




Cannabis Retail & Distribution

Prepared for Mississauga City Council
Ontario Cannabis Store

February 2023

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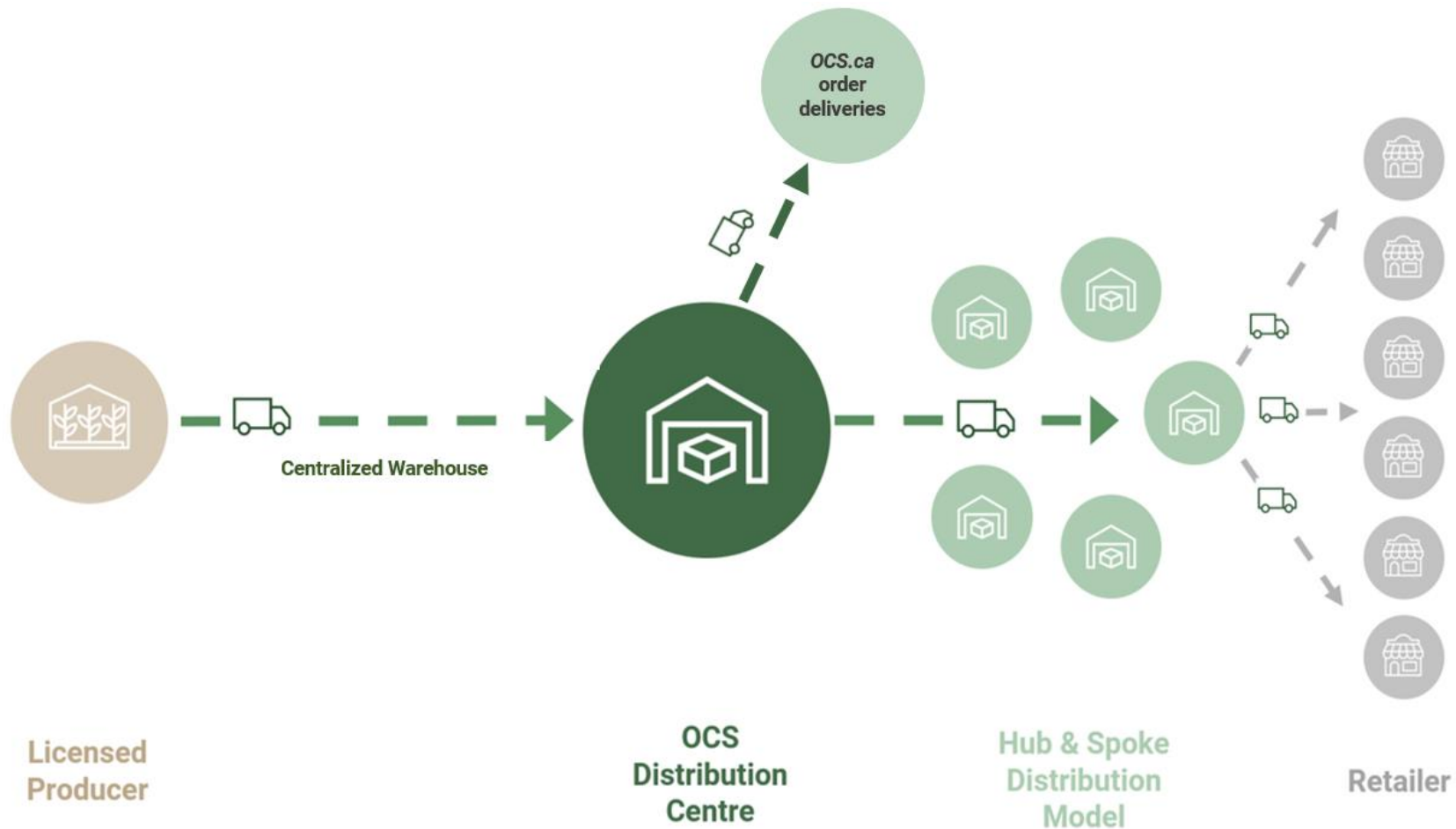
Agency Profile	
	<p>Name: Ontario Cannabis Retail Corporation, operating as the “Ontario Cannabis Store”</p> <p>Established: 2018</p> <p>Organizational Structure: Government Business Enterprise reporting to the Ontario Ministry of Finance</p> <p>Responsibilities: Provincial Online Retailer and Exclusive Cannabis Wholesaler</p>

OCS Strategic Plan				
Government Priorities		Eliminate the Illegal Market		Protect Children, Youth and Communities
OCS Mandate	E-Commerce through OCS.ca	Wholesale to Retail Stores	Promote Social Responsibility	Generate Profit for Ontario
Our Vision		Our Mission		
Canada’s largest and most vibrant cannabis marketplace		Enabling a vibrant marketplace through great customer experiences rooted in selection, service and quality		

