



The Urgent Need for CBD Clarity

How Confusion and Lack of
Regulation Threaten Consumer
Safety and Trust



Powering every day.

THE URGENT NEED FOR CBD CLARITY

The cannabidiol (CBD) market is exploding. But the Consumer Brands Association's latest survey shows an alarming lack of consumer knowledge about CBD. While more than six-in-ten (62%) Americans have heard about CBD, most of these consumers are uncertain or mistaken about what CBD actually is, what it does and whether all products made with CBD are safe to consume.

The Consumer Brands Association survey reveals that although one-third of Americans have bought a CBD product, few understand the intricacies of the emerging market. It is no wonder. Today's patchwork of inconsistent, and often contradictory, state regulations — coupled with the lack of methodical testing and safety requirements — is calling consumer protection into question.

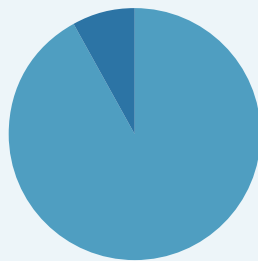
The research below makes it clear that American consumers do not have that information and that the overwhelming majority (92%) incorrectly assume or have no idea if federal consumer protections and safety oversight are in place when they are not. The danger of this assumption is made more acute when coupled with a belief shared by more than half of Americans that CBD has the potential to intoxicate users and, perhaps worse, the supposition of the majority (66%) that CBD products are safe.

Confused consumers need clear federal regulation of the CBD market and, if interested in the products, to be able to purchase from large, well-known brands they know and trust. But as it stands today, the market is rife with uncertainty that should prompt more than concern — it must prompt action.

The following data is from the perspectives of the 62 percent of Americans who are familiar with CBD, either through awareness or experience.

92%

of American consumers incorrectly assume or have no idea if CBD is federally regulated.



Smart, clearly articulated regulations are essential to providing consumers the information they need to make the best choices for themselves and their families.



High Levels of Confusion

Americans who are familiar with CBD are not as clear about what it is. Nearly four-in-ten (39%) believe CBD is just another name for marijuana. But, in fact, CBD is the non-psychoactive component of the cannabis plant and does not have the psychoactive properties of tetrahydrocannabinol (THC), the compound that gives a "high" sensation.

Whether CBD can create a high is another point of confusion. Only 45 percent of Americans correctly responded that CBD does not intoxicate people who use it. But more than half (51%) believe it does. More than one-third (33%) said CBD does intoxicate and another 18 percent believe it could intoxicate if enough of it is consumed. Just four percent admitted they did not know.

THE AMERICAN CBD CONSUMER

What makes consumers' knowledge gap more concerning is the number of Americans purchasing CBD products. More than a third (34%) of Americans report they have purchased a CBD product. Among respondents familiar with CBD (they have seen, read or heard about it), 55 percent have bought a CBD product. The most common reason is for pain management (52%) or to reduce stress or anxiety (50%). A significant number of Americans are also purchasing CBD as a sleep aid (43%).

Nearly one-in-four consumers (24%) who purchased CBD products did so because they thought it would intoxicate them or give them a high.

Nearly four-in-ten Americans incorrectly assume CBD is just another name for marijuana.



Most commonly, Americans said they purchased oils or tinctures (55%), foods (45%), skincare (44%) or vitamins or dietary supplements (39%).

Where Americans are purchasing CBD products varies widely. The most common outlets are specialty shops (48%) and online (41%). About three-in-ten have purchased from grocery stores (30%), pharmacies (29%) or convenience stores or gas stations (26%). Less common, though still significant, are consumers who buy CBD products at farmers markets (24%) or miscellaneous chain retailers like Ulta, Urban Outfitters or GNC (21%).

