

Inside the Walmart of Weed: From rural Canada, Big Marijuana seeks to dominate global market

By [Naomi Martin](#) Globe Staff, November 23, 2019, 5:16 p.m.

SMITHS FALLS, Ontario — The skunky, floral smell of growing marijuana is everywhere, from the parking lot outside the cavernous warehouse, to the lobby, even inside the coffee nook where employees take a break.

The building itself is a chocolate brown box that once housed a Hershey's candy factory. In just one wing, a labyrinth of white halls links seemingly endless rows of windowless rooms, some the size of a school gymnasium, with fields of cannabis inside growing under bright white and yellow lights.

Workers wheel carts piled high with bales of green buds. In large open-floor production rooms, assembly lines of machinery pump out pot products, scores of perfectly rolled joints from the silver fingers of one, slews of red pills for medical marijuana patients in Germany spilling from another.

Welcome to the Walmart of Weed.

With Canada the largest nation to completely legalize marijuana, the world's most valuable pot company, Canopy Growth Corp., has set up shop in this rural town seven hours northwest of Boston. Founded in 2013 and now worth about \$6.4 billion, Canopy is one of the most watched and most controversial pot companies, the embodiment of Big Marijuana that critics contend uses size, market power, and lobbying prowess to accelerate the loosening of cannabis laws around the world and shoulder out competitors and smaller businesses.

"We're seen as 'corporate cannabis,' the big kid on the block," said D'Arcy McDonell, a Canopy spokesman, as he conducted a tour of the factory earlier this year. "What makes it corporate cannabis? Success, basically."



A cart full of bagged marijuana was rolled through the corridors at the Canopy Growth Corporation headquarters in Smiths Falls, Ontario. LANE TURNER/GLOBE STAFF/GLOBE STAFF

Already Big Alcohol, Big Tobacco, and Big Pharma have bought their way into Canopy and other marijuana companies. And, like those longstanding giants, the new cannabis corporations are spending millions of dollars lobbying for laws that let them sell large volumes of potentially addictive products. Even in the Holy Land of marijuana — Jamaica — Canopy and other Canadian companies have contracted with local businesses to gain a foothold in the nation's new medical market, anticipating a day when they can export ganja from the home of Bob Marley, while small traditional cannabis farmers [are struggling to meet](#) regulatory requirements.

"We're seeing almost exactly the same thing" with marijuana as with tobacco and alcohol, said Dr. Sharon Levy, who runs the adolescent substance use program at Boston Children's Hospital. "Honestly, at what point do we say, 'We're not going to allow people to get rich on the health of other people?'"

As with cigarettes, advertising for marijuana is sharply limited in Canada and the United States. But pot companies have found ways around such rules using sleek videos on social media. Canopy, for example, has announced ventures with celebrities Drake, Seth Rogen, Martha Stewart, and Snoop

Dogg. Its new line with Drake [was promoted](#) on the rapper's Instagram page, which has nearly 62 million followers.

Massachusetts has tried to limit corporate domination in the pot business. But as the Globe Spotlight Team [reported earlier this year](#), some bigger pot operators have [tried to skirt](#) the state's cap on licenses and exploit the mandate to foster a diverse industry by recruiting minority entrepreneurs to serve as the local face of the company while [maintaining substantial control](#) over the businesses. Companies have [also hired](#) former politicians and consultants to help them win coveted permits from municipalities.

Canopy executives say the nascent marijuana market has room for all types of businesses, while insisting its size is an asset: The company can produce enough marijuana to meet the growing demand at prices that keep consumers from buying on illicit markets — a crucial need for legalization to succeed; it also has the wherewithal to impose the tight quality and security controls governments require of a regulated drug.

“There’s a lot of good things we can do with our scale and our size,” Canopy chief executive Mark Zekulin said.

As countries around the world loosen medical cannabis laws — with global consumer spending on legal pot [projected to hit \\$40 billion by 2024](#) — the jockeying for primacy in this growing industry is largely among a handful of large Canadian companies.

