

# Regulatory Shake Up Looms Over Minnesota's Hemp THC Industry

## Minnesota's hemp THC market faces its biggest challenge yet

Minnesota's open embrace of hemp-derived THC products—from infused beverages to edibles—once made it a national model for innovation and responsible regulation. But a series of abrupt policy changes are now shaking that foundation, leaving business owners, labs, and lawmakers scrambling to adjust.

In October, the state's Office of Cannabis Management (OCM) released a new *guidance memo* that significantly alters how hemp THC products must be tested, labeled, and transported, beginning January 1, 2025.

Operators warn the new regulations could cripple small hemp businesses, cause product backlogs, and even push companies to relocate to neighboring states like Wisconsin.

## A thriving market suddenly facing new constraints

Since July 2022, hemp-derived THC products have been legal in Minnesota, creating a booming new sector. From October 2023 through September 2024, sales of hemp beverages and edibles reached an estimated \$145.1 million, according to Denver-based cannabis law firm Vicente.

But as of next year, every intoxicating hemp product sold in the state must also be tested by a Minnesota-based lab. Currently, there are only two licensed labs equipped to handle such testing—raising serious concerns about bottlenecks, delays, and increased costs.

“This just feels like the OCM is trying to kill hemp,” said Lance Asher, founder of Green Elevator Cannabis, a Minnesota company that manufactures hemp gummies and beverages.

## Operators weigh the cost of compliance—or leaving the state

For some entrepreneurs, the new rules could mean the end of doing business in Minnesota.

Steven Brown, CEO of Nothing But Hemp, said he plans to spend up to \$100,000 to move his operations to Wisconsin, where testing and labeling rules are less restrictive and where hemp-infused cafés and bars are thriving.

“We have contract obligations with wholesale clients to keep the input going, and I can't do that in Minnesota,” Brown said.

Currently, Nothing But Hemp relies on labs in Wisconsin, Kentucky, and Florida to test its products. The two in-state labs, he added, simply lack the capacity to handle the influx of hemp products that will soon require testing.

A third lab is expected to open soon, but operators worry that won't be enough to prevent weeks-long testing backlogs.

## **Lawmakers question necessity of in-state testing**

Republican state Rep. Nolan West said the new rules make little sense, given that hemp is federally legal and can already be transported across state lines.

“My goal is to not require hemp products to be tested in the state – there’s no reason because it’s federally legal and can be transported,” West said.

“At minimum, I would like to delay in-state testing for another two to five years.”

## **Labs warn of capacity strain and longer turnaround times**

Even testing labs are voicing concerns about how quickly they can scale.

Taylor Schertler, project manager at Legend Technical Services Inc. in St. Paul, said his lab had been preparing for the adult-use cannabis market, not an influx of hemp-derived products.

“Scaling doesn’t happen quickly,” Schertler explained. “It takes time to get new people up to speed and incorporate new equipment into the workflow.”

He predicts turnaround times could double—from two weeks to four weeks—as a result of the rule change.

“It’s not because labs are dropping the ball,” Schertler said. “It’s because of this last-minute decision that hemp products have to be tested in-state. We’ve been thrown off the deep end with weights around our ankles.”

## **Labeling mandates expose supply chain “trade secrets”**

New labeling requirements are also frustrating operators.

Under the updated rules, hemp product labels must now disclose supply chain details, including the names and license numbers of cultivators, processors, and manufacturers.

“The new label requirements expose much of the supply chain, effectively revealing trade secrets,” Brown said.

West agrees, arguing that consumers should have access to ingredient sourcing information through QR codes rather than printed labels.

“It’s important that the label is detailed,” he said, “but there’s no reason it couldn’t be on a QR code.”

Manufacturers like Asher say they now face additional costs for reprinting or stickering packaging that was previously compliant. “You’ve got rolls of previous labels you’ve already bought in bulk,” he said. “Now, I have to invest time and money to make them compliant again.”

## **Shipping ban adds another layer of disruption**

A third major shift is the ban on mailing low-THC hemp products directly to consumers.

Asher, whose company sells products in 150 stores across several states, will now need to rely on distributors or apply for a costly wholesaler license costing up to \$10,000 to continue operations.

“I’m a sole owner and don’t desire to have any other investors or partners,” Asher said. “We’re being forced away from what we’ve been doing with good regulations that made sense.”

## **A rapidly shifting landscape for hemp entrepreneurs**

The timing of these regulatory changes just months after Minnesota’s non-tribal adult-use marijuana sales began in September—has fueled speculation that the state is trying to consolidate oversight or push hemp companies toward the new marijuana market.

Industry observers warn that if businesses continue relocating, Minnesota could lose millions in tax revenue and hundreds of jobs tied to the hemp beverage and edible sector.

As lawmakers and regulators debate the future of hemp in Minnesota, operators remain in limbo caught between compliance and survival.

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