

Overview of the Canadian Cannabis Market's Evolution

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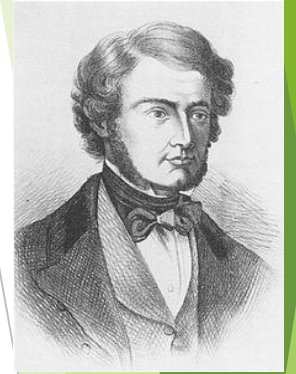
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History



2700 BC – First record of cannabis use when it was found in the world's oldest pharmacopoeia

1839 - Dr. William O'Shaughnessy was the first to bring it into western medicine



1937 - The Marijuana Tax act was introduced after Harry Anslinger (founding commissioner of the Federal bureau of narcotics) fought hard and made many false claims about cannabis. This was against the recommendations of the American Medical Assoc.

1964 - Professor Raphael Mechoulam completed the total synthesis of many components (cannabinoids) from the cannabis plant





Canadian History



- ▶ **1999:** Two Canadian patients get the federal OK to use cannabis and in the following year the court rules Canadians have a constitutional right to use cannabis as a medicine.
- ▶ **2001:** Canadian Medical Marihuana Access Regulations (**MMAR**) grant legal access to cannabis for individuals with HIV/AIDS and other illnesses. Authorized patients can grow their own Cannabis or have someone grow it for you or purchase from Prairie Plan Systems.
- ▶ **April 2011:** Ontario Superior Court Justice Donald Taliano concludes that legitimately sick people are not able to access medical marijuana through appropriate means and must resort to compassion clubs or the street corner, risking arrest and criminal charges. Warns that unless the government addresses the legislative flaws within three months, the criminal law would be struck down. Ottawa appeals the ruling.
- ▶ **2014:** With the launch of Marihuana for Medical Purposes Regulations (**MMPR**) it changed the access rules, shifting to licensed commercial growers for supply and away from homegrown. Patients and producers authorized under the old regulations required to destroy both cannabis and cannabis seeds, although shortly after a Federal Court granted a temporary injunction allowing continued use of home-grown medical marijuana.
- ▶ **2016:** Due to the injunction that was still ongoing and a challenge to allow cannabis extracts to be accessed (*R vs. Smith*) the Access to Cannabis for Medical Purposes Regulations (**ACMPR**) was created. This also allowed for patients to grow their own product and purchase “starting materials” from licenced producers.

Medical Access Programs:





Components of Cannabis

- ▶ Bud - Female plant
- ▶ Trichomes
- ▶ Cannabanooids
- ▶ Terpenes
- ▶ Entourage effect (Synergistic)
- ▶ Cannabis vs. pharmaceutical cannabinoid products



Ways to use it

Ironically Smoking is the worst way to use Cannabis:

- ▶ Unhealthy
- ▶ Leaves a smell in the room for a longtime and on clothing
- ▶ Extremely wasteful (over 50% can be wasted)

For dry bud the best way to use it is **Vaporizing**



- ▶ Extracts (Tinctures, Oil, Topical creams)
- ▶ Edibles (using an oil or “Cannabutter”)



What are the legalities?

- ▶ Possession and use of medical marijuana in Canada is legal provided a valid and current medical document is obtained
- ▶ Current legislation, restricts the production and distribution of cannabis to licensed producers approved by Health Canada and received only by the mail
- ▶ Compassion clubs and dispensaries that provide marijuana products to members are illegal in Canada
- ▶ Travelling with cannabis is legal in Canada only
- ▶ A caregiver can be assigned to receive, possess and process a patient's cannabis
- ▶ Proof of the right to possess is the package or the receipt. Cards are not official
- ▶ Patients are allowed to grow, amounts are based on the medical authorization



45%

of Canadians support the legalization of marijuana. Support for legalization has stayed stable.

Support for legalization is highest among men (51%) and those age 19 to 34 (55%)



vs.



Opposition is highest among individuals in households with children under the age of 18 (45%) and those age 70+ (51%).