FDA Warnings

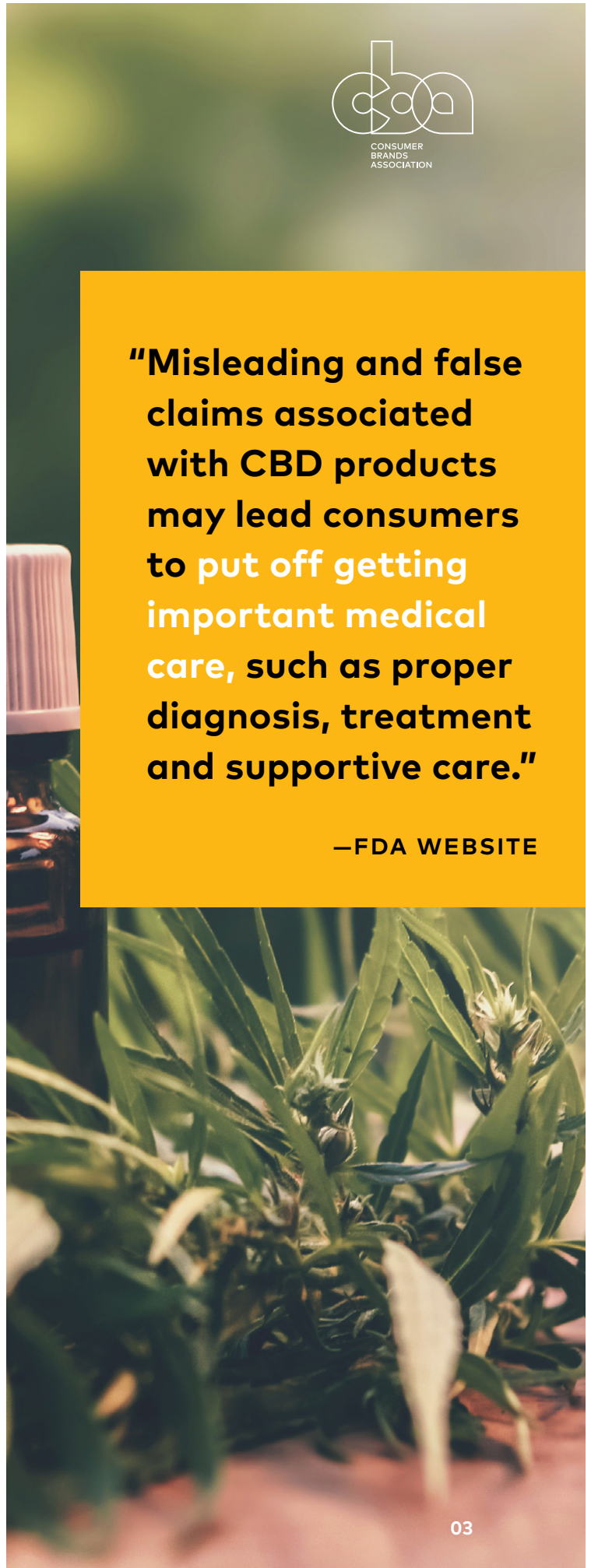
While CBD's uses and points of purchase are wide-ranging, the only approved use of CBD by the U.S. Food and Drug Administration (FDA) is for the treatment of epilepsy through a drug called Epidiolex. The FDA website states, "There is very limited available information about CBD, including about its effects on the body."

Unfortunately, limited information about CBD is not stopping it from being marketed as a panacea for just about every ailment. The FDA article on CBD goes on to say, "Misleading and false claims associated with CBD products may lead consumers to put off getting important medical care, such as proper diagnosis, treatment and supportive care." Based on our data, there is truth to that concern. Respondents that had purchased CBD said they did so to alleviate cancer symptoms (21%), treat effects of a neurological disorder (21%), improve heart health (25%) or enhance bone health (27%).

The proliferation of CBD products must be met with smart, uniform regulation based in rigorous science for the benefit of consumers' health. Dr. Peter Grinspoon shared his perspective on the Harvard Medical School blog, "Some CBD manufacturers have come under government scrutiny for wild, indefensible claims, such that CBD is a cure-all for cancer, which it is not." He went on to add, "Without sufficient high-quality evidence in human studies we can't pinpoint effective doses, and because CBD is mostly available as an unregulated supplement, it's difficult to know exactly what you are getting."

"Misleading and false claims associated with CBD products may lead consumers to put off getting important medical care, such as proper diagnosis, treatment and supportive care."

—FDA WEBSITE



BREAKING PRECEDENT

Originally passed in 1938, the Federal Food, Drug and Cosmetic Act makes it illegal to sell an active ingredient in drugs in foods, dietary supplements or cosmetics that will be sold across state lines. Despite Congress legalizing hemp-derived products such as CBD in the 2018 Farm Bill, as it stands today at the federal level, CBD cannot be used as an additive for foods, supplements or cosmetics because it is an active ingredient in Epidiolex.



The multi-billion-dollar CBD market is booming — without federal regulation and oversight. CBD products are available everywhere from gas stations to farmers markets. Even Martha Stewart is involved with a line of CBD products for pets. While there is not a precedent for designating an active ingredient in drugs as an approved additive, there is a clear need to break precedent to ensure consumer safety.

