

# Minister for Regulation

## Information Release

### Addressing unnecessary regulatory burden on the hemp sector

December 2025

This information release is available on the Ministry for Regulation website at:

<https://www.regulation.govt.nz/about-us/our-publications/>

#### Documents in this information release

#	Reference	Date	Title	Information withheld
1	EXP-25-SUB-0099	30 October 2025	Addressing unnecessary regulatory burden on the hemp sector [Cabinet paper]	s6(c)
2	EXP-25-SUB-0099-A	30 October 2025	Regulatory context for Industrial Hemp [Cabinet paper Appendix 1]	No information withheld
3	EXP-25-SUB-0099-B	29 October 2025	Regulatory Impact Statement: Review the Misuse of Drugs (Industrial Hemp) Regulations 2006 [Cabinet paper Appendix 2]	s6(c) s9(2)(a) s9(2)(f)(iv)
4	EXP-25-MIN-0099	4 November 2025	Cabinet Expenditure and Regulatory Review Committee Minute of Decision	No information withheld
5	CAB-25-MIN-0399	10 November 2025	Cabinet Minute of Decision	Information not relevant to EXP-25-SUB-0099 marked as out of scope

#### Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld under section 9 of the Act, no public interest has been identified that would outweigh the reasons for withholding it.

Sections of the Act under which information has been withheld:

- 6(c) - the making available of that information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- 9(2)a – to protect the privacy of natural persons

- 9(2)(f)(iv) – to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

**Accessibility**

Documents are available in PDF format only. Any requests for documents in different accessibility formats will be managed on a case-by-case basis by the Ministry.

Office of the Minister for Regulation

Office of the Associate Minister of Health

Cabinet Expenditure and Regulatory Review Committee

## **Addressing unnecessary regulatory burden on the hemp sector**

### **Proposal**

- 1 This paper seeks agreement to address unnecessary regulatory burden on the hemp sector by replacing the Misuse of Drugs (Industrial Hemp) Regulations 2006 (Industrial Hemp Regulations) with new ‘permission regulations’.

### **Relation to government priorities**

- 2 This work supports the Government’s commitment to ensure regulatory requirements are fit for purpose, reduce unnecessary regulatory burden and maximise economic growth and productivity.

### **Executive Summary**

- 3 New Zealand’s hemp sector has promising growth potential, but the complexity of the regulatory framework is a significant barrier to the sector’s growth. Hemp has low levels of delta-9-tetrahydrocannabinol (THC)<sup>1</sup>, yet it is currently regulated under the Misuse of Drugs Act 1975 (MoDA) and the Industrial Hemp Regulations.
- 4 I consider the current regulations are imposing unnecessary costs on the sector and discouraging farmers from growing hemp, despite its potential economic and claimed environmental benefits. The regulations are now almost twenty years old and disproportionate to the risk they were created to manage.
- 5 I propose that Cabinet agree to replace the Industrial Hemp Regulations with new regulations that permit the cultivation and distribution of hemp without a licence. The new regulations would contain conditions to ensure hemp continues to be a low-risk horticultural crop, and to manage the risk of hemp being used to disguise illegal cannabis activities. These conditions include a THC threshold of less than 1%, clear limitations on what hemp can be used for, and a requirement to notify the New Zealand Police (Police) and the Ministry for Primary Industries (MPI) before cultivating hemp. Police would still have their existing tools and powers for policing illegal forms of cannabis.
- 6 I also propose removing the current restrictions on the provision of hemp plant material, hemp seeds and plants to holders of a medicinal cannabis licence, to open up new economic opportunities for the hemp sector while retaining appropriate levels of regulatory oversight. This will require changes to the Misuse of Drugs (Medicinal Cannabis) Regulations 2019. Medicinal cannabis products would remain subject to existing standards and requirements.

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<sup>1</sup> The primary cannabinoid that produces a psychoactive and intoxicating effect.

- 7 To continue issuing import and export licences for industrial hemp without a domestic industrial hemp licensing regime, amendments to the Misuse of Drugs Regulations 1977 will also be required. These changes would ensure that only fit and proper persons can engage in the business and that sufficient information is provided to support effective border management.
- 8 The Ministry for Regulation estimates improved regulation would save compliance costs of \$80,000-160,000 per year (\$1m to \$2m in present value terms over 20 years) and the industry growth would generate a net present value benefit of \$41 million over the next 20 years.<sup>2</sup>
- 9 Police and Customs raised concerns that deregulation, combined with the potential for rapid hemp industry growth, could increase the risk of organised crime exploiting the hemp industry, and complicate the management of hemp seed imports and exports at the border. Police also raised concerns that removal of the licensing regime, together with less ongoing regulatory oversight, could be perceived to be loosening controls on illicit cannabis, potentially leading to more non-compliance. However, officials from both the Ministry for Regulation and the Ministry of Health have advised that there are a number of risk mitigants (such as the requirement to notify Police before cultivating) and limited evidence to suggest the changes will lead to a material growth in illicit cannabis activities.
- 10 I consider the conditions associated with permitting regulations are sufficient and proportionate to enable Police and Customs to continue controlling illicit cannabis and managing border risks. More importantly, there will be no changes to the existing powers or operation of Police and Customs in performing these roles.
- 11 I also acknowledge the hemp sector's desire for wider changes to other regulatory frameworks that are outside the scope of this review. I expect officials from the relevant departments to continue to engage with the sector to consider the proposals.

## Background

- 12 Hemp is a versatile horticultural crop with promising growth potential. Around the world, hemp seeds and oils are processed into food products, supplements, oils, cosmetics and animal feeds; hemp stalks and fibre into textiles, clothing, rope, papers and building materials; and hemp flowers and leaves into health products. The global hemp industry is projected to grow significantly, with estimates ranging from US \$16.8 billion to US \$64.8 billion by 2030<sup>3</sup>.
- 13 In 2020, New Zealand's hemp sector was estimated to be worth \$3-5 million, primarily serving the domestic fibre and food market. Analysis commissioned by MPI estimated that the sector could grow to approximately \$30 million by 2030, and the sector's own growth estimates are even more ambitious, projecting that broad regulatory reform could lead to revenues of \$2 billion by 2030.
- 14 However, for various reasons, including regulatory barriers, the industry has

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<sup>2</sup> See Appendix 2 to the annexed Regulatory Impact Statement for the Ministry's supporting analysis.

<sup>3</sup> Grand View Research, Market Analysis Report: [Industrial Hemp Market Size & Share | Industry Report, 2024-2030](#) and NZ Hemp Export Driven Investor Report, 2020: [FULL-REPORT-final-55.pdf](#)

contracted from \$3-5 million in 2020 to less than \$1 million<sup>4</sup> in 2025. Licensed growing areas have decreased from approximately 4,000ha in 2019/2020 to approximately 680ha in 2023/2024 and actual growing area in 2023/2024 was only about 180 ha. General licence holders have dropped from 243 in 2019/2020 to 59 in May 2024.

- 15 Hemp is regulated because it is part of the *Cannabis sativa* plant species. Cannabis fruit, plant and seed are specified within MoDA as a Class C controlled drug and a prohibited plant. This means that all activities with any variety of cannabis (including hemp) are illegal, unless specifically provided for through licence or regulation. This regulation stems primarily from the effects THC, which is contained in cannabis. Hemp has only very low levels of THC and so its regulation is essentially an off-target effect of the broader regulation.
- 16 The Industrial Hemp Regulations were created to mitigate this off-target effect and enable a hemp sector, while ensuring that ‘other forms of cannabis are not cultivated and distributed under the guise of industrial hemp.’ The regulations provide for general licences, dealing with approved cultivars with a THC concentration generally below 0.35% but not more than 0.5%; research and breeding licences; and testing, security, record keeping, notification and reporting.
- 17 It is now widely accepted that the Industrial Hemp Regulations are out of date. There is broad support to remedy this, including the Primary Production Select Committee’s April 2025 report, which welcomed a review of the Industrial Hemp Regulations.
- 18 In addition to the Industrial Hemp Regulations, which focus primarily on hemp cultivation, hemp is also impacted by other regulatory systems (**Appendix 1**). For example, if hemp is used as food it is subject to the food regulations<sup>5</sup>. The importation and exportation of hemp seeds requires a licence under MoDA and its regulations<sup>6</sup>. Only small, consequential changes to those other regulatory systems are proposed at this stage, with no changes proposed for hemp food products under food regulations.

## The proposal

- 19 I propose replacing the Industrial Hemp Regulations with new regulations (or amendments to existing Misuse of Drugs Regulations 1977) that permit dealings with controlled drugs and the cultivation of prohibited plants without the need for a licence.
- 20 The new regulations would include the following components that are designed to ensure any person could undertake the full range of activities that are currently

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<sup>4</sup> This estimate is based on the current cultivated area and revenue per hectare outlined in a 2023 report by Perrin Ag commissioned by the New Zealand Agricultural Greenhouse Gas Centre: [PerrinAg\\_Hemp-report.pdf](#), noting that during engagement meetings, some stakeholders estimated the value of industry sales may actually be in excess of \$10 million per year.

<sup>5</sup> Such as the Food Act 2014 and the Australia New Zealand Food Standards Code. The Food Standards Code prohibits Cannabis spp but makes an exception for Cannabis sativa seeds and seed products with compositional and labelling requirements, including that the plants used for food must be low-THC Cannabis sativa, defined as having no more than 1% THC in leaves and flowering heads.

<sup>6</sup> A licence is required to import or export controlled drugs. Licence fees are set out in the Misuse of Drugs Regulations 1977. The current fee for an import/export licence is \$190.

permitted through the licensing regime, while retaining some of the existing powers and safeguards within the current Industrial Hemp Regulations.

- 20.1 **Hemp permission:** This would allow any person to cultivate and undertake other dealings<sup>7</sup> with hemp and/or hemp products provided they complied with the conditions within the regulations and other relevant regulations. Any activity currently permitted under the Industrial Hemp Regulations with a licence would become permitted without a licence.
- 20.2 **A THC threshold for industrial hemp:** The permission would apply to cannabis plants with THC content that was less than 1% of the dry weight of the plant. This would be higher than the current 0.5% upper limit but would be in line with most Australian states and operational components of the Medicinal Cannabis Scheme relating to security, and would still allow hemp seeds and hemp seed products to be used as food under food regulations.
- 20.3 **A limitation on permitted use:** The permitted use would be broadened from fibre and seed (food and oil), to also include the supply of hemp plant material (leaf and flower) to holders of a medicinal cannabis licence. This would open a new opportunity for industrial hemp growers, while ensuring medicinal cannabis product remained subject to existing standards. The regulations would not permit the use of hemp plant material for recreational purposes.
- 20.4 **The supply of hemp seeds and plants:** This would allow the supply of unlimited numbers of hemp seeds and plants to holders of a medicinal cannabis licence for the activity of cultivation. This would be a change from the current limits of 50 seeds and 20 plants of industrial hemp to each holder of a medicinal cannabis licence.
- 20.5 **Police and MPI notification:** Persons wishing to cultivate industrial hemp would be required to have notified Police. More specifically, any unharvested plant at any property would be outside of the permissions (and therefore illegal) unless Police had been notified within the last year that the grower was intending to grow or continue to grow hemp at that property. This requirement would strengthen compliance and accountability. This information could inform Police's spraying programme for illegal cannabis and would also provide useful information for Police's control of illicit cannabis activities. In addition, growers would also be required to notify MPI about their growing so that MPI would hold information about the hemp industry and could provide guidance on trade risks from feeding hemp to animals.
- 21 The following components would be removed from the regulatory framework: general licences, research and breeding licences, approved cultivars, testing requirements, record keeping, annual reporting, growing location requirements and all offences and penalties. Police would still have their existing tools and powers for policing illicit cannabis, including in situations where the conditions of the hemp permission (including the notification requirement) had not been met.

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<sup>7</sup> For example, import, export, possession, production, manufacture, procurement, supply, administration or use.

- 22 Consequential amendments to other regulations that refer to the Industrial Hemp Regulations would be required. For example, the Medicinal Cannabis Regulations would need to be amended to enable supply of hemp plant material, seeds and plants to medicinal cannabis licence holders. Changes to the Misuse of Drugs Regulations 1977 (and operational changes) would be required to ensure import and export licences were still able to be issued for hemp without an industrial hemp licence. These changes would include a declaration and a Criminal Record check requirement for applicants as well as an application fee, which would ensure Medsafe could continue to recover the costs of issuing these licences.
- 23 Nothing within this proposal would remove the requirement for growers of hemp or producers of hemp products to meet other relevant regulatory requirements. Exporters would still need to meet New Zealand export requirements and the specific importing requirements of their target markets. Similarly, importers would continue to be bound by New Zealand import requirements.

## Analysis

### *The Industrial Hemp Regulations are disproportionate to the risk they were created to manage*

- 24 Cannabis is primarily regulated because it contains THC, which produces a psychoactive and intoxicating effect. However, hemp has very low levels of THC, with no discernible psychoactive or intoxicating effect. For comparison, some medicinal cannabis products contain 25-26% THC<sup>8</sup> and illegal cannabis generally contains around 4.2-18.1%<sup>9</sup>, while the Industrial Hemp Regulations require hemp to be below 0.5% THC.
- 25 Despite this, industrial hemp growers are subject to significant compliance costs compared to growers of other horticultural crops. Ministry for Regulation officials estimate compliance can cost between \$80,000 and \$160,000 per annum across the sector. Using conservative assumptions, this is equivalent to 9-13% of annual revenue for the sector. In several cases, such as location requirements, the Industrial Hemp Regulations are more prescriptive than those in other jurisdictions, and more onerous than those for medicinal cannabis, despite medicinal cannabis carrying significantly greater risks.
- 26 The primary reason that hemp continues to be regulated is its visual similarity to illicit cannabis. The fear is that cultivation of illicit cannabis could be disguised as cultivation of hemp and the importation of illicit cannabis seeds could be disguised as the importation of hemp seeds. In other words, activities that should be lawful are being regulated to avoid unlawful activities.
- 27 While this reason for continued regulation carries some weight, as discussed further below, I believe the current approach is disproportionate to the risk.

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<sup>8</sup> Implementation of the Medicinal Cannabis Scheme in New Zealand: six emerging trends, 2024, published by the New Zealand Medical Journal.

<sup>9</sup> Wilkins and Rychert, 2020, [Assessing New Zealand Cannabis Legalization and Control Bill: prospects and challenges](#).

*Deregulation would deliver a range of benefits to the sector*

- 28 To provide the greatest benefits for the sector, I directed the Ministry for Regulation officials to consider options for a ‘deregulation’ proposal, which would permit hemp cultivation and dealings without a licence, though subject to conditions.
- 29 I consider other options, such as streamlining the existing licensing regime or shifting to a registration system, would still impose unreasonable costs on the sector and hinder the sector to reach its full potential. This proposal will lower the barriers to entry for new entrants and startups, lower compliance costs on existing growers, enable more income from hemp plant material and solidify the place of industrial hemp as a viable horticultural crop within New Zealand.
- 30 In addition to savings of licensing costs mentioned in paragraph 25, the Ministry for Regulation estimates that the net benefit from an increased supply of industrial hemp following regulatory improvements is \$41 million, in present value terms over a 20-year period<sup>10</sup>.
- 31 In recommending a deregulatory approach I have considered the low risk of misuse, the commercial incentives on the sector, controls in supply chains and the existing powers to police illicit cannabis.
- 32 Officials have tested this proposal with the sector and key stakeholders, who indicated that any reduction in regulatory burden would be valuable to the sector and expressed a range of preferences for different options. Domestic-focused stakeholders expressed a preference for fewer regulatory barriers to entry, while export-focused stakeholders considered that a more robust regulatory framework was important for certainty and to manage perceived trade risks.
- 33 I also acknowledge the sector’s desire for wider changes to other regulatory frameworks to unlock greater plant utilisation and new markets for hemp<sup>11</sup>. I expect officials from the relevant departments to continue to engage with the sector through the policy or operational processes that relate to the sector’s wider proposals.

The Ministry for Regulation drew these views from consultation detailed in paragraph 58, noting industry representatives qualified their comments to the effect that they had not been able to consult all of their members in the available time.

*Risks created by the proposal and mitigations*

- 34 The proposal could be perceived as increasing the risk of importation of illicit cannabis seeds and cultivation of illicit cannabis because it could make those activities harder to identify and removes a layer of oversight by Medsafe.
- 35 The current licensing scheme involves Medsafe carrying out licence history and Criminal Record checks before issuing licences, checking location requirements, growers growing approved cultivars and undertaking pre-harvest testing for THC levels and Medsafe issuing import licences only to people with hemp licences. That provides some comfort for Police and Customs that seeds and crops identified as hemp really are hemp seeds and crops.

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<sup>10</sup> See Appendix 1 to the annexed Regulatory Impact Statement for the Ministry’s analysis.

<sup>11</sup> The sector’s wider proposals are set out in the document Hemp Industry Strategic Proposal for Regulatory Change, 2023.

36 Police are concerned that the potential of a rapidly growing hemp industry with well-publicised reductions in regulatory oversight and the visual similarity between illicit cannabis and hemp) could prove very attractive to organised crime.

37 However, for a number of reasons, I do not believe this provides sufficient reason to continue the licensing regime:

37.1 **Police notification:** As noted above, the proposal would require any grower of hemp to notify the Police of their activity. Although it is possible that illegal growers could notify Police that they were going to grow hemp and then use that as cover to grow illicit cannabis instead, it seems unlikely that they would want to put themselves on the Police radar in this way. The new MPI notification requirement would provide a source of information about the hemp industry and proportionate regulatory oversight of hemp cultivation.

37.2 **Import licence checks:** The restrictions around importation would remain the same. While Customs would no longer have the comfort that the holder of an import licence is also a licensed cultivator/distributor, there would be an additional Criminal Record check added to the import licensing process that would fill this gap. Information declared by importers could potentially be shared with Police and Medsafe to support Police operations and Medsafe management of import licences.

37.3 **Ineffectiveness of current regime:** There is limited evidence demonstrating the effectiveness of the current regime in controlling illicit cannabis activities.

