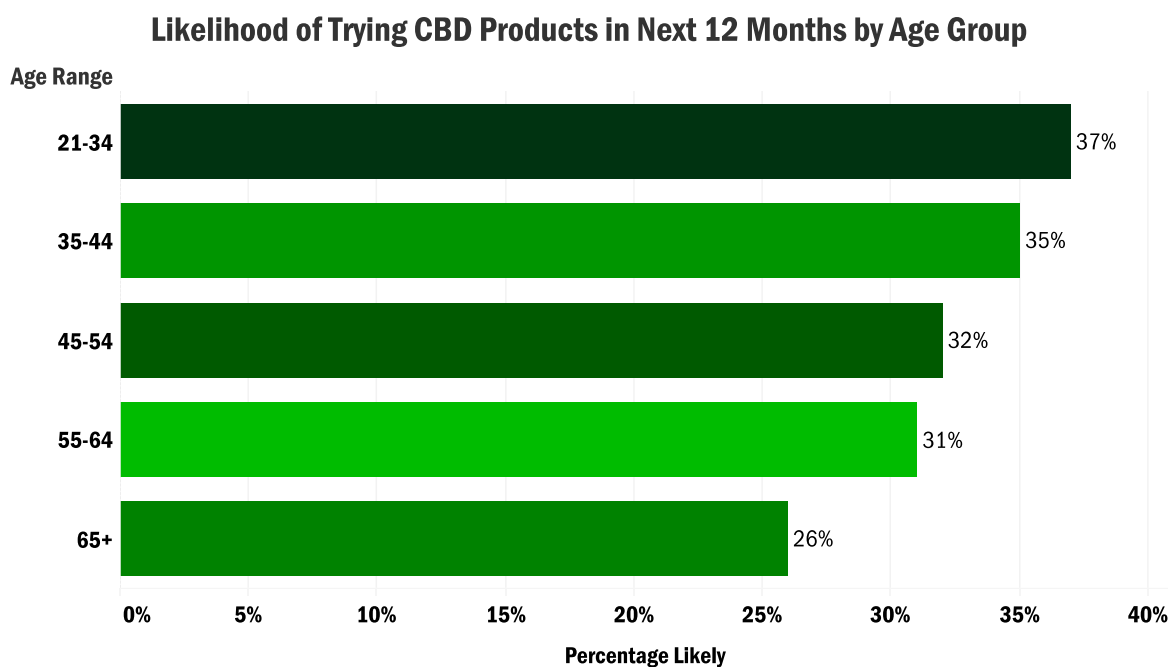
- 68% of respondents agreed with the statement: “I am feeling more stress during the pandemic than I did before.”
- 42% of respondents agreed with the statement: “I am buying more immunity boosting foods and supplements to improve my health.”

“For retailers, consumer focus on integrated wellness solutions may increase retail space—and focus—on hemp-derived CBD products,” Brace said. “These products are on trend with consumer needs, play a strong role of profit generation and increase basket size.”

Chart 4: Top Conditions Cited for Use of CBD



Source: "Cannabis and CBD Use During the Pandemic," June 2020, Aclara Research
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Chart 5: Consumer Demographics Purchasing Hemp-CBD Products

Source: Nielsen "Thinking Beyond the Buzz" (2019) and "CannaUse" (2020) studies
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Consumers nationwide have embraced hemp-derived CBD enthusiastically in the two years since hemp became a federally legal crop. But there is still a long way to go before CBD products are accepted by the majority of American households. Among U.S. adults, a little more than a third (34%) said they are likely to consume a hemp-CBD product in the next 12 months, according to Nielsen Global Connect.

Female consumers are 13% more likely than males to use these products within the next year, with 36% of females versus 32% of males saying they plan to purchase and use CBD products. Female consumers are also more likely to buy CBD pet products but less likely to use smokable hemp-CBD products than males.

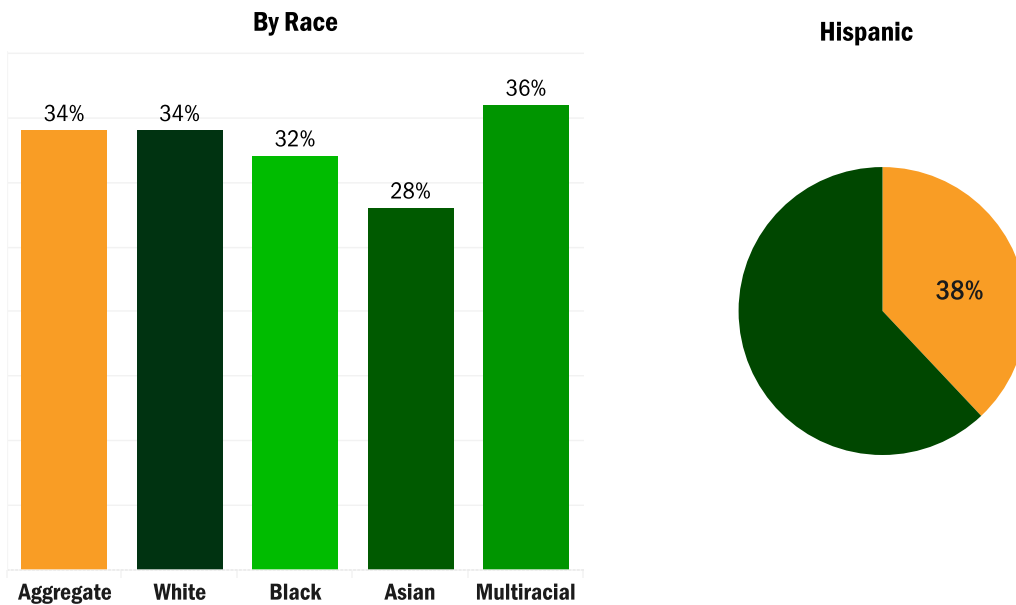
Younger consumers generally are more frequent users of hemp-CBD products than older cohorts across individual segments. Consumers younger than 35 make up the largest share of hemp-CBD purchasers and are 10% more likely than most U.S. adults to consume a hemp-CBD product in the next 12 months. Consumers in the 35-44 age range indicate they are 8% more likely than the average American adult to consume hemp-CBD products in the coming year, while those 65 or older are the least likely, at 19% to consider consuming hemp-CBD products within the next year.

However, manufacturers say they are seeing more interest in the category among older adults looking for holistic alternatives for help with pain management, anxiety and sleep. Further, interest in the wellness category as a result of the coronavirus pandemic has shown organic growth for CBD products in the months since COVID-19 caused widespread shutdowns.

Clarity from federal regulators on how CBD can be used in products ultimately will help grow the category, freeing major consumer product goods brands and mainstream retailers that have been waiting on the sidelines to invest in the segment.

