To: Health Canada
Fr: BC Craft Farmers Co-Op
Date: 08 July 24
Re: Canada Gazette Response to Health Canada Amending Regulations Concerning Cannabis

On behalf of the British Columbia Craft Farmers Co-Op (BCCFC) we are pleased to provide our comments regarding the proposed regulatory changes to the Cannabis Act posted as part of the Canada Gazette, Part I, Volume 158, Number 23: Regulations Amending Certain Regulations Concerning Cannabis (Streamlining of Requirements), June 8, 2024.

Background:

BCCFC understand the changes being proposed are to:

- reduce regulatory and administrative burden for regulated parties
- support diversity and competition in the legal cannabis market

The purpose of the *Cannabis Act* is to enhance public awareness of the health risks associated with cannabis use, provide access to a quality-controlled supply of cannabis, and provide for the licit production of cannabis to reduce illicit activities in relation to cannabis. It is under this context this BCCFC is providing these comments.

In addition to the comments that we will provide directly into sections of the Gazette posting, we offer this letter to Health Canadas policy staff for further context on the background and description of the proposed changes.

BCCFC is the largest craft cannabis organization in country. We represent hundreds of craft, micro producers, processors and supporters in BC and surrounding regions. Our mission is to:

- maintain BC's top position as an international cannabis leader and innovator
- provide BC's small and medium-sized producers and processors with a safe, accessible, and sustainable alternative to the illicit market
- provide medical and recreational cannabis consumers around the world with high-quality BC cannabis

We are very thankful to Health Canada for finally listening to Canada's top cannabis experts, BC craft farmers.

In addition to improving the bottom line of struggling small cannabis businesses, the proposed reduction in red-tape and increase to the unreasonably low micro-production and processing limits on licence holders means consumers will have more legal access to the products they are seeking - fresh, locally gown cannabis from farmers passionate about the plant.

The proposed federal changes respond to other recommendations approved by craft farmers, BC processors and independent retailers at BCCFC's 2022 BC Cannabis Summit in Kelowna, BC and

the special resolution passed by delegates attending our 2024 Summit earlier this year in Prince George.

Among other things, our feedback is focus on edible products, streamlined reporting requirements, marketing and packaging improvements. BCCFC members and supporters have been seeking several of these changes and provided information to federal staff and elected officials associated with the file.

Licensing

Micro-Producer capacity increase to 800 m^2 and processing to 2400 kg

BCCFC members are pleased to see the federal government increase the capacity of micro producers to be nimble and vertical it their ability to produce cannabis. These changes should be made as quickly as possible.

Its increases economies of scale and capacity for product development. Increased thresholds may facilitate product diversification for individual micro-class licence holders. It allows farmers to explore possibilities of contract and white labelling production, supports investments made by outdoors farmers to be able produce more cannabis during limited growing seasons and will entice more illicit growers to join the legal market for there is an ability to produce more without engaging in the regulatory burden of operating as a standard producer.

However, an increase in cap space alone is not enough to support micro-class cultivators. A reduction in excise tax must accompany this cap increase to ensure the longevity and viability of micro production. Increases in capacity will mean an increase in excise which already poses a significant challenge to micro-operations across the country because many deal with unnecessary regulatory burden and heavy taxes and fees to sell to provincial entities.

CRA has already recognised excise tax as issue for the industry, cannabis revenues are not divided in a way that allows licensed cultivators and processors to be consistently profitable. In particular, smaller licence holders appear to be struggling as they cannot compete with larger companies on price and have less ability to secure shelf space with provincial distributors.

A reduction in excise reduces the burden on producers however excise loss will be offset by an increase in production and therefore revenue. A reduction in excise in conjunction with this cap increase, especially for micro-producers will increase the long-term viability of farmers. This will support and increase in the variety of products and increase competition.

Health Canada will need to roll out education and implications of changes to municipalities and provinces who have already created policy/by-laws around micro-cultivation. Especially when it comes to laws regarding restrictions in size that could be in conflict with the Cannabis Act.

Quality Assurance People "one or more"

Allowing smaller producers to quickly employee and or contract QAP staff reduces bottleneck, time and resources. QA work can often delay products to market which has been an issue for small to medium producers. We support this change.

Addition of Grounds for Suspension on licenses

We are unsure if these compliance actions especially for non-compliance with administrative burdens, is wise to implement. Many BCCFC members do not fully understand the compliance polices of both Health Canada and the Canada Revenue Agency and what would be the list of the grounds for suspension?

Suspension of operations on a small producer would be determinantal if not fatal to their business. Unintended consequences such as provinces denying sales due to suspension even after reinstatement or industry stigmas due to punitive failures (ie. Failing to submit a document on time) could occur. Further policy research should be considered. The information in the gazette posting is vague and we suggest more dialogue is needed before these proceed.

