

Marijuana business grows – There is a global euphoria and the perspectives are good for 2020



Since President Juan Manuel Santos sanctioned and the Congress approved the law 1787 of 2016, which allowed the medical and scientific use of cannabis and its derivatives in Colombia and, since more than fifty countries have partially or fully legalized it, the so-called “vegetable gold” business has grown rapidly and is expected to consolidate in 2020.

“The global trend is towards legalization,” says Hugo Ramírez, an economist and expert in this topic. “There is euphoria and optimism throughout the world. In Colombia, regulation, issuance of licenses and permits, and matters related to legal security have yet to be perfected.

In the United States, it is expected that the Food and Drug Administration (FDA) will soften its position in this regard and that at least 90% of the 50 states legalize it this year for both therapeutic and recreational reasons”.

The cannabis market could grow globally from about \$ 12 billion in 2019 to \$ 55.8 billion in 2025, with an optimistic scenario of \$ 166 billion, according to a recent study by Fedesarrollo (Colombian Think Tank) that concluded by stating that medical cannabis could generate more jobs and growth for Colombian agriculture than bananas and flowers. Also, it represents an opportunity to diversify Colombian exports since agricultural products represent only 16% and there is plenty of room to grow.

The study also recommends taking advantage of the knowledge that Colombia has regarding the export of flowers to continue betting on the cultivation and

processing of the oil extracted from the cannabis flower.

It is estimated that the cultivated area of medicinal cannabis in the country is about 7,358 hectares and that of ornamental flowers is 7,700 hectares, which leads to the conclusion that it could produce about 21,000 jobs, more than floriculture.

The impact of this undertaking on rural employment would be outstanding because, since it is an intensive cultivation, it would require between 10 and 17 people per hectare, who would receive all the benefits of the law, to carry it out, as Juan Carlos Echeverry said publicly, former finance minister and one of the authors of the Fedesarrollo study.

The scenario is so optimistic in terms of job production that it is estimated that “it would approach the one generated by the entire plastics industry or the production of vegetables and legumes. You could talk about up to 100,000 new jobs, ”said Echeverry.

Six months ago, the International Narcotics Control Board (INCB) expanded the quota for the export and handling of medicinal cannabis from 1.2 tons to 14 tons, as announced by the National Government. In Colombia, more than 135 licenses have been issued, but the number is expected to increase as procedures are streamlined, according to official reports.

Interest in the local medical marijuana industry has grown considerably. Between 2017 and 2018, around 10 requests were received per month, but last year they shot up and 37 were received, that is, 400% more, according to former public minister Juan Pablo Uribe.

The best market

In the United States, considered the largest market for cannabis in the world, optimism is also overwhelming.

“There will be a lot of movement” this year, admitted Chris Walsh, CEO of Marijuana Business Daily, in a marijuana industry trade publication, which is defined as “the leading trade news information resource for the medical marijuana industry. and the cannabis retail trade.”

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It is estimated that it will be a decisive year for the industry there because the number of the 35 states that have legalized cannabis therapeutically and the 14 that have done so for recreational purposes is expected to rise.

Illinois, the third-largest state, for example, last January legalized the recreational use of marijuana, and at least 18 other states are expected to follow in the remainder of 2020.

Arizona, Delaware, Florida, Minnesota, Montana, New Mexico, North Dakota, and South Dakota would be on the legalization list, and Alabama, Mississippi, and South Dakota could become new cannabis markets.

In 2019, between 20 to 30 companies, large and medium, were building the scientific, legal, technological and industrial route to germinate a business with a global potential market estimated at some US \$ 146,000 million until 2025, according to a report by Grand View Research , a renowned market research and consulting company based in India and San Francisco (USA), whose database includes thousands of statistics and analysis from 46 industries in the 25 most important countries in the world.

Ramírez affirms that the interest of governments for legalization is not only related to the therapeutic benefits attributed to Cannabis, but also to the economic impact that its commercialization can generate, especially with regard to taxes.

The numbers speak for themselves. Americans are estimated to have spent about \$ 11 billion on marijuana in 2018, making their country the world's largest market.

But, that's just the tip of a big iceberg. The publication MJBizDaily (Marijuana Business Daily) claims that the total impact of marijuana sales in the United States will rise by 220%, from \$ 20 billion in 2017 to \$ 77 billion in 2022, making Americans even more prone to consumption.

But, despite the fact that 34 of the 50 states of the United States have legalized the medicinal use of marijuana, the great economic potential that the business opens there is currently unattainable for companies from other countries, since marijuana is

classified as a drug without medical benefits and great addictive power in the agenda 1 of substances controlled by the federal government and cannot be imported or exported.

But as a growing business there is optimism. Ramírez estimates that "once the shadows are diluted, the uncertainties disappear and the business is consolidated, there will be no one to stop it."

Translated from Spanish: Gloria Helena Rey for Portafolio, 04.21.2020, 10:30pm.

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