

# The Business of Cannabis and Hemp in 2024

Five ways to prepare for  
change and thrive during  
periods of transformation



First Citizens Bank

# Preparing for the unknowns in 2024

Businesses in the cannabis and hemp industry are used to constant change. Continual legislative updates, patchwork laws at the state level, and ever-evolving rules surrounding labeling and testing all contribute to shifting business conditions. The next few years may require even bigger adjustments.

In 2024, several key developments have the potential to transform the cannabis and hemp industry from legal, business and regulatory perspectives. Two expected and noteworthy pieces of legislation are the Farm Bill—formally known as the Agriculture Improvement Act—and the Secure and Fair Enforcement Regulation, or SAFER, Banking Act.

Industry advocates hope that the new Farm Bill—which is delayed until September 2024—will offer better regulatory guidance than its 2018 predecessor, particularly in its attempt to separate the definition and the regulation of industrial hemp from cannabinoid or floral hemp. Many are also looking for the SAFER Banking Act to finally resolve the banking hurdles faced by businesses in this industry.

If successful, both pieces of legislation may usher in positive changes and enable businesses in the cannabis and hemp industry to flourish. Still, new legislation—even if it's primarily positive—may bring new unknowns, and that's why proactive planning is essential.

Here are five key moves your business can make to better withstand disruptions and emerge stronger in the coming years.

- 1** Get ahead of regulatory changes
- 2** Be prepared to pivot
- 3** Get smart with marketing
- 4** Hire experts who understand the industry
- 5** Choose an experienced bank



## 1 Get ahead of regulatory changes

Even if the new Farm Bill resolves some of the regulatory burden associated with the previous bill, compliance must remain a priority for hemp and cannabis businesses.

“I don’t necessarily think that compliance requirements will ever ease [for the cannabis industry] because of its nexus to illicit activity,” says Erin Moffet, Director of Strategic Communications and Policy Advisor for The Liaison Group, an advocacy group for the cannabis industry.

Ryan Palmquest, Director of Cannabis and Hemp Banking at First Citizens Bank, echoes this sentiment. “Regulation is inevitable, so businesses should prepare accordingly.”

Tracking state and federal legislation and staying on top of cannabis and hemp industry news may help your business prepare for new rules, but being proactive may enable more seamless transitions. Consider opportunities to go above and beyond current regulatory requirements. For example, cannabis and hemp processors that haven’t yet obtained Current Good Manufacturing Practices, or CGMP, certification may want to do so.

CGMP certification indicates that products are being produced according to current federal regulations as established by the US Food and Drug Administration, or FDA. Only a handful of states currently require cannabis and hemp producers to obtain this certification. However, adhering to these standards now—even if not required—may set your business up for success should your state requirements change, or if cannabis is legalized at the federal level.



## 2 Be prepared to pivot

Though adaptability is critical for all businesses, it’s arguably the most important future-proofing strategy for hemp and cannabis companies.

“Regulations change. Law changes. You must be able to pivot,” says Palmquest.

Diversifying income streams is one way your cannabis or hemp business can prepare for disruption. For example, a hemp processor might venture into the hempcrete market or branch out into consumer products like candles or cloth.

A few proposed changes may make it easier for some businesses to explore new revenue streams. The current regulatory framework revolves around the perceived risk of cannabinoids, making it difficult for hemp to be treated the same as common crops like soy, wheat and corn. One provision outlined in the new Farm Bill would permit the use of hemp grain for animal seed, which

**72%**  
of cannabis operators say lack of banking services is the top challenge they face.

Source: Whitney Economics  
US Cannabis Business  
Conditions Survey Report





would give hemp farmers another potential income stream, while another stipulation calls for reduced regulations for industrial hemp.

Businesses that capitalize on these changes and identify new revenue sources may be better positioned to handle future disruption.

### 3 Get smart with marketing

Often, the most successful businesses are those that find creative ways to stand out from the competition, and having a strong marketing presence is an essential piece of the puzzle. At the same time, your business must use caution to ensure you're marketing your products in accordance with regulatory guidelines.

This includes the marketing of any perceived health benefits that may be associated with your product. For example, while cannabidiol, or CBD, is often used for therapeutic purposes, it isn't classified as a dietary supplement by the FDA. As a result, the standard disclaimer used for products that are dietary supplements—that the product “is not intended to diagnose, treat, cure or prevent any disease”—doesn't apply. Over the past

decade, the FDA has been proactive in sending warning letters to CBD brands for making false claims.

“You don't want to be on the government's radar for marketing your products in an unlawful manner,” says Palmquest.

### 4 Hire experts who understand the industry

Building a team of industry experts can help your cannabis or hemp business navigate the myriad legal grey areas. “It's worth the investment to bring in experts to make sure that you're operating within the legal guidelines,” says Palmquest. From his work with countless businesses in the cannabis and hemp industry, he's seen how companies that assemble expert teams early on tend to achieve the greatest success.

