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CBD Oil Market To Exceed \$2 Billion As Medical Marijuana Alternative

By **Brandon A. Dorfman** JUL 10, 2018

A PotNetwork Special Report

CBD oil and its [continued dominance over the health and wellness market \(https://www.potnetwork.com/news/these-are-top-3-marijuana-stocks-cbd-oil-right-now\)](https://www.potnetwork.com/news/these-are-top-3-marijuana-stocks-cbd-oil-right-now), especially in states where [medical marijuana \(https://www.potnetwork.com/news/how-regulation-can-save-medical-marijuana-industry\)](https://www.potnetwork.com/news/how-regulation-can-save-medical-marijuana-industry), is not yet legal, is now expected to explode according to experts in the industry. Last month's [FDA approval of Epidiolex \(https://www.potnetwork.com/news/how-gw-pharma-could-change-face-cbd\)](https://www.potnetwork.com/news/how-gw-pharma-could-change-face-cbd), the CBD oil turned childhood epilepsy medication developed by [GW Pharmaceuticals plc. \(https://www.gwpharm.com/\)](https://www.gwpharm.com/) (NASDAQ:GWPH) piqued public interest, creating a ripple effect throughout the industry. Already on track to become a billion-dollar industry, analysts now predict [that a "sea change" \(http://www.businessinsider.com/marijuana-cbd-boom-cbd-2018-6\)](http://www.businessinsider.com/marijuana-cbd-boom-cbd-2018-6) is coming to the CBD oil business.

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Source: Vote Hemp

CBD Oil Fuels A Growing Hemp Industry

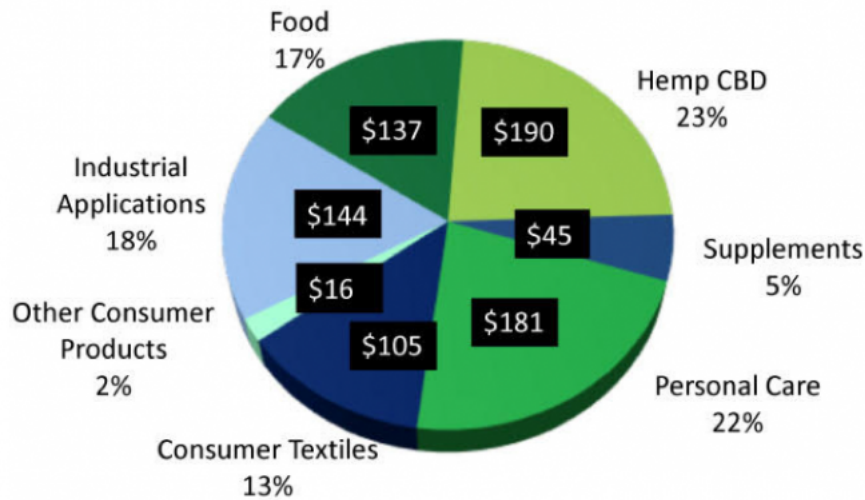
A recent report in the *Hemp Business Journal* (<https://www.hempbizjournal.com/size-of-us-hemp-industry-2017/>), estimated that U.S. hemp sales hovered around \$820 million in 2017, with the bulk of that coming from hemp-derived CBD oil. In fact, out of seven sub-categories listed in the *Journal*, hemp-derived CBD oil came in at number one with \$190 million worth of sales in 2017. In total, hemp-derived CBD oil accounted for 23 percent of all hemp industry sales in the U.S.

Moreover, [CBD oil helped to promote](https://www.potnetwork.com/news/3-cbd-oil-stocks-will-make-you-rethink-your-portfolio) (<https://www.potnetwork.com/news/3-cbd-oil-stocks-will-make-you-rethink-your-portfolio>), a 16 percent growth in the overall hemp industry in 2017, a staggering statistic considering that a market for the product barely existed five years ago.

As one CEO whose company recently made a move into the CBD oil business noted earlier this year, the industry growth is fueled by the public's desire for safer alternative treatments, especially in an age where opioid use runs rampant.