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37.4 **Business incentives:** The sector and downstream supply chains have strong incentives to self-manage this risk, including to maintain social licence for their business and meet regulatory and commercial requirements of end products. Additionally, the risk of someone concealing high-THC plants within a hemp field is minimal as cross-pollination would lower the value of both crops (by impacting the purity of hemp seeds and lowering the THC in fertilised illicit cannabis, making it unattractive to recreational users).

38 Officials also advise that any other risks associated with hemp, such as perceived trade risks of hemp contamination in export products or the quality of hemp seeds exported from New Zealand, are already being managed under other regulatory frameworks and by supply chains.

39 While the new regulations would not prohibit the cultivation of hemp for domestic consumption, they would not encourage this activity. The MPI and Police notification requirements and the risk of growing hemp that accidentally exceeds the legal THC threshold due to environmental factors would discourage small cultivation.

## **Further opportunities to unlock the industrial hemp sector**

- 40 I have heard from the industrial hemp sector that there are further opportunities to address regulatory barriers and help the sector to grow, including the ability to feed industrial hemp to animals. It is important that we consider any risks around this change, including to our primary exports. MPI has been engaging with the industrial hemp sector regarding the proposed use of industrial hemp as a feed for animals, and the associated risks to New Zealand's trade in animal products.

### **Implementation**

- 41 Subject to Cabinet approval, the Parliamentary Counsel Office (PCO) will be instructed to draft the necessary amendments to regulations. The Ministry of Health will work with PCO to ensure the regulations are consistent with the policy intent and are ready for submission to the Cabinet Legislation Committee (LEG) for approval and referral to the Executive Council.
- 42 Officials from the Ministry for Regulation and Ministry of Health will work together to communicate the changes to hemp growers. Agencies, including MPI, will support the sector to develop industry guidance on implementation of the changes, the legal use of hemp, trade risks from feeding hemp to animals, and compliance with other relevant regulatory requirements.
- 43 Despite the limited evidence on the deterrent effect of the current licensing regime on illicit cannabis, to address Police and Customs portfolios' concerns and align with good practice, I will direct the Ministry for Regulation to review the implementation and report back to Cabinet two years after these changes take effect.

### **Cost-of-living Implications**

- 44 The proposal has no material cost-of-living implications.

### **Financial Implications**

- 45 These changes will not require additional Crown funding. Medsafe is currently under-recovering the costs of the hemp licensing regime. The proposal would remove this cost pressure on Medsafe. A small number of existing Medicinal Cannabis licence holders who only grow and supply hemp for medicinal purposes would likely stop holding this licence, which would have a minor financial impact on Medsafe.
- 46 Depending on how the industry evolves and the extent of illicit cannabis activities, increased exploitation of hemp to disguise illicit cannabis could have financial implications for Police. This will be reviewed and reported back to Cabinet within two years of implementation.

### **Legislative Implications**

- 47 The Ministry of Health is the administering agency for MoDA and secondary legislation made under it. This paper seeks agreement to replace the Industrial Hemp Regulations with new regulations and to amend the Misuse of Drugs Regulations 1977 and the Medicinal Cannabis Regulations 2019. There are no changes proposed to primary legislation within this paper.

## Impact Analysis

### Regulatory Impact Statement

- 48 A joint agency QA panel has reviewed the Impact Statement titled “Review the Misuse of Drugs (industrial Hemp) Regulations 2006”, produced by the Ministry for Regulation and dated October 2025. The panel considers that the Impact Statement Partially Meets the quality assurance criteria.
- 49 The Impact Statement is consulted and complete. The analysis is mostly balanced in its presentation of the information, though implementation detail would benefit from fleshed out Monitoring and Evaluation Plans. While clear, the statement could be significantly more concise.

### Climate Implications of Policy Assessment

- 50 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.

### Population Implications

- 51 The proposal has no population implications.

### Human Rights

- 52 There are no New Zealand Bill of Rights Act 1990 or Human Rights Act 1993 implications arising from this proposal.

### Use of external resources

- 53 No external resources have been used in the development of this proposal.

### Consultation

- 54 The Ministry of Health, including Medsafe, supported the Ministry for Regulation in preparing this paper. The following agencies were consulted on this paper: the Ministry for Primary Industries, New Zealand Customs Services, the Ministry of Foreign Affairs and Trade, New Zealand Police, the Ministry of Justice, Te Puni Kōkiri, the Treasury, and the Ministry of Business, Innovation and Employment. Officials also engaged with the Parliamentary Counsel Office. The Department of Prime Minister and Cabinet has been informed.
- 55 The Ministry of Justice was concerned about the risk of criminal sanctions of accidental exceedance of THC threshold due to environmental factors. Officials advised that the proposed increase of the THC limit would reduce this risk.
- 56 Police and Customs raised concerns that deregulation combined with the potential of the hemp industry’s growth could 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. Police also raised concerns that the

proposal could be perceived to be loosening controls on illicit cannabis and may lead to more non-compliance.

- 57 The Ministry for Regulation has reviewed these concerns and advised that conditions associated with permitting regulations are sufficient and proportionate to enable Police and Customs continue controlling illicit cannabis and managing border risks. More importantly, there would be no changes to the existing powers and operations of Police and Customs in performing these roles. The two-year review and report back will assess any unintended consequences. Customs now has no issues with the current proposal.
- 58 The Ministry for Regulation engaged online and in-person with 23 organisations and individuals from industry groups, testing laboratories, downstream users and wider primary industry. The Ministry also received 28 written submissions, and undertook additional engagement with key industry representatives.

### Communications

- 59 Once Cabinet has made its decision, a press release will be published within the coming weeks. Officials from the Ministry of Health and Ministry for Regulation will undertake targeted communication with the hemp sector.

### Proactive Release

- 60 I intend to proactively release this Cabinet paper alongside public announcements, subject to any appropriate redactions under the Official Information Act 1982.

### Recommendations

The Minister for Regulation recommends that the Committee:

- 1 **note** that New Zealand's hemp sector has promising growth potential, but the complexity of the regulatory framework is a significant barrier to the sector's growth;
- 2 **note** that hemp is regulated under the Misuse of Drugs Act 1975 as a Class C controlled drug as well as a prohibited plant, despite its low levels of delta-9-tetrahydrocannabinol (THC), the primary cannabinoid that produces a psychoactive and intoxicating effect;
- 3 **note** that the Misuse of Drugs (Industrial Hemp) Regulations 2006 are outdated and disproportionate to the risk they were created to manage, and that there is broad support for remedying this;
- 4 **agree** to replace the Misuse of Drugs (Industrial Hemp) Regulations 2006 with new regulations (or amended regulations) to permit the activities currently requiring a licence under the Misuse of Drugs (Industrial Hemp) Regulations 2006 without a licence, pursuant to section 37 (1) (d) of the Misuse of Drugs Act 1975;
- 5 **agree** that the new regulations contain the following components:
  - 5.1 permit any person to carry out the activities currently requiring a licence under the Misuse of Drugs (Industrial Hemp) Regulations 2006 without a licence,

**IN CONFIDENCE**

- provided they comply with the conditions within the new regulations and all other relevant regulations;
- 5.2 the permission applies to cannabis plants with THC content that is less than 1% of the dry weight of the plant;
- 5.3 permit the supply of hemp plant material to holders of a medicinal cannabis licence, noting that medicinal cannabis products will remain subject to the medicinal cannabis minimum quality standard;
- 5.4 allow the supply of unlimited numbers of hemp seeds and plants to holders of a medicinal cannabis licence with a cultivation activity;
- 5.5 a condition that hemp plants growing at any property will only be permitted if the Police have, within the last 12 months, been notified that the grower intended to grow, or continue to grow, hemp plants at that property; and
- 5.6 a requirement that hemp growers notify MPI of their growing at the same time as they notify Police, although that would not be a pre-condition to the hemp cultivation being permitted.
- 6 **note** that all offences and penalties currently contained within the Industrial Hemp Regulations would be removed, noting that the New Zealand Police would still have their existing tools and powers for policing illegal forms of cannabis (including hemp grown outside the conditions of the permission) under the Misuse of Drugs Act 1975;
- 7 **agree** to amend the Misuse of Drugs (Medicinal Cannabis) Regulations 2019 to enable hemp growers to supply plant material to the Medicinal Cannabis Scheme;
- 8 **agree** to amend the Misuse of Drugs Regulations 1977 to ensure import and export licences can be issued for hemp and hemp products, which will include a declaration and a Criminal Record check for applicants and an application fee to allow Medsafe to continue to recover the costs of issuing these import and export licences;
- 9 **note** that improved regulation is estimated to save compliance costs of \$80,000-\$160,000 per year or \$1m to \$2m in net present value over 20 years and generate a net present value benefit of \$41 million over the next 20 years;
- 10 **agree** to provide for transitional arrangements to continue the industrial hemp licensing regime until new regulations take effect;
- 11 **note** that the Associate Minister of Health has been delegated responsibility for amendments to secondary legislation associated with the Misuse of Drugs Act 1975 in order to address unnecessary regulatory burden on the hemp sector;
- 12 **authorise** the Ministry of Health to instruct the Parliamentary Counsel Office to draft the secondary legislation required to implement the proposals described in this paper;
- 13 **authorise** the Associate Minister of Health to make minor or technical policy decisions, including regarding consequential amendments, to support the development of these drafting instructions not inconsistent with the decisions in the paper;

**IN CONFIDENCE**

- 14 **note** that nothing within this proposal will remove the requirement for growers of hemp or producers of hemp products to meet other relevant regulatory requirements;
- 15 **note** that requirements for hemp food products for sale under the Food Act 2014 and the Australia New Zealand Food Standards Code remain unchanged;
- 16 **note** that it is likely that amendments to other regulatory systems and operational changes would be required to unlock the full economic growth potential of the sector and that officials from relevant agencies will continue to engage with the sector on their wider proposals;
- 17 **invite** the Minister for Regulation to report back to Cabinet two years after these regulatory changes take effect and officials have assessed the outcomes of their implementation;
- 18 **note** that the Ministry for Primary Industries is engaging with the sector regarding the proposed use of industrial hemp as a feed for animals, and the associated risks to New Zealand's trade in animal products.

Authorised for lodgement

Hon David Seymour

Minister for Regulation  
Associate Minister of Health



# Appendix 1: Regulatory context for Industrial Hemp

Complex regulatory environment, with different regulation for different parts of plants and different products.

**Red:** prohibited uses

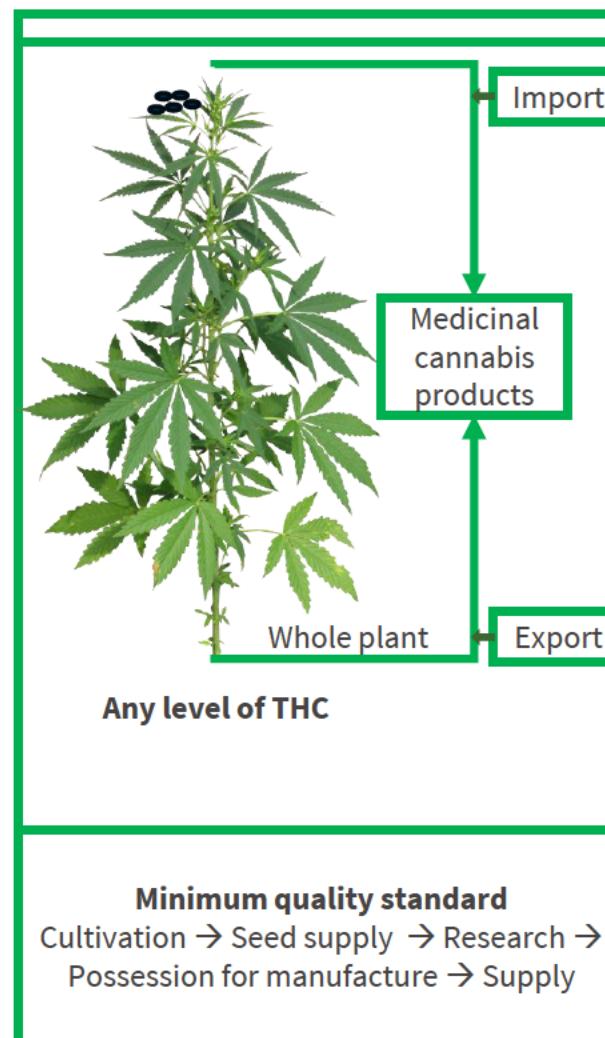
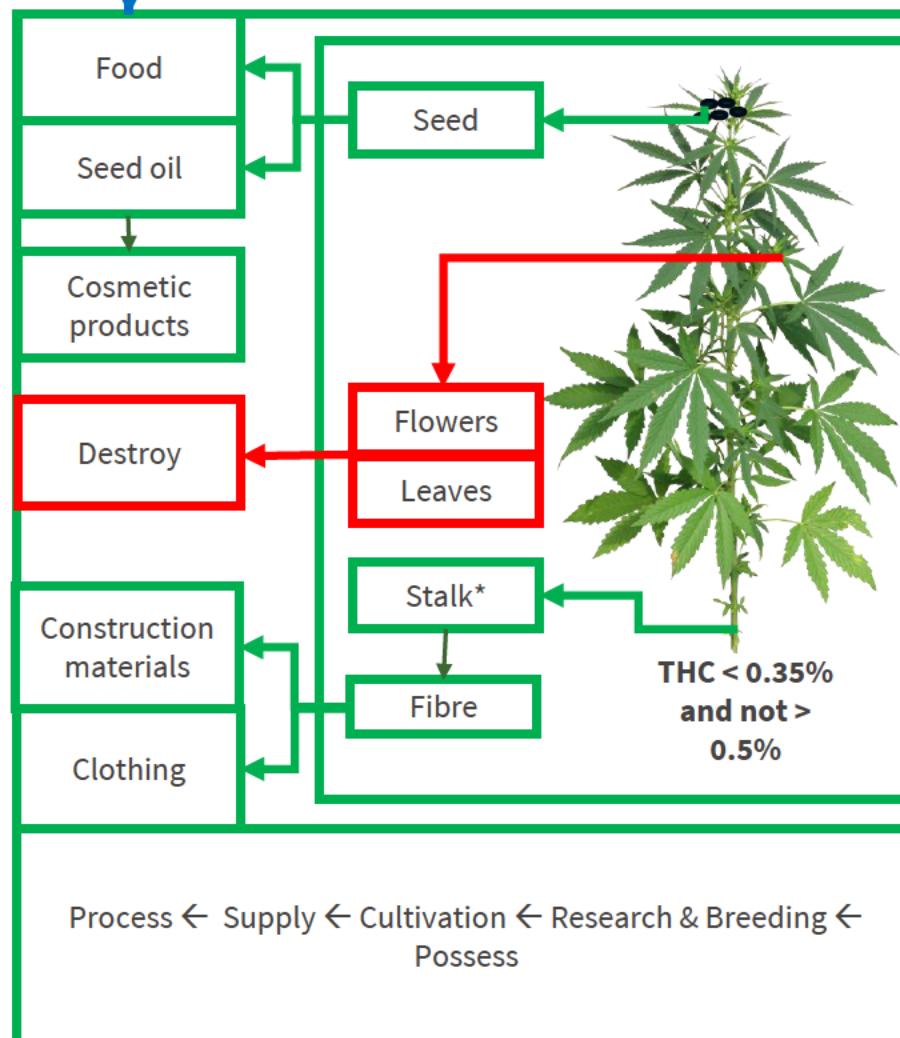
**Blue:** regulatory landscape

**Green:** industry activities

**Purple:** review scope

**Food Act 2014 and Australia New Zealand Food Standards Code – Standard 1.4.4-6.**  
Hemp seed and hemp seed products as food with 1% THC limit in leaves & flowering heads and limits for THC & CBD in seed products

**ACVM Act 1997**  
Animal feeds for non-food- and food-producing animals, pet food, and other products



**Misuse of Drugs (Industrial Hemp) Regulations 2006**  
(licence, testing, report, notification)

**Misuse of Drugs (Medicinal Cannabis) Regulations 2019**

**The supply of hemp flowers and leaves to medicinal cannabis**  
Maximum of 50 seeds and 20 plants for cultivation purposes from hemp growers to medicinal cannabis growers.

**Illicit cannabis**  
Misuse of Drug Act 1975

Medical Products Bill  
Natural health products legislation

Medicines Act 1981

Misuse of Drug Act 1975

ETS, Building Act 2004



# Regulatory Impact Statement: Review the Misuse of Drugs (Industrial Hemp) Regulations 2006

<b>Decision sought</b>	Analysis produced for the purpose of amending or replacing the Misuse of Drugs (Industrial Hemp) Regulations 2006
<b>Agency responsible</b>	The Ministry for Regulation (MfR) is completing this Regulatory Impact Statement (RIS) as part of the review of industrial hemp regulations initiated by the Minister for Regulation in response to industry's concerns of disproportionate regulatory burden. The Ministry of Health (MOH) administers the Misuse of Drugs (Industrial Hemp) Regulations 2006 (Industrial Hemp Regulations).
<b>Proposing Ministers</b>	Minister for Regulation
<b>Date finalised</b>	29 October 2025

The proposal is to review the Industrial Hemp Regulations to reduce or remove licensing requirements and replace them with regulations to allow the cultivation and distribution of industrial hemp as well as research and breeding activities while maintaining proportionate regulatory oversight and public confidence. The proposal is based on MfR's analysis, which is included in this RIS.

## Summary: Problem definition and options

### What is the policy problem?

- New Zealand's current industrial hemp licensing regulations are overly restrictive and impose significant compliance costs on a low-risk crop, discouraging industry growth and innovation. These regulations were originally designed to prevent illicit cannabis activities due to the visual similarity between hemp and high-THC cannabis. They are now widely seen as disproportionate to the actual risk, given the low psychoactive potential of industrial hemp and the existence of other effective risk mitigations, such as Police notification of growers and growing activities. As a result, the industry's economic and environmental potential is being unnecessarily constrained by regulatory barriers that do not meaningfully enhance public safety or prevent crime.

