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MEDICAL CANNABIS LATIN AMERICA 2022 SPECIAL REPORT







THE BUSINESS YEAR

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If the goal of transforming medicinal practices through the use of cannabis can be equated to building a tower to reach the heavens, the myriad regulations surrounding the industry mirrors the confusion of tongues.

It is not by chance, then, that Latin American cannabis entrepreneurs exhibit exceptional levels of sophistication in their approach to compliance. Navigating protocols cross border has made cannabis companies agile, resourceful, and accountable. Take Colombian exporters—the national decree that legalized the export of dried cannabis flower for medical and scientific use has opened a floodgate of opportunities. Yet, while Israel and Australia permit the import of the flower, Brazil only allows imports in extract form. Mexico, on the other hand, only allows the imports of non-THC cannabis. Indeed, each market has a unique set of import requirements.

That said, the global tendency is pointing overwhelmingly toward legalization. And now that the market conditions are beginning to look favorable, the companies that grew amidst challenges are ready to reap the rewards.

Companies that based their revenue models on CBD topicals are tapping into more robust sale streams, such as dry flowers, which account for more than 50% of the global market. This past year was one of breaking even for cannabis producers, yet the projections at board meetings are as bullish as they were in 2018.

The way laws are developing is encouraging for Latin

America, a region poised to become the uncontested global supplier of cannabis. The product offers opportunities for territorial development, employment generation, and scientific spillover that are unmatched by other industries. Latin American governments are waking up to the great opportunity for economic growth that is available through cannabis. For a region where agriculture is strategic, it is easy to envision the boost that the industry could receive from cannabis. The sector in Latin America could be worth USD840 million by 2024.

In order to tap into this potential, Latin American cannabis entrepreneurs from all verticals and countries must be open to work collaboratively. Fortunately, this was a willingness expressed by the entirety of the interviewees we met for *Special Report: Medical Cannabis Latin America 2022*.

Medical professionals spoke about how differing access to research worldwide inspired knowledge transfer between countries, while legislators across Latin America mentioned how they are taking in the experiences of neighboring countries to maximize efficiencies. Cannabis entrepreneurs understand the value of supporting one another, and common roadblocks have encouraged solidarity and a sense of partnership.

The cannabis industry is being hailed as an industry of the future. Thankfully, the principles exhibited by industry leaders suggest that the industry is driving toward that future sustainably. ✖

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Flowering buds pictured in this cannabis plant closeup. The flowers, which are later harvested and dried, contain the cannabinoids and terpenes, which are used in a variety of medical applications.





THE RIGHT DIRECTION

Steve DeAngelo
INDUSTRY EXPERT & CO-FOUNDER,
HARBORSIDE INC.

In addition to focusing on the distribution of medical cannabis, Harborside Inc. is also concerned with raising greater awareness of its benefits and dispelling outdated misinformation.

BIO

Steve DeAngelo is a pioneering cannabis entrepreneur, activist, author, and on-screen personality. He co-founded several iconic cannabis businesses and organizations: Harborside, one of the first six dispensaries licensed in the US; Steep Hill Laboratory, the first dedicated cannabis lab; the Arc View Group, the first cannabis investment firm; and the National Cannabis Industry Association, the industry's first trade association. He currently serves as Chairman Emeritus of Harborside Inc., a vertically integrated California cannabis company. In recognition of these pioneering accomplishments, in 2015, former Speaker of the California Assembly and Mayor of San Francisco the Hon. Willie L. Brown called DeAngelo the "Father of the legal cannabis industry."

How do you evaluate Latin America in terms of its potential for cannabis production?

The potential is huge; whether or not it will be realized is largely a matter of regulation, especially in Colombia and Mexico. Mexico has a huge role to play in the Spanish-speaking world; unfortunately, it was not able to claim that role because of the senate and the congress in Mexico were unable to come to agreement on a set of regulations for medical cannabis. There are literally hundreds of companies that have made large investments trying to position themselves in Mexico only to find out they were unable to go into operation and recoup their investments. Hopefully, we will see a breakthrough there soon. The same is true in Colombia. It has the ability to grow some of the very best cannabis in the world because of its microclimates. However, local regulations seem to follow a traditional, neocolonialist model. Early on in the industry, the idea was to extract large volumes and send that extract to Europe to be then turned into value-added products. What needs to happen in Colombia and throughout the region is for cannabis to be viewed as more than just as an export product. Cannabis can help Latin Americans the same way it has helped people all around the world and develop a country's economy. I would like to see more of a domestic market in Colombia and the creation of value-added brands. Given the incredible global reputation of Colombian cannabis, there could be a whole variety of consumer-packaged goods made locally so that the additional value is retained within the country. My wish is for the regulations in Colombia to move more in that direction.

