Defining the cannabis sector in Canada by 2025

As the cannabis market continues to establish roots in Canada, what does the sector’s future hold? EY analysis projects significant growth, along with some uncertainty, for licensed producers (LPs) of both medical and recreational cannabis.

### Competition is heating up

- **$4.00–$5.00** average wholesale price for dried flower in 5 years

### Increasing capital costs

- 14m+ sq ft additional square footage for licensed facilities in the next 2 years
- **$140–$250**/sq ft in capital investments for cultivation and processing facilities
- **$400**/sq ft for the build-out of some facilities

### Shift towards non-combustible consumption methods

Consumers are expected to increase their spending on legal cannabis, even as prices increase. They’ll likely have a strong preference for dried flower in the coming year, both due to its popularity and the lack of alternatives. By 2025, however, the weighting will mostly be split between dried flower and extracts, with a small percentage to edibles and non-edible derivatives.

- **84%** of the total adult population is projected to be cannabis consumers
- **20%** of the total adult population is projected to be cannabis consumers

### Additional product formats will be catalysts of growth

Retail and distribution frameworks across Canada have been implemented at a slower pace than anticipated since legalization, diverting many consumers to the illicit market. However, as the industry matures, access to legal cannabis products increases, and higher margin derivatives come online, we expect the Canadian direct cannabis market to grow by over 50% in 2025.

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