



From Farm to Aisle

U.S. CBD Market
2019 Report

Introduction

The Farm Bill brought immense change to the industrial hemp world, legalizing CBD and opening the floodgates for a brand new industry. While the start of 2019 was dominated by companies well-positioned to enter the space – vape companies, for example – Q2 gave way to large retailers like CVS and Walgreens, signaling to the rest of the country that CBD is going mainstream. 2019 is shaping up to be a massive year for CBD, leading to just over a \$5 billion industry by end of year – a 706% increase over 2018. By 2023, Brightfield Group estimates that the total U.S. CBD market could reach \$23.7 billion.

CBD's first year is going well so far. But what are the key barriers?

While the FDA held a meeting on May 31st, 2019, aimed at helping the agency collect more information from the public to inform its policymaking, there are still numerous steps that need be taken in order for businesses to have clear, legal pathways for market entry. Other steps have been taken across the country to provide clarity and consistency to citizens, business owners, and government agencies.

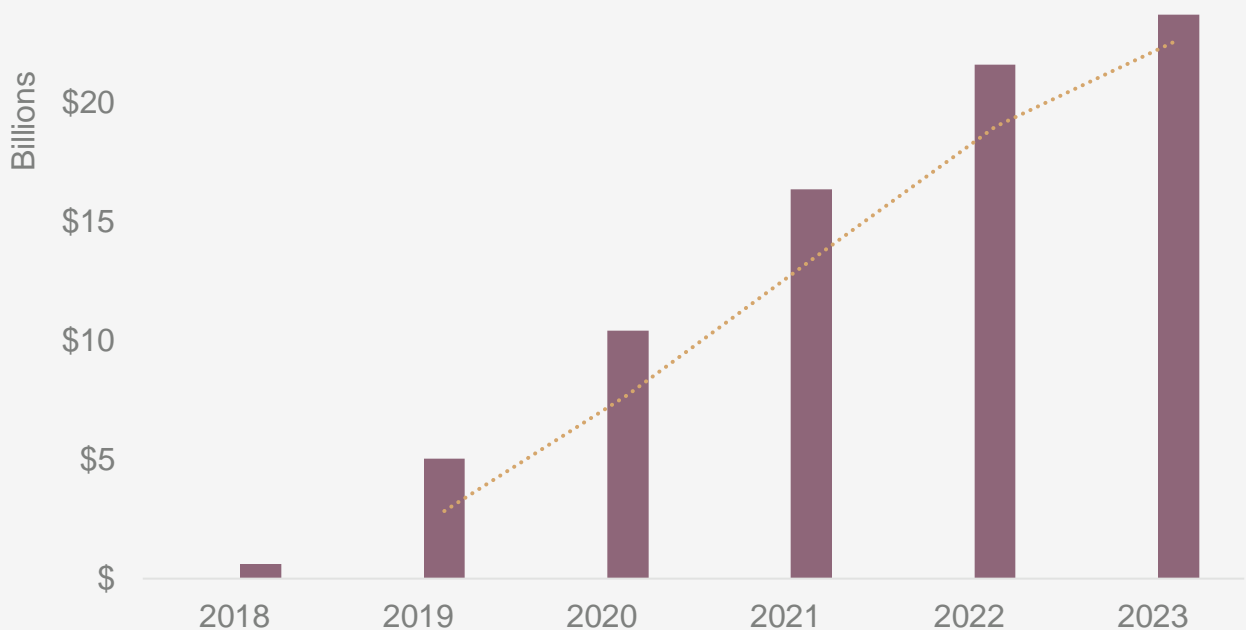
One barrier that the industry is beginning to overcome is consumer education and awareness. With increased product availability, growing wellness trends, and the proliferation of numerous product segments, consumers have greater access and awareness to more CBD products that fit their needs. This consumer awareness has led to rapid revenue increases for CBD brands, drastically changing the business landscape and who sits at the top of the market.

As CBD has transformed from a niche product to a full-blown, more normalized (and less stigmatized) mainstream wellness product available in various known retail channels, it is reaching tens of millions more consumers across the age, gender, regional, and political spectrum.