A majority of Canadians now support the government's task force (51%):



Dedicated dispensaries that are government owned remain the most popular choice for retail locations (60%); half of Canadians (48%) support recreational marijuana being sold at major pharmacies.



EIGHT-IN-10 (78%)

Canadians want purchase of recreational marijuana limited to individuals who are of the legal drinking age in their province. Over three-quarters of Canadians have held this opinion since we began the poll.

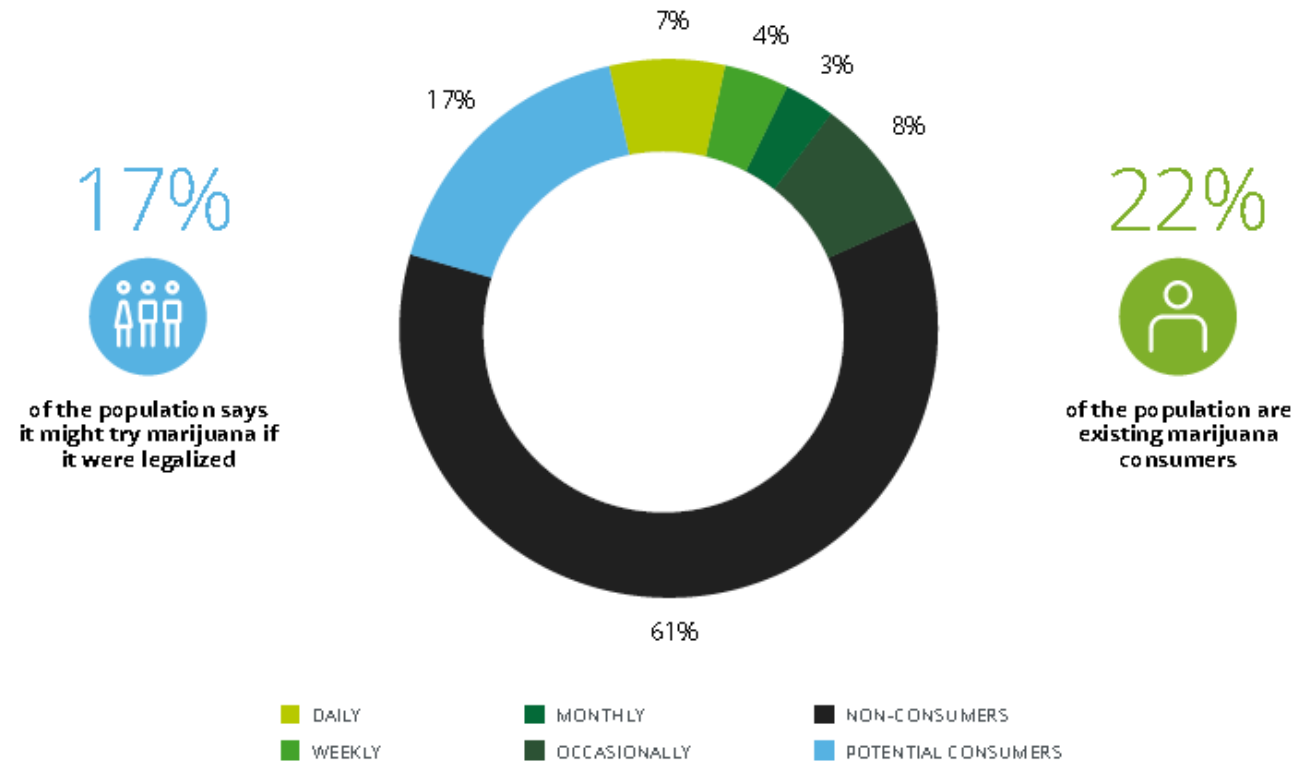


A clear majority of Canadians see many positive outcomes from legalization as well:

Seven-in-10 (72%) believe it will end the clogging up of the court system with unnecessary cases and prosecutions.

Seven-in-10 (72%) believe it will provide those who use marijuana with access to quality-controlled products that meet government requirements for strict production, distribution and sales.

