



# THE SNACK SIDE OF **CBDS**

Despite regulatory uncertainty, c-stores  
see potential in new product segment

BY BRETT DWORSKI



In 2012, Ari Sherman was a 25-year-old entrepreneur looking to hop on the “next big” product trend. Gluten-free and vegan were already taken, so he sought advice from his mother—a nurse and nutritionist—who suggested he explore foods made with hemp and cannabidiol (CBD), a reported remedy for stress and other ailments that is derived from cannabis plants.

“I quickly learned about the nutritional benefits,” Sherman says, citing hemp’s digestibility and high content of omega-3 fatty acids. And that’s when the light bulb turned on.





"I thought, 'Why not make an energy snack bar?'" he says.

Seven years later, Evo Hemp Bars—the flagship product of Evo Hemp, Boulder, Colo.—are sold in thousands of retailers across the United States, including grocery chains such as Whole Foods and H-E-B. And convenience stores are next, says Sherman, president and co-founder of Evo Hemp.

But distributing these snack bars—as well as all CBD snacks—to retailers is harder than it sounds. A major challenge is the dosing, or figuring out how much CBD is in each serving of a snack. This is easier for beverages, for example, because suppliers need to worry about only one bottle compared to each individual chip, pretzel or cookie in a bag, says Matt Oscamou, co-founder of Weller Snacks, a provider of CBD-infused Coconut Bites. Dosage was a hot topic during the U.S. Food and Drug Administration's (FDA's) public hearing on CBD-infused food and beverages in late May. Since then, the FDA has created a working group to address the questions surrounding cannabis and CBD in various food products.

Despite the challenge, retailers and suppliers are trying to act fast, because consumer demand for CBD products is booming. Thirty-two percent of consumers said they either currently purchase or would consider purchasing CBD products from convenience stores, according to the *Q1 2019 C-Store MarketBrief* by CSP's sister research firm, Technomic. Beyond that, nearly two-thirds (64%) of those who said they're unaware of the details of CBD are interested in trying it, and 47% said the same for hemp, according to Technomic.

For suppliers like Sherman and Oscamou—and for c-store retailers—the timing may be right to stock CBD-infused snacks. But evolving legal regulations have them figuring out that first move in the category.

## Catch Up to Candy

**For CBD product manufacturers, c-stores are full of growth opportunity.**

Evo Hemp is making its initial forays into the channel. "We're testing at smaller-scale [convenience] stores, and we've seen a big change in this sector," says Sherman.

This change—an openness to selling CBD and hemp products—has transformed the entire retail channel over the past year. In late 2018, the U.S. Farm Bill essentially legalized products made from hemp that



# 64%

**Amount of consumers who are unaware of the details of CBD but are still interested in trying it**

Source: Technomic Q1 2019 C-Store MarketBrief

**“But as hype dies down, we’ll see CBD snacks scattered throughout the store.”**

contain CBD so long as they have less than 0.3% tetrahydrocannabinol (THC), the psychoactive chemical in marijuana. Since then, CBD as an ingredient has enjoyed rapid market growth due to its alleged medicinal qualities and is now found in candy, beverages, body creams and more.

But snacks have come late to the CBD game, possibly because the ingredient is more marketable in candy, beverages and other categories, says Oscamou.

“Candy aligns with marijuana users more so than snacks because it’s more indulgent,” he says. Snacks often require a more health-conscious focus, and many CBD snack suppliers haven’t been able to successfully balance this with the indulgence requirement, he says.

Weller’s Coconut Bites aim to strike this balance. The snacks contain 5 milligrams of CBD per serving and are intended for consumers looking for more functional snack foods infused with CBD, says Oscamou. They come in three flavors: Original, Dark Chocolate and Caramel. Oscamou is hopeful that he can bring these items to c-stores once the FDA provides more guidance.

“The convenience channel is a great opportunity for us,” he says. “Our single-serve, grab-and-go format lends itself to the c-store marketplace.”

While companies such as Weller and Evo Hemp look to reinvent the snack wheel with new CBD products, other suppliers are attempting to revamp classic snacks that consumers already enjoy. Earthshine Organics, Kitty Hawk, N.C., manufactures CBD-infused snacks, candies, oils and creams. Brands include Jay’s CBD Potato Chips, Dabritos CBD Nacho Cheese Chips and Weetos CBD Cheese Puffs. These products attempt to echo mainstream brands such as Snyder’s-Lance’s Jays Potato Chips and Frito-Lay’s Doritos and Cheetos in both make and package style.

