

FAQs about CBD

Q: What Is CBD?

A: CBD is specifically “cannabidiol,” one of more than 100 distinct cannabinoids found in the Cannabis sativa L. plant. Cannabinoids are compounds found in both plants and humans, where studies have shown they provide a supportive role in the function of the digestive system, central nervous system and immune system. CBD can be derived from both hemp (Cannabis Sativa L under 0.3% THC on a dry weight basis) or marijuana (Cannabis Sativa L over .3 THC on a dry weight basis).

This is an important distinction as CBD derived from marijuana is still considered a listed Schedule I Controlled Substance under the CSA (Drug code 7350 “marijuana extract”).

Q: How Is Hemp Different from Marijuana?

A: Under the 2018 Farm Bill, hemp, as noted above, is defined as cannabis (Cannabis sativa L.), and derivatives of cannabis with extremely low (less than 0.3 percent on a dry weight basis) concentrations of the psychoactive compound delta-9-tetrahydrocannabinol (THC).

Q: Does That Mean Hemp Is Legal for Retailing?

A: The answer is a bit complex and requires explanation. The 2018 Farm Bill removed hemp from the Federal Controlled Substances Act (the “CSA”). As a result, hemp is no longer deemed a Schedule I Controlled Substance. Hemp is legal to cultivate and sell in all 50 states under the U.S. Department of Agriculture (USDA) approved state programs or the default USDA program. As of the date of this FAQ, no state programs have received approval from the USDA and USDA has not initiated a process for the USDA default program.

As for retailing, we are seeing some merchants, from convenience to grocery, merchandise CBD products. The reason it is taking time for hemp-based CBD products to become more commonplace in convenience stores and other commercial outlets is because of another important component in the Farm Bill. The legislation preserved the Food and Drug Administration’s (FDA) authority to regulate products containing cannabis or cannabis-derived compounds under the Federal Food, Drug, and Cosmetic Act. So, even though hemp and hemp derivatives were removed from the CSA, the FDA has not yet approved hemp-derived CBD as a food additive or dietary supplement. Their reasoning is that both CBD and THC are active ingredients in FDA-approved drugs like Epidiolex.

Importantly, the FDA has indicated there is a pathway for creating a rule that would allow hemp-derived CBD to be used as a food additive or dietary supplement. And the agency is scheduling hearings this spring and summer to solicit input, including from Congress.

Q: What Should I Look For in a Responsible Supplier Partner?

A: It is critically important to do your homework to understand the supply chain and best practices: How is the product made? How much research went into the product? Are the products tested by an independent third party (we anticipate that as states approve manufacture of hemp-based CBD that they will develop a register of state-approved laboratories)? What kind of liability insurance does the manufacturer carry? How much capital do they have? What is their policy on unsold product?

Q: What Kind of CBD Products Do You Envision Being Sold First in the Convenience-Store Channel?

A: First, we are extremely bullish about CBD in the retail marketplace and believe it will become a multi-billion-dollar opportunity over the next 12 to 24 months.

Specifically for the convenience-store channel, we recognize that CBD carries a higher price point (oftentimes \$20 and higher) than what the industry may be accustomed. The c-store and hemp industries will coalesce around trial-size and smaller packaging that will be more affordable and a great gateway for new customers to test products.

As for specific products, we recommend c-stores introduce sprays, tinctures, powders, topical and balms. As the regulatory environment becomes clearer, we expect to see hemp-derived CBD to be used as a food additive in staple categories like packaged beverages (water, soft drinks, etc), candy and snacks, and baked goods.

There is widespread support to make CBD products and additives available to the mass market in a safe, responsible manner.