Chart 6: Ethnicity and Cultural Perception of CBD Products

Likelihood of Trying Hemp-CBD Products in Next 12 Months



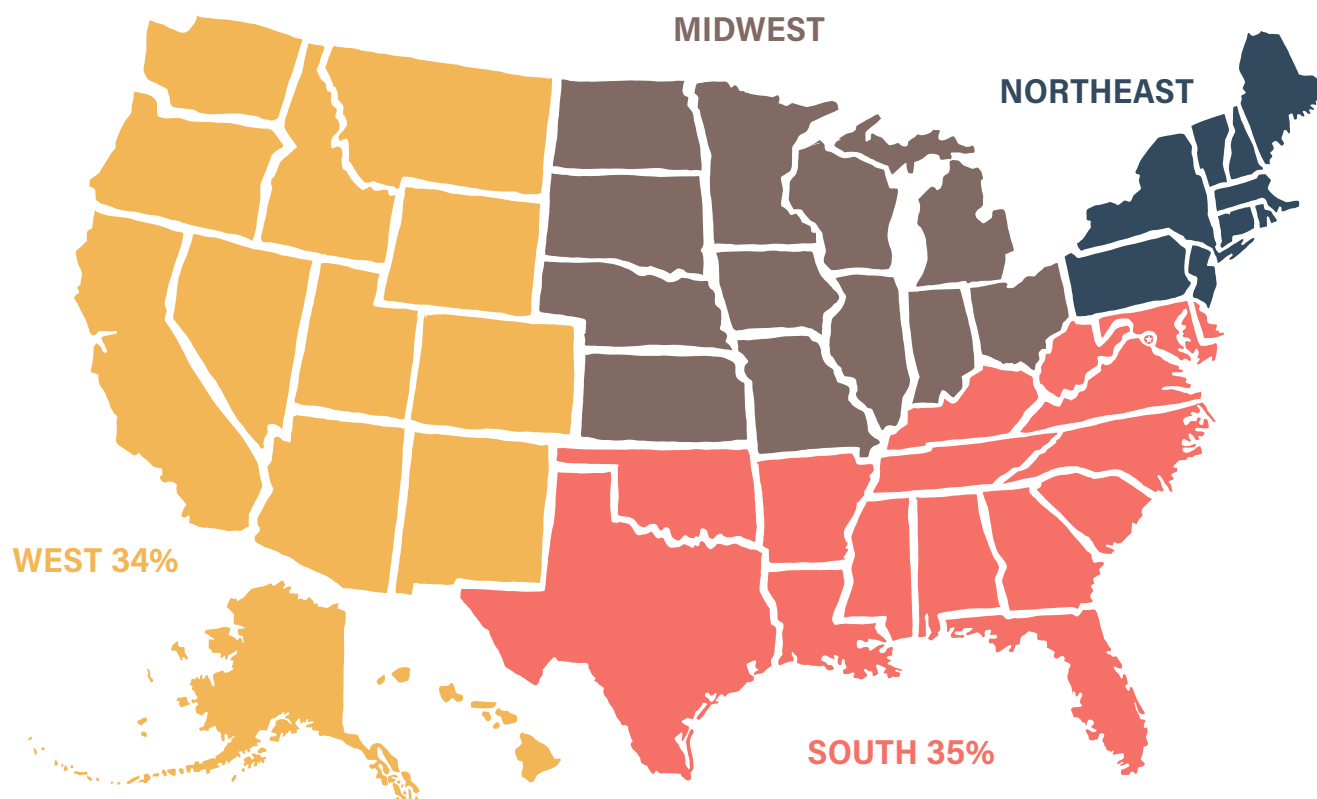
Source: Nielsen "Thinking Beyond the Buzz" (2019) and "CannaUse" (2020) studies
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Traditionally, most hemp-derived CBD consumers have been affluent and white, and, as a result, products have been largely marketed to this group. However, hemp-CBD product consumers are becoming as diverse as the American population, and manufacturers would be wise to adapt.

According to Nielsen, Hispanic consumers are 12% more likely to consume hemp-CBD products than any other group in the next 12 months and biracial or "mixed race" consumers are 7% more likely to purchase and use hemp-CBD products. Black adult consumers, on the other hand, are 7% less likely than the aggregate of U.S. adult consumers to purchase and use CBD products within the next year.

Asian adults are the least likely cohort to consume hemp-CBD, coming in at 18% less likely than the aggregate to participate in the category. According to Nielsen, Asian-American adults are prone to sociocultural differences that include the perception that any cannabis-derived products are associated closely with "harmful drugs" and the negative impact that they can have on personal and community health, such as a lack of achievement, addiction, crime, incarceration and negative health outcomes. This is especially true for first- and second-generation Asian-Americans who come from (or whose parents come from) countries with strictly enforced cannabis possession and usage prohibitions and harsher punishments for offenders.

Looking at the specific segments of consumption, people of all races who have not used those products seem to be equally receptive to considering them. Notably, there is higher interest in flower, pre-rolls, concentrates and vapes among Black and Hispanic consumers who have not previously used these products, while white non-CBD consumers show more interest in capsules and topicals.

Chart 7: Map of Regional Consumer Preferences

Interest in hemp-derived CBD products varies based on where consumers live.

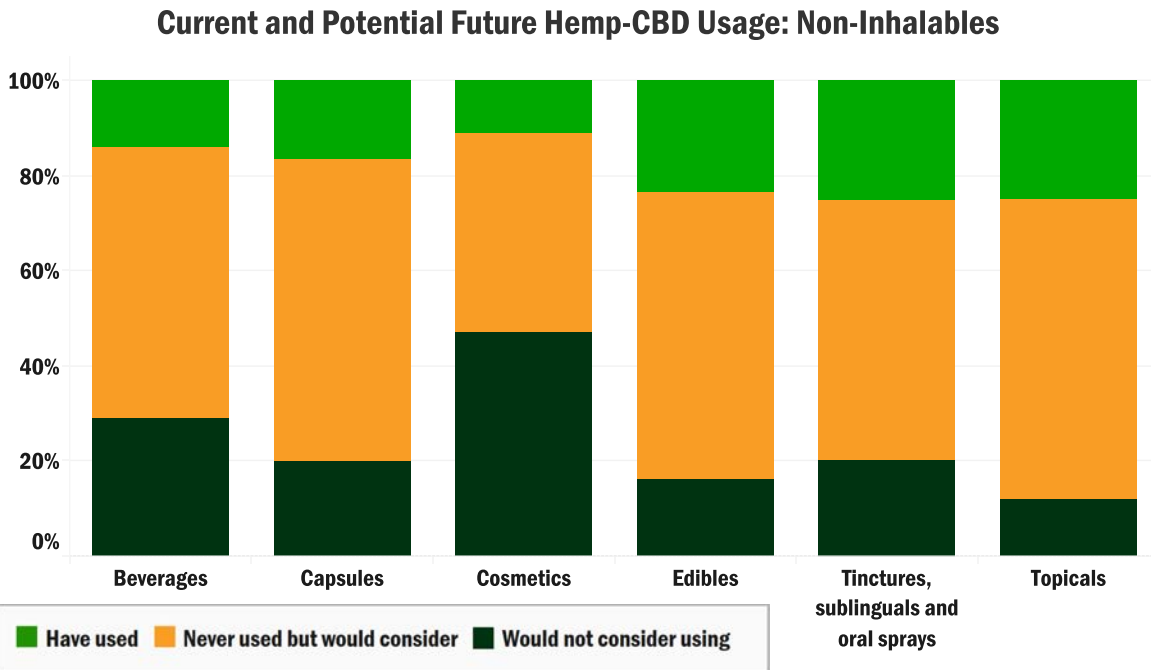
Consumers who live in the South (35%) and West (34%) regions of the United States, as designated by the U.S. Census Bureau, are the most likely to consume hemp-CBD products within the next year.

Adults living in the West South Central (36.5%), East South Central (36.3%) and Mountain (35.8%) regions of the U.S. are more likely than the overall adult population to consume hemp-CBD products. Meanwhile, adults who live in the West North Central region are the least likely to consume a hemp-CBD product in the coming months and 12% less likely than the aggregate of U.S. adults. Midwesterners show the lowest interest in consuming hemp-CBD products.

Breaking this down by subcategory, consumers in all regions have shown that they are generally on the same level in terms of both product use and their willingness to consider products they have not used.