"[Customers are] looking for inflammation [treatments], they're looking for sleep aids, they're looking for anxiety relief," said Neptune Wellness Solutions' CEO Jim Hamilton [earlier this year](https://www.potnetwork.com/news/3-cbd-oil-stocks-will-make-you-rethink-your-portfolio) (<https://www.potnetwork.com/news/3-cbd-oil-stocks-will-make-you-rethink-your-portfolio>). "Think of all the people taking sleeping pills and all the people taking opioids. I think there's a whole community that is going to want to embrace elements of this business."

\$820 Million U.S. Hemp-Based Product Sales by Category in 2017



Source: *Hemp Business Journal* estimates (\$mil., consumer sales)

Source: *Vote Hemp*

The Legal Status of Hemp-Derived CBD Oil

Unfortunately, the explosion of the CBD oil industry has been causing some confusion (<https://www.potnetwork.com/news/no-cbd-oil-not-controlled-substance-%E2%80%94not-exactly>), among both consumers and experts alike regarding its legality. To be fair, the DEA hasn't done much to clear up the issue, causing many to think that cannabidiol (<https://www.forbes.com/sites/monazhang/2018/04/05/no-cbd-is-not-legal-in-all-50-states/>), or CBD oil, is a Controlled Substance. In fact, it's not —though as reported earlier this year, the full answer to that question is, not exactly.

The 2014 Farm Bill designated hemp (<https://www.potnetwork.com/news/breaking-rare-bipartisan-effort-senate-votes-legalize-hemp>), as separate from marijuana, but, as has been noted elsewhere, the DEA disagreed with that designation. Their position was that hemp and marijuana both come from the *cannabis sativa* plant and thus, both fall under the Controlled Substances Act. However, as *Forbes* reported, in a 2004 challenge by the Hemp Industries Association the Ninth Circuit Court ruled that the DEA lacked the authority to place hemp under the Controlled Substances Act.

By that ruling alone companies could "sell [CBD oil] online and distribute to customers in all 50 U.S. states," according to one industry insider interviewed in *Forbes*.

The confusion over CBD oil only grew earlier this year when the Hemp Industries Association took the DEA to court (<https://www.potnetwork.com/news/story-deas-fight-hemp-and-cbd-oil-you-dont-know>), a second time over their attempt to schedule marijuana extracts, just to have the case tossed on procedural grounds. As media across the country ran headlines proclaiming the HIA's loss, many were led to believe that CBD oil was, in fact, a controlled substance.

As North Carolina Attorney and cannabis advocate Rod Kight pointed out (<https://www.potnetwork.com/news/no-cbd-oil-not-controlled-substance-%E2%80%94not-exactly>), included in the ruling is a finding from the Ninth Circuit that the Farm Act of 2014 supersedes the Controlled Substances Act. As Kight, author of the popular blog *Kight on Cannabis* (<https://cannabusiness.law/>), pointed out, CBD oil from industrial hemp is still lawful. Any hemp cultivated as per a state's pilot program, as stated in the Farm Act, is legal hemp.

"The bottom line is that CBD from lawful industrial hemp is legal if it is legal under a state's laws," said Kight in an earlier interview. "(It's also legal if it is derived from the mature stalk of the marijuana plant or non-psychoactive hemp grown outside the US, both of which are excluded from the definition of illegal marijuana.)"