### **What is the economic opportunity?**

- In 2021 the industrial hemp sector in New Zealand was projected to grow in value to approximately \$30 million by 2030. However, in practice it has declined from around \$4 million in 2020/2021 to approximately \$1 million in 2025. The global industrial hemp market is experiencing rapid growth, projected to expand from US\$4.6 billion in 2019 to US\$64.8 billion by 2030, driven by rising demand for cannabidiol (CBD) and cannabinoid products.
- Reforming industrial hemp regulations in New Zealand would unlock significant economic opportunities by removing regulatory burden and enabling the supply of hemp biomass, seeds, and plants to the medicinal cannabis scheme, a new higher-value market previously restricted. Alongside this, deregulation would open access to broader domestic and export markets (such as premium seed oil and fibre), while saving the industry \$80,000–\$160,000 per year in compliance costs. These changes are projected to deliver a net present value benefit of \$41 million over 20 years, making the industry more competitive, innovative, and attractive for investment.

### **Industrial hemp is different to recreational and medicinal cannabis**

- Industrial hemp (*Cannabis sativa L.*) is a highly versatile crop cultivated for its fibre, food, and medicinal applications. Although both hemp and recreational cannabis (marijuana) originate from the same plant species, hemp is distinct due to its extremely low levels of delta-9-tetrahydrocannabinol (THC), the psychoactive compound responsible for the intoxicating effects of cannabis. Medicinal cannabis is cannabis of both low and high-THC, grown for THC, CBD and other cannabinoids.

### **Existing risk mitigations**

- The primary reason for the restrictive approach taken in the Industrial Hemp Regulations is that industrial hemp is difficult to distinguish from illicit cannabis, raising the concern that an unregulated hemp industry could provide cover for the cultivation and trade of illicit cannabis.
- The current regime manages risk primarily through strict regulatory controls: hemp must contain low THC and can only be used for fibre, food and oil; licensees must identify themselves to regulators; undergo background checks; notify authorities of plantings; keep detailed records and reporting; and test THC content. Police have broad powers to inspect crops and take samples under the Misuse of Drugs Act 1975 (MoDA).
- However, the effectiveness of background checks, stock accounting, and pre-harvest testing is unclear, § 6(c)
- Additional non-regulatory safeguards include the natural deterrent of cross-pollination (which harms both illicit cannabis and hemp crops) and strong industry incentives to report unlawful behaviour to protect the sector's reputation and social licence as per engagement feedback.
- The effectiveness of the existing restrictions is unclear but what is clear is they are compliance heavy.

### **Current regulations are overly restrictive given the risk profile**

- The current licensing regulations for industrial hemp in New Zealand are seen as highly restrictive because they impose strict requirements, prescriptive conditions, and limited permitted uses that constrain industry growth and innovation.

- Notable examples include the requirement that hemp cultivation sites be at least 5 km from residential zones, all licensed locations must be on the same property, burdensome administrative processes for changes or record keeping and reporting.
- These requirements can be even more onerous than those for medicinal cannabis despite the higher-risk profile of medicinal cannabis. They also create unnecessary administrative burden, limit operational flexibility for growers, and discourage participation and innovation in the sector.

**What is the policy objective?**

- The proposed licensing changes aim to streamline the regulation of industrial hemp by removing unnecessary barriers to growth; while proportionately managing the risk of hemp being used to conceal illicit cannabis.
- Success will be measured by the growth of the industrial hemp sector and whether or not there is increased use of hemp production to conceal illicit cannabis.
- Industry growth data can be collected by the hemp sector and the Ministry for Primary Industries (MPI)' notifications data, while Police will be able to provide information on illicit cannabis activities that have a link to hemp production. The Ministry of Justice (MOJ)'s criminal justice data, including cannabis-related offences, will also help assess any unintended impacts of the new regulations, alongside other sources of information.
- This policy proposal would be accompanied with a proposed two-year monitoring and report back to Cabinet to assess unintended consequences, undertaken by MfR.
- Hemp industry growth also depends on downstream regulatory pathways governing hemp products, which were outside the scope of this work.

**What policy options have been considered, including any alternatives to regulation?**

This review scope is limited to changes to the Industrial Hemp Regulations and consequential amendments to other regulation. Increasing hemp regulation and changes to primary legislation or to other regulatory systems are out of scope.

**MfR assessed four options:**

1. Maintaining the *status quo*.
2. Retaining the licensing regime with targeted improvements.
3. Reducing the licensing requirements to a Criminal Record check for licensees and a Police notification requirement (simple licence).
4. Revoking the Industrial Hemp Regulations and permitting cultivation and distribution under MoDA with Police and MPI notification requirements prior to cultivation.

**Common elements across all change options**

- **THC Threshold:** For all options except the status quo, MfR proposes increasing the THC limit for industrial hemp to 1% to align with Australian standards and food regulations.
- **Expanded Uses:** MfR recommends allowing hemp plants, seeds, and plant material to be supplied to the Medicinal Cannabis Scheme, creating new economic opportunities for growers.
- **Police Notification:** Growers would still be required to notify Police of cultivation locations to support enforcement against illicit cannabis. While theoretically someone could misuse this process as a cover for illegal cannabis, such individuals are unlikely to voluntarily alert Police and draw attention to their activities.

**Change options considered**

- **Option 2:** Retain the Industrial Hemp Regulations with targeted improvements to reduce unnecessary requirements and align some provisions with the Medicinal Cannabis Regulations. Licence fees would remain at \$500 for an extended licensing period of five years. These changes would slightly reduce compliance costs and administrative burden, while Medsafe New Zealand (Medsafe) would continue oversight and share information with Police to manage illicit cannabis risks. However, barriers to entry, compliance costs, innovation constraints, and regulatory costs for Medsafe would persist.
- **Option 3:** Replace all existing licensing requirements and management with a Criminal Record check for licensees and a Police notification requirement after growing. This would significantly reduce regulatory burden while retaining key safeguards. This licensing regime would include an annual update of licensing information and three-yearly Criminal Record checks to prevent participation by individuals with drug-related criminal histories. Medsafe would remain the regulator, maintaining the licensing system and recovering costs through a licence fee. While this option addresses more issues than Options 1 and 2, it still imposes an entry barrier and ongoing regulatory costs for Medsafe.
- **Option 4:** Revoke the Industrial Hemp Regulations and regulate industrial hemp under MoDA with minimal conditions, while retaining Police enforcement powers in controlling illicit cannabis under MoDA. Key features of this option include:
  - **Permitted Uses:** Maintain current uses (seed, oil, fibre) and allow supply of plant material, seeds and plants to the Medicinal Cannabis Scheme, subject to quality standards.
  - **Notification:** Require growers to notify Police and MPI before planting (currently required to notify Police after planting) to strengthen compliance and enforcement and manage trade risks.
  - **Regulatory Removal:** Eliminate licensing, approved cultivar lists, pre-harvest testing, record-keeping, and related offences/penalties. Non-compliant activities remain subject to MoDA.

**Additional measures in Option 4:**

- Amend MoDA to allow continued import/export licensing for hemp seeds, requiring a declaration and a Criminal Record check.
- Industry would take on a greater role in providing cultivar guidance, promoting best practices, managing odour/visual impacts, and potentially leading data collection on hemp cultivation.
- This option significantly reduces regulatory burden, supports industry growth, and maintains safeguards through Police powers, but removes most existing controls under the current regime.

**What consultation has been undertaken?**

**Agency**

- MfR collaborated with the MOH, including Medsafe, to consider policy changes to the Industrial Hemp Regulations. We also engaged with MPI, MOJ, New Zealand Customs Service, Te Puni Kōkiri (TPK), Ministry of Foreign Affairs and Trade (MFAT), and New Zealand Police.
- MOH, including MedSafe, is generally supportive of deregulating industrial hemp, viewing the crop as posing very low health risk due to its low THC content. MPI also supports deregulation, noting that it would not impact food safety legislation such as the Agricultural Compounds and Veterinary Medicines (ACVM) Act 1997 or the Food

Act 2014. MPI considers there are systems and processes in place to manage any risks to plant exports and market access. MPI requests notifications of hemp cultivation so that they can provide guidance to growers to manage trade risks from feeding hemp to animals. MFAT has raised no concerns regarding deregulation.

- In contrast, Police and Customs take a much more cautious stance. Both agencies consider the hemp industry to be high-risk because industrial hemp is visually indistinguishable from high-THC illicit cannabis, which could be exploited by organised crime. Police and Customs argue that deregulation, especially if accompanied by rapid industry growth, would increase the exploitation risk. They stress that the only reliable way to distinguish hemp from illicit cannabis is through testing mature plants, which is resource-intensive. Police are also concerned that removing the licensing regime and reducing regulatory oversight could be perceived as a loosening of controls on illicit cannabis, potentially leading to increased non-compliance and greater enforcement costs. s 6(c)

- Both Police and Customs have recommended that, rather than full deregulation, the existing licensing regime should be strengthened, with increased monitoring and enforcement by MedSafe to better manage the risks of criminal exploitation and to maintain robust oversight of the sector. Following further discussion and refined risk mitigations, Customs now has no issues with the proposed deregulation.

#### Industry

- Stakeholders generally agreed that reducing regulatory burden would benefit the hemp industry and help reduce stigma.
- Despite no unified agreement on specific reforms, general preferences emerged: export-oriented and large-scale producers tended to support retaining the requirement of approved cultivars and research & breeding licence to provide regulatory certainty and support market access, while smaller, domestically focused growers generally favoured full deregulation to lower barriers to entry and reduce compliance costs. Regulatory oversight of the hemp industry was also considered as a means to prevent illicit CBD production and protect legal businesses as well as New Zealand’s reputation of high-quality medicinal cannabis and hemp products. This diversity of views reflects the different priorities, business models and business interests within the sector.

#### Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

- The Minister for Regulation’s preferred approach is targeted deregulation to support hemp industry growth. MfR’s analysis shows that targeted deregulation scores marginally higher than a simple licensing option and much higher than both a streamlined licensing regime (Option 2) and the *status quo* (Option 1). MfR’s recommended option is Option 4 – Revoking the Industrial Hemp Regulations and permitting cultivation and distribution under MoDA with Police and MPI notification requirements prior to cultivation, the same option that the Minister for Regulation proposes to Cabinet.
- We note that a simple licensing regime (Option 3) remains a viable alternative. The modest increase in costs associated with managing a simple licensing system could be offset by the benefits of having a centralised source of licensing information, managed by Medsafe, which could be used by Police and other parties if needed.

The Ministry for Regulation drew these views from consultation detailed in paragraphs 47 and 48, noting industry representatives qualified their comments in June and July to the effect they had not been able to consult all of their members in the available time.

## Summary of preferred option: removing licensing requirements and allowing low-THC cannabis cultivation for industrial use

<b>Costs</b>
<ul style="list-style-type: none"> <li>• Increased costs to obtain an import-export licence, with a Criminal Record check (currently required for obtaining an industrial hemp licence). These requirements are less costly than the existing hemp licensing requirements.</li> <li>• Police have posed there is a risk of increased illegal cannabis activities or misuse of hemp biomass. These will be managed by new regulations and existing Police powers. There is limited evidence and data to substantiate the costs of this risk. While there is data on the value of social harm caused by illicit cannabis and the funds going to organised crimes, there is no evidence that these harms occur as a result of the hemp regulatory system, or that deregulation of this sector would increase those risks.</li> <li>• Costs to industry to develop guidance on cultivars and good on-farm practices.</li> <li>• Downstream users may require increased testing relative to the <i>status quo</i> to meet their own regulatory requirements.</li> </ul>
<b>Benefits</b>
<ul style="list-style-type: none"> <li>• Removing compliance costs of \$80,000-160,000 per year for growers annually. Using conservative assumptions this is equivalent to 9-13% of annual revenue for the sector. Generating a net present value benefit of \$41 million over the next 20 years, using the midpoint of the range for compliance costs.</li> <li>• Demand for laboratory testing for hemp products to meet customer requirements may increase as more hemp may be grown and processed for industrial purposes.</li> <li>• Removal of the direct, administrative costs for managing the licensing regime for the regulator – Medsafe, which are not currently fully cost recovered.</li> <li>• There are various estimates of the hemp industry potential (\$30 million or \$500 million by 2030).<sup>1,2</sup> Industry growth would also depend on matters outside regulation such as research and development, profitability of hemp to other land uses, capital investment, and market access.</li> <li>• Reduced regulatory management costs and potential for more industry growth may also encourage more research and development activities relevant to hemp and hemp products. This could have positive flow-on effect on the hemp industry and customers of hemp products. These benefits are expected to grow over time as effects of R&amp;D accumulate.</li> <li>• To the extent hemp has positive externalities for the environment, reduced regulatory management would encourage more cultivation of hemp and thus increase environmental benefits.</li> </ul>
<b>Balance of benefits and costs</b>
<p><b>Does the RIS indicate that the benefits of the Minister’s preferred option are likely to outweigh the costs?</b></p> <ul style="list-style-type: none"> <li>• The estimated benefits highly likely outweigh the costs as there is little evidence demonstrating the effectiveness of the current licensing regime in controlling illicit</li> </ul>

<sup>1</sup> [Facilitating growth in the NZ Hemp Industry](#)

<sup>2</sup> [FULL-REPORT-final-55.pdf](#)

cannabis activities and the causal links between deregulation and illicit cannabis activities.

### Implementation

#### How will the proposal be implemented, who will implement it, and what are the risks?

- MfR and MOH will communicate the changes to stakeholders.
- MOH, Medsafe, MPI and Police will support industry peak bodies to develop guidance on on-farm best practices, including suitable cultivars, reliable sources of seeds, voluntary testing to meet requirements from supply chains, or participating in voluntary programmes to manage cross pollination risk. Industry peak bodies can also provide guidance on how growers should keep evidence of their activities to protect their business (source of seeds, testing, investment, or contracts for outputs, etc.). MPI will provide guidance to manage trade risks from feeding hemp to animals. It is important to ensure that deregulation does not facilitate unlawful cannabis activities under the guise of industrial hemp production or lead to the misuse of hemp biomass. These risks, along with any other unintended consequences, will be subject to ongoing monitoring and will be reported to Cabinet two years following implementation by MfR.

### Limitations and Constraints on Analysis

- While there is good evidence on the policy problem from stakeholder feedback and MfR economic analysis, there are challenges in estimating the risk of hemp being exploited by organised criminals relative to the *status quo*. To date, we have not been presented with evidence demonstrating the effectiveness of the current licensing regime in controlling illicit cannabis activities and the causal links between deregulation and illicit cannabis activities. Nor have we been presented with evidence on how these risks will change relative to the current setting.
- The quantified benefits are based on assumptions about future industry growth. They rely on available data on industry revenue and costs, which act as proxies for future market conditions. The analysis also incorporates a number of simplifying assumptions and rules of thumb, which are necessary for tractability, but introduce further limitations to the analysis.
- Initial engagement with wider stakeholders was undertaken over a condensed timeframe, limiting their input window across the options presented. Further engagement with industry peak bodies in October 2025 provided more details of the options being considered and enabled more robust discussion.
- Changes to the Misuse of Drugs Act 1975, Misuse of Drugs (Medicinal Cannabis) Regulations 2019, Food Act 2014, Medicines Act 1981, ACVM Act 1997, or Health products legislation and associated regulations are out of scope of this review. We have not considered the proportionality of those regulations.

**I have read the Regulatory Impact Statement, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.**

**Responsible Manager(s) signature:**

s 9(2)(a)

**Adam Jackson  
Chief Advisor to the Chief Executive  
29 October 2025**

<b>Quality Assurance Statement</b>	
<b>Reviewing Agencies: Ministry of Health, Ministry for Regulation, New Zealand Police</b>	<b>QA rating:</b> partially meets
<p><b>Panel Comment:</b>                      “A joint agency QA panel has reviewed the Impact Statement titled “Review the Misuse of Drugs (industrial Hemp) Regulations 2006”, produced by the Ministry for Regulation and dated October 2025.                      The panel considers that the Impact Statement Partially Meets the quality assurance criteria. The Impact Statement is consulted and complete. The analysis is mostly balanced in its presentation of the information, though implementation detail would benefit from fleshed out Monitoring and Evaluation Plans. While clear, the statement could be significantly more concise.</p>	

## Section 1: Diagnosing the policy problem

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### Background on industrial hemp

1. Industrial hemp is a low-risk crop with significant economic and environmental potential. However, growth of an industrial hemp industry is being held back by restrictive regulation.
2. The primary reason for this regulation is that industrial hemp is difficult to distinguish from illicit cannabis and can be exploited to conceal the cultivation and trade of illicit cannabis. MfR considers the current regulatory response as disproportionate to this risk, considering mitigating factors.

#### *What is industrial hemp and why is it different to recreational cannabis?*

3. Industrial hemp (*Cannabis sativa L.*) is a versatile crop that is widely used for fibre, food and medicinal purposes. Hemp and recreational cannabis (marijuana) both come from the *cannabis sativa* plant species. However, hemp has low levels of delta-9-tetrahydrocannabinol (THC), the principal cannabinoid that produces the psychoactive and intoxicating effect in cannabis. For comparison, some medicinal cannabis products contain 25-26% THC<sup>3</sup> and illegal cannabis generally contains around 4.2—18.1%,<sup>4</sup> while the Industrial Hemp Regulations require hemp to be below 0.5% THC. THC levels below 1% are believed to have no discernible psychoactive or intoxicating effect.<sup>5</sup> We note this depends on how biomass is consumed, and the sensitivities of the person consuming it.<sup>6</sup>
4. Hemp also contains cannabidiol (CBD), a substance that is claimed to have beneficial health impacts, primarily in the leaves and non-fertilised female flowers.<sup>7</sup> CBD has pharmacological effects<sup>8</sup> but is not believed to have any psychoactive or intoxicating effects. This all makes industrial hemp (unlike illicit cannabis) practically valueless as a recreational drug.

#### *Hemp vs medicinal cannabis*

5. Although hemp and medicinal cannabis are both cultivars of *Cannabis sativa L.*, they have been selectively bred for distinct biological traits and end uses. Hemp is optimised for rapid, slender growth and nutrient efficiency, producing tall plants with minimal branching and low concentrations of THC for the uses of fibre, seed, and oil in New Zealand, and increasingly for CBD extraction overseas. In contrast, medicinal cannabis cultivars are bred for compact growth and dense, resinous female flowers and leaves rich in THC, CBD and other cannabinoids for therapeutic purposes.