What should companies do to encourage change at a regulatory level in their countries?

The most important thing to encourage change in Latin America is to have a more broad-based, popular conversation about cannabis. Both in Colombia and Mexico, the conversation about cannabis has largely been top down. In Mexico, the law changed because of the result of a supreme court order to the legislative branch. In contrast, in the US where the movement began, the only way we were able to affect change was with the initiative process. I have done work with Initiative 59 and 64, and they are processes whereby citizens can collect petitions, put a law directly on the ballot at elections, and vote for that law. The only way we were able to gather signatures for our petitions was to stand in front of grocery stores and gas stations and talk to people, explaining the uses of medical cannabis and changing their attitudes. It took many years of such broad-based popular conversation to get to the point where we had politicians willing to take a chance to work with us. The key is to have this broad-based popular conversation.

How should efforts to educate and overcome misinformation be coordinated?

The starting point is an understanding about the size and magnitude of the educational challenge. For years, people everywhere have been lied to about cannabis by the people they should be able to trust the most: their health departments, governments, and universities. The misinformation about cannabis is deeply ingrained. In addition to that is the fact that the issue is extremely controversial. It is extremely important to develop trusted messengers for the educational message for cannabis. We added to our team a wellness practitioner who was extremely enthusiastic about cannabis. She has met with the administrators of nursing homes and started serving on the aging commission of the local county that we are in and developed trusted relationships. Once those relationships were established, we were able to get the truth about cannabis out. It is a process that takes some time, and it is important to develop trusted messengers. ✕



JOINT EFFORT

Juan Manuel Galán
FORMER SENATOR,
COLOMBIA

Given the immense potential for many regions in Colombia to benefit from medical cannabis exports, the country must move quickly to develop well-regulated and defined policies.

BIO

Juan Manuel Galán was Senator of the Republic of Colombia for three periods (2006-2018). He studied political science at Institut d'Études Politiques de Paris and also holds a master's in international politics from the School of International Studies. He was the author and rapporteur of the law that regulates the use of medical cannabis in Colombia and currently seeks to revive New Liberalism, a party founded by his father in the 1980s.

What advantages does the Colombian cannabis ecosystem have from its first-mover advantage?

It is a great achievement to be able to export dry flowers. The industry was hit hard during the pandemic, and the possibility of exporting raw flowers was eagerly anticipated by everyone in this ecosystem. New medical cannabis companies appeared in Colombia after the regulations. However, the industrial cannabis regulation will also be a great advantage. The main problem is finding the right seed that can be developed in Colombia for industrial cannabis. Still, the outlook for the sector and its development are extremely optimistic.

What is the strategy to support medical cannabis and alternative medicine through policy?

The main objective is to develop medical cannabis for the provision of medicines for Colombia's public-private healthcare system. Access is key, as well as price regulation. Colombia has a large domestic market, with more than 50 million inhabitants that can benefit from this regulation; however, the National Food and Drug Surveillance Institute (INVIMA) and regulatory institutions need to move forward more quickly on food and many other processes. There is a need to bring cannabis more into academia and university curricula, so that it will be destigmatized and doctors will choose it as an alternative to opiates.

In what ways can Colombian communities benefit from a blossoming cannabis industry?

Rural areas of Colombia lack many possibilities for developing economic growth. The cannabis industry has a significant opportunity to increase the value of exports of technological transfer capacities, science, and innovation, providing greater added value to exports from rural areas. The medical cannabis industry

has opened that window of opportunity for Colombia and many other similar countries.

Based on your experience, how would you advise jurisdictions in the region to approach cannabis regulation?

The key aspect is to think about the patients. The center of the legislation we moved forward in Colombia is access for patients who are in pain, suffer that feel chronic disease, and ensuring a fair price and quality control also for small growers. Scientific research is also a main component of our legislation, namely stimulating scientific research, innovation, and development. Establishing cooperation for knowledge transfer and building on the experience of partner countries is also crucial. We want to send the message that Latin American countries want to cooperate and develop the cannabis industry jointly.

What are the benefits in terms of reducing violence and corruption, which are linked to the formalization and regulation of controlled substances?

Criminal and illegal structures in Colombia are created and supported logistically by the criminal business of drug trafficking. Therefore, if we move forward with regulating drugs, we will eradicate the main support of these violent groups in the territory and invest more financial resources there. It will be a challenge, both diplomatically in terms of relationships with other countries and domestically with politics, to make it a reality. We need a strategy so Colombia can have talks at least bilaterally and multilaterally and have a discussion about these issues so we can move forward. We are paying the price of violence and corruption in Colombia.