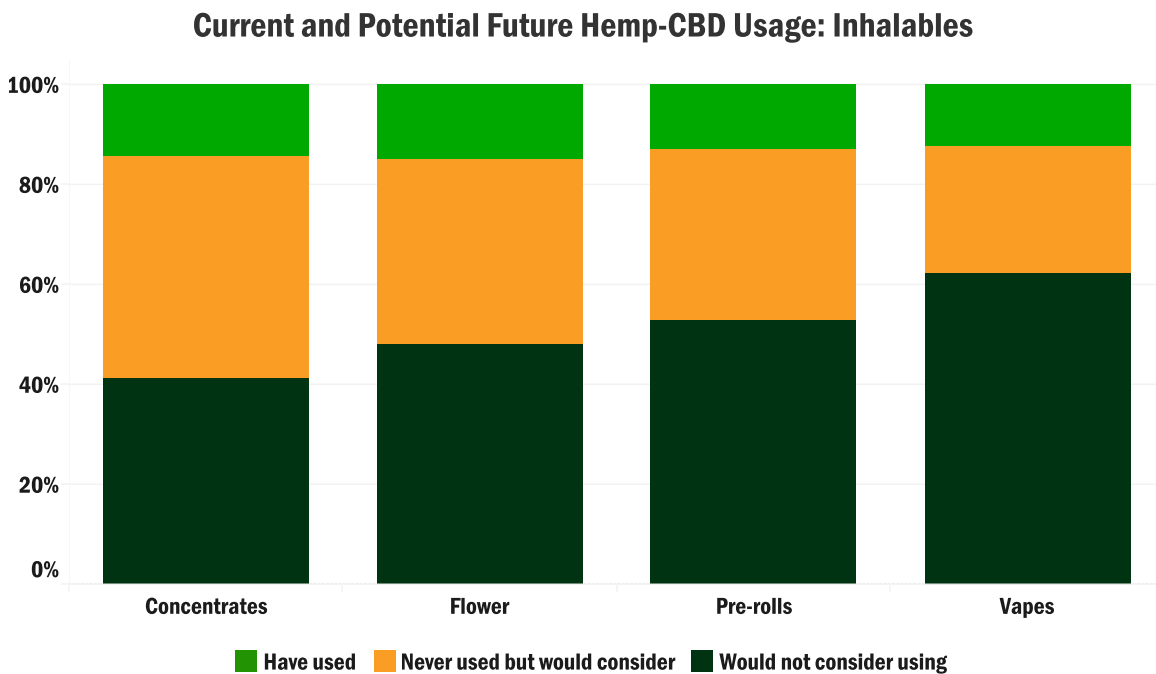
HEMP-DERIVED CBD USAGE AND LIKELIHOOD OF USING BY CATEGORY		
SEGMENT	HAVE USED	WOULD CONSIDER USING
Beverages	10%-18%	51%-60%
Capsules	15%-21%	59%-68%
Concentrates	11%-19%	40%-47%
Cosmetics	9%-14%	37%-43%
Edibles	18%-30%	54%-64%
Flower	11%-19%	31%-40%
Pre-rolls	7%-19%	31%-39%
Tinctures, sublinguals and oral sprays	20%-28%	51%-58%
Topicals	20%-32%	57%-68%
Vapes	9%-18%	22%-29%

Chart 8: Current and Potential Future Hemp-CBD Usage: Non-Inhalables



Source: Nielsen "CannaUse" U.S. study (2019)
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Chart 9: Current and Potential Future Hemp-CBD Usage: Inhalables



Source: Nielsen "CannaUse" U.S. study (2019)
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Hemp-derived CBD products that don't require inhalation or ingestion generally have lower barriers for consumers to try. Inhalable formats, including vapes, pre-rolls, concentrates and flower, tend to be the most polarizing among U.S. adults who say they're likely to use hemp-CBD products in the future.

According to Nielsen, most consumers say they would not consider using vapes (62%) or pre-rolls (53%). Flower and concentrates are also highly opposed at 47% and 41%, respectively. Among those open to using inhalables, they expressed the highest interest in concentrates (44%), followed by flower (37%), pre-rolls (34%) and vapes (25%).

Current use of inhalable hemp-CBD products is minimal, under 15% for each. However, there is potential for greater growth among adults who already smoke tobacco. Inhalable products have lower organic-growth potential among adults who are currently nonsmokers because smoking itself is a polarizing action that is still largely perceived to be harmful.

Non-inhalable formats that already have significant penetration among consumers who have used these products include topicals, sublinguals and oral sprays (25%), tinctures (25%) and edibles (23%). The potential for growth among these products is also high, with 63% of consumers saying they would consider using topicals, 60% showing interest in edibles and 55% expressing interest in trying tinctures.

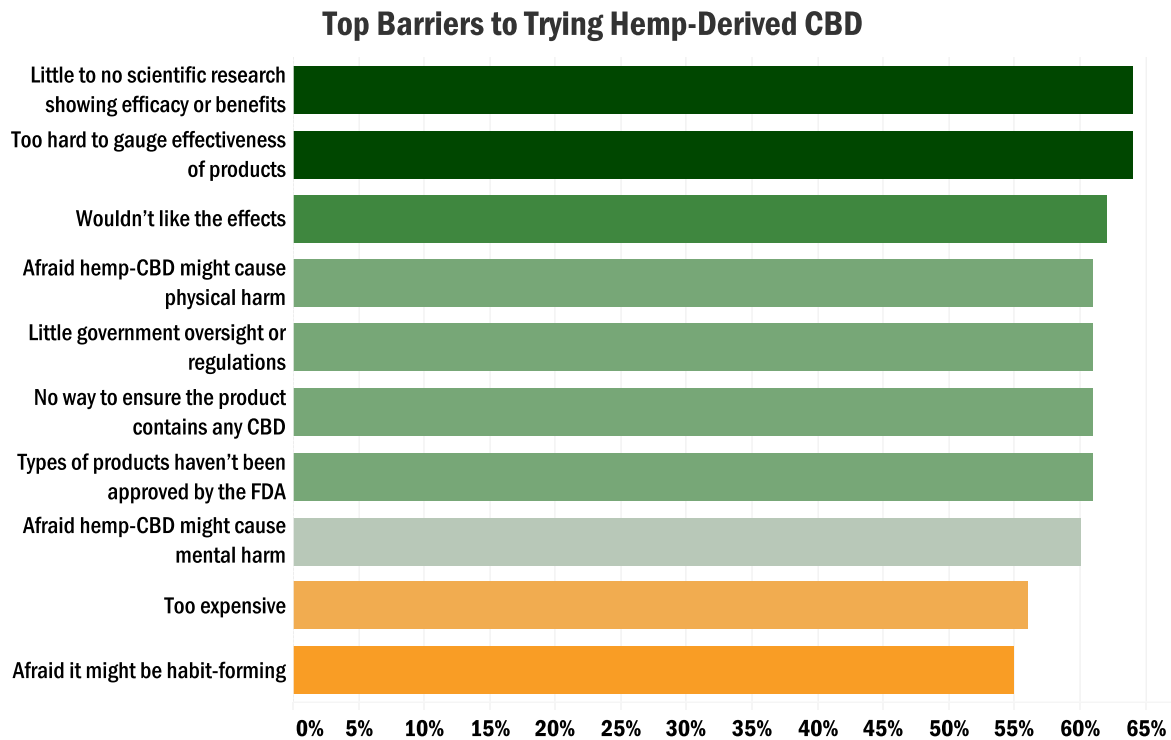
Considering consumer use of hemp-derived CBD topicals is already tracking high, it seems logical that hemp-CBD cosmetics would be a natural extension of this. However, 47% of consumers said they would not consider using these products versus 42% who said they would. Lower interest in hemp-CBD cosmetics could stem from perceived higher prices or simply brand loyalty.

