

FEATURE ARTICLE

Ripe to Reap

Despite a fractious election campaign and strong differences between the candidates, Colombia's nascent medical marijuana industry looks set to boom irrespective of the result.

Colombia enters a new era in 2018. The country's first new president in eight years will inherit a post-conflict nation and one that has recently ascended to the OECD and become the first Latin American member of NATO. As it attempts to move firmly into the ranks of upper middle-income countries, Colombia faces a pressing challenge: providing jobs, investment and services for post-peace development that could cost anywhere from \$30bn to \$90bn over the next decade.

The country also stands on the brink of developing a new industry that could play a growing role in this process. Medicinal marijuana has the potential to provide foreign investment, export earnings, rural jobs and cheaper healthcare at a crucial juncture in the country's history.

Following two years of discussions, in May 2016 congress passed Law 1787 with 83 votes in favour and 3 against. The law allows for the cultivation, processing and export of medicinal marijuana products and, while many of the finer regulations have yet to be ironed out, a number of local and international companies have become the pioneers in this exciting new segment. The law does not legalize recreational use or permit the commercialization of the cannabis flowers.

One local executive estimates that upwards of \$50m of investment has



Ivan Duque (Left), Gustavo Petro (Right) Photo taken from Google



already been pledged to the sector.

World Leader

While Canada remains the global industry leader, Colombia has the potential to be a major player in the production and commercialization of medical marijuana. In January 2018, the International Narcotics Control Board

By May 2018 **over 80 cultivation licenses had been approved** – 31 for psychoactive cannabis and 43 for non-psychoactive strains – and a further 35 licenses had been approved for the processing of the plant.

(INCB), the UN body that controls the global cultivation of medicinal narcotics, allotted Colombia 40.5 tonnes of marijuana production, the largest quota in the world and 44% of the total. The US and Israel, the next largest, were allotted 33.4 tonnes and 10.1 tonnes, respectively.

With fertile soils, 12 hours of daily

sunlight and a range of altitudes and micro climates, Colombia has long been considered a perfect environment for cannabis cultivation. "The big advantage is sunlight, which is key to raising cannabinoid levels in the plant" Juan Carlos Rey, who advises on marijuana licenses, told CCI. "Greenhouses are not essential and harvests can also be quickly rotated, making Colombia an excellent centre of low cost production." The country's experience as a world class flower exporter also helps. "We can adapt the existing industry to serve cannabis production, meaning we have good access to technology, qualified personnel and providers," Gustavo Escobar, CEO of Clever Leaves, a local marijuana company, told CCI. "Overall operational costs for cultivation could be 35% lower than in competitor countries."

Domestic Market

Cost-competiveness could make Colombia a big-hitter in the global export market as soon as key destinations such as Canada and Germany clarify their stance on imported products. But in the meantime, the domestic medicinal

market holds excellent - and immediate - potential.

In 2015, a statutory law reform expanded access to healthcare to all Colombian citizens. The obstacle, unsurprisingly, is funding and the development of cheaper marijuana alternatives to existing opiate medicines seen favourably by the government. Khiron Life Sciences, an integrated company backed by Canadian capital, estimates there are 5 million potential patients in Colombia and has focussed its business development on educating local doctors. At present plants with THC values of under 1% can be sold over the counter, while higher values require a license from INVIMA, the country's 4-tier food and drug licensing agency.

"It's great to have a cost advantage, but my concern is whether that's sustainable in the long term," Alvaro Torres, Khiron's CEO told CCI. "I find Colombia as a domestic market more interesting because we don't have to register patients. If we can make a quality product here, it's good for the Colombian industry as a whole."

