



# OPPORTUNITIES IN CANNABIS

## Grow A Successful Business in the Emerging Cannabis Market

The federal government introduced the Cannabis Act (Bill C-45) on April 13, 2017, to legalize and regulate the production, distribution, sale, and possession of cannabis in Canada. If the Cannabis Act is passed, adults will be able to legally possess and use cannabis subject to the legislated restrictions. Although legislation is yet to be enacted, details of the Bill do shed some light on the road ahead for the entrepreneurs who have recently entered or are thinking of entering the untapped cannabis market. That includes those already operating at varying levels of legality, from the licenced producers responsible for growing and supplying medical marijuana to dispensary owners currently operating illegally in a number of Canadian cities.

The federal government says Canadians can expect a legal recreational market for cannabis by July 1, 2018. There is enough current evidence to suggest the federal government is happy with the current production model and will continue this going forward. With production regulated by the federal government, all hopeful producers would go through a strict application process. The provinces and territories would be responsible for retail and wholesale distribution and will determine whether the distribution portion of the supply chain will be government-controlled or licenced to private sellers.

Cannabis legalization will open up significant new markets – and start ups that get going now will be ready and waiting to take advantage of the increased demand. The Canadian economy doesn't spawn an entirely new industry very often, and legal cannabis may well be the best ground-floor opportunity we've seen since the early days of the Internet. While there are some established businesses in this niche already where medical Cannabis has long been legal, this should not discourage others as it's still very much a growth market with plenty of opportunity.

Whether you are a business in the early stages of this growth market or considering entering it, the revenue potential is significant and there is tremendous opportunity for Canadian businesses that do things right and work within the confines of the legislation. We are already seeing a Canadian cannabis market that features a variety of product and marketing opportunities; from a vast number of organizations focusing on all aspects from growing to processing, to research and development (specifically around delivery systems and cannabinoids) and even pet products. There are also cannabis companies looking overseas to import cost-effective, raw

product and some have already begun exporting their end products. As you can see, there is no shortage of ways to get into this market that is said to grow to \$21.8 billion by 2020.

In addition, the government has made clear the intention is to foster an industry where small-scale "craft" or "artisanal" producers are able to participate among larger players. It recommends taking steps to avoid "the development of monopolies or large conglomerates." Once legalized, the craft cannabis market could see further economic opportunities in the way that the craft beer and wine sectors have revitalized rural Canada.

In order to cut out the illicit cannabis market, supply and pricing (taxation included) will be key. The legal cannabis industry is still in its infancy and with only having about 25 percent of required production space, we will still have a long way to go in order to meet the demand; some estimating that it will be 2021 before supply meets the consumer demand for Cannabis.

Working with several clients in this emerging industry, we have been watching very closely and will continue to help our clients understand the regulations and capitalize on emerging opportunities while minimizing the risks moving forward.



To find out what MNP can do for you, contact:

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