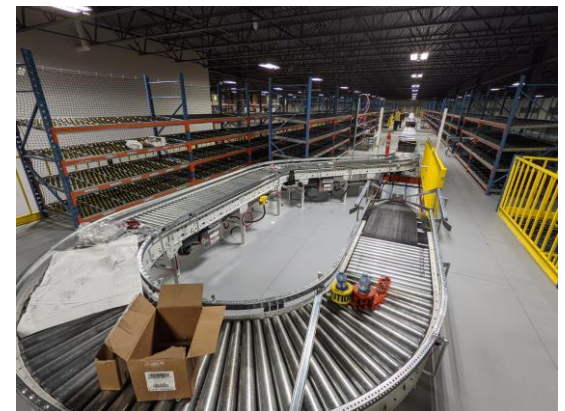
Wholesale Distribution Across Ontario



OCS leverages a centralized distribution model with automated supply chain functions to move over 1100kg of cannabis to Ontario's 1600+ authorized stores each day.



Distribution Centre

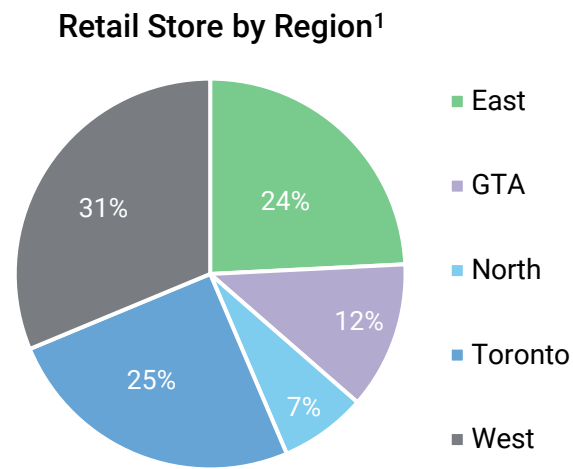


Ontario's Cannabis Market

Dashboard: Authorized Cannabis Retail

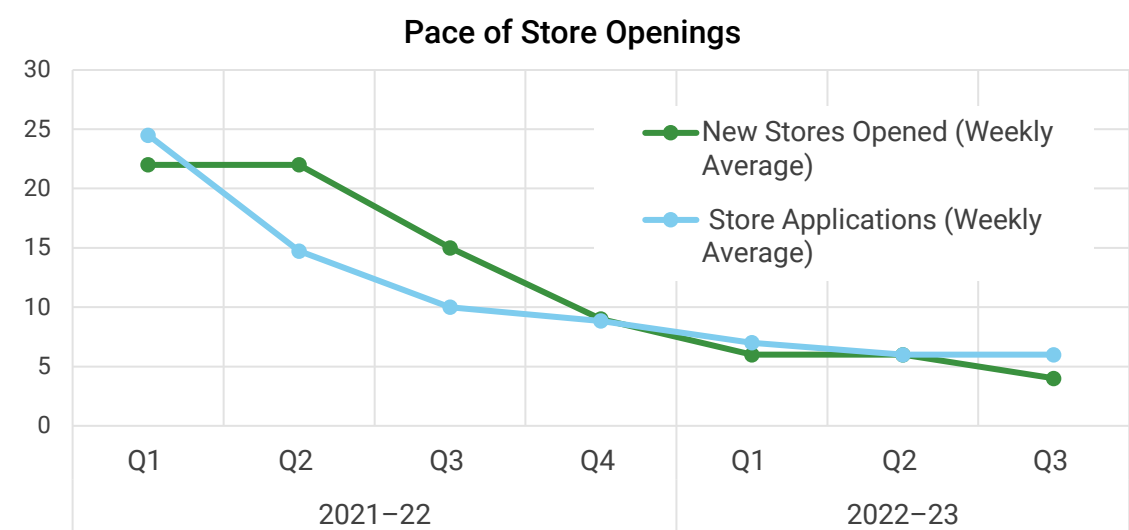
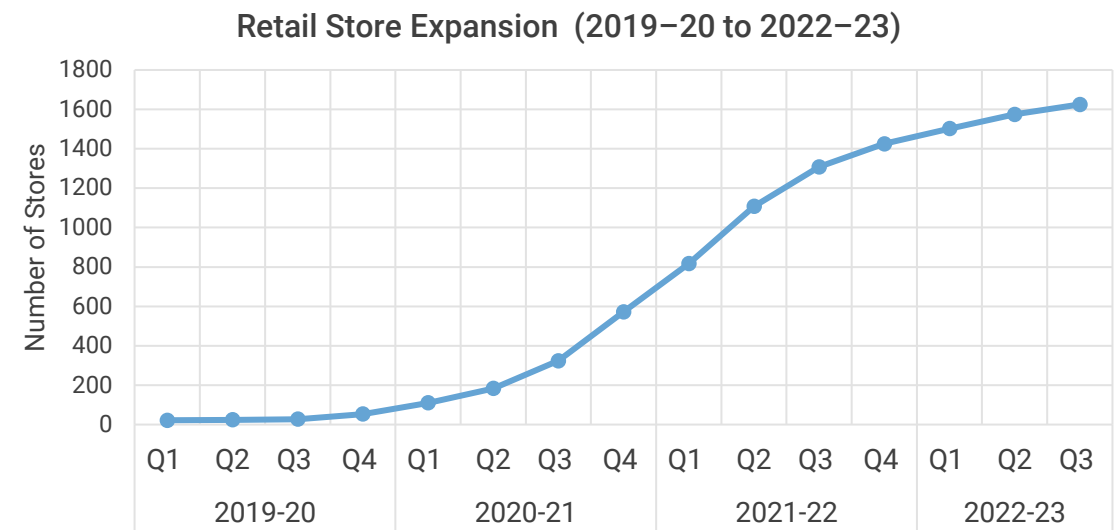


