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Analysis in Brief

The retail cannabis market in Canada: A portrait of the first year



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Correction Notice

A correction was made on December 12, 2019 to reflect that online cannabis distribution in Alberta is conducted under the public retail model and not the private model as originally indicated.

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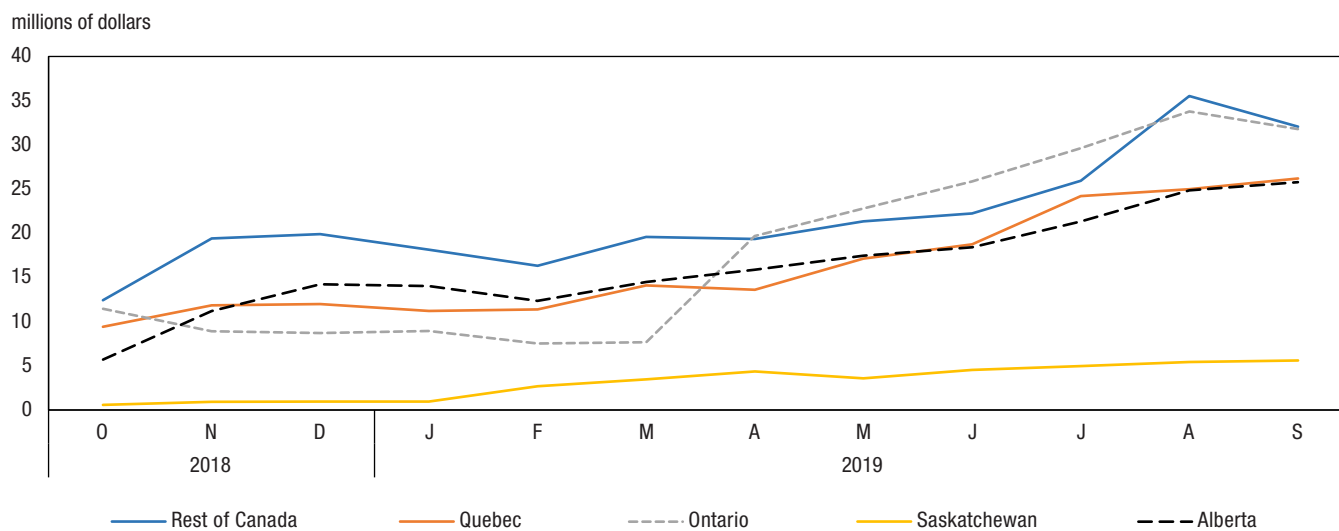
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The retail cannabis market in Canada: A portrait of the first year

In the year following the legalization of non-medical cannabis in Canada, the retail non-medical cannabis market has grown considerably, with retailers of legal cannabis establishing more than 400 brick-and-mortar stores and registering \$908 million in online and retail store sales (Chart 1).

Chart 1

Retail trade sales¹ by cannabis stores, October 2018 to September 2019, select geographies



1. Data represent non-medical cannabis sales in the legal market, including online sales.

Source: Statistics Canada, Table 20-10-0008-01, Retail trade sales by province and territory.

Since October 2018, the provinces and territories have instituted a variety of regulatory frameworks to manage the distribution and sale of non-medical cannabis¹ in their jurisdictions, resulting in an industry structure composed of public, private, and hybrid systems engaging in retail trade through both brick-and-mortar and online stores.

As the industry establishes itself and the market develops, Canadians' access to cannabis retailers is increasing. This paper describes recent trends in the retail cannabis sector,² provides an update to Statistics Canada's October 2018 proximity study,³ and highlights the role that accessibility, online sales and wholesaler retail sales have played in the evolution of the cannabis market to date.

1. This analysis focuses on retail sales of non-medical cannabis. Medical cannabis is federally regulated and is only available within a direct-to-consumer business model (primarily sold by producers, directly to consumers). For information on the [medical use of cannabis](#) and its licensed production.
2. This analysis focuses on the legal, non-medical retail cannabis market. For more information on Statistics Canada's efforts to track statistics related to illegal and medical cannabis, please visit the [Cannabis Stats Hub](#). For more information on the National Economic Accounts' treatment of legal and illegal economic activities related to cannabis production, distribution and consumption for medical and non-medical use see [Incorporating the cannabis market in the national economic accounts, fourth quarter 2018](#).
3. [Access by Canadians to Regulated Liquor and Cannabis Retail Outlets](#) (2018) described Canadian households' access to liquor and cannabis via proximity to brick-and-mortar outlets. For the most part, the proximity analysis in this paper replicates the method used in the original study, the exception being that this analysis uses July 2019 counts of cannabis retail outlets from the Statistics Canada [Business Register](#), while the original study used an estimate of planned cannabis retail outlets.

