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Submission by Organigram for the 2021 Federal Budget

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Recommendations

Recommendation 1:

- **That the federal government implement a national cannabis excise stamp**

Recommendation 2:

- **That the federal government remove the excise tax from medical cannabis**

Recommendation 3:

- **That the federal government develop a medical cannabis export strategy**

Recommendation 4:

- **That the federal government reduce the 2.3% annual cannabis regulatory fee for fiscal year 2021-2022**

Recommendation 5:

- **That the federal government, through Health Canada, Public Safety and Emergency Preparedness, and the RCMP, increase cannabis literacy among Canadians**

Recommendation 6:

- **That the federal government expand the mandate of key economic ministries to include aspects relating to the economic development and job creation potential of the legal cannabis market**

[Organigram](#), a leading licensed producer of regulated medical and adult-use cannabis in Canada, is pleased to participate in the House of Commons Standing Committee on Finance's Pre-Budget Consultations for the 2021 Federal Budget.

Given the unprecedented crisis Canada's economy faces as a result of COVID-19, and with legalization in its second year, Budget 2021 provides a unique opportunity to address key public policy areas critical to the success of the regulated cannabis industry in eliminating the illicit market and keeping cannabis out of the hands of young people. However, the federal government must also take steps to ensure the regulated sector can more effectively contribute to Canada's economic recovery, by reducing regulatory burdens and costs, increasing cannabis literacy among the Canadians and expanding the role of key economic ministries to assist the sector in creating thousands of direct and ancillary jobs nationwide.

Organigram has identified the following priorities for Budget 2021:

1. A National Excise Stamp
2. Zero-rate medical cannabis for patients
3. Development of a Medical Cannabis Export Strategy
4. Reducing the 2.3% cannabis annual regulatory fee for 2021-2022
5. Increase efforts to promote cannabis literacy among Canadians
6. Expand the mandate of Innovation, Science and Economic Development as well as International Trade to include aspects relating to the economic development and job creation potential of the legal cannabis market

National Excise Stamp

Legal cannabis products are required under legislation and federal/provincial/territorial (FPT) agreements, to carry a unique cannabis excise stamp for each province and territory. However, the logistics of applying these stamps has resulted in [unnecessary product delays](#) as well as administrative and cost burdens. Further, when the industry is [criticized](#) for excessive packaging, it's often the result of complying with federal cannabis packaging requirements, which include provincial/territorial excise stamps.

Requiring producers to use province/territory-specific excise stamps impedes the flow of product across the country, ignores both business and market realities, is an administrative and labour burden for licensed producers, and slows down the ability to package and distribute product efficiently across the country. Aside from the complexity of per-province or per-territory labelling, product that does not sell in one region cannot be easily transported to another province where demand may be higher. The labelling requirement removes licensed producers' ability to respond in real time to changing demand, adds unnecessary complexity to product forecasting, and means jurisdictions and retailers – especially smaller provinces and territories – face completely preventable

product shortages. The lack of a national excise stamp complicates product returns making them unavailable to be re-distributed to other Canadian markets without re-stamping for that specific jurisdiction; again, a costly administrative burden.

The administrative and production burdens of the stamp also mean that it's more expensive to produce, package and ship cannabis to individual markets. This means it's substantially tougher for legal producers and retailers to compete, particularly with respect to price, with the illegal cannabis market.

Canada Revenue Agency (CRA) has indicated a willingness to cooperate with the cannabis sector on a re-design of the current cannabis excise stamp – one that would more easily facilitate the application to the various packaging being utilized within the industry. While a better redesign of the current stamp would be a positive step forward, the fact remains that it doesn't address the key issue of how to improve efficiency and lower the cost burden to licensed producers associated with these requirements.

Organigram requests that Budget 2021 indicate the government's intention to move, in consultation with provinces, territories and the regulated cannabis industry, to a national cannabis excise stamp as a means to reducing an administrative and cost burden for the cannabis sector. In meetings with senior provincial officials nationwide, it has become clear that an appetite exists – notably among small and medium-sized jurisdictions – to do away with the unnecessary province or territory-specific excise stamp.

Zero-rate medical cannabis

Organigram is a strong supporter of the call to remove the excise tax from medical cannabis products. There is strong support among Parliamentarians for the removal of this tax. Indeed, Liberal MP Nate Erskine-Smith, as well as Conservative MP Marilyn Gladu and NDP MP Don Davies, all came together in February 2019 to request the removal of this tax in order to increase the affordability of medical products. Canadians for Fair Access to Medical Marijuana (CFAMM) launched a campaign in 2017 that saw tens of thousands of letters sent to Members of Parliament and Senators requesting the removal of this tax in the interest of affordability and accessibility to legal products that help treat a variety of conditions. The failure of the federal government to act on this has been disappointing for these patients and has meant an additional cost burden on industry and medical patients, many of whom may be on disability or underemployed. This is underscored by a study that found low income patients face affordability issues relating to the cost of medical cannabis¹. No patient should be faced with choosing between medicine to keep them well or putting food on the table. Organigram - and several legal cannabis companies – are absorbing this excise tax

¹ Belle-Isle, L., et al. Barriers to access for Canadians who use cannabis for therapeutic purposes. International Journal of Drug Policy (2014), <http://dx.doi.org/10.1016/j.drugpo.2014.02.009>

and not passing it on to their registered patients. Absorbing this tax over the long term is not financially viable as patient numbers grow; it further hinders our ability to be competitive with the legal industry, diminishing revenue we need for product innovation and diversity. **Budget 2021 provides the federal government an opportunity to zero-rate medical cannabis, making it more accessible and affordable for patients, while alleviating a cost-burden on industry.**

A Medical Cannabis Export Strategy

Small and medium-sized communities of the country have been re-vitalized through investments by the cannabis industry in production and processing facilities that provide many Canadians with good-paying jobs. Without question, the cannabis sector has been a boon to the Canadian economy as evidenced by Statistics Canada data released in October showing that the legal cannabis sector had generated \$8.3B to Canada's GDP as of July 2019².