Ontario’s retail network expanded rapidly in early years but has started showing early signs of maturity.



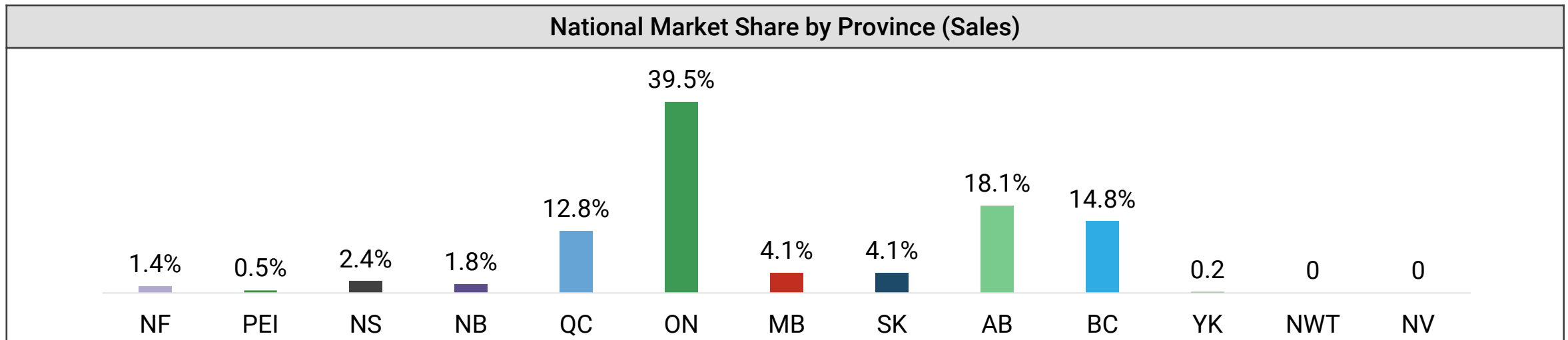
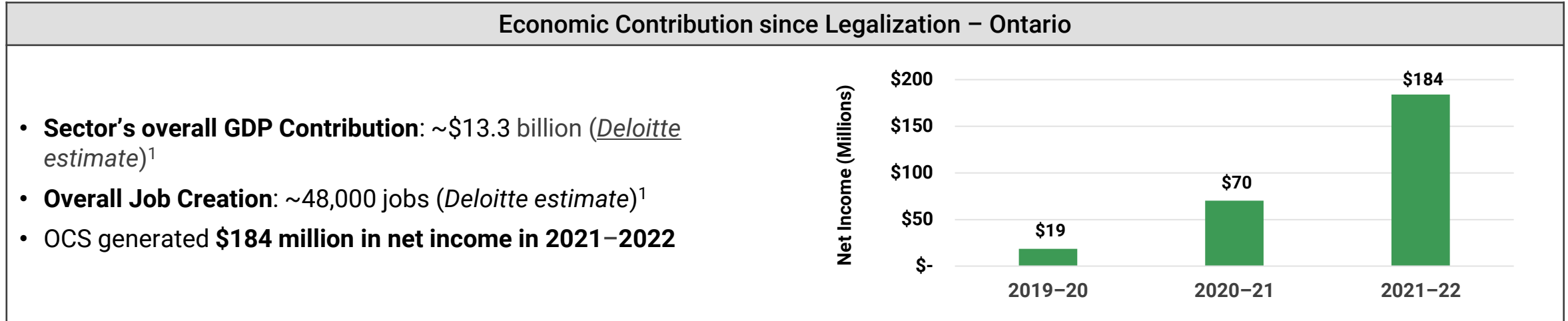
Retail Store Footprint

