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# ***Cannabis in Foodservice***

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## Overview

- History of Legalization
- Current Legal Status of Cannabis in Canada
- Path to Legalization in Canada
- What's Expected from Provincial Regulation
- Effects of Legalization on Restaurants

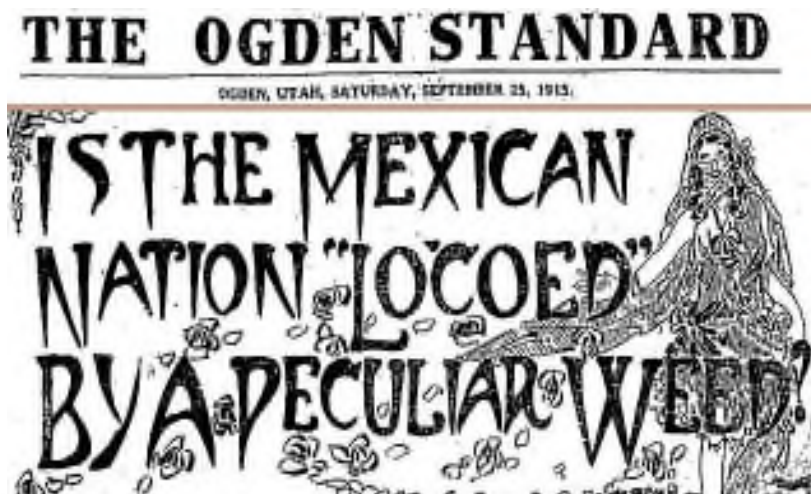
## “Cannabis” vs. “Marijuana”

- “Cannabis” is the accurate botanical term for the plant genus *Cannabis* and its species, *Cannabis sativa*, *Cannabis indica* and *Cannabis ruderalis*.



## “Cannabis” vs. “Marijuana”

- The Spanish word “marijuana” was adopted in the United States in the early 20<sup>th</sup> century to reinforce the connection between the “devil’s weed” and Mexican immigrants who, allegedly, first introduced it to American society.



**Mystery of the Strange Mexican Weed**

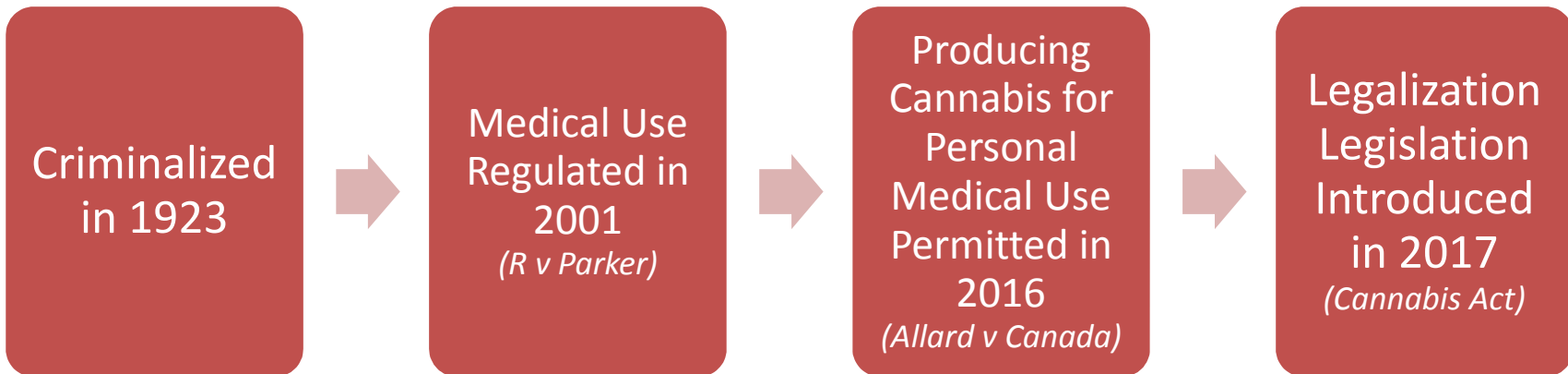
*American and Mexican Authorities Seek to Curb Growing Use of Dread Marihuana Drug That Stirs Its Victims to Atrocious Deeds of Violence*

