

Asia Pacific Cannabis & CBD

April 2020 Report

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Executive Summary

Cannabis in the Asia Pacific region of the world is very limited, even in legal markets. This includes access to CBD, which is in most cases treated as a medically prescribed treatment.

Israel leads the region in medical cannabis and is seeing more growth as patient numbers continue to climb. Behind Israel, Australia's program will see strong growth in 2020 and beyond. Thanks to open attitudes toward cannabis and high cannabis usage rates, the number of patients is swelling rapidly despite low supply as domestic cultivation ramps up and the importation process is slow and cumbersome.



Executive Summary

Japan has the most developed CBD market in the region, with many product types available, including vapes and edibles. However, strict regulations on formulation (products must be made with CBD from hemp stalks and seeds only) make it more difficult for companies to play in Japan and means they must be careful to ensure that the products they bring to market are compliant.

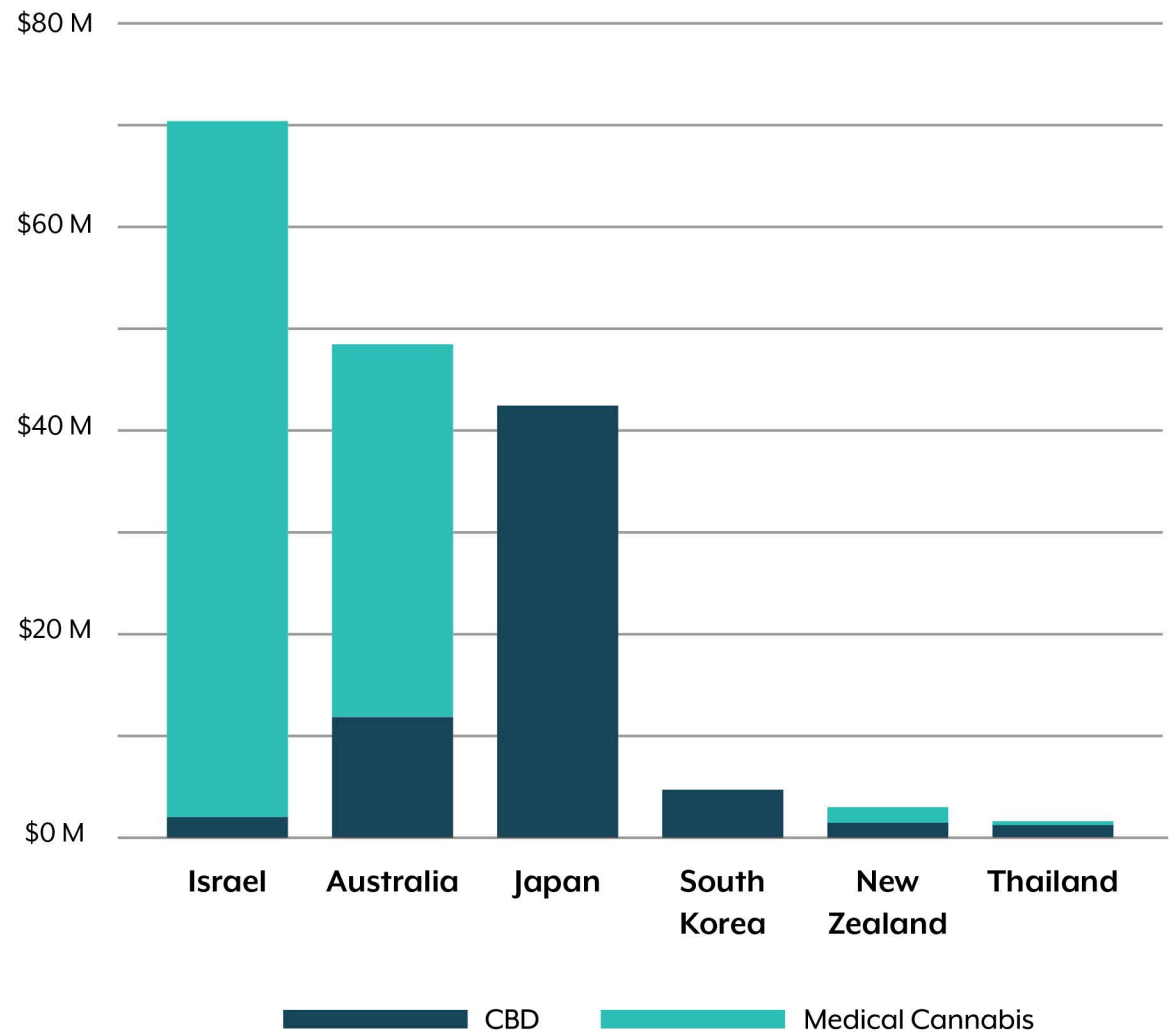
The opening of the Thai medical cannabis and CBD market has been much heralded but is still a long way from stimulating the kind of green tourism that many expect to see. Medical cannabis production – currently limited to the Government Pharmaceutical Organization – is struggling to meet domestic demand, and CBD access is limited to patients with a doctor's prescription.

