



The Cannabis Index

Where Will Legalisation Move Next?





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Where Will Legalisation Move Next?

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An extract of the report: [The Cannabis Index: Where and How Legalisation Will Move Next](#)

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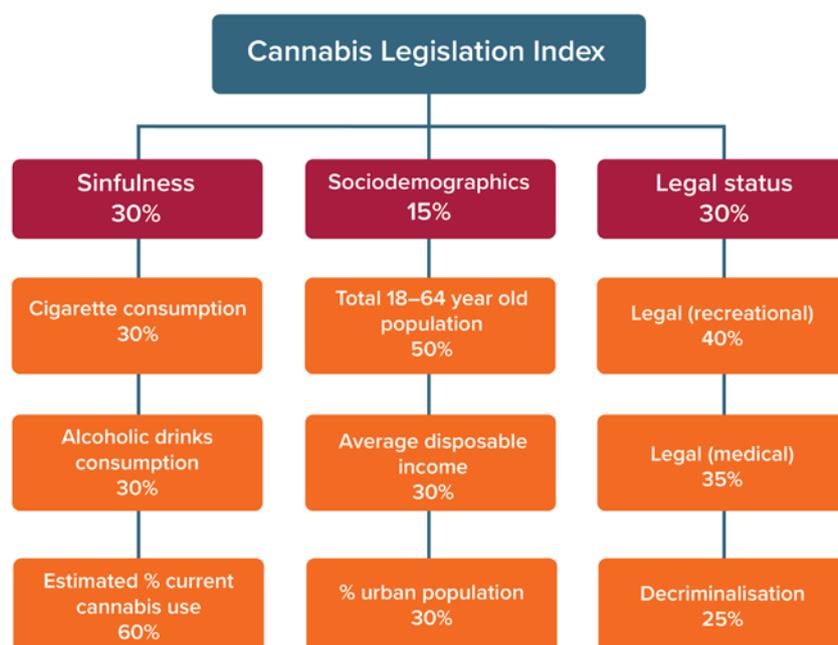


Today's global legal cannabis industry is a small sector with narrow geographic and category presence. Euromonitor International forecasts the cannabis industry to expand — in terms of legalising countries, available product types and consumer profiles — fueling an increase of over 1,200% in global legal sales from USD12 billion in 2018 up to USD166 billion by 2025.

The Cannabis Legalisation Index

The Euromonitor Cannabis Legalisation Index identifies the current and future cannabis regulation market forces in 100 of the world's biggest global consumer markets. This report specifically highlights the top 15 markets.

The Index considers three indicators to score for attractiveness: 'sinfulness', socio-demographics and legal status. The current 'sinfulness' of a market combines the consumption of tobacco, alcohol and prevalence of existing cannabis use. Socio-demographic factors include population size and level of disposable income. Legal status refers to the time span from anticipated to full legalisation and / or decriminalisation of consumption of both medical and recreational cannabis.



Source: Euromonitor International

The Index employs a relative scoring system for the 'sinfulness' and sociodemographic segments. Countries are distributed into one of ten buckets based on their relative position to the other 99 markets in each dataset. The top decile receives a mark of 10 for this particular metric, the next 9 and so on down to 1. This score is then combined with a multiplier to provide the final score for this metric.

Legal status applies an absolute score. For this segment, we ascribed a score to each of the 100 markets across three regulatory issues — medical, recreational and decriminalisation.

Cannabis Index: Top 15 Markets

Rank	Country	Overall %	Sinfulness %*	Socio%*	Legal Status %*
1	Canada	94	94 (4)	78 (12)	100 (1)
2	USA	89	100 (1)	96 (1)	80 (5)
3	Italy	81	96 (3)	76 (14)	74 (8)
4	Uruguay	80	63 (36)	46 (66)	100 (2)
5	Germany	78	86 (12)	89 (3)	70 (12)
6	Chile	77	88 (11)	69 (21)	74 (6)
7	Australia	76	88 (10)	78 (11)	70 (10)
8	Mexico	76	59 (43)	82 (7)	84 (3)
9	Spain	76	90 (5)	80 (10)	67 (19)
10	Netherlands	74	82 (13)	72 (18)	70 (13)
11	Czech Republic	74	90 (7)	58 (38)	70 (11)
12	UK	73	90 (6)	88 (4)	58 (27)
13	France	72	98 (2)	86 (6)	54 (32)
14	Argentina	71	88 (9)	81 (8)	59 (24)
15	Portugal	71	60 (41)	54 (52)	83 (4)