Forty-three percent of American consumers believe that CBD is legal to use in some products. Most of those consumers (71%) said CBD was legal in oils or tinctures, but significant numbers also believe CBD is legal for use in skincare and cosmetics (56%), vitamins or dietary supplements (51%), foods (42%) and beverages (38%).

All these assumptions are being made without a uniform regulatory approach. In some states, the respondents are correct, in others they are not. There are currently 137 state bills for CBD products and hemp derivatives alone. It is dizzying to follow and, unfortunately, too many Americans have no idea CBD is not regulated by the national agencies they know and trust.



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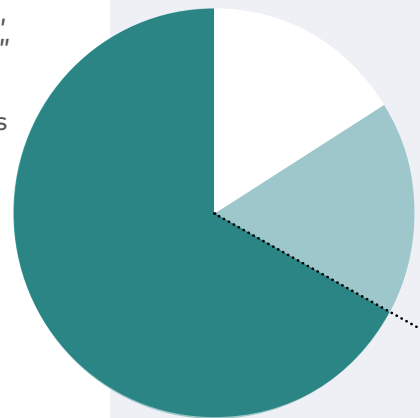
Assumptions and Alarms About Regulation

Regulation of CBD is limited to nonexistent. But 77 percent of Americans assume that CBD is regulated and 15 percent said they did not know — just eight percent said it was not regulated. A majority (51%) assume CBD is regulated by the FDA, with significant numbers citing the Drug Enforcement Administration (32%), U.S. Department of Agriculture (29%), state government agencies (26%) or Centers for Disease Control and Prevention (24%). Nearly a quarter (24%) said they thought the National Institutes of Health (NIH) had regulatory oversight of CBD (the NIH is not a regulatory body).

Upon learning that the FDA does not regulate CBD, 82 percent of Americans said they were at least moderately concerned, 67 percent of whom said they were “very” or “extremely” concerned. Further, upon learning that no other federal agency has regulatory oversight of the safety of CBD, 84 percent of consumers expressed at least moderate concern, 67 percent of whom said they were “extremely” or “very concerned.” Also raising alarm is the current regulatory patchwork, state-by-state approach. Another 84 percent of respondents said they were at least moderately concerned that CBD regulation could vary widely from one state to another, 69 percent of whom were “extremely” or “very concerned.”

Americans want federal regulation and oversight of CBD. The majority said **CBD should be regulated federally (62%) or federally in concert with the states (17%).**

Upon learning that no federal agency regulates CBD products...



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The Importance of Trusted Brands

As it stands today, most CBD products are manufactured by smaller companies and, absent consistent regulation, it is up to the individual business to invest in the research that protects consumers. With 100 employees and revenue of approximately \$45 million in 2018, Green Roads is the largest private company selling hemp-derived CBD, according to Brightfield Group, which specializes in cannabis research. Green Roads co-founder Laura Fuentes touched on the challenge of ensuring quality in an interview with Inc. She said she has received samples from vendors that test well, but when the actual order arrives and is sent to the lab, "it's not the same thing they sent me as a sample. And there is no recourse."

The lack of testing rigor is a primary concern about CBD. Product manufacturing facilities are not inspected in some states and many states cannot verify if products contain CBD at advertised levels. The cannabis plant is also a bioaccumulator, meaning it absorbs heavy metals, pesticides and toxins from the soil around it. Unfortunately, there are no clear standards for testing and control of products utilizing CBD like those that exist for other ingredients added to food and cosmetics.

A regulatory framework would provide a needed roadmap for other companies to enter the market, creating competition and weeding out bad actors — like the ones Fuentes described.

Urgent Need for Clear Regulations

The proliferation of CBD products on the market led 80 percent of respondents to report feeling that federal regulation must happen more quickly.

While formal regulations could take years — if not decades — to achieve, a regulatory framework would be a substantial step toward giving consumers consistent, accurate information on CBD.

The value of a national regulatory body cannot be underestimated. A majority of Americans believe a federal agency, like the FDA, should have regulatory control over CBD to guarantee safety (72%), protect public health (64%) and ensure consistent regulations across states (55%).



THE IMPORTANCE OF TRUSTED BRANDS

Clear, consistent regulations would also strengthen consumer confidence — helping to fuel the further expansion of the CBD market. A combined 68 percent of Americans who have not purchased CBD products said they would (41%) or might (27%) if a federal agency, like the FDA, were to regulate CBD. And, if trusted and recognizable brands were to sell a CBD product, a combined 70 percent of American consumers said they would (45%) or might (25%) purchase it.

Whether they have purchased CBD products yet or not, the majority of Americans (70%) were clear that they would be more confident in the safety of CBD products if they were manufactured by a large, well-known brand.