- Ontario’s recreational cannabis market has grown consistently since licensed private retail began (April 2019). To date, there are over **1,600 stores** open across **348 municipalities**.
- Over the past two years, the pace of applications and new stores opening have decreased – suggesting that the retail market is stabilizing.
- By December 2022, nearly 97% of all legal sales occurred through an authorized retail store.
- Although the legal retail footprint is expanding in regions across Ontario at different rates, adults located in the GTA, including Mississauga, continue to be underserved.



¹ Retail stores by region as of December 31, 2022

In four + years since legalization, cannabis has emerged as an important economic driver in Ontario.



In four + years since legalization, public attitudes towards cannabis have continued to evolve.

- Evolving and improving public attitudes towards cannabis can be attributed to several factors, notably broader access to legal cannabis through a growing network of Authorized Cannabis Stores, and a regulatory framework that assures the safety of cannabis products, including limiting access to youth.
- Other perceived impacts of cannabis legalization on Canadian society include increased economic benefits, such as job creation and generation of tax revenue that can be invested back into other public programs or government priorities.



Perceptions of Cannabis Consumption

- 7-in-10 Ontarians perceive cannabis use as somewhat/mostly positive rather than negative.
- Whether in terms of physical or mental health, social life or long-term aspirations, Ontarians are significantly more likely to feel alcohol poses greater risks than cannabis.

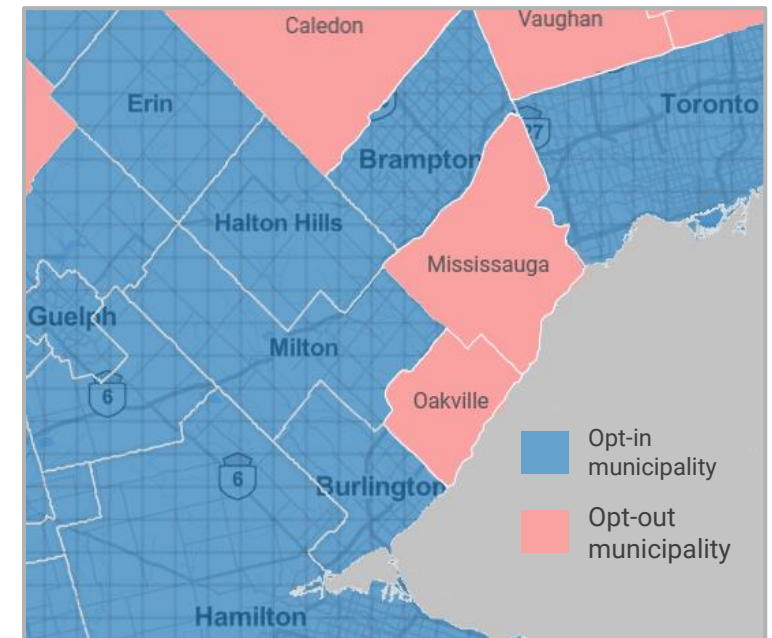


Perceptions of Cannabis Legalization

- Overall, more than three quarters (76%) of Ontarians perceive legalization of cannabis as being good or mostly good for Canada.
- For those with negative views towards cannabis, 27% still perceive legalization as a good thing.
- Nearly two-thirds (64%) say access to safe cannabis products is a significant benefit to cannabis legalization.

In the absence of legal cannabis stores in their city, adult consumers in Mississauga access cannabis through online delivery and nearby communities, as well as through illegal channels.

- Adults in Mississauga can access recreational cannabis in the following ways:
 - **Illegal Market:** Relative to communities that have opted-in to cannabis retail, Mississauga continues to be disproportionately served by the illegal market (e.g., mail-order-marijuana (MoM) sites, local dealer, dispensaries, etc.).¹
 - 42% of Mississauga cannabis consumers report having purchased from a MoM in the past, 61% from an individual, and 47% from an illegal dispensary.
 - While a significant proportion of consumers have purchased cannabis illegally, two thirds value being able to purchase through an authorized seller.
 - Three quarters believe that authorized sellers are better at ensuring products are safe and quality control practices are in place.
 - **OCS.ca:** Consumers located anywhere in Ontario can purchase cannabis from OCS.ca for delivery to their homes.
 - **Retail Stores in Neighboring Communities:** Authorized retail stores in nearby communities (i.e., Brampton, Burlington, Toronto, etc.) can deliver to consumers located in Mississauga.