Beyond the formulations that have already experienced the most adoption, Nielsen expects to see rapid growth in capsules and beverages—especially if the industry gets regulatory clarity from the U.S. Food and Drug Administration around using the extract as an ingredient. Consumers indicate high interest in these areas with 64% saying they have never used but would consider hemp-CBD capsules and 57% in beverages. FDA approval would expedite the appearance of such products on the shelves of mainstream grocery and drug retailers, which have been holding off on stocking ingestibles such as these until they are federally permitted.

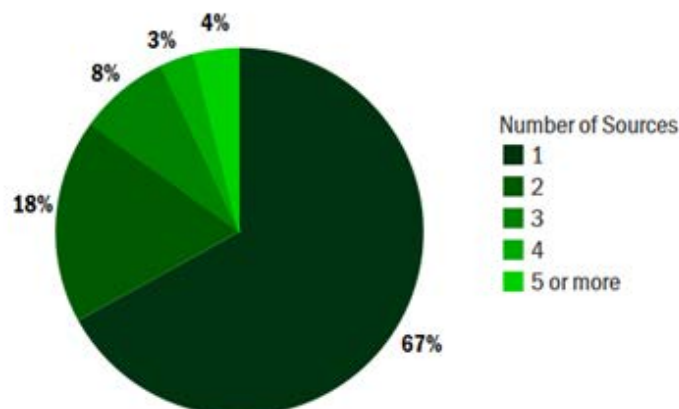
Consumers who said they are not likely to use hemp-CBD products in the next year indicated that product efficacy and a lack of regulation and oversight by the FDA are key reasons (64%) for their mindset. More than 60% of consumers worried they wouldn't like the effects of hemp-CBD because it could cause physical or mental harm or be habit-forming. More than half of U.S. adults said hemp-CBD products are too expensive.

About 36% of consumers said they felt overwhelmed (36%) by all the options and choices available on the market, so they didn't buy them at all. Lack of convenience in obtaining CBD and moral opposition also were listed as barriers to participation in this market.

Chart 10: Top Barriers to Trying Hemp-Derived CBD



Source: Nielsen "Thinking Beyond the Buzz" study (2019)
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Chart 11: Number of Sources Used for Purchasing CBD**Number of Sources Used for Purchasing CBD**

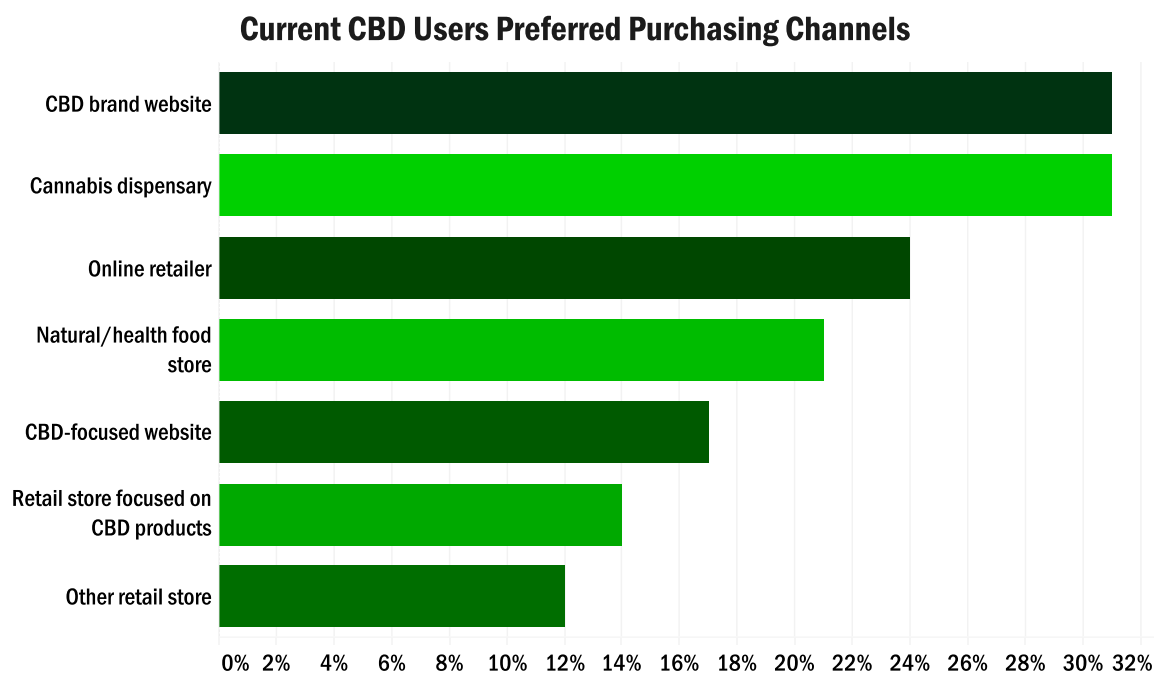
Source: Nielsen "Thinking Beyond the Buzz" (2019) study
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When hemp-derived CBD users shop for their preferred products, they tend not to shop around. Only 15% of consumers say they source the products from more than two locations. Two-thirds of U.S. consumers purchase only from one source.

Asked where they expect to purchase most of their hemp-CBD products over the next 12 months, few respondents indicated that they are likely to change or expand that sourcing. For example, 37% of consumers who purchased cannabidiol from an online CBD store expect that to remain their primary source going forward. For those in that group who said they might change their source, they indicated they would still look for sources that specialized in CBD rather than to general retail channels such as drugstores or convenience stores.

Brick-and-mortar CBD stores ranked highly among all consumers as a potential source. This is likely because of the ability of CBD stores to offer specialized information that is not available at other traditional retail outlets, a critical value-added service for a nascent industry with a long runway for growth.

Chart 12: Consumer Brand Loyalty



Source: High Yield Insights

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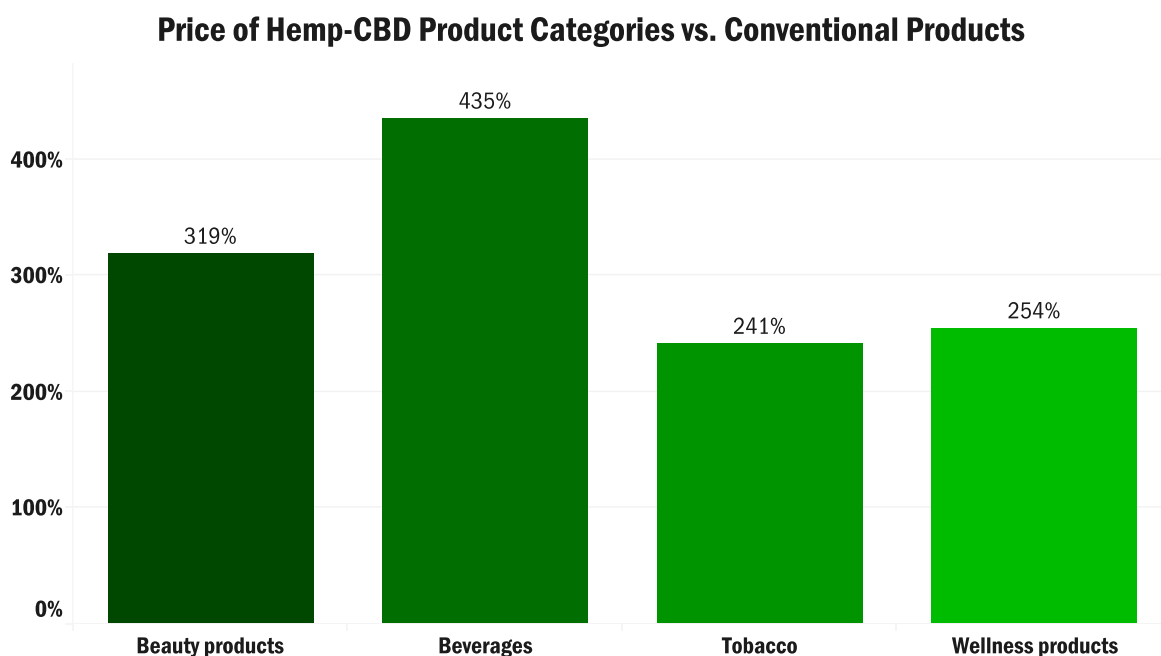
Even in the relatively new competitive market around CBD, consumers are turning to trusted companies and brands to acquire products with the cannabinoid.