In recent years, Canopy started exporting medical marijuana to Germany and Australia, and is building a hub in Denmark to supply Europe. The company also has operations in Colombia, Brazil, and southern Africa. And this year, Canopy [inked](#) a \$3.4 billion deal to buy one of the biggest US pot companies, Acreage Holdings, whose [board](#) includes former House speaker John Boehner and ex-Massachusetts governor William Weld. The deal hinges on changes to US law easing marijuana restrictions.

While recreational marijuana is legal in 11 states, to date federal law has limited the size of pot companies by hampering access to financial markets and cross-state commerce. But that is poised to change. The US House of Representatives [recently passed](#) a cannabis banking bill, which, if signed into law, would likely allow Big Marijuana companies to explode in the United States.

Many policy analysts say the US has to find a better way to regulate potentially addictive products to

avoid repeating the market consolidation and public health issues associated with tobacco, alcohol, and addictive pharmaceuticals.

“This isn’t about saying, ‘We need to smash capitalism’; it’s about mitigating the excesses of corporate capitalism,” said Steve Rolles, a London-based policy analyst with Transform Drug Policy Foundation, who advised Canada on marijuana regulation. “Emerging cannabis markets could be a really great opportunity to show how we could build new markets to serve the public interest and not allow these harms. In five to 10 years, that boat will have sailed.”



An employee trimmed leaves from marijuana plants so they use their energy growing buds. LANE TURNER/GLOBE STAFF/GLOBE STAFF

Public health concerns

One of Canopy’s newest innovations is the creation of branded pot-infused beverages — such as a ginger ale drink — that have recently become legal in Canada and are expected to hit licensed stores there in mid-December. The effort benefited from the expertise of Constellation Brands, a conglomerate that owns Corona beer, Svedka vodka, Robert Mondavi wines, and other popular alcohol brands. Constellation invested \$4 billion in Canopy in 2018, giving it 38 percent of the company and four seats on its seven-member board.

Constellation “saved us decades of knowledge-gathering,” said Mario Castillo, Canopy’s eastern Canada regional manager.

Meanwhile, Cronos, another Canadian cannabis company, received a \$1.8 billion investment last year from Altria Group, maker of Marlboro and other cigarette brands, giving the tobacco giant a 45 percent stake in the pot company. Both tobacco and marijuana industries see potential in vaping technologies that can appeal to both consumers and regulators, especially given the recent concern over vaping-related lung illnesses.

Public health advocates fear such partnerships will inevitably follow a harmful playbook.

Levy, the Boston Children’s Hospital pediatrician, co-wrote in The New England Journal of Medicine that she expects marijuana companies to follow a roadmap drawn up by the tobacco industry: “deny addiction potential, downplay known adverse health effects, create as large a market as possible as quickly as possible, and protect that market through lobbying, campaign contributions, and other advocacy efforts.”

As with alcohol and tobacco, marijuana companies’ revenues rely on heavy consumption from regular users: Daily and near-daily cannabis consumers account for 75 percent of spending in the industry, a 2016 study in the Journal of Drug Issues found.

That dynamic incentivizes companies to create more potent and more addictive products, such as “dabs,” waxy clumps of highly concentrated marijuana that are often smoked with a blowtorch-like device, and are popular with teenagers, Levy said.

Federal drug laws have long prevented funding well-designed studies on marijuana. Now, cannabis companies are paying for research they hope will demonstrate the therapeutic benefits of their products, raising questions about conflicts of interest tainting supposedly unbiased scientific inquiry.