The opening of medical cannabis markets in conservative countries like Thailand and South Korea is an encouraging sign for the region, but with access and supply currently limited, there is still more regulatory work to be done, along with cultural changes that will be needed to create widespread adoption of both cannabis and CBD.

Market Sizes & Growth Drivers

Cannabis in the Asia Pacific region of the world is very limited, even in legal markets, and this includes access to CBD. While some Asian countries like Thailand and South Korea are beginning to regulate this new market through medical cannabis legislation, other countries that have had medical cannabis programs, like Israel, are beginning to further their liberalization.

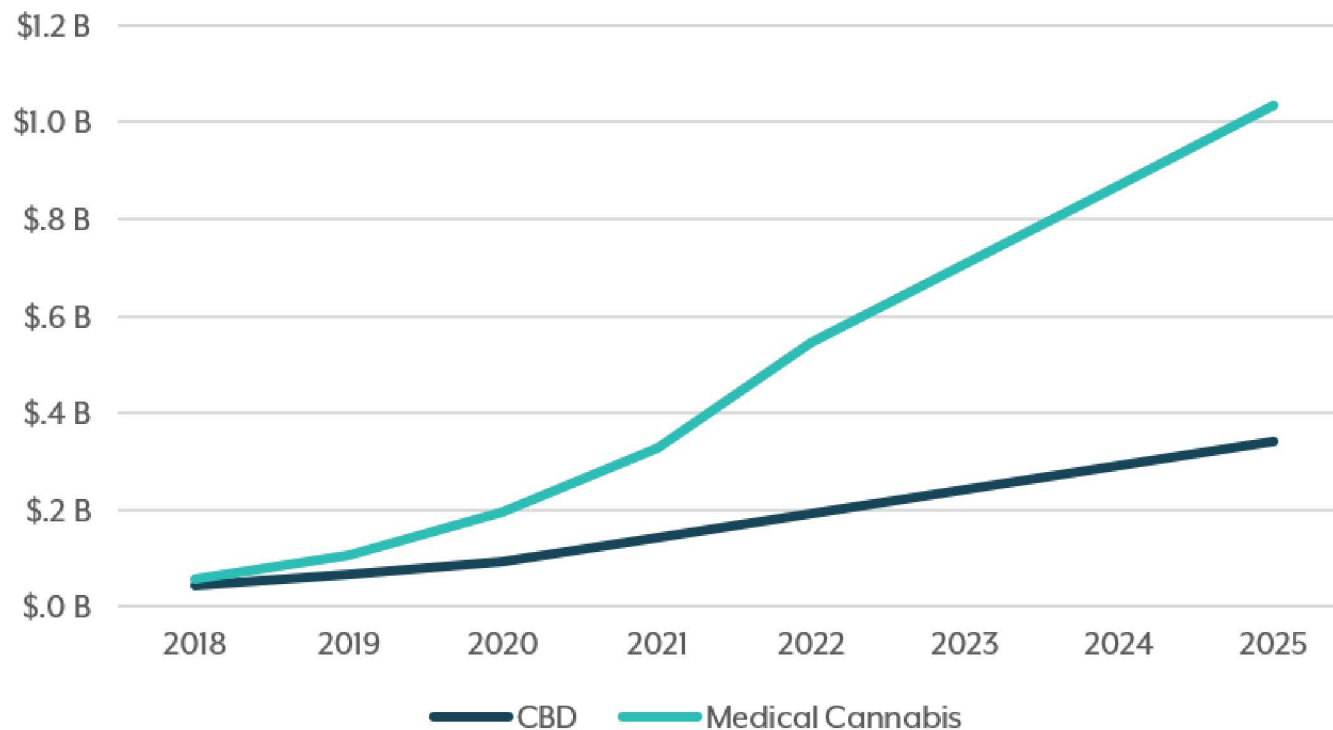
2019 CBD and Medical Cannabis Sales by Country