**Menace as Great as Opium Looms on Mex. Border**

## “Cannabis” vs. “Marijuana”

- May 4, 1937 hearing before the Ways and Means Committee of the House of Representatives, Dr. William C. Woodward, the legislative counsel for the American Medical Association, opposed the *Marihuana Tax Act of 1937*, the first piece of federal legislation prohibiting marijuana.
- According to Dr. Woodward:  
*“There is nothing in the medicinal use of Cannabis that has any relation to Cannabis addiction. I use the word “Cannabis” in preference to the word “marihuana,” because cannabis is the correct term for describing the plant and its products. The term ‘marihuana’ is a mongrel word that crept into this country over the Mexican border and has no general meaning, except as it relates to the use of Cannabis preparations for smoking . . . In other words, marihuana is not the correct term.”*

## History of Legalization



## Current Status of Cannabis in Canada

- A fifth of Canadians (18%) have used cannabis in the past year.
  - Young (under 25) (34%)
  - Males (23%)
  - Least wealthy (27%)
  
- Liberals (22%)
- NDP (14%)
- Conservatives (7%)

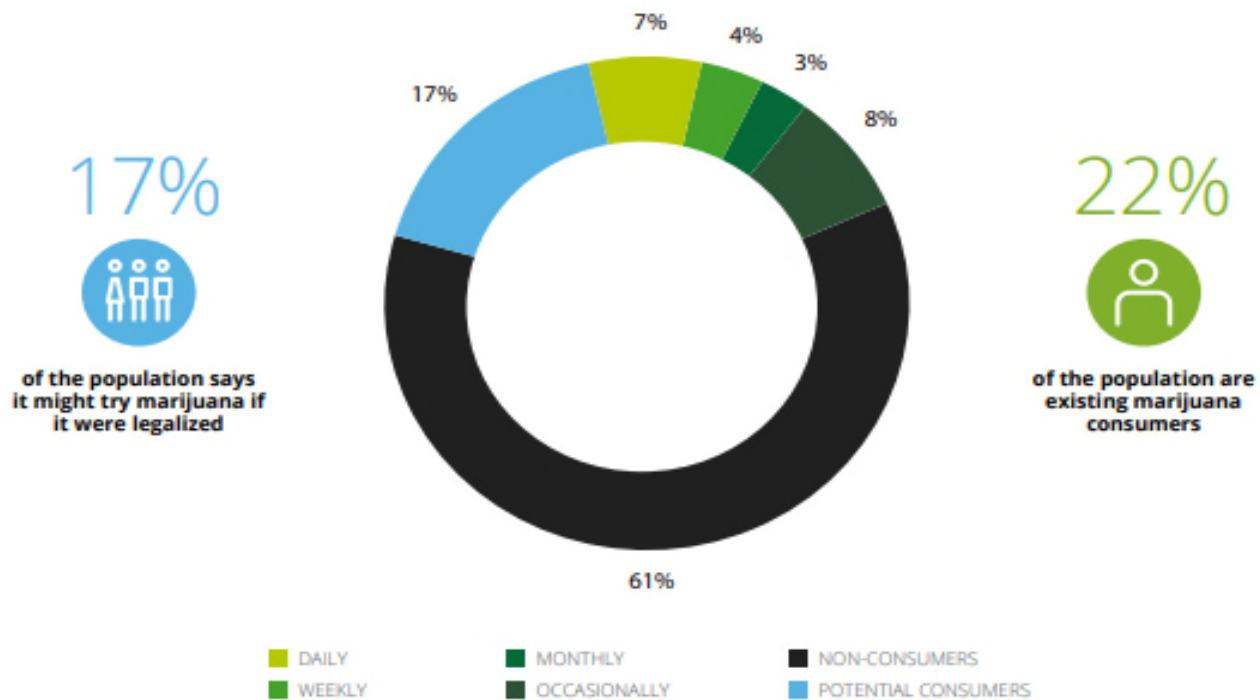
Sources:

<http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/index-eng.php>

[http://poll.forumresearch.com/data/2b6bbcb7-561c-4299-9df2-cffc1528f09bFederal%20Marijuana%20News%20Release%20\(2015%2011%2008\)%20Forum%20Research.pdf](http://poll.forumresearch.com/data/2b6bbcb7-561c-4299-9df2-cffc1528f09bFederal%20Marijuana%20News%20Release%20(2015%2011%2008)%20Forum%20Research.pdf)

