



Entering the Fold: CBD and Cannabis in Latin America

2019 Report



Introduction

As Canada, Europe, and the United States make advances in CBD and cannabis, there have been growing conversations around Latin America and its potential to be the next booming market. The region, however, is not structured in a way that primes it for either industry. Europe, similarly, is vastly fragmented when it comes to CBD and cannabis regulations, political environments, and consumer behaviors. With a higher income per capita and more developed regulatory infrastructures, it is not surprising that even a fragmented continent like Europe can adopt CBD and cannabis quicker than Latin America.

So, why is Latin America different?

Latin America has a complicated history with cannabis due to years of violence stemming from drug trafficking in the region. While many Latin American governments are finally taking steps to create legal markets for cannabis and CBD, business opportunities for domestic retail sales are still limited in the majority of the region. On the other hand, CBD products provide a welcome alternative for countries with a high level of stigma towards marijuana and the importation of non-psychoactive oils avoid competition with or diversion to the illicit market.

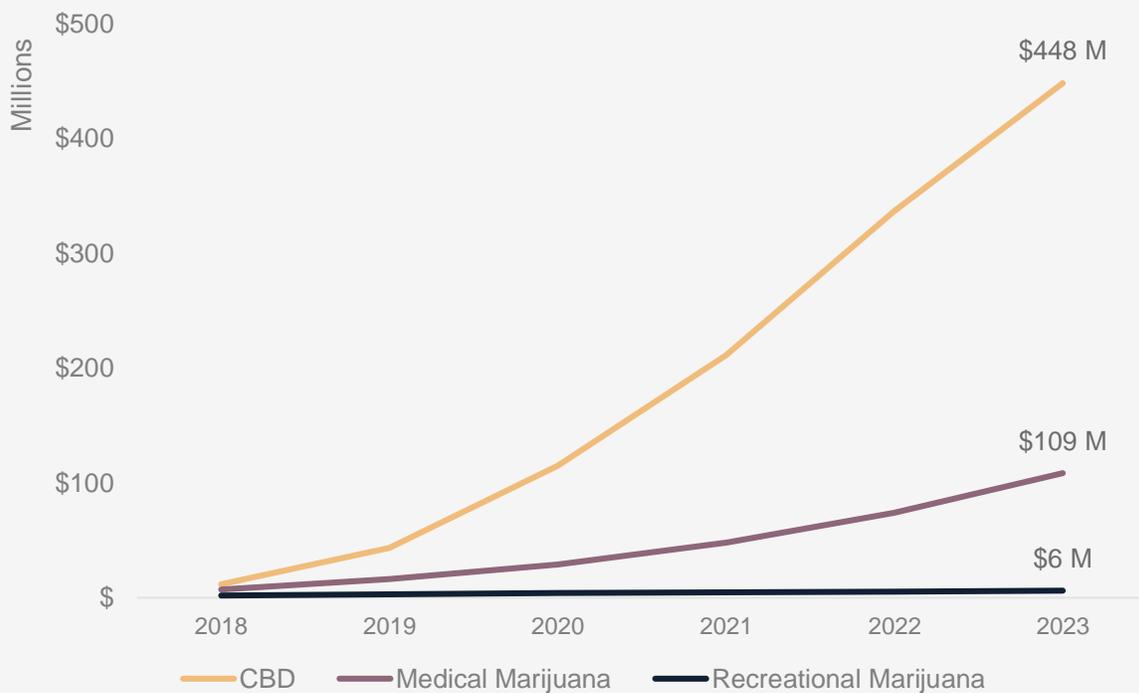
From decriminalization and home grow, to medical programs and CBD, there are a lot of moving pieces across the entire region of Latin America. Each country has its own culture and politics to take into consideration and it is likely we will see promising numbers from both cultivation and retail in the coming years.

What will the Latin American Markets Look Like?

Currently, Latin America does not present a strong opportunity for cannabis-derived products relative to North American and European markets. This is driven by low average household incomes, paired with patients' freedom to grow their own cannabis in many countries, and strictly regulated medical markets. With many medical programs still reliant on case-by-case patient approvals or personal importation of products, a robust medical market is still yet to be seen. However, demand for medical cannabis treatments is growing and advocacy groups and foreign cannabis companies are working to educate the medical community and push for more accessible regulations and markets.

The near-term opportunities for CBD in Latin America are more promising than for marijuana, as the continent struggles to shake the stigma and negative legacy of the war on drug and powerful drug cartels.

Sales in Latin America



Which Countries are Leading the Way?

Mexico

The opening of the retail market to products with less than 1% THC has in effect created opportunities for the retail sales of CBD products, and several licenses for the commercialization of such products, ranging from tinctures to capsules to topicals, have been granted and are awaiting import approval.

In February 2019, the National Supreme Court of Justice declared unconstitutional the prohibition of marijuana consumption. Therefore, people interested in cultivating and consuming cannabis, either for medical or recreational purposes, can request legal protection as long it is intended for personal use. Further legislation is pending in late 2019, with potential to bring more commercial opportunities to the recreational market in Mexico.