Source: Euromonitor International

Note: * Segment specific rank in brackets

Canada: The godfather of the international legal industry

Canada made global headlines when it fully legalised the production, distribution and sale of recreational marijuana in May 2018. The licensed producer framework resulted in a sophisticated corporate environment with Canada's cannabis companies now leading not only domestically but internationally.

The country leads our Legalisation Index due to its high use of cannabis products and its adoption of legal marijuana. As wider global legalisation evolves, Canada's importance as a consumer market will inevitably decline. The maturity and smaller size of its consumer base limits scale and the restrictiveness of its regulatory framework may impair product innovation. However, it will continue to yield significant influence in the global industry through its corporations and regulatory framework.

USA: Phenomenal opportunity complicated by legal uncertainty

The US is a market of huge legal cannabis opportunity with a large existing consumer base, strong alcohol and tobacco consumption and significant disposable income. Euromonitor International estimates the US state and federal legalisation will occur within five years.

The Farm Bill helped the US progress by legalising hemp production, which resulted in increased scrutiny of the FDA's position in the final product. This illustrates the near-term issue for investment in the market in the absence of a coherent federal policy on the use and consumption of cannabinoids. Though, this fragmented regulation can also facilitate creative, small-scale innovation driving wider global growth.

Italy: A leading emerging recreational market

Despite the fact that recreational cannabis is illegal in Italy, it is widely used. The country is in the process of expanding its existing medical cannabis system both in terms of production and eligible conditions. The permeation of illegal and legal low-THC products suggests that full adult access regulation is forthcoming, perhaps as early as two to three years from now.

The nature of Italy's market for recreational cannabinoids, large adult population and consumption of tobacco and alcoholic drinks identifies Italy as an attractive market for the legal cannabis industry in the short to medium term. International players are already entering the market — particularly on the supply side — in anticipation of wider liberalisation. There are also opportunities in the branded space as low-THC products begin to develop.

Uruguay: A symbolic market which could export regulation

Like Canada, Uruguay is a pioneering market but its importance will decline as global legalisation develops. In 2013, Uruguay legalised cannabis for adult use but it wasn't until 2017 that retail sales of the product went mainstream.

With about 35,000 currently registered users and an adult population of just over 2 million, Uruguay will not ultimately be a substantial cannabis consumption force in the region, much less globally. However, it could be an influential exporter of leaf and extract for international markets and its restrictive regulatory regime governing domestic retail sales. In what could form the basis for legalisation efforts in other markets, the recreational framework restricts product format, quantity and distribution.

Germany: A compelling adult use market in the making

Germany's involvement in the global legalisation narrative is relatively recent. The country contains all the attributes to become a compelling adult use market. Notwithstanding the development of its medical cannabis environment, Euromonitor predicts full legalisation may follow within the next five years as cannabis is normalised and hemp and therapeutic cultivation expand in the CBD and medical segments. The pace of Germany's legislative change will influence the movement of legalisation in the region.

Around 6% of the German population currently use cannabis alongside robust consumption of tobacco and alcohol drinks, which implies scope for substitution in the longer term. Furthermore, the country's belief in natural and organic remedies will entice Germany to outcome-focused products emerging in the cannabis industry.

