

**STANDING COMMITTEE ON
AGRICULTURE AND AGRI-FOOD**



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

**COMITÉ PERMANENT DE
L'AGRICULTURE ET DE
L'AGROALIMENTAIRE**

Ottawa, July 26, 2022

The Honourable Jean-Yves Duclos, PC, MP
Minister of Health

Dear Minister Duclos:

The House of Commons Standing Committee on Agriculture and Agri-Food held a meeting on June 20, 2022, to hear from representatives of the cannabis sector about the opportunities for growth in this sector as well as the challenges these companies face because of the implementation of the legislative and regulatory framework surrounding cannabis cultivation.

The Committee heard of the significant potential for the cannabis sector to become a key value-added sector in Canadian agriculture. Mr. George Smitherman, President and Chief Executive Officer of the Cannabis Council of Canada explained that the market for cannabis exports is rapidly expanding and is estimated to reach US\$100 billion globally by 2030. However, the *Cannabis Act* creates several hurdles that are hampering the sector to take full advantage of its growth potential. These hurdles are particularly affecting small cannabis farmers and have also compromised the *Cannabis Act* objective of eliminating the legacy market, i.e., the illicit market that predated the adoption of the *Cannabis Act*.

The *Cannabis Act* specifically provides for licences to cultivate cannabis. These licences can be for micro-cultivation, i.e., in areas smaller than 200 m², or for standard or nursery cultivation. Micro-cultivation licences are specifically targeted at small and craft producers. However, several witnesses explained that the law currently fails to create a favourable business environment for these farmers. According to Mr. David Hurford, Secretary of the BC Craft Farmers Co-op, micro-cultivators face particularly long processing times for micro-cultivation licences, and he described the application process as a “regulation maze.” These long processing times are coupled with a requirement to build growing facilities that are compliant with the regulatory requirements in advance of the application

for a licence. The fact that these facilities cannot operate until the application is completed causes losses of income for the applicants who often have a limited capacity to assume the costs of maintaining these facilities and a lack of revenue. According to Mr. Smitherman, this situation is not only undermining the growth potential of the regulated sector, but it is also failing at incentivizing a full transition from the legacy market to the regulated one.

Mr. Timothy Deighton, Director and Owner of Sweetgrass Cannabis explained that micro-cultivators of cannabis are severely limited in their ability to market their product given the packaging and labelling restrictions imposed on them. He asked that micro-cultivators be granted labelling and packaging rights similar to those currently enjoyed by small wine producers. He also flagged that current limits on canopy size are not aligned with production limits, and as such, producers cannot produce up to their maximum amount allowed under the limit of the canopy size. In a brief submitted to the Committee, the Kootenay Cannabis Development Council explains that the *Cannabis Regulations* impose microbial limits akin to a zero-tolerance policy that is particularly detrimental to craft farmers who focus on growing high quality and diverse cultivars and recommends that the regulations adopt an approach targeting only pathogenic microbes.

The Committee recommends that Health Canada take into account these testimonies during this year's statutory review of the *Cannabis Act*. In particular, the Committee recommends that Health Canada pay close attention to:

- addressing the issue of long processing times for micro-cultivation applications;
- considering transferring the responsibility of the licence regime to Agriculture and Agri-Food Canada or to a regulatory agency created for this purpose;
- lifting some of the constraints on packaging and labelling for micro-cultivators;
- amending the microbial limits set in the *Cannabis Regulations* to target only pathogenic microbes;
- creating a regulatory environment that fosters the growth of the craft cannabis sector and the elimination of the legacy market;
- examining the reason why the current regulatory framework does not provide enough incentives to eliminate the legacy market; and

- ensuring that the legislative and regulatory framework considers the limitation of nuisances from cannabis production facilities in the local communities in which they are located. Impacts on communities must also be taken into greater consideration when issuing permits for private production for medical purposes and a revision should be made in this regard.

If these changes cannot be adopted, the Committee asks that Health Canada explain the barriers preventing their adoption.

Cannabis is an important farming sector that has the potential of driving economic growth and job creation throughout Canada and particularly in rural regions. The statutory review of the *Cannabis Act* is a unique opportunity to improve the current regime and make it adequate to boost the development of this important sector while preserving public health. On behalf of the Committee, I hope that the information provided by the Committee will guide you as your department undertakes that process.

Yours sincerely,

A handwritten signature in blue ink that reads "Kody Blois". The signature is fluid and cursive, with the first name "Kody" and last name "Blois" clearly legible.

Kody Blois, MP Kings—Hants

Chair of the House of Commons Standing Committee on Agriculture and Agri-Food

CC:

The Honourable Marie-Claude Bibeau, PC, MP, Minister of Agriculture and Agri-Food.