



Minister and Portfolio:	Hon David Seymour, Minister for Regulation		
Title:	Supporting cost-benefit analysis for the Industrial Hemp Regulations review	Number	MFR2025-234
Date:	20 August 2025	Security Level:	IN CONFIDENCE

Purpose This paper provides supplementary (and high-level) cost-benefit analysis on the Industrial Hemp Regulations review ahead of your meeting at 11:30am on 20 August with Ministers Mitchell and Costello.

Background You are meeting with Ministers Mitchell and Costello to discuss issues raised in their Police and Customs portfolios with the review of Industrial Hemp Regulations. Initial advice was provided to inform this meeting (MFR2025-223) however you requested supplementary cost-benefit analysis information to be provided (A2025-272).

Sector overview and trends

- The domestic industry has contracted over the past 5 years.
 - In 2021, a report commissioned by the Ministry for Primary Industries estimated that the sector could grow to approximately \$24.7 million in 2030.
 - From 2020 to 2025, the industry has contracted from \$3.5 million to \$1 million. Cultivated areas decreased from 4,000ha to 680ha, and general licence holders have dropped from 243 to 59.
- Industrial hemp sectors in competing nations are larger, with many growing considerably over the same time period.
 - In Australia, 2,300 ha were planted in the 2023-2024 season.
 - In Europe, the market value has increased from \$2.9b in 2020 to \$4.9b in 2024.
 - The total value of industrial hemp production in the United States increased from \$380m in 2022 to \$712m in 2024.

Key points

Benefits of change

- Benefit to growers and consumers from increased supply of hemp – An expansion in the market will benefit growers, in the form of increased returns, and also consumers, through increased supply of hemp products and lower prices.
- Benefit to growers due to greater whole plant utilisation – Enabling leaves and flowers to be used for supply to the Medicinal Cannabis Scheme allows greater use of the plant, increasing the potential return to growers.
- Avoided compliance costs – Estimated to be between \$80,000-\$160,000 per annum for the sector. This includes licence fees, testing and admin costs.
- Reduced cost to the regulator – The regulator's cost to administer the scheme will be reduced (reflecting a freeing up of its resources that can be put to a

IN CONFIDENCE

Note: A detailed cost-benefit assessment is included in the published Regulatory Impact Statement available at: <https://www.regulation.govt.nz/about-us/our-publications/information-release-addressing-unnecessary-regulatory-burden-on-the-hemp-sector/> 1

The Regulatory Impact Statement contains a comparative analysis of four options presented to Ministers and an assessment of the costs and benefits of the preferred option.



higher value use). Note the overall cost to administer the scheme is not fully cost recovered by the regulator.

- Increased innovation from lower R&D costs – Reducing the costs of undertaking R&D would be expected to result in more being undertaken. Increased innovation has the potential to be a material benefit, particularly if it results in innovative new products that would otherwise not have come to market.

Costs of change

- Increase in illicit cannabis activities – In principle this is a valid cost to include in cost-benefit analysis, however no evidence has been provided showing how the changes may result in an increase in illicit activities, and the scale and cost of those.
- Market-driven testing requirements – New requirements of businesses to require testing from suppliers in the absence of mandatory testing. May be offset by the reduction in mandatory testing.
- Developing guidance – a one-off cost to support navigating the changes.

Author

Kevin Counsell, Chief Economist