HEMP... Taking a Look Back

After 20 years of growth what have we achieved?
### Canadian Hemp Production

#### PRODUCTION PERMITS IN CANADA

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ACRES</th>
</tr>
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<tbody>
<tr>
<td>1998</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
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<tr>
<td>2002</td>
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<td>2004</td>
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<td>2006</td>
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<td>2008</td>
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<td>2010</td>
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<td>2012</td>
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<tr>
<td>2014</td>
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<tr>
<td>2016</td>
<td></td>
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<tr>
<td>2018 (Est)</td>
<td></td>
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</tbody>
</table>
Canadian Exports of Hemp

- Hemp fibres
- Hemp cake
- Hemp oil
- Hemp seeds

$20,000,000 to $160,000,000

2008 to 2017

+/- 1% of Hemp Seeds Exports are SEED FOR SOWING
2018 is the most significant year for hemp in Canada since production was reintroduced in 1997.

The regulations pertaining to industrial hemp will remain as a subset to the Cannabis Act (35).

The marijuana industry has many responsibilities to report, restrict and comply with rules and regulations pertaining to public safety and crime prevention - hemp will be exempt from these regs (235).

Preliminary feedback suggests hemp will become less “narcotic” and more “agriculture”.
What is the future of hemp in Canada under the new legislation?
2018 Industrial Hemp Regulations (IHR)

- **STATUS QUO**
  - Licenses required for cultivation or processing of seed, grain, fibre
  - Must provide attestation of membership (CSGA/Plant Breeder) to conduct seed production and breeding activities
  - Notify Health Canada of planting sites including number of hectares and GPS coordinates
  - No minimum acreage requirement (changed in 2016 from 4ha)
  - THC testing required for seed production and inclusion of varieties on List of Approved Cultivars
  - THC testing on approved cultivars is removed (commercial production)
  - Can only grow varieties listed on LOAC
2018 Industrial Hemp Regulations (IHR)

NEW

- Criminal Record Checks/Security clearances no longer required
- Removal of 1 kilometer buffer zone for schools and public places
- Hemp seed does not have to be stored in locked locations
- 3rd party samplers no longer required for THC sampling (seed production)
- Licenses valid for up to 5 years
- Longer term export and import permits (6 months)
- May import from any country with appropriate regulatory framework
- **Whole plant use (leaves and flowering heads may be sold to a licensed person)**
What are the prospects for the hemp industry in Canada going forward?
How large is the Canadian hemp industry?

<table>
<thead>
<tr>
<th>Metric</th>
<th>2016</th>
<th>Source/Assumption</th>
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</thead>
<tbody>
<tr>
<td>Export Sales</td>
<td>$146.5 million</td>
<td>Statistics Canada</td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>$35 million</td>
<td>Estimated from industry interviews</td>
</tr>
<tr>
<td>Jobs</td>
<td>$88.9 million</td>
<td>1,235 FTE @ $72,000 total compensation</td>
</tr>
<tr>
<td>Invested Capital</td>
<td>$69.8 million</td>
<td>2.7x wholesale sales*, amortized over 7 years</td>
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<tr>
<td></td>
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<td>(*avg valuation of 3 recent acquisitions)</td>
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<tr>
<td>TOTAL INDUSTRY</td>
<td>$339.6 million</td>
<td></td>
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Canadian industry swot Analysis

**STRENGTHS**
- Current global leadership position in hemp food production
- Knowledge and experience of stakeholders since IHR 1998
- Diversity of CHTA Board
- Industry driven, industry focused, entrepreneurial energy

**WEAKNESSES**
- Still a small, emerging industry with limited resources for the many jobs to undertake
- Lack of stable funding for industry development
Canadian industry swot analysis

OPPORTUNITIES
- Emerging market demand for many hemp-derived products
- Investor interest stimulated by regulatory changes
- Cannabis discussion at federal level brings renewed political interest

THREATS
- Still a small, emerging industry - lack of awareness with consumers
- Foreign competition - EU, China looking at food market, US cultivation in the future
- Confusion in the “cannabis” space - fighting to distinguish between hemp and marijuana
Blueprint for a $1 Billion Hemp Industry

- Enable all four market opportunities (food, feed, fibre and natural health products) through research and education
  - Food - well developed in Canada, and still growing
  - Fibre - lots of interest, but difficult to generate momentum
  - Feed - need to gain regulatory approvals with CFIA
  - Natural Health Products - tightly restricted due to current federal cannabis legislation
Blueprint for a $1 Billion Hemp Industry

- Capitalize on new cannabis legislation opportunities to maximize production and processing of hemp in Canada
Blueprint for a $1 Billion Hemp Industry

- Establish standards for the industry (first grain, then fibre)
Blueprint for a $1 Billion Hemp Industry

- Create a stable funding platform for industry development
  - Establish PRA and strategic relationships
  - PIC and DFCC
Blueprint for a $1 Billion Hemp Industry

- Establish Long Term International Strategy

Size of Canadian Industry: Sales, Jobs Payroll, Invested Capital

$CDN, millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Wholesale Sales</th>
<th>Jobs</th>
<th>Invested Capital</th>
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<tbody>
<tr>
<td>2016</td>
<td>180.9</td>
<td>88.9</td>
<td>69.8</td>
</tr>
<tr>
<td>2023 - incremental</td>
<td>320.3</td>
<td>157.5</td>
<td>123.6</td>
</tr>
<tr>
<td>2023 - transform</td>
<td></td>
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Wholesale Sales | Jobs | Invested Capital
Canadian Hemp Sales 2017 to 2022

Industry projected to grow to $1B sales by 2023, from $181M sales in 2016
TWENTY YEARS AND GROWING

NATIONAL CONVENTION
WINNIPEG, MB
NOVEMBER
20 · 21 · 22
2018