



To	<b>Hon David Seymour, Minister for Regulation</b>		
Title	<b>Determining the way forward for the review of Industrial Hemp Regulations</b>	Number	<b>MFR2025-223</b>
Date	<b>15 August 2025</b>	Priority:	<b>Medium</b>
Action Sought	<b>Forward A3 by 19 August 2025</b>	Due Date	<b>19 August 2025</b>
Contact Person	<b>Peter Clark – Manager, Regulatory Reviews</b>	Phone	s 9(2)(a)
Attachments	<b>Appendix 1: Industrial Hemp Regulations Review One-pager</b>	Security Level	<b>IN CONFIDENCE</b>

## Executive Summary

1. During agency and ministerial consultation on the review of the Industrial Hemp Regulations, issues were raised by the Police and Customs portfolios. A Joint Minister meeting between yourself, the Minister of Police, Hon Mark Mitchell, and the Minister of Customs, Hon Casey Costello, is scheduled on 20 August to discuss options for progressing the review.
2. Five options can be considered for progressing changes, ranging from enhanced enforcement of the status quo (Option 1) through to targeted deregulation (Option 5) [Appendix 1]. Across all options, we recommend that the Tetrahydrocannabinol (THC) limit be increased to <1% for international alignment, and that hemp uses be extended to enable provision of material to the Medicinal Cannabis Scheme to enable new economic opportunities for the sector.
3. Agencies have differing views on which of these options should be progressed, with Police and Customs supporting Option 1, whereas most other agencies support Option 5. Stakeholders appear to support a mix of Option 5 and an intermediate option. The Ministry for Regulation recommends that Option 5 be progressed to address the disproportionate nature and compliance costs of the status quo, with a two-year period for monitoring and report back on any changes. We also support intermediate options provided they reduce unnecessary burden on regulated parties and proportionately manage the risk of hemp being exploited.
4. Agencies have raised several issues, including that industrial hemp is a high-risk sector given the similarity to high-THC cannabis, that significant regulation of industrial hemp is needed to manage illicit cannabis risks, and impacts at the border. Appendix 2 sets out counterarguments in response to these points, and proposed talking points to support you discussing these with your colleagues.



5. Agencies will work together to progress Ministers' preferred option. A Regulatory Impact Statement may need to be developed given the new risks raised by Police and Customs.

## Recommended Action

---

We recommend that you:

- a **note** you are meeting with Ministers Mitchell and Costello on 20 August to discuss issues raised on the review of Industrial Hemp Regulations and agree a path forward *Noted*
- b **note** we have developed an A3 to inform the meeting that sets out the different options, including key details, and how those options support the industrial hemp sector and control of illicit cannabis, respectively **[Appendix 1]** *Noted*
- c **agree** to forward **Appendix 1** to Ministers Mitchell and Costello ahead of the meeting *Agree / Disagree*
- d **note** we have provided an overview of the issues raised, with counterarguments and proposed talking points, to support your discussion with your colleagues **[Appendix 2]**. *Noted*

s 9(2)(a)



---

**Dr Peter Clark**

Manager, Regulatory Reviews  
Ministry for Regulation  
Date: 15 August 2025

Hon David Seymour

**Minister for Regulation**

Date:



## Purpose

---

1. This paper provides you with information ahead of your meeting with the Minister of Police, Hon Mark Mitchell, and the Minister of Customs, Hon Casey Costello, on 20 August 2025 on options to progress the review of Industrial Hemp Regulations.

