

# CANNABIS TREND REPORT

# 2018

2018 has been a huge year for cannabis so far. Epidiolex became the first cannabis-based drug to be approved by the FDA, Vermont became the 9<sup>th</sup> U.S. state to legalize recreational cannabis, California launched their recreational market, Oklahoma became the 30th state to legalize medicinal marijuana, and Canada became the first G7 country to legalize cannabis nationwide. These major developments and trends in the world of cannabis have left many wondering about the state of the cannabis industry and where it will go from here.

## **2017 Recap:**

Last year, we found ourselves asking these same questions; which is why we released the [Inaugural 2017 Cannabis Trend Report](#). Originally published by Salar Media Group (SMG), which has since been acquired by [KCSA Strategic Communications](#), The Cannabis Trend Report and The Cannabis Brand Report will now be produced by [AxisWire](#) and published in partnership with [Green Market Report](#).

In the 2017 report, we highlighted key trends that suggested where the markets were headed. Since then, what have we seen? Let's take a look at last year's trends and see where they are now.

Luxury cannabis brands have taken off, with companies like [Beboe](#) and [TSO Sonoma](#) redefining dinner-party culture. Other high-end cannabis brands have found success by offering specific experiences to their customers, like [Cannadescent](#), or by targeting specific sophisticated audiences; such as [Garden Society](#), which markets chef-inspired, low dose cannabis confections for women.

As more states begin to legalize cannabis, the science behind the substance continues to improve. Most recently, the state of Pennsylvania gave the [greenlight](#) to eight state colleges to research cannabis' ability to treat various debilitating conditions.

With more states than ever doubling down on cannabis research, the sudden influx of interest has given rise to advances in cannabis genetics. Companies like [Sunrise Genetics](#) and [Phylos Bioscience](#) are making breakthroughs in the mapping of the cannabis genome, which will ultimately pave the way for improved cannabis and cannabis-based products.

All across the nation, the craft cannabis market has continued to expand; especially in California. California has included cannabis micro-business licenses to support the craft farmer. With these licenses, small business owners are able to grow their own cannabis on parcels of areas less than 10,000 square feet and act as their own distributor, manufacturer, and retailer.

California is also paving the way with regards to implementing conversation rules into cannabis laws. In December 2017, the state launched the [Water Boards Cannabis Cultivation program](#); which is aimed at addressing potential water quality and quantity issues related to cannabis cultivation.

Although some argue that the state has not gone far enough, programs like the one in California help provide a model to other states that are grappling with the issue of legalized

cannabis and resources, as well as environmental impact.

In the last year, consumer research has become more important to an ever-expanding cannabis industry. Data firms like [BDS Analytics](#) and [New Frontier Data](#) have begun to offer consumer research options to their clients, and newcomers like [Consumer Research Around Cannabis](#) (CRAC) have entered the sector equipped with the largest cannabis consumer database and infrastructure to date. Their entrance elevated the consumer research landscape and has been providing the industry with key market information.

What makes CRAC an interesting case is the fact that its parent company is BLANK, one of the world's largest consumer research firms. With the resources of a global firm at CRAC's fingertips, interesting insights into the lives of cannabis consumers are beginning to emerge.

As far as the continuing battle between state and federal law, the cannabis industry has turned an important corner. Despite the denouncements and declarations by US Attorney General Jeff Sessions, as well as the revocation of the Cole Memorandum, the cannabis industry is nonetheless thriving.

Pro-cannabis states with Republican Senators, like Colorado, have been able to wield their partisan sway over the Trump Administration to great effect; gaining the tacit support from the President for medical cannabis legislation and, at the very least, continued non-interference from the federal government.

With a *relatively* stable environment for cannabis, more and more companies have begun the public offering process. The vast majority of companies are flocking north of the border to Canada, while a pair of cannabis companies have made the riskier stake of listing in the United States. The latest developments in the world of cannabis stock are discussed further down in this report.