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<sup>3</sup> Implementation of the Medicinal Cannabis Scheme in New Zealand: six emerging trends, 2024, published by the New Zealand Medical Journal.

<sup>4</sup> Wilkins and Rychert, 2020, [Assessing New Zealand Cannabis Legalization and Control Bill: prospects and challenges](#).

<sup>5</sup> Brownlee, P. 2019. *New Zealand's Industrial Hemp industry: Motivations, Constraints, and Moving Forward*. University of Otago

<sup>6</sup> Health Canada – Information for Health Care Professionals <https://www.canada.ca/content/dam/hc-sc/documents/services/drugs-medication/cannabis/information-medical-practitioners/information-health-care-professionals-cannabis-cannabinoids-eng.pdf>

<sup>7</sup> s 6(c)

<sup>8</sup> [Questions and answers on the health risks of food and feed containing hemp - Updated BfR FAQ dated 15 November 2022](#)

### *What are the uses of hemp?*

6. Hemp, particularly its stalk and seed, can be used for fibre and food purposes. Hemp and hemp by-products can also be used for animal feed.<sup>9</sup> Although this is not currently permitted in NZ, it is permitted in some jurisdictions, such as in the EU.<sup>10</sup> Other hemp parts, such as leaves and flowers, can be used for medicinal purposes, depending on regulatory context. There are thousands of existing hemp products, including textiles, clothing, rope, home furnishings, industrial oils, cosmetics, food and pharmaceuticals.<sup>11</sup>
7. Hemp cultivation is often associated with positive environmental benefits. It is reported to absorb carbon dioxide more efficiently than many other crops, may require fewer pesticides and herbicides, and can help prevent soil erosion, improve soil structure, and remove heavy metals from contaminated land. However, as hemp is a rotational crop and has only recently re-emerged as a legal crop, further research is needed to confirm and quantify these environmental benefits.

### **Current regulatory context**

#### *The Misuse of Drugs Act 1975 and associated regulations*

8. Cannabis plant material (which includes industrial hemp) is classified under the Misuse of Drugs Act 1975 (MoDA) as a Class C controlled drug as well as a prohibited plant. This means that, by default, all activities relating to any variety of cannabis are illegal, unless specifically authorised by regulation.
9. The Misuse of Drugs (Industrial Hemp) Regulations 2006 (Industrial Hemp Regulations) authorise some uses of industrial hemp, subject to a licensing regime with strict controls on THC levels, approved cultivars, and permitted uses. The regulations also impose specific testing, record keeping, notification and reporting requirements on licence holders.
10. Only approved cultivars can be used for industrial hemp cultivation, and only for permitted purposes such as seed, oil, and fibre production. While intended to prevent misuse, these regulations are more restrictive than necessary for a low-risk crop, creating compliance burdens and limiting industry flexibility and growth.
11. The Industrial Hemp Regulations came into effect on 1 August 2006. They have been amended twice. First in 2018, to enable the use of hemp seed for food and then in 2020 to allow for limited supply of hemp for medicinal cannabis growers.
12. In addition to the Industrial Hemp Regulations hemp is also impacted by other regulatory systems (**Appendix 1**). For example, if hemp is used as food, it is subject to the food regulations.<sup>12</sup> The importation and exportation of hemp seeds requires a licence under

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<sup>9</sup> [Use of industrial hemp byproducts in ruminants: a review of the nutritional profile, animal response, constraints, and global regulatory environment](#)

<sup>10</sup> [Questions and answers on the health risks of food and feed containing hemp - Updated BfR FAQ dated 15 November 2022](#)  
[Scientific Opinion on the safety of hemp \(Cannabis genus\) for use as animal feed - - 2011 - EFSA Journal - Wiley Online Library](#)

<sup>11</sup> [Industrial Hemp \(Cannabis sativa subsp. sativa\) as an Emerging Source for Value-Added Functional Food Ingredients and Nutraceuticals - PMC](#)

<sup>12</sup> Such as the Food Act 2014 and the Australia New Zealand Food Standards Code. The Food Standards Code prohibits Cannabis spp but makes an exception for Cannabis sativa seeds and seed products with compositional and labelling requirements, including that the plants used for food must be low-THC Cannabis sativa, defined as having no more than 1% THC in leaves and flowering heads.

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MoDA and its regulations.<sup>13</sup> Only small, consequential changes to those other regulatory systems are proposed at this stage, with no changes proposed for hemp food products under food regulations.

### Current value of the market

#### *New Zealand*

13. Industrial hemp was first licensed for cultivation and research in New Zealand in 2006. Following the 2018 amendments to the Industrial Hemp Regulations, which allowed hemp to be used for food, there was a sharp increase in new entrants. More than 200 new general industrial hemp licences were issued between the beginning of 2019 and the end of 2020, bringing the total number of active licences to 243 as of July 2020.
14. However, the number of new entrants has declined significantly over the past 5-6 years, with about one-third of general licence holders not requesting an extension after their first year. As of May 2025, there were 59 active general licences covering cultivation, supply, procurement, and processing of industrial hemp. This figure has remained stable for the past three years. Research and breeding licences have also been relatively steady at around 15–20 over the past six years.
15. Licensed cultivation areas for industrial use and research and breeding rose sharply in 2019–2020 to around 4,000 hectares (ha) and 53 ha respectively but fell significantly to about 680 ha and 6 ha respectively by 2024. Actual cultivated areas are much smaller, for example, as of 30 June 2024, only about 180 ha were cultivated and 1.5 ha used for research and breeding.
16. The New Zealand hemp market remains small. In 2020, the New Zealand hemp industry was estimated to be worth \$3–5 million. It is now estimated to be worth around \$1 million.

#### *Internationally*

17. In other jurisdictions, the industrial hemp industry is significantly larger. For example, in Australia, approximately 2,300 hectares (ha) were planted during the 2023–2024 season.<sup>14</sup> In the European Union, 33,030 ha were cultivated for hemp fibre in 2022,<sup>15</sup> while in China an estimated 66,700 ha were planted in 2019.<sup>16</sup>
18. The global hemp industry is projected to grow from US\$4.6 billion in 2019 to US\$64.8 billion by 2030. The largest share of this market is expected to come from CBD and other cannabinoid products, followed by seed food products, and a growing demand for both low and high-tech fibre products. The New Zealand hemp industry is aiming to position itself in the premium seed oil market.
19. Currently, at least 70 countries cultivate hemp for commercial or research purposes. The largest producers of hemp are currently China, France, Canada and USA (see Figure 1).

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<sup>13</sup> A licence is required to import or export controlled drugs. Licence fees are set out in the Misuse of Drugs Regulations 1977. The current fee for an import/export licence is \$190.

<sup>14</sup> [Australian Hemp Market – Business Plan Templates](#)

<sup>15</sup> [Hemp - European Commission](#)

<sup>16</sup> [USDA \(2020\) 2019 Hemp Annual report](#)

**Figure 1: International hemp growing and production growth**



Source: [Hemp CBD Legalization World Map: March 2025 Updated – Business Plan Templates](#)

**Risks associated with industrial hemp**

*Principal risks arise from visual similarity*

- 20. While industrial hemp is low-risk, its visual similarity to illicit (high-THC) cannabis creates enforcement challenges in relation to illicit cannabis. This is because illicit cannabis seeds, crops and traded products can be passed off as industrial hemp and there is no way to tell the difference without specialist testing. There is also a risk of misuse of hemp biomass for recreational purposes or for illicit CBD production.

*Other risks*

- 21. Other risks associated with industrial hemp, like the risk of unsafe products being consumed by humans or animals are managed through regulatory systems that will not be affected by the options considered in this document.

**Market failure**

- 22. One issue that arises in the context of industrial hemp is information asymmetry. Growers of industrial hemp possess more knowledge about the plants they cultivate than purchasers and investors. Information asymmetry has the potential to create a market failure because it can create uncertainty for prospective purchasers and investors that the product is what it is claimed to be, and potentially cause them not to transact at all.
- 23. The issue is particularly acute in the industrial hemp market because if the product is not what it is claimed to be on the basis that it has more THC than claimed, purchasers or investors could inadvertently be purchasing or investing in an illicit product.
- 24. The current licensing regime provides an additional layer of assurance to purchasers and investors about the authenticity of the product. However, the industry has a strong

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incentive to manage this risk and there are private solutions (such as private testing) available if they are needed. There is no good case for regulation on this basis.

### What is the policy problem or opportunity?

25. The Industrial Hemp Regulations impose strict licensing requirements, prescriptive conditions, and limited permitted uses, constraining industry growth and innovation. This is likely to be constraining the growth of an industry with good economic and environmental potential.
26. While hemp can be visually similar to illicit cannabis, the crop itself raises few issues and the risk of the visual similarity being exploited appears manageable through enforcement tools and industry incentives outside of the Industrial Hemp Regulations. This means the current approach is disproportionate to the risk and the industry's growth is being unnecessarily impeded.
27. The opportunity is that removing or reducing regulatory burden could allow the industry to grow, providing economic and environmental benefits, without disproportionately increasing any risk.

### How is the industry being held back?

#### *Direct and indirect costs of the current system*

28. For a small industry the direct and indirect costs of the current system are significant (Table 1). These estimated compliance costs are high relative to the overall size of the industrial hemp sector. The cost is estimated to be approximately 9%-13% of the sector's total annual current revenue, based on conservative to moderate assumptions.<sup>17</sup>
29. There is also a cost to the regulator in assessing licence and approved cultivar applications, reviewing annual reports, responding to adverse test results and other compliance activities over and above what is cost-recovered and reflected in Table 1.

**Table 1: Aggregate compliance costs for growers of the current licensing regime**

Cost	Annual Estimate (NZD)
Licensing Fees	\$14,333
Testing Fees	\$12,000 – \$48,000
Admin Costs	\$37,600 – \$80,544
Medicinal Cannabis Licences for growing hemp for the Medicinal Cannabis Scheme	\$16,000
Total (Lower Bound)	\$79,933
Total (Upper Bound)	\$158,877
Total Range	<b>\$79,933 – \$158,877</b>

30. Estimates are based on the following assumptions: 60 growers and 20 research growers pay licensing fees every three years; 80 growers or research growers each test one cultivar per year, with testing fees ranging from \$150 to \$600 per test; administrative costs are calculated using 20–30 hours per grower per year at minimum or median wage, or \$1,000 per grower; and there are two medicinal cannabis licence holders - one paying approximately \$10,000 per year and the other paying approximately \$6,000 per year (difference depends on number of sites licensed). Due to the current restrictions

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<sup>17</sup> As per Appendix 2, industry revenue for 2024 is estimated to be \$0.9 million as an upper value. The lower bound and mid-point cost estimates are used to generate the 9% and 13% figures. Using a lower bound revenue estimate with an upper bound cost estimate raises the estimate to 32% of annual revenue.

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regarding hemp biomass (discussed below), some growers must apply for a medicinal cannabis licence to grow hemp for CBD. Therefore, their compliance costs are included in Table 1. Actual figures may vary depending on grower activity and testing frequency.

### *Growers are being constrained*

31. Under current regulations, hemp can only be grown for fibre and seed (food and oil). It cannot be grown with the intention to use the plant material (leaves and flowers), which holds the majority of CBD and other potentially valuable compounds from the plant and which currently must be destroyed.<sup>18</sup> We heard from industry that the supply of hemp plant material to the Medicinal Cannabis Scheme for production could generate significant income for growers and help absorb regulatory costs.
32. Hemp licence holders are also restricted in supplying no more than 50 seeds and 20 plants of hemp to each holder of a medicinal cannabis licence for cultivation. The rationale for this restriction was to prevent people from cultivating whole crops for the scheme under a hemp licence.

### *Hemp has been identified as a growth sector*

33. Hemp has been identified as a growth sector for New Zealand with potential economic and environmental benefits (Table 2). However, for various reasons, including regulatory barriers, the industry has contracted from \$3-5 million in 2020 to less than \$1 million in 2025.
34. Currently, hemp stalks and seeds are primarily used for fibre and food in New Zealand. There may be potential for hemp seed products to be used as feed for companion animals (though this would require further regulatory change). Hemp biomass (leaves and flowers) could also be used for non-medicinal purposes such as animal bedding, mulch, compost, oils. Additionally, it can be used for medicinal purposes, provided they meet relevant regulatory requirements. Broader regulatory changes would be required to support the sector grow to its potential. Changes to the Industrial Hemp Regulation would be the first step towards liberating the industry from disproportionate regulations.

**Table 2: Estimation of hemp growth**

Commissioner	Key Findings
MPI (2021)	Estimated the industrial hemp sector could grow to approximately \$30 million by 2030, including \$24.9 million in export revenue and \$5.3 million in domestic revenue. <sup>19</sup>
MBIE (2023)	Identified hemp as one of thirty opportunities for emerging and future platforms in New Zealand's bioeconomy. <sup>20</sup>
NZ Agricultural Greenhouse Gas Centre (2023)	Highlighted the potential for hemp to support the primary sector's transition to lower emissions. <sup>21</sup>
NZHIA (2021)	Estimated the hemp sector could generate \$2 billion by 2030 with broad regulatory reform, including \$1.5 billion from nutraceuticals, \$317 million from fibre products, and \$180 million from seed products. <sup>22</sup>

<sup>18</sup> There is some evidence that cannabis plants with lower THC level tend to have a higher CBD content.

<sup>19</sup> [Facilitating growth in the NZ Hemp Industry](#)

<sup>20</sup> [Thirty Opportunities Emerging and future platforms in New Zealand's bioeconomy](#)

<sup>21</sup> [PerrinAg\\_Hemp-report.pdf](#)

<sup>22</sup> [FULL-REPORT-final-55.pdf](#)

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*How proportionate is the current regulatory regime?*

35. As discussed before, hemp has very low levels of THC with no discernible psychoactive or intoxicating effect. Regulations on low-risk activities should be risk-proportionate.
36. The current licensing regime manages risks associated with hemp in the following key ways:
  - a. **THC threshold:** Hemp must contain THC of less than 0.5%.
  - b. **Restricted use:** Hemp can only be used for fibre, food and oil.
  - c. **Self-identification:** By applying for licences, licensees need to identify themselves to regulators, which is likely to be highly off-putting for criminal interests.
  - d. **Checks on licensees:** Background checks on applicants for licences make it even less likely that a licensee will be associated with criminal interests.
  - e. **Accounting for stock:** Requirements to notify plantings of industrial hemp, keep business records and notify thefts provide regulators with a clearer picture to be able to detect anomalies that could indicate criminal behaviour.
  - f. **Pre-harvest testing:** Testing ensures hemp contains low THC, though this is not a step designed to detect criminal behaviour, and is unlikely to do so, because the cuttings are selected, and testing arranged, by the licensee.
  - g. **Police powers:** Under MoDA, Police have powers to enter properties and inspect crops, including taking samples for testing, which is a further deterrent to criminal activity.
37. There are also non-regulatory factors that mitigate the risks. In particular, cross-pollination between illicit cannabis (high THC) and industrial hemp (which must have low THC) is undesirable for both crops, creating a practical barrier to running an illegal operation within a legal one. In addition, there is an incentive for legitimate participants in the industry to alert Police to any unlawful behaviour, to protect the social licence and credibility of the industry and avoid the risk of cross-pollination (industry feedback from engagement).
38. The effectiveness of measures, such as checks on licensees, accounting for stock and pre-harvest testing, is unclear. s 6(c)  
[REDACTED]
39. At the border, cannabis seeds cannot be imported or exported without a licence. These licences are issued by Medsafe and are not issued to anybody for hemp seeds unless they have a licence under the Industrial Hemp Regulations. Consequently, the Industrial Hemp Regulations currently provide some assurance for the border operation.
40. However, if the licensing regime under the Industrial Hemp Regulations is removed, Medsafe would require a Criminal Record check for issuing import/export licence. s 6(c)  
[REDACTED]
41. Table 3 outlines how the current measures are failing to be risk-proportionate.

**Table 3: How the current measures are failing to be risk-proportionate**

How the measures are failing to be risk-proportionate	Explanation
s 6(c)	
Disproportionate costs	Compliance costs for the sector are high (NZD \$80,000–\$160,000 annually) relative to the low risk posed by hemp, discouraging participation and innovation. Only twelve adverse THC test results in six years among general licence holders. <sup>23</sup>
Administrative burden	Prescriptive requirements (e.g., exact site approvals, annual extension, formal change processes) create unnecessary complexity and limit flexibility for growers. <sup>24</sup> These can be even more restrictive than for Medicinal Cannabis licence holders. <sup>25</sup>
s 6(c)	
s 6(c)	
No clear correlation between the hemp sector and illicit cannabis risk	We are not aware of any evidence linking hemp industry growth to increased illicit cannabis activity, suggesting the current controls may not address the real risk drivers.

*Effective risk mitigations outside of Industrial Hemp Regulations licensing*

42. The following measures in Table 4 are seen as effective in mitigating risk associated with industrial hemp, without relying on the licensing regime. They operate through agronomic characteristics, existing legal controls, market-based incentives, and behavioural deterrents. Together, these mitigations provide practical and proportionate safeguards against misuse while supporting compliance and industry integrity.

<sup>23</sup> Most general licences require pre-harvest THC testing, but compliant results are not reported. Adverse results occur mainly in research licences, which is expected as they trial new cultivars. Industry feedback suggests accidental exceedance is rare when approved cultivars are used.

<sup>24</sup> Regulation 13 requires hemp sites to be at least 5 km from residential zones and all locations in a licence to be on the same property. These rigid rules limit flexibility and add unnecessary complexity, unlike countries such as Canada, which only require an address.

<sup>25</sup> For example, the eligibility criteria for industrial hemp licence holders are narrower, and hemp growers are required to submit financial reports to Medsafe. These requirements that do not apply to medicinal cannabis licence holders.

