

Curaleaf Joins MSOs in Hemp-Derived THC Market Shift

Curaleaf Holdings Reverses Hemp Exit, Embraces Market with New Product Line

Curaleaf Holdings, a prominent New York-based marijuana multistate operator, has made a significant strategic shift. Initially poised to exit the hemp market, Curaleaf has now decided to embrace it fully, launching a new line of hemp-derived THC products. This move highlights a growing trend among licensed cannabis companies to explore the burgeoning hemp sector amidst slow federal marijuana reform.

Curaleaf's Initial Exit from Hemp

Curaleaf operated a hemp facility in Lexington, Kentucky, as part of its CBD product line since 2018. However, by September 30, 2023, the company had ceased all operations related to the manufacturing and wholesale distribution of hemp-derived products in Kentucky. They moved to terminate their lease and put their assets up for sale, as reported in their annual filings earlier this year.

Reconsidering the Hemp Market

In a surprising turnaround, Curaleaf decided to stay in the hemp business. In the first quarter of 2024, recognizing the lack of significant federal marijuana-reform efforts, Curaleaf strategically re-entered the hemp market. The company retained its lease and equipment in Kentucky, preparing for a major product launch.

On June 24, Curaleaf unveiled The Hemp Co., a new brand featuring an extensive product line of hemp-derived THC items. These products, including gummies and drinks, are legally shippable across state lines and available in 25 states through e-commerce and mainstream retail channels such as DoorDash. This move allows Curaleaf to tap into markets traditionally unfriendly to marijuana, like Texas.

The Strategic Shift Explained

Curaleaf CEO Matt Darin explained the decision was not the result of a single "eureka moment." After extensive discussions with federal lawmakers in Washington, D.C., it became clear that hemp, unlike marijuana, is legally distinct and permissible under federal law. "As much as we continue to be industry leaders in advocating for cannabis reform, that was a really revealing viewpoint," Darin said.

Industry-Wide Trend

Curaleaf's reversal is part of a broader industry trend. Many large multistate operators (MSOs), initially resistant to hemp, are now embracing it. Curaleaf, a member of the U.S. Cannabis Council, had previously lobbied to close the 2018 Farm Bill "loophole" that legalized hemp-derived THC. However, with no changes

forthcoming, these companies are now capitalizing on this regulatory landscape.

Other major players in the cannabis industry, such as Chicago-based Green Thumb Industries and popular brands like Cookies, Jeeter, and 1906, are also entering the hemp market. Jonathan Miller, general counsel of the U.S. Hemp Roundtable, welcomed this shift, stating, “Our philosophy is, come on in. The water is warm. We welcome more and more to this coalition.”

Challenges and Opportunities

Despite the industry’s growing interest in hemp, challenges remain. U.S. Rep. Mary Miller introduced an amendment to the House version of the Farm Bill to ban ingestible hemp products containing THC. Although this amendment has advanced in the House Committee on Agriculture, it has yet to be addressed by the full House or Senate, casting uncertainty on future regulatory changes.

For now, the status quo allows hemp-derived THC products to be sold across state lines, presenting a lucrative opportunity for expansion. “We’re building a global brand. We want our brands and our products to be as widely distributed as possible, as long as it’s done the right way,” Darin emphasized.

Curaleaf Holdings’ strategic pivot to embrace the hemp market reflects a significant trend within the cannabis industry. By launching The Hemp Co. and capitalizing on the current regulatory environment, Curaleaf is positioning itself to thrive in an evolving market. As federal marijuana reform remains elusive, hemp-derived THC products offer a viable path for growth and expansion, underscoring the adaptability and foresight of leading cannabis companies.

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