Market Sizes & Growth Drivers

Because of current regulations and incidence rates, the market potential for medical cannabis and CBD in this region is not expected to be as significant as other markets in the world like Canada, the US, or Europe. This is especially true for countries like India, China, and Thailand, where the average GDP per capita is less than US \$10,000.

CBD & Medical Cannabis Forecast



Countries Leading the Way



Israel

Israel leads the region in terms of medical cannabis sales, with a long-running medical cannabis program and a strong commitment to cannabis research. In addition, Israel decriminalized adult-use cannabis in April 2019, and there is much less stigma surrounding cannabis than in other countries. Israel has the highest rate of cannabis patients in relation to the population and the number of registered patients continues to grow significantly year over year. The CBD market, however, is limited in Israel as CBD is not expressly legal, but is treated the same as all other cannabinoids, under the medical cannabis regulations. Given the relatively low stigma attached to cannabis in the country, prospects are good for consumer adoption of CBD, but market growth will remain tied to regulations, which currently limit commercial opportunities for the compound.



Australia

Australia is likely to experience strong growth in its medical cannabis market over the next five years, with swelling patient counts driving growth, even with limited access. The first year of the program saw 30,000 prescriptions, and that number is expected to double in 2020.

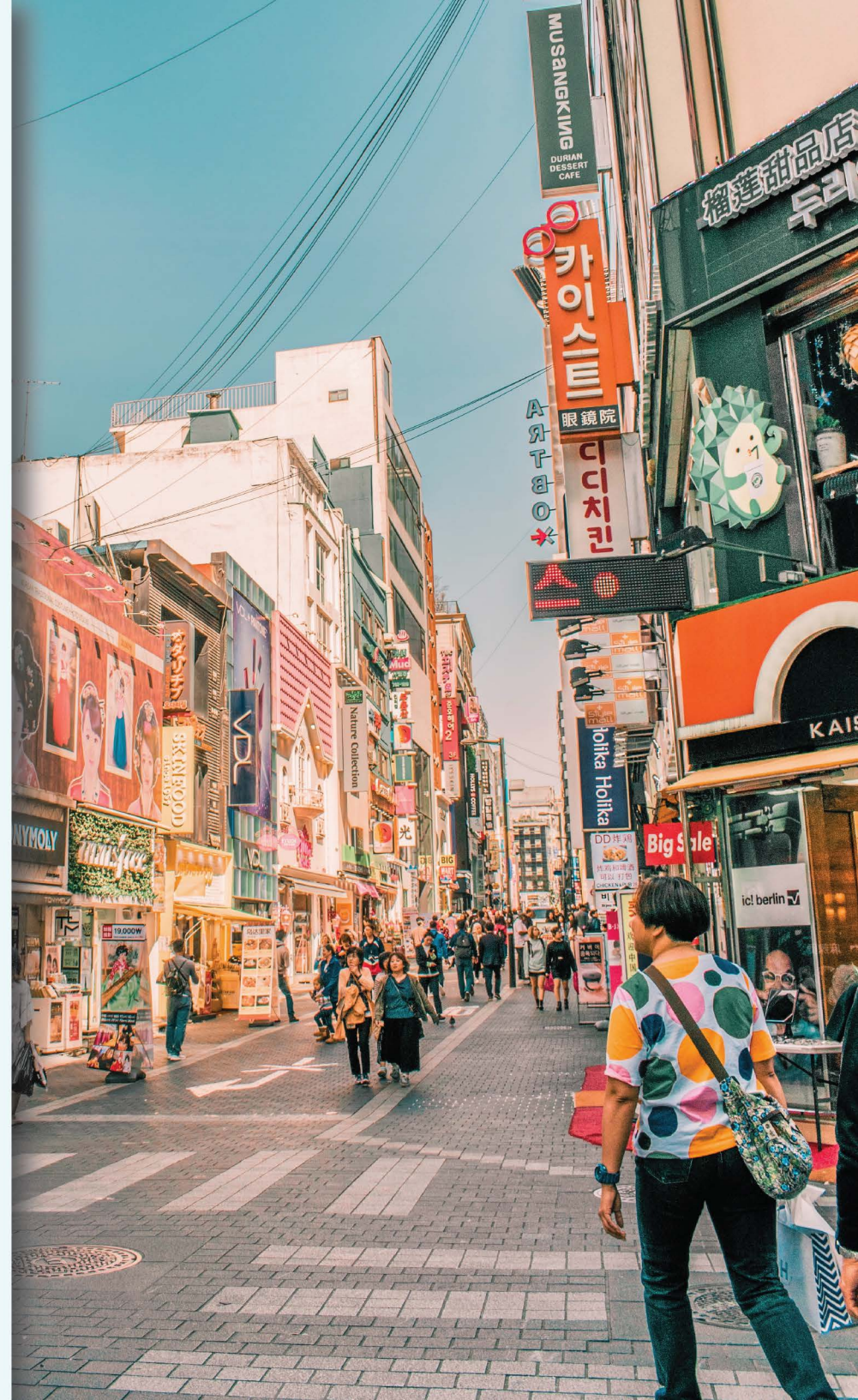


Japan

Japan is primed to become the world's next large CBD market, with a loosening regulatory environment, a cultural emphasis on natural health solutions, and young generations obsessed with trendy beauty products. As regulations continue to ease and the popularity of CBD continues to rise, Japan's consumers will be a highly coveted market for European, American, and Canadian producers, as Japanese investors have largely neglected the opportunity to build a local Japanese CBD-production or processing industry.

South Korea