Making Regulatory Choices

Predicting the regulatory choices markets will make

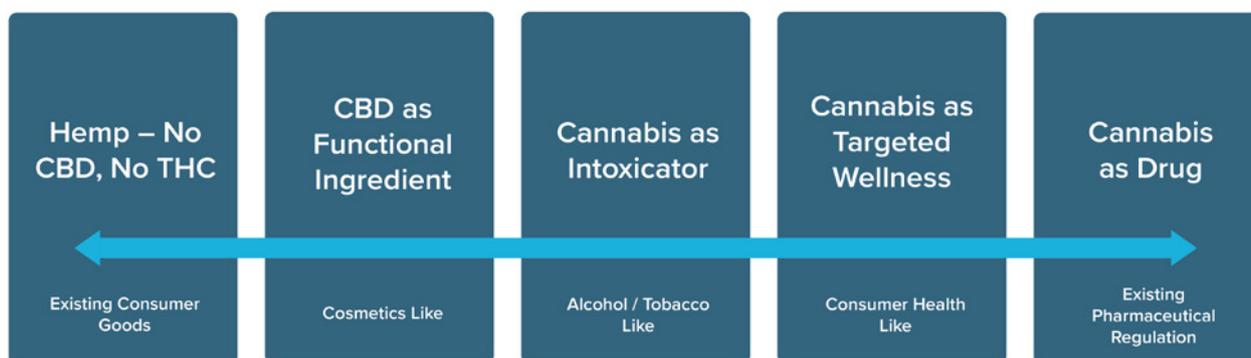
Looking forward, a key question for the industry is what models newly legalising countries will adopt. And within those models, what choices they will make on the major categorising features of the markets. This includes state involvement and level of restriction in cultivation, product, marketing and distribution.

In a rapidly evolving industry, there are some key indicators to help predict future regulatory systems. First, geographic proximity will play a role. Neighbouring markets are likely to align regulatory frameworks and set the foundation for others. Second, a country's attitude towards adjacent sectors, like tobacco, will help predict their approach to cannabis. For example, the more restrictive a market's tobacco control environment, the more prohibitive it may be prone to cannabis regulation. Third, the current level of government involvement in the economy will be a strong indicator of its control over cannabis. Countries with high levels of state involvement in the economy are more likely to keep control of cannabis supply chain elements, such as government agencies growing cannabis, strict licensing of private cultivators or government owned distribution channels.

Another issue for legalising markets relates to taxation. The lure of generating tax revenue from cannabis products is proving to be one of the most persuasive arguments in the public mind for wider legalisation. A key goal is to balance setting excise rates at a high enough level to maximise revenue without incentivising consumers to continue purchasing illegally. In some regions, the black market will persist. Challenges of supply and distribution, strict compliance requirements and purchasing habits will keep some consumers and suppliers out of the legal marketplace.

The future of the regulatory framework

The regulatory distinction between medicinal and recreational cannabis is technically contrived and will fade in the coming years. This will leave a broad cannabis product landscape. On one side it will be used as a functional ingredient in foods, beverages and beauty. On the other side, it will be positioned as a wellness product for non-clinical treatments of health issues such as pain, anxiety and sleep. Intoxicator and targeted wellness will be the largest mainstream consumer segments and will blur the differences of regulation related to product positioning, access and claims.



Source: Euromonitor International

Society's tolerance for cannabis use is likely to increase

As cannabis legalisation begins to increase, society will share similar concerns associated with alcohol use — driving while under the influence, cannabis use in the workforce and in the public. While there are strict regulatory elements of these issues, social regulation will likely produce differentiated responses in various jurisdictions.

Societies are likely to address driving under the influence and cannabis in the workplace first. This will result in low or no tolerance for cannabis use while driving and limited consumption in the workplace.