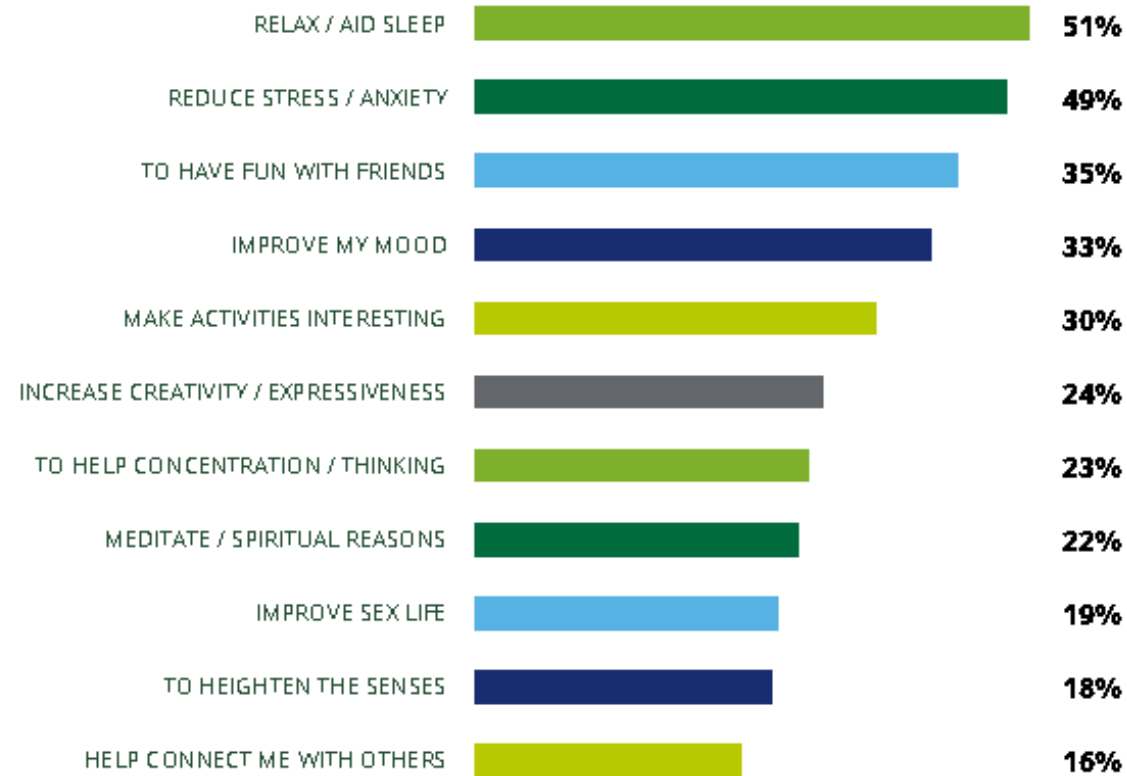
Consumers by Frequency and Potential



Note: *Potential consumers defined by the 17% of non-consumers who indicated that they would definitely, probably or might try.