## Consumer Potential

### Consumers by Frequency and Potential



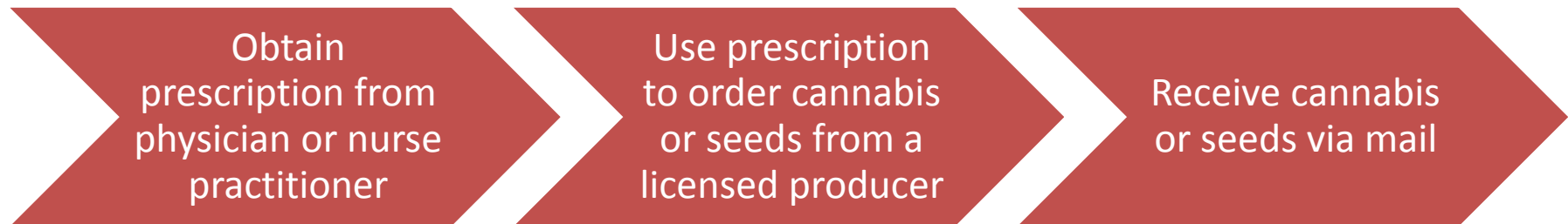
Source:

[https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL\\_AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf)



## Current Status of Cannabis in Canada

- Possession, production, distribution, and sale of cannabis is illegal in Canada, other than for medical purposes.



## Current Status of Cannabis in Canada

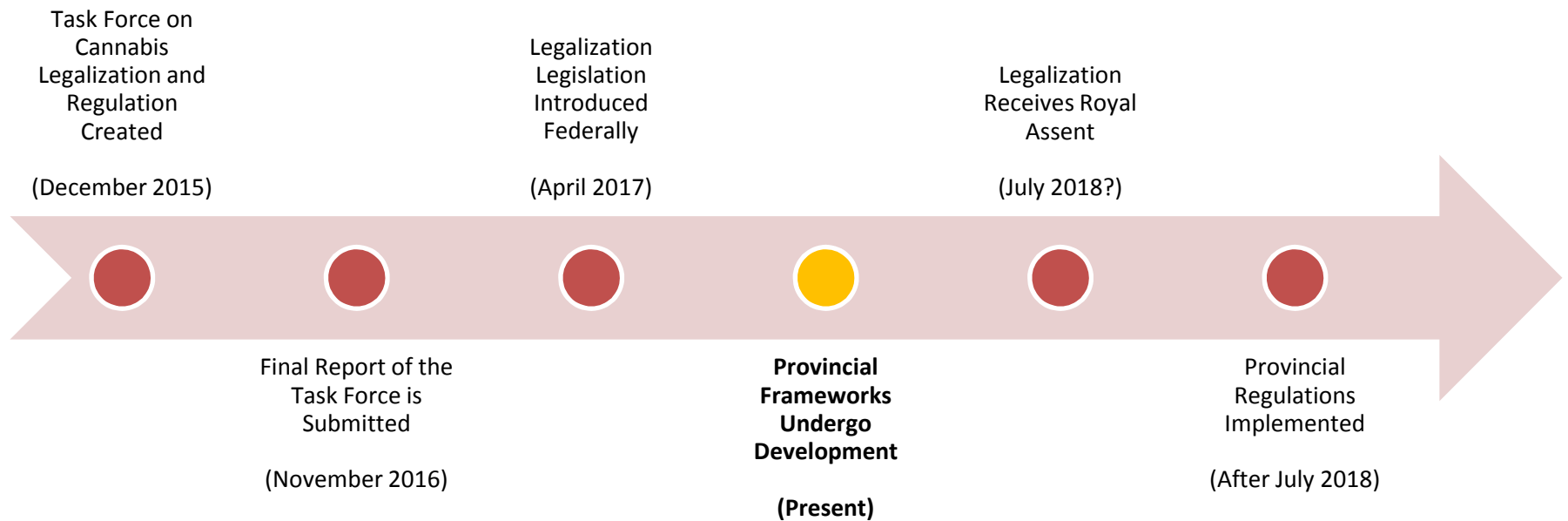
- Retail sales or production by any organization other than licensed producers is prohibited.
- Although dispensaries claim to be providing medical cannabis, they are illegal and liable to be shut down.

# Current Status of Cannabis in Canada

## Licensed Producers

- Licensed by Health Canada under Access to Cannabis for Medical Purposes Regulations
- Only producers who are authorized to produce and sell to the public may sell or provide dried marijuana, fresh marijuana, cannabis oil, or starting materials to eligible persons
- These are the companies who are positioned to supply recreational cannabis under the legalized regime.

