



CANADIAN CANNABIS INDUSTRY

Capitalizing on Canada's Quickly Growing Cannabis Industry

SEPTEMBER 2019

THE CURRENT INDUSTRY



Legalization 1.0

As of October 17, 2018, adults 18 years or older are able to legally buy, possess, and grow legal cannabis in Canada. In 2017, [Canadians spent an estimated \\$5.7 billion on the product](#), for medical and non-medical purposes. In 2018, [Canadians spent \\$1.6 billion on legal cannabis](#).



Legalization 2.0

On October 17, 2019, Legalization 2.0 will see edibles containing cannabis and cannabis concentrates become legal, creating a consumer market which is expected to be worth more than [C\\$2.5 billion](#) a year.



North American Market

The North American legal cannabis market amounted to [US\\$12 billion in 2018](#), representing a substantial [growth of 30% over the year](#). Forecasts have indicated that by 2021, the North American cannabis market will reach [US\\$24.5 billion in sales](#).



Canadian Market

The cannabis market in Canada, including medical and recreational cannabis products, is expected to generate up to [C\\$7.17 billion in total sales in 2019](#), with legal sales contributing more than half of this total, upward of \$4.34 billion. However, forecasts have shown that when including ancillary cannabis markets such as transportation, technology, and security, the total cannabis market in Canada is actually [worth more than C\\$22 billion](#).

FIRST NATIONS AND CURRENT INFORMATION



Jurisdictional Concerns

There is a cross-section of issues being considered by First Nations that go beyond economic participation which link to health, social, safety, and political matters. While there is economic development potential that cannabis brings, some First Nations are also taking time to consider matters, such as:

- Jurisdiction;
- Ability to govern cannabis-related activities on their lands; and
- Culturally-relevant laws and education surrounding cannabis use.

A bi-lateral agreement with the federal government has yet to have been reached, in which the government acknowledges First Nations jurisdiction over all aspects of cannabis cultivation, processing and retail operations within their territories. (Resolution no. 54/2019)

ECONOMIC & FISCAL OPPORTUNITIES

The cannabis industry impacts a wide range of industries throughout the economy, including companies that interact with the marijuana plant, companies that directly support cannabis cultivators and retailers, as well as companies that provide products and services for the broader market.



Touch the Plant

- Biotechnology
- Cultivation & Retail
- Hemp Products
- Marijuana Products



Direct Support

- AgTech
- Real Estate
- Secondary Service
- Transportation & Security



Ancillary

- Consumption Devices
- Investing & Finance
- Other Ancillary
- Tech & Media



Within each sector exists unique opportunities for First Nations across Canada to leverage the current state of the cannabis industry and narrow the economic gap that exists.

“We have already made more money in the last six months from our investment in National Access Cannabis than any other business venture.”

-Christian Sinclair, Chief of Opaskwayak Cree Nation

ECONOMIC & FISCAL OPPORTUNITIES

Sectors such as transportation, security, and cultivation, which are areas with involvement by First Nations throughout Canada, will also be required and heavily sought in the cannabis industry.

Transportation



Opportunity for First Nations-led transportation companies to provide services to the cannabis supply chain, such as transporting finished products from producers to retailer locations.

Security



Opportunity for First Nations-led security companies to provide security services to large-scale cannabis producers and retailers, including providing security throughout the distribution network, as well as at retail locations.

Cultivation



Opportunity for First Nations-led agricultural organizations to provide cultivation and agricultural expertise to largescale producers, as well as cultivate cannabis for retail, given the necessary licenses are obtained.

These sectors are both financially rewarding and hold an essential role in the supply chain of bringing legal cannabis to consumer shelves in a timely and affordable manner.

OPPORTUNITIES IN THE CANADIAN CANNABIS INDUSTRY

By 2020 the Canadian cannabis market will have a retail value of C\$6.8 billion, which will be larger than the spirits retail market and almost as large as the wine retail market:



There exists a significant opportunity for First Nations across Canada to expand into the cannabis industry by leveraging their existing knowledge and expertise.

