



Restaurants Serving CBD-Infused Foods Are Set to Spike



By Tim Powell | Managing Partner

Over the past two years, Cannabidiol (CBD), in the form of oils and supplements has become widely distributed across the United States, even in places lacking cannabis legalization. Now the trend is becoming more known in the food and beverage industries. From beer to upscale eateries, brands and restaurants are gearing up for a boom in sales in 2019.

Worldwide consumer spending on legal cannabis reached roughly \$12.2 billion in 2018, up from \$9.5 billion in 2017, according to a joint report by Arcview Market Research and BDS Analytics. Arcview further reported spending in 2019 is forecast to jump to \$16.9 billion, and reach \$31.3 billion by 2022. States already producing hemp, such as Colorado and Kentucky, will plan significant expansions to meet demand.

For restaurant operators, it's critical to first know the difference between the products available from the hemp plant along with other facts:

- **Hempseed Oil:** This variety originates from the seeds and contains little to no Tetrahydrocannabinol (THC). Meaning, no medicinal properties or intoxicating effects.
- **CBD:** Extracted from the flower, this non-psychoactive compound has a reputation for numerous medicinal benefits, including pain relief, anxiety and stress reduction, and anti-inflammatory properties, among others.
- **Cannabis:** What comes to mind when you consider marijuana. This potent THC source remains a Schedule 1 substance by the U.S. Drug Enforcement Administration.
- **The 2018 Farm Bill:** Signed by President Trump before the December 2018 government shutdown, included hemp cultivation legalization.

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Restaurants Serving CBD-Infused Foods

One of the restaurants poised for growth using CBD-infused ingredients is five-unit Illegal Burger, owned by Denver-based West Coast Ventures Group Corp. In January 2019, the company announced plans to franchise the Illegal Burger brand. As more states legalize marijuana, West Coast Ventures is among dozens of companies prepared to take advantage by creating businesses that cater to cannabis-loving consumers.

Other concepts serving CBD-Infused Foods

- **Monarch and the Milkweed** – A pastry shop and fine-dining restaurant located in Burlington, Vermont, serves CBD in many of its baked goods.
- **Ankeny Tap and Table** – This pub in Portland, Oregon, features CBD-infused brews, such as the Two Flowers IPA from Coalition Brewery.
- **Bubby's** – A New York City institution, this upscale diner-style eatery developed a CBD-infused sweetener, which can be added to coffee, tea and other beverages.
- **Steap Tea and Bar** – Based in San Francisco's Chinatown, this concept serves a tea drink combining organic mint, lemon and CBD-infused honey.

Hurdles to Widespread Restaurant Usage

While in some locales marijuana is legal, the CBD and marijuana ingredient is not FDA approved for use in food and beverages. In New York City, a citywide embargo started in February 2019 and caught some eateries by surprise. The Fat Cat Kitchen in Manhattan was one of five with an embargo.

In addition to the legal hurdles and gray areas, restaurant operators also face practical, operational and food safety challenges that come with introducing CBD into an operation. Chief among these are appropriate “doses” of CBD and how it will interact when mixed with other ingredients. As with overserving alcohol to guests, the question of liability arises: Who is to blame if someone is injured or killed following consumption of CBD at a foodservice venue?

Mat Mandeltort, VP of Foodservice Insights and Corporate Chef for Eby-Brown and former restaurant owner, also said that cross-contamination becomes another unknown. “You start to worry about accidentally getting CBD in a recipe because of contract transfer. Are you going to need separate equipment to prepare it (like gluten-free)?”

Mandeltort brings up a host of other issues to consider as CBD gains in acceptance and jurisdiction, such as how to menu (or warn of) a dish including CBD and how CBD reacts when exposed to heat. “Artificial sweetener is fine until you heat it, then it becomes inedible,” he added as an example.

CBD Operational Hurdles & Questions for Restaurant Operators

Considerations	Questions
Product Consistency	What standards are required to put into a recipe?
Dosing	How much is too much?
Ingredient Interaction	What happens to CBD if mixed with another ingredient?
Cross Contamination – Equipment Needs	Will operators need separate equipment to prepare?
Menu Placement	How are the consumption drivers different than those of traditional meal drivers?
Post-Consumption Liability	What happens if someone is injured or killed following consumption of a CBD-containing product?
Heating/ Thermalization Issues	How will CBD react when exposed to heat?
Jurisdictional Issues	If a person orders carryout in a town that permits CBD but takes it to a town that does not, is the operator liable?

Source: Q1 Consulting Operator Research, Feb. 2019

Be Prepared for CBD Demand in Restaurants

Industry-wide adoption of CBD will be hampered as long as the cultivation of marijuana is illegal in the United States. When national legalization does occur, however, food companies will require a first-mover advantage as competition, growth and positioning will be fast and fierce.

For further information or assistance or to sponsor our upcoming *Determining Growth Strategies for CBD in Foodservice*, please contact tpowell@q1consultingllc.com.