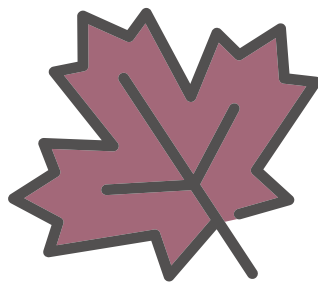




CBD in Canada

February 2020



BRIGHTFIELD GROUP

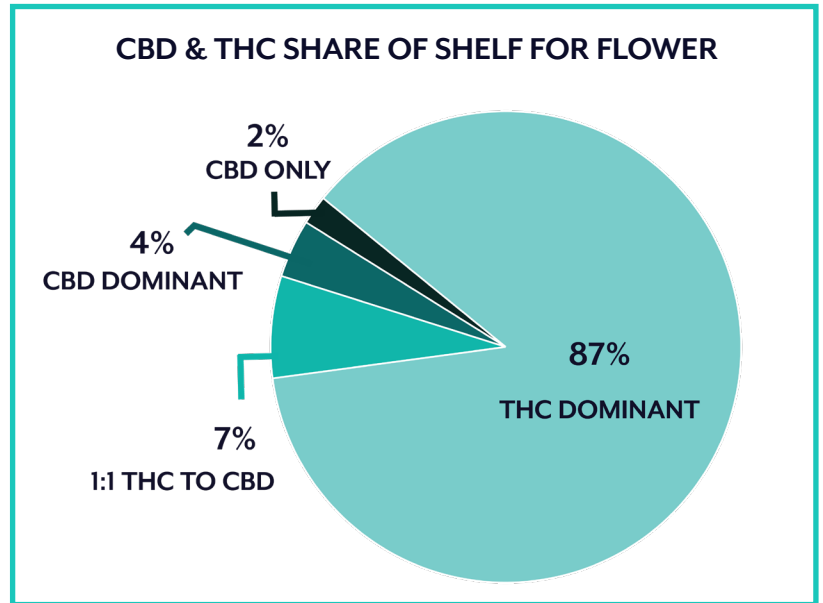


As it stands, the regulatory landscape for CBD in Canada is vastly different than in the United States. Rather than having its own standalone system for regulation as is the case in the US, Canada controls the production and distribution of cannabidiol via the Cannabis Act. This means that CBD products in Canada are available only through the same formal channels as cannabis – licensed dispensaries or online provincial retailers.



THE FRONT LINES OF CBD & THC

Because CBD has not yet become easily accessible to the Canadian mainstream public who may be interested in its potential health benefits but remain wary of purchasing through traditional cannabis channels, its demand remains limited. This is one of the reasons why major LPs in Canada have not yet put significant energy into bringing CBD-only products to market. In the instance of flower, which itself is often synonymous with cannabis, 87% of products currently available on store shelves are THC-dominant with very little CBD content present. Meanwhile, only 2% of these strains of flower are CBD-only.