How would you advise business leaders to approach the industry?

For the cannabis industry, in the long haul, we need to focus on quality, scientific research, supporting small growers, focus on patients as the most important thing, and ensuring their access to a fair price cannabis of good quality. We want the industry to use water, electricity, and the environment responsibly and have social responsibility, such as employing the youth and women, which are the two main populations most affected by the pandemic and unemployment. These are some things that we have a vision for in the cannabis industry in the future. ✖



SETTING THE STAGE FOR SUCCESS

Rodrigo Arcila Gómez
PRESIDENT,
COLOMBIAN ASSOCIATION OF CANNABIS
INDUSTRIES (ASOCOLCANNA)

Asocolcanna is working to ensure the best environment for companies to succeed further and encourage investment in medical cannabis in Colombia.

BIO

Rodrigo Arcila Gómez is an industrial economist with postgraduate degrees in marketing, financial management, and development economics. He is a doctoral candidate at the faculty of economics of the University of Belgrade. He has acted as a consultant for both the private and public sector for over 13 years and is currently chairman of the board of the pharmaceutical chamber, ANDI. He has served as executive president of Asocolcanna since 2018.

What characteristics place Colombia as a leader in industrial and medicinal cannabis?

Colombia is working hard to be a leader in the cannabis industry, and the companies in Asocolcanna are committed to making the country one of the best players in the international markets. We have 31 companies that are part of our association, and the future of these companies looks extremely promising given their commitment to growth, the market conditions, and the regulatory framework. The fact these companies have international ambitions is encouraging for the development of the industry.

What does the association do to bring together the public and private sectors in order to boost the development of the sector?

Over the last year, we worked closely with many government ministries to coordinate requirements and establish local regulations for cannabis growth and commercialization. In July, President Duque signed Decree 811, which enables the development of the cannabis industry. The ministries passed the regulation to implement the decree, and those ministerial regulations were ready by the end of the year.

What are the most pressing needs for Colombian cannabis companies?

Asocolcanna has to continue working to develop the industry. We have positive expectations with Decree 811, though there are more targets to reach. One of the most important things that companies must accomplish is becoming certified for good quality processes, which is essential to sell to other regions. We have to continue to work to facilitate financing and access to the banking system for companies. We need more companies to start working in R&D. The main priorities right now are investing in R&D, reach-

ing global quality standards, and accessing financing.

Asocolcanna was founded in 2017. How has the association evolved since then?

We have developed in a positive way. We are working hard with the government to create a cannabis cluster and have more than 120 strategic agreements with companies in each step along the chain. We have to create the best scenario for companies to develop in Colombia or continue to grow here. We want to encourage more businesses to invest in Colombia and are working hard to ensure every investor has an extremely positive environment to operate in.

What other factors are needed in Colombia to increase access to the use of cannabis for treatment of chronic pain?

This is evolving step by step. There are many institutions willing to research such treatments, and it is important for Colombia to advance in this area in order to become a leader in the use of these treatments. It is important to invest in research and development because we are at a nascent stage. We need to establish alliances with institutions to authorize the development of cannabis.

What is your outlook for the growth of the sector in the region?

We are in talks with other countries in Latin America such as Ecuador, Chile, and Mexico, for example. We recently created a regional association of medical cannabis in Latin America in order to expand this industry across the continent. We will share experiences and better understand developments in other countries. There is an opportunity here to create a positive scenario for the entire continent.

How does Asocolcanna support its members, and what are some of the actions that you take?

We have an extremely specific way of working. We include all the technician workers of our members and bring them together to create a committee to share their knowledge with the government. We prepare the information to be presented to the government to make the industry more competitive. In 2022, we will place greater focus on education services for our members. We have training programs to better educate workers and companies. We also have networking events planned for 2022. We will have some online events, though we plan to return to in-person events as well. ✖



OPPORTUNITIES ABOUND

Andrés Luque
EXECUTIVE DIRECTOR,
ASOCIACIÓN ECUATORIANA DEL CANNABIS (ASECANNA)

Seeking for Ecuador to play a bigger role in the burgeoning medical cannabis sector, Asecanna is optimistic that the country has much to offer the world.

BIO

Andrés Luque is an agronomist from EARTH University with an MBA from Universidad Técnica Santa María de Valparaíso. He has extensive expertise in agricultural projects, having served as undersecretary of agriculture under Minister Xavier Lazo and in charge of writing the regulation for the novel hemp industry. Now, he serves as Executive Director of Asecanna.

How can Ecuador achieve a significant slice of the global cannabis market?

