

State Bans Threaten Hemp THC Market After Farm Bill Boom

State Bans and Restrictions Threaten the Hemp-Derived THC Market

After a seven-year surge in hemp-derived THC products, legislative actions across multiple states are threatening the industry with strict regulations and outright bans. Industry advocates and business operators express growing concern as state lawmakers impose severe restrictions, potentially disrupting the market that flourished following the 2018 Farm Bill.

State Crackdowns: A Growing Concern for Hemp Businesses

Unlike California's blanket ban on hemp-derived THC imposed last fall, new restrictions in other states are not necessarily aimed at supporting the struggling regulated marijuana industry. Instead, these bans seem to stem from concerns over market competition, public health, and the influence of the alcohol industry, which views hemp products as a rising competitor.

Jonathan Miller, counsel-in-charge of the U.S. Hemp Roundtable, acknowledges the growing hostility toward hemp businesses. "We're under fire from a lot of different sources," he said. "There are a number of states that are looking at completely banning retail sales of our products."

How States Are Addressing Hemp-Derived THC

Several states have enacted or proposed regulations that significantly impact the hemp industry:

California: Extended emergency regulations prohibiting all hemp-derived THC.

Texas: A proposed blanket ban on any product containing hemp-derived THC.

Florida: Restrictions on synthetic THC and bans on high-dose hemp-derived Delta-9 THC.

Georgia: Prohibitions on hemp-based beverages and restrictions on synthetic cannabinoids such as Delta-8 and Delta-10 THC.

Arkansas, Kentucky, Montana, Tennessee: Implementing a third-party distribution model similar to the alcohol industry, preventing direct-to-consumer sales.

Industry Fears Alcohol Industry's Growing Influence

Some hemp businesses believe that these regulatory changes are part of an effort by the alcohol industry to dominate the cannabis market. Jim Higdon, co-founder of Kentucky-based Cornbread Hemp, warned, "This

is the first step toward a hostile takeover of cannabis by the alcohol industry.”

Higdon and others are urging Kentucky Governor Andy Beshear to veto a bill that would eliminate direct-to-consumer sales in favor of third-party distribution.

State Lawmakers Reacting to Perceived Loopholes in the 2018 Farm Bill

Many lawmakers feel that the Farm Bill inadvertently legalized intoxicating hemp products, leading to an unregulated market. The 2018 Farm Bill, signed into law during former President Donald Trump’s administration, allowed hemp-derived THC products with less than 0.3% THC. However, some businesses have used creative legal interpretations to manufacture high-dose edibles and THCA flower that functionally resemble marijuana.

This development has left lawmakers frustrated. Jake Bullock, CEO of California-based Cann, a manufacturer of hemp-derived THC beverages, noted, “Members, especially on the Republican side, say things like, ‘We felt duped by what the hemp industry told us. We didn’t believe we were legalizing anything intoxicating.’ They’re pretty ticked off about that.”

Federal Inaction Leaves a Regulatory Void

While Congress is two years overdue in passing a new Farm Bill, federal lawmakers recognize that hemp-derived THC regulations are necessary. However, legislative efforts remain stalled.

In 2023, Illinois Republican Rep. Mary Miller proposed an amendment to ban most hemp-derived THC products, but enforcement mechanisms were unclear. Meanwhile, Oregon Democratic Sen. Ron Wyden introduced a proposal to regulate synthetic cannabinoids and impose serving limits but allow most hemp businesses to continue operating. Despite these efforts, no federal regulations have been enacted, leaving individual states to take action.

Major Cannabis Operators See Hemp as an Opportunity

Some major cannabis operators are capitalizing on hemp’s legal gray area. New York-based Curaleaf Holdings has expanded its hemp product line, particularly in beverages, to bypass federal marijuana restrictions. By selling hemp-derived THC beverages in liquor stores rather than dispensaries, companies like Curaleaf can reach new markets, such as Texas, where marijuana remains illegal.

Texas, one of the largest hemp markets in the country, has as many as 8,300 retailers selling hemp-derived THC. Republican Lt. Gov. Dan Patrick has declared his intent to ban these products entirely through Senate Bill 3, which recently passed the state Senate.

Less-Stringent Regulations Still Pose Threats to Small Businesses

Even moderate regulatory proposals, such as third-party distribution models, could devastate small hemp businesses. New Jersey Governor Phil Murphy signed a law restricting the sale of hemp-derived THC beverages to liquor stores, preventing direct-to-consumer sales. Industry experts believe such regulations favor large alcohol companies at the expense of independent hemp businesses.

What’s Next for the Hemp-Derived THC Industry?

With the lack of federal oversight, state-by-state restrictions are expected to increase, further complicating the landscape for hemp businesses. While some states may continue to support hemp-derived THC, others

are moving toward outright bans or heavily regulated distribution models.

As lawmakers grapple with how to regulate the rapidly evolving industry, hemp operators face uncertainty and the looming threat of a drastically altered marketplace.

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