# Path to Legalization in Canada



## Path to Legalization in Canada

- *Criminal Code* and *Controlled Drugs and Substances Act* must be amended to remove prohibitions and institute regulatory regime.
- Bill C-45 (*Cannabis Act*)
  - Criminal prohibitions for unlawful sale, possession, importation, distribution, and exportation of cannabis, including to youth.
  - Prohibits promotion, packaging, and labelling of cannabis that could be appealing to young people. Requires certain important information to be visible to consumers.
  - Decriminalizes the possession of fewer than 30 grams of cannabis (or its equivalent)
  - Allows growing up to four (4) cannabis plants per residence (inside or outside) and making cannabis-based products at home

## Path to Legalization in Canada

- Provincial Regulation Options
  - Crown retail and distribution ✓
  - Hybrid ✓
    - Crown distribution with sale at private retailers
    - Private-Crown retail competition with Crown distribution monopoly
  - Full-scale private sector ✗
- Provinces will likely adopt a model that maximizes ability to:
  - Most effectively and efficiently regulate market players
  - Track and secure cannabis products
  - Effectively tax sale and distribution

## What is Expected for Provincial Regulation

- British Columbia
  - Hybrid model
- Alberta
  - Private retail with online government sales
- Saskatchewan
  - Private retail
- Manitoba
  - Provincial supply; private retail
- Ontario
  - 100% public distribution

## What is Expected for Provincial Regulation

- Quebec
  - Likely to be sold by province
- Nova Scotia
  - Cannabis sold in liquor stores
- New Brunswick
  - Likely to be sold by province
- PEI
  - Run by province
- Newfoundland
  - Private stores



## What is Expected for Provincial Regulation

- Promotion and Advertising
  - Restrictions on advertising and promotion of cannabis and related merchandise (including sponsorship, endorsements or branding)
  - Limited promotion in areas accessible to adults only
  - Plain packaging rules
  - Strict sanctions on false or misleading promotion or promotion that encourages excessive consumption

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## What is Expected for Provincial Regulation

- Edibles –prohibited initially, but once they are permitted regulations should:
  - Prohibit products that appeal to children or resemble familiar food items.
  - Require opaque, re-sealable packaging that is childproof.
  - Implement packaging with standardized, single servings, with a universal THC symbol.
  - Warning labels & appropriate labeling.

## What is Expected for Provincial Regulation

- Retail Sales
  - Prohibit co-location of cannabis sales with either alcohol or tobacco.
  - Curb overconsumption by encouraging municipalities to use legislation and by-laws to prevent proliferation of storefronts and control location.
  - Retail outlets should be staffed with trained and knowledgeable employees.



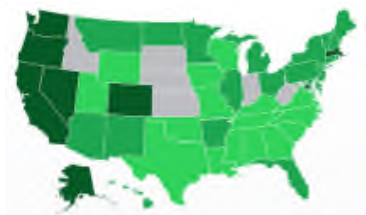
## Effects on Restaurants - Sales



Alcohol Sales  
 ▼ **2-4%**

AEG Projections  
 for Canada  
 ▼ **1%**

**Worker Attrition**



QSR Sales Gain  
 ■ **0%**

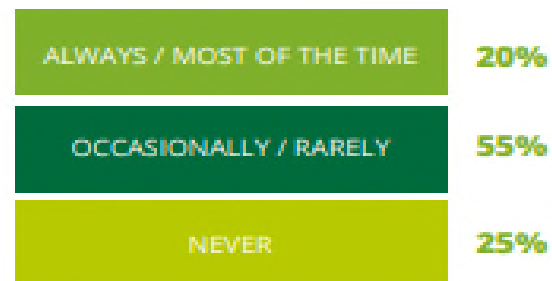
Beer Sales Volume  
 ▼ **2.4 - 4.4%**

Sources:  
<https://www.bloomberg.com/news/articles/2017-03-29/denver-s-pot-industry-has-unexpected-downside-for-restaurants>  
<http://business.financialpost.com/news/retail-marketing/legal-marijuana-will-only-sip-1-out-of22-1b-canadian-booze-sales-study-suggests>  
<https://www.fastcasual.com/blogs/the-munchies-effect-how-cannabis-legalization-will-effect-qsr-traffic/>  
<https://www.brewbound.com/news/report-beer-volumes-declining-markets-recreational-cannabis-legal>

