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Report Name: An Overview of the Dutch Hemp Market

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Prepared By: Marjolein Selten

Approved By: Christopher Riker

Report Highlights:

Dutch hemp production occurs exclusively in the northeast part of the country, particularly in the province of Groningen where 69 percent of Dutch hemp is cultivated. In the Netherlands, hemp has traditionally been regulated via the Dutch Opium Act, which dates back to 1928. Under Dutch law, the cultivation of hemp fiber and seed is legal, but the production of CBD remains prohibited. In recent years, the market for Dutch hemp seed has seen a rapid increase. In 2019, the Netherlands exported 31,768 MT of hemp seed (valued at \$53.7 million).

Section I. Introduction

The Netherlands has a long history of hemp production. Dutch hemp cultivation (*Cannabis Sativa L.*) and its industrial use dates back to the 17th century, the so-called “Dutch Golden Age”, when hemp was widely used for the production of textiles and rope for the naval industry. However, due to the emergence of alternatives (such as cotton, jute, and wood pulp) the importance of hemp declined over time. In 1928, hemp was placed under the oversight of the [Dutch Opium Act](#) (in Dutch) (the Act), and cultivation was only possible to a limited extent.

Since the 1990s, fiber hemp has been permitted to be grown in Europe under certain conditions. The hemp varieties grown for fiber or seed, contain almost no psychoactive compounds (with a Tetrahydrocannabinol {THC} content of less than 0.2 percent). The hemp species that fall within the THC permissible level, and which have been identified by the European Commission, total 71 different types.¹ The revival of hemp is mainly due to the European agricultural policy and the desire for more sustainable production systems.²

Dutch hemp is now primarily grown for its fiber and seeds for various textiles, materials, cordage, and food. More recently, hemp has increased in popularity as a nutritional supplement, as well as for use in cosmetics, because of its relatively high Cannabidiol (CBD) concentrations.

Section II. Hemp Production

In the Netherlands, industrial hemp production began in 1993 for fiber and seeds only. While farmers do not require a permit to cultivate approved varieties of hemp in the Netherlands, they need to be registered as an active farmer to receive farm payments, must grow hemp using specially certified seed, and must produce under contract with a registered processor.

Hemp is commonly grown as a rotational crop in the Netherlands (with sugar beets and starch potatoes). Its rapid growth outcompetes most weeds, reduces the risk of diseases, and helps improve the quality of the soil. The most common types of hemp varieties cultivated in the Netherlands are those suitable for the production of hemp flax and/or for seeds. The crop is typically planted in May and harvested in mid-August.

Hemp production in the Netherlands occurs at a relatively modest scale. The Dutch planted area for hemp totaled 1,877 hectares (ha) in 2019. It is cultivated almost exclusively in the northeastern part of the country, in the provinces of Groningen (69 percent) and Drenthe (19 percent). In the Netherlands, 140 different enterprises grow hemp, 71 of them in Groningen.³

¹The EU Common Catalogue of Varieties of Agricultural Plant Species is available online at: http://ec.europa.eu/food/plant/plant_propagation_material/plant_variety_catalogues_databases/search/public/index.cfm?event=SearchVariety&ctl_type=A&species_id=240&variety_name=&listed_in=0&show_current=on&show_deleted=

² https://www.wur.nl/upload_mm/9/6/8/3dea0961-4cc1-4745-bbc6-c52d1f138e4b_HennepinEuropa.pdf

³ CBS Datastat

Hemp Area and Production Volumes

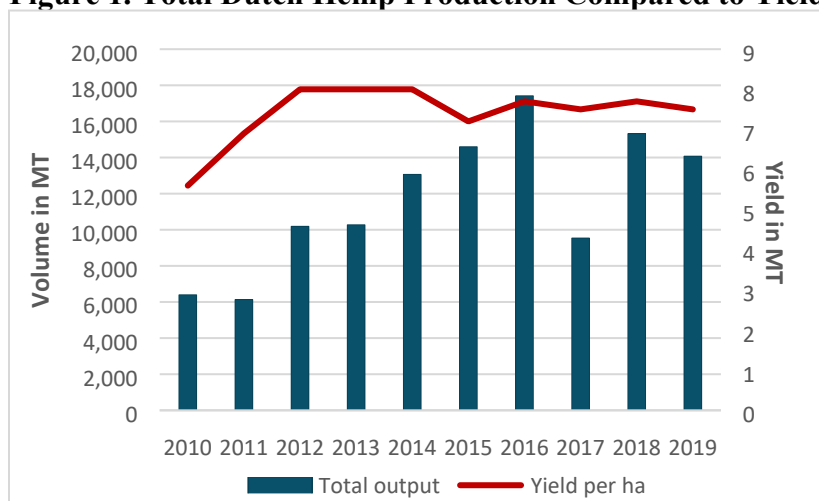
	2015	2016	2017	2018	2019
Total Harvested Area, (1,000 hectare)	2.0	2.3	1.3	2.0	1.9
Output, (1,000 MT)*	14.6	17.4	9.5	15.3	14.1
Yield per hectare, MT	7.2	7.7	7.5	7.7	7.5

