

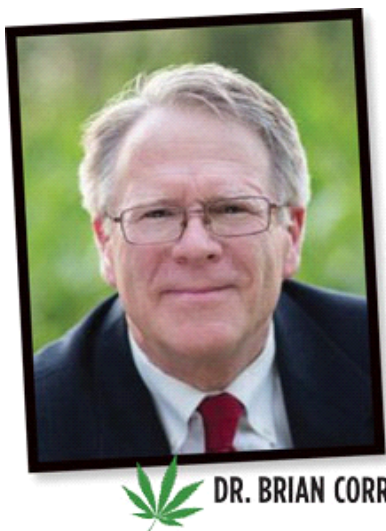
GROWERTALKS

Corr on Cannabis

5/1/2019

Change at Warp Speed

Dr. Brian Corr



Cannabis makes my head spin. And not for the reason you might think.

In the 46 years I've been involved in horticulture, I've seen plenty of change. At my first greenhouse job, we sold bareroot vegetable transplants wrapped in newspaper. Try that at your local Home Depot in 2019.

All industries change. It would be strange if horticulture had not changed in over four decades. However, in the not quite year and a half since I wrote my first column about cannabis in GrowerTalks, the changes in the cannabis industry make my head spin.

These changes are, in many ways, paralleling changes that took place in traditional horticulture, but the cannabis industry is changing at warp speed, at a pace that would be unimaginable in traditional horticulture.

Perhaps the most obvious parallel is consolidation. Forty-six years ago, I worked in a family-run greenhouse/florist/garden center. It is long gone, converted to a subdivision. The descendants of the customers I took care of now buy their garden plants grown by much, MUCH larger greenhouses hundreds of miles away, shipped to Home Depot or Walmart or wherever.

The cannabis industry still has "mom-and-pop" production, but that's changing quickly. In the last year or so, the big have been getting bigger.

Harvest Health & Recreation, already active across nine states, announced they will acquire Verano (five states and Puerto Rico). The deal still needs to close, but if it does, the combined company will soon have 70 dispensaries, 13 production sites and 13 manufacturing facilities. How big is this deal? The acquisition was an all-stock deal worth \$850 million.

In a similar-sized deal (\$823 million), Cresco Labs—already active across multiple states—has agreed to acquire Origin House, a Canadian company that has multiple brands and is very active in California. (To think last year I thought the acquisition of PharmaCann by MedMen for \$680 million was a big deal.)

Ahead, warp speed!

In Canada, where recreational cannabis has been federally legal since October 2018, the big are also getting big. Really big. It was recently reported Canada has 11 cannabis companies, each with existing or planned capacity to

produce over 100,000 kg of cannabis per year (about 110 U.S. tons). Aurora Cannabis alone expects to be able to produce 500,000 kg (about 551 U.S. tons) per year by mid-2020.

This scale of production has an impact. When products aren't purchased from your friendly neighborhood grower, either bedding plants or cannabis, differentiation can suffer. From The Motley Fool in March of 2019: "Let's face it: Marijuana is a commodity. That makes it challenging for marijuana businesses to differentiate themselves from the competition."

To compensate, brand development is going forward at warp speed in cannabis. Sounds like something the ornamentals industry did, but at a slower pace.

The traditional horticulture industry recruited celebrity spokespersons. Remember P. Allen Smith? And Martha Stewart promoting gardening for Kmart? Well, Martha has now teamed up with Snoop Dog and is a strategic advisor for Canopy Growth, the first publicly traded cannabis company in North America. Willie Nelson, the Bob Marley family, Whoopie Goldberg, Gwyneth Paltrow and Joe Montana (!) are all getting involved with various companies. My head is spinning even more than it did when former Speaker of the House John Boehner joined the board of Acreage Holdings, a company with cannabis cultivation, processing and dispensing operations across the United States.

The result? Much like traditional horticulture, there's very little room in the middle. Get big, get bought or get boutique.

Another rapidly changing aspect of the cannabis industry is in supply of materials. While there are still many small cannabis-specific suppliers of unique products, the big suppliers are starting to pay attention and supply fertilizers, lights, greenhouses, etc. specifically for the cannabis industry.

I did a doubletake when I walked past the Griffin Greenhouse Supplies booth at the Cultivate trade show in Ohio last summer and saw a video loop of a greenhouse full of cannabis. But I shouldn't have been surprised. There's a need and they're providing professional-quality materials to fill the need.

Scotts Miracle-Gro formed a subsidiary called Hawthorne Gardening, largely to support the cannabis industry. Among other acquisitions, Hawthorne acquired Gavita, a well-known supplier of greenhouse lighting. Hawthorne is constructing a cannabis cultivation research center in British Columbia, including laboratories, growing areas and breeding capabilities. In 2018, the Hawthorne subsidiary accounted for about 13% of the total revenue of the Scotts corporation. All told, Scotts has invested about a billion dollars on cannabis-related companies.

I'll say it again—the speed of change is making my head spin. Just before I wrote the first of these columns, the Illinois governor at that time said, "I do not support legalizing marijuana. I think that's a mistake." Almost a year to the day later, new governor J.B. Pritzker announced one of his top priorities as governor would be legalizing marijuana. "I think the legislature should get at it." And they are.

It is said change is the only constant in life. With change occurring as fast as it is in the cannabis industry, we cannot wait for our heads to stop spinning. Embracing the change is really the only option to prevent losing our balance. **GT**

Dr. Brian Corr is a consultant with more than four decades of experience in the greenhouse industry. He has advised legal cannabis producers for the last three years. You can reach him at Brian.Corr@SycamoreHortConsulting.com.