## Effects on Alcohol Sales

- Legalization of medical marijuana reduces alcohol consumption
- Significant decreases reported in aggregate sales of spirits, beer and wine
- Effects not short-lived – up to 24 months post-legalization
- Monthly alcohol sales dropped by as much as 13% (12% beer; 14% wine)
- Cannabis and alcohol are strong substitutes

### Consumption with Alcohol



Sources:

[https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL\\_AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf)

[https://docs.google.com/viewerng/viewer?url=https://trello-](https://docs.google.com/viewerng/viewer?url=https://trello-attachments.s3.amazonaws.com/5859e37507a31d4c894a91b6/5a21b2c2c1bcb8c4f60dd1a9/3e5393c5236099c85c694d7f7361874e/SSRN-id3063288.pdf)

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## Effect on Alcohol Sales

- In CO, WA and OR, beer has collectively underperformed over last two years, trailing sales in rest of US
- Premium beers dropped by 4.4%
- Economy beers dropped by 2.4%
- Individual yearly spending on legal weed has outpaced alcohol
- Most noticeable in 18 – 25 year olds

## CANNABIS FREAKONOMICS

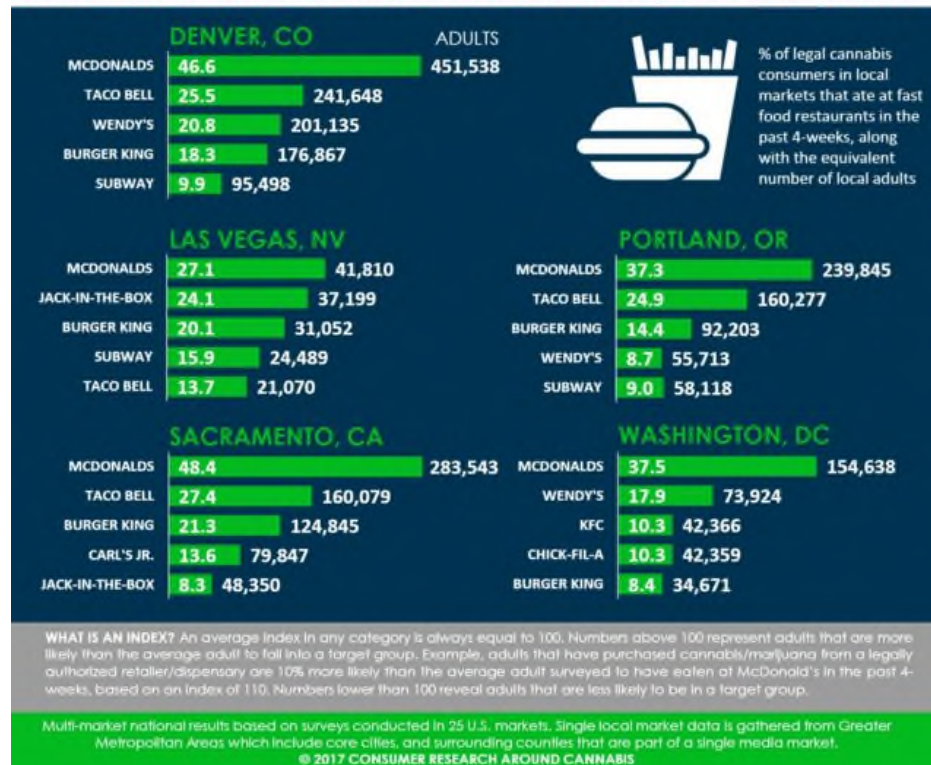
Powered By: Consumer Research Around Cannabis & Green Market Report

### NATIONAL RANKING OF FAST FOOD RESTAURANTS

TARGET GROUP: Adults who have purchased cannabis/marijuana from a legally authorized retailer/dispensary, that have visited fast food restaurants in the past 4-weeks:

FAST FOOD RESTAURANT VISITED PAST 4-WEEKS	% OF CANNABIS CONSUMER THAT VISITED RESTAURANT	INDEX VS. MARKET AVERAGE (100)
MCDONALDS	43.4	110
TACO BELL	18.3	143
WENDY'S	17.8	117
BURGER KING	17.6	119
SUBWAY	8.7	90

### SELECT MARKETS: PERCENTAGE & NUMBER OF LOCAL ADULTS





## Employee Attrition

- Anecdotal evidence of exodus of restaurant workers in Denver
- Low unemployment combined with booming restaurant industry = employees looking at pot industry
- Can earn \$20 - \$25 per hour without stress of kitchen



## Opportunities



Source:

[https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL\\_AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf)

## Methods of Consumption



Source:

[https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL\\_AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf)

## Edibles

- Bill C-45 amended to include edibles sold for recreational use
- Legal for sale in Canada within one year of legalization

“Industry knows edibles will be coming to market, Canadian consumers will know edibles are coming to market, but when they come they’ll be safely and properly regulated.”