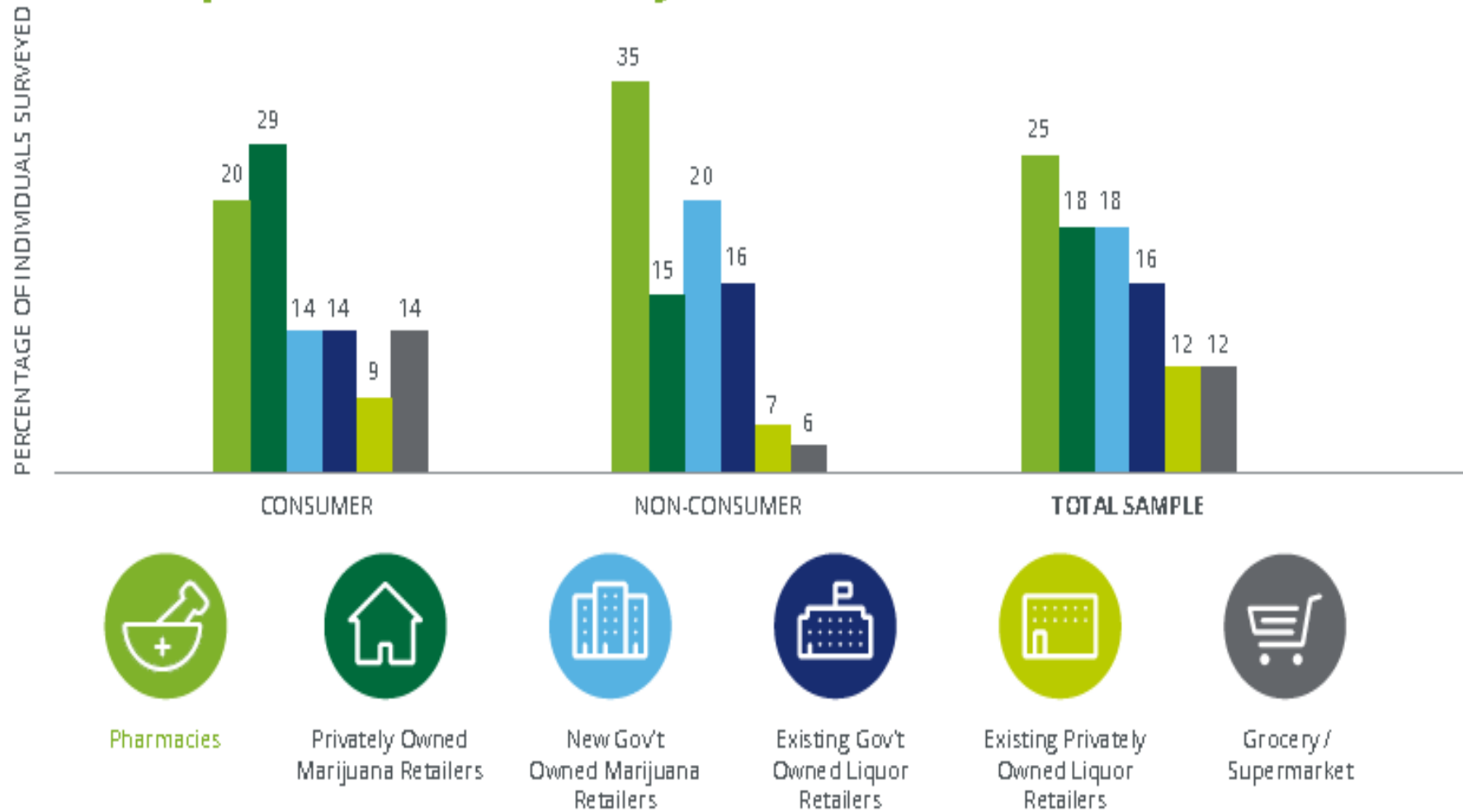
Source: Deloitte, Recreational Marijuana - Insights and opportunities 2016

