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Perrigo Takes \$50M Step For US Consumer Health Industry Into CBD, Invests In Supplier Kazmira

by Eileen Francis

Perrigo leads major consumer health companies into the CBD space with its \$50m investment in Kazmira LLC, a Colorado business. The firm says the companies will lay groundwork for quality standards in the CBD market.

[Perrigo Co. PLC](#) turns a page for the US consumer health products industry as it invests \$50m in cannabidiols supplier Kazmira LLC to develop products and help establish quality standards

The deal, which has Perrigo paying \$15m upon close and the remainder over 18 months for a 20% stake in Kazmira, marks the first move by a major US manufacturer of OTC drugs into the burgeoning market for CBD-containing dietary supplements and personal care products. Like Perrigo, other large firms marketing OTC drugs in the US that also have vitamin, mineral and supplement product lines have been interested in adding hemp-based cannabidiols to their portfolios, but no others have announced moves into the sector.

CEO Murry Kessler says by investing in Kazmira, which makes hemp-based tinctures, edibles and topical products for the wholesale and private label markets in Watkins, CO, Perrigo can establish a supply of reliably safe CBD ingredients while planting its flag in setting standards for the substances' use in consumer health products.

"Consumers and retail customers want CBD products and we believe they deserve a reliable source of broad-spectrum, [tetrahydrocannabinol]-free CBD they can depend on. Whether it is the specific concentration of CBD or a THC-free claim, consumers must be able to trust statements made on the label of a product and we believe Perrigo can provide this to the marketplace," Kessler said in a release.

Quality Standards, Regulatory Engagement Ahead

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The Dublin-based firm made the deal a year after announcing its interest in entering the CBD arena and six months after a UK and Ireland operations executive said the firm recognized an opportunity for a major company to “bring order to the situation” in the exploding CBD market. (Also see "[Perrigo Exploring The CBD Opportunity](#)" - HBW Insight, 30 Jan, 2020.)

With Kazmira, Perrigo expects to move into that role.

"Consumers must be able to trust statements made on the label of a product and we believe Perrigo can provide this to the marketplace." – Perrigo CEO Murray Kessler



KAZMIRA PROVIDES PRIVATE LABEL AND WHOLESALE CUSTOMERS HEMP-BASED CBD PRODUCTS INCLUDING TINCTURES, ABOVE, GUMMIES, BELOW.

“Until now, this emerging industry has lacked the regulatory expertise necessary to bring a trusted supply of CBD to market. We believe that Kazmira’s deep understanding of CBD science, combined with Perrigo’s regulatory expertise and investment, allows us to lead the industry through the next phase of development of rigorous quality standards and proactive engagement with regulators,” Kessler stated.

During a same-day presentation at a consumer products investor conference, Kessler described Kazmira as an “innovation trailblazer” that uses a science-based proprietary technology that “enables high performance manufacturing” of THC-free.

Regulatory uncertainty on CBD has made food, drug and mass retailers largely resistant to carrying CBD dietary supplements, which has many large manufacturers interested in the segment taking a wait-and-see approach before entering the space. (Also see "[CV Sciences Eagerly Anticipating FDA Rulemaking On CBD In Dietary Supplements](#)" - HBW Insight, 30 Apr, 2020.)

In the US, the Food and Drug

‘Time Is Now’ For FDA Rule On Lawful CBD Use In Supplements, CRN Says In Citizen Petition

By [Malcolm Spicer](#)

Administration is evaluating whether develop a regulatory pathway for lawful use of CB

Ds in non-drug products. The official FDA position currently is that no hemp or cannabis is allowed for use in any product subject to its oversight other than an approved drug, but it is exercising what amounts to enforcement discretion by allowing sales of CBD-containing supplements, food and topicals marketed with compliant claims and made through compliant procedures.

17 Jun 2020 The trade group's petition is second on a regulation for CBD's use in non-drug products submitted to FDA and largely tracks with CHPA's November 2019 petition. Comments continue to reach the FDA after in March it reopened its docket about establishing a CBD regulation, but with little data the agency says is needed for its decision. [Read the full article here](#)

The Council for Responsible Nutrition added to pressure on the agency to make lawful the use of CBDs in non-drug products with a citizen petition submitted on 17 June (*see related story*).

In Europe, regulatory authorities still are weighing how to implement the European Commission's decision to add CBD to its Novel Food Catalogue in the beginning of 2019. (Also see "[EU Wellness Market In 2019: The CBD Green Rush](#)" - HBW Insight, 7 Jan, 2020.)

'Low-Risk, High Reward' Move, Says Analyst

Perrigo, which maintains its primary operations in Allegan, MI, says its investment will initiate the first phase of the deal as the firms collaborate to scale-up Kazmira's facilities and laboratories in accordance with the FDA's good manufacturing practices regulations to make THC-free CBD from industry hemp "that meets Perrigo's high standards for reliability and consistency."

In the second phase, Perrigo will work on launching products in multiple countries. The agreement gives Perrigo exclusive use of Kazmira's ingredients in the US store brand market.

In a research note, SVB Leerink analyst Ami Fadia said the deal doesn't bring Perrigo "economics in the near term" and it will "need to work on scaling up the manufacturing process while meeting high quality standards and explore how to bring such CBD products to market that are appropriately signed off on by regulatory authorities."

But it's a "low-risk, high-reward opportunity that could bolster the growth profile of the company in the long-term" and that also shows that Perrigo currently can make a long-term focused move.



In its first-quarter earnings report in April, Perrigo said its global consumer health net sales increased 16.2%, excluding exited businesses, to \$1.1bn. It noted it would have raised its outlook had it not been for the uncertainty the COVID-19 pandemic imposes on manufacturing and the marketplace. (Also see ["'Positive' Signs Abound For Perrigo, But 'Uncertainty' From Pandemic Complicates Outlook"](#) - HBW Insight, 30 Apr, 2020.)