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Industrial Hemp Production Trade and Regulation

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FAIRS Subject Report

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Report Highlights:

Canada's 2018 Cannabis Act relaxed regulatory controls on industrial hemp, in addition to legalizing recreational cannabis. Although hemp in Canada has been grown primarily for hemp seed, producers may now use all parts of the plant, which opens the door to CBD extraction and other uses. Production and distribution of all cannabinoids are regulated under the Cannabis Act, and the market for CBD-containing products is limited to medicinal products and to products sold in licensed cannabis stores.

Keywords: Canada, CA18066, Hemp, Cannabis, CBD

Hemp Production

Canadian legislation in 1998, facilitated the re-introduction of hemp cultivation in Canada. Since that time, commercial cultivation has grown relatively slowly as producers have worked through agronomic challenges (including securing certified seed) and as processors have worked to develop hemp products and markets for them. Initially re-introduced for fiber production, the food and nutrition market value is propelling the Canadian industry forward today.

According to the most recent data from Health Canada, 138,000 acres of industrial hemp were planted in 2017 – 56,250 acres (41 percent) in Saskatchewan, 44,700 acres (32 percent) in Alberta, and 29,900 acres (22 percent) in Manitoba. In addition to requirements to purchase government certified seed each year, the growers are required to report the GPS coordinates of all fields in which hemp will be cultivated. According to industry sources, over 90 percent of the seed for hemp cultivation is produced in Canada, consisting mostly of Canadian developed varieties, with some varieties produced in Canada under license. Hempseed yields typically reach about 1,000 lb/acre on dryland (approximately 22 bushels/acre on a 44 pound bushel) and up to 3,000 lb/acre on irrigated fields. Certified organic hemp production is a growing trend, reaching about half of total production, according to industry estimates.

There are about one dozen hemp processing companies in Canada, the vast majority of which are based in the Prairie Provinces, where most hemp is grown. Hemp processors tend to contract hempseed production directly with growers. Growers estimated the price premium for hempseed over canola in 2018 was approximately 10-15 percent.

Additional information on hemp production can be found on the following provincial government websites: [Alberta](#), [Saskatchewan](#) and [Manitoba](#).

Hemp Trade

Available data only capture trade of hempseed under HS tariff line 1207.99. Without specific tariff lines for processed hemp products (e.g., hemp oil, hemp hearts, hemp meal, etc.), the full trade value cannot be collected from available data. In 2017, Canada exported 10,500 metric tons (MT) of hempseed valued at nearly \$50 million USD. Seventy percent of Canada's export volume went to the United States, followed by European Union (EU) member countries and South Korea. Canada has generally imported insignificant amounts of hempseed under HS 1207.99. In 2017, Canada imported 234 MT of hempseed, valued at \$1.1 million USD, mostly from EU countries, followed by the United States at 55 MT.

Hemp Industry Development

In September 2018, the federal government [announced](#) an investment of \$330,550 CAD in the [Canadian Hemp Trade Alliance](#) (CHTA) to develop industry-wide grading standards so that Canadian hemp products could be recognized globally for their quality and consistency. The CHTA is a national organization representing industrial hemp growers and promoting hemp and hemp products globally.

Established in 2003, the Alliance represents those involved in Canada's hemp industry, including farmers, processors, food manufacturers and researchers.

CHTA’s website includes information on [growing hemp](#), as well as on various [hemp-based products](#):

- Food, such as hemp seed, hemp oil and hemp protein in the form of flour or powders
- Clothing
- Cosmetics
- Industrial products

Hemp Regulation

Industrial hemp in Canada is regulated by the new [Industrial Hemp Regulations](#), which were incorporated under the [Cannabis Act](#) that entered into force on October 17, 2018. Canada defines “industrial hemp” (hereafter “hemp”) as cannabis varieties that contain less than 0.3 percent of THC (delta-9-tetrahydrocannabinol) in the flowering heads and leaves.

Under the new hemp regulations, growers can process hemp flowers, leaves, and branches, although the vast majority of hemp grown in Canada to date has been grown for hempseed (non-viable seeds), which have been used in a wide range of food products (such as hulled hemp seeds, hemp-based snack foods, hemp oils, hemp protein powders, hemp flour and hemp meal).