## Background

---

2. On 29 January 2025, you agreed in principle to a targeted review that would use secondary legislation to remove or reduce licensing requirements on the industrial hemp sector [MFR2025-001 refers]. On 4 June 2025, the Ministry was directed to focus analysis on a deregulatory option and provide a draft Cabinet paper to this effect.
3. We undertook our analysis and engagement with stakeholders through May and June. Agencies, including New Zealand Police (Police) and New Zealand Customs Services (Customs), did not raise any concerns with the deregulation option at that time, which supported us to receive a Regulatory Impact Statement exemption.
4. On 4 July 2025 we provided you with our advice and a draft Cabinet paper seeking agreement to deregulate the hemp sector [MFR2025-154 refers]. During the concurrent Ministerial and Departmental consultation between 10 – 22 July, Police and Customs raised concerns that deregulation would result in more exploitation of the hemp industry by organised crime, and challenges in managing hemp import and export at the border due to the absence of a domestic licensing regime.
5. Given the significant differences in views, the issues raised were unable to be resolved by agencies. A joint Ministers meeting was arranged to discuss the issues and agree which option/s could be considered by Cabinet.

## Progressing the review of Industrial Hemp Regulations

---

6. We have developed an A3 that sets out the different options, including key details, and how options support the industrial hemp sector and control of illicit cannabis respectively [**Appendix 1**]. We recommend this be provided to the relevant Ministers ahead of the meeting to set the context for the discussion.



## Potential options

7. At present, there are five options that could be considered, reflecting the four initially developed by the Ministry and an enhanced enforcement option. These options are:
  - i. **Option 1: enhanced enforcement of the status quo** – retain the current licensing regime with enhanced enforcement;
  - ii. **Option 2: status quo;**
  - iii. **Option 3: streamlined licensing regime** – retain the current licensing regime with improvements such as extending licensing period or removing regulator notification of not growing;
  - iv. **Option 4: registration** – revoke the licensing regime and replace with registration requirements; or
  - v. **Option 5: targeted deregulation** – revoke the licensing regime and replace with enabling regulations while retaining tools to manage illicit cannabis (see details of the options in **Appendix 1**).
8. Across the options, we recommend the following improvements be progressed:
  - i. Increase THC limit to <1%, which would align with Australia regulations and Food Act regulations;
  - ii. Extend hemp uses to enable supply of plants, seeds, and plant material to the Medicinal Cannabis Scheme, which would enable new economic opportunities for the sector; and
  - iii. [For Options 4 and 5 only] Propose a report back to Cabinet within 2 years to assess the impacts of any changes.
9. In response to Police and Custom's concerns, we have refined options 3–5 to strengthen the hemp management framework for the control of illicit cannabis, for example including a requirement to notify Police of growing areas and giving Police a power to require testing at the growers' expense. However, Police considered these proposals as insufficient and causing funding implications.

### *Different groups support different options*

10. Government agencies are largely split across the two most extreme options:
  - i. Option 1 is preferred by Police and Customs, as they view the hemp industry as high-risk due to its visual similarity to high-THC cannabis and risk of exploitation by organised crime.
  - ii. Option 5 is preferred by the Ministry of Health (MoH), including Medsafe, as there are no concerns regarding hemp cultivation and distribution as they pose no to very low health risks when correctly used, and consider the control of illicit cannabis as a matter for Police. While their views on all



options were not sought, during agency consultation on the draft Cabinet paper the Ministry of Justice, the Ministry for Primary Industries, Te Puni Kōkiri, the Ministry of Foreign Affairs and Trade, and the Treasury supported or did not oppose the deregulation option.

11. Stakeholders consider existing regulations as disproportionate, reflecting the stigma around all varieties of cannabis 20 years ago and placing unnecessary burden on genuine hemp growers and relevant businesses. However, there was no consensus on possible options for change. In general, we observed:
  - i. that export-focused and large-scale hemp producers supported a streamlined licensing regime (Option 3); and
  - ii. smaller and domestic market-focused growers supported full deregulation (Option 5).
12. The Ministry for Regulation considers that:
  - i. Targeted deregulation (Option 5) be progressed to address the disproportionate nature of the current regulatory approach with a report back, but that Options 3 or 4 could be considered provided they reduce unnecessary costs and burden on regulated parties and proportionately manage the risk of hemp being exploited.
  - ii. Option 1 would make regulation more disproportionate and result in greater costs on industry and the regulator, and increase stigma of the industrial hemp sector. In our view this option should not be considered.

