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North American investors feel heat from the equator

Colombia could become a global hotbed of marijuana production, just as it has with roses and other flowers

BY CHARLES FELDMANN

The cannabis industry alarm bells are sounding again. The most recent alarm? Colombian cannabis farms. Both U.S. investors and growers alike are facing threats from the newly legalized medical marijuana market in Colombia. While Colombia only allows the production of medical marijuana oils and extracts, not the sale of dried flowers, some in the Southern California market are already getting feelings of déjà vu. It wasn't so long ago that almost all of the nearly 200 rose growers in Monterey County, California, disappeared to the alluring low-cost labor market of Colombia.

Many big names like Northern Swan Holdings and Grupo Flor are moving to or building new grow operations in Colombia to take advantage of the discounted labor market and the cannabis-friendly climate, and investors fear that this will become the new norm.

Northern Swan has already begun development on a nearly 1 million-square-foot greenhouse and extraction facility. Colombia has an enticing abundance of cheap-yet-skilled labor and also has a near-perfect equatorial climate for growing marijuana. The hundreds of millions of dollars spent on climate-controlled grow operations in "colder" climates are not necessary near the equator, where marijuana can be grown in the open air with ease.

Large North American companies like Canopy Growth, Tilray and Aurora Cannabis are already investing in the Colombian market as a way to protect themselves from yet another agricultural commodity being dominated by Colombia (it is already a global leader in coffee, flowers and banana exports).

While cannabis has not quite won the label of a commodity yet, some industry leaders view this as inevitable and when that time comes, they view Colombia as the "only place that makes sense" to build new grow operations. One company even stated that by moving its operations to Colombia it could cut prices by 90% and still make a profit.

For a powerful visual, Canadian companies have long-term goals of lowering costs to produce cannabis at $2 per gram, while their Colombian rivals will start at around 50 cents per gram right out of the gate, and costs will only go down from there.

> **"THOSE THAT STAND TO LOSE THE MOST IN THE IMMEDIATE FUTURE ARE THE NORTH AMERICAN CANNABIS FARMERS AND GROWERS**

Either the fear is real enough or the opportunity is tangible enough that big names are already buying plane tickets to Cali and other Colombian cities to set up shop. It remains to be seen if the adrenaline is warranted. However, if the world begins to treat marijuana like other agricultural commodities, then Colombia will remain a top player in the market for as long as the climate remains favorable to cannabis around the equator.

Those that stand to lose the most in the immediate future are the North American cannabis farmers and growers that may lose out as companies decide to send more of their investments to Colombia.

Local economies are also at risk, like Southern California, if cannabis farms in those regions are no longer competitive when cannabis truly becomes a global commodity.

Today, the companies affected by Colombian competition in the medical marijuana industry are limited to those competing in markets that allow marijuana imports, like Canada and Germany, and only those that sell THC and CBD extracts and oils.

However, the flood gates could open if Colombia allows the sale of dried flowers and more markets open their doors for the importation of marijuana.

Savvy investors are paying attention to the complex and transforming global supply chain as South American, Mexican, Israeli and African competition begins to develop.

Charles Feldmann is a founding partner and head of international cannabis at the law firm Feldmann Nagel Cantafio, PLLC and Gateway Proven Strategies (GPS.Global). His full bio is at: MJBusinessAttorneys.com. He will be speaking at Marijuana Venture's RAD (Retail and Dispensary) Expo, scheduled for Oct. 23-24 in Portland, Oregon. For more information, go to www.theRADexpo.com.