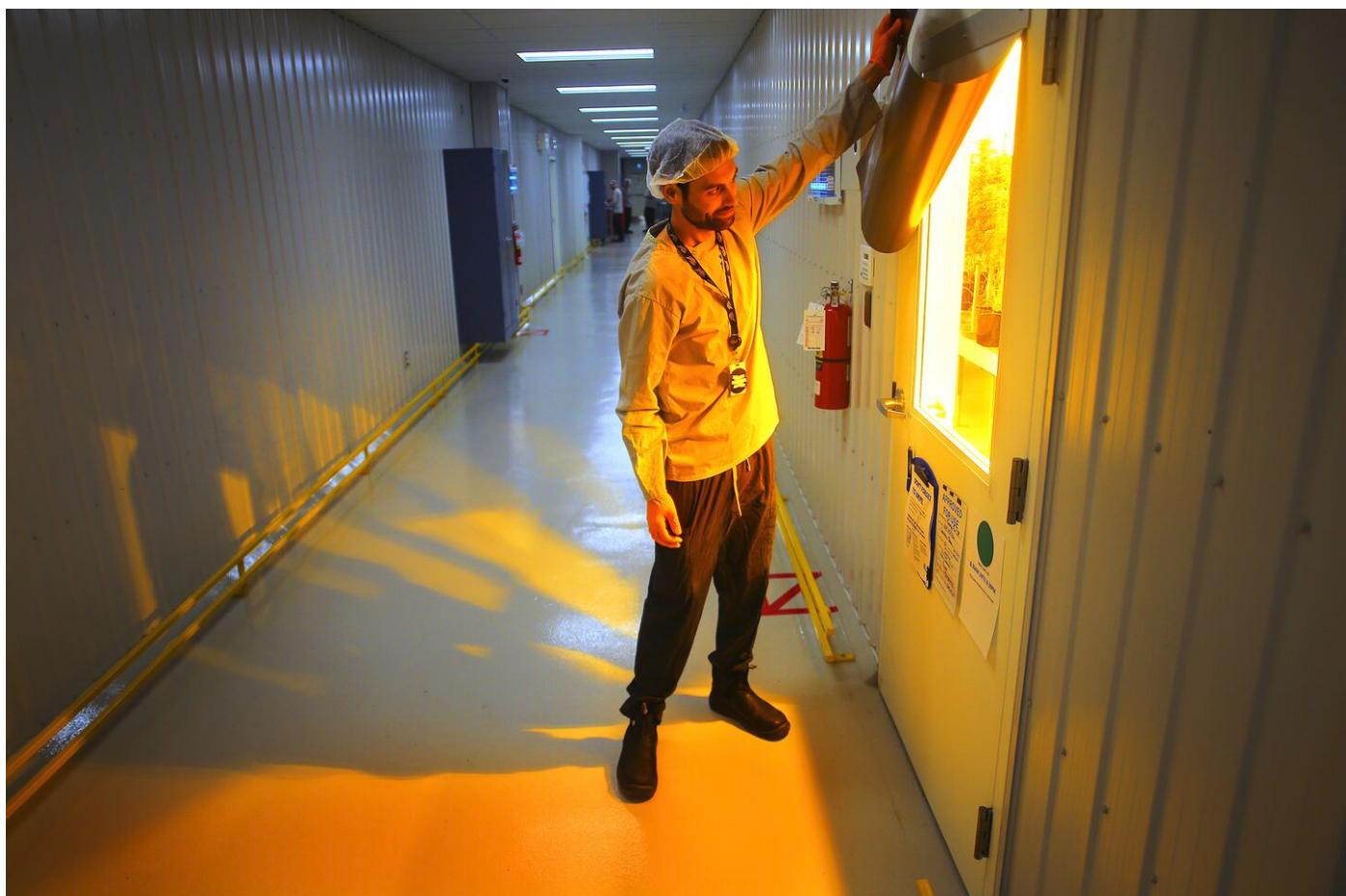
What scientists do know: Cannabis can be addictive, though less so than alcohol, cigarettes, and opioids. Frequent pot use can affect memory, motivation, and cognitive functioning. Heavy use of high-potency marijuana has been linked to psychosis in studies, though it’s unclear why. On the other hand, cannabis can provide medical relief for people with such conditions as epilepsy, cancer, and chronic pain.

