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**CHINOOK TYEE INDUSTRY LTD**

# **GERMANY'S CANNABIS MARKET:**

# **HIGHLIGHTS & INVESTMENT OPPORTUNITIES**

# GERMAN MARKET OVERVIEW

Germany is Europe's economic powerhouse and has the largest potential cannabis market on the Continent. While recreational cannabis is illegal, its consumption is tolerated in many regions. Change is afoot, however: the head of the police union called for decriminalization in early 2018, and the courts are becoming more lenient as attitudes towards cannabis shift.

## JUST WHAT THE DOCTOR ORDERED?



*Germany is still developing a countrywide medical cannabis program. Once the program is implemented, it will most likely be the most comprehensive of its kind in Europe, if not the world.*

Medical cannabis in Germany was legalized in March 2017. In the two years since then, Germany has become Europe's largest medical cannabis market. This is despite wariness on the part of medical professionals and insurers towards cannabis due to lack of scientific information, perceived associations with criminal activity, and fear of reputational damage.

Institutional attitudes will shift rapidly once cannabis-leading countries, particularly the US, adopt federal laws allowing recreational consumption and banking for cannabis companies.

# FAST FACTS: GERMAN DEMOGRAPHICS & SPENDING



Total population: 82.2m (2016)



GDP: €3.1t



Cannabis users: 3.3m



Estimated medical cannabis patients by 2024: >1million



Average price of cannabis: €9.40/gram

**COMMERCIAL  
CANNABIS  
MARKET  
POTENTIAL:  
2028 FORECAST**

**€16.2b**

# MOVING THE NEEDLE

Health insurers operating in Germany must cover the costs associated with cannabis-related care and treatment programs. So far, insurers have approved over 60% of claims submitted. The sale of most pharmaceutical cannabis products in Germany, including Sativex, Dronabinol, and Nabilone, is allowed as are prescriptions for cannabis flower.

The price to the patient is as high as €30 per gram and pharmacies charge around €7 per gram to grind medical

cannabis for licensed patients. Solid research findings that prove the efficacy and, more importantly, cost-cutting potential of cannabis treatments will turn insurers into influential advocates.

The World Health Organization's reclassification of cannabis as a drug would have a similar, positive effect. Meanwhile, the government has prioritized its research and development of cannabis treatments for epilepsy, which affects more than 540,000 Germans.



## OPPORTUNITIES AROUND

...But only for large-scale, lower-cost producers.

Cannamedical Pharma estimates that in 2018, some 30,000 patients were cared for with supplies of medical cannabis imports totaling 22,000 kg. In anticipation of an 18-month shortage as supply catches up with demand, lower-cost international producers are entering the market before full-scale domestic cultivation ramps up.

# WANTED: TECH KNOW-HOW

As German insurers and health providers modernize their IT systems, cannabis applicants armed with both innovative smarts and knowledge of European banking, IT and data security, and privacy laws will be in demand.

## Canadian cultivators dominate the German market:

Legislation enacted in 2017 resulted in 11 production licenses being awarded to Canadian LP's Aurora, Alphria and Wayland in 2019.

# CHALLENGES: HIGH COST OF ENTRY

Companies looking to enter the German cannabis market should expect to invest between €30m - €60m to cover licensing and fees.

Applicants need to demonstrate proof of experience in cultivating and producing high quality cannabis that also meets Germany's stringent federal requirements.

## Seed to Sale:

Cannabis importers must be able to trace their products back to the source of any cannabis product's origin, which must be GMP-certified. Exporters to Germany are required to be medical-grade producers licensed by their home country.

# WATCH THIS SPACE: SOUTHERN EUROPE

Snags in the federal licensing process have enabled German-multinational joint ventures to quickly ramp up their cultivation and production efforts throughout Europe, particularly in **Portugal** and **Denmark**.

German-Canadian partnerships are looking to invest in cultivation facilities in Italy and Greece.