The explosion of cannabis stocks and the newfound legality of cannabis in Canada have helped inched the industry toward the day where cannabis will be traded as a true commodity. Already we are seeing the signs of this, with cannabis wholesale platforms like [Leaflink](#) gaining traction throughout the legal markets.

In addition, wholesale benchmark pricing, data and platforms have now been in circulation for a few years by credible analysts such as the team of [Cannabis Benchmarks](#). The infrastructure for full commoditization is close. Even more, actions on behalf of the United States Senate to legalize hemp have helped move the industrial hemp industry one step closer to the world of commodity trading as well, which is the true game changer for global economic impact within the industry.

So what have we seen trending in 2018 and where do we think it will all go?

In this 2018 Cannabis Trend Report, the second annual market trend overview, we'll take you through the biggest developments in the cannabis industry so far this year and provide insight

as to where the market trends suggest they will be headed.

Here are the most significant trends in cannabis for **2018**:

### **The Rise of Women in Cannabis**

They say the future is female, and there are few places where that is more true than in the cannabis industry. Once thought of as a male-dominated industry, women have quickly claimed their place as leaders in this burgeoning industry.

On the whole, women make up approximately 27% of C-Suite level positions in the cannabis industry, which doesn't sound like much until you realize that the national average is only 23%. When you drill down into specific segments of the cannabis industry, you start to see even more women in leadership positions.

For example, among cannabis dispensaries, women make up approximately 35% C-Suite level positions. That number rises even higher for ancillary cannabis, of which women comprise approximately 42% of executive level positions. Canadian medical cannabis company Tilray has the first female majority board of directors in the industry.

But the board room is not the only place in the cannabis industry where women are shining. Over the last few years, there has been a groundswell in the number of cannabis industry organizations made for and by women.

Perhaps the most well-known industry group for women in the cannabis industry is Women Grow. Founded in 2014 by cannabis personality Jane West, the group's original goal was to help make the cannabis industry the first women-led billion dollar industry.

When initially launched Women Grow was massively successful, and soon dozens of chapters began sprouting up all across the country. But in recent years the organization has run into trouble; chapters have been closing and key leaders have left. Women Grow is currently in a transitional period. Hopes for a healthy, strong future have become possible for the organization with a new leadership team in place. However, the obstacles that Women Grow have faced has not stopped others from stepping in and helping fill the void.

There are credible organizations that were created to help women in the cannabis industry in a general capacity, such as Ellementa, as well as organizations such as Industry Power Women that specifically bridge the gap between female entrepreneurs and the resources they require to succeed in business. Then there are others that were created specifically to help women of color, like Supernova Women and Women Abuv Ground.

On the consumer side of the cannabis industry, women are also starting to take center stage. One survey by the Cannabis Consumers Coalition found that 53% of respondents were women, compared to 42% for men. Although the survey did not provide a complete snapshot of cannabis, it nonetheless underscores the growing importance of women as cannabis consumers.

This growing importance has also given rise to an explosion of women-centered cannabis brands. A great example is Garden Society, which offers low-dose, high-end edible cannabis products for women. There are also brands like Treat Yourself, Moxie Meds, Quim Rock,

Mary Jane's Medicinals, Strain Print, Baked at Home, and the list goes on. Perhaps the most famous cannabis brand for women is Whoopi Goldberg's line of medical cannabis products designed to help provide relief from menstrual discomfort, Whoopi & Maya.

Not only are there a growing number of women-oriented cannabis brands, there's also a huge uptick in the number of investment opportunities for women; take for example, the group Pipeline Angels. Since its founding in 2011, Pipeline Angels has helped more than 50 women owned companies raise more than \$5 million. Other services, like Ellevest, help provide the tools and assistance for women to become the investors themselves.

Recognizing the increased power of women investors, some sites have even taken to aggregating women-centered investing resources; such as 37 Angels and Crunchbase.