South Korea will also be a country to watch, though the market is currently underdeveloped thanks to strict regulations. In the coming years, CBD and cannabis are likely to be at least somewhat destigmatized in South Korea as a result of both the domestic legalization of medical cannabis products and a growing global trend. With such a large cultural emphasis on skin care and cosmetics, it's also reasonable to believe that the trendiest new ingredient in cosmetic products – CBD oil – will become popular in South Korea before other forms of recreational CBD and cannabis consumption.



Attitudes Towards Cannabis

Attitudes toward cannabis, and by extension CBD, vary widely across the region, with countries such as Japan, South Korea, and China holding very conservative views about the plant and in turn very low incidence of cannabis usage. This will pose barriers to the development of their internal markets, especially if medical professionals are reluctant to prescribe medical cannabis and consumers find it difficult to overcome long-held cultural beliefs.





Attitudes Towards Cannabis

Japan

Japanese society is notoriously conservative and traditional, often shunning socially liberal movements that gain traction in Europe and North America. Public perception and acceptance of cannabis is no different – only 1.4% of people between 16 and 64 years of age have even tried cannabis – one of the lowest rates in the world, especially compared to other large consumer economies like the US, where that same rate is more like 40%.

Although more and more popular personalities in Japan are speaking out in its favor, like the First Lady and celebrities, they are exceptions to the rule and CBD will have to climb out of the deeply entrenched biases against cannabis.

Attitudes Towards Cannabis

South Korea

In South Korea, the underwhelming consumer engagement seen after the legalization of the import of medical cannabis products is likely due to low levels of cultural acceptance. Especially among doctors, who are not aware of the medically relevant purpose of these new pharmaceuticals, more education and marketing are necessary before acceptance can become commonplace and the market can reach its potential.

China

Due to extremely harsh penalties for cannabis consumption, China has one of the lowest usage rates in the world, and that comes along with a high degree of negative stigma towards these products.