Easy Run-off

Following the first round of presidential elections held in late May, two contrasting candidates will face off on 17 June. The favourite, Ivan Duque, is a centre-right, pro-market candidate with the formidable backing of Alvaro Uribe, who was president from 2002 to 2010. The outsider is Gustavo Petro, the left-wing former mayor of Bogotá whose impressive performance in the campaign




has rejuvenated the Colombian left and spooked investors in the country's oil and mining sectors. Despite the novelty and controversial nature of the cannabis industry, however, executives remain confident that it will remain unaffected by the election result.

"The right-wing is against recreational use, but Duque is in favour of new business and he won't stop the current process," says Escobar. "Petro is more liberal, there's no real risk of expropriation and there is the potential upside of recreational legalization. But we're not thinking about that now, we're very much focussed on the medicinal market."

Having passed congress and acquired the status of law, to repeal or modify the law would require a concerted political will that simply doesn't exist. "Colombia has strong institutions, and the law was passed by 95% of congress," says Torres. "The country and the community are supportive of this industry. It creates jobs in the countryside, brings in FDI and - with growing formalisation - will help reduce illegal cultivation."

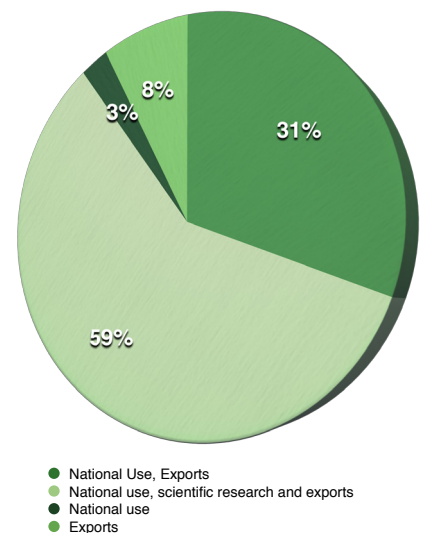
Ripe to reap

However, as with any industry built on the back of regulatory change, Colombia's marijuana segment faces a number of future challenges and the early entrants have bound together to form ASOCOLCANNA, the first cannabis business association. Uncertainties remain over the application of a cannabis tax, the export process and intellectual property issues. Sourcing domestic financing, given the novelty and risk of the sector, is also a pressing concern for local growers and manufacturers.

Colombia Cannabis Investor was established to shed light on and bring clarity to the challenges and opportunities presented by this new and exciting market. Through interviews and research with key government, private sector and health care professionals our monthly publication aims to become the premium source of timely and accurate business intelligence for local and international investors. 

Company List by License Distribution

Company	Approved licenses		
	National Use	Scientific Research	Exports
Pharmacielo Holdings*	●	●	●
Cannavida*	●	●	●
Ecomedics*	●	●	●
Econnabis*	●		●
Cannalivio	●		●
Pideka	●		
Khiron Colombia*	●	●	●
Medicamentos de Cannabis (Medcann)*	●		●
Cannabis Medicinal Colombia	●	●	●
Cannabis Medical Group	●		●
Colombian Organics	●		●
Med Colombia	●		●
Original Natural and Effective	●	●	●
Santa Marta Golden Hemp*	●		●
Tailormed	●	●	●
Pharmacol Cannabis	●		●
Green Cannahhealth	●	●	●
Biominares Pharma			●
Sativa Nativa	●		●
Vital Green Products	●		●
One World Pharma	●		●
Organic Sativa	●		●
Inversiones Colcana	●		●
Nusierra Colombia	●		●
Biocannabis Life	●		●
Procanmed			●
Colombian Cannabis SAS*	●	●	●
4Front Colombia	●		●
ICC International Cannabis Corp	●		●
Estado Verde			●
Bionatural Solution	●	●	●
Greenfarma	●		●
Colmed Pharmaceuticals	●		●
Wellness Farmacéutica	●	●	●
Lasanta	●		●
Pharma Dream	●		●
Cannabis Buen Destino	●		●
Puriverde	●	●	●
The Green Mile	●		●



Public data retrieved from the Ministry of Health (May 2018)
*: Members of Asocolcanna