

# Canna-Business



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Weed. Pot. Mary Jane. Whatever you call it, there's no denying that cannabis has been creating a lot of *buzz* lately. And for good reason. The medicinal variety is now legal in 33 states, the recreational in 11, and last year, Canada lifted its ban on cannabis entirely. This unprecedented shift in North American pot laws has led to a boom in the various sectors of the cannabis industry, with several cannabis stocks now traded publicly on the New York Stock Exchange. This is all quite remarkable, especially considering marijuana is still *illegal* in the United States at the Federal level, and it has been since 1937. So, how did we get here? And more importantly, what's next in the world of Big Cannabis? Let's find out.

# What is Cannabis?

When we say “cannabis,” we’re referring to *cannabis plants*, some of the earliest-known crops domesticated by humans, dating back 10,000 years. Two major species of cannabis plants exist: *cannabis indica* and *cannabis sativa*. Colloquially speaking, indicas have relatively high levels of THC, or *tetrahydrocannabinol*, the psychoactive compound responsible for a relaxed and calming “body high” described by users. While sativas can be *high* in THC as well, users generally associate this subspecies with an energizing “head high” that helps increase focus. However, sativas can also have *very little to no* THC; sativas with less than 0.3% THC are known as *hemp*, the strong fibers from which are used industrially for textiles, construction, and even fuel.

## History Lesson

Once European brought cannabis to America, hemp became a staple of everyday life in the colonies, used to make everything from rope to sails to paper. Hemp was so important that farmers were mandated by law to grow it. In the 1800’s, doctors began expressing interest in the medicinal benefits of cannabis, and by the middle of the century, cannabis-based goods were available for purchase in general stores and pharmacies all across the country, touting their ability to provide pain relief, increase appetite, and aid sleep, among other things. It wasn’t until the early 20<sup>th</sup> century that American attitudes toward cannabis began to sour. The bloody Mexican Revolution, which lasted from 1910 to 1920, created an influx of Mexican immigrants, many of whom consumed cannabis recreationally. In the years that followed, recreational cannabis became increasingly popular in the black jazz scene of the Prohibition Era. Supported by a propaganda campaign and fueled by the xenophobic and prejudicial sentiment of the day, cannabis grew to become demonized. Before long, the term

*marijuana* had all but replaced *cannabis* in the parlance of the time, strengthening the perceived link between cannabis and minorities. As hemp production had waned since the Civil War ended, it became easier for the government to justify the outright ban on cannabis which went into effect via the Marihuana Tax Act of 1937. Though the law was found unconstitutional in 1969, the Controlled Substances Act of 1970 sealed cannabis' fate as a drug "with no currently accepted medical use and a high potential for abuse," lumping *marijuana* into the same Schedule I category as illicit drugs like LSD and heroin. Although individual states began decriminalizing marijuana starting in the 1970s, substantial cannabis legislation wouldn't occur again until 1996, with California's passage of the Compassionate Use Act, which legalized medicinal marijuana. Over the next several years, other states followed suit, and in 2012, Colorado and Washington blazed new trails, voting to legalize recreational marijuana. Since then, nine more states have joined them, bringing us to where we are today.

## **The New Kid in Town**

One of the more notable effects of pro-cannabis legislation has been the proliferation of CBD and CBD-based products. CBD, or *cannabidiol*, like THC, is one of over 110 different chemical compounds found in cannabis known as cannabinoids. Both interact with the body's endocannabinoid system; however, CBD lacks the psychoactive element for which THC is famous. Simply put, *it doesn't get you high*.

Found mainly in hemp, CBD is believed by some to provide relief for a laundry list of ailments, including pain, inflammation, and anxiety, while its purveyors offer up the compound in every imaginable form – from gels and gummies to extracts and creams. Indeed, research suggests that CBD may have therapeutic benefits, including analgesic, anti-inflammatory, and even anti-epileptic properties. Last year,

in fact, the FDA went so far as to approve epilepsy drug Epidiolex, the first-ever prescription medication to contain CBD. Despite this progress, science still has a long way to go toward fully understanding CBD, chiefly because the federal ban on cannabis has made research difficult. Still, Americans are shelling out big money on CBD products, with sales reaching \$535 million in 2018, and projected to approach \$2 billion by 2022.

Though the ubiquity of CBD is largely a byproduct of its lack of FDA regulation, it is by no means the only compound making waves. Its cannabinoid cousin, THC, remains a hot commodity in cannabis circles, available in oils, edibles, tinctures, capsules, and of course, good old-fashioned loose leaf “flower.” Consumers use THC to treat glaucoma, insomnia, anxiety, nausea, and a host of other afflictions as well. In other words, people aren’t just using cannabis to get high.

## Show Me the Money

Americans old enough to remember anti-marijuana propaganda films like *Reefer Madness* no doubt marvel at how far cannabis has come, especially over the last 20 years. As laws governing cannabis continue to evolve in the United States, our neighbors to the north appear to be leading the way. Canada legalized recreational marijuana in 2018, which was a banner year for cannabis. In July, Canadian pharmaceutical and cannabis company Tilray became the first cannabis IPO on the NASDAQ. In November, Constellation Brands, a Fortune 500 alcoholic beverage producer, closed a \$4 billion investment in Canopy Growth Corporation, a Canadian medicinal marijuana producer. And in December, Phillip Morris USA parent Altria Group announced it would spend approximately \$1.8 billion for a 45% stake in Cronos Group, another Canadian company specializing in cannabinoids. In all, [investors](#) poured \$10 billion into North American cannabis in 2018, with the combined North American market projected to reach \$16 billion

by the end of this year.

## Looking Ahead

As cannabis becomes better understood by the scientific community, medical applications will continue to be sought, setting the stage for a potential showdown between Big Pharma and Big Cannabis. Big Pharma, the status quo darling with deep pockets and a lengthy track record of success, is expected to do whatever it can to keep THC and CBD illegal under federal law, since medical applications for unregulated cannabis products sold as a food or supplements would naturally eat into Big Pharma's profits as drug-makers. Big Cannabis will do its best to compete, armed with solid financial backing of its own and the seemingly limitless potential of its key compounds to relieve pain and other ailments, without the habit-forming or psychoactive effects of, say, opiates. Whatever happens between Big Pharma and Big Cannabis, one thing is certain: the lobbyists will certainly earn their keep.