What is Driving the Massive Growth for 2019?

Historically, online sales have been the primary distribution channel for the CBD market. In fact, nearly two-thirds of sales were online in 2017. Today, however, the primary cause of market growth is the entrance of chained retailers. Large pharmacy, retail, and grocery chains are entering the market with a wide variety of large-scale pilot programs. Given their reach, scalability and mainstream familiarity, those in this distribution channel are expected to garner 57% of market revenues in 2019. Over the short- to medium-term, we expect expansion across both pharma and grocery as well as the emergence of supercenters, gyms, pet stores, natural food chains, and other big box retailers.

Market Size and Projections

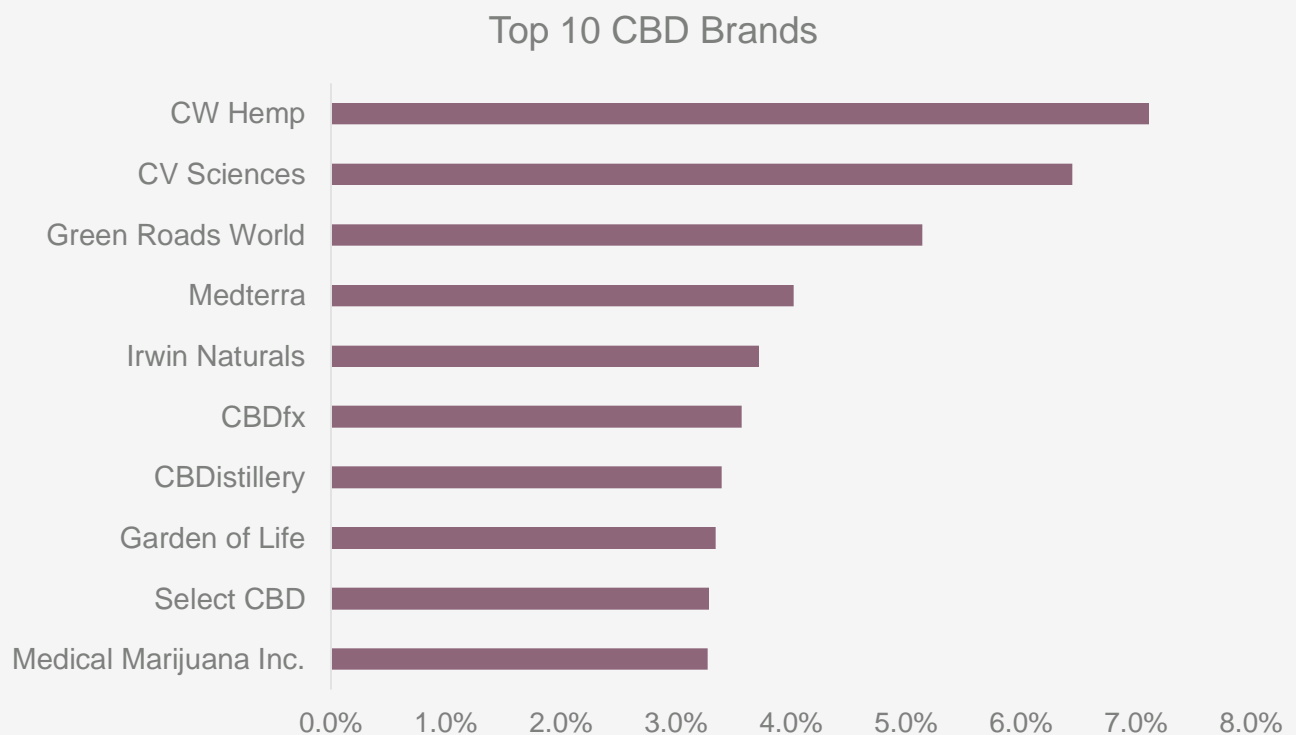


What Does the Business Landscape Look Like?

The passage of the Farm Bill has led to a massive shakeup in the CBD space. The U.S. CBD market has seen a wave of new entrants, leading to increasing fragmentation. There are now more than 1000 CBD brands operating in the space, with many more sophisticated players developing.