**Table 4: Effective risk mitigations**

Mitigation Type	Specific Measure	How It Reduces Risk
<b>Agronomic</b>	Cross-pollination effect	Cross-pollination lowers THC in illicit cannabis (making it less valuable as an illicit recreational product) and impacts the purity of hemp seeds, making the industrial hemp less valuable as well. This discourages concealment of high-THC plants in industrial hemp crops.
<b>Regulatory – Legal Controls</b>	MoDA penalties & Police powers	Strong legal deterrent; Police can inspect, test, and prosecute.
	THC thresholds	Low THC limits <1%
	Police notification of grow sites	Provides enforcement intelligence and reduces accidental eradication of legitimate crops.
	Import/export licensing	Prohibits illicit cannabis seed imports; supports Customs and Police enforcement.
<b>Regulatory – Product Safety</b>	Food Act & ANZ Food Standards Code	THC limits for hemp food products ensure consumer safety and compliance with trade standards.
	Medicines Act & Medicinal Cannabis Regs	Prevents diversion under medicinal guise; CBD products regulated as prescription-only.
	Agricultural Compounds and Veterinary Medicines Act controls	Requires registration of hemp-derived substances for animal feed or veterinary use.
<b>Market-Based</b>	Buyer and processor quality assurance	Downstream customers demand THC test results, creating a self-regulating compliance loop.
	Industry stewardship	Peak bodies provide guidance on cultivars, best practices, and voluntary testing to maintain social licence.
<b>Behavioural</b>	Risk aversion	Severe MoDA penalties deter illicit cultivation even with low detection probability.
	Moral norms and internalised legality	Many growers comply because legality is seen as a moral boundary.
	Hassle aversion & complexity	High-THC cannabis requires precise growing conditions, discouraging illicit attempts.
	Low confidence & bounded rationality	Lack of knowledge and uncertainty about avoiding detection reduces illicit activity.
	Social stigma	Fear of reputational harm with neighbours, employers, and family acts as a deterrent.
	Ambiguity aversion & substitution	People avoid unclear legal risks and have little incentive to grow illicit cannabis when supply exists elsewhere.

### **What objectives are sought in relation to the policy problem?**

43. The review of the Industrial Hemp Regulations aims to deliver a regulatory framework that is proportionate to the low risk posed by industrial hemp, while unlocking the sector's economic and environmental potential. Specifically, the objectives are to:
- enable the growth of the industry hemp sector; and
  - ensure relevant risks are proportionately managed.<sup>26</sup>

### **What consultation has been undertaken?**

44. Consultation involved key government agencies and industry stakeholders across the hemp and medicinal cannabis sectors. Most agencies supported deregulation, but Police and Customs raised concerns about potential misuse. Industry stakeholders generally backed reducing regulatory barriers, though opinions differed on how best to do this. Feedback emphasized the need for clearer options, broader reform, and recognition of hemp's economic potential.
45. During the policy process, the views of government agencies and the details of proposal both developed, meaning the engagement was spread out over a period of time and covered different issues.

#### *Agency engagement*

46. Our engagement with other agencies was as follows:
- a. In May and June 2025, we worked closely with the Ministry of Health (MOH) (including Medsafe) to consider policy changes for industrial hemp regulation.
  - b. We also engaged with a range of other agencies during May and June 2025. Those agencies were MPI, MOJ, Te Puni Kōkiri, Police, and Customs. The engagement focused on horticulture development, compliance and enforcement issues for both hemp and cannabis, and trade risks associated with feeding hemp to animals.
  - c. We engaged with Customs and Police a number of times between July 2025 and September 2025 to explore concerns they had raised.
  - d. We commenced agency consultation on a revised Cabinet Paper in late September 2025 and had further engagement at that time and in October 2025 with MOH and MPI around some specifics of the revised proposal.

#### *Stakeholder engagement*

47. We held two in-person meetings with four industry representatives and three online workshops with the wider hemp and cannabis industry, researchers, laboratories, hemp products and other primary industry from 17 to 19 June and on 2 July 2025 to discuss policy problems and potential solutions. Engagement material was provided in advance of the meetings and workshops to facilitate the conversations. We also received 28 written submissions. Due to the initial narrow scope of the review, the engagement was primarily focused on licensing requirements.
48. We met with industry peak bodies representatives<sup>27</sup> in October to discuss detailed features of options for changes and clarify their remaining concerns.

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<sup>26</sup> Including deliberate or accidental cultivation and distribution of high-THC cannabis plants and products and accidental consumption or misuse of CBD and other cannabinoids available in low-THC industrial hemp.

<sup>27</sup> New Zealand Hemp Industries Association Inc (NZHIA), Aotearoa Hemp Alliance (AHA), and New Zealand Medicinal Cannabis Council (NZMCC)

Industry representatives qualified their comments in June and July to the effect they had not been able to consult all of their members in the available time.

*Support for proposals*

49. At an agency level, support for the proposals primarily came from MOH (including Medsafe), with opposition coming from Customs and Police (though Customs subsequently withdrew their objection on the basis that the relevant issues were not border issues).
50. MOH (including Medsafe) considered the control of illicit cannabis to be a matter for Police. MOH had no concerns regarding hemp cultivation and distribution as hemp poses very low health risks when correctly used. Therefore, MOH supported deregulation and considered Medsafe’s involvement should be limited to the issuing of import and export licences.
51. At an industry stakeholder level, there was general support for deregulation but a range of views about how far it should go.
52. Stakeholders generally felt that the scope of this review was far narrower than the changes needed to enable the industry to grow to its full potential. The industry acknowledged the economic opportunities from hemp plant material supply to the medicinal cannabis industry as significant, which could absorb any regulatory costs, but felt broader regulatory changes would be required to achieve real growth. Stakeholders did, however, indicate that any reduction in regulatory burden would be valuable to the industry, and would help reduce the stigma around hemp.
53. Stakeholders initially noted it was challenging to identify their preferred option given the condensed timeframe for consultation and the limited details supplied on options for change. The industry representative groups indicated their option preference but flagged that there was insufficient time to widely consult with their members. Further engagement in October 2025 enabled more robust discussions on the details of options for change.
54. In general, we heard support for the full range of options for deregulatory change presented from different stakeholders: a streamlined licensing system, a registration scheme/notification/simple licence, or full deregulation. We also heard support for retaining approved cultivars and certain barriers to entry to manage the cross-pollination risk and provide quality assurance for New Zealand’s hemp and medicinal cannabis products.
55. Stakeholder perspectives reflected the different drivers influencing various types of businesses within the sector. For instance, stakeholders focused on the domestic market preferred fewer regulatory barriers to entry, while those oriented toward exports emphasised the importance of a stronger regulatory framework to provide certainty and address potential trade risks.
56. There were initially no in-depth discussions about potential changes to the supply of hemp biomass, seeds, or plants to the Medicinal Cannabis Scheme, although industry did raise relevant issues. Some support was expressed for allowing the supply of hemp plant material to the scheme, recognising the possible economic opportunities. Industry representatives commented that the current limits of 50 seeds and 20 plants supplied from a hemp licence holder to the scheme were unreasonable and made research or trial activities unfeasible. Some industry peak bodies supported the updated proposal to enable the supply of hemp plants, seeds and biomass to the Medicinal Cannabis Scheme, and the proposed changes to the import and export licence requirements during later engagement.

For paragraphs 51-56 - Ministry for Regulation drew these views from the consultation detailed in paragraphs 47 and 48, noting that industry representatives qualified their comments in June and July to the effect they had not been able to consult all of their members in the available time.

*Police concerns*

- 57. During the agency consultation in July, Police raised concerns that deregulation would result in increased cases of exploitation of hemp industry by organised crime and challenges in managing hemp import and export at the border due to the absence of a strong domestic licensing regime.
- 58. Police viewed the hemp industry as high-risk due to its visual similarity to high-THC cannabis and therefore felt it should be closely managed. Police were concerned that deregulation would increase the exploitation risk as anyone could claim they were growing or dealing with hemp to conceal their activities with illicit cannabis. The only effective tool to distinguish between hemp and illicit cannabis is testing the mature plants. With more hemp expected to be grown, there may also be cost implications for Police.
- 59. Police provided an estimate of \$983 million of social harm from illicit cannabis under the *status quo* option. Police have not provided evidence on how deregulation of industrial hemp would increase this figure relative to the *status quo* but have outlined the particular risk they perceive, which is that a rapidly growing industry (which the hemp industry could become) with well-publicised reductions in regulatory oversight and advantages for hiding an illicit trade (the visual similarity between illicit cannabis and hemp) could prove very attractive to organised crime.
- 60. As discussed elsewhere in this document, while we acknowledge this risk, we believe the requirement to notify Police of any cultivation (as a pre-condition to that cultivation being legal) is likely to make the industry unattractive to criminal interests. In addition, there are differences in growing practices that are likely to make illicit crops stand out and other mitigating factors discussed in this document.

*Initial Customs concerns*

- 61. s 6(c) [Redacted]
- 62. s 6(c) [Redacted]
- 63. Customs routinely intercepts cannabis seeds that are imported without a licence, generally through the fast freight and mail streams. s 6(c) [Redacted]
- 64. Following discussion, Customs agreed that their border operations would remain unchanged under proposed changes s 6(c) [Redacted].  
[Redacted] Customs now has no issues with the current proposal.

*Industry concerns*

- 65. Although all representatives supported some change, there were two particular concerns raised (in addition to the concern that the changes do not go far enough to really boost the industry).
- 66. The first was the risk of cross-pollination between crops in an unregulated environment. Such cross-pollination could affect the quality of some crops (including potentially raising the THC levels) and could affect the perceptions of quality in export markets. Seed

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and medicinal cannabis producers were particularly concerned about this, including being concerned about the effects of a growth in hobbyists in this regard.

67. The second was a risk that the removal of licensing requirements generally could affect the perception in export markets of the quality of New Zealand product. This was of particular concern to medicinal cannabis producers.
68. We have carefully considered these concerns but, on balance, feel that there is still considerable regulatory oversight of the cannabis industry in New Zealand (including export regulation), particularly in relation to medicinal cannabis products, which should be visible to export markets. In addition, while cross-pollination is a serious issue, it is managed effectively by many other industries without regulation.

### *Other sources of information*

69. We also considered feedback from the industrial hemp sector submitted through the Agricultural and Horticultural Product Regulatory Review and MfR's Red Tape Portal.

## Section 2: Assessing options to address the policy problem

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### What criteria were used to compare options relative to the *status quo*?

70. Five criteria have been identified to assess the proposed options against:

- Regulatory compliance burden
- Regulatory restriction
- Growth impediments (such as asymmetric information issues)
- Management of illicit cannabis risks
- Government monitoring and enforcement costs

### What scope will options be considered within?

71. On 29 January 2025, the Minister for Regulation agreed in principle to an approach that would use secondary legislation to remove or reduce licensing requirements on the industrial hemp sector. Changes to primary legislation are therefore out of scope, as are measures to increase regulation.
72. Following a report on engagement feedback, the Minister for Regulation agreed to extend the scope of the review to some interface matters between Industrial Hemp and Medicinal Cannabis Regulations.
73. Consequently, in considering options for change, MfR limited its scope as follows:

#### In Scope

- amendments to, or replacement of, the Industrial Hemp Regulations 2006
- amendments to medicinal cannabis regulations to enable use of industrial hemp;
- any consequential amendments to other regulations.

#### Out of scope

- changes that increase industry regulation;
- changes to the Misuse of Drugs Act 1975 or any other primary legislation;
- changes to secondary legislation promulgated under the Food Act 2014, Medicines Act 1981, or the Agricultural Compounds and Veterinary Medicines Act 1997, except to the extent that they are consequential changes;
- changes that permit use of hemp biomass (e.g. for animal feed) that is broader than for medicinal purposes or purposes already permitted for licensees under the Industrial Hemp Regulations.

### What options are being considered?

74. Four options are being considered:

- Option 1: The *status quo*
- Option 2: Retaining the licensing regime with some improvements
- Option 3: Reducing the licensing requirements to a Criminal Record check for licensees (simple licence)
- Option 4 (preferred): Removing the current licensing regime and regulating to permit activities without a licence (deregulation)

75. These options are each discussed in detail below and their key features summarised in Table 5.

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Table 5: Summary of key components of the Industrial Hemp Regulations and their relation to the options presented.

Key components of the Industrial Hemp Regulations	Role in risk management	Options			
		1 The status quo	2 Streamlined licence	3 Simple licence	4 Deregulation
<b>Requirement for licence</b> Licence needed to procure, cultivate, supply, process, possess and breed new cultivars of hemp (permitted activities).	These components reduce risk by acting as a gateway to screen new entrants to the hemp sector.	✓	✓	✓	removed
<b>Current eligibility criteria</b> Applicants and responsible persons must pass certain checks, for example they cannot have previous drug-related conviction. The regulator must request criminal record checks for applicants and responsible persons.		✓	✓ less onerous	✓ less onerous	removed
<b>Activity limited to approved cultivars</b> The Director-General may approve cultivars of industrial hemp which are then gazetted. Licence holders may only undertake activities in relation to an approved cultivar as specified in their licence.	This component reduces risk by screening the kinds of hemp that can be grown in New Zealand.	✓	✓	removed	removed
<b>Intended use of the cultivar limited to fibre, oil, and seed</b> This limits the use of industrial hemp cultivation to these purposes only.	This limits the use of hemp to these purposes, limiting what can be done with the parts of the plants that carry the most risk (i.e. leaves and flowers).	✓	✓ extended	✓ extended	✓ extended
<b>Industrial hemp defined as THC content of less than 0.35% and no more than 0.5%;</b> The regulations sets the THC threshold as generally below 0.35% and not above 0.5%. This defines which <i>cannabis sativa</i> plants can be grown as hemp within New Zealand.	This definition sets the overall risk tolerance for the system.	✓	less than 1%	less than 1%	less than 1%
<b>Pre-harvest testing</b> Licence conditions require pre-harvest testing for each cultivar with follow-up actions (report to the regulator, harvest early or crop destruction)	These requirements ensure hemp are low THC cannabis and pose low health risk.	✓	no testing for approved cultivars	removed	removed
<b>Requirements to keep records and report annually</b>		✓	✓	removed	removed

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Every licence holder must keep a seed, cultivation and harvest register as well as report to the Director-General annually. Copies of the registers must be provided on request.

**Police and DG Notifications of certain activities**

Police must be notified after sowing or planting hemp. The DG and Police must be notified of any unwanted activity or unauthorised removal, and the DG must be notified after failed crops or seeds not sown.

**Powers to inspect, require testing of plants and order plants to be destroyed or harvested early**

The Director-General may direct a licence holder to take samples of hemp plants and provide them to an approved laboratory for testing. Should a test result in THC content above 0.5% then the Director-General may order the plants to be harvested early, or to destroy the plants within 10 days. Licence holders may apply for this decision to be reviewed.

**Offences and penalties**

It is an offence for a person advertising hemp as if it had psychoactive effect; supply hemp to unauthorised person; cultivate unauthorised cultivars of hemp; or breach a condition of a licence. The penalty is set at a fine of \$500 with an additional \$20 per day if the offence continues.

**Controls under other regimes**

Under all the options, hemp will remain subject to existing controls under other regulatory frameworks and Police powers under MoDA remain in place.

**Import/export licence**

These components reduce risk by ensuring Police and the regulator are able to readily access information about current hemp activities.

These components reduce risk by enabling ex-post detection and confirmation of noncompliance (whether intentional or unintentional noncompliance). This component reduces risk by providing a lever to ensure the ongoing compliance of current participants in the sector (i.e. through potential of fine).

The current import/export licences ensure goods across the border are low THC hemp

	less onerous		
✓ Police notification after growing	✓ Police notification after growing	✓ Police notification after growing	✓ Police & MPI notification before growing
✓	✓	removed	removed
✓	✓	removed	removed
✓	✓	✓	✓
✓ relies on the hemp licence regime	✓ relies on the hemp licence regime	✓ relies on the hemp licence regime	✓ relies on a declaration and a Criminal Record check

**Option 1 – The status quo**

- 76. The current regulatory regime was established to provide a clear, risk-based framework for the cultivation and use of industrial hemp in New Zealand. It was designed, based on the information available at the time, to ensure public safety, prevent diversion to illicit uses, and support legitimate industry development. At its inception, the regime aimed to balance enabling industry growth with maintaining oversight and public confidence.
- 77. It has the following key features:

**Features**

*Entry restrictions*

- A licensing regime for both general and research & breeding activities
- Licences for up to 1 year for cultivation and 3 years for other purposes
- Eligibility criteria and licensing requirements (age, criminal history, licence history, and prescriptive location requirements)

*Activity limitations*

- Activities limited to approved cultivars unless for research & breeding purposes
- THC content must generally be less than 0.35% and no more than 0.5%
- Limited supply of plants and seeds to medicinal cannabis growers permitted

*Operations requirements*

- Pre-harvest testing requirements
- Record keeping, and annual reporting requirements
- Formal change process (regulator’s approval for changes to the grower’s organisational structure, specific growing areas, cultivars and responsible person)
- Notification requirements, including Police notification as soon as practical after planting, regulator notifications of failed growth and notification of unauthorised removal of hemp

*Compliance, Monitoring and Enforcement*

- Powers for regulator to inspect, require testing of plants and order plants to be destroyed or harvested early
- Offences and penalties.

- 78. These features are supported by statutory powers for Police under MoDA and other legislation to inspect stocks and records of industrial hemp growers, sellers and distributors. No changes to those statutory powers are proposed in any of the options.

*Concerns about the status quo*

- 79. Despite good intentions and the comprehensive framework in place, the current regime is not meeting its objectives in practice because it is creating disproportionate barriers to growth and innovation.
- 80. Below are specific examples of requirements within the current regime that are creating unnecessary barriers and contributing to the issues faced by the sector:

### Examples of overly burdensome requirements

- Prescriptive location requirements make it impractical for growers to grow hemp
- Strict eligibility criteria stop people from doing legal business activities
- Approved cultivars ensure that the THC content in hemp likely meet the legal threshold, but this could also be self-managed by industry, for example, through buying seeds from trusted sources; evidence of approved cultivars (for example, invoice of hemp seeds, hemp seed labels, etc) can be used as a cover for high-THC cannabis plants actually grown
- Testing requirements make it expensive and in most cases achieve little because growers arrange the testing
- Onerous record keeping and reporting requirements, which can also be manipulated
- Unnecessary formal change processes causing disruption to business activities
- Unnecessary requirements relating to the supply to the Medicinal Cannabis Regime and regulator notification of failed growth.