Motivation to Consume

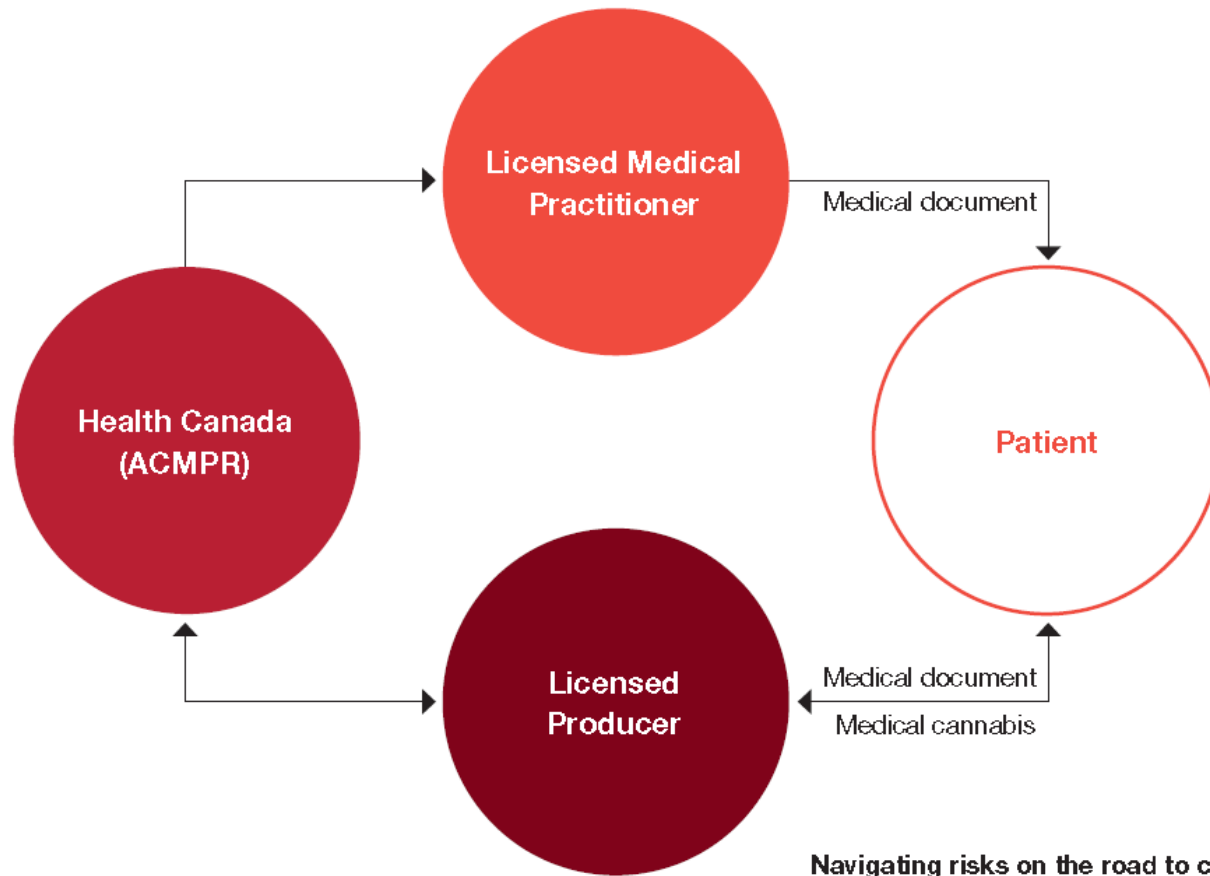


Source: Deloitte, Recreational Marijuana - Insights and opportunities 2016

Top Preferred Channel by Consumers and Non-Consumers



Current Model:



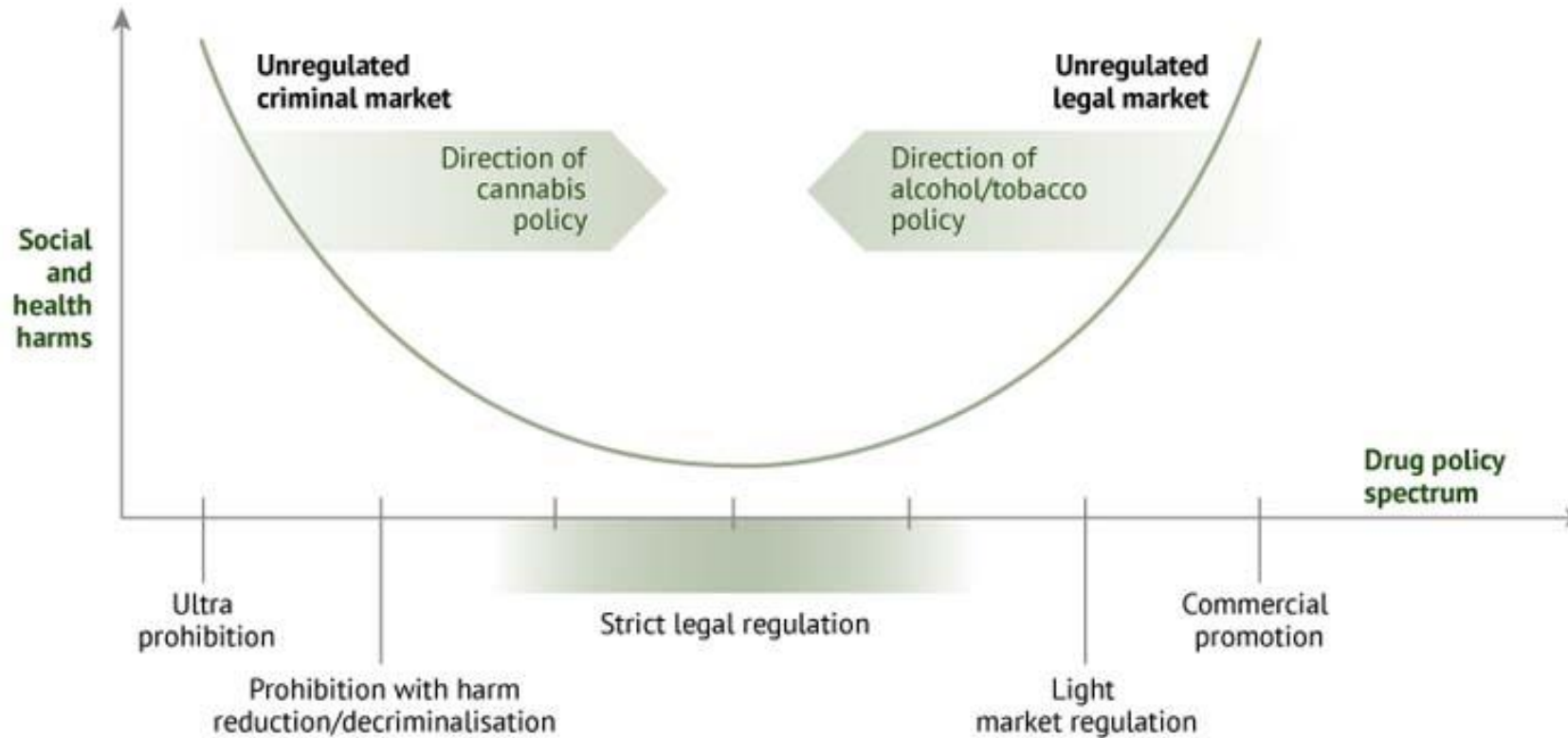
Navigating risks on the road to cannabis legalization www.pwc.com/ca/cannabis

A FRAMEWORK FOR THE LEGALIZATION AND REGULATION OF CANNABIS IN CANADA

THE FINAL REPORT OF THE TASK FORCE ON
CANNABIS LEGALIZATION AND REGULATION



Cannabis Regulatory Options



Source: A Framework for the Legalization and Regulation of Cannabis in Canada

Task Force Objectives:

- ▶ Protect young Canadians by keeping cannabis out of the hands of children and youth;
- ▶ Keep profits out of the hands of criminals, particularly organized crime;
- ▶ Reduce the burdens on police and the justice system associated with simple possession of cannabis offences;
- ▶ Prevent Canadians from entering the criminal justice system and receiving criminal records for simple cannabis possession offences;
- ▶ Protect public health and safety by strengthening, where appropriate, laws and enforcement measures that deter and punish more serious cannabis offences, particularly selling and distributing to children and youth, selling outside of the regulatory framework, and operating a motor vehicle while under the influence of cannabis;

Final Report of the Task Force on Cannabis Legalization and Regulation

1

**Minimizing Harms
of Use**

2

**Establishing a
Safe and
Responsible
Supply Chain**

3

**Enforcing Public
Safety and
Protection**

Minimizing Harms of Use

- ▶ Apply comprehensive restrictions to the advertising and promotion of cannabis and related merchandise by any means, including sponsorship, endorsements and branding, similar to the restrictions on promotion of tobacco products
- ▶ Allow limited promotion in areas accessible by adults, similar to those restrictions under the Tobacco Act
- ▶ Require plain packaging for cannabis products that allows the following information on packages: company name, strain name, price, amounts of delta-9-tetrahydrocannabinol (THC) and cannabidiol (CBD) and warnings and other labelling requirements
- ▶ Prohibit any product deemed to be "appealing to children," including products that resemble or mimic familiar food items, are packaged to look like candy, or packaged in bright colours or with cartoon characters or other pictures or images that would appeal to children