Existing market leaders Charlotte's Web, CV Sciences and Green Roads World are holding onto their positions as the top companies in CBD, while previous market leaders are being disrupted by:

- Well-branded and well-funded cannabis companies like Curaleaf and Select CBD jumping into the space and expanding quickly. This is expected to be exacerbated in Q4 by the entrance of Canadian LPs into the market.
- Supplements companies, like Irwin Naturals and Barleans, leveraging their existing distribution networks.
- A cadre of savvy, young CBD entrepreneurs, like cbdMD and Medterra effectively leveraging marketing and PR tools to rapidly drive brand awareness and digital sales, emphasizing the importance of digital marketing in this growing market.



What is the Status with the FDA? Have Other Regulatory Changes Been Made?

For the first time, on May 31, 2019, the U.S. Food & Drug Administration (FDA) held a public hearing to inform its regulatory approach on CBD. More than 400 groups and individuals applied to speak before the agency panel and more than 100 speakers testified during the 10-hour long hearing.

The hearing served primarily as a listening exercise for the agency. It inquired specifically about how CBD affects different people and their various conditions, and the impacts of the different forms of consuming and ingesting products such as edibles, vaping, smoking, and topical application. While the hearing did not result in any substantive consensus surrounding CBD regulations, it marked an important step toward providing some much-needed legal clarity in the U.S. CBD market. A diverse stakeholder group was in attendance, included hemp farmers, manufacturers, veterinarians, grocers, patient advocates, dermatologists, concerned citizens, and researchers.

The agency is under pressure from Congress and a number of key industry players to move through this process quickly, and as such is likely to significantly cut down its typical 2-year timeline for rolling out standards and regulations with regard to CBD.

Notable Regulatory Developments

The Transportation Security Administration (TSA) formally issued clarity on regulations surrounding CBD products and air travel, authorizing hemp-derived CBD products to be carried by passengers. This followed a period of confusion in the law due to state-by-state differences in enforcement.

The U.S. Department of Agriculture (USDA) issued a legal opinion clarifying that the interstate transport of hemp-derived products is protected under the 2018 Farm Bill. Per the USDA, state law is superseded by the Farm Bill, which removed hemp from the Controlled Substances Act in the United States. This is intended to prevent state law enforcement from blocking shipments or transport of legally produced hemp products across state lines, though states may still prohibit production and sales within their borders. The USDA also began accepting applications for intellectual property protection.

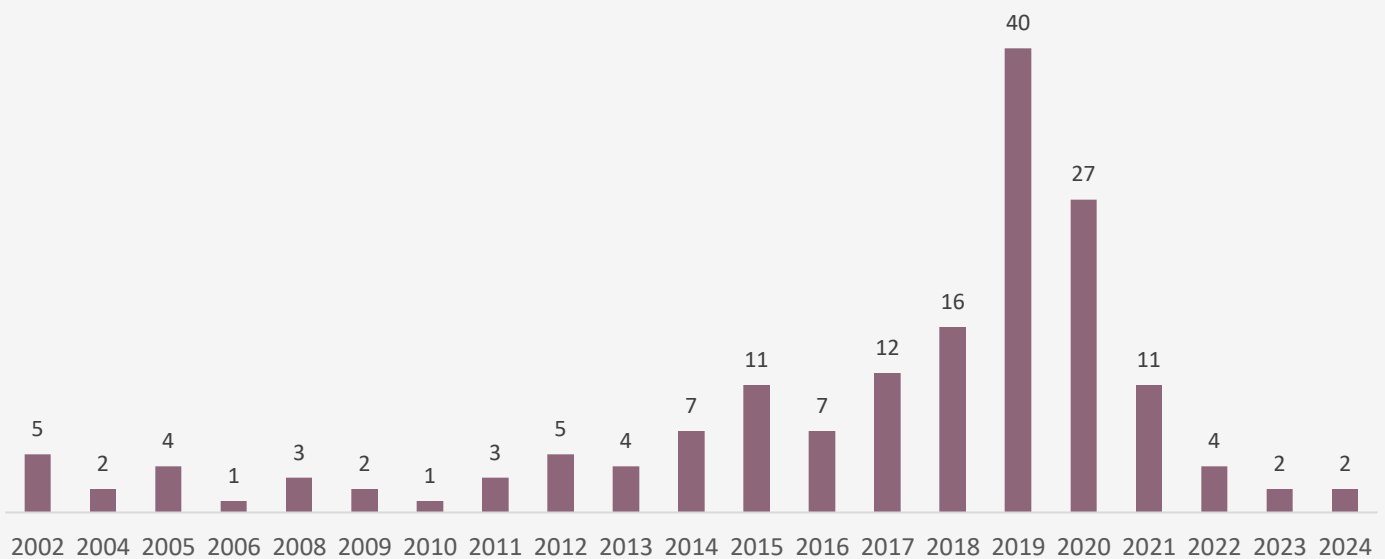
What Products are Gaining Popularity?