A \$2 Billion Industry By Next Decade

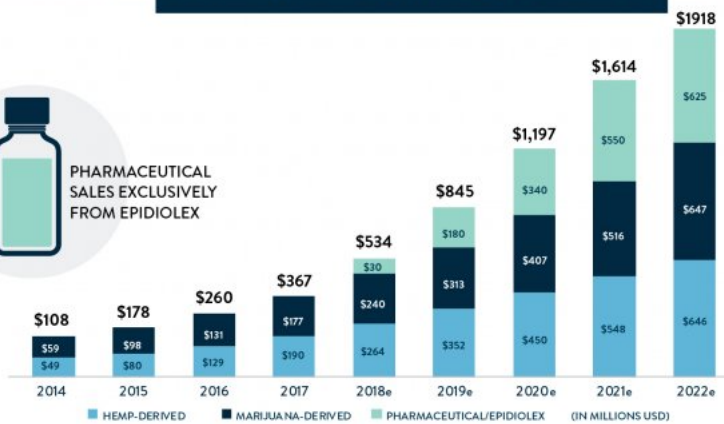
Experts estimate the CBD oil industry to bring in upwards of \$2 billion (<https://newfrontierdata.com/marijuana-insights/u-s-total-cbd-market-sector-millions/>), by sometime early in the next decade, with hemp-derived CBD products accounting for nearly half of the market (<https://www.forbes.com/sites/debraborchardt/2017/08/23/hemp-cannabis-product-sales-projected-to-hit-a-billion-dollars-in-3-years/#63d3ebc7474c>). According to a recent report by the Brightfield Group (<https://www.brightfieldgroup.com/plans/hemp-derived-cbd-report>), hemp-derived CBD oil sales can expect to grow annually by 55 percent over the next five years. The bulk of that growth will be driven by online sales, according to a report to the Brightfield Group.

As per the report, almost 65 percent of CBD oil sales come from online, while just under 18 percent come from smoke or vape shops. That list is followed up by dispensaries, health stores, and doctor's offices, all of which held less than 10 percent of total CBD oil sales.

It's numbers that big that are attracting investors from all over into the industry including, most prominently, the sports arena. As former NBA player Al Harrington (<https://www.potnetwork.com/news/al-harrington-former-nba-star-turned-cbd-mogul>), who started his own line of CBD products recently noted, CBD oil is quickly becoming a go-to alternative in the health and wellness market.

"After more surgeries than I care to admit, my knee was shot, and I was in pain all the time," said Harrington recently. "If I had the benefit of CBDs... when I was playing, there's no doubt I could have played two or three more seasons in the NBA."

Still, while the market is flooded with companies hoping to cash in on the newfound acceptance of CBD oil, only a few significant players dominate the industry. According to the Brightfield Group, the top five brands in the industry own about 20 percent of the CBD oil market, while the rest is fought over by smaller players looking for a piece of the pie.



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**\$625
MILLION**
PROJECTED EPIDIOLEX
MARKET BY 2022

New
Frontier
data

Source: New Frontier Data

A Broad-Based Market For CBD Oil

Now that Epidiolex is an FDA approved drug (<https://www.potnetwork.com/news/epidiolex-wins-fda-approval-worlds-first-cbd-medication>), the DEA must reschedule *marijuana-derived* CBD from a Schedule I narcotic down to something that is considered to have medical value. That alone will send shockwaves through the industry —hemp-derived CBD oil included. But it remains to be seen just how much of a “sea change” the new drug will force upon the market.

Earlier this year [some outlets reported](https://www.potnetwork.com/news/3-overvalued-marijuana-stocks-analysts-love) (<https://www.potnetwork.com/news/3-overvalued-marijuana-stocks-analysts-love>) that GW Pharmaceuticals, the company that makes Epidiolex, began to lobby state legislators around the country in a coordinated effort to create a monopoly for “FDA approved” CBD. Though their efforts mostly failed, company representatives did state that all forms of CBD could coexist on the market.

“The future of the [CBD oil] industry is showing itself here,” said GW Pharmaceutical lawyer Christian Sederberg in [an interview with Leafly](https://www.leafly.com/news/science-tech/is-fda-approved-cannabidiol-a-blessing-or-curse) (<https://www.leafly.com/news/science-tech/is-fda-approved-cannabidiol-a-blessing-or-curse>). “There’s going to be the pharmaceutical lane, the nutraceutical (food-as-medicine) lane, the adult-use lane. This shows how that’s all coming together.”

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UAMM (/company/ua-multimedia-inc)	\$0.0047	+\$0.0008
DJACF (/company/hiku-brands-co-ltd)	\$1.3400	+\$0.2110
NHLE (/company/nhale-inc)	\$0.0400	+\$0.0059
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