Nearly one-third of respondents to a 2019 survey by High Yield Insights said they purchased CBD products from a specific brand's website—more than those who said they use a general online retailer and nearly twice the number who said they would use a general CBD-focused website.

Additionally, 35% said they were more likely to purchase CBD from a known brand and 37% said they were “excited” about the prospect of buying new cannabis products from other recognized consumer packaged goods (CPG) companies.

High Yield Insights, a Chicago-based, cannabis-focused consumer insight and market intelligence firm, conducted the online survey of 2,000 consumers 21 and older across the United States in January 2019.

This level of brand recognition and value should bode well for mainstream health-focused retailers who have entered the market for CBD products. But there's also a lot of opportunity for expanding brand visibility, as only 19% of survey respondents highlighted brand as the key attribute of purchase.

Chart 13. Hemp-CBD Product Price Comparisons

Source: Nielsen Answers on Demand Census Food+Drug and aggregate of selected convenience stores, 52 weeks ended April 18, 2020.
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Prices for hemp-derived CBD product prices generally run at least double the prices of conventional, non-CBD consumer product goods, sometimes as much as four times higher.

Beverages are on the more dramatic end of this, priced 435% higher on average than their non-CBD counterparts. For example, the \$5.36 hemp-CBD liquid tea stacks up against an average \$2.05 for a non-CBD tea product and the \$5.02 for hemp-CBD fruit drink compares to \$2.11 for a comparable non-infused unit. Water enhancers demonstrate some of the highest price differences, with an average CBD product costing \$42.06 versus \$1.97 for a non-CBD product.

Beauty products report a similar trend, with hemp-CBD products priced 319% higher than their non-CBD counterparts. Consider hand and arm lotion with CBD runs \$43.40 compared with \$5.45 for non-CBD lotion. Body lotion with CBD is also up there, at \$25.51 versus \$7.36 for non-CBD products. Even soap with CBD is higher priced, \$11.04 on average compared with regular soap for \$3.37.

Hemp-CBD wellness products run an average of 254% higher than comparable, conventional non-CBD items. Nonantibiotic first-aid CBD products cost \$38.50 next to \$7.81 for a non-CBD version. Topical analgesic products are \$22.29 for CBD products on average and \$9.64 for non-CBD. Popular Epsom salts with CBD are \$15.41 compared with \$6.61 for non-CBD salts. Supplements are also higher, averaging \$18.72 for CBD units next to \$12.51 for non-CBD items.

Inhalable hemp-CBD products average 241% higher prices than similar, conventional non-CBD products. For disposable e-cigarettes, the average price for a CBD unit is \$26.53, compared with \$7.18 for a non-CBD unit, though an e-cigarette refill costs only \$1.69 more on average for a CBD product than a non-CBD item.

Considering the nascent hemp-CBD supply chain and the uncertainty it faces because of unsettled federal regulations, it's likely not surprising that CBD prices are so much higher than conventional, non-CBD consumer product goods. The higher cost of inputs throughout the supply chain likely drive up the manufacturing cost, though CBD products probably offer higher margins as well, with obvious variances based on the product and brand. High licensing costs, production input costs and certifications in an as-yet unregulated industry still dealing with a patchwork of laws is an expensive and high-risk undertaking shrouded by the initial "green-rush" enthusiasm.

PRODUCTS BEST SUITED FOR RETAIL CHANNELS

CBD's muddled legal status as a product component creates several challenges for product manufacturers. First, it limits how and where the companies can market their products. In addition, several mainstream retailers have avoided adding hemp-derived CBD products to their inventories to avoid potential problems.

These include Walmart, Target, Costco and Sam's Club, resulting in the mainstream consumer packaged goods channel representing less than 10% of CBD sales. Retailers that do sell hemp-CBD products, such as Walgreens, CVS Pharmacy and Whole Foods Market, tend to focus exclusively on topical formats rather than ingestibles.

The regulatory barrier and lack of direction continues to stifle retailers, said Tony True, chief customer officer for Colorado-based Charlotte's Web.

"It's almost every month that I have a customer that would like to get into the business, then at the last moment chooses not to because they get cold feet and their answer is always, 'Well, as soon as the FDA regulates it, we'll be in, and we can't wait to sell CBD in our stores,'" he said.

Assuming favorable hemp-CBD guidance from the FDA, Nielsen Global Connect expects mainstream CPG retailers would offer a broad assortment of formats and categories. Many mainstream retailers that are interested in selling ingestible hemp-CBD products, such as beverages and food items, have been proactive in lining up suppliers and fulfillment in advance so they can roll out these products if or when the FDA gives the green light.

"There are a lot of really smart people in CPG retail, (and) they understand the potential behind the category and the challenges the industry is experiencing right now, especially due to FDA ambiguity," said Derek Thomas, vice president of business development for Colorado-based Veritas Farms. "That will really separate the forward-thinkers from the reactors once there is clarity. Those retailers who are able to get that ingestible program out there first and in a very visible, positive, inviting kind of way, they're going to start to win the category."

Hemp-CBD products predominantly are sold through three primary channels:

- Direct-to-consumer sales by CBD manufacturers
- Specialty brick & mortar channels, such as stores that specialize in beauty products, pets or professional services.
- Traditional consumer packaged goods outlets (e.g., grocery, convenience and drugstores).

Convenience Stores

Convenience stores and gas station mini-marts have embraced ingestible forms of CBD, including tinctures, gummies and beverages, demonstrating a need to stock lower-price-per-unit products and a franchise-based ownership structure that allows for a bit more autonomy at the local store level. On the shelf, CBD products are usually stocked together, regardless of brand, category or format.

In general, hemp-CBD products that are lower price, come in smaller packs or trial sizes and have shorter purchase cycles tend to do well at these stores. The smaller pack sizes, in particular, can adapt to the smaller-store footprint by being displayed on the counter—which prevents leakage, garners attention and does not require an operator to make room on the shelf.

One category that is currently underutilized by convenience stores is single-serve mixable powders. These could be especially well-suited for operators that offer self-serve fountain drinks, flavored iced machines and coffee bars.

Single-serve hemp-CBD beverages—especially those that are more functional in nature, such as energy drinks or alkaline waters—are also well slated for convenience stores because the needs that these beverages satisfy tend to mirror those that bring customers through the doors.

Similarly, smokable hemp-CBD formats and vape products align well with convenience stores, given that the heaviest shoppers there are more likely to be tobacco users who might have stronger interest in inhalable CBD formats.

Inhalable hemp-derived CBD products could also serve as replacements for tobacco users who are looking to quit smoking or vaping. Convenience store operators can use the CBD products to retain some of those lost tobacco buyers.

Grocery

Compared to convenience stores, grocery stores have more opportunity to bring in a wider assortment of products and are better positioned to become a destination for customers to stock up on larger pack sizes and higher dosages. Ingestible formats, such as edibles and beverages, would fit in well with the other products available at groceries, and other emerging formats, such as meal replacement bars and multiserve isolate powders, likely will be at home in this channel as well.