Amendments and Reductions to Administrative Burden

Reductions in administrative and reporting requirements are welcomed by our membership. Any reduction to regulatory red tape frees time and resources which is important to small to medium cannabis producers.

With respect to the changes of research, flexibility to list the ports of entry and exit on import and export permits and the sale of pollen, we welcome and support amendments to the act which support the promotion of our cannabis industry and to reduce stigma. We are unsure of the impacts to the market and request that Health Canada establish performance metrics of these changes or work with our organization/industry to monitor its impacts.

Schedule 2 to the Act

We agree with the reduction in burden to allow derivatives of non-viable cannabis and industrial hemp seeds, roots, and stalks to be imported, exported, sold, and processed without a licence under the Act. This removes unnecessary testing and redundant paperwork.

Industrial Hemp Regulations /Cannabis Exemption (Food and Drugs Act) Regulations

We support the removal of the maximum THC concentration of 10 parts per million for industrial hemp grain derivatives; the testing requirement; labelling for wholesale; and import and export requirements. This also includes the language to remove the reference to a food or cosmetic

containing cannabis that consists only of industrial hemp grain derivatives exempt under the IHR. This clarifies Health Canada's policy and once again reduces regulatory burden.

Natural Health Products

We are unsure how this change will affect the regulation in question. What is specifically covered by the removal of the exempted products found in Schedule 2? We request further interpretation from Health Canada. Not enough details are in the proposed amendments.

Personnel and Physical Security Measures

BCCFC welcomes the reduction in the need for the on-site presence of a security-cleared individual. It also supports the reduction in video monitoring time, areas and individuals entering and exiting storage. We support the analysis provided in addressing time and money saved.

At the same time, we are disappointed Health Canada continues to require the facility to be built out before licencing and continues to delay security screening process to the end of the process. The security check should be at the start and the build out requirement should be reconsidered to its original language in the regulation.

Production Requirements

The removal of the requirement for the weight limit of one gram for each discrete unit maybe be seen as positive step to establishing new products on the market but we are unsure of Health Canadas analysis that it will driving out the illicit market. The same can be said for the inclusion of ethyl alcohol in additional classes of cannabis. We would like to see Health Canada monitor how these changes will be measured in the market.

Packaging and Labelling

Co-packing of Products

Permit packing multiple immediate containers within an outermost container supports a reduction in packaging resources, which can increase bulk sales and white labelling products with respect to edibles products. The removal of the 10 mg THC limit that forms the outmost container allows for higher limits to edibles which will increase product diversity.

Extended Labels, Panels and Leaflets

Any increase in allowable package space to increase product information would be key to supporting new products. New extracts and edible products that have not realised their full market potential such as rosins and topicals, could be fully described with more information.

Additional information including diagrams for use, help raise product awareness and knowledge. This would support small producers who only produce singular niche products. Peel back and extension labels along with leaflets/inserts can support this.

Simplify THC & CBD Labelling Requirements

The change is supported by the BCCFC as it is likely to reduce confusion for the consumer and retailers. While industry understand the nature of why we report these numbers it was an unnecessary burden to the consumer to understand this information without further outreach and education from Health Canada. Information on how these numbers would affect a persons experience and health when using the cannabis was never implemented.

Permit QR Code on Product Labels

BCCFC supports any increase to product information including production, craft producer, region and other relevant information that will support the sale, safe use and anything to identify it as local craft. QR codes are a commonly used tool by smart phone users and provide ease and access of use.

Simplify Packaging Requirements

Cut-out windows and transparent packaging for dried or fresh cannabis products and cannabis seeds would allow the cannabis to go back to its traditional selling methods (sight) when in the legacy market it was considered more an agricultural product where the consumer would touch, smell and look at the product before purchasing.

This improvement should also extent to extracts and edible products. This will further drive consumers to better quality and value-based offering for they can relate to this packaging for it mimics what already works in the illicit market.

Being able to smell the cannabis (terpenes which are a huge part of the entourage effect of cannabis) should be allowable as well. The illicit market allows for this type of analysis before purchase so to decrease their footprint this should also be considered.

Simplify Labelling Requirements

The option to list equivalency and expiry on labels provides flexibility for producers to have more space on their labels to provide more pertinent information on their product. The ability to include other symbols such as recycling, provincial product identification, and other third party certifications would help craft farmers because it allows niche craft products to be fully recognized for its characteristics and selling features. Health Canada should work with third party organizations and provinces for standardizing the use of these other symbols.

Record Keeping and Reporting

The reduction in destruction, quantity of any substance that is applied to cannabis, the method of application, or the rationale for the application, submission of NNCPs for dried Cannabis Products, promotion reporting, key investor and Cannabis tracking requirements are supported by the COOP.

We look forward to seeing the final version of the regulatory package with our comments implemented. Please do not hesitate to reach out during this consultation period or if you need further information to formalize these policies.

Tara Kirpatrick
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