

Medical Marijuana – Expect Patient Friendly Changes after Allard

☒ This is an update to our article from earlier this week, “*Allard* has no Appeal”.

In that article we pointed out the massive risks caused by the *Allard* decision, leaving the MMPR’s in legal limbo. Read that article for context and background, then come back here for the update.

The news of the week is that Canopy Growth Corp. announced on March 31 that one of its subsidiaries was granted a license to produce, possess and ship dried marijuana at its facilities in Niagara-on-the-Lake, Ontario.

What does this mean? First, specific to market competition, this licence helps CGC compete in the lower margin commodity space, perhaps to defend market share against a company like Aphria Inc., from Leamington, Ontario. The existing Canadian medical marijuana market is so small that all market share is important market share.

How small is the Canadian medical marijuana market? Here’s a simple exercise. Pull the latest quarterly financials from all the publicly traded MMPR’s. Add up their gross revenues. Make an educated guess about revenue levels for the private MMPR’s. Add that in. See for yourself how minute the market currently is.

Second, from a broader perspective, we had pointed out the government’s decision not to appeal *Allard* created a fair amount of uncertainty in the market. Increased uncertainty leads to less equity value.

With the licence being granted to CGC's subsidiary, some of that uncertainty has been eliminated. The rumour mill also tells us that Health Canada inspections are continuing, and that no one has been laid off or re-assigned from Health Canada's medical marijuana department. It's business as usual on the operational front.

In the rest of the market, the MMPR's are carrying on as though *Allard* didn't happen. This is part whistling past the graveyard, part sound business strategy. For example, look at Aurora Cannabis Inc.'s update from April 1, that is obviously intended to offer a steadying hand to a nervous market: "Nothing to see here, folks, we're doing fine, move along, move along." (I am a fan of the company and put it in the top tier of growers.)

It appears the federal government is steady on with the MMPR's, even though that system of regulating the MMPR's has been declared constitutionally invalid. The Liberals have until the middle of August, 2016 to introduce replacement regulations.

Our conclusion: Combining Health Canada's 'business as usual' approach with the pro-patient court rulings in *Allard* and *Smith* means the replacement regulations will be patient-friendly. They will lead to an expanded albeit still small market within the medical marijuana community and sets the stage for the Liberals to introduce de-criminalization should they win a second majority in 2019.