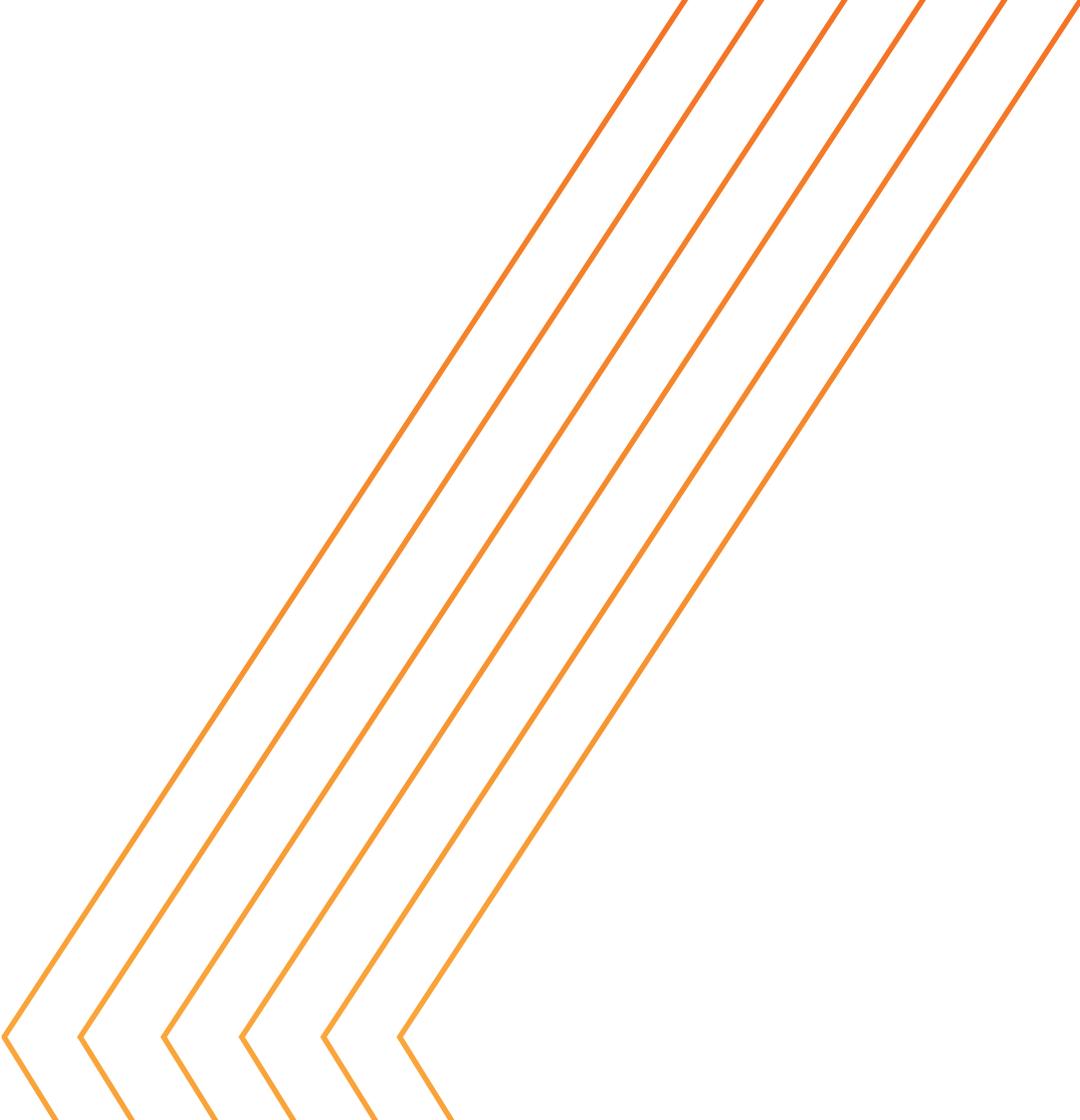
Currently, regulatory regimes mandate the private use of cannabis. Inhaling cannabis will largely continue to fall under existing smoke-free laws. However, as both public tolerance for consumption increases and delivery formats diversify the contentiousness of consumption in shared spaces will reduce.

Conclusion

Across the world, there is a significant uptick in consumer support for legalisation, a trend which will continue to accelerate. Consumer demographics and use occasions are expanding, making cannabis legalisation a widely disruptive dynamic.

The legal cannabis industry is set to be dominated in the short to medium term by two regions — the Americas and Europe. However, the momentum gathering behind cannabis normalisation and permeation is now universal and other regions will begin to gather pace.

To learn more about the top 100 cannabis markets and where the industry is likely to move next, read the full report: [The Cannabis Index: Where and How Legalisation Will Move Next](#).



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