Source: Dutch Central Statistics Bureau (CBS)

* Gross output

According to the latest Eurostat figures, the Netherlands harvested 1.5 million metric tons (MMT) of hemp in 2018, making it the European Union's (EU's) second largest hemp producer (after France - 12.4 MMT).⁴ However, Dutch yields per hectare were the highest among all EU Member States producing hemp (7,700 kg per ha).⁵

Figure 1. Total Dutch Hemp Production Compared to Yields (per ha)



Source: Eurostat

Farm Income Support

[Regulation \(EU\) No 1307/2013](#) establishes the rules for direct payments to farmers under the framework of the EU's Common Agricultural Policy (CAP). However, payments under the CAP are conditional upon the use of certified seeds for specific hemp varieties. To qualify for income support, a farmer must also respect a number of greening conditions that aim to enhance the quality of the environment. In 2018, domestic support levels for eligible hemp farmers could be as high as \$345/ha,⁶ based on the following: a basic payment (\$163/ha); greening payment (\$125/ha); and the Program for Young Farmers⁷ (\$56/ha).

⁴ Eurostat [apro_cpsh1] hemp production data, 2018.

⁵ Eurostat [apro_cpsh1] hemp harvest & production data, 2018.

⁶ <https://www.boerderij.nl/Home/Achtergrond/2018/3/682-miljoen-voor-GLB-subsidies-264014E/>

⁷ An EU program (as part of the CAP) to support farmers under the age of 41. For more information, see ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/income-support/young-farmers_en

In 2016, the Dutch government recognized hemp as an eligible crop to help farmers meet their greening obligations. One of the greening conditions requires farmers with arable land exceeding 15 ha to have at least five percent of their land dedicated to biodiversity (referred to as Ecological Focus Area {EFA}). One hectare of fiber hemp is equivalent to 0.3 ha of EFA. Alternatively, if 15 percent of the farm area is dedicated to hemp production, the farmer will automatically meet his greening obligations.⁸

Hemp Processing

There are two hemp-processing facilities in the Netherlands: HempFlax and Dun Agro (both located in Oude Pekela).

HempFlax was founded in 1993 and re-introduced hemp production and processing in the Netherlands. Currently, the company has 2,300 hectares of hemp plants in production in the Netherlands, Germany, and Romania. The hemp is processed into, for example, animal bedding, automotive insulation, and hempcrete (a bio composite material). However, in 2014, HempFlax also started harvesting flowers and leaves to extract CBD (outside of the Netherlands). At the request of its customers, HempFlax has also been producing extracts and blends since 2015, processing them into capsules and other forms.⁹

Dun Agro has been active in the hemp industry for more than 25 years. Dun Agro's activities cover the entire production process: from agriculture to primary processing, and the production of end-products for the food sector and fiber sector. The company has developed its own technologies and innovations. In addition to hemp fiber, the company also supplies animal feed supplements (leaf and seed), hemp dust, and hemp wood.

Section III. Hemp/Cannabinoid Regulations

As previously noted, hemp has traditionally been regulated via the Act.¹⁰ The Act was originally designed to combat opium abuse in the early 20th century. It regulates many types of drugs in the Netherlands, and makes a distinction between soft- and hard drugs (with cannabis typically being considered a soft drug).¹¹ The Act falls under the purview of three Ministries: The Ministry of Health, Welfare and Sport, the Ministry of Justice and Security, and the Ministry of Agriculture, Nature and Food Quality.