According to Forbes, fewer than 6% of decision-makers at venture capital firms in the United States are women. In 2016, while male entrepreneurs received more than \$58 billion in funding, female entrepreneurs received 1.46 billion, approximately 2.5% of what men received.

Within the cannabis industry, female investors such as Emily Paxhia, Tahira Rehmatullah and Vivien Azar lead the way in financing the best deals the space has to offer, while providing special attention to promising female entrepreneurs. Lori Ferrara, Gaynell Rogers and Lindi Snyder have come together to form a fund specifically targeting women owned and operated cannabis businesses called Treehouse Global Ventures.

In the short-term, expect to see women take charge and become more of a driver in the cannabis industry. This is a trend that you can see in almost every aspect of the economy, but its presence is felt most in the cannabis industry; where there are fewer entrenched interests than in other industries. The long-term projection for women in the cannabis industry is more or less the same as the short term. Women will continue to grow their power and influence in the cannabis industry and will most likely achieve greater equality than in other sectors of the economy.

## **Cannabis Stocks**

Over the next year expect an increase of cannabis companies to start going public in Canada instead of the United States. Although the U.S. market has great potential in the long run, there are a lot of short term advantages to going public in Canada.

The first, and most obvious reason, is that Canada has legalized recreational cannabis sales.

Sure, nine states have legalized recreational cannabis, but it's still federally illegal. US cannabis companies continuously have to look over their shoulders, hoping that the federal government isn't about to kick down their door and make their business close its doors for good. Not to mention the fact that the entire U.S. market still operates as cash-only, with extremely limited access to banking services.

Put yourself in the position of a cannabis business owner: Would you rather operate in a market that has the \*potential\* of being more profitable but has no access to banking services and puts you at risk of being arrested? Or would you want to operate in a market that carries little legal risk and you can actually open a bank account? For many entrepreneurs, it's a

pretty simply choice.

One company that is not afraid to do business in both the United States and Canada is Sunniva. Headquartered in Calgary, Canada, Sunniva is on the fast track to becoming one of the first cannabis companies to be licensed in both Canada and California, which is one of the world's largest cannabis markets.

Legality aside, there's also the issue listing requirements in the U.S. Companies have to be meet very strict requirements in order to become listed on the New York Stock Exchange (NYSE) or NASDAQ. For example, in order to become listed on the NYSE you need to have publicly held securities that are valued at a minimum of \$100 million. Likewise, companies hoping to go on NASDAQ need a pre-tax income of \$11 million for an aggregate of three years.

Contrast that with the Canadian exchanges, where companies on the TSX only need a pre-tax income from the previous year totaling \$300,000. Those are not the only requirements, of course, but from there you can get a pretty clear idea of how difficult it is to make it on the NYSE or NASDAQ compared to the CSE or TSX.

The vast majority of “cannabis companies” listed on the NYSE and NASDAQ are biopharmaceutical companies, like GW Pharmaceuticals, that aren't *primarily* cannabis companies. The only two companies that are purely cannabis companies that are publicly listed in the United States is Cronos Group and Canopy Growth.

With fewer barriers and fewer risks, numerous companies that previously started as U.S. based companies have begun moving operations north of the border and are making preparations to go public. Some of those companies include Acreage Holdings, Dixie Brands Inc., and MJIC Inc.

In the short term, expect an exodus of cannabis companies either going public or completely moving their operations to Canada and expect them to stay there until the United States finally decides to tackle federal cannabis reform.

## **AgTech**

Agricultural technology in the cannabis industry is undergoing some big big changes and, in 2018, expect those changes to continue to accelerate toward automated, wireless, and efficient. The biggest catalyst for change is the Canadian cannabis market. Cannabis companies across the nation are signing supply agreements with Canadian provinces, and in order to meet those demands they are building massive production facilities.

For example, several months ago the cannabis giant Canopy Growth Corp. recently signed a supply agreement with Prince Edward Island to supply the province with 1 million grams of cannabis annually. Canopy has also signed similar agreements with other Canadian provinces.

