

Low Profits: Compliance and Saturation Impact Legal Market

California Cannabis Entrepreneurs Pivot to Hemp

In a significant shift within the cannabis industry, Kim Howard, founder of Green Bee Botanicals, has moved her business focus from California's legal marijuana market to the burgeoning hemp sector. After six years of navigating the complexities of California's cannabis regulations, Howard decided to abandon her state marijuana license last year and withdraw her products from dispensaries. Her company, along with others in the industry, is now embracing hemp—an alternative that offers distinct advantages in today's regulatory landscape.

The Shift to Hemp

Kim Howard's pivot to hemp represents a broader trend among California cannabis entrepreneurs seeking relief from the stringent regulatory and tax burdens associated with marijuana. By transitioning to hemp, which is federally legal under the 2018 Farm Bill, Howard has expanded Green Bee Botanicals' market reach from California alone to 30 states across the U.S. This move not only broadens her customer base but also reduces operational costs related to compliance and taxation.

Howard's decision aligns with that of several other companies in the industry. Notable examples include Wyld and Rose, which have also shifted their product lines to hemp. These companies have experienced a surge in demand for their THC-rich hemp products, leveraging the more lenient regulations compared to those governing marijuana. By classifying their products as hemp, these businesses can sidestep the stringent marijuana regulations that previously hampered their growth.

Regulatory Challenges and Industry Impact

The transition to hemp is causing significant disruption within California's marijuana market. This shift has posed challenges for regulators, who are grappling with the implications of the growing hemp sector and its impact on marijuana sales. In response, some states are starting to tighten their hemp laws to address the regulatory gap created by the federal legalization of hemp.

California is also contemplating new legislation to address these issues and adapt to the evolving market landscape. The state's complex marijuana regulations have long been a point of contention among cannabis businesses, and the rise of hemp presents a new set of challenges for policymakers and industry stakeholders alike.

Despite the uncertainties and potential legal changes on the horizon, many entrepreneurs, including Kim Howard, view hemp as a viable path forward. For Howard, the benefits of shifting to hemp—such as reduced regulatory burden and broader market access—outweigh the potential risks. "Hemp offers a practical solution to the regulatory maze we faced with marijuana," Howard said. "It allows us to reach more customers and

operate with greater flexibility.”

The Broader Implications

The pivot to hemp highlights a significant transformation within the cannabis industry, reflecting broader trends in how businesses are adapting to the legal and regulatory environment. As more entrepreneurs and companies make similar shifts, the industry is likely to see continued changes in market dynamics and regulatory approaches.

For now, the hemp market appears poised for growth, with entrepreneurs leveraging its legal status to bypass some of the constraints associated with marijuana. As California and other states adjust their laws to keep pace with these developments, the full impact of this transition on the cannabis industry remains to be seen.

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