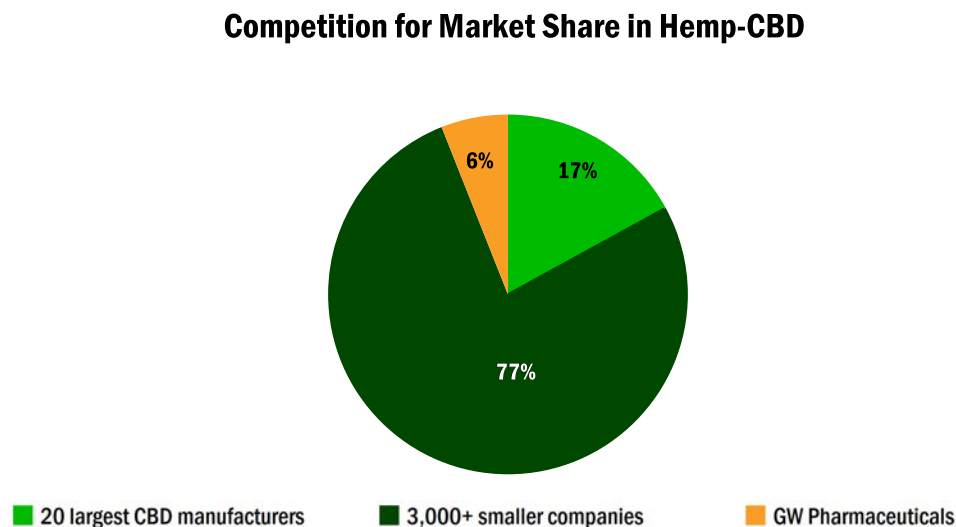
Though more medicinally positioned products for pain and sleep—for example, capsules, tinctures and topicals—might be better suited in drugstores today, the channels are blurring. Groceries might find benefits in stocking more of these products in or around the over-the-counter aisle.

HOW MANY HEMP-CBD BRANDS EXIST?

To date, the market counts roughly 3,000 known hemp-derived CBD brands, creating an extremely competitive landscape for hemp-CBD companies and a confusing array of choices for consumers who are just beginning to embrace the idea of using cannabinoids.

And more brands are unveiled daily as athletes and celebrities enter the crowded market to cash in on the CBD craze.

Chart 14: Competition for Market Share in Hemp-CBD



Source: Brightfield Group
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Publicly owned CBD companies have blamed dramatically falling sales, in part, on increased competition during the second half of 2019 and first half of 2020.

However, the number of hemp farms and CBD businesses exiting the market also is climbing, the result of:

- Uncertainty around U.S. Department of Agriculture hemp production regulations.
- Lack of clarity and guidance from the U.S. Food and Drug Administration regarding how hemp-CBD can legally be used in consumer products.
- Increased involvement from the U.S. Drug Enforcement Agency.
- Lack of access to capital despite federal banking institutions issuing member guidance to treat hemp-CBD entrepreneurs like other businesses.
- Bottomed-out prices for hemp crops stemming from oversupply in the 2018 and 2019 crop years.
- The coronavirus pandemic, which shut down independent CBD retailers, deeming them “nonessential,” and governmental failure to provide stimulus funds for farmers in the first quarter through the USDA.

The hemp-CBD market is likely to see a continued consolidation of brands, according to Bethany Gomez, managing director of research firm Brightfield Group, who predicted 2020 would be an “extinction event” for hemp-CBD brands.

Chicago-based Brightfield estimated in an August report that the top 20 over-the-counter CBD companies accounted for only 17% of the overall CBD market in early 2020, with roughly 3,000 other competitors crowding 77% of the market.

The largest CBD producer, London’s GW Pharmaceuticals, makes prescription CBD medicines and accounted for the final 6% of U.S. CBD sales, according to Brightfield’s count.

The flooded market is a result of entrepreneurial enthusiasm for a booming trend with few established brands. Throughout 2019, the CBD market saw so many new CBD market participants that those earning less than \$1 million in annual revenues occupy more than 97% of the market, Brightfield concluded.

Federal regulation of CBD by the FDA will likely contribute to a dramatic reduction in numbers, due to potentially cost-prohibitive requirements for Good Manufacturing Practice and standards certifications as well as third-party, full-panel product testing and other rules.

Brightfield predicts that hemp-CBD brand survivors will be companies such as:

- **Long-running CBD brands** that have already established brand loyalty.
- **Multistate marijuana operators** that can leverage capital and “vast dispensary and retail distribution networks.”
- **Supplement brands** that already have connections in retail and experience in marketing nutraceuticals.
- **Consumer packaged goods (CPG) behemoths** such as Anheuser-Busch and Unilever, which are “ready to join the competition as soon as a pathway is cleared” by U.S. health regulators.
- **Canadian marijuana operators** because of their “tremendous cannabis infrastructure and connections, legitimacy and investor dollars.”
- **The pharmaceutical market**, where Brightfield predicts more pharmaceutical-grade CBD producers might seek approval to join.
- **Scrappy disruptors**, or newer entrants to the CBD space whom Brightfield believes “have made tremendous headway over the course of months, many being picked up by large retail chains and thrust into the spotlight.”

Vince Sanders, CEO of Missouri-based CBD maker and retail franchise CBD American Shaman, said businesses entering the space should know that it’s no place for the faint of heart—and the green rush doesn’t equal easy money.

“This is a steep hill to climb, and it’s going to require a lot of capital investment, a lot of staying power,” Sanders said. “A brand is not just born. It takes years to build and a lot of work.”

COMPETITION FOR SHELF SPACE: MAKING HEMP-CBD BRANDS STAND OUT

The trend toward mainstream retailers embracing CBD products launched in 2019 when national chain CVS Pharmacy announced in March it had kicked off sales of hemp-derived CBD creams, sprays and salves in eight states. Within the next month, Walgreens, Rite Aid and The Vitamin Shoppe also announced plans to sell hemp-derived products.

By June, national grocery chain The Kroger Co. as well as a network of more than 10,000 convenience stores and gas stations joined the long list of mainstream retailers carrying the products.

At the time, Charlotte's Web CEO Deanie Elsner told investors she believes two-thirds of global CBD sales will eventually come from large retailers.

"The size and influence of the food, drug and mass merchandising retail (FDM) channel will shape how the CBD category develops," she said, "and the decisions being made by these massive companies will determine how we need to scale to meet their needs."

Here are five strategies for navigating distribution deals with mass retailers:

1. Data doesn't lie

While hemp legalization was in progress, mainstream retailers were watching and waiting in the wings. They also were forming partnerships with companies so that once the 2018 Farm Bill legislation was signed, they could move quickly with a go-to-market strategy.

How did FDM retailers find these companies? Data.

Mass merchandisers rely on data from retail analytics firms such as Chicago-based Spins to identify trends in specialty wellness retail and learn which products are performing on store shelves, particularly independent health food stores that have become a proving ground for new products.

Nielsen Global Connect also works with hemp-CBD brands and retailers to parse out retail data and consumer trends.

2. Be able to scale

Partnerships with major distributors require higher volume than specialty stores, and CBD companies must be able to meet the demand.

It's important to be able to scale business operations to accommodate mass retailers' needs for hundreds of stores across multiple markets. That means having the manufacturing capability as well as the quality-assurance process in place before the contracts are signed.

3. Connections are important

Filling key positions with consumer packaged goods specialists has been a strategy for brands looking to mainstream their products. Recruiting executives with connections at mass retailers has been a strategy employed by several CBD-products manufacturers.

Though not every company can afford to hire top CPG executives, it's a priority for certain industry players.