To keep up with this demand, Canopy is currently in the process of constructing two massive production facilities; one that will total 1.3 million square feet of growing space and the other totaling to about 1.7 million square feet. Once you figure in Canopy's other production facilities, the company is expected to have over 5 million square feet of growing space; which

is astonishing.

In order to manage all of the space, cannabis companies are looking for ways to improve efficiency and automation. Take [Gavita](#) for example. Gavita is a lighting and hydroponics company that recently became popular with cannabis growers ever since it was purchased by Scotts Miracle-Gro. Gavita's most popular product used to be the 1000W DE HPS system but, as grower's search for better efficiency, the 750W fixture has started to outsell it.

Expect the cannabis industry in 2018 to start moving away from traditional HPS lighting solutions in favor of both LED and Ceramic Metal Halide (CMH) Lighting.

LED lights have been on the market for years now, but it's only been recently that the price of LEDs have become competitive. The big advantage of LEDs comes from the fact that they require less energy, emit less heat, and can manipulate the light spectrum to maximize growth. Some also claim that LEDs can help deter pests and bacteria growth, but there's been little scientific research to confirm these claims.

The breakout star of AgTech this year, however, is going to be CMH lighting. Because of their unique properties, CMH lights are more efficient than HPS lights (350W per lamp vs. 1000W), are cheaper than LEDs, and have on average a Color Rendering Index (CRI) score of 90 out of 100. HPS lights only have a CRI score of between 20-30 and metal halide lights have a CRI range of 60-65.

In terms of automation, cannabis cultivators are looking to reduce as many simple tasks in the cultivation process as possible. Using platforms like [Grownetics](#), cannabis cultivators can track their grows, automate lighting, and utilize big data to understand what works and what doesn't.

Other companies are taking automation to a whole new level. For example, a startup in Boston called [Bloom Automation](#) is currently developing a robot that is capable of trimming cannabis plants. Although the robot is too expensive right now to employ on a massive scale, expect Bloom and other cannabis companies to start seeking similar solutions in both the short and long term.

For the short and long term, expect the world of cannabis agtech to bend towards automation and cheaper, less energy-intensive, lighting solutions. One company already moving in this direction is [VividGro](#). Recently the company launched its first lightweight sustainable light fixture, GroBar, as well as announced the acquisition of home cannabis grow-app [WeGrow](#); which the company hopes to use its technology to help provide more streamlined solutions to cannabis cultivators.

### **Welcome to Hollywood**

Another emerging trend in the cannabis industry is the growing level of comfort between Hollywood and cannabis. Although it's no secret that many Hollywood stars have been known to indulge in cannabis use from time to time, most have been reluctant to publicly open up about their affinity for cannabis. But now that recreational cannabis is legal in California, it seems like every celebrity with even a modicum of fame is rushing to cash in on the legal

cannabis industry.

Before recreational cannabis became legal in California, there were already a handful of daring celebrities that launched their own cannabis brands.

As an ardent medical cannabis advocate, Montel Williams was one of the first celebrities to dive feet first into the cannabis industry. In 2016, Williams launched the medical cannabis lifestyle brand Lentiv; which sells hemp-based CBD supplements and cannabis oils.

Melissa Etheridge was also one of the first celebrities out of the gate; in 2014 she released her own brand of cannabis wine called Know Label. Although marketed as a wine, Know Label is technically classified as a tincture as current California law forbids the selling of products that mix alcohol and cannabis.

To the surprise of no one, Snoop Dogg and Tommy Chong launched their own cannabis brands; Leafs by Snoop and Chong's Choice.

As legalization spread throughout the country, becoming more of a question of when than if, more celebrities have come out of the woodwork. Willie Nelson has Willie's Reserve, Gwyneth Paltrow's lifestyle brand Goop recently teamed up with the cannabis dispensary chain MedMen, and Whoopi Goldberg has Whoopi & Maya.

