



The Irony of Colombia's Nascent Pot Boom

Description

Marijuana stocks are attracting substantial attention as the boom in the nascent industry continues gaining considerable momentum. While companies such **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **Aphria**, which are up by 76% and 13% respectively over the last year, are gaining the lions share of [attention](#) it is time for investors to look toward Colombia.

The South American country, which became synonymous with cocaine and where tens of thousands have died in the U.S. backed war on drugs, has embarked on an ambitious plan to become a leading player in the world of legal marijuana production.

The war on drugs

This is paradoxical in a nation that's still struggling to control the cocaine trade, which claims thousands of lives annually. According to the UN, Colombia experienced a 31% increase in cocaine production, the volume of acreage used for coca growing reached a record in 2017 and the administration of President Duque recently took a hard line against drugs recriminalizing the personal use of marijuana.

More ironic still is that cartel leaders such as Pablo Escobar as well as the brothers Gilberto and Miguel Rodriguez commenced their careers smuggling marijuana. This laid the groundwork and infrastructure for their move into cocaine trafficking, which saw them earn billions of dollars annually and challenge the existence of the Colombian state.

Stable legal regime

Nevertheless, Colombia is fast emerging as a jurisdiction of choice for the cultivation of marijuana for medical purposes. In 2017, the Colombian government introduced a sophisticated legal framework that provides a much-needed degree of certainty for legal pot producers.

When combined with the equatorial nation's almost ideal climate, lengthy history of marijuana

cultivation, deep multi-generational experience and relatively low start-up as well as operational costs, it creates a highly supportive environment for the legal production of marijuana.

Colombia's lengthy history of marijuana cultivation means that there are already globally recognized high-quality Colombian strains, including Colombian Gold, Mango Biche and Punto Rojo.

The Andean nation's ongoing socio-economic, security and fiscal troubles have bolstered the incentive for Bogota to promote the industry to boost employment, attract much needed foreign investment and widen the tax base. Legally grown marijuana also holds significant promise as a viable crop that can be substituted for coca, as part of Bogota's efforts to reduce cocaine production in a country where the ongoing low-level asymmetric conflict and lack of [security](#) is fueled by narco-money.

Rapidly growing industry

According to industry data, there are 126 entities licenced to cultivate marijuana in the Andean nation. Canadian listed **PharmaCielo** ([TSXV:PCLO](#)) has emerged as one of the leading local marijuana companies.

Since listing on the starting to trade on the **Toronto Stock Exchange** on 22 January 2019, it has lost over 11%, creating an opportunity for speculative investors seeking to bolster their exposure to the growing cannabis boom.

The industry is in its infancy, and there is considerable room for significant growth. Canada and Uruguay are the only countries thus far to fully legalize the recreational consumption of the drug, and there is still a considerable stigma attached to its use, even for proven medical purposes.

PharamCielo is licenced with 139 hectares of cultivation capacity composed of a 1.3 million square foot nursery and propagation centre and 0.4 million square feet of open-air greenhouses as well as 13.3 million square feet of open-air greenhouse capacity operated by contract growers.

Those properties give PharamCielo the ability to produce 5.5 million kilograms of flowers annually. It has a strong management team with extensive backgrounds in health, cultivation and corporate management.

By the end of 2019, PharmaCielo expects to have completed the construction of an oil extraction facility capable of producing 12 metric tons of cannabis oil annually and planted 20 hectares of plants. The company is also in the process of securing access to markets, including established joint ventures in Mexico and Italy, giving it access to two of the world's largest medicinal marijuana markets.

The company is well positioned to establish relationships with Canadian entities to offer its product for recreational use, which would be a powerful tailwind for PharmaCielo. While there is a certain stigma associated with Colombia and drugs, it does provide a unique international marketing as well as branding opportunity.

Canada's major marijuana companies have already entered the nation. In mid-2018, Canopy acquired Spectrum Cannabis Colombian in an all-stock deal that saw it issue US\$35 million in stock for an upfront payment and commit to paying another US\$61 million in stock if key milestones are achieved. Spectrum owns a 126-hectare farm in the central Colombian department of Huila, with construction of

the growing facility expected to be completed in 2019.

With Colombia's legal marijuana industry in its infancy and major pot companies such as Canopy and Aphria making large investments in the Andean nation because of its favourable operating environment, now is the time for investors to consider dipping their toes into PharmaCielo.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)
3. TSXV:PCLO (PharmaCielo Ltd.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/07/19

Date Created

2019/04/15

Author

mattdsmith

default watermark

default watermark