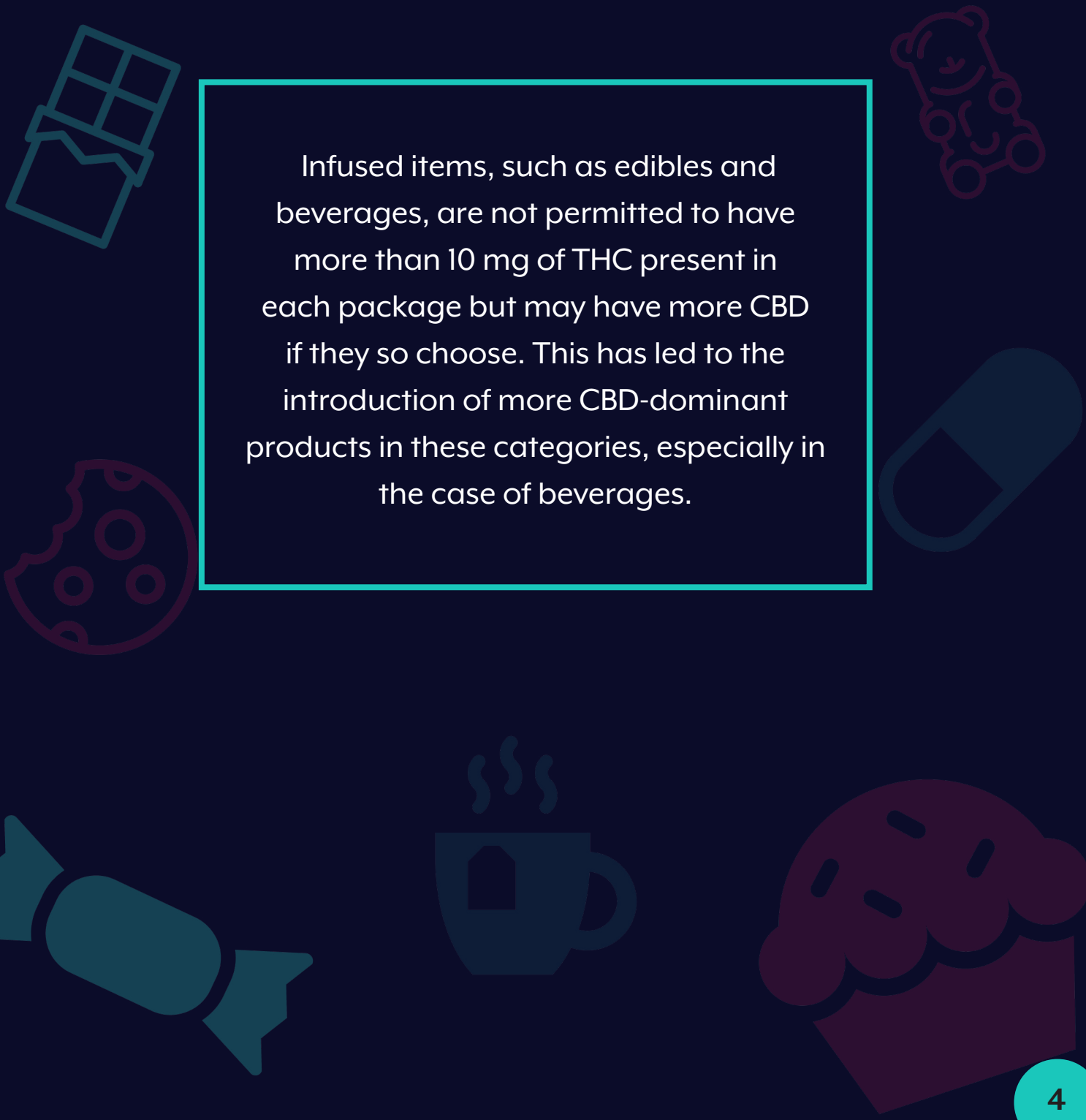


Another primary contributor to this trend is that experienced canna consumers are still disproportionately present on the legal market as opposed to newer consumers and are consistently interested in high THC – driving great demand for these products. Though LPs do report that some 1:1 and CBD-dominant products sell well, especially oils which are more frequently used by newcomers and medical patients, less shelf space is typically devoted to these products, making them easier to overlook.



ROOM FOR CBD

The new Cannabis 2.0 product formats allow LPs to experiment with different THC:CBD ratios and help to draw new consumers into the market.



Infused items, such as edibles and beverages, are not permitted to have more than 10 mg of THC present in each package but may have more CBD if they so choose. This has led to the introduction of more CBD-dominant products in these categories, especially in the case of beverages.

LPs are leveraging their own resources alongside joint ventures to create innovative products.

Everie and Haven St. teas both feature CBD-only varieties.



Source: Fluent Beverages

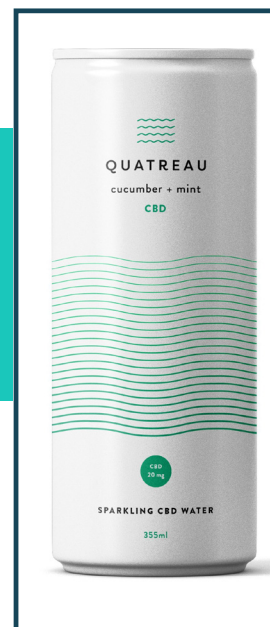


Source: Havenst.ca

Canopy announced a number of beverages with large concentrations of CBD.



Source: Canopy Growth



Source: Canopy Growth

CANNABIS HEALTH PRODUCTS (CHPS)

The regulatory landscape in Canada with respect to CBD may start to shift, however. Health Canada has been consulting with the public following the implementation of the Cannabis Act in order to better understand how to improve the regulatory system moving forward. What has been proposed thus far would allow cannabis health products (CHPs) to make claims about specific health benefits backed by scientific evidence to treat minor ailments (ie anxiety, joint pain), and would allow for their retail sale in “pharmacies, veterinary clinics, and pet stores” without a prescription. Though THC content limitations have not yet been clarified specifically for cannabis health products, CHPs will likely appear in the form of low-THC products, primarily CBD, that don’t present the risks of a “high” but may offer relief for minor ailments. Though the proposed regulatory structure for CHPs is still quite restrictive, it would be an important step toward making cannabis-derived health products more mainstream and easily accessible in the Canadian market, and likely a major catalyst for the growth of CBD in the country.



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