Not every cannabis loving celebrity wants to start their own brand, however, some just want to consume it. For those famous folk, a whole host of high-end luxury cannabis brands have started to take Hollywood by storm.

To start, the boutique hotel group Standard International has teamed up with the edibles maker Lord Jones to open a retail cannabis shop in the lobby of the Standard Hollywood, located on Sunset Boulevard. Once open, the shop will be stocked with high end cannabis products; both edible and smokeable.

During this year's Academy Awards, the artisanal cannabis distributor Flow Kana became the first cannabis brand to hand out cannabis gift bags at the awards ceremony. Each bag contained several pre-rolled joints and jars of cannabis.

While stoner comedies have been a staple of Hollywood for decades, the same cannot be said of television; that is, until the last couple of years. The web series High Maintenance, which centers on a cannabis delivery man in New York, was picked up by HBO in 2016 and has been met with rave reviews.

Similarly, the streaming giant Netflix has already produced two cannabis-centered television shows, Disjointed and Cooking on High. Although neither show has been met with particularly favorable reviews, the fact that its subject matter is no longer controversial demonstrates the far reaching mainstream appeal of cannabis.

For all intents and purposes, cannabis has gone mainstream in Hollywood. In the short-term future, look for more celebrities entering into the cannabis industry, either with their own brand or as a partner with an existing company. Most of these brands will either fail commercially or simply fail to distinguish themselves; although the brands that lean into the luxury market will

have a better chance of survival. Expect to see more awards shows and elite events embrace cannabis and don't be surprised when joints become as common as a glass of champagne.

In the long-term, however, expect to see cannabis become boring. With more celebrities coming out about their cannabis use, more television shows about cannabis being produced, and more cultural institutions generally embracing cannabis; smoking a joint will no longer be seen as cool or edgy or anything other than normal.

### **Infused Cannabis Beverages**

Infused cannabis beverages are one section of the cannabis industry that is taking the market by storm. As more people turn to the cannabis industry to relax, the number of people looking to do so without having to roll up a joint also increases. To fill that void, cannabis and beer companies have begun developing several intriguing new products for the public.

The California-based Lagunitas Brewing Company is set to release later this month a drink called Hi-Fi Hops, an IPA-inspired cannabis drink. There's no alcohol in this drink, but there's also no calories or carbohydrates either. Hi-Fi Hops will come in two doses: 5mg of THC and 5mg CBD, and the other will contain 10mg of THC.

Not to be left out, Keith and Jodi Villa, the creators of the craft beer Blue Moon, recently announced that they too would be launching their own "cannabis beer." Dubbed CERIA BEVERAGES, the Blue Moon makers hope to create a cannabis beverage as close to the beer experience as possible, but without any of the alcohol or as many calories. To do this, the Villas have teamed up with ebbu; a leading cannabis research company that develops a line of patent pending water-soluble THC and CBD formulated products which they claim can create consistent and specific emotions and feelings.

One of the more interesting entries into the infused cannabis beverage market has been on the part of Constellation Brands. Best known as the distributor for the beer Corona, Constellation decided to make an investment in the cannabis industry, as opposed to launching its own brand outright. Purchasing a 9% stake in Canopy Growth Corporation, one of the largest cannabis companies in the world, Constellation plans on working with the company to develop and sell a cannabis-infused beverage; although no such product has been announced yet. But beer is not for everyone, some people prefer wine; and for those that do, there are a few products poised to hit the market that are just for you.

Aiming to recreate the wine experience as much as possible, companies like Rebel Coast Winery, Cannavines, and the upcoming luxury infused wine collection SAKA, have generated quite a bit of buzz around their lines of cannawine. With more people looking for that infused wine experience, expect the number of THC and CBD wine brands to expand over the coming years.