81. We consider the *status quo* is imposing disproportionate regulatory burden and restricting economic activities. It provides assurance that legal hemp activities are dealing with low THC cannabis, especially for consumers and importers. However, there is little evidence that the licensing system effectively manages exploitation risks, [REDACTED] s 6(c) [REDACTED] The current system is a cost pressure on Medsafe.

### Option 2 – Retain licensing regime with some improvements

82. Option 2 is to retain the Industrial Hemp Regulations, with improvements to the regime. These would relax some requirements, including by aligning certain requirements to the Medicinal Cannabis Regulations, where the requirements in the Industrial Hemp Regulations are more onerous.
83. Option 2 has the following key features:

## Features

### *Entry restrictions*

- Retain licence regime but with some relaxation and streamlining by:
  - Licence term extended to five years from one year
  - Remove prescriptive growing location requirements, making the eligibility criteria aligned with medicinal cannabis regime (licence would be issued based on age, a Criminal Record check, licence history and location information – farm address)

### *Activity limitations*

- Existing restrictions on hemp uses for fibre, food and oil and these changes:
  - Research and breeding permitted without a separate licence
  - Requirements on growing less prescriptive
  - Enable the supply of hemp biomass to the Medicinal Cannabis Scheme for production, provided medicinal cannabis products still meet quality requirements under the Medicinal Cannabis Regulations
  - Enable unlimited supply of hemp plants and seeds to Medicinal Cannabis Scheme
  - THC content up to 1% permitted (see discussion below under Option 4)

### *Operations requirements*

- Remove testing requirements for approved cultivars (but retaining for unapproved ones)
- Reduce record-keeping and reporting requirements
- Replace the formal change process with annual information updates
- Remove requirement to notify the regulator of failed growth
- Retain notification to Police of growing areas as soon as practical

### *Compliance, Monitoring and Enforcement*

- Retain powers for regulator to inspect, require testing of plants and order plants to be destroyed or harvested early
- Offences and penalties.

84. For simplicity, licence fees would remain at the current level of \$500. In this case, a cost recovery impact assessment may be not required as the regulator is currently not fully recovering the costs of managing a licensing system and likely to require this fee to continue the regime. Under this option, Medsafe would retain an oversight of the hemp industry and provide information to Police to continue the control of illicit cannabis.
85. These changes would address some, but not all problems with the current regime. In particular, there would be less regulatory burden, barriers to entry, and restrictions on innovation. There would be ongoing (but reduced) regulatory costs for Medsafe. This option would continue to assure that legal hemp activities are dealing with low THC cannabis. Its role in managing illicit cannabis would remain similar to the *status quo*.

## Option 3 – Simple licence

86. Option 3 is to reduce the licensing requirements even further than Option 2, to consist of only a Criminal Record check for licensees and a Police notification requirement. This would retain a licensing requirement at its most basic but significantly reduce the regulatory burden on both industry participants and the regulator.
87. Option 3 has the following key features:

## Features

### *Entry restrictions*

- Licence information would include identity, contact information, a Criminal Record check, and growing location(s)
- Licence would be refused for individuals with a history of an offence against the MODA (or previously the Narcotics Act 1956)
- Licence would still be required as a pre-condition to holding a licence to import or export industrial hemp seeds

### *Activity limitations*

- All existing permitted activities under the current licensing regime and these changes:
  - Enable the supply of hemp biomass to the Medicinal Cannabis Scheme for production, provided medicinal cannabis products still meet quality requirements under the Medicinal Cannabis Regulations
  - Enable unlimited supply of hemp plants and seeds to Medicinal Cannabis Scheme
  - THC content up to 1% permitted (see discussion below under Option 4)

### *Operations requirements*

- Remove all approved cultivars and testing requirements
- Remove record-keeping and reporting requirements
- Replace the formal change process with annual information updates (if there are changes)
- Remove requirement to notify the regulator of failed growth
- Retain the requirement that growers must notify Police of growing areas as soon as practical

### *Compliance, Monitoring and Enforcement*

- Medsafe would not engage in compliance or enforcement activities (outside of criminal record checks) but the information collected for issuance of the licence would be available to the Police

88. A licence fee would continue to be charged to cover the costs of managing the reduced licence system. Licences would be automatically renewed every three years at a fee to cover administrative costs and an updated Criminal Record check, provided there were no changes to the responsible person's criminal history. Annual updates on licensing information would be required to keep contact information up to date and deter individuals with drug-related criminal histories from participating in the hemp industry.
89. Medsafe would maintain the licensing system with costs to be recovered from licence applicants. A cost recovery impact assessment could be waived if the current licence fee could be justified as covering the costs of managing the new system.
90. These changes would reduce regulatory burden and restriction for regulated parties, compared with Options 1 and 2. However, they would still include an entry barrier, some ongoing compliance costs for the industry and ongoing (but reduced) regulatory costs for Medsafe. There would be no material regulatory assurance about THC levels of hemp products, but the legal THC threshold would remain in place and private solutions could provide further assurance. Risks of hemp being exploited by organised crimes or misuse of hemp biomass could increase compared with the *status quo*. However, the increase is uncertain and difficult to be quantified.

**Option 4 (preferred) – Revoke industrial hemp regulations and exempt industrial hemp cultivation under regulations made through MoDA**

- 91. Option 4 is to revoke the Industrial Hemp Regulations in full to remove the licensing system and amend the Misuse of Drugs Regulations 1977 to permit activities with industrial hemp, subject to some conditions outlined below.
- 92. Option 4 has the following key features:

**Features**

*Entry restrictions*

- Licensing regime ended
- Activities currently permitted with a licence permitted, subject to Police and MPI being notified by growers in advance of any growing, specifying the growing location. Failure to notify Police would mean the regulatory permission did not apply and the crop was therefore illicit cannabis.

*Activity limitations*

- Criminal Record check added to the existing Medsafe process for licensing importation or exportation of industrial hemp seeds (to replace the current industrial hemp licence)
- Enable the supply of hemp biomass to the Medicinal Cannabis Scheme for production, provided medicinal cannabis products still meet quality requirements under the Medicinal Cannabis Regulations
- Enable unlimited supply of hemp plants and seeds to Medicinal Cannabis Scheme
- THC content up to 1% permitted

*Operations requirements*

- Growers must notify Police and MPI in advance of any growing, specifying the growing location (address).

- 93. Option 4 would continue to be supported by statutory powers for Police under MoDA to inspect stocks and records of industrial hemp growers, sellers and distributors. No changes to those statutory powers are proposed in any of the options.
- 94. This option would remove all regulatory burden and restriction for the hemp industry as well as costs for Medsafe. There would be no material regulatory assurance about THC levels of hemp products, but the legal THC threshold would remain in place and private solutions could provide further assurance. Risks of hemp being exploited by organised crimes or misuse of hemp biomass could increase, compared with the *status quo*. However, the increase is uncertain and difficult to be quantified.

*THC threshold*

- 95. Options 2 – 4 propose to increase the THC threshold for industrial hemp to 1%. This would align New Zealand’s regulation with most Australian states, the Food Act, and the Food Standards Code. This change would also enable a broader range of cultivars to be grown, provide growers with a safety buffer for THC levels, and support research and development, by expanding the genetic pool of hemp cultivars.
- 96. The proposed increase is not expected to negatively impact hemp or hemp product exports. Thresholds vary among other countries, but the increase would not make New Zealand an outlier,<sup>28</sup> and exports would continue to meet international requirements. Any

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<sup>28</sup> For example, THC ≤ 0.3: United States, Canada, EU, China. THC ≤ 1%: Australia, Uruguay, Czechia and Switzerland.

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additional export-related considerations could be addressed with private solutions (e.g. private testing requirements).

### *Intended purposes of hemp*

97. Hemp would continue to be able to be grown for seed, seed oil and fibre, to be used for all purposes currently permitted with a licence. To further support industry growth, we propose hemp plant material would be permitted to be supplied to medicinal cannabis manufacturers/suppliers for production, provided medicinal cannabis products still meet quality requirements under the Medicinal Cannabis Regulations.
98. Changes to medicinal cannabis regulations would be needed to enable the supply and create a level playing field for current and future Medicinal Cannabis Licence holders for cultivation and supply activities.
99. No further changes to the permitted uses of industrial hemp are proposed in this option. For example, it is not proposed that changes be made to allow hemp seeds to be used in animal feed (though we note that a change to this effect is likely to be considered in the future).

### *Notifying local Police and MPI of growing areas*

100. The regulations would change the current requirement for cultivators to notify Police **after** industrial hemp is planted to a requirement for cultivators to notify Police and MPI **before** growing industrial hemp. This would provide information to support Police operations to manage illicit cannabis, including preventing accidental spraying of legitimate hemp crops as part of operations to eradicate illicit cannabis. Police and some industry stakeholders indicated support for the retention of this requirement. Police would still have their existing tools and powers for policing illegal forms of cannabis under MoDA.
101. Changing the notification requirement from “**after**” to “**before**” cultivation strengthens compliance and accountability. It ensures Police and MPI are informed in advance, reducing the risk of unnotified cannabis cultivation. It also simplifies enforcement because the identification of any crops for which there is no notification to Police within the last year will establish illegal behaviour, whereas a grower could argue under the current notification requirement that a notification was pending.
102. MPI notification would enable a centralised source of information of the hemp industry and support the management of trade risks from feeding hemp to animals.

### *Other licensing requirements, offences and penalties under the Industrial Hemp Regulations would be removed*

103. This option would remove all other licensing requirements (such as licence criteria, licence extension/renewal, approved cultivars, pre-harvest testing, record keeping, annual report, offences and penalties) imposed under the Industrial Hemp Regulations. Any use of industrial hemp outside the proposed uses would be deemed illicit, and existing powers and tools under MoDA and other relevant legislation would apply.
104. The reasons for removing the requirement of approved cultivars are that this requirement restricts innovation and is not effective in managing the exploitation risk. Evidence of approved cultivars can be used to disguise actual crops being grown. Testing can also be manipulated if undertaken by growers. The most effective method to detect illicit cannabis is testing by Police.

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### *Risk of criminalising accidental exceedance of the THC threshold*

105. While the proposed THC threshold provides a buffer for growers, there remains a risk of unintentionally exceeding the limit. However, this risk would be reduced rather than increased compared to the *status quo* because of the higher THC limit.

### *Risk of hemp being exploited for criminal activity*

106. Compared with the *status quo*, the mechanism to manage the risk of industrial hemp activities being used to disguise illegal cannabis activities would be changing. Medsafe would no longer have an oversight of the industry. Information about growing areas provided by growers to MPI and local Police would become the primary source of information to support Police in controlling illicit cannabis. Industry peak bodies who hold information about growers in their sector could share with Police to aid their intelligence gathering and maintain the social licence of the industry.
107. Some protections under the current regime would be removed, being:
- a. **No checks on licensees:** Without the need for licences, background checks on applicants for licences would no longer occur, removing a level of assurance about who is operating in the sector.
  - b. **No accounting for stock:** Requirements to notify plantings of industrial hemp, keep business records and notify thefts would be removed, reducing the information available to detect irregular behaviour.
  - c. **No pre-harvest testing:** Requirements for licensees to test and report on the test results of cuttings would be removed. However, this requirement is unlikely to be deterring criminal behaviour, because the cuttings are selected, and testing arranged, by the licensee.
108. Our view is that, despite the removal of these restrictions, the risk of illicit cannabis being disguised as industrial hemp remains similar because of the remaining mitigating factors. In particular:
- a. **Police notification:** The fact that Police will need to be notified of any growing is likely to be highly unattractive to any would-be criminals.
  - b. **Cross-pollination risk:** The fact that cross-pollination is likely to make both illicit cannabis and industrial hemp, grown together, less valuable creates a barrier to running an illegal operation within a legal one.
  - c. **Industry incentives:** There is an incentive for legitimate participants in the industry to alert Police to any unlawful behaviour, to protect the social licence and credibility of the industry.
  - d. **Police powers:** Police powers under MoDA and other legislation would continue, providing a further deterrent to criminal interests that had notified Police of their growing.
109. We note that under the current regime, cannabis-related offences occurred once and are being managed by Police, using MoDA powers. It is unclear whether the current licensing regime plays any meaningful deterrent role in addressing illicit cannabis, relative to the risk that exists outside of this sector.
110. Police are concerned that three factors, working together, could make the industry particularly attractive to organised crime. One is that it may rapidly grow, making it easier for new interests to enter relatively unnoticed; the second and third are that there will be a well-publicised relaxation of regulatory control and a lack of ongoing regulatory attention, which could signal a vulnerability to organised crime.

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111. Although we have carefully considered these risks, our view remains that the requirement to notify growing and its location to Police will create an uncomfortable level of self-identification for criminal groups. There will continue to be a level of regulatory attention as a result of the notification requirement, ongoing regulatory oversight under food and import/export regulation and the more general efforts of Police in relation to illicit cannabis.
112. Customs has raised concerns that removing the current regulatory regime could lead to widespread household illicit cannabis cultivation. The concern is that illicit cannabis plants grown at home would be indistinguishable for all practical purposes from industrial hemp and the practice could proliferate.
113. Our view is that, while it may become harder to prosecute some individuals (to the extent this currently happens), the changes are unlikely to lead to a widespread practice for a number of behavioural reasons outlined in Table 4.

### *Import, export licences for hemp*

114. Hemp seeds and hemp plant material are controlled drugs under MoDA. This means a licence to import or export-controlled drugs are required under the Misuse of Drugs Regulations 1977 in order to import or export these materials.
115. Under the *status quo*, Medsafe relies on the industrial hemp licence to issue an import/export licence, including assurance of the suitability of the exporter/importer and the legitimacy of hemp or hemp products.
116. Changes to the Misuse of Drugs Regulations 1977 and operational changes would be required at Medsafe to enable import/export licences to be issued without the assurance from an industrial hemp licence. These include requirements of a declaration and a Criminal Record check. Information declared by importers (cultivars, THC levels, purposes of imported goods) could potentially be used to support Police operations. We also propose an import/export licence condition that Customs is authorised to share details with Police (and Medsafe) about the identities of importers/exporters and their trade volumes and destinations.

### *Implementation support*

117. Industry would be encouraged to provide guidance on certified cultivars,<sup>29</sup> testing,<sup>30</sup> and good on-farm practices to manage risks such as inadvertently exceeding the legal THC limit, pollen drift and odour or visual nuisance.
118. MfR would collaborate with the MOH, Medsafe, Police and the MOJ to monitor whether deregulation leads to an increase in illegal cannabis activities under the guise of hemp within two years of the policy changes taking effect.

### **Cross pollination risk and misuse of hemp biomass**

119. Some stakeholders were concerned that deregulation would remove regulatory oversight that can support the industry grow. For example, hemp seed exporters were interested in retaining the requirement of approved cultivars for cultivation activity without a licence and retaining a licence for research and breeding activity. The industry body representative expected these measures to support industry manage the cross-

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<sup>29</sup> For example, growers buy seeds from their trusted suppliers; seed suppliers procure approved cultivars in trusted jurisdictions with evidence of THC content tested; and seed suppliers procure other low THC cultivars, undertake testing in NZ and provide the information to seed buyers.

<sup>30</sup> Especially for research and breeding activities.

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- pollination risk, which can impact hemp seeds' varietal impurity. They would also provide assurance to overseas markets of the quality of New Zealand's hemp products.
120. We consider the requirement of approved cultivars would not be able to manage the risk because cross-pollination can happen between approved cultivars. Voluntary programme such as the Seed Crop Isolation Distance (SCID) is a common tool to manage this risk in the seed industry. We recognise that participating in the SCID programme comes at a cost and may not be taken by small cultivators.
  121. While the new regulations would not prohibit the cultivation of hemp for domestic consumption, which is another source of cross-pollination risk that may not be managed by the SCID, it does not encourage this activity. The MPI and Police notification requirements and the risk of growing hemp which accidentally exceeds the legal THC threshold due to environmental factors, and its consequences, would discourage small cultivation. MPI agreed with our assessment and advised that apart from managing biosecurity and food safety risks, there are no regulatory measures to provide quality assurance for primary products.
  122. The costs of retaining a research and breeding licence regime and the requirement of approved cultivars are not justified, given the benefits from these measures can be achieved through industry initiatives such as guidance on suitable cultivars and voluntary testing.
  123. Another industry body representative was interested in more regulatory oversight to maintain the reputation of New Zealand's high-quality medicinal cannabis industry from hemp growers illegally producing low-quality CBD and other cannabinoids. We consider the ongoing restrictions on hemp uses (fibre, food, oil and supply to the Medicinal Cannabis Scheme under the Medicinal Cannabis Regulations) would continue to manage this risk in a similar manner as under the current setting, because producing CBD and cannabinoids from hemp would be prohibited under proposed changes.
  124. For all options, the risk of misuse of hemp for recreational purposes (smoking or tea) would still be prohibited through the limited legal use of hemp in regulations.