In 2020, PricewaterhouseCoopers (PwC) assessed Organigram's economic contribution to the New Brunswick and Canadian economies, as well as the range of wider socio-economic benefits associated with Organigram's operations. PwC found that, since 2017, Organigram has generated and facilitated a cumulative Gross Domestic Product (GDP) footprint of \$507 million across Canada. This includes supporting or creating over 5,900 jobs Canadian jobs nationwide and facilitating \$197M in tax revenue to all levels of government. In New Brunswick alone, our company's home province, Organigram has contributed more than \$284 million to the GDP³.

Over the past 36 months we have grown from less than 100 employees to over 600 and have expanded our Moncton facility from 30,000 sq. feet to over 400,000 sq. feet, deploying capital expenditure of over \$350M.

The federal government should explore ways to export medical cannabis expertise, product, regulation and innovation to markets worldwide. The demand for high quality, regulated, medical cannabis is growing in countries in the European Union, Latin America and some parts of the Asia-Pacific region, with estimates of the market size ranging from \$44.4B (USD)⁴ by 2024 to \$144B (USD)⁵ by 2026. Further, as countries like the United States begin to look at the potential of CBD-based products, as evidenced by the legalization of hemp in the 2018 Farm Bill, Canada's window of

² Statistics Canada. Gross Domestic Product by Industry, July 2019. <https://www150.statcan.gc.ca/n1/daily-quotidien/191001/dq191001a-eng.htm>

³ PwC: Organigram Holdings Inc., Socio-economic impact study, June 5, 2020.

⁴ Medical Cannabis Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2019-2024 https://www.researchandmarkets.com/reports/4763121/medical-cannabis-market-global-industry-trends?utm_source=GNOM&utm_medium=PressRelease&utm_code=5hzd49&utm_campaign=1244425+-+Global+%2444.4+Bn+Medical+Cannabis+Market+to+2024&utm_exec=chdo54prd

⁵ <https://www.globenewswire.com/news-release/2019/05/20/1829108/0/en/Medical-Marijuana-Market-To-Reach-USD-148-35-Billion-By-2026-Reports-And-Data.html>

opportunity runs the very real risk of closing. We do not have the luxury of time, but we do have the benefit of a strong regulatory regime built over successive governments of all political stripes, excellent production standards, high quality products, and a sector ready to meet the global demand for medical cannabis products. **Organigram requests that Budget 2021 announce measures to develop a medical cannabis export strategy and a pathway to including legal cannabis companies, of all sizes, as part of trade missions.**

Reduction of the 2.3% annual regulatory fee

The federal government should reduce, for 2021-2022, the annual regulatory fee that cannabis companies are required to provide to Health Canada (equal to 2.3% of total revenue). By doing so, the government would be assisting SMEs and large businesses in the regulated cannabis sector maintain business liquidity post-COVID. Health Canada must also implement binding service standards in its Controlled Substances and Cannabis Branch, as well as fee remissions as part of the *Cannabis Fees Order*. Binding service standards tied to fee remissions would provide licensed cannabis companies greater confidence in terms of turnaround time when submitting license applications, extensions or amendments, as well as other aspects critical to business continuity. This is not without precedent: Fee remissions for the pharmaceutical sector are considered if Health Canada fails to meet established performance under the *Fees in Respect of Drugs and Medical Devices Order*.

Increase cannabis literacy among Canadians

Unregulated cannabis products pose a risk to the health and safety of cannabis consumers. Efforts thus far by the federal government have largely focused on ensuring that Canadians know the risks of cannabis (i.e. awareness campaigns about the dangers of drug-impaired driving). Yet, more needs to be done in terms of education and access to authorized retail cannabis channels.

Organigram recommends that Budget 2021 provide additional funds to Health Canada, the RCMP and Public Safety & Emergency Preparedness Canada in order to increase enforcement against illegal online dispensaries, while augmenting cannabis literacy, including through the testing of, and releasing test results from, seized illicit cannabis products. This will assist Canadians in avoiding products from illegal or unregulated sources, while at the same time promoting responsible use and legal supply chains. More aggressive efforts to promote cannabis literacy will assist in leveling the field for the regulated market to more effectively compete with its illicit counterparts.

Expand the mandate of key economic ministries

As primarily a regulatory body, Health Canada is limited in its ability to enhance the competitive environment of, and the innovation in, this sector. Given the above-identified economic opportunities that exist for medical cannabis internationally, as well as the strong economic impact this sector has had and can have on the Canadian economy, **the federal government should take**



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steps in Budget 2021 to expand the mandate of key economic ministries such as Innovation, Science & Technology, as well as International Trade, to ensure that the ability of this sector to grow and be a major factor of the Canadian economy is not limited.

Organigram thanks the Committee for the opportunity to participate in this important consultation.