In the short term, you can expect to see a rise in cannabis infused beverages hitting the market. Many of these beverages will have been developed by long standing beverage makers, like we see with Constellation or Lagunitas. But in the long term, don't be surprised to see more cannabis companies stepping up to either push out or team up with beverage makers to launch their own brands as well. Regardless of who is making it, infused cannabis beverages are trending in a direction that suggests they will be one of the next biggest

opportunities in the cannabis industry.

## **Blockchain & Cryptocurrency**

One of the fastest growing digital trends in the cannabis industry is the use of blockchain and cryptocurrencies. For those of you that may not be familiar, cryptocurrency refers to digital decentralized currencies that are not regulated by central banks or governments.

Blockchain is the underlying architecture that makes cryptocurrencies possible and consists of a growing list of records, referred to as blocks, which are individually linked and secured using cryptography; creating a record that is nearly unhackable. There's a bit more to it than that, but that's the basics.

The first and most famous cryptocurrency is Bitcoin, which has dramatically risen in value since its launch in 2008; especially over the last two years. Short on access to traditional banking services and hoping to cash in on Bitcoin's explosion in value, the cannabis industry has begun to lean hard into cryptocurrencies and blockchain.

In the last year alone, there has been a surge in cannabis ICOs, which stands for Initial Coin Offering. ICOs are currently an unregulated fundraising method, which in this case would be for cannabis companies, that create a cryptocurrency and offers a certain percentage of the new currency to investors for legal tender. ICOs are often also called Initial Public Coin Offering (IPCO).

Aside from the volatile value of Bitcoin, one of the reasons that cannabis companies are starting to get into ICOs and cryptocurrencies is that it is a way to get around the industry's lack of access to banking services. Your run-of-the-mill cannabis dispensary may not be able to open a banking account or take debit card transactions, but there's nothing stopping them from saving and accepting cryptocurrencies as a form of payment.

Two of the leading cannabis-inspired cryptocurrencies are PotCoin and ParagonCoin. PotCoin is one of the original cannabis-inspired cryptocurrencies, initially launching in 2014. PotCoin's goal is to help facilitate cashless transactions in the cannabis industry and to serve as a defacto banking system in the absence of basic banking services.

ParagonCoin, which first launched its ICO in late 2017, has more or less the same goal but with a twist. In addition to helping facilitate cashless cannabis transactions, the creators behind ParagonCoin hope to leverage blockchain technology to provide software solutions, often in the form of seed-to-sale tracking, as well as mix of services like co-working spaces.

In the short term, cannabis-inspired cryptocurrencies will continue to grow as it provides vital services to the cannabis industry; in the long term, however, that may not be the case. Canada is already set to legalize recreational sales of cannabis, and eventually the U.S. will follow suit. Once the cannabis industry becomes fully legal in the U.S., the incentive to use cryptocurrencies will diminish dramatically as businesses once again return to the standard banking system. In fact, the U.S. Senate just passed legislation to legalize industrial hemp and if that happens it would remove the legality roadblock for most of the major banks.

Blockchain, on the other hand, will continue to find use once cannabis becomes fully legal in

North America.

Several cannabis companies are already using blockchain to develop systems for tracking cannabis from seed-to-sale, identity management, and corporate governance. One familiar tech company is attempting to lead the blockchain charge at the moment: [MassRoots](#). Formerly describing itself as the “Facebook of Cannabis,” MassRoots has started to pivot into providing blockchain services for cannabis companies; including seed-to-sale tracking, smart contracts, and identity management.

Other companies, like [Alternate Health](#), are utilizing blockchain technology to improve the quality of electronic medical records. Cryptocurrencies may be sexy at the moment, but in the long run it is the underlying technology, blockchain, that's going to make a difference.

### **International Trade**

Less than a decade ago, the only people engaged in the international cannabis trade were criminal kingpins like El Chapo, but a lot has changed since then. As we creep closer to a world where cannabis is legal everywhere, more and more countries are beginning to trade cannabis on an international scale and in the next year it's only going to get bigger.