Establishing a Safe and Responsible Supply Chain

- ▶ Regulate the production of cannabis and its derivatives (e.g., edibles, concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system
- ▶ Use licensing and production controls to encourage a diverse, competitive market that also includes small producers
- ▶ Implement a seed-to-sale tracking system to prevent diversion and enable product recalls
- ▶ No co-location of alcohol or tobacco and cannabis sales, wherever possible. When co-location cannot be avoided, appropriate safeguards must be put in place

Enforcing Public Safety and Protection

- ▶ Implement a set of clear, proportional and enforceable penalties that seek to limit criminal prosecution for less serious offences. Criminal offences should be maintained for:
 - ▶ Illicit production, trafficking, possession for the purposes of trafficking, possession for the purposes of export, and import/export
 - ▶ Trafficking to youth
- ▶ Extend the current restrictions on public smoking of tobacco products to the smoking of cannabis products and to cannabis vaping products
- ▶ Develop better understand around THC levels and impairment
- ▶ Develop roadside detection systems

Federal Legislation:

- ▶ Bill C-45, The Cannabis Act, addresses the regulation, sale and cultivation of recreational cannabis.
- ▶ Bill C-46, An Act to amend the Criminal Code (offences relating to conveyances, focuses on strengthening impaired-driving measures).

Federal Legislation:

- ▶ allow adults to possess up to 30 grams of legally-produced cannabis
- ▶ allow adults to grow up to four cannabis plants per household
- ▶ set the minimum age for purchase and use at 18 years of age, with the option for provinces to increase the age limit
- ▶ enable a regulatory regime for the licensed production of cannabis, which would be controlled by the federal government
- ▶ enable a regulatory regime for the distribution and sale of cannabis, which would be controlled by the provincial government
- ▶ establish new provisions to address drug-impaired driving, as well as making several changes to the overall legal framework to address alcohol impaired driving

Jurisdictional responsibilities

Activity	Responsible		
	Federal	Provincial	Municipal
Possession limits **	Yes	No	No
Trafficking	Yes	No	No
Advertisement & packaging **	Yes	No	No
Impaired driving	Yes	Yes	No
Medical cannabis	Yes	No	No
Seed-to-sale tracking system	Yes	No	No
Production (cultivation and processing)	Yes	No	No
Age limit (federal minimum) **	Yes	No	No
Public health	Yes	Yes	No
Education	Yes	Yes	Yes
Taxation	Yes	Yes	Yes

** provinces will have the ability to strengthen legislation for these areas under federal jurisdiction

Source: Alberta Government, Cannabis legalization across Canada

Jurisdictional responsibilities

Activity	Responsible		
	Federal	Provincial	Municipal
Home cultivation (growing plants at home) **	Yes	No	No
Workplace safety	No	Yes	No
Distribution and wholesaling	No	Yes	No
Retail model	No	Yes	No
Retail location and rules	No	Yes	Yes
Regulatory compliance	Yes	Yes	No
Public consumption	No	Yes	Yes
Land use/zoning	No	No	Yes

** provinces will have the ability to strengthen legislation for these areas under federal jurisdiction

Source: Alberta Government, Cannabis legalization across Canada

The Industry's Objective

“The cannabis industry doesn't need to create demand for a new product or innovation - it just needs to move demand for an already widely popular product into legal channels.”