According to Paul Norman, CEO of Toronto-based CBD investment company HeavenlyRx, mainstream distribution will account for the majority of the CBD category's growth over the next five years.

"That's where people like myself ... come in extremely handy," said Norman, a former president of Kellogg North America. "We know mainstream distribution really well, the expectations of those customers and what's required to win distribution channels."

4. Work with brokers or distributors

With hundreds of CBD brands vying for shelf space, retailers often look to distributors to find legitimate, reliable and compliant brands, according to Doug Fischer, general counsel of Greenlane Holdings, a cannabis distributor in Boca Raton, Florida.

Greenlane serves more than 11,000 retail locations, from neighborhood smoke shops and marijuana dispensaries to department stores and high-end retailers. Distributors help retailers find the right products to connect with their distinct customer base. And for manufacturers, distributors help them win retail shelf space.

5. Be honorable

Ultimately, Fischer said, retailers want brand partners that:

- Follow the letter of the law.
- Don't make wild claims about their products.
- Verify their products with full-panel independent testing and certificates of analysis.
- Offer transparency and traceability to every level of the supply chain, all the way to consumers.

"Mass retailers are likely to adhere to FDA guidelines," Charlotte's Web's Elsner said, "and they will need to be confident that their suppliers do so as well."

HEMP-CBD CATEGORY MANAGEMENT AT RETAIL

The hemp-derived CBD category is new for most consumers and mainstream retailers, so effectively displaying in-store product is one of the most important considerations for generating sales in the category, according to CBD brands that have made inroads into the food, drug and convenience retail channels.

Because there are still relatively few consumers of the products, a goal of both manufacturers and retailers is to get the public more familiar with the category and to try the available products.

“When you talk to CBD prospects—people who aren’t using the category today, 76% would prefer to look and buy the product in-store, even though there’s a huge online business today,” said Tony True, chief customer officer for Colorado-headquartered Charlotte’s Web and former executive at vitamin and supplement brand Nature Made. “But consumers want to still touch and feel and read the label of this product and understand it, because many times, it’s the first time they’ve used it or purchased it.”

Hemp-CBD is a niche segment with a high margin, which provides opportunity for increased “basket size” or the number of items sold in a single purchase, an important retail metric, according to Carmen Brace of Chicago-based Aclara Research. In short, it’s a profit generator.

“Because of the lack of understanding of the product, many consumers are choosing to shop with a retailer that can help them understand and educate them on the product,” Brace said.

A few ways that CBD companies are working with retail to achieve this include:

- Franchise store-in-stores.
- Wellness centers.
- Endcaps and displays.

Store-in-store

CBD American Shaman, a Missouri-based vertically integrated company and retailer, launched a new concept for the CBD market in August: a CBD store within a grocery store. With a nationwide franchise of retail hemp-CBD stores, CEO Vince Sanders said the idea “makes sense” for his company and the local grocery store it’s working with. The experiment is going so well that Sanders said another three or four stores will open in the Ball’s Price Chopper grocery chain within the coming months, and the company will ultimately expand that idea to other chains.

Sanders told *Hemp Industry Daily* he is confident the store-within-a-store concept will remain viable, even as retailers start to merchandise CBD products on shelves with their non-CBD, conventional counterparts, because by that time, his company will be established. There will always be a need for education as well.

“When people see a store that’s dedicated to the category, there’s a higher degree of professionalism,” Sanders said. “When they’re in a comfortable environment, like a grocery store they trust and a person actually there, they want to approach and start asking questions.”

While the store-within-a-store concept is new to CBD, it is not new to retail. The idea has proved out with other new product categories, such as organic food, according to Brace.

Wellness centers

Kroger and its Mountain West subsidiary King Soopers stores merchandise hemp-CBD products with vitamins, dietary supplements, probiotics and immunity boosters as a type of wellness center.

“The overarching trend of many consumers now is a focus on wellness and immunity boosting,” Brace said. “How can I create a more effective, proactive health-care regimen to keep myself physically and mentally well, during a very stressful time within our world? And as we look at all the supplements and immunity-boosting foods that consumers are not increasing their consumption of, the consumption of CBD could very well fit in to that.”

Displays and endcaps

Grouping products together in sections or the in-store stores—or even just in endcap displays—provides consumers with a focal point and acquaints them with the range of products on the market in a new category, True said.

Nielsen Global Connect estimates that within 12-18 months, hemp-CBD products will be integrated into stores based upon need and category rather than isolated, resulting in more shelf-space allocation.

But True said customers won’t be ready in that time period for hemp-CBD products to be dispersed throughout the retail environment without education. Until the product is regulated more consistently and consumers are more familiar with the category, putting the products together in a cluster—on an endcap or a separate display, for example—makes more sense, he said.

REGULATIONS IMPACTING HEMP-DERIVED CBD

The two years that hemp has been a legal crop in the U.S. have been a rocky road for CBD brands. The day after the 2018 Farm Bill was signed, the U.S. Food and Drug Administration promptly reminded hemp and CBD businesses that it still had regulatory authority over hemp and CBD consumer products—but it did not provide any information on when it expected to provide guidance, as required under the new law.

Meanwhile, hemp and CBD companies have been operating under a patchwork of state laws, some of which freely allow in-state sales of all hemp-derived CBD products, including ingestibles, while others strictly follow the FDA's current stance, issued in November 2019, that not enough data is available to recognize the products as "generally regarded as safe."

In February 2020, FDA Commissioner Dr. Stephen Hahn acknowledged that American consumers want CBD.

"We're not going to be able to say you can't use these products. It's a fool's errand to even approach that," Hahn said at a national conference for state agricultural department leaders. "We have to be open to the fact that there might be some value to these products, and certainly Americans think that's the case. But we want to get them information to make the right decisions."

The agency's delay in establishing regulations for hemp in dietary supplements and food is the "elephant in the room" and a pressing public-safety concern, said cannabis attorney Shawn Hauser of Denver-based law firm Vicente Sederberg.

"We're approaching two years from legalizing hemp under the 2018 Farm Bill—and over a year since the FDA had its public hearing on the potential regulation of CBD—and the industry and consumers are still without a regulated marketplace for end products," she added.

REGULATIONS COULD BE CLOSE

The FDA submitted its Cannabidiol Enforcement Policy Draft Guidance for Industry to the White House Office of Management and Budget (OMB) in July. But aside from meetings with industry advocates and hemp and CBD companies to get input on what the regulations should include, there has been little progress toward guidance.

The OMB must sign off on new regulations from any federal agency. If the White House approves the draft guidance, the public release of the enforcement policy could come at any time.

Clarity could finally be coming to the CBD space, said cannabis attorney Jonathan Havens, a Washington DC-based partner with Saul Ewing Arnstein & Lehr, who said that the enforcement policy could be claims-focused—meant to control the dozens of illegal, unsubstantiated claims that companies have been making regarding their CBD products. But it's not clear which direction the FDA is going and hard to say what is going to happen, based on the enforcement policy.

"It could be claims-based, serving size-based, (which is) less likely, product standards-based, some combination of the three or something else," Havens said.

"On the standards front, it's possible FDA could start to hold ingestible CBD marketers to the agency's dietary-supplement regulations, for example Good Manufacturing Practice requirements."

Such standards are what the supplement-industry trade associations have been pushing for, Havens said.

Meanwhile, CBD brands say they want to be regulated and are investing in certifications and continuing to operate under standards for the food and dietary supplements industries as they wait in expectation of similar FDA regulations.

CONSUMER STUDIES UNDERWAY

To aid the FDA in developing guidance, a group of CBD companies is sponsoring a “real-world experience” observational study, designed to respond to the agency’s repeated request for science-based data to help determine the appropriate regulatory path for hemp-derived CBD products.