Overview of provincial and territorial sales

Ontario cannabis retailers led sales at the provincial level, contributing \$217 million to the sector from October 2018 to September 2019, followed by Alberta (\$196 million) and Quebec (\$195 million) (Table 1).

Table 1

Total retail sales¹ at cannabis stores, per capita, October 2018 to September 2019, Canada, provinces and territories

	Total retail sales at cannabis stores	July 1 st Q3 2019 population estimate	Sales per capita
	unadjusted dollars (thousands)	persons	dollars
Canada²	907,833	37,589,262	24
Newfoundland and Labrador	30,615	521,542	59
Prince Edward Island	15,216	156,947	97
Nova Scotia	65,805	971,395	68
New Brunswick	37,905	776,827	49
Quebec	194,865	8,484,965	23
Ontario	216,807	14,566,547	15
Manitoba	56,103	1,369,465	41
Saskatchewan	38,165	1,174,462	32
Alberta	195,740	4,371,316	45
British Columbia	49,659	5,071,336	10
Yukon	4,216	40,854	103
Northwest Territories	2,737	44,826	61
Nunavut	...	38,780	...

... not applicable

1. Data represent non-medical cannabis sales in the legal market, including online sales.

2. Totals may not add due to rounding.

Sources: Statistics Canada, Table [20-10-0008-01](#), Retail trade sales by province and territory & Table [17-10-0009-01](#) Population estimates, quarterly.

In contrast, British Columbia, one of the four most populous provinces, reported relatively low total sales at cannabis stores (\$50 million) and the lowest sales per capita values in the country at \$10 during the same period. Conversely the Yukon, one of the least populated regions in the country, reported the highest per capita sales at \$103, with Prince Edward Island and Nova Scotia observing the next highest values at \$97 and \$68 average sales per person respectively.

Differences between regions in total and per capita cannabis store sales may be explained in part by Canadian's access to cannabis stores. A variety of factors may influence access to cannabis in a given region including the administrative and operational steps required to establish a cannabis retail store (which may affect the pace at which new outlets are able to open for business), the immediate or staggered entry of retail operations over the course of the year, competition from illegal markets, the density and distribution of the population and of stores in a given region, demographic and income factors, disruptions in the supply chain, and differences in the regulatory approaches pursued by regional governments. Examples of regulatory influences include increasing the federally mandated minimum age; lowering possession limits; a jurisdiction's decision to support a public, private, or hybrid⁴ retail model; limitations on the number of private stores to be established; restrictions on store locations and proximity to schools and restrictions on hours of operation (Myran, Brown & Tanuseputro, 2019).

Cannabis regulation across Canada

With the enactment of the Cannabis Act, provinces and territories are responsible for determining how non-medical cannabis is distributed and sold in their jurisdictions. Each jurisdiction has chosen to operate either a government-run retail model, a privately run model, or a hybrid of the two. Table 2 describes the model choice of each regional government, and the physical or online retail distribution modes they employ.

Cannabis is available through online retail in every province and territory, with only Manitoba and Saskatchewan allowing online sales via the private retail model. The majority of private and hybrid retail models are in Western Canada. Nunavut is the only jurisdiction without a physical retail store.

4. For the purpose of this analysis a hybrid retail model allows for both public and private retail outlets.

A growing number of cannabis stores

The seven regions operating under private and hybrid retail models are home to 72% of the Canadian population and 85% of retail cannabis stores (Table 3). Since the legalization of non-medical cannabis, these private and hybrid model stores account for 65% of sales to date (as of September 2019). The total number of cannabis retail stores in Canada rose from 217 in March 2019 to 407 in July 2019, an increase of 88%.⁵ Alberta held top rank in store count since legalization and opened the most stores (101) between March and July 2019 for a total of 176 cannabis stores province-wide. Starting with just 16 stores in March, the number of cannabis outlets in British Columbia increased to 57 in July, the second highest number of cannabis outlets in the country.

Prior to legalization Ontario shifted from its planned public retail model to a hybrid model, permitting a first wave of private brick-and-mortar stores to open in April 2019. Despite the lag in the introduction of private retail stores, and despite having fewer stores (Ontario ranked 5th in the country with 24 stores in July 2019), the province has since surpassed Alberta in total retail sales from cannabis stores.⁶ Notably, within the March-July 2019 time frame, there was little change in counts of publicly operated stores across the regions with the exception of Quebec, which added four more stores.