OPPORTUNITIES IN THE CANADIAN CANNABIS INDUSTRY

Comparing the revenues and projected growth of the wine and spirits industries to the cannabis industry highlights promising opportunities.

Economic Impact of the Canadian Wine Industry:



37,300 Full-time Jobs



604 Wineries



Market Value of
C\$7.5 billion

Potential Economic Impact of the Canadian Cannabis Industry:



150,000 Full-time Jobs



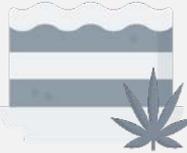
347 Licenses to Sell



Market Value of
C\$6.8 billion

OPPORTUNITIES IN THE CANADIAN CANNABIS INDUSTRY

Legalization 2.0 will see the legalization of several alternative cannabis products, each expected to generate significant sales in 2019.



C\$1.6 billion
Cannabis Edibles



C\$529 million
Cannabis-Infused Beverages



C\$174 million
Cannabis Topicals



C\$140 million
Cannabis Concentrates



C\$140 million
Cannabis Tinctures



C\$114 million
Cannabis Capsules

CHALLENGES & THREATS IN THE CANNABIS INDUSTRY

Although the cannabis industry shows strong potential, businesses are facing challenges & threats in the new market. These challenges may be amplified for First Nations' businesses given their unique set of additional barriers.

Challenges



- Scaling production to meet high anticipated demand
- Raising capital to support the cost of increased production & enhanced operations
- Developing business models that account for rapid growth and expansion

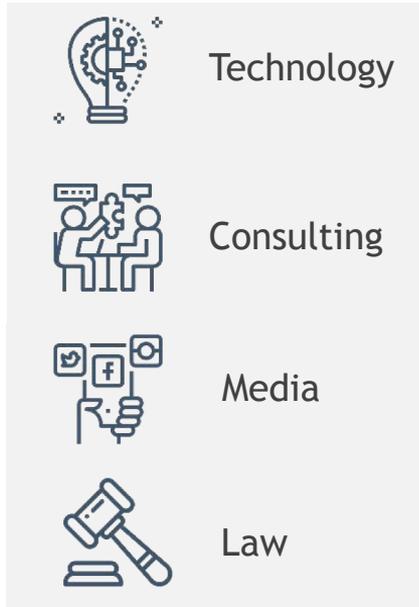
Threats



- Adjacent non-First Nations industries and businesses that have interest in entering the cannabis industry.
- International cannabis firms looking to expand their global market reach.
- Political (Federal/ Political/ Territorial) changes that could result in shifts in Cannabis policy.

FUTURE POTENTIAL IN CANNABIS INDUSTRY

Ancillary Services



These services have grown considerably since the first round of legalization in the Fall of 2018 and continue to be of high-value to large-scale cannabis retailers and cultivators.

As the first developed country to legalize the recreational use of cannabis, the potential client base in Canada for such services over a long term can be measured on an international scale, and Indigenous peoples from other parts of the world may look to First Nations for experiential information.

37%

Of Licensed Producers will heavily invest in IT, including automation and e-commerce

REALIZING THE OPPORTUNITY

How Do You Access These Opportunities?



Start a new business? Or leverage an existing business?



Invest in existing ventures?



Create a joint venture?

Questions to Consider:

- Is there an opportunity to “link” your existing expertise to services within the cannabis industry?
- Do you have the capacity to enter the market (e.g. workforce, location, financial resources)?
- Are there potential partnerships available?

Potential Next Steps:

- Engage with leaders and experts in the industry to gain presence
- Attend conferences and forums to gain presence
- Undertake a capacity assessment to gain insight into potential “linkage” opportunities



ANNEX



COMPARISON OF SIMILAR MARKETS

Total Sales by Product (2017)