## **Issues raised and responsive talking points**

13. Police and Customs have raised several issues with the options under consideration, including that:
  - i. Cannabis is the most abused drug in New Zealand, and industrial hemp is a high-risk sector given the similarity to high-THC cannabis;
  - ii. Significant regulation of industrial hemp is needed to manage illicit cannabis risks;
  - iii. s 6(c) [redacted]
  - iv. The industrial hemp sector will be larger, meaning there may be more exploitation of the sector with funding implications for Police; and
  - v. it will be harder to manage the import and export of hemp seeds at the border.
14. **Appendix 2** sets out these issues, counterarguments in response to these points, and proposed talking points to support you discussing these with your colleagues.



## Next steps

---

15. Depending on the outcomes of your discussion with Ministers Mitchell and Costello, agencies will work together on the details of the preferred option and progress the project accordingly. A Regulatory Impact Statement may need to be developed given the new risks raised by Police and Customs.
16. We will also give stakeholders an update on the progress of this project following your meeting.
17. If significant further work is required to progress this review, we may need to discuss prioritisation against other Ministry for Regulation projects. Alternatively, we understand that you now have the delegations for industrial hemp in your Associate Health portfolio, and as such could request MoH lead the next steps if preferred.



## Appendix 1: One-pager – Industrial Hemp Regulations Review

## INDUSTRIAL HEMP REGULATIONS REVIEW – 15 August 2025

Options	Option 1: Status quo with enhanced enforcement	Option 2: Status quo	Option 3: Streamlined licensing regime	Option 4: Registration	Option 5: Targeted Deregulation
<b>Level of regulation for industrial hemp</b>					
<b>Agency positions</b>	Police, Customs.				Ministry of Health (incl. Medsafe), Ministry for Regulation, Ministry of Justice, Ministry for Primary Industries, Te Puni Kōkiri, Ministry of Foreign Affairs and Trade, and Treasury had no concerns with this option. <sup>1</sup>
<b>Other jurisdictions</b>	Australia (NSW), <sup>2</sup> UK (longer licensing period), Canada				
<b>Proposed improvements across all options</b>	<ul style="list-style-type: none"> <li>Increase THC limit to &lt;1% (to align with Australia &amp; food regulation)</li> <li>Extend hemp uses: Fibre, food, oil &amp; supply of plants, seeds, and plant material to Medicinal Cannabis Scheme (to enable new economic opportunities)</li> <li>2 years monitoring and report back to Cabinet with an option to return to the status quo for Options 4 &amp; 5</li> </ul>				
<b>Further option details</b>	<p>Similar to the status quo plus more monitoring and enforcement:</p> <ul style="list-style-type: none"> <li>Site inspections/compliance visits/audits (Police has not provided details of this option - to be developed)</li> </ul>	<ul style="list-style-type: none"> <li>Licence criteria: age, Police check, licence history, location requirements, expertise</li> <li>Annual extension, reapply every 3 years</li> <li>General and Research &amp; Breeding licences</li> <li>Approved cultivars for cultivation, testing prior to harvest for all cultivars</li> <li>Restricted activities, restricted movements, safety requirements, manage the risk of misuse</li> <li>Change process for updating licence info</li> <li>Regulator &amp; Police notification of growing</li> <li>Record keeping, Annual Report</li> <li>Inspection power, suspension, revocation, offences, penalties</li> <li>Import/export licence</li> </ul>	<ul style="list-style-type: none"> <li>Licence: age, Police check, licence history, location information</li> <li>Renewed every 5 years</li> <li>Remove research and breeding licence</li> <li>Testing requirements for unapproved cultivars whereas growing approved cultivars require no testing</li> <li>Retain Police notification of growing areas, but remove regulator notification of not growing</li> <li>No change process but annual updates of key information (growers, planting areas, cultivars, purposes) with some record keeping</li> <li>Retain inspection &amp; testing power, suspension, revocation, offences, penalties</li> <li>Retain existing Import/Export licence</li> </ul>	<ul style="list-style-type: none"> <li>Medsafe registration: annually automatic registered on payment of a small filing fee (to fund the maintenance of the register only) and Police check</li> <li>Testing requirements for unapproved cultivars whereas growing approved cultivars require no testing</li> <li>Other risk-based testing requirements (TBC)</li> <li>Annual updates of key information</li> <li>Police notification of growing areas</li> <li>Import/Export licence requirements: <ul style="list-style-type: none"> <li>A declaration</li> <li>A fit and proper person test</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Removal of existing licensing, approved cultivars and other requirements.