Troy Dayton CEO, The ArcView Group,
Adapted from www.cbinsights.com

Promotion

- ▶ Require opaque, re-sealable packaging that is childproof or child-resistant to limit children's access to any cannabis product
- ▶ Additionally, for edibles:
 - ▶ Implement packaging with standardized, single servings, with a universal THC symbol
 - ▶ Set a maximum amount of THC per serving and per product
- ▶ Prohibit mixed products, for example cannabis-infused alcoholic beverages or cannabis products with tobacco, nicotine or caffeine
- ▶ Require appropriate labelling on cannabis products, including:
 - ▶ Text warning labels (e.g., "KEEP OUT OF REACH OF CHILDREN")
 - ▶ Levels of THC and CBD
- ▶ For edibles, labelling requirements that apply to food and beverage products



Colorado State Packaging

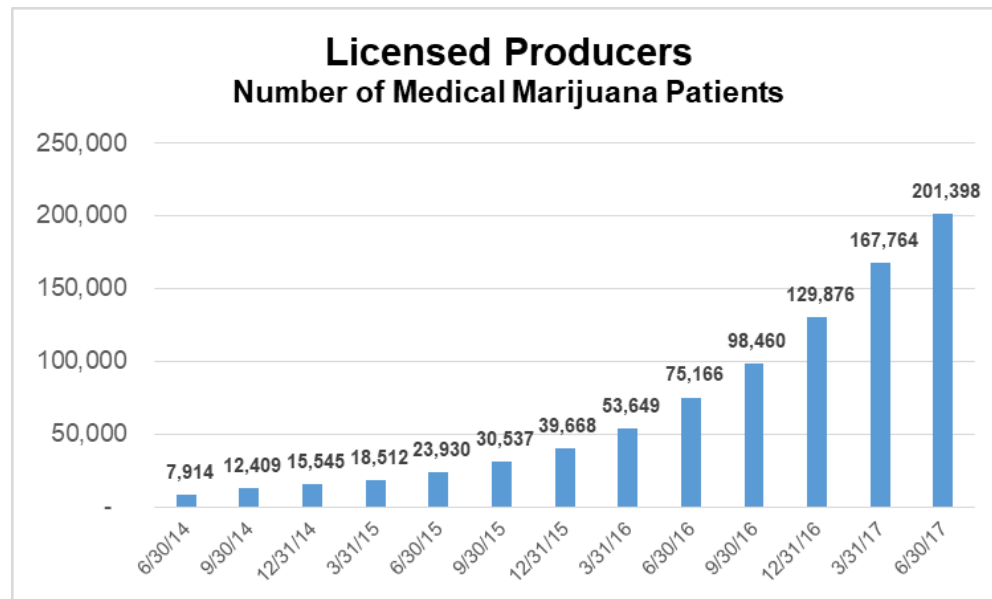
- ▶ Must have symbols
- ▶ Can not have the words candy or candies
- ▶ Need to have warnings to keep out of reach of children

Industry Categories

Compliance	On-Demand	Next-Gen Cultivation
Tools for ensuring compliance with provincial and federal cannabis Laws	Startups building on demand and subscription based Services	Startups developing new methods of cannabis cultivation
Consumer Information Platforms	Healthcare	Business Intelligence
Startup developing tools to connect and inform consumers	Startups focused on the research or distribution of medical cannabis products	Startups providing data and analytics to streamline business operations

Future of Cannabis

- ▶ The Future: Sometime in the near future legalization is coming for all adult Canadians.
- ▶ Recreational use is estimated to need a production of 500,000 - 650,000kg.
- ▶ Currently medical is around 5,000kg/month (Flower and Oil) for 300,000 patients and increasing by 10% per month
- ▶ According to Deloitte, “When legalized, the Canadian recreational marijuana market is estimated to be between a \$5 billion and \$8.7 billion industry in sales alone. For context, on the low end that is on par with spirits market and on the high end, equal to the Canadian beer market.”
- ▶ It is estimated that by 2018 4.6 million individuals aged 15+ will use cannabis at least once per year, according to Parliamentary Budget projections.
- ▶ By 2021, this level could rise to 5.2 million.



For More Information

<http://www.advancingpractice.com/p-98-medical-cannabis-iq-the-fundamentals.aspx>

Learning Objectives:

- ▶ Describe the different components of cannabis
- ▶ Explain the most common uses of cannabis
- ▶ Summarize current regulations in Canada
- ▶ Demonstrate the potential short and long-term risks of cannabis use
- ▶ Summarize the most common methods to administer cannabis
- ▶ Review some of the key education for people prescribing cannabis