



## **Pricing concerns raised as Canada's medical marijuana market readies to expand**

Linda Nguyen, the Canadian Press

CLEARVIEW TOWNSHIP, Ont. -- Mark Gobuty isn't raising cattle or cultivating corn on his farm north of Toronto -- he's growing medical marijuana.

His company, The Peace Naturals Project, is one of the first to be approved by Health Canada to commercially produce and distribute dried cannabis ahead of changes next spring to Ottawa's marijuana medical access program.

Starting April 1, the program that began in 2001 will no longer require medicinal marijuana users to buy their medication through Ottawa's one approved supplier, grow their own plants, or designate someone to be their personal grower. Instead, users will be restricted to buying their cannabis from a list of approved suppliers.

Gobuty, Peace Naturals' chief executive and co-founder, says his company is focused on providing a quality product, but he also understands the compassionate side of drug dispensing.

"We certainly have vision. We want to help people," said Gobuty during an interview at his secluded and highly-secured farm in Clearview Township.

"It's really (about) the purpose and intent of the medicine we can provide. If we can do one thing, we want to provide people with peace."

But that peace will come at a price. And some prescribed users, such as Marcel Gignac, from Amherst, N.S., are worried that privatizing the medical cannabis industry to the will come at too high a cost.

Gignac's supplier is a designated grower, but his wife, who also uses the herb to ease the pain from arthritis, knee and hip replacements, grows her own plants. He estimates she pays about five cents per gram for her medication.

He said he and other members from the volunteer-run Medicinal Cannabis Patients' Alliance of Canada, some of whom are unable to work due to their conditions, will not be able to afford market prices.

"My options are: I can sit back and suffer and die, or grow it illegally or go to jail," said 51-year-old Gignac, who smokes 30 grams a day to treat an aggressive form of multiple sclerosis.

The idea behind opening up the industry is to provide users with more choice, offer a standardized quality of product, and lessen the security risks for users who grow the bud at home. Federal officials forecast the industry will grow to \$1.3 billion in sales by 2024.

Health Canada estimates that consumers currently pay between \$1.80 to \$5 per gram of dried marijuana, with the price under the new program to rise to about \$7.60 per gram in 2014. Peace Naturals charges \$6 a gram and offers a 50 per cent discount, up to a set amount, for those on disability allowance or social assistance.

More than 37,000 Canadians are authorized to possess marijuana for medicinal purposes, such as minimizing the effects from a variety of ailments ranging from cancer to spinal cord injury to attention-deficit disorder. That figure is expected to swell to 450,000 in 10 years. About 25,000 now grow their own plants for personal use.

Under the new rules, users will no longer have to apply for a possession licence through Health Canada but, instead, be approved with a doctor's prescription.

As of the end of November, Health Canada said it had received 285 applications for commercial production licenses and approved three

suppliers. It does not have a cap on how many commercial licenses it will ultimately grant.

Paul Grootendorst, the director of social and administrative pharmacy at the University of Toronto, expects prices to rise in the short term but, as more suppliers are approved, the competition will likely benefit the consumer.

"It's economics 101. If the money is very lucrative, more companies will enter, expand the supply and that will lower prices," said Grootendorst, adding that privatizing the industry will also encourage companies to invest more in research and development to stay competitive.

Since it received approval at the end of October, Peace Naturals has produced 14 different varieties of cannabis, with varying levels of potency and side-effects. It hopes to have at least 40 types of plants available for sale by April.

Gobuty said the company wants to expand its greenhouse operation to 60,000 square feet by the spring, doubling its production to 1,000 plants.

The plants are grown in rows in several rooms in a converted barn. Some grow in brightly lit rooms, while others are in the dark where exhaust fans circulate the humid air. The barn itself is surrounded by a three-metre high razor wired fence and about 70 surveillance cameras dot the idyllic 95-acre property.

The company is convinced there is a strong demand for better quality medicinal marijuana. Since it started deliveries via courier in early November, Peace Naturals has grown its customer base to 800 registered clients, and wants to limit that to 1,000 customers until it can handle more.

Gobuty aims to provide the best price and service for the product.

"We will be the great value when it comes to the active ingredients; knowing what you get, the consistency to that and the compassion," said Gobuty, whose agricultural experience includes growing industrial hemp and health foods, such as chia and goji berries.

His path to this business was not a direct one. Gobuty, a former executive at soft-drink maker Cott Corp., originally moved his family from downtown Toronto to the township to live a quieter life.

He became involved in medical marijuana after both of his elderly parents in Canada were prescribed the drug, and after seeing its positive effects during a visit to a nursing home in Israel a year and a half ago, where it was commonly used.

"Because this is just still so new, there's a breadth of possibility," he said.

Gobuty, a 48-year-old father of three, said the company is focused on research and development and hopes to isolate different strains of cannabis that can be tailored to specific ailments.

Specifically, Peace Naturals wants to try to isolate, and perhaps decrease, the amount of tetrahydrocannabinol, or THC - the ingredient that makes users feel stoned - without disrupting cannabidiol, or CBD, a component of the plant that can ease pain.

His long-term plan for the "new cannabis" industry is to develop the plant so it can be taken in other forms, such as through extracted oils.

Gobuty equated the industry to the now burgeoning craft breweries market, where consumers can now choose from a variety of brands and tastes.

"The current system in Canada is a great improvement. That being said, it only provides for people smoking," he said. "We can improve on that."