**Table 6: How do the options compare to the status quo?**

Criteria	Option 1 <i>[Status Quo]</i>	Option 2 <i>Retain but improve industrial hemp licensing regulations</i>	Option 3 <i>Simple licensing regime</i>	Option 4 <i>Revoke industrial hemp regulations and permit industrial hemp cultivation and dealings under MoDA</i>
Regulatory compliance burden	<b>0</b> Significant burden due to existing licensing requirements and associated costs (\$80,000-\$160,000 per year or 9%-13% of the industry value).	<b>+</b> Some compliance requirements would be reduced, such as eliminating licence extensions, reducing renewal frequency, and cutting back on testing and administrative tasks.	<b>++</b> The compliance burden would drop significantly because less time and money would be spent on record-keeping, and annual reporting. Some updated requirements would remain but in a relatively simpler form. Licence fees and related admin costs could be offset by the benefits of formal recognition as a licensed industry.	<b>++</b> Lowest compliance burden. The onus would be on the cultivators to ensure they are growing hemp that is below a certain THC level (1%) and for permitted purposes only. Industry could play a greater role in providing guidance on suitable cultivars. Growers would still be required to directly notify Police of growing areas.
Regulatory restriction	<b>0</b> There are strict controls on cultivation, processing, and movement, such as one-year licence terms and detailed location requirements. Data shows the hemp industry has not	<b>+</b> Strict controls maintained for cultivation, processing and movement. Compliance burden falls via simplified location requirements, annual updates instead of formal	<b>++</b> Fewer restrictions. No location requirements except address information, no approved cultivars, no record keeping and reporting except annual updates.	<b>++</b> Fewest restrictions. Broad permissions provided for under MoDA. Industry required to self-regulate their activities to ensure compliance with new regulations and

	reached its potential and has actually contracted significantly over the past five years.	change processes and no testing requirements for approved cultivars.	People with drug related history would not be able to enter the hemp industry.	overarching drug law compliance. Individuals with a drug-related history could technically participate in the hemp industry, but they would be subject to heightened Police scrutiny.
Other growth constraints (e.g. managing market failures)	<p><b>0</b></p> <p>Testing regime may provide some comfort in supply chain that products are low THC, as claimed, though the regime is high trust.</p>	<p>-</p> <p>Testing for unapproved cultivars further support private solutions to manage THC level in hemp.</p>	<p>-</p> <p>No material regulatory assurance about THC levels of products within the supply chain, though private solutions could provide assurance.</p>	<p>-</p> <p>No material regulatory assurance about THC levels of products within the supply chain, though private solutions could provide assurance.</p>
Management of illicit cannabis risks	<p><b>0</b></p> <p>There is little evidence that the licensing system effectively manages exploitation risks, s 6(c)</p> <p>Non-compliance appears consistently low, with few adverse test results and no licences suspended or revoked. Only one case involving both hemp and illicit cannabis has been detected, and that was identified through</p>	<p><b>0</b></p> <p>Similar to Option 1.</p>	<p>-</p> <p>Risks may increase if the new licensing requirements are less robust than the existing regime. The availability of information relevant to the hemp industry may be useful for Police in controlling illegal cannabis activities.</p>	<p>-</p> <p>Police have raised concerns that removing the licensing regime could increase exploitation risks because there would no longer be a central source of information on legal hemp operations. However, growers would still need to notify Police and MPI of where they plan to grow before they grow. Police could continue using MoDA powers to control illegal cannabis activities. Import and export licences would</p>

<p>Government's monitoring and enforcement costs</p>	<p>information from a member of the public rather than the licensing regime. While the system may have some deterrent effect, there is no direct evidence to confirm this. However, there is at least an illusion of regulatory oversight, which could be deterring criminal behaviour.</p> <p><b>0</b></p> <p>MedSafe is effectively subsidising the licensing regime, as they do not full cost recover its operation. Police rely on Medsafe to manage compliance risks in the hemp industry so they can focus their resource on other illicit cannabis activities.</p>	<p><b>+</b></p> <p>Relatively similar to Option 1. There would still be a licensing regime with similar obligations on the regulator: assessing licensing applications but less frequently; reviewing annual reports but with less detail provided and responding to adverse test results for non-approved cultivars. The regulator's management costs may continue to be under recovered.</p>	<p><b>+</b></p> <p>Licence fees would be set to recover minimal compliance activities. These costs might be offset by the benefit of having a centralised database of growers and hemp locations, which could be easier to access than information held by local Police, though the exact beneficiaries are unclear. Over time, administration costs are expected to be lower than under the current licensing system.</p>	<p>remain in place, with a Criminal Record check and Customs shares information with police and Medsafe to help prevent illicit cannabis trade. Other regulations, such as THC limits for seeds and oil, would also continue to manage related risks.</p> <p><b>++</b></p> <p>This option could deliver the lowest government costs by integrating oversight into existing MoDA structures. Medsafe would no longer perform its current licensing functions, reducing cost pressures on the agency. However, costs associated with monitoring and enforcement of illicit cannabis would continue to fall on Police. Police have expressed concern that if hemp cultivation expands and barriers are removed, organised crime could exploit hemp to conceal illicit cannabis,</p>
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				potentially requiring additional Police funding for enforcement and reporting. Currently, both Medsafe and Police share information on licensees and growing locations to support operations where necessary/justified. Under this option, Medsafe would no longer provide this data, although Police would still receive grower notifications. MPI would incur costs of receiving growers' notifications and providing guidance about trade risks from feeding hemp to animals.
<b>Total</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>4</b>

Qualitative judgements use the following scale: ‘++’ indicates much better than doing nothing or the status quo; ‘+’ indicates better; ‘0’ indicates about the same; ‘-’ indicates worse; and ‘--’ indicates much worse.

**What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?**

125. We consider Option 4 would be the best option to reduce regulatory burden on the hemp industry, making the regulation more proportional. It would encourage more people to participate in the genuine hemp businesses and open more economic opportunities for growers if they can meet requirements under relevant regulatory systems.
126. This option would remove the cost pressure on Medsafe from managing a hemp licensing system. MPI would incur costs of receiving growers' notifications and providing guidance about trade risks from feeding hemp to animals. MPI supported this change. Police would continue to manage notifications from hemp growers in the same manner as under the current setting.
127. There is little evidence to support the claim that this option would increase the risk of exploitation. However, if the exploitation did increase, it could have funding implications for Police.
128. To manage unintended consequences of this option, including how the exploitation risk will manifest, we propose us undertaking a two-year monitoring and report back to Cabinet.
129. Option 4 scores marginally higher than Option 3. However, Option 3 remains a viable alternative. The modest increase in costs associated with managing a simple licence system (similar to a registration/notification system) of the hemp industry could be offset by the benefits of having a centralised source of information managed by the existing regulator (Medsafe), which could be used by Police and other parties if needed.

**Is the Minister’s preferred option in the Cabinet paper the same as the agency’s preferred option in the RIS?**

130. The Minister for Regulation’s preferred option (Option 4) is the same as the option recommended by MfR.

**What are the marginal costs and benefits of Option 4 (Table 7)?**

**Table 7: Cost benefits analysis of the preferred option**

<b>Affected groups</b> <i>(identify)</i>	<b>Comment</b> <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
<b>Additional costs of Option 4 compared to taking no action</b>			
Regulated groups (industrial hemp sector)	It is possible that purchasers and investors would cease to purchase or invest in hemp without the assurance provided by the testing within the current licensing regime. However, if this issue emerges, an equivalent testing assurance could be provided as a private solution. The risk is hard to assess and so has not been monetised but will be no more expensive, in a worst-case scenario, than the testing costs within the current regime. The current testing costs are estimated as \$12,000 - \$48,000 per annum but we have not used those figures here because that is only the range for the worst-case scenario. Industry peak bodies may provide guidance which imposes some one-off costs.	Low	Low
Public	There is a risk that the removal of a licensing regime would increase the risk of hemp being exploited by organised crime to conceal illicit cannabis activities, and thereby increase the harm to society from	Medium	Low

	<p>increased illicit cannabis use and better funded organised crime.</p> <p>We have assessed this risk as low given that hemp growers would be required to notify Police of their growing (and because of other mitigating factors discussed in the paper, such as the undesirability for both crops of growing illicit (high THC) cannabis together with (low THC) industrial hemp). Further, we are not aware of any evidence that this risk is material from New Zealand’s earlier relaxation of industrial hemp regulation or from overseas experience.</p> <p>We have rated the impact as Medium on the basis that the risk appears low, but the consequences if it eventuated in its worst form (substantial undetected market entry by organised crime) could be material.</p>		
Government agencies	Costs to MPI to receive and manage growers’ notifications.	<i>Low</i>	<i>Low</i>
<b>Total monetised costs</b>			
<b>Non-monetised costs</b>		<i>Low to Medium</i>	<i>Low</i>
<b>Additional benefits of Option 4 compared to taking no action</b>			
Regulated groups	<p>Remove licensing fees and admin costs (for the hemp industry and also for the seed export industry)</p> <p>Reduce testing costs before harvest for individual growers.</p>	<p><b>Reduced compliance costs<sup>31</sup></b>  <i>Estimated Annual Cost Savings from Deregulation:</i></p>	<i>Low</i>

<sup>31</sup> Assumptions include 60 General Licence holders and 20 Research and Breeding Licence holders renewing every three years; testing costs ranging from \$150 to \$600 per cultivar depending on provider; administrative costs of \$1,000 per grower annually; two medicinal cannabis growers renewing licences at \$8,000 per year each. Hemp grower revenue and expenses in 2024 are estimated at \$0.88 million and \$0.48 million respectively. All cost savings and profit increases are assumed to scale proportionately with industry growth

	<p>The current regulation has not encouraged the industry growth. The industry's worth has already reduced from \$3-5 m to less than \$1 m in the last five years.</p> <p>The proposal would also remove licence fees for the existing two medicinal cannabis growers.</p> <p>The industry would grow faster under the proposal, resulting in an increase in profits to hemp growers.</p> <p>These benefits depend heavily on assumptions about growth in the industry, which are very uncertain.</p>	<p>Licence Fees: \$14,333</p> <p>Testing Costs: \$12,000–\$48,000</p> <p>Administrative Costs: \$37,600–\$80,544</p> <p>Medicinal Cannabis Licence Renewals: \$16,000</p> <p>Total Annual Savings: \$79,900–\$158,900</p> <p>Annual compliance costs are equivalent to 9%-13% of total annual revenue in the sector.</p> <p><i>Long-Term Impact:</i></p> <p>Net Present Value of Regulatory Cost Savings (20 years): \$1–\$2 million</p> <p>Net Present Value of Increased Hemp Grower Profits (20 years): \$33 million, assuming deregulation boosts industry growth from 3% to 22% annually.</p>	
Regulators	Reduce costs for assessing new and amended licence applications, applications for approved cultivars. Currently these costs are partially recovered.	<i>Low</i>	<i>High</i>
Consumers	<p>The hemp market is projected to grow faster under the proposal than without the regulatory change, and consumers will benefit from increased surplus.</p> <p>These benefits depend heavily on assumptions about growth in the industry, which are very uncertain.</p>	Consumer surplus is assumed equal to the cost of production, 18% of which relates to domestic consumption and is therefore included as a benefit.	<i>Low</i>

		The net present value over 20 years of consumer surplus is estimated at \$1m without the regulatory change or \$8m with the change, resulting in a <b>net present benefit of \$7m.</b>	
Others (eg, wider govt etc.)	Hemp industry growth and reduced costs to R&D could result in more valuable product based on increased R&D activities as a result. These benefits are expected to grow over time as effects of R&D accumulate.	<i>Medium</i>	<i>Low</i>
	Due to cross-pollination, a larger industrial hemp sector could reduce the THC-content of any illicit crops grown nearby. This could also incentivise genuine hemp growers to detect and report any illicit cannabis cultivation near their crops (to protect the purity of their hemp products/hemp seeds).  This impact is treated as low because the probability that the hemp industry will grow sufficiently in the right areas to have this effect seem limited.	<i>Low</i>	<i>Low</i>
	Environmental benefits from more hemp grown Deterrent effect on illicit cannabis. The impact is rated as Low because the environmental effect is not well proven at this stage and the level of acreage at the expense of lower carbon-absorbing crops or other ground cover is unlikely to be significant enough to generate a large environmental effect.	<i>Low</i>	<i>Low</i>

<b>Total monetised benefits</b>		Estimated Net Present Benefit: \$41 million over 20 years <sup>32</sup>	<i>Low</i>
<b>Non-monetised benefits</b>		<i>Low to Medium</i>	<i>Low</i>

131. Our assessment is that, despite the high level of uncertainty around the costs and benefits, because of their reliance on speculations about the future, the benefits are likely to outweigh the costs. For the costs to outweigh the benefits, there would need to be significant growth in the illicit cannabis trade compared with the *status quo*, which we believe is unlikely for the reasons stated in this document, and significant additional social harm would need to flow from that growth.

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<sup>32</sup> This estimate includes \$1–\$2 million in reduced compliance costs, \$33 million in increased hemp grower profits, and \$7 million in avoided medicinal cannabis licensing costs. Assumptions include current market size (~60 general licence holders, ~20 research/breeding licence holders), testing and admin costs scaling with industry growth, medicinal cannabis licence renewals at \$16,000 annually, and projected industry growth of 22% per annum with deregulation versus 3% under the status quo.

## Section 3: Delivering an option

### How will the proposal be implemented?

132. To manage the risk of organised crime involvement and other unintended consequences, MfR will assess the impacts two years after implementation and reporting back to Cabinet. The implementation timeline is outlined in Table 8 below.

**Table 8: Implementation timeline**

Milestone/Activity	Timeframe
Cabinet approves revocation of the Industrial Hemp Regulations and replacing them with enabling regulations MOH issues drafting instructions to Parliamentary Counsel Office (PCO)	EXP 21 Oct 2025  Note: EXP Committee meeting held on 4 Nov 2025
Ministers announce changes	Late Oct 2025
PCO drafting of Order in Council	s 9(2)(f)(iv)
Order in Council to revoke and replace the Regulations considered by LEG/CBC	
Cabinet approves and Governor-General signs off	
Revocation and new regulations take effect	
Two-year report back to Cabinet	

133. Following Cabinet decisions on policy changes, MfR will work with MOH, Medsafe, MPI and Police to support industry peak bodies to develop guidance on on-farm best practices, including suitable cultivars, reliable sources of seeds, voluntary testing to meet requirements from supply chains, or participating in the SCID Project to manage cross pollination risk. Industry peak bodies can also provide guidance on how growers should keep evidence of their activities to protect their business (source of seeds, testing, or contracts for outputs, etc.). MPI can work with industry to provide guidance to growers to manage trade risks from feeding hemp to animals.

### How will the proposal be monitored, evaluated, and reviewed?

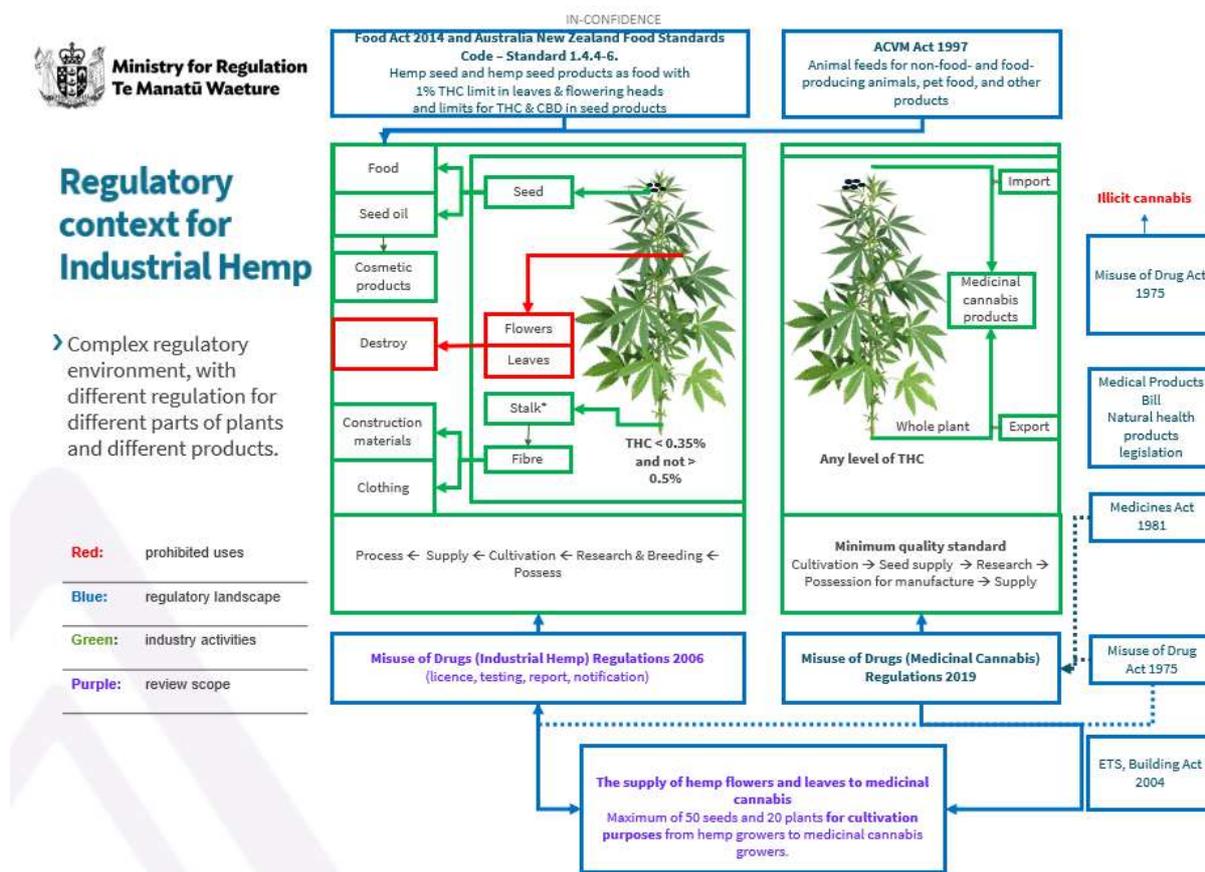
134. MfR will work with MOH, Medsafe, Police, and MOJ to monitor any increased risk of exploitation or misuse of hemp biomass during the first two years following implementation. After this monitoring period and analysis, MfR will report back to Cabinet. Work on the report back would begin 18 months post regulatory changes. MfR may rely on information from industry and relevant agencies to support that analysis.
135. These are data sources that can be used to support the monitoring and report back:
- MOJ collects criminal justice data and publishes these regularly on their website <https://www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/#offence>
  - Police intelligence on the exploitation of hemp to conceal illicit cannabis activities and misuse of hemp biomass
  - Medsafe's data on import and export licences
  - Customs' data on the volume of hemp seeds imported (potentially to compared with hemp output) and interception of illicit cannabis seeds
  - MPI and industry peak bodies' data on growers, growing areas, and implementation issues.