Hemp varieties will continue to be strictly controlled by the federal government and producers may only plant varieties from the official [List of Approved Cultivars](#). Producers are not allowed to keep hemp seeds for planting, and every growing season producers must purchase government certified seeds. In addition to low THC content, industry sources indicate that approved hemp varieties are also low in cannabidiol (CBD) content. Although the new hemp regulations are meant to open additional revenue sources and market opportunities by allowing producers to harvest the flowers, leaves, and branches of the hemp plant, high-CBD varieties have yet to be registered for use in Canada.

Industrial Hemp as Animal Feed

In Canada, the Canadian Food Inspection Agency (CFIA) regulates livestock feed. Hemp and hemp products are not currently approved as livestock feed or feed ingredients in Canada. In the future, each hemp product intended to be used as a livestock feed single ingredient (such as hemp meal, hemp oil, or hemp seeds) will require separate approval. For more information, please consult CFIA’s resource [Regulation of Hemp Products for Use in Livestock Feeds](#).

CBD Regulation

In Canada, the [Cannabis Act](#) defines “cannabis” as the cannabis plant, including:

- any part of a cannabis plant, including the phytocannabinoids produced by, or found in, such a plant, regardless of whether that part has been processed or not;
- any substance or mixture of substances that contains or has on it any part of such a plant; and
- any substance that is identical to any phytocannabinoid produced by, or found in, such a plant, regardless of how the substance was obtained.

However, the definition of “cannabis” excludes (a) a non-viable seed of a cannabis plant (i.e., hemp seed), (b) a mature stalk, without any leaf, flower, seed or branch, of such a plant, (c) fiber derived from a stalk referred to under (b), and (d) the root or any part of the root of such a plant.

Given this definition, all cannabinoids in the cannabis plant, including CBD and THC, are regulated in the same way as “cannabis” under the Cannabis Act and its regulations. Therefore, any cannabis-containing products, including any CBD-containing products, may only be accessed in Canada via three channels:

1. **Retail or on-line cannabis outlets:** individuals may purchase CBD-containing products from a provincially authorized retailer, similar to purchasing THC-containing products for recreational purposes;
2. **Medical use:** individuals, with the support of their health care practitioner and a medical document, may purchase CBD-containing products from a federally licensed seller of cannabis for medical purposes;
3. **Prescription drugs:** individuals, under a prescription issued by their doctor or other prescriber, may purchase CBD-containing prescription drugs approved by Health Canada and bearing a Drug Identification Number (DIN).

Currently, the sale of [natural health products](#) (NHPs) containing any cannabinoid (including CBD) in [Canada is prohibited](#). The Canadian hemp (CHTA) and natural products industries ([CNPA](#)) continue to advocate for a different regulatory regime for CBD-containing products, and in December 2018 issued. Licenses and permits authorizing the import or export of cannabis (including CBD and CBD-containing products) may only be issued for cannabis destined for medical or scientific purposes.

CBD for Animal Use

All cannabinoids in the cannabis plant, including CBD and THC, are regulated as “cannabis” under the Cannabis Act and its regulations. Pet access to cannabis-containing products is more limited than human access, since the *Access to Cannabis for Medical Purposes Regulations* specifically refer to “persons,” thereby excluding animals.

Currently, there is no legal pathway for veterinarians in Canada to prescribe cannabis-based medicine for animals, or for companies to produce and sell cannabis-based products for pets. However, the Canadian Veterinary Medical Association submitted proposals to address these issues in a January 2018 [letter](#) to Health Canada. In addition to medicinal products, companies may, in the future, be able to produce [Veterinary Health Products](#) (VHP) containing cannabis ingredients, provided they comply with

the requirements of the [VHP Notification Program](#) and that cannabis is added as an allowed ingredient to the [List of Permitted Substances](#). The Canadian Association of Veterinary Cannabinoid Medicine provides additional [information](#) on their website.

To date, only one Canadian company has received approval from Health Canada to conduct clinical trials for a cannabis-containing product that would treat pet anxiety. Though Canadian manufacturers have expressed interest in producing CBD-containing pet food, no approved products were on the market as of December 2018.

Background Information

For additional information on industrial hemp and cannabis, please consult the following sources:

Health Canada

[Industrial Hemp](#)

[Hemp and the hemp industry: Frequently Asked Questions](#)

[Statistics, Reports and Fact Sheets on Hemp](#)

[Cannabis](#)

[Guidance for Health Products Containing Cannabis](#)

Canadian Food Inspection Agency

[Regulation of industrial hemp seed](#)

Canada Border Services Agency

[Importation and Exportation of Cannabis, Controlled Substances and Precursors](#)