



Addressing unnecessary regulatory burden on the hemp sector

Date:	30 October 2025		
To:	Hon David Seymour, Minister for Regulation		
From:	Colm Williams – Principal Advisor, Office of the Chief Executive Adam Jackson – Chief Advisor to the Chief Executive		
Meeting date:	4 November 2025		
Meeting:	(EXP) Cabinet Expenditure and Regulatory Review Committee		
Security classification:	In confidence	Tracking number:	MFR2025-298

Purpose

This paper provides talking points for the discussion of Cabinet paper Addressing unnecessary regulatory burden on the hemp sector at EXP.

Executive Summary

Summary

1. Your Cabinet Paper *Addressing unnecessary regulatory burden on the hemp sector*, which proposes a deregulation of the industrial hemp industry, is scheduled to be discussed at EXP on 4 November 2025.
2. The paper may stimulate some debate at EXP because the proposal has, at times, been opposed by both Police and Customs (although Customs has withdrawn their objection).
3. The main concern raised by Police, Customs and their respective Ministers, has been that a rapidly growing hemp industry, paired with a perception of minimal regulatory oversight, may be an attractive target for organised crime. In addition, some parts of the hemp and medicinal cannabis industries have raised concerns about cross-pollination risk and a lessening of New Zealand's credibility in export markets as a result of deregulation. It is possible that these industry concerns will also be raised by your Cabinet colleagues.

Our view

4. While the future is always uncertain, our view is that there are strong mitigating factors that mean these risks do not outweigh the potential benefits from the proposal. Our view is that the case for regulation here is not strong enough to justify its continuation.

Talking points

5. We have **enclosed** a set of brief talking points covering the issues we believe are most likely to be raised at Cabinet.

IN CONFIDENCE



Annex – Suggested responses to questions

Why are you proposing this?

- Hemp has real value as a horticultural product and no value as an illicit drug, so it should not be regulated as an illicit drug. We do not regulate aspirin because it is hard to distinguish from ecstasy.
- Based on international experience, we believe this industry has significant growth potential and we should give it the opportunity to realise that potential.
- If, despite these changes, the industry *does not* grow, any downside will be limited, because the risks from the change are largely based on rapid industry growth.
- I also note that there are other significant regulatory barriers to growth that are being looked at (such as the inability to use hemp for animal feed) and may also need to be addressed to generate growth.

Is there a risk that organised crime will move in?

- To come within the regulation, growers will need to notify Police and MPI of their activities. That will be very unattractive to organised crime.
- Illicit cannabis and hemp cannot be grown together because the cross-fertilisation lowers the value of both crops, so illicit cannabis cannot be hidden within a hemp crop.
- The growing activities of illegal and legal operators – where they want to grow, which parts of the plant are important, and their commercial operations – are all different, and illegal operators are likely to be noticed and doxxed in by legal ones, to protect the reputation of the industry.
- It is a poor rationale for regulation – we do not ban laundromats because organised crime might use them for money laundering.
- We will review the policy in two years. If it appears that organised crime has moved in, we will have an address book of operations Police can check, and we can amend the regulation.

Is there a risk that domestic illicit cannabis use will scale up?

- If people are too risk-averse to grow illicit cannabis now, they are unlikely to be willing to notify Police of a hemp operation and start growing illicit cannabis after the law change.

continued next page



Will this damage the reputation of our medicinal cannabis industry?

- I acknowledge that there is some industry concern that liberalising hemp regulation could affect the perception in our export markets about the robustness of medicinal cannabis regulation. However, I think this is a low risk, because New Zealand's medicinal cannabis regulation remains in place, as do import and export restrictions on both medicinal cannabis and hemp.

Will there be a cross-pollination risk from uncontrolled growth?

- Cross-pollination between hemp and medicinal cannabis crops can be detrimental and this risk is likely to grow as the industry grows. However, although this is a negative consequence of industry growth, it is already managed by many larger horticultural industries and should be able to be managed in the same way by the hemp and medicinal cannabis industries.
- Further, it will only become a material issue if there is a significant increase in hemp production, which will provide benefits that outweigh the cost of managing this risk.