The proximity of Canadian households to retail cannabis stores

One way to examine Canadians' increasing access to cannabis products is to estimate the distance from households to retail cannabis stores. In this study, a measure of proximity was calculated by determining the location of each Canadian household in Statistics Canada's geographic databases, and calculating the distance from its location to the nearest legal retail cannabis outlet.⁷ Population-weighted averages⁸ of these distances were then derived to determine how generally accessible retail cannabis products are to Canadians. It should be noted this measure does not account for online distribution or illegal retail stores (online sales are discussed later in this paper).

Table 2
Cannabis retail models and distribution modes in the provinces and territories

	Retail model	Physical retail	Online retail
Newfoundland and Labrador	Public	...	✓
	Private	✓	...
Prince Edward Island	Public	✓	✓
	Private	...	...
Nova Scotia	Public	✓	✓
	Private	...	...
New Brunswick	Public	✓	✓
	Private	...	...
Quebec	Public	✓	✓
	Private	...	...
Ontario	Public	...	✓
	Private	✓	...
Manitoba	Public	...	...
	Private	✓	✓
Saskatchewan	Public	...	...
	Private	✓	✓
Alberta	Public	...	✓
	Private	✓	...
British Columbia	Public	✓	✓
	Private	✓	...
Yukon	Public	✓	✓
	Private	✓	...
Northwest Territories	Public	✓	✓
	Private	...	...
Nunavut	Public	...	...
	Private	...	...

... not applicable

Source: Statistics Canada.

- Given that stores may open their doors and begin generating sales at any point throughout a given month, store counts may vary slightly from other available data sources.
- The store count data for this analysis were prepared for a period ending in July 2019, prior to the release of the Alcohol and Gaming Commission of Ontario's allocation lottery results in August 2019. Store counts in Ontario do not include retail cannabis outlets that may have opened subsequent to the announcement of the lottery results.
- The point location of each household is represented by the center of the census Dissemination Area (DA) within which the household dwells. The locations of the stores are similarly represented. The DA is the smallest standard geographic area for which census data are disseminated. In effect, the distance is measured as the straight line distance. There are alternative ways in which the distance between households and stores could be measured, such as the distance when travelling along the road network or the distance when travelling by public transport.
- Population counts are from the 2016 [Census of population](#). This vintage was chosen as it provides the highest spatial resolution of population counts available as an input to the proximity analysis. While more recent population estimates were available from Statistics Canada, they were not available at this level of detail for the study.

Table 3
Population-weighted distance to cannabis retail stores, March, May and July 2019, Canada, provinces and territories

	Population ¹ people	Store count ²			Population weighted average distance		
		2019			2019		
		March	May	July	March	May	July
		number			kilometres		
Canada	36,540,268	217	285	407	66	39	34
Newfoundland and Labrador	528,567	26	26	26	34	34	34
Prince Edward Island	150,566	4	4	4	12	12	12
Nova Scotia	950,680	13	13	13	20	20	20
New Brunswick	766,852	21	21	21	15	15	15
Quebec	8,297,717	14	16	18	47	37	35
Ontario	14,071,445	...	20	24	...	44	43
Manitoba	1,335,396	21	23	23	28	28	28
Saskatchewan	1,150,782	19	26	35	50	47	37
Alberta	4,243,995	75	101	176	25	22	13
British Columbia	4,922,152	16	27	57	57	46	24
Yukon	39,628	2	2	4	104	104	103
Northwest Territories	44,936	6	6	6	100	100	100
Nunavut ³	37,552	...	...	...	...	...	...

... not applicable

1. Population counts are from the 2016 census. For more information about the [Census of Population](#).

2. The store count figures shown are based on the information used in the calculation of proximity measures. While retail licences may be granted continuously, it takes time for Statistics Canada to gather the information required to conduct a geospatial analysis (e.g. exact geographic location, first day of operation). The data used in this study represent the most complete dataset available at the time of the analysis.

3. There are no brick-and-mortar retail cannabis stores operating in the territory of Nunavut.

Sources: Statistics Canada, Census of Population.

The population-weighted average distance between Canadians and the nearest cannabis store was 34 km in July 2019, nearly half the distance observed in March (66 km). Residents of Prince Edward Island travelled the shortest average distance to access cannabis stores in all three time periods observed (12 km). In Alberta, which ranked second in accessibility, the measure