

Cheech and Chong do Wall Street

☒ Participants at the GreenRush conference in Vancouver last month looked nothing like Cheech and Chong or any of the token laid back sandal wearing hippies who have traditionally advocated legalizing marijuana. No, they were the genuine article; actual and serious business people, dressed in suits, sporting ties and wingtips, interested in exploiting the popularity of cannabis culture and unleashing this very spicy herb's full economic potential. Presumably, very few of those attending had ever taken "400 acid trips... [or]... played Black Sabbath at 78 rpm and saw God". The participants included government officials and bankers; the event was billed as the first congress on medical marijuana, industrial hemp and investments in alternative medicine.

Benton Capital Corp., Cannabis Investors, Pacific North West Capital, several other investment firms and pharmaceutical companies were among the exhibitors. Representatives from Deloitte, and Canadian securities exchanges also addressed the audience. There is no doubt that 'legal' money has officially made its way into the marijuana culture and it will attract more; it is a booming industry and many investors are trying to get into it. The acceptance of marijuana in the community has made great strides by taking the medical route; it is inevitable for recreational use to be legalized as has happened in the US States of Colorado and Washington as well as the country of Uruguay. Some of the GreenRush Conference organizers certainly felt that Canada will follow suit shortly; the focus of so many political debates involve ways to generate more tax revenue without increasing taxes. Marijuana – or cannabis – allows for politicians to get their hands into a huge new tax pool.

In Colorado alone, for instance, in 2013, some five million

people had access to 500 outlets, 'dispensaries' to the connoisseurs, responsible for peddling all kinds of cannabis to 110,000 persons with a prescription. These clinics sold USD\$ 186 million of merchandise in 2012, generating USD\$ 5.4 million in taxes. Since January 1, 2014, a new law has authorized the distribution of cannabis for recreational use, even without a prescription. Since then, 59 retailers have reported to USD\$ 2 million in taxes for the month of January, adding to the 1.5 million levied on sales of medical cannabis. You would have to be high not to see the benefits of legalization. Marijuana accounted for larger tax revenues than alcohol for the same period (2.7 million). Colorado plans to use the profits to build new schools, building and running addiction prevention centers and eventually far more given that the State of Colorado predicts that the cannabis market will be grow five times in the space of five years. Taxes will be kept at a reasonable rate so as not to encourage the emergence of a parallel market out of control. If the cannabis market makes tax collectors salivate, investment bankers should be chomping at the bit.

The cannabis economy is an economy in its own right, subject to the vagaries of supply and demand. This has not discouraged the many companies that have rushed into the sector and to the financial markets. Investments suffered until a federal law prohibiting banks to grant loans to companies selling marijuana, a product that is still considered illegal in most States of the Union (or Provinces in Canada). This law was relaxed 14 February 2014 and banks can therefore deal with the cannabis capitalists. There are now 20 states where it is legal to trade in medical marijuana for sales of some two billion dollars. 25 million Americans annually consume 14,000 tons of cannabis, but as more States inevitably start to legalize or ponder legalization, the medical marijuana industry could generate between 45 and 100 billion nationwide according to very sober analysts. Colorado represents a case study and it is being observed by other States that may be

tempted to legalize.

The really big boys have not been sleeping. The American biotechnology firm Monsanto is preparing to enter the billion dollar marijuana business. As the trend toward worldwide has gotten underway – note, Uruguay fully legalized cannabis in 2014 – large, blue chip companies want a piece of this new lucrative business. Billionaire speculator George Soros, one of Monsanto's largest single shareholders, had previously invested millions into campaigns to legalize marijuana; now, the time has come to reap the rewards. Mr. Soros has spent at least USD\$ 80 million for the legalization efforts since 1994. At that time, he donated some of the money to fund organizations in order to come up with alternative drug policies. Soros has also donated millions of dollars to the American Civil Liberties Union, which in turn campaigned to legalize marijuana in the USA.

Monsanto, true to form, has already been working hard on patenting a genetically modified variety of marijuana in partnership with Bayer AG, which is already well advanced in the area of □□marijuana research. Together, the companies are working on the ability to modify the marijuana drug tetrahydrocannabinol. In addition, Monsanto has great interest in the cannabis plant, modifying it in a similar way to maize and soybean so as to become resistant to the herbicide Roundup in a technology known as RNAi. Soros owns some half a million Monsanto shares; a large enough amount to benefit from Monsanto's genetically modified marijuana plans. Speculators like Soros have understood the correlation between marijuana and billions of dollars. His Monsanto shares should pay off soon. Others cannot be far behind and you would have to be Cheech and Chong – in a drunken stupor and high – not to get it.