“The packaging looked familiar to me growing up, and we wanted something

eye-catching that reminds consumers of the snacks from their youth,” says Mark Flores, CEO of Earthshine Organics. “We’re trying to make it just like any other snack product—[it’s] just infused with CBD.”

Earthshine also produces CBD-infused Crispy Rice Bars and Black Angus CBD Beef Jerky, which is available in four flavors: Original, Teriyaki, Peppered and Hot & Sweet. These products, along with Jay’s CBD Potato Chips, Dabritos and Weetos, are ideal for grab-and-go occasions and are intended for c-stores—the channel that Earthshine is looking to enter, says Flores.

“We want to be more than a gummy bear company,” he says, referring to the CBD-infused gummies most often associated with the category. “We want to branch out and create items that you can find at a 7-Eleven or any other c-store.”

## At the Counter

**Some suppliers believe that CBD snacks should be merchandised like tobacco products—at the register or behind the counter.**

“Put them all in one location so consumers can find what they’re looking for and ask about it,” says Oscamou. “It’s challenging when CBD snacks land with regular snacks that have different price points and consumers don’t know why.”

That price difference can be wide. The suggested retail price of a 15-ounce, party-size bag of Doritos is \$3.98 vs. \$24.99 for a 100-milligram bag of Dabritos.

Leo Vercollone, CEO of VERC Enterprises, Duxbury, Mass., a regional independent chain of 30 convenience stores and gas stations in eastern Massachusetts and New Hampshire, agrees with Oscamou on the placement of CBD products. The c-store chain began selling CBD products such as gummy bears, topical creams and tinctures in early 2019. The products are stocked behind or at the counter. VERC hasn’t rolled out any CBD-infused snack items because the FDA regulations are still too hazy regarding these products, says Vercollone. But even if VERC had a snack product, it would be placed beside the other CBD items instead of in-aisle.

When regulations on snacks become clearer, VERC may stock CBD products in the aisle, he says. “But without thorough guidelines from the FDA, I’m keeping it at the counter,” he says.

Flores says CBD products need to be



Evo Hemp's flagship product is its Hemp Bar, which comes in Fruit & Nut and Protein varieties.



Weller Snacks' CBD-infused Coconut Bites are intended as a functional snack.



**“If there’s going to be a broad acceptance of CBD snacks, it’s going to be in our space.”**

kept behind the counter not because of the regulations, but because these items are medications, which have other regulatory considerations. It wouldn’t make sense to keep them in the same aisle, he says.

“Considering CBD is a wellness product, it’s not going to be stocked with traditional snacks,” he says. “They should be behind the counter.”

While keeping CBD-infused snacks at or behind the register may be today’s consensus, these items will likely make their way to aisles down the road, says Sherman. Once the regulatory smoke clears and CBD has become an everyday trend, these products will make most sense stocked alongside traditional snacks, he says.

“Behind-the-counter displays will at first be important to explain the benefits and what the products are,” he says. “But as hype dies down, we’ll see CBD snacks scattered throughout the store.”

## What’s the Future?

**Although progress toward FDA-regulated CBD snacks is being made, we shouldn’t expect to have total clarity before the end of 2019, says Oscamou. He says the FDA will take its time to come up with these guidelines, and that it will revisit and revise various rules, such as those for dosing and labeling.**

“There’s so much that happens behind the scenes that we don’t know about,” he says. “It’s super-challenging to track.”

But even if FDA-regulated CBD snacks are approved, retailers still need to confirm the legitimacy of their suppliers, says Vercollone. This includes knowing their manufacturing process, consumers and which other retailers stock the product.

“I’m not opposed to bringing in CBD snacks,” he says. “But I want my supplier to be a legitimate provider that’s established in this space. The product contents must be



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# 32%

Amount of consumers who currently purchase or would consider purchasing CBD products from c-stores

Source: Technomic Q1 2019  
C-Store MarketBrief

accurate and precise, and it has to be what it says it is on the label.”

Vercollone is not only open to the idea of CBD-infused snacks, but he encourages it—and believes c-stores are the perfect place for these items.

“C-stores are a leader for snacks,” he says. “If there’s going to be a broad acceptance of CBD snacks, it’s going to be in our space.”

While CBD-infused snacks are likely to be a hit on c-store shelves, it won’t happen anytime soon. It’ll require patience and diligence from all participants, including retailers, suppliers, consumers and the FDA.

For Sherman, his seven-year-old CBD experiment has been a success. And he is confident that the upcoming regulatory decisions will position it for longer-term growth.

“There will be more [FDA] hearings that will slowly give more confidence to retailers about the legitimacy of these products,” says Sherman. “We will continue to see progress.”

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