Ecuador has many advantages. Many thought we were entering the industry late, though we came at the right moment seeing what Colombia and Uruguay had missed at the regulatory level. Another big advantage is that we are in the hemp industry, with less than 1% THC. We want to take a step away from marijuana for the first few years to see how that market develops. We first want to develop the hemp industry correctly, and that includes smokable flower for CBD, all CBD products or other cannabinoids such as CBG, and others that are coming. We are also looking closely at the development of the grain industry, such as hemp seeds for human consumption. In the mid to long term, this could be an industry that could substitute maize, for example, in the animal protein chain. One advantage that Ecuador has is that the Ministry of Agriculture is involved, and the country views it as an opportunity to change crops. Hemp is transversal in many uses, so we want to look into how those industries can develop with the regulatory advances that we have made.

What is your assessment on the pros and cons for both medical cannabis and industrial hemp genetics?

Once you are in the medicinal market, you are more focused on serving those who are ill. We hope that CBD goes international, like a food supplement—that is what we are betting on. If Ecuador was able to offer its entire industry at this point—with 2,000ha and three to four harvests per year—it would easily be able to satisfy global CBD needs. However, if cannabis enters

the mainstream industry like Coca-Cola and other big players on that level as food supplements, we are talking about a potential 15,000ha, which is where Costa Rica, Paraguay, and many other countries come in with their own regulations. In that situation, there would be a market for us all to share. Industrial hemp genetics is a race that everyone is participating in. In Ecuador, the Ministry of Agriculture also has a license for genetics development, which makes things easier. Some interesting players, mainly from Spain and other countries where such activities cannot be done, are coming to Ecuador, so we are bound to see a significant development in the coming years. On top of this, government institutions such as INAP have to get involved in such developments.

How can medical cannabis impact or improve the sector?

We expect to produce the highest quality cannabis with a smokable flower. The thing is determining how sustainable and large that market is. We have to look at the regulations and how much that market is actually worth. We have seen data from Uruguay, which is exporting it, and although the prices are competitive, the volumes are extremely small, so we hope the market will increase and that we can grow with it. We are fairly sure we have the best process in the world, which results in the best cannabis in the world. At an economic level, we have every advantage on our side.

How would you compare Ecuador's framework to other countries in the region attempting to establish a medical cannabis industry?

It is an advantage that we were not the first to start. We have spoken to the players in Canada, Uruguay, and Colombia that said they over regulated initially. Colombia has made some significant amendments to its regulations. The advantage is that Ecuador is regulating with a ministerial agreement. We have already spoken to the authorities from the Ministry of Agriculture in terms of where small adjustments can be made to outline the rules more clearly. However, as they stand, even if no changes are made, it is still an advantageous framework. ✖



01

Doing Business

OUTSIDE THE BOX

Don't try to reinvent the wheel—the old adage applies to any business or dealing universally, but its application to cannabis comes with a small asterisk. Cannabis entrepreneurs are designing best practices as they go along, and the industry rewards thinking outside the box. Cultivation techniques are drastically different from what they were only five years ago. Both procurement and prospecting are being revolutionized by technology. To top it off, the industry's international component means that entrepreneurs are having to lean even further on risk and creativity. Because the industry is so nascent, there is no blueprint available.

This means that industry collaboration, through consulting, partnerships, and advisory, is especially important to avoid pitfalls. Creativity must be anchored on sensible business principles so that strategy can be brought to fruition. After the big boom spurred by early industry enthusiasm, the dust is now settling. Only those players with robust business rationales are surviving through bearish waves. To prevent impulsiveness, industry dialogue and a sense of camaraderie can guide decision making. For this reason, the Latin American cannabis ecosystem is exceptional in terms of the quality of its associations and unions. Companies are active on industry forums, and associations conceive support beyond guidance and pedagogy,

offering a sense of having a shared mission.

A key aspect of collaboration is specialization, understanding that value propositions are distinct, that there is space for companies to operate in parallel, and they can serve different market needs. As the cannabis industry progresses and matures, companies are finding where they fit within the industry and playing to their strengths. Cannabis for API manufacturing must necessarily be different from cannabis destined for food and beverage, or for OTC brands. Given the vast number of uses for cannabis, it is an encouraging sign that producers are de-commoditizing the plant. Variety, in genetics and cultivation systems, is indicative of an industry that is sophisticated. More importantly, it is indicative of an inclusive industry, where every type of B2B necessity can be served.

Latin American cannabis producers are snowballing—with every year that passes technification fine tunes processes. Being a cannabis entrepreneur requires accepting change, and the true value of that openness is visible in cannabis in a way that is not easily seen elsewhere. The way cannabis business is done today will undoubtedly be different tomorrow. However, what is certain is that the industry, thanks to its commitment to innovation, is geared toward long-term efficiency and mutual goals. ✕



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