

NEWS

Cannabis Industry Update

October 5, 2020

The cannabis sector has undergone a market adjustment and has seen its recent challenges compounded by Covid-19-related retail closures and stay-at-home directives. However, the industry is showing impressive recovery and is likely to see sustained growth, notwithstanding practical and financial challenges imposed by the pandemic.

Braced and Ready for a Second Wave

As cannabis retailers adapted quickly to store closures and social distancing requirements in the first half of 2020, they established processes for online ordering, curbside pickup and social distancing protocols. Today these retailers are *shelter in place* ready should a second wave challenge their operations.

Shortages of personal protective equipment (PPE) were widespread in early 2020 and contributed to challenges with production and manufacturing of cannabis products. As PPE supply increases to meet demand, cannabis producers are unlikely to face the same challenges in the future.

Cannabis 2.0 Will Fuel Growth

The value of the legalized cannabis market is steadily trending upward while the illegal market is shrinking. This is partly due to legal cannabis prices dropping from cultivation efficiencies, and to market pressure and regulatory changes which have allowed more cultivation and retail licences to be issued.

Growth in the emerging market for edibles, drinks, concentrates, vapes and topicals will drive recovery in the cannabis sector. Partnerships with well-capitalized and influential non-cannabis retailers will bolster the sector and bring valuable goodwill. Establishment of private label products marketed in partnership with federally licenced cultivators and manufacturers will create new revenue streams while leveraging existing licences.

Cannabis is an Essential Service

Every Canadian jurisdiction considers medical cannabis an essential service, and in the country's biggest markets, recreational providers are also deemed essential. As a result, supply chain disruptions that have plagued many industries this year do not threaten cannabis producers and retailers. In fact, if earlier trends hold true, a spike in demand can be expected if stay-at-home directives are reinstated.

Conclusion

The cannabis sector has undoubtedly experienced more growing pains in 2020 but the forecast is still promising. Challenges faced by some smaller operators have created strategic opportunities for well-capitalized players seeking to expand. At the same time, an evolving regulatory landscape and increased innovation promise to support market growth.

Our **Cannabis legal team** is up to speed and ready to help when you need it.