Consider hiring legal experts with deep industry experience, as well as specialized marketing experts who understand the regulatory boundaries. And, as with any business, having the support of a certified public accountant and other financial experts is essential.

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—Ryan Palmquest,  
Director of Cannabis  
and Hemp Banking,  
First Citizens Bank



## 5 Choose an experienced bank

Securing stable access to banking services and payment processing is a significant and well-known pain point for cannabis and hemp businesses. Even industry-adjacent businesses, such as packaging and shipping companies, often find their accounts in jeopardy.

“I can’t tell you how often prospective clients come to us because their bank has shut their account down. Suddenly, their business is dead in the water,” says Palmquest. “You need an expert banker that understands the cannabis industry to be your advocate, your partner.”

Industry stakeholders hope that by protecting financial institutions from the risk of criminal, civil and administrative penalties, the SAFER Banking Act will make it easier for cannabis and hemp businesses to access banking products and services.

In a webinar on the future of hemp banking, Pamela Epstein, Chief Legal and Regulatory Officer for Terpene Belt Farms, explains, “Banking services are paramount to any business’s success—and they’re even more vital, I would argue, for the cannabis and the hemp sectors who have been living without or under significant constraints for years as they’re trying to build their business.”

Palmquest sees the SAFER Banking Act as a positive for the industry, but notes that most banks may not be prepared to handle the complexities associated with hemp and cannabis banking.

“It’s critical that banks do their due diligence. Unfortunately, we often see banks eagerly jump into the space, only to quickly exit and close their program because they haven’t properly built out the compliance

infrastructure to withstand the regulatory scrutiny that will inevitably be coming,” he says.

As one of the few hemp- and cannabis-friendly banks of its size in the US, First Citizens has invested heavily in compliance. To reduce the risk of interrupted banking services for its cannabis and hemp industry clients, the bank conducts a thorough vetting process before a client is onboarded. It also conducts periodic reviews to ensure each client is compliant with any new industry regulations.

“Most financial institutions haven’t invested in a properly trained cannabis compliance team that’s capable of keeping up with the constantly evolving regulatory environment,” Palmquest explains.

In addition to improving account stability, the bank’s compliance-focused approach enables them to offer fundamental services like business credit cards, lines of credit, merchant services and equipment financing—essential products that most hemp and cannabis companies struggle to access.

Although the SAFER Banking Act may encourage more banks to open their services to hemp and cannabis businesses, Palmquest advises businesses to choose a bank that truly understands and champions the industry.

Likewise, be sure to evaluate the bank’s full scope of services. For example, when vetting banking partners, find out whether their services extend to your employees. “Make sure your bank will serve your staff,” Moffet says. “Ask if your employees can get car loans, home mortgages and debit cards through them. You want to go to an institution that understands this is holistic and really wants to serve you and your personnel.”

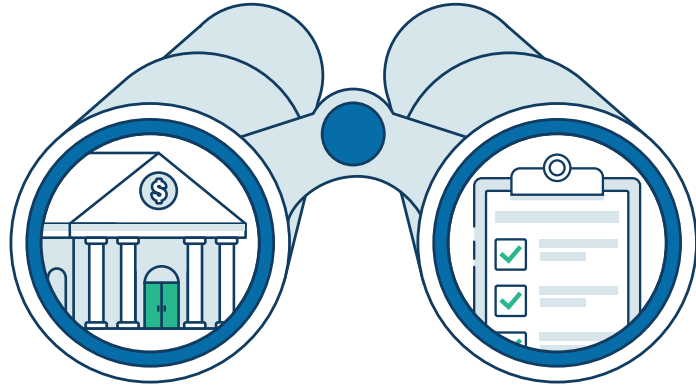
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## Key takeaways

- ▶ Go above and beyond current regulatory requirements to help your business stay ahead of changing regulations.
- ▶ Stay adaptable and consider diversifying your income streams to strengthen the foundation of your business.
- ▶ Ensure adherence to any legal guidelines related to marketing and health claims.
- ▶ At a minimum, consider hiring a legal expert who understands the cannabis and hemp industry.
- ▶ Even if the SAFER Banking Act encourages more banks to open their doors to cannabis and hemp businesses, choose your bank carefully. Banks that are already invested in the industry will have the right framework in place and the expertise needed to help their clients thrive.



## Grow your business with First Citizens

As a cannabis-friendly and hemp-friendly bank, we understand the unique legal and logistical challenges of cannabis-related businesses.

Our experienced financial professionals have a deep knowledge of both the cannabis and hemp industries and are dedicated to making your banking experience as convenient and efficient as possible.

That way you can focus on what you do best—growing your business.

Learn more at

[firstcitizens.com/hemp-business](https://firstcitizens.com/hemp-business)



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