However, China has begun to flex their technical expertise by filing for hundreds of patents related to cannabis and hemp, which could suggest that the government has recognized the economic potential beyond farming and textiles.



Attitudes Towards Cannabis

Relaxed Attitudes

In Israel, Australia, and New Zealand, this is a different story, and each of these countries have relatively high levels of cannabis usage, despite only having legal medical cannabis use. These more relaxed attitudes toward cannabis are reflected in these countries' policies, as Israel and parts of Australia have decriminalized adult-use, and New Zealand will review adult-use legalization as part of a referendum later in 2020.



Competitive Landscape

Most of these countries (as well as outside investors) see opportunities in cannabis and CBD beyond their own borders. Israel, Australia, and New Zealand currently allow for the export of medical cannabis to other countries like Germany, in a move to bolster their agricultural sectors. Much of the research and technology being developed in Israel around cannabis will also be exported to countries with legal cannabis. In addition, Thailand has plans to ramp up domestic production and export their cannabis to other countries with medical programs. On the other hand, many Canadian, US, and European companies are importing products or looking to invest in the growing markets in the region.



Industry Players



New Age Beverages Corporation, a Colorado-based manufacturer of infused drinks and CBD oils was approved to sell products in Japan in September 2019.

AP Organics, a Swiss-British company has also entered Japan, betting on the country's cosmetics market as its next big money-maker.



Tilray has entered into an agreement with Israel-based Canndoc to import 2.5 tons of medical cannabis from Tilray's facility in Portugal.

Aphria partnered with Victoria-based cannabis producer and importer, Althea Group, to import products into the Australian market.



Industry Players

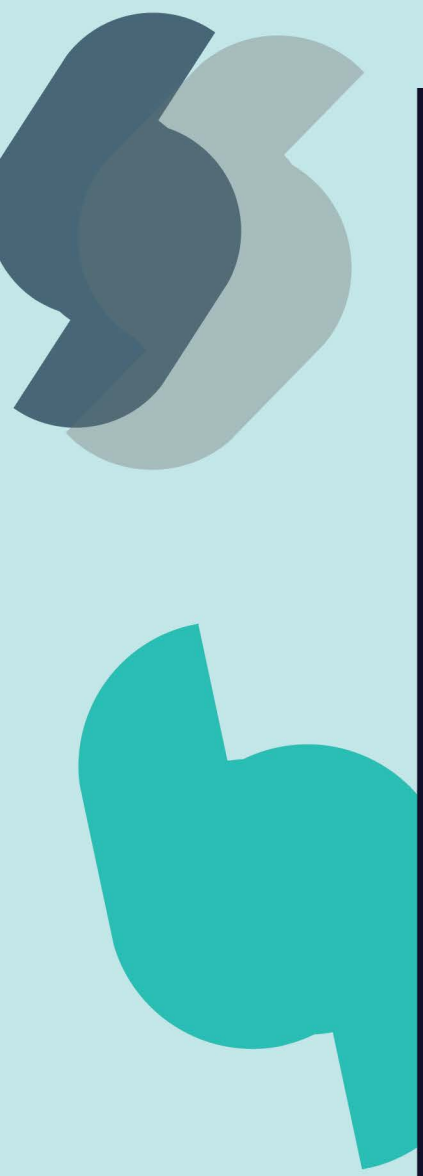


Aurora Cannabis has imported products in market in Australia and also owns a stake in Melbourne-based Cann Group, which will be ready to take locally-grown products to market in the coming months. In Israel, MedReleaf, owned by Aurora, has an exclusive alliance with local medical cannabis producer Tikun Olam.

Elixinol, based in Australia, broke into the New Zealand market as a provider of medical-grade CBD products in early 2019. In Japan, Elixinol was one of the first companies to supply the market with CBD products, and was the first CBD company to be approved for a public advertisement. Elixinol subsequently divested its interest in Elixinol Japan in December 2019.



GW Pharmaceuticals has products available in several countries in the region, including South Korea, where Sativex and Epidiolex are two of the four cannabis-based medicines available.



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