

# Growing medical marijuana is big business in Canada

February 16 2014, by Michel Comte

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An hour's drive south of Canada's capital, past snow-covered pine forests and farmland, Chuck Rifici is growing marijuana at an old Hershey's factory.

He plans to sell it for medical use under a new government scheme starting on April 1 that will ban home cultivation in favor of large commercial greenhouses.

Rifici's start-up Tweed Inc. is one of only six companies so far to earn a license to grow from Health Canada, and will be the first in the world to be publicly traded on a [stock exchange](#).

Security is airtight—as required by the new federal regulations. Staff must swipe identification cards each time they enter and leave a room, and the facility in Smiths Falls is under constant video surveillance.

"It's like manufacturing inside a bank," Rifici told AFP during a tour of the facility. "But otherwise, it's just like any other horticultural operation."

Inside, workers wearing laboratory coats and hair nets are constantly pruning the plants. Heat, humidity, carbon dioxide, air flow, nutrients feeding and light (12 hours on, 12 hours off) are monitored and controlled by sophisticated software.

## 'Bright like the sun'

Hershey's used to make chocolate here, but the factory closed six years ago, after five decades in operation.

Tweed, with almost Can\$10 million (US\$9 million) in "seed money," has moved in and plans to distribute its [marijuana](#) across Canada for medical use.

When renovations are completed, the Tweed factory will contain 30 grow rooms containing 1,300 plants each, as well as a "mother room" for seedlings.

"It'll be bright like the sun in here," said Rifici, pointing to bulbs being installed in one grow room. Workers will need to wear sunglasses, long-sleeved shirts and sunblock to enter, he said.

Paint on the walls is still wet. In a corner, old two-story tanks that once contained sugar for making chocolate candies are being repurposed to hold water for hydroponics.

The marijuana itself, once it is cut and dried and packaged, will be stored in a secure vault awaiting shipment by mail or courier to customers. The vault can hold up to Can\$150 million worth of cannabis.

## New rules

The use of marijuana for medicinal purposes was effectively legalized in Canada in 1999, and such use has been expanded through a series of court challenges.

According to government figures, more than 37,350 Canadians have

prescriptions for medical marijuana. The typical user is male, in his 40s, and smokes 10 grams per day.

Health Canada originally tried supplying the drug, growing it in an abandoned mine shaft in the far north, but it was widely panned as weak.

Thereafter nearly 30,000 home-based growing operations were allowed to crop up. But local officials complained about a lack of monitoring, and police worried about an increase in crime.

Under the new regulatory regime, all of these small gardens will be replaced by fewer but larger commercial operations. Health Canada is reviewing 450 applications for the new commercial licenses.

## **High demand expected**

"This is a brand new industry created by government regulatory changes, and growth is expected to be massive," said Rifici, citing government estimates that the number of users will grow to 450,000 by 2024.

Customers have already started placing orders for Tweed's 25 strains that will sell for Can\$4 to Can\$12 per gram.

Tweed initially expects to harvest 50-100 kilograms (110-220 pounds) of marijuana every two months. The company is licensed to grow and sell up to 15,000 kilograms per year.

All six currently licensed companies are focused on the domestic market, but some are open to export opportunities. Canadian-Dutch joint venture Bedrocan is expected to become the first to legally import marijuana into Canada.

Recreational use remains prohibited under Canadian law.

But Rifici, who has ties to Canada's opposition Liberals, said he is closely watching the "political winds." Liberal leader Justin Trudeau has called for decriminalization, but three other attempts to change the law have failed.

Rifici noted that the new regulations have created a production and distribution system that could also accommodate sales to recreational pot smokers, who are estimated to number one million nationwide.

## **Small town job creator**

Tweed currently employs 20 staff, but as it ramps up, it expects to add up to 200 jobs.

This doesn't quite make up for the 600 jobs lost when Hershey's shut down the plant. But Tweed plans to lease some of its 500,000 square feet (46,450 square meters) of factory space to others to make up the difference.

Smiths Falls, a town of 9,000 residents, has faced "significant economic challenges in the past few years," said Mayor Dennis Staples.

If Tweed hadn't come along, the plant would have been demolished and the town—which has shed 1,700 jobs in recent times—would have lost crucial industrial capacity, he told AFP.

"We dodged a bullet with Tweed's arrival," Staples said.

According to Rifici, Tweed is fully funded for at least two years of operations, and is "hoping for profitability sooner rather than later."

He said he was self-conscious at first as he sought funding.

"I found myself whispering 'marijuana' across tables at coffee shops to potential investors," he said. When he gave the local police chief a tour of his factory, he said "it just felt very strange."

Now, Rifici's biggest challenge is lining up customers because [medical marijuana](#) is a controlled substance and cannot be advertised in Canada.

Tweed has relied a lot on media coverage. It is also planning a listing on the Canadian Venture Exchange to boost its visibility and for easier access to capital, if needed, to grow the business.

"We'll be the first marijuana grower to be listed on a stock exchange," Rifici said.

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