The Act was amended in 1999 and the cultivation of industrial hemp was legalized. Article 12 of the Act states that: “*{t}he cultivation of hemp is permitted if the hemp is intended for the extraction of fibers or the propagation of seed for the production of fiber hemp.*” Accordingly, since 1999, growing hemp plants with a THC content of less than 0.2 percent has been legal.

⁸ More information about EU greening requirements is available at: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/income-support/greening_en

⁹ <https://fd.nl/ondernemen/1288223/bloeimarkt-in-mediwiet-dreigt-ondergronds-te-gaan>

¹⁰ <https://wetten.overheid.nl/BWBR0001941/2020-01-01>

¹¹ The Netherlands tolerates the sale of soft drugs in ‘coffee shops.’ A coffee shop is an establishment where cannabis may be sold subject to certain strict conditions, but no alcoholic drinks may be sold or consumed. For additional information, see <https://www.government.nl/topics/drugs>.

The production of CBD, however, remains prohibited under Dutch law. CBD is a substance that occurs in the hemp plant, which means that it falls under the provisions of the Act. Therefore, in order to ensure the production of CBD in the Netherlands is legal, the hemp is produced in the Netherlands and processed into CBD abroad, after which it can be imported back into the Netherlands, and sold. According to Dutch law, CBD with a THC percentage of up to 0.05 percent is legal for sale.

The Dutch Food and Drug Administration (NVWA) does not consider CBD a medicine, but classifies it as a food supplement. Therefore, products containing CBD are subject to the labelling requirements that apply for food supplements. For more information about labelling requirements of products containing CBD, see section IV labelling requirements.

Medicinal Purposes

The Netherlands was one of the first country in the world to introduce a program for medicinal cannabis in 2003. The use of hemp for medical reasons requires a prescription and can only be bought in pharmacies. The supply and production of medical cannabis falls under the purview of the Office of Medicinal Cannabis (OMC).¹²

There is currently only one company in the Netherlands with a license to grow medicinal cannabis: Bedrocan (in Veendam). Bedrocan produces five different types of cannabis with different levels of THC and CBD. More than half of the production by Bedrocan is destined for export and goes to patients in countries such as Germany, Italy and Poland.¹³ Between 2013 and 2018, Bedrocan's sales have increased nearly six fold (to nearly 2,600 kilos). Because of the sharp increase in demand, the Dutch government is reportedly considering licensing a second grower for the production of medical cannabis.

Section IV. Labelling Regulations

In general, labeling for hemp products must follow standard food labeling requirements (see [FAIRS report NL9007](#)). Labels for hemp-based food supplements must contain the following compulsory information (in Dutch):

- the recommended dosage;
- the designation 'food supplement';
- the name, type, and quantity of active ingredients;
- a warning to keep the food supplement out of the reach of children;
- a warning that the supplement must not be used as a substitute for a varied diet; and,
- a warning that the supplement is not suitable for preventing, treating, or curing a disease.

Section V. Packaging and Container Regulations

In general, packaging for hemp products must follow standard packaging requirements (see [FAIRS report NL9007](#)).

¹² For more information, please visit english.cannabisbureau.nl/

¹³ <https://nos.nl/artikel/2286210-nederlandse-mediwiet-in-trek-staat-zoekt-tweede-producent.html>

Section VI. Other Requirements/Regulations, and Registration Measures

Dutch Imports of Hemp (Seed)

In accordance with Article 189 of [Regulation \(EC\) 1308/2013](#), the Netherlands permits the importation of hemp and hemp seed from non-EU Member States based upon a number of conditions. Companies interested in importing hemp or hemp seed from a non-EU Member State are required to have an import certificate for one of the following Combined Nomenclature (CN)¹⁴ codes:

- CN code 1207 99 91 -- hemp seed not intended for sowing
- CN code 1207 99 20 -- hemp seed intended for sowing
- CN code 5302 10 00 -- hemp fiber

An importer can also import raw or rotated hemp under CN code 5302 10 00 from third countries. However, it must declare that the THC content does not exceed 0.2 percent. The Dutch customs service checks shipments by sampling whether the imported hemp meets the requirements.

Section VII. Market Potential

The Netherlands is the world's largest exporter of true hemp.¹⁵ In 2019, the Netherlands was responsible for 71 percent of global true hemp exports (10,550 MT valued at \$7.3 million).¹⁶ As a large exporter, however, the Netherlands imported significantly less hemp. Imports of true hemp totaled \$285,716 (832 MT) in 2019. True hemp was supplied from only two countries: Germany (82 percent) and Romania (18 percent).