Tinctures remain the largest part of the market, followed by topicals, vape oil/cartridges and capsules. That lead is narrowing, however, as the landscape changes and the hemp CBD industry evolves and expands. The market is no longer entirely dominated by sufferers of extreme pain or epilepsy who must go to great lengths to attain product, nor primarily by cannabis consumers. As CBD is extremely versatile, companies have begun infusing it into everything from facial scrubs and sunscreen to CBD sparkling water, beer and coffee, appealing to a greater variety of mainstream users.

Topicals, however, are the headline story of 2019. After the FDA declared that CBD supplements and food additives would not be permitted for retail sales in the United States pending the establishment of a regulatory framework allowing for this, retailers – and consequently, manufacturers – gravitated en masse toward the topical and skincare product categories, seeing them as less risky undertakings. For the purposes of Brightfield Group research, the topicals category envelops CBD-infused lotions, balms and oils that are absorbed through the skin and are designed to provide localized relief. Skincare and beauty products – often also applied superficially – are considered separately from topicals because these categories are uniquely marketed and positioned and will grow in distinct ways.

The availability of federal research funds and dozens of clinical trials underway will also lead to increased innovation, improvement and diversification of medications and supplements derived from CBD, driving even more investment from the health industry.

Number of Completed Trials





How Are Brands Responding to Consumer Trends?

Product expansions and innovations have led to more consumer awareness, interest, and education in the overall CBD market. As a result, brands are responding with hyper-specific consumer segments to build out more robust brand, marketing, and product strategies. These companies are looking to identify consumer attributes that are beginning to look like the comprehensive buyer personas CPG companies have been leveraging for decades.

Brands are identifying the consumers that fit their core values. In the case of health & wellness, a growing number of brands are aligning with the Mindfulness value that resonates with consumers who are environmentally-conscious, helpful, and value honesty and a healthy lifestyle.

Additionally, CBD's persistent popularity is in line with longer-term anti-pharma, health, and wellness trends that continue to drive consumer demand, which major manufacturers and retailers are extremely eager – and have already begun – to capitalize on.

About Brightfield

We are a predictive market and consumer intelligence firm focused on the legal CBD and Cannabis industries. Our analytic solutions leverage data from millions of sources, enabling our customers to get the most holistic view possible while drilling down into the fine details. We provide comprehensive, up-to-date, and actionable insights that turn the best of academia, data science and research into long-term business growth.

Our Methodology

Traditional market research companies cannot operate in the world we live in today. Data needs to be accessed from multiple sources, in real-time, and provide companies with meaningful insights relevant to their business goals.

Our proprietary AI technology leverages machine learning and natural language processing algorithms combined with social listening to gain in-depth insights on consumer consumption behaviors, purchase patterns, motivators, personality attributes, and social media engagement.

We scan the internet for thousands of publicly available data points. Digital menus, published financial documents, regulatory updates, and sales data are monitored by our team for relevancy and accuracy around the clock. We conduct thousands of interviews with real people across our data partnership network, encompassing the entire industry landscape.

Our analysts and researchers have degrees in global policy, qualitative research, data science, and psychology, bringing forth a best-in-class academic approach to data collection.

To learn more about our in-depth Consumer Exploration and Market Insights solutions, [please click here.](#)