Access to quality products at a competitive price increases the likelihood consumers will transition to the legal market.

High-Quality Products

- OCS requires Licensed Producers to ensure that all products sold into Ontario's recreational cannabis market adhere to federal regulations
- The OCS has over 3,000 unique cannabis products

Competitive Pricing

- OCS and Authorized Cannabis Stores maintain competitive prices to compete with the illegal market

Access

- **In-Person:** Over 1,600 Authorized Retail stores are open throughout Ontario
- **Online:** Through OCS.ca or through an Authorized Cannabis Store located in communities that permit cannabis retail



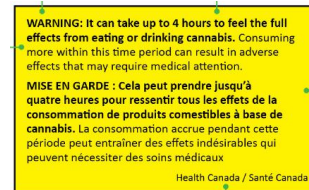
Illegal Market Capture

- When these three pillars are utilized effectively, the likelihood that consumers will transition to legal sources is improved

Overview: Cannabis Products

The federal cannabis framework provides for the development of strictly regulated, legal cannabis products.

- Health Canada requires that producers perform mandatory testing for contaminants and prescribes stringent product-level requirements to assure that cannabis products are produced, packaged, and labeled in a manner that supports consistent quality, protects public health, and provides consumers with confidence when purchasing legally.
- Legal cannabis products cannot be appealing to youth and must be sold in plain, child-resistance packaging featuring health warnings and standardized symbols:



In the summer of 2022, the OCS introduced [Cannabis Made Clear](#) — an online educational platform to help consumers improve their understanding of cannabis by providing evidence-informed educational resources. The goal is to advance cannabis knowledge for all Ontarians and to promote responsible consumption.

OCS Quality Assurance & Social Responsibility

- OCS can only purchase from federally-licensed producers and requires that all products comply with federal regulatory requirements.
- OCS' suppliers (i.e., federally-licensed producers) must ensure every lot or batch of product has been tested by an independent third-party lab, and a Certificate of Analysis containing all required testing data is provided to OCS.
- OCS is also committed to promoting responsible consumption and is working to strengthen and disseminate evidence-informed education to adults across Ontario through [Cannabis Made Clear](#).

Authorized Stores in Ontario can offer an increasingly wide selection of legal products.

- OCS offers over 3,000 unique products across 10 distinct categories sourced from over 200 Licensed Producers.
- The robust manufacturing capabilities of the legal industry offer a unique value proposition to establish innovative products as a competitive advantage over illegal alternatives.
- With reliable, consistent and innovative supply, consumer preferences have continued to shift to align with an increasingly diverse product offering that includes more types of edibles, extracts and topicals.
- Dried flower continues to make up the largest sales category with 57.5% of revenues as FY2021–22. However, its market share has been decreasing as other product categories increase in popularity.

Market Share by Product Category (%)

Category	FY2020–21	FY2021–22
Dried Flower	64.3	57.5
Pre-Rolls	10.7	14.4
Vapes	11.4	13.5
Concentrates	1.6	3.0
Edibles	3.1	4.0
Beverages	1.1	1.5
Capsules	2.4	1.8
Oils	4.9	3.5
Topicals	0.4	0.6
Seeds	0.2	0.2

Key Takeaways

- Through its regular product procurement process, OCS continues to improve the variety, selection and reliability of products available to Authorized Retail Stores to support the development of a differentiated retail cannabis market in the province.
- With access to a growing and diverse product catalogue, Authorized Stores are better able to attract consumers from the illegal market.

Illegal cannabis is comparatively more harmful than regulated cannabis sold in Authorized Stores.

- A recent National Research Council Canada (NRC) [study](#) on behalf of the OCS and Ontario Provincial Police tested seized illegal cannabis and found:
 - Inconsistent or inaccurate THC claims (i.e., not as strong as advertised).
 - Products had dangerously high-levels of pesticides (e.g., piperonyl butoxide, myclobutanil, and permethrins), some of which were several hundred times above Health Canada limits for regulated products.
- Illegal edible cannabis products often have bright, colourful and attractive packaging with brand elements that resemble or mirror food products that appeal to children. Unlike regulated product, packaging rarely include includes child-resistant features.



Key Takeaways

- Products in the illegal market are not subject to federal production rules, packaging/labeling requirements, or quality testing standards.
- Illegal products may be of uncertain quality, are more likely to contain contaminants or other substances that could be harmful to consumers, and often have packages that are attractive to youth.