The largest export markets for Dutch true hemp are Germany (31 percent), Spain (17 percent), and the United Kingdom (9 percent). While there were no hemp exports from the Netherlands to the United States in 2019, the Netherlands exported \$52,325 (70 MT) to the United States in 2016 (representing just 0.7 percent of total Dutch hemp exports that year). However, Dutch producers of greenhouses and greenhouse systems (including water management, climate control, and production systems) supply millions of euros of technology to North America every year.

Hemp seed is the most widely traded hemp product globally. In 2019, the Netherlands traded 31,768 MT of hemp seed (valued at \$53.7 million).¹⁷ The majority (81.6 percent) of this trade was hemp seed not intended for sowing (valued at \$33.4 million). Whereas imports of hemp seed totaled \$20.3 million (see Figure 2), much of which was re-exported to other EU countries, including Germany and Romania.

As illustrated in Figure 3, Dutch hemp seed exports have seen a sharp increase in recent years, and the market for hemp seed is expected to continue to grow in the coming years. Exports of hemp seed valued

¹⁴ The CN code is the EU's eight-digit coding system, comprising the HS codes with further EU subdivisions. It both serves the EU's common customs tariff and provides statistics for trade inside the EU and between the EU and the rest of the world. See https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/combined-nomenclature_en.

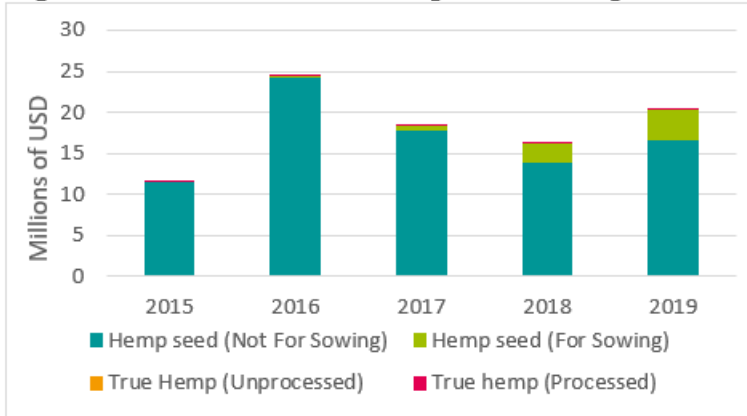
¹⁵ HS codes: 5302 10 True hemp (Cannabis sativica L.) Raw or setted, and 5302 90 True hemp (Cannabis sativica L.), processed but not spun; tow and waste of true hemp.

¹⁶ Trade Data Monitor

¹⁷ CN Codes: 1207 99 91 Hemp seed not intended for sowing, and 1207 99 20 Hemp seed intended for sowing

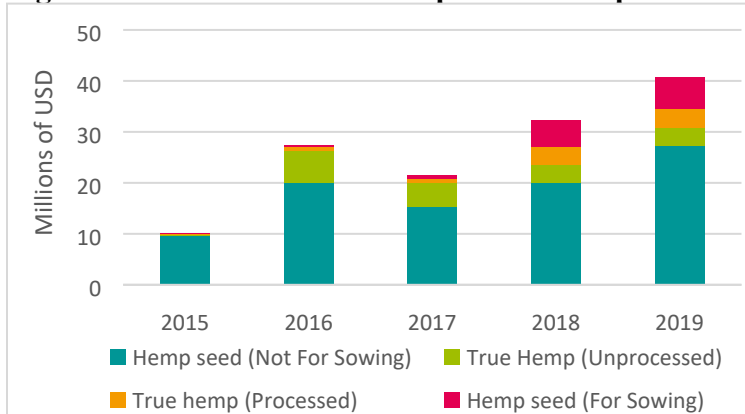
over \$27 million in 2019. The main export destinations for Dutch hemp seed (not intended for sowing) are Poland (19.4 percent), Spain (11.4 percent), Germany (11.8 percent), and the United Kingdom (10.7 percent). Appendix I shows the main trading partners for the Netherlands in terms of hemp seed trade (imports and exports).