That is because more than half of consumers believe large, well-known brands have more safety controls in place (55%), employ higher manufacturing standards (54%), would be more cautious to avoid brand damage (53%) and have more experience in making high-quality, consistent products (53%). Just 12 percent of respondents said they would not be more confident in CBD products made by larger, well-known companies. In this case the rationale is clearer: six-in-ten (60%) said they would not be confident buying CBD products from any company. From there, a minority expressed some distrust of large companies generally (37%), a belief that smaller or startup companies would make high quality products (12%) or that they would prefer to support smaller or startup companies (11%).

A near-universal 90 percent said it would improve their perception of CBD if brands they trust and use frequently were to sell

CBD products. Of Americans who said it would improve their perception, more than a third (37%) said their perception of a brand would improve because they would regard that brand as innovative or mindful of new trends. Another 23 percent said that brand would represent them and their values. For some it would increase loyalty (19%) or encourage them to buy more frequently (19%) from that brand.

The confidence and interest in large, well-known brands entering the CBD market may be explained by the concern over bad actors in the market today. In July of 2019, the FDA warned CBD manufacturer Curaleaf that it needed to remove unsubstantiated marketing claims that its products could treat cancer, opioid withdrawal and Alzheimer's disease, to name a few.

Another manufacturer, Diamond CBD, came under scrutiny after scientists at Virginia Commonwealth University studied nine samples of the company's "100 percent natural" CBD vaping liquid and found that four of those samples contained a synthetic compound, 5F-ADB, that has been "linked by the Drug Enforcement Administration to anxiety, convulsions, psychosis, hospitalization and death."

Curaleaf complied with the FDA warning and Diamond CBD pledged to run more tests and issue recalls if needed, but it begs the question:

How many "Curaleafs" and "Diamond CBDs" are out there and how long will they continue to market and sell products before a federal regulatory framework is in place?

Generation Risk?

When it comes to CBD, one of the biggest markets may also be the most vulnerable to misunderstanding and misinformation. Millennials are the generation most likely to buy CBD (54 percent said they have purchased a CBD product, compared to 34 percent overall), but the least likely to think it is not regulated – 83 percent of Millennials assumed that CBD was regulated by some government body and 11 percent said they did not know. Just six percent said that it was not regulated.



While not dramatically higher than the 92 percent overall who assume CBD is regulated or do not know if it is, the erroneous assumption is of greater concern given that Millennials show significant misunderstandings of how CBD works. Forty-four percent of Millennials thought CBD was just another name for marijuana. More than 46 percent thought it intoxicated the people who use it and another 17 percent said it could if enough CBD were consumed.

Millennials are the generation most likely to buy CBD, but the least likely to think it is not regulated – **83% of Millennials assumed that CBD was regulated by some government body and 11% said they did not know.**

Boomers, in contrast, were far less likely to have purchased CBD (15%) but were more likely to know that CBD does not intoxicate the people who use it. Just 14 percent of Boomers thought that CBD did intoxicate users and 21 percent thought it could.

Of the Millennials who said they purchased CBD, 30 percent said they bought the product because they thought it would give them a high – a stark contrast with the four percent of Boomers who bought CBD for the same reason.

Boomers exhibit far more skepticism about CBD. While 46 percent of Boomers feel CBD is safe, 26 percent said they were not sure and have unanswered questions and 17 percent said it depends on the manufacturer or the seller. In sharp contrast, 79 percent of Millennials feel that CBD is safe, and just nine percent said they were not sure and six percent said it depends.

Conclusion

The exploding CBD market is unprecedented, making government-as-usual unacceptable. Federal government regulation and oversight must move at the same pace as the rapidly expanding CBD market.

Regulatory expediency and efficiency can still be rigorous and robust. And Consumer Brands' call for such swift action is not about being for or against CBD. It is about being pro-consumer. More than one-third of Americans have already purchased CBD products, a number that is sure to continue to grow – and grow quickly. It is imperative to remember that consumers are driving this growth – consumers who, according to our research, are grappling with misinformation, misconceptions and misunderstandings about CBD.

Consumers need and deserve clearly articulated, uniform federal regulatory standards and they need them now.

Methodology: *The Urgent Need for CBD Clarity includes data from a survey of 2,056 U.S. adults (18+), fielded October 1 – October 12, 2019, powered by Toluna Analytics. The majority of the findings from this report focused on the 1,272 respondents who indicated familiarity with cannabidiol or CBD. These data were weighted and scaled.*