## Appendix 1: Current regulatory context for Industrial Hemp

### *The Misuse of Drugs Act 1975 and associated regulations*

1. Cannabis plant material (which includes industrial hemp) is classified under the Misuse of Drugs Act 1975 (MoDA) as a Class C controlled drug as well as a prohibited plant. This means that, by default, all activities relating to any variety of cannabis are illegal, unless specifically authorised by regulation.
2. The Misuse of Drugs (Industrial Hemp) Regulations 2006 (Industrial Hemp Regulations) authorise some uses of industrial hemp, subject to a licensing regime with strict controls on THC levels, approved cultivars, and permitted uses.
3. While intended to prevent misuse, these regulations are more restrictive than necessary for a low-risk crop, creating compliance burdens and limiting industry flexibility and growth.
4. The regulatory context of industrial hemp is described in Figure 1.

**Figure 1: Regulatory context of hemp and illicit cannabis**



### *Industrial Hemp Regulations*

5. The Industrial Hemp Regulations define industrial hemp (by setting THC limits) and establish a licensing regime that allows for cultivation and distribution of industrial hemp, as well as for research and development purposes. The regulations also impose specific testing, record keeping, notification and reporting requirements on licence holders.

6. Only approved cultivars can be used for industrial hemp cultivation, and only for permitted purposes such as seed, oil, and fibre production.
7. The Industrial Hemp Regulations came into effect on 1 August 2006. They have been amended twice. First in 2018, to enable the use of hemp seed for food and then in 2020 to allow for limited supply of hemp for medicinal cannabis growers.

#### *Medicines Act 1981*

8. Certain hemp products are also subject to controls under the Medicines Act 1981 (Medicines Act). Although hemp is low in THC, the biomass (leaves and flowers) contains significant amounts of CBD and other cannabinoids. CBD has little-to-no psychoactive properties but has a potential therapeutic value. 'CBD Product' is specifically defined in Section 2A of the Misuse of Drugs Act 1975 as a product that:
  - a. contains cannabidiol;
  - b. contains no more than 2% of specified substances (such as THC) relative to the total cannabinoid content; and
  - c. does not contain any other controlled or psychoactive substance.
9. CBD Products are classified as prescription-only medicine under the Medicines Act and associated regulations such as the Medicines Regulations 1984.
10. No changes to the Medicines Act are proposed.

#### *Misuse of Drugs (Medicinal Cannabis) Regulations 2019*

11. The Misuse of Drugs (Medicinal Cannabis) Regulations 2019 (Medicinal Cannabis Regulations) establish a licensing regime for the cultivation and distribution of cannabis for medicinal purposes. These regulations are to enable access to quality medicinal cannabis products, while preventing the illicit cultivation of cannabis under the guise of medicinal use.
12. Under the Medicinal Cannabis Regulations, there are no THC or CBD limits for cannabis cultivated for medicinal purposes. This means that hemp cultivars, whether approved under the Industrial Hemp Regulations or not, can be grown under a medicinal cannabis licence.
13. Hemp grown under the Industrial Hemp Regulations cannot be used for medicinal purposes. However, the current Industrial Hemp Regulations allow for the limited supply of hemp seeds and plants to holders of medicinal cannabis licences for cultivation activities.<sup>33</sup>
14. Some loosening of these restrictions is proposed.

#### *Food Act 2014 and Australia New Zealand Food Standards Code*

15. The 2018 amendments to the Hemp Regulations enabled the possession, use, trade, and import and export of hemp seed food products. Hemp food products must also comply with the Food Act and the Australia New Zealand Food Standards Code. The Food Standards Code prohibits Cannabis species but makes an exception for Cannabis sativa seeds and seed products with compositional and labelling requirements, including that

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<sup>33</sup> Regulation 8A of the Hemp Regulations.

the plants used for food must be low-THC Cannabis sativa, defined as having no more than 1% THC in leaves and flowering heads.<sup>34 35</sup>

16. No changes to the Food Act or Australia New Zealand Food Standards Code are proposed.

#### *Agricultural Compounds and Veterinary Medicines (ACVM) 1997 and associated regulations*

17. All agricultural compounds, including animal feed and veterinary medicines, containing industrial hemp and hemp-derived substances must be registered under the Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM) before they can be legally imported, manufactured, sold, or used. If they contain any level of THC, they also require a controlled drug import licence, unless they qualify as a CBD product as defined under the Misuse of Drugs Act.
18. No changes to the ACVM are proposed.

#### *Wider supply chain requirements*

19. Other hemp products may also need to comply with regulations under different systems, depending on what they are. For example, if hempcrete is used in construction it must meet requirements set out in the Building Act 2004 and the New Zealand Building Code.

#### *International obligations*

20. New Zealand is a signatory to the United Nations Single Convention on Narcotic Drugs 1961 (the Single Convention). The aim of the Single Convention is to ‘*combat drug abuse by coordinated international action*’ by limiting the manufacture, use, and trade of drugs exclusively to medical and scientific purposes and by combating illicit drug trafficking through international cooperation.
21. Cannabis is controlled under the Single Convention through Article 28, although it excludes ‘the cultivation of the cannabis plant exclusively for industrial purposes (fibre and seed) or horticultural purposes.’
22. The Misuse of Drugs Regulations 1977 regulate the import and export of Cannabis (defined as any plant of the genus *Cannabis*), including industrial hemp, as per international obligations.

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<sup>34</sup> In NZ to grow hemp for the seed for food the plant must meet the NZ requirements which would need to be less than 0.35%.

<sup>35</sup> Import and export of hulled hemp seed and hemp seed food products are allowed without a licence requirement. However, importing and exporting whole hemp seed requires a licence, unless the THC content is zero.

## Appendix 2: Industrial Hemp review calculation of the potential net benefit from increased supply of hemp

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17 September 2025

1. A potential benefit from proposed changes to the Misuse of Drugs (Industrial Hemp) Regulations 2006 is an increase in the supply of hemp. This note sets out our approach to estimating the net benefit from this increased supply.
2. To estimate the expected revenue growth in the hemp industry in the factual (the scenario with the proposed regulatory change), we assume a compound annual growth rate of 22%. This figure is drawn from current estimates of future industry growth made by market research firms.<sup>36</sup>
3. A 22% compound annual growth rate is also used in Sapere's (2021) report for the Ministry for Primary Industries.<sup>37</sup> However, we note that Sapere's analysis appears to assume that the licensing regime under the Misuse of Drugs (Industrial Hemp) Regulations 2006 remains in place. Sapere estimated that the hemp industry in New Zealand generated \$3-\$5 million of revenue in 2019. However, industry revenue has since fallen, to approximately \$0.9m in 2024 (which we estimate based on 180ha cultivated as at 30 June 2024, multiplied by revenue per hectare of \$4,900/ha<sup>38</sup>). Accordingly, a 22% growth rate may not be appropriate in the *status quo*, where the Misuse of Drugs (Industrial Hemp) Regulations 2006 are assumed to remain in place.
4. Accordingly, in the counterfactual, we assume that hemp revenue would grow annually at a rate equal to forecast annual growth in gross domestic product (GDP), for which we use a value of 3%. This is conservative, as 3% is at the high end of the range of GDP forecasts,<sup>39</sup> and there has also been the aforementioned recent trend of declining hemp revenue (from 2019 to 2024). We start our analysis using the 2024 revenue figure, of \$0.9m, and grow this at a rate of 3% per annum in the counterfactual.
5. In the factual, we use the same starting point, and assume industry revenue grows by 3% through to 2025. We then assume that the proposed changes to the regulations take place in 2026. From this point onwards, industry revenue grows at the compound annual growth rate of 22%, through to 2045 (being a 20-year timeframe, starting from 2026). We can also determine the hectares cultivated in each year through to 2045, assuming that revenue per hectare remains constant at \$4,900/ha.
6. Industry revenue is a measure of the *gross* benefit from an increase in the supply of hemp. To calculate the net benefit, we need to deduct costs. To do so, we use data from Perrin Ag

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<sup>36</sup> See Fortune Business Insights, estimating a growth rate through to 2032 of 22.7% ([Industrial Hemp Market Size, Growth, Industry Report, 2032](#)), Markets and Markets, estimating a growth rate from 2024 to 2029 of 22.4% ([Industrial Hemp Market worth \\$30.24 billion by 2029](#)), and Cognitive Market Research, estimating a growth rate from 2023 to 2030 of 22.63% ([Hemp market size will be \\$19.37 Billion by 2030!](#)).

<sup>37</sup> Sapere (2021), "Facilitating Growth in the New Zealand Hemp Industry", Final Report, Ministry for Primary Industries, available at: [Facilitating growth in the NZ Hemp Industry](#)

<sup>38</sup>Revenue per hectare is derived from the average revenue across seed and fibre, from Table 2 of Perrin Ag Consultants Ltd (2023), "Potentially Hemp: An analysis into the opportunity for the commercial expansion of hemp production in New Zealand", report for New Zealand Agricultural Greenhouse Gas Research Centre.

<sup>39</sup> See, for example, Treasury's Budget Economic and Fiscal Update 2025 ([Budget Economic and Fiscal Update 2025 | The Treasury New Zealand](#)), with a forecast decline in GDP in 2025 of 0.8%, and growth from 2026 to 2029 in the range of 2.6% to 3.0%.

Consultants (2023),<sup>40</sup> which reports expenditure for hemp seed and hemp fibre production in New Zealand, of \$2,664/ha for hemp seed and \$2,617/ha for hemp fibre. From these data, we calculate average expenditure of \$2,641/ha. Based on the hectares cultivated in each year through to 2045, we therefore calculate total industry expenditure in each year of our analysis.

7. We have not rigorously assessed the quality of Perrin Ag Consultants analysis. However, the inputs appear to be from credible sources, and Perrin Ag Consultants states that the margins it calculates from the revenue and expenditure data are conservative relative to what some growers are receiving. For example, the calculated margins are a little over \$2,000/ha, which contrasts with other margins reported by Perrin Ag Consultants of up to \$4,000/ha or \$10,000/ha. Perrin Ag Consultants also states that the margins are (conservatively) intended to be representative of a producer in an established industry with commercial scale, in contrast to the higher margins that could be received when the market is in its early niche stages.
8. The Perrin Ag Consultants data referred to above only relate to operating expenditure. There will also be some capital costs associated with hemp production. However, because these costs will be fixed and lumpy, they do not scale directly with hectares cultivated. It is therefore difficult to properly account for these costs in our analysis, and this will mean that our results are an overstatement. Nonetheless, given there are other sources of conservatism in our analysis as noted above (i.e., the counterfactual growth rate, and Perrin Ag Consultants margins), this mitigates against any potential bias arising from not accounting for capital costs.
9. The difference between revenue and expenditure in each year of our analysis provides us with a measure of the producer surplus from the increase in the supply of hemp. We calculate this producer surplus in each year of our analysis, in both the factual and counterfactual. There will also be some consumer surplus, as the expansion of the market provides additional value to consumers. To calculate consumer surplus, we use a rule of thumb that consumer surplus is approximately equal to the cost of production.<sup>41</sup> We therefore calculate consumer surplus as equal to industry expenditure as calculated above. However, since as our focus is on benefits to New Zealand, we only account for consumer surplus on domestic hemp purchases, with exports excluded. To do so, we assume 18% of industry expenditure relates to domestic consumption (based on the Sapere analysis share of revenue that is domestic consumption),<sup>42</sup> and calculate consumer surplus from this, in both the factual and counterfactual.
10. Finally, we calculate the present value of consumer and producer over the 20-year period from 2026 to 2045, using an 8% discount rate,<sup>43</sup> and calculate the difference between the factual and counterfactual. The result is a net benefit of \$40m, in 2025 present value terms over the 20-year period.

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<sup>40</sup> Perrin Ag Consultants Ltd (2023), "Potentially Hemp: An analysis into the opportunity for the commercial expansion of hemp production in New Zealand", report for New Zealand Agricultural Greenhouse Gas Research Centre.

<sup>41</sup> Developed via a stylised model of the competitive economy in Robert Barro (2008), *Macroeconomics: A Modern Approach*, Thomson/Southwestern.

<sup>42</sup> Of the \$30.1 million, Sapere calculated that \$24.7 million (82%) would be exported, and \$5.3 million (18%) would be consumed domestically.

<sup>43</sup> The Treasury recommended discount rate for commercial proposals, [Discount Rates | The Treasury New Zealand](#).



# Cabinet Expenditure and Regulatory Review Committee

## Minute of Decision

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### Addressing Unnecessary Regulatory Burden on the Hemp Sector

**Portfolio** Regulation / Associate Health (Hon David Seymour)

On 4 November 2025, the Cabinet Expenditure and Regulatory Review Committee:

- 1 **noted** that New Zealand's hemp sector has promising growth potential, but the complexity of the regulatory framework is a significant barrier to the sector's growth;
- 2 **noted** that hemp is regulated under the Misuse of Drugs Act 1975 as a Class C controlled drug as well as a prohibited plant, despite its low levels of delta-9-tetrahydrocannabinol (THC), the primary cannabinoid that produces a psychoactive and intoxicating effect;
- 3 **noted** that the Misuse of Drugs (Industrial Hemp) Regulations 2006 are outdated and disproportionate to the risk they were created to manage, and that there is broad support for remedying this;
- 4 **agreed** to replace the Misuse of Drugs (Industrial Hemp) Regulations 2006 with new or amended regulations to permit the activities currently requiring a licence under the Misuse of Drugs (Industrial Hemp) Regulations 2006 without a licence, pursuant to section 37(1)(d) of the Misuse of Drugs Act 1975;
- 5 **agreed** that the new regulations contain the following components:
  - 5.1 permit any person to carry out the activities currently requiring a licence under the Misuse of Drugs (Industrial Hemp) Regulations 2006 without a licence, provided they comply with the conditions within the new regulations and all other relevant regulations;
  - 5.2 the permission applies to cannabis plants with THC content that is less than 1% of the dry weight of the plant;
  - 5.3 permit the supply of hemp plant material to holders of a medicinal cannabis licence, noting that medicinal cannabis products will remain subject to the medicinal cannabis minimum quality standard;
  - 5.4 allow the supply of unlimited numbers of hemp seeds and plants to holders of a medicinal cannabis licence with a cultivation activity;

- 5.5 a condition that hemp plants growing at any property will only be permitted if the New Zealand Police (Police) have, within the last 12 months, been notified that the grower intended to grow, or continue to grow, hemp plants at that property; and
- 5.6 a requirement that hemp growers notify the Ministry for Primary Industries of their growing at the same time as they notify Police (although this would not be a pre-condition to the hemp cultivation being permitted);
- 6 **noted** that all offences and penalties currently contained within the Industrial Hemp Regulations will be removed, noting that the Police will still have their existing tools and powers for policing illegal forms of cannabis (including hemp grown outside the conditions of the permission) under the Misuse of Drugs Act 1975;
- 7 **agreed** to amend the Misuse of Drugs (Medicinal Cannabis) Regulations 2019 to enable hemp growers to supply plant material to the Medicinal Cannabis Scheme;
- 8 **agreed** to amend the Misuse of Drugs Regulations 1977 to ensure import and export licences can be issued for hemp and hemp products, which will include a declaration and a Criminal Record check for applicants and an application fee to allow Medsafe to continue to recover the costs of issuing these import and export licences;
- 9 **noted** that improved regulation is estimated to save compliance costs of \$80,000 to \$160,000 per year or \$1 million to \$2 million in net present value over 20 years, and generate a net present value benefit of \$41 million over the next 20 years;
- 10 **agreed** to provide for transitional arrangements to continue the industrial hemp licensing regime until new regulations take effect;
- 11 **noted** that the Associate Minister of Health (Hon David Seymour) (the Associate Minister) has been delegated responsibility for amendments to secondary legislation associated with the Misuse of Drugs Act 1975 in order to address unnecessary regulatory burden on the hemp sector;
- 12 **authorised** the Associate Minister to issue drafting instructions to the Parliamentary Counsel Office for the secondary legislation required to implement the decisions above;
- 13 **authorised** the Associate Minister to make minor or technical policy decisions, including regarding consequential amendments, to support the development of these drafting instructions not inconsistent with the decisions above;
- 14 **noted** that nothing within the decisions above will remove the requirement for growers of hemp or producers of hemp products to meet other relevant regulatory requirements;
- 15 **noted** that requirements for hemp food products for sale under the Food Act 2014 and the Australia New Zealand Food Standards Code remain unchanged;
- 16 **noted** that it is likely that amendments to other regulatory systems and operational changes would be required to unlock the full economic growth potential of the sector and that officials from relevant agencies will continue to engage with the sector on their wider proposals;
- 17 **invited** the Minister for Regulation to report back to Cabinet two years after these regulatory changes take effect and officials have assessed the outcomes of their implementation;

- 18 **noted** that the Ministry for Primary Industries is engaging with the sector regarding the proposed use of industrial hemp as a feed for animals, and the associated risks to New Zealand's trade in animal products.

Sam Moffett  
Committee Secretary

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**Present:**

Hon David Seymour (Chair)  
Rt Hon Winston Peters  
Hon Simeon Brown  
Hon Erica Stanford  
Hon Paul Goldsmith  
Hon Louise Upston  
Hon Judith Collins KC  
Hon Mark Mitchell  
Hon Simon Watts  
Hon Casey Costello  
Hon Andrew Hoggard  
Hon Mark Patterson

**Officials present from:**

Officials Committee for EXP  
Office of the Chair  
Office of the Minister of Defence  
Office of the Minister of Education



# Cabinet

## Minute of Decision

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### **Report of the Cabinet Expenditure and Regulatory Review Committee: Period Ended 7 November 2025**

On 10 November 2025, Cabinet made the following decisions on the work of the Cabinet Expenditure and Regulatory Review Committee for the period ended 7 November 2025:

EXP-25-MIN-0099     **Addressing Unnecessary Regulatory Burden on the Hemp Sector**     CONFIRMED  
Portfolios: Regulation / Associate Health  
(Hon David Seymour)

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Rachel Hayward  
Secretary of the Cabinet