Figure 2. The Netherlands - Imports of Hemp Products



Source: Trade Data Monitor

Figure 3. The Netherlands – Exports of Hemp Products



Source: Trade Data Monitor

The Dutch Market for CBD products

Since 2015, CBD oil products have been sold in significant quantities in the Netherlands and other EU Member States.¹⁸ Despite the fact that the European Union classifies CBD as a novel food,¹⁹ the future looks bright for the European CBD market. The retail value of CBD in the Netherlands is estimated between €40 to €50 million (\$42.5 million to \$54.4 million). According to a study by New Frontier (2019),²⁰ among 3,100 consumers in the EU, more than half of respondents (56 percent) had heard of

¹⁸ https://www.cannabinoidenadviesbureau.nl/wp-content/uploads/2019/06/Position-paper-Novel-Food-Catalogue_20190529-1.pdf

¹⁹ <https://hempindustrydaily.com/first-cbd-novel-food-application-headed-for-eu-risk-assessment/>

²⁰ https://cdn2.hubspot.net/hubfs/3324860/NFD-TheEUCBDConsumerReport-E.pdf?utm_campaign=Report%20Direct%20Downloads&utm_source=hs_automation&utm_medium=email&utm_content=8

CBD. The study furthermore showed that 26 percent of consumers in the Benelux had used CBD products, which is higher than the EU average (16 percent).

Section VIII. Additional Information

The annual European Industrial Hemp Association's (EIHA) [Hemp Conference](#) is Europe's largest event focused specifically on hemp-based products (415 participants from 49 countries in 2019). However, this year's conference (June 16-17, 2020) will take place as an interactive online webcast. The focus will be:

- CBD as Food Supplement and Pharmaceutical;
- Hemp Seeds, Oil and Protein for Food and Feed;
- Fibers & Shives for Construction, Bio composites, Insulation and Textiles;
- Latest Technologies, Market Figures and Business Transaction; and,
- Joint Strategies.

Appendix I – Dutch Trade Statistics

Dutch Exports

Commodity: 12079991, Hemp Seeds, Whether or Not Broken (Excl. for Sowing)

Partner	Calendar Year (Value: USD)					%
	2015	2016	2017	2018	2019	
World	9,533,887	19,949,142	15,291,599	20,002,020	27,248,827	
Poland	169,069	710,116	798,727	1,134,701	5,275,066	19.4%
Spain	53,696	1,757,408	1,410,750	3,903,238	3,241,760	11.9%
Germany	3,577,723	5,481,788	4,863,721	2,453,913	3,209,262	11.8%
United Kingdom	1,275,494	3,345,182	1,494,907	2,616,497	2,925,121	10.7%
Italy	370,457	706,831	880,385	1,630,279	1,662,925	6.1%
Austria	464,972	972,424	663,493	1,181,306	1,418,914	5.2%
Romania	558,378	883,482	583,851	546,374	1,337,724	4.9%
France	213,603	792,124	485,694	719,495	1,145,523	4.2%
Belgium	1,540,032	2,075,414	1,719,459	495,571	953,613	3.5%
Rest of the World	1,310,462	3,224,375	2,390,614	5,320,643	6,078,922	22.3%

Source: Trade Data Monitor

Dutch Imports

Commodity: 12079991, Hemp Seeds, Whether or Not Broken (Excl. for Sowing)

Partner	Calendar Year (Value: USD)					%
	2015	2016	2017	2018	2019	
World	11,465,462	24,150,106	17,677,021	13,841,931	16,586,926	
China	5,802,789	8,291,420	7,902,502	4,210,086	6,972,693	42.0%
Spain	0	4,360,882	2,938,285	4,556,305	4,478,604	27.0%
France	1,821,668	400,650	567,985	1,193,907	1,602,177	9.7%
Canada	1,079,106	4,706,331	2,235,524	1,416,722	1,484,675	9.0%
Romania	404,535	784,085	741,245	368,931	752,874	4.5%
Belgium	86,290	0	611,581	693,330	344,254	2.1%
Estonia	121,272	0	147	1,969	271,917	1.6%
Germany	1,307,394	2,390,405	1,111,480	67,206	210,057	1.3%
Lithuania	0	342,622	112,655	133,548	117,146	0.7%
Rest of the World	842,409	2,873,710	1,455,616	1,199,928	352,528	2.1%

Source: Trade Data Monitor

Attachments:

No Attachments.