

Canada braces for cannabis gold rush

October 17 2018, by Jacques Lemieux



Some experts are predicting a bump in tourism worth billions of dollars when Canada legalizes recreational pot

When Canada legalizes recreational pot Wednesday, market watchers predict the birth of a new industry—creating thousands of jobs, investor euphoria, a new tax source for governments and maybe even tourism.

Hundreds of licensed growers have sprouted in anticipation of the end of pot prohibition, attracting major investment.

In just the past year, the market capitalization of firms including Canopy Growth and Tilray has increased fivefold, to a total of more than US\$10 billion on the New York stock market.

And with significant know-how gained since Canada's legalization of medical marijuana in 2001, others including Aurora and Aphria are making inroads abroad as more and more foreign markets allow therapeutic cannabis use and research.

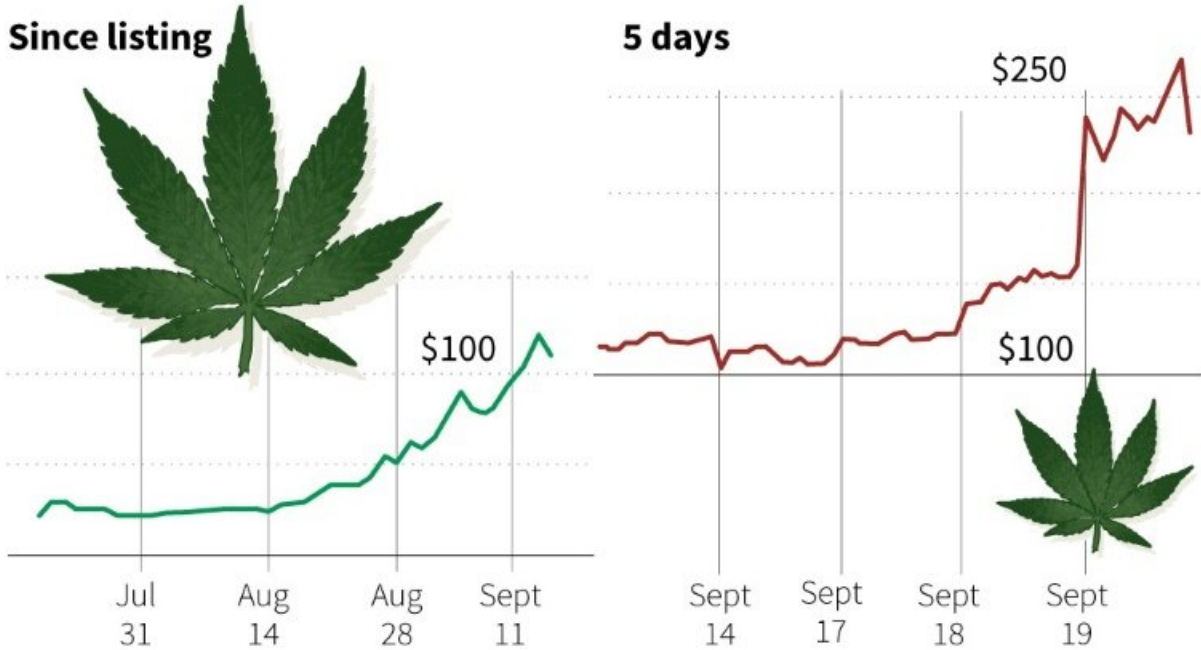
Beverage makers and pharmaceutical companies are also partnering in the sector, hoping to develop new products infused with THC or cannabidiol (CBD).

Constellation Brands, the North American distributor of Corona beer and Robert Mondavi wine, recently invested about Can\$5 billion (\$3.8 billion US) in Canopy Growth for a 38 percent stake in the company.

And soft drinks giant Coca-Cola is looking into using CBD, the non-psychoactive molecule in cannabis believed to provide health benefits, as an ingredient in some drinks.

High demand for cannabis

Canada-based cannabis firm Tilray went public in July



Source: Google Finance

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Shares of Canada-based cannabis firm Tilray

Experts like John-Kurt Pliniussen, a marketing professor at Queen's University in Kingston, Ontario, are also predicting a bump in tourism worth several billion dollars, citing as examples Amsterdam and a handful of US states where pot is legal.

"The same can happen in Canada, because one of the things we have going for us and that no other country in the world has, is the name of our country—it is almost spelled very similar to cannabis," Pliniussen told AFP.

"And so you could have Canatourism—from a marketing point of view, it lends itself very well."

In the meantime, an investor frenzy is fueling mergers and acquisitions, with 48 deals worth a total of Can\$5.2 billion announced in the first six months of this year alone, according to Price Waterhouse Cooper (PwC).

The consolidation will continue after legalization, says PwC, as an "expected oversupply takes its toll and forces undercapitalized players into bankruptcy" and firms "look to fuel further [growth](#) by tapping emerging foreign medical markets."

Economic high

There are untold economic spinoffs to be had, for sure.



When pot becomes legalized in Canada, scenes like this one in 2016—at Sunset Beach in Vancouver—will become more commonplace

Tokyo Smoke—a reinvention of the classic coffee shop—promotes cannabis lifestyle, selling pipes, infusers and other pot paraphernalia along with shots of espresso (but not cannabis itself).

The three-year-old company was purchased for Can\$500 million last month by Canopy Growth and plans to expand nationwide from five locations in Toronto.

"I think Canada will become a world leader in cannabis—it's exciting and something we can be proud of," Tokyo Smoke vice president Josh

Lyon told AFP.

"Legalization will open the doors to a dynamic, sophisticated industry that will create new jobs, new opportunities for businesses, and new revenues for government," echoed Deloitte in a report.

Nearly five million Canadians or 16 percent of the population consumed 773 tonnes of cannabis in 2017, mostly for recreation, paying an estimated Can\$5.5 billion to buy bud, according to the government statistics agency.

The number of consumers is expected to increase slightly after legalization, but spending is predicted to remain the same, Statistics Canada said in a recent report.

Further growth is expected from derivative products like edibles, cosmetics and e-cigarette products containing pot, which will be allowed starting in 2019.



Recreational marijuana use will become legal in Canada on October 17

But there is disagreement among forecasters on just how much of a boost the new industry could give Canada's economy.

According to the TD Bank, cannabis will push up economic growth 0.9 percentage points in the fourth quarter to hit 2.9 percent.

But the government statistics agency expects the new cannabis industry to have at best a "minimal impact" on growth in Canada.

And according to Benoit Durocher, a senior economist with Desjardins Bank in Montreal, it will be a drop in the bucket for this G7 nation's

massive and highly diversified economy.

"Given the small size (of the sector) relative to overall GDP (which is close to Can\$2 trillion), the impact on growth will be very small or no impact at all," Durocher said.

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