

Regulatory Response Issue



Ministry for
Regulation

Minister and Portfolio:	Hon David Seymour, Minister for Regulation	Priority	Medium-High
Issue:	RRT2024-044 – Industrial Hemp Regulation	Tracking number:	MFR2024-159
Date:	14 November 2024	Security Level:	IN CONFIDENCE

Issue	Regulation of Industrial Hemp (iHemp)
Date raised with Ministry	22 October 2024
Source	In October 2024 the Ministry for Regulation (the Ministry) received four submissions from members of the public who had been encouraged by the New Zealand Hemp Industries Association (NZHIA) to make a submission on the regulation of the Industrial Hemp (iHemp). The Ministry has also contacted the Chair of the New Zealand Hemp Industries Association about this issue following receipt of the submissions.
Background	The submissions received on this issue were largely pro-forma submissions seeking the removal of iHemp from the controlled drugs regime under the Misuse of Drugs Act 1975 (MDA 1975) and the associated regulatory licensing regime under the Misuse of Drugs (Industrial Hemp) Regulations 2006 (Hemp Regulations). The submitters were also seeking the removal of iHemp from the regulatory regime under the Medicines Act 1981 (Medicines Act). The Ministry also met with the Chair of NZHIA on 7 November 2024, Richard Barge, to better understand the issue and what NZHIA consider would be an appropriate regulatory framework for iHemp. The Ministry is due to meet again with Mr Barge on 14 November to discuss this further.
Problem Definition	The industry body NZHIA consider that low THC iHemp is too heavily regulated as a controlled drug, relative to its low risk. iHemp has lower concentrations of THC (generally less than 0.35%) and higher concentrations of cannabidiol (CBD), which decreases or eliminates its psychoactive effects. They consider that this compliance and regulatory burden is deterring growers from producing iHemp and hampering the potential for this industry to develop and expand in New Zealand.
Analysis	<p><i>Potential Benefits of iHemp</i></p> <p>iHemp is a variety of the plant Cannabis sativa. It is a versatile crop that can be processed into different products with multiple uses. Its stalk can be used to produce biofuel, auto parts, paper, upholstery, and fiber for cloth and other textile items. The stem can also be processed into building materials, industrial products and different kinds of papers.</p>

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Industrial hemp seeds can be used to produce feed or food or the sources of oil that can be converted into a lotion or cosmetic products.

The submitters all highlighted that iHemp offers a number of potential uses and significant economic, environmental, and community benefits. They outline that iHemp production requires less water than a number of other crops, fewer agricultural chemicals and contributes to soil health.

The submitters consider that developing a domestic iHemp industry could strengthen supply chains for various products, including food, textiles, pulp & paper and construction materials, while also reducing New Zealand's reliance on imports.

The Ministry investigated this and confirm iHemp is currently captured as a Class C controlled drug in Schedule 3 of the MDA 1975. Part 1 of Schedule 3 describes cannabis as "any part of any plant of the genus *Cannabis*" which captures iHemp. The Hemp Regulations currently enable the cultivation and distribution of industrial hemp under a licensing regime.

International Context

We also looked into the international context raised, namely the United Nations Single Convention on Narcotic Drugs 1961, which made specific reference to iHemp not being controlled by the Convention.

Article 28, paragraph 2 of the Convention provides:

"This Convention shall not apply to the cultivation of the cannabis plant exclusively for industrial purposes (fibre and seed) or horticultural purposes."

In relation to the Convention NZHIA state:

"Given that the [UN Single Convention](#) makes specific reference to industrial hemp not being controlled by the Convention (Article 28.2), it is difficult to understand why the officials in New Zealand and other jurisdictions continue to treat us like we are growing an illicit narcotic drug."

NZHIA Strategic Proposal for Regulatory Change

NZHIA developed a Strategic Proposal for Regulatory Change in 2023. [Hemp Industry Strategic Proposal for Regulatory Change - New Zealand Hemp Industries Association](#)

The Ministry considered this Strategic Proposal which outlines that the global 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 value.

These proposals are seeking to ease the regulatory burden on iHemp growers and processors and to open the commercial pathways for greater iHemp production in areas of animal nutrition, cannabinoids¹ (proposed to be under a licencing regime) and

¹ Chemical compounds found in the plant *Cannabis sativa*.



biomass (leaves and flowers) to be processed into a variety of uses (non-psychoactive cannabinoid, terpene and flavonoid products, dietary supplements/ natural health products). They want to be able to have full plant utilisation (seed, fibre etc.,) and build better revenue streams for growers.

As one submitter stated:

“Globally the iHemp industry has had more than double-digit compound annual growth rates for over ten years. When combined with its ability to sequester carbon and soak up nitrogen, we have a win-win for the economy and environment.”

Submitters Proposed Solution

NZHIA and its members are seeking the exclusion of iHemp from the MDA 1975 and the Medicines Act.

Minister Reti is progressing changes to the Medicines Act via the Medical Products Bill which was considered by Cabinet in September and is planned for introduction in late 2025.

Additional Context

The Chair of NZHIA indicated that initial responses from the agencies responsible for the Hemp Regulations (Ministry of Justice) and the Medicines Act (Ministry of Health) were that they were not currently looking to support progress on these changes.

Recommendation

This appears to be a very good opportunity to progress a solution to the issue that has been raised by these submitters and the wider iHemp industry with potential economic benefits.

Agree to progress this issue in discussion with your Cabinet colleagues.

Options

Options to progress could include:

1. Seeking delegated authority from Minister Reti to progress the required changes as Associate Minister of Health (in relation to the Medicines Act changes);
2. Progressing a joint Cabinet Paper with Ministers Reti and Goldsmith (Health and Justice Portfolios); or
3. Progressing a Cabinet Paper in your own right as Minister for Regulation.

Next Steps

If you agree to progress this issue and identify a preferred option the Ministry will prepare more detailed advice.

Engagement

The Ministry is due to meet again with Mr Barge on 15 November to discuss this further.

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The Chair of NZHIA is due to travel to Wellington to appear before the Primary Production Select Committee on 21 November to present on iHemp and to seek cross-party support to get this issue resolved. There is potential opportunity for you to meet with the Chair around this time.

The Chair of NZHIA indicated that Barbara Kuriger (National MP for Taranaki-King Country) is offering support.

The Ministry have not yet had any engagement with the Ministry of Justice or Ministry of Health on this issue.

Contact Lucy Pritchard, Principal Advisor, Ministry for Regulation

Manager Tony Clark, Manager – Reviews, Ministry for Regulation, s 9(2)(a)

**Minister's
comments**