Most US states that have legalized pot — such as Massachusetts — have chosen for-profit models

through ballot initiatives, said Beau Kilmer, director of the RAND Drug Policy Research Center. That's unfortunate, he said, because it limits voters to a "yes" or "no" choice on legalization generally, without understanding how it will be implemented and the range of possible alternatives.

Options that could lead to better health results than the for-profit model, Kilmer said: government-run stores, such as those implemented in some Canadian jurisdictions, or requiring cannabis producers to be nonprofits or to follow rules for socially responsible corporations.

"If you talk to folks who are pro-legalization outside of the United States," Kilmer said, "they look at the US and say, 'Why are you allowing the big companies to control this?'"



Adam Nelson looked in Growing Room 38 at Canopy Growth headquarters in Smiths Falls. LANE TURNER/GLOBE STAFF/GLOBE STAFF

Social justice

Canopy has hired inventors and engineers, and filed for hundreds of patents for its products and processing equipment. One machine, for example, can do the work of nine people checking the weight and packaging of jars of marijuana.

These efficiencies are one example of how large corporations can outmuscle smaller competitors. This has implications for a big ambition of marijuana advocates — that legalization would benefit black and Hispanic communities that were targeted during the war on drugs, a cornerstone of Massachusetts' legalization law.

The state has taken steps to help locals start pot businesses, but Kilmer questions their long-term prospects. If the United States legalizes cannabis across state borders, the bigger companies by dint of their reach would have access to many more markets, he said, and could further undercut local operations by growing pot at scale in warmer climes at lower cost, taking the jobs there with them.

Shaleen Title, a Massachusetts cannabis commissioner who helped craft the state's measures aimed at boosting small businesses, said it was important for government officials to avoid unnecessary "fear-based policies," like requirements that marijuana businesses not locate near certain types of other businesses such as funeral homes, which can drive up real estate costs.

"Companies with unlimited resources love barriers to entry and requirements that demand large amounts of capital," Title said, "because such requirements push others out and give the already-privileged a boost toward the market domination and market consolidation that they're seeking."

One of the Massachusetts measures she supported is a cap on each company of three licenses of each kind — retail, cultivation, or production, for example.

Zekulin, the Canopy CEO, said the company expects to compete in those markets that have licensing limits by selling other retailers its branded and patented products for sleep, pain, and anxiety that are under development now.



An employee in the “trim room” where usable parts of the marijuana plant are separated. LANE TURNER/GLOBE STAFF/GLOBE STAFF

‘Cannabis colonialism’

With Canada serving as a model for legalizing marijuana, Canopy has hosted tours for government officials from around the world, giving it an opportunity to pitch looser cannabis laws. That worries activists, who say the Canadian system has shut out smaller businesses.

“Canopy is going around telling every government on Earth, ‘Do it like us, grow the plants in prison-like facilities with big walls and concrete, we know what we’re doing, don’t let in those little people,’ ” said Jodie Emery, a Canadian marijuana activist. “This reeks of cannabis colonialism.”

Canopy said it does not lobby exclusively for indoor cultivation and grows cannabis outdoors in Canada and other countries.

In Colombia, Lesotho, and other countries, Canopy has acquired local companies or is contracting with them. Those investments, Canopy points out, have provided stable incomes and health insurance to locals who have never had such benefits.

“To us, it’s inherent to always be giving back and always be locally committed,” Zekulin said, adding the company is also working with researchers and doctors in those countries.

But activists see such moves as the wealthy further enriching themselves off the poor.

In Jamaica, where medical marijuana is legal and recreational smoking is decriminalized, small-scale cannabis farmers were “hopelessly outgunned” by the Canadian companies’ lawyers and lobbyists looking to exploit the country’s pot-paradise image, said Rolles, the analyst.

“I’m not naive enough to think cannabis can somehow smash the inequities of capitalism, but it is a blank slate,” he said. “If there’s an opportunity to use emerging cannabis markets to build a fairer, more just, less iniquitous market structure, that’s great. We have a responsibility to try to do it better.”

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