The study, which has been approved by the Institutional Review Board, an organization that provides oversight for human clinical studies, was developed by ValidCare, a Colorado firm that conducts clinical and market-intelligence research for the hemp and health-care industries. ValidCare received significant feedback on the scope of the study from the agency’s CBD Working Group.

To date, ValidCare has garnered support from at least 14 CBD companies, each of which is funding the study and recruiting up to 100 participants.

Results will be shared with the FDA and published in a peer-reviewed journal early in 2021.

In addition, the FDA’s Office of Women’s Health is planning a “multidisciplinary scientific conference” in November for medical professionals and members of the public to talk about how genders might be affected differently by cannabinoids.

The agency said it specifically wants to talk about:

- Sex differences in the effects of CBD and other cannabinoids.
- Use of CBD and other cannabinoids in pregnancy.
- Government agency perspectives on CBD research.

TIPS TO NAVIGATE THE HEMP-CBD CATEGORY

There is still ample opportunity for retailers to grab market share in the nascent hemp-CBD category.

Nielsen estimates sales of hemp-CBD consumer products will reach \$1.7 billion to \$2 billion in 2020, with the potential to grow to \$6.9 billion by 2025.

But before diving in, retailers new to the market should keep five things in mind to ease their entry and promote success:

Vet your vendors

Many hemp-CBD product suppliers are vertically integrated, meaning they control their entire supply chain from seed to shelf. These companies can benefit from hosting prospective retailers at their facilities to see how their hemp is grown and processed into products for the end-consumer, says Derek Thomas, vice president of product development for Veritas Farms.

Retailers can use this opportunity to rate a vendor's sanitary conditions and size of the facilities and warehouses to determine whether the company has the capacity to fulfill orders. They should also verify that potential vendors are financially sound, considering the recent attrition rate of hemp-CBD brands leaving the market, said Tony True, chief customer officer at Charlotte's Web.

Certification

The U.S. Food and Drug Administration has not issued regulations for hemp-CBD products yet, so to quell any doubts or fears about their products for both consumers and retailers, many manufacturers have self-imposed regulations through third-party certification entities, both from inside and outside the hemp industry. Some of these include:

- FDA Current Good Manufacturing Practices standard.
- NSF certification.
- U.S. Department of Agriculture Certified Organic program.
- ISO standards.
- Hemp Authority certification.

Trust but verify

Retailers can ensure vendors' products are legitimate and safe for public consumption in all 50 states by investing in third-party testing with a high-quality, ISO- and U.S. Drug Enforcement Agency-certified laboratory.

According to Roger Brown, CEO of ACS Laboratories, retailers should consider conducting third-party testing in Florida, where his lab is based, because it has the strictest testing standards in the U.S., mandating tests for 67 pesticides (compared to five in some states), 22 residual solvents and vitamin E acetate. Florida also requires that hemp-CBD products contain within 10% of the level of ingredients that are on the label.

Further, Brown said retailers should use a laboratory that has the proper equipment to test all the products they plan to carry. For example, some labs may not have the nanoemulsion technology required for testing beverages, without which would cause products to show zero cannabinoid levels. Basic tests that must be conducted for hemp contaminants, including:

- Cannabinoid potency.
- Pesticides.
- Microbiological for molds.
- Listeria.
- Heavy metals.

Brown said retailers should trust their vendors, but also verify that their products are what they say they are.

Be consumer-educated, and educate consumers

One of the most important things, according to True, is to focus on consumers to understand how they want to shop the store and which types of products they are pulling down. Focus on category management, displays and the questions consumers are asking.

Retailers should stock a diversified set of products but carefully balance that inventory to ensure that consumers aren't getting overwhelmed and walking away without buying anything. Don't hide products at the back of the store—place it front and center, expressing to the consumer that this is an exciting category that the store is proud to carry, Thomas suggested.

In-store marketing is a must for this nascent consumer category, because there are so many limitations on how it can be done otherwise. Retailers and manufacturers can work together to provide educational events, marketing collateral and samples.

And make sure to have a professional on hand to answer questions to help novice consumers understand the hemp-CBD category.

NO ONE SEEMS TO WANT TO MOVE ON IT:

Q&A WITH ATTORNEY DAVID KASTIN ON THE FUTURE OF CBD REGULATIONS

The biggest question mark for the global CBD industry is not how to market the cannabinoid and what it can do. Instead, the issue is whether the hemp and marijuana industries will be allowed to show customers what CBD can do.

Ongoing legal questions about the cannabis extract—which is legal in the United States if it comes from hemp but illegal to sell in a food or dietary supplement—give the booming CBD industry limited options to bring the market to the mainstream alongside other common nutritional supplements.

David Kastin, general counsel for New York-based Clever Leaves, advised one of the largest retail operators carrying ingestible CBD, The Vitamin Shoppe.

One of the nation's largest chain retailers of health supplements, The Vitamin Shoppe now carries CBD in 572 locations in 39 states, plus Washington DC and Puerto Rico.

Hemp Industry Daily recently caught up with Kastin to find out how he navigated legal uncertainty to bring CBD to retail shelves and get his predictions on when CBD questions will be resolved.

How do you navigate bringing CBD to market when there's so much uncertainty about its legality?

We have to back up a second. There are two issues, two types. There's the edibles, ingestible kind (of CBD), and there's topical cosmetic. Now, under the Farm Bill and under the (U.S. Drug Enforcement Administration) and the (Food and Drug Administration), cosmetics are fine. They're not regulated by the FDA, with respect to the CBD portion.

It's the ingestibles, the edibles that are. And so Clever Leaves is not going to be selling the United States any CBD edibles at this time.

At The Vitamin Shoppe, how did you manage to carry ingestibles?

I kind of jumped into it. I was there, and I was one of those people who worked for it and helped get it there.

It was analyzing risks. You know, all businesses manage risks one way or the other. You're either risk averse, or you want to help with the laws and do what you want.

Vitamin Shoppe was very conscious. It was a public company at the time. And we managed the risks going to states where it was permitted and keeping it out of states where it was not.

And the FDA, if you look, they don't really go after CBD itself; they go after claims. And even though they've said that CBD is not a legal dietary ingredient or dietary supplement, in practice they just go after false claims.

Many people who make CBD look to the laws that govern other dietary supplements (the Dietary Supplement Health and Education Act of 1994, called DSHEA) and copy those regulations.

In your opinion, is that how you should proceed as a CBD producer right now?

I'd say follow GMP—Good Manufacturing (Practices)—and follow DSHEA. Again, (CBD) is not really a dietary supplement to the FDA. But follow everything you can at the manufacturing level.

If you had a crystal ball, when would you say the FDA is going to act on CBD? A lot of folks in the CBD industry think that anytime now, any month now, the FDA is going to tell us how to do this.

Well, I don't think it's going to be any month now. I do think it's going to happen either through the FDA or through Congress.

It's a multibillion-dollar industry that states are losing revenue on. It's unclear why they're not calling it (generally recognized as safe, or GRAS). Because it is. There are several studies showing that CBD can be generally regarded as safe.

But it's going to take FDA action or Congress to do it, because no one seems to want to move on it.

Any advice you would have for a CBD maker right now navigating the space while we're waiting out this certainty?

The concern that they'll have is shipping through interstate commerce. Now, Congress said it's OK, but states still take their own position with it. It's a patchwork of legislation out there now.

How hard is that for a retailer? Are the big guys going to stay out until that patchwork has gone?

Nope. Vitamin Shoppe did it.

But Walmart I don't believe sells it; Target I don't believe sells it—the ingestibles, I mean. Most of them sell topicals. But with ingestibles, it's hard. A lot of companies don't want to touch it.