Across the board in Central and South America, countries are beginning to either decriminalize or legalize cannabis in some capacity. In the last year alone Peru, Mexico, and Chile have all legalized medical cannabis; additionally, Argentina has also decriminalized cannabis.

Although Uruguay became the first country in the world to legalize recreational cannabis in 2013, not much has happened since then. You can legally purchase cannabis from a handful of pharmacies, and some 35,000 citizens do every day, but there's been little development in terms of a robust market.

Much of the movement in Central and South America has centered around Mexico. Several high-profile figures in Mexico, including former President Vicente Fox, have endorsed full legalization and now several U.S. and Canadian-based firms are starting to make investments in the country. Fox was also just named to the board of directors for [High Times Holding Company](#).

[Khiron Life Sciences Corp.](#) is making a play for the Central American market through sponsorship of the [CannaMexico World Summit](#). Cannabis testing lab operator, [Steep Hill Labs](#), has also announced plans to expand into Mexico. As medical cannabis sales begin to go live in Mexico and the rest of South America, expect more cannabis companies to begin making investments south of the border.

In the European market, there has been significant movement in Germany, which recently legalized medical cannabis. According to a report by [BMO Capital Markets](#), Germany currently does not have the infrastructure in place to support the number of medical cannabis patients that it has.

This lack of infrastructure has led to higher medical cannabis prices and, more importantly, an increase reliance on imported cannabis primarily from Canada. Current retail and wholesale cannabis prices have ballooned to \$25 and \$15 per gram, respectively. At the moment,

Canadian cannabis companies can import cannabis into Germany and sell it for a higher profit margin.

Several companies that have already begun importing cannabis include Aurora, MedReleaf, Canopy Growth Corporation, Cronos Group, Maricann, and Tilray. In the short term, larger cannabis firms will be able to enjoy the temporary boost but in the long term those advantages will erode once Germany gets its medical cannabis market on firmer footing.

Two companies that you should keep your eye on is Aphria Inc. and Canopy Growth. Both companies have started setting up shop in areas that are considered “hub regions” for cannabis on the assumption that the greater market will soon open up over the next several years.

In Europe this hub region is Denmark, Africa has the Kingdom of Lesotho, and Australia is the stepping stone into the Asian-Pacific (as every good Risk player knows). Both companies have established a presence in those areas; and when the time is right, Aphria and Canopy will be poised to strike.

In the short-term, expect to see Canadian cannabis companies starting to stake a claim in the international market. Many international markets have fewer legal barriers than the U.S. market and currently have higher profit margins due to a lack of competition.

The long-term projection is that these margins will start to diminish over the years as more countries begin to legalize cannabis, and as more actors start to enter the market. The companies that establish a firm footprint now will have a distinct advantage over the late-comers, but don't be surprised if domestic operators start to give internationally based companies a run for their money.

### **Music Industry & Cannabis**

Cannabis and the music industry have always had a surprisingly close relationship. Even decades ago, when most Americans saw cannabis as dangerous and evil, many famous musicians remained steadfast and upfront about their cannabis use; like Bob Marley, Jimi Hendrix, and Willie Nelson. Does anyone remember that John Lennon was going to be deported for a cannabis conviction?

In the short-term, this embrace of cannabis may have hurt the record sales for many musicians; but in the long-term it helped plant the seeds for change. We now live in a world where not only is cannabis gaining greater acceptance; but also one where poems written by cannabis authors like Javier Hasse can reach not one, not two, but eight Billboard charts.

Now that recreational cannabis is legal in nine U.S. states and Canada, the relationship between the substance and the music industry has never been closer, as famous musicians rush into the cannabis industry hoping to make their mark.

For the most part, the musicians entering the cannabis industry are the ones you would expect. As previously mentioned, both Snoop Dogg and Willie Nelson have launched their own respective cannabis brands. A large number of rappers have released their own cannabis brands as well. There's Master P's Trees, Ghostface Killah's WuGoo, Kurupt Young Gotti's Moon Rocks, and more. In addition to his cannabis brand Trees by Game, The Game

has been instrumental in helping launch the cannabis-based cryptocurrency Paragon Coin.