“We have the Colorado model, which is a mature, thoughtful and tested regulatory framework from which we can learn everything we need to know about regulating edibles: single serving, child-proof containers, stamped products, not marketed to children, available only where adults frequent,” he said.

## Edibles

### Edibles the real king of Cannabis in Colorado

IN 2014



CANNABIS SALES WERE **EDIBLES** AND NON-FLOWER PRODUCTS

BY 2016



CANNABIS SALES WERE **EDIBLES** AND NON-FLOWER PRODUCTS

## Edibles

- 46% of Canadians would try cannabis-infused food products if they became available on the market
- 39% would try cannabis-infused foods in a restaurant
- Only 20% would try it themselves at home
- Ministry of the Attorney General (Ontario): *“this includes potential licensed establishments for consuming cannabis”*
  - Are edibles in restaurants a possibility?



## Edibles & Lounges

- Restaurants would have to forego alcohol sales
- Impossible to manage customer intoxication when effects take time to set in
- Ontario solicited public feedback on licensed and regulated cannabis consumption lounges and venues

## Effects on Restaurants - Occupiers' Liability

### For Alcohol

- There is a special relationship between establishment and patron
- Over-serving and driving
  - S39 of the *Liquor License Act* imposes liability on employees of a commercial host who over serve.
  - Other case law: *Jordan House, Stewart, Lum, D'Entremont*
- Condition of the premises
- Activities on the premises (e.g., *Crocker*)
- Use of Excessive Force by Employees
- Use of Excessive Force by Patrons Assisting Employees

### For Cannabis / Cannabis + Alcohol

- Is SmartServe training sufficient once cannabis is legalized?



## Effects on Restaurants



## Effects on Restaurants

- Safety & Security
  - Nearly a third of the crimes committed in Denver occur near a dispensary
  - In Denver, Crimes that have a “clear connection or relation to marijuana” have increased from 256 in 2012 to 270 in 2015 (0.42% of all crime in Denver)
  - In Denver, most cannabis related crime is people breaking into stores to get the drug (192 incidents in 2015)
  - In Colorado, driving under the influence of cannabis rose 10% (to 73 incidents) in 2015 (2.8% of all driving arrests).

Sources:

<http://www.denverpost.com/2013/07/31/slight-increase-in-crimes-near-denver-medical-marijuana-dispensaries/>

<https://www.ncbi.nlm.nih.gov/pubmed/22630790>

<http://cdpsdocs.state.co.us/ors/docs/reports/2016-SB13-283-Rpt.pdf>

[https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report\\_Reader.pdf](https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report_Reader.pdf)

## Effects on Workplace

- As with alcohol, legalization of recreational marijuana will not give employees the right to freely use marijuana in the workplace.
- In Ontario, restrictions on the smoking of tobacco in the workplace would apply equally to the smoking of cannabis.
- Employers will have to review and amend existing workplace policies and procedures once the *Cannabis Act* comes into force.
  - Change workplace attitudes
  - Removing any express policy references to cannabis usage as an illegal "off-duty" activity
- Employers must also be mindful of the use of marijuana to treat an illness or medical condition.

## Effects on Real Estate

- Denver home prices in immediate vicinity of dispensaries rose



- How it will affect other tenants?
  - Stigma of cannabis use
  - Consumption in common areas
- For consumption establishments, additional ventilation will likely be required in order to prevent odours from escaping into the common areas or neighbouring premises.

## Effects on Real Estate

- Depending on the nature of their business, a marijuana-related tenant may have unique needs to customize the leased premises.
- It should be clearly spelled-out in the lease who is responsible for installing these business-specific improvements, who pays for them, and whether or not the tenant is entitled (or required) to remove them at the expiry of the term.
- Some special leasehold improvements which may need to be installed include security walls or windows.
- Landlords and tenants should speak with their insurers to confirm that the proposed use of the premises will not violate their insurance policies *before* entering into the lease so as to avoid the potential for a cancellation of insurance after the fact.

## Questions?

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