

Intelligence MEMOS



From: Rosalie Wyonch
To: Canadians concerned about cannabis
Date: July 3, 2019
Re: Legal Cannabis and the Black Market

Cannabis has been legal in Canada for almost nine months, but there is still a long way to go before the legal market reaches its full potential. The government recently released the regulations for cannabis concentrates and edible products that become legal on Oct 17. But, new products won't hit store shelves until mid-December. Based on the [most recently available data](#), more than two-thirds of recreational consumption still comes from the black market.

Elimination of that black market was one of the main priorities for legalizing recreational consumption and production. However, [supply shortages](#), [insufficient access to legal retail outlets](#) and [price differences between the legal and illegal market](#) have meant that the black market has remained competitive with new legal cannabis retailers. While the [price of black market marijuana remains significantly below that of licensed cannabis](#), there are signs that [initial supply shortages are easing](#). As production expands to meet supply, the price of legal marijuana will likely decline, putting further competitive pressure on black market suppliers.

Until edible and concentrated cannabis products are legal, however, the black market retains its monopoly. [Survey results indicate](#) that 28 percent of cannabis users consume edibles, 11 percent consume hashish, 11 percent use oil cartridges or vape pens and 8 percent use solid concentrates. None of these will be available at legal retail locations until December. With [more than half of cannabis users](#) consuming products beyond dried flower/leaf, this leaves significant room for the black market to continue operating.

Regulations to control the concentration, advertising and packaging of psychoactive compounds are another area that may need to be revisited. They are an effective way to protect public health and reduce the risk of accidental overdose. Many of the [new regulations](#) are consistent with the goal of preventing or reducing harm and insuring that consumers are informed of risks – child-resistant, plain packaging rules for example. If regulations are too restrictive, however, they can have the counter-intuitive and unintended effect of creating a gap between products consumers want and what the legal market can supply, which leaves room for black market suppliers to continue operating.

Restricting the “use of ingredients that could increase the appeal” of cannabis edibles and putting arbitrarily low limits on concentration could be entering this area. Products available at just [one illegal dispensary](#) show that chocolates, gummies, lollipops, cookies and more are readily available in the black market at concentrations well above the 10mg legal limit. In fact, none of the more than 50 products advertised appear to fall under the regulatory limits imposed for legal edibles. Further, police enforcement actions appear [insufficient to deter illegal dispensaries](#) from continuing to operate in the current environment.

Some regulations for cannabis extracts and edibles appear to be quite restrictive. The [limit of 10mg](#) on the amount of THC that can be in a package of edible cannabis is one-tenth of the legal limit in California, Colorado and Washington. And even before Colorado imposed its 100mg limit, emergency department visits and hospitalizations were [less frequent and adverse events were less severe for edible compared to inhaled cannabis](#). With federal concentration limits on legal edible and concentrated cannabis products set below those in other jurisdictions and those available on the black market, Ottawa should carefully consider whether the new regulations will have the intended effect of protecting public health and reducing the black market.

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