But musicians aren't just creating cannabis brands, they're also investing in them as well.

Once again leading the way for famous ganjapreneurs, Snoop Dogg has invested in dozens of cannabis companies through his venture capital firm Casa Verde; including companies like Eaze, Leaflink, and Greenbits. Earlier this year former boxing heavyweight champion Mike Tyson broke ground on a 40-acre cannabis resort in California City, Nevada called Tyson Ranch.

Perhaps the biggest celebrity cannabis investment so far this year was made by rock legend Gene Simmons. In March, Simmons announced that he had purchased a stake in the cannabis company Invictus MD Strategies Corp. for \$10 million. The company also appointed Simmons as the company's Chief Evangelist Office, where he will offer the company marketing and branding advice, to the tune of \$2.5 million. A big change for someone who once professed he didn't smoke marijuana.

Perhaps the most famous musician-inspired cannabis brand is Marley Natural. Owned by the Marley estate, Marley Natural is supposedly based off of the very same cannabis strains that were smoked by Bob Marley himself. It's all in the family with his son Julian Marley's JuJu Royal line of cannabis.

An interesting new platform designed to sell cannabis *and* music was recently released last year. Dubbed "HiTunes Distribution," the platform offers free music downloads of participating artists with the purchase of select cannabis products. Artists start out with specially branded pre-rolled joints that are labeled with a QR code for the music download. If the artists do well, in terms of sales and downloads, then more branded products featuring the artist are released.

It is a novel approach to selling music and cannabis, and it is definitely something worth paying attention to; but only time will tell whether it represents a new form of music distribution or just another gimmick to sell downloads.

Short-term, expect more musicians to come out with cannabis brands; but they may not be the ones you're hoping for to see. Don't expect Taylor Swift or Beyonce to launch a cannabis brand; most of the musician-inspired cannabis brands will likely be less conservative branded artists, some of whom you may have heard of and some that you have not. While country and western songs mention cannabis more than any other genre of music, the artists mostly sing about it instead of selling it.

In the long-term, as cannabis continues to become more mainstream, don't expect to see too much innovation on this front. You might see some of the bigger names in music throw their hat into the cannabis ring, but that's about it. The world of music has always had a close relationship with cannabis, which will probably only strengthen over time; but based off of the current climate, very little else will change.

### **Moving Forward:**

As cannabis companies get more entrenched in various states and those states come to

depend on cannabis revenue, the industry will continue to expand and mature. Some of the biggest changes will occur in the stock market and in the ways large cannabis companies expand to spread their footprint. More U.S. companies will list their stocks in Canada, while the big Canadian corporations will do the opposite and list in the U.S. It will no longer be enough for a penny stock to have the word cannabis in its title, investors will become more demanding in return for an investment in company stock.

On the product side, expect beverage to be the next hot product for consumers. Cryptocurrencies may not capture many consumers for transactions, but blockchain will see much more adoption of the technology. International expansion will become aggressive as countries create fewer barriers to entry.

Women will continue to grow their power and influence in the cannabis industry and will most likely achieve a continued greater equality than in other areas of business. Women in cannabis are proving they aren't going away quietly and are securing more seats at the board table, in the C-suite and on the receiving end of investment capital. Expect more cannabis companies to name more women to high level executive jobs and exemplify for other industries what diversity looks like and how it benefits the bottomline.

Legislatively, there will be change for cannabis before 2018 ends. What form that will take is hard to predict especially with such an unpredictable and erratic-behaving administration. Still, change is expected and whatever that change is, it will be for the positive. These positive changes will send ripple effects throughout the industry as it grows and continues to mature into a force to be reckoned with, equal to some of the most lucrative industries operating globally.