



# **CBD-Intel**

*Regulatory and Market Intelligence for the CBD Sector*

# CBD firms find more pros than cons in legal recreational cannabis markets

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CBD companies see more synergies than threats from the provision of legal cannabis products in states such as Colorado, which has one of the oldest recreational cannabis markets in the US. However, they warn that the widening of legal offerings has led to a proliferation of competing brands, which can make it more difficult to stand out.

That means a good marketing strategy is needed to carve out a niche – an important factor for CBD companies to consider as the number of US states where [recreational cannabis is legal](#) continues to climb.

Overall, the presence of recreational cannabis has been a net positive for companies engaged in the hemp CBD sector in [Colorado](#), according to Trina Johnson, CEO and co-founder of Blue Forest Farms (BFF).

The minority owned hemp farm, established in 2016, created a premium-grade CBD line last year and saw benefits from the wider exposure consumers had to cannabinoids and their greater understanding of them – potentially huge for an industry with heavy limitations on what can be said in advertising and marketing.

“The increased presence of recreational and medical cannabis in legal markets has benefitted both hemp and cannabis’s image,” said Johnson. “Any increase in understanding, as well as exposure to cannabis and hemp, is positive for the industry.”

She added that the company saw interest from consumers who had tried general cannabis products, developed an understanding of cannabinoids and then wanted to see if they benefitted at all from CBD alone.

### **CBD and THC ‘play well off each other’**

“CBD and THC exist in a similar space,” she said. “It seems that many people initially hear about or experience CBD as a result of its inclusion in a THC product, then explore ways to isolate the effects of just CBD.”

The hemp company benefitted from being able to serve consumers worried about THC levels and wanting products guaranteed effectively THC-free. “We field inquiries all the time from customers who don’t want THC in their products. It’s very common,” Johnson said.

She added that the dual marketplace might also mean hemp and CBD companies could make the jump into the cannabis arena after they had already established their brands as reliable and safe in the CBD sector.

Rhett Jordan, co-owner and co-founder of Colorado’s Native Roots, largely echoed Johnson’s views. He told CBD-Intel, however, that it was more of a case where low-THC hemp CBD products had acted as an initial positive leading to greater sales for his company’s other cannabinoid products.

“I’ve been doing a myriad of CBD products from marijuana and from hemp for ten years with Native Roots Wellness, the company’s CBD line. The products play well off each other,” he said.

“Once you get into CBD you realise that much of the medicinal benefits are in the THC side. CBD helps consumers get into the beneficial aspects of the full line-up of cannabinoids.”

### **More available retail channels**

This also helps to drive interest in minor cannabinoids, Jordan said. Colorado consumers have knowledge of other compounds, such as CBG and CBN, so will look for well-balanced products formulated to provide positive effects.

However, wider knowledge and awareness does make consumers more discerning and more demanding. For example, he found his customers wanted something that hit within 15 minutes of consumption – whether it was CBD or THC-led.

But the busier trade brought about by a legal recreational market and greater public awareness does mean more competition.

One benefit of being CBD-only is that it opens up a company's products to a wider array of retail channels.

Both Blue Forest Farms and the Colorado CBD company Harvey's All Naturals have avoided entering the THC market.

Craig Harvey, CEO and founder of Harvey's All Naturals, a small boutique hemp company based in Longmont, Colorado told CBD-Intel that selling only CBD products meant he could distribute through both cannabis dispensaries – as one of the few zero-THC options – and also other retail stores, as well as online.

### **Making a name for yourself**

"I like having our hemp products in dispensaries because many people like zero or minimal THC options," he said. "But since we only create hemp products and are 100% federally legal, we can also sell on the internet or in any retail store, which gives us a much larger market base as compared to marijuana products."

It is important to establish an identity to stand out, Harvey said. He said he had seen an increase in sales, showing demand for hemp-based products was substantial. But he felt demand had created an abundance of suppliers selling to consumers on the premise of lowest cost, which demanded large-scale industrial-style growing and production lines.

"Niche markets are everything when competing in a completely over-saturated CBD market, in which I estimate over 90% of the products offered use highly processed wholesale market hemp oils created from large-scale industrial grows," he said.

"Mainly due to price point and a large gap in quality, we don't try to compete with these products sold on every corner throughout the country. Companies like us must find or create niche markets where customers know they will be receiving the best quality products and are happy to pay a premium for them."

In Harvey's case, he focuses his company's products on being minimally processed. It means they have a higher trace amount of THC (still under 0.3%) than some others but are less degraded by processing to remove THC, providing a point of differentiation in a crowded marketplace.

"As people continue to get educated on what truly makes a quality hemp product made for long-term medicinal purposes, small boutique companies like ours that focus on preserving the natural terpenes and quality full-spectrum cannabidiol profiles will be sought after," he added.

– Carli Pierson *CBD-Intel contributing writer*

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