Market potential for Mexico's cannabis market is minimal in the immediate term, with room for only a handful of players to enter. Foreign companies will have high start-up costs and barriers to entry in negotiating with COFEPRIS (Federal Commission for the Protection against Sanitary Risk), paired with the burden of patient and physician education in an environment where the applications of high-THC oils and medicines are not well-understood. Companies considering entering the Mexican market must take care to price their products appropriately, since cannabis is available for home grow and readily available on the illicit market.



Colombia

CBD products are legal in Colombia, with sales allowed through government-licensed retailers. Media attention has surrounded medical patients' fight for access to CBD oil, which has helped inform the general population about the health benefits and medical uses of the cannabis plant and its derivatives. However, prices of CBD products in Colombia remain prohibitively high, which threatens the development of the CBD industry in the country. While high-cost tinctures and skin care products ranging from USD\$10-30 are likely to appeal to Colombia's upper-middle- and high-income groups, these groups account for only 12% of the Colombian population. On the other hand, Colombia has the advantage of local production, which eliminates additional import fees and costs, which drive high CBD prices in other countries in the region.

There could be significant growth opportunities in Colombia for companies looking to cultivate cannabis and export from Colombia. In 2018, Colombia received a production quota of 40.5 tons from the International Narcotics Control Board (INCB), nearly half of the total of 91.9 tonnes authorized globally. This figure has since been downgraded to 1.2 tonnes in 2019 – a more realistic expectation of the capability of this nascent industry – but expectations are still high for the rapid growth of the cannabis cultivation sector in Colombia. In addition to the country's favorable weather and soil, its proximity to the equator allows for nearly 12 hours of daily sunlight year-round.

Brazil

Brazil has allowed the import of pharmaceutical products derived from cannabis on a patient-by-patient basis since 2015. In 2015, the Brazilian Health Regulatory Agency (ANVISA) approved the import of hemp oil with a doctor's prescription and an approved ANVISA import permit. At the end of 2018, there were an estimated 6,000 registered medical CBD users in Brazil, with others accessing CBD through illicit channels.

The market potential for CBD products in Brazil is huge. We believe that prescriptions for CBD will soon be allowed as a solution to more medical conditions, and eventually, the country's regulators will treat the cannabinoid as a supplement (as in the U.S.).

In 2017, ANVISA granted a license for the local commercialization of Sativex (from GW Pharmaceuticals), which is distributed in Brazil under the name Mevatyl by Beaufour Ipsen Farmacêutica.

Mevatyl is expected to remain consumed by a small group of patients with multiple sclerosis. The high unit prices of the product will continue to limit its appeal to a wider base of potential users.

The expectation is that approved high-THC products will be limited to oils and sprays, and that the Brazilian government will not take any significant steps toward increased product availability in the near term, particularly for products that are reasonably priced for the average Brazilian.

Which CBD Products Will Be the Most Popular?

Similar to the United States, topicals as well as skincare & beauty products are likely to be long-term leaders in Latin America. They are currently available in Colombia and will be on the shelves in Mexico by the end of 2019 or early 2020.

The current landscape for CBD products in Latin America is mostly limited to tinctures, which are used to address specific medical conditions such as epilepsy. However, as retail markets continue to open, topicals and skincare & beauty products will appeal to a broader range of mass-market consumers looking for more general health & wellness and functional products.

The lower price tags on lotions and skincare products will also help these gain traction among a larger segment of consumers, especially given the low per capita income in the region relative to other market like the U.S. and Europe.



source: kuidaskincare.com

Which Companies are Active in the Region?

Though commercial opportunities for the retail sales of marijuana and CBD remain limited in the region, several companies are investing in acquisitions in order to obtain licenses for cultivation, export, and commercialization or to establish local operations in Latin American markets. While some companies are looking to better position themselves for the potential expansion of Latin American markets, others are hoping to take advantage of low cultivation costs to supply cannabis flower and derivatives to export markets. International companies such as Canopy Growth Corporation, Khiron Life Sciences, Aurora Cannabis, and Medical Marijuana Inc. are investing in expanding their footprint across the region.



About Brightfield

We are a predictive market and consumer intelligence firm focused on the legal CBD and Cannabis industries. Our analytic solutions leverage data from millions of sources, enabling our customers to get the most holistic view possible while drilling down into the fine details. We provide comprehensive, up-to-date, and actionable insights that turn the best of technology and research into long-term business growth.

Our Methodology

Traditional market research companies cannot operate in the world we live in today. Data needs to be accessed from all sources available and filtered through a multi-industry lens in real-time, to provide companies impactful answers to their most difficult questions.

We take a researcher's rigor – quantifying, validating, and analyzing all information available – and meld it with a technologist's innovation – synthesizing real data, from real people – to get ahead of trends and provide each of our customers the most relevant answers possible.

To learn more about our Consumer Exploration, Market Insights, and custom business solutions capabilities, [please click here.](#)