</li> <li>Police notification of growing areas</li> <li>Greater Police power based on risk (if desired)</li> <li>Import/Export licence requirements: <ul style="list-style-type: none"> <li>A declaration</li> <li>A fit and proper person test</li> </ul> </li> </ul>
<b>How the option supports industrial hemp growth</b>	<p>Similar to the status quo plus:</p> <ul style="list-style-type: none"> <li>More enforcement will result in more costs on industry, the regulator and increased stigma on hemp, which may further discourage involvement in the industry</li> <li>Increased overall costs are another barrier to entry, which is contrary to the original policy intent of the regulations</li> <li>Retain the ability to import and export</li> </ul>	<ul style="list-style-type: none"> <li>Significant costs on regulated parties (fees, admin)</li> <li>Significant restrictions on the hemp industry's growth (the industry's worth has already reduced from \$3-5 m to less than \$1 m in the last five years)</li> <li>Ability to import and export hemp seeds and hemp products</li> </ul>	<ul style="list-style-type: none"> <li>Some small reduction in compliance costs</li> <li>Restrictions on operations largely equivalent to the status quo</li> <li>Retain the ability to import and export</li> </ul>	<ul style="list-style-type: none"> <li>Some reduction in compliance costs</li> <li>Significant reduction in restrictions on business operations</li> <li>Retain the ability to import and export</li> </ul>	<ul style="list-style-type: none"> <li>Removal of most compliance costs</li> <li>Significant reduction in restrictions on business operations</li> <li>Retain the ability to import and export</li> </ul>
<b>How the option supports the control of illicit cannabis</b>	<p>Similar to the status quo plus:</p> <ul style="list-style-type: none"> <li>More deterrent effect for illicit activities</li> <li>Transfer of some workload from Police to Medsafe in detecting hemp exploitation</li> </ul>	<ul style="list-style-type: none"> <li>All plants and products with THC &gt;0.5% are illegal, including at the border unless authorised</li> <li>Some support for the control of illicit cannabis by the existence of a licensing regime, approved cultivars and testing requirements</li> <li>Questions on the effectiveness of a licensing regime in deterring and detecting illicit cannabis operations (eg one recent incident detected of illicit operations being undertaken by an industrial hemp licensee)</li> <li>Police have available information from Medsafe, growers and intelligence on growing activities</li> <li>Police have powers under the Misuse of Drugs Act to control illicit cannabis</li> </ul>	<p>Similar to the status quo</p>	<ul style="list-style-type: none"> <li>All plants and products with THC ≥1% are illegal, including at the border unless authorised</li> <li>Police check limits certain registrants</li> <li>Police have available information from register, growers and intelligence on growing activities</li> <li>Police have powers under the Misuse of Drugs Act to control illicit cannabis</li> </ul>	<ul style="list-style-type: none"> <li>All plants and products with THC ≥1% are illegal, including at the border unless authorised</li> <li>Police have available information from growers and intelligence on growing activities</li> <li>Any use of hemp other than those specified in the legislation is illegal</li> <li>Police have powers under the Misuse of Drugs Act to control illicit cannabis</li> </ul>

<sup>1</sup> While their views on all options were not sought, during agency consultation on the draft Cabinet paper these agencies supported or did not oppose the deregulation

<sup>2</sup> Only Australia (New South Wales) requires compliance audits (and more annual fee for licence holders)

<sup>3</sup> Declared farmers can grow certified seeds of hemp meeting THC limits, without a licence, and with limited documentation requirements

## Appendix 2: Issues raised, counter arguments and talking points

Issue raised	Counter-arguments	Talking points
<p><i>Cannabis is the most abused drug in New Zealand, and needs to be regulated as such</i></p>	<ul style="list-style-type: none"> <li>The estimated annual social harm from cannabis is \$911m. In contrast, the estimated annual social harm from alcohol is \$9.1b, and from methamphetamine is \$1.5b.</li> </ul>	<ul style="list-style-type: none"> <li>We should treat cannabis proportionate to the risk it poses.</li> </ul>
<p><i>Industrial hemp is a high-risk sector given the similarity to high-THC cannabis and risk of exploitation by organised crime</i></p>	<ul style="list-style-type: none"> <li>While visually similar, low-THC industrial hemp is low-risk and was legalised 20 years ago. The production of high-THC medicinal cannabis is also permitted provided regulatory requirements are met.</li> <li>Regulations on low-risk activities should be proportionate.</li> </ul>	<ul style="list-style-type: none"> <li>The current regulations are a holdover from a time when anything to do with cannabis was treated with suspicion.</li> <li>Hemp looks like high-risk marijuana but itself and its products are low-risk and should be treated as such.</li> </ul>
<p><i>Significant regulation of industrial hemp is needed to ensure it isn't being exploited to disguise illegal cannabis cultivation by criminals</i></p>	<ul style="list-style-type: none"> <li>Our analysis found that the current licensing regime is disproportionate to the risk posed by industrial hemp, with significant costs on regulated parties who are trying to adhere to the rules. The costs are not just licensing fees but also the administrative burden and the discouraging effects the regulations create.</li> <li>We question the effectiveness of any hemp management regime in completely controlling illicit cannabis activities – there are already significant illicit cannabis activities domestically, and Police have recently prosecuted an industrial hemp licence holder for illicit cannabis activities.</li> <li>Police are responsible for managing illicit cannabis, and have a range of powers, operations and expertise in support of this.</li> <li>All options would ensure Police retain the necessary information for their operations.</li> </ul>	<ul style="list-style-type: none"> <li>Hemp itself is low-risk – there is no need for this to be regulated to an even higher degree than medicinal cannabis is.</li> <li>It is important to strike the right balance between controlling illicit cannabis and enabling legal business activities.</li> <li>The industrial hemp regulations are not a panacea for controlling illicit cannabis.</li> <li>Police are best-placed, and responsible for, managing illicit cannabis, and retain powers under the Misuse of Drugs Act.</li> <li>All options ensure Police still have the information they need to undertake their operations.</li> </ul>

## Appendix 2: Issues raised, counter arguments and talking points

<p>s 6(c)</p>		
<p><i>Reducing regulatory burden may result in more hemp being grown, and potentially more exploitation by cannabis criminals with workload and funding implications on Police</i></p>	<ul style="list-style-type: none"> <li>• All agencies are expected to perform their responsibilities within the funding available to them.</li> <li>• Due to cross-pollination, greater growth of industrial hemp could help reduce the potency of illicit cannabis grown outdoors and in proximity to the industrial hemp.</li> </ul>	<ul style="list-style-type: none"> <li>• The growth of a new sector of the economy should be celebrated.</li> <li>• All agencies are expected to operate within their means.</li> <li>• Due to cross-pollination, a larger industrial hemp sector could reduce the THC-content of any illicit crops grown nearby.</li> </ul>
<p><i>It will be harder to manage the import and export of hemp seeds at the border without a strong domestic licensing regime to detect high-THC cannabis seeds from hemp seeds</i></p>	<ul style="list-style-type: none"> <li>• s 6(c)</li> <li>• New requirements, such as a declaration and criminal record check, would be set to enable issuing of import and export licences for hemp. There would be no change to Customs operation at the border under any options.</li> </ul>	<ul style="list-style-type: none"> <li>• s 6(c)</li> <li>• New requirements would be set, such as a criminal record check, to enable import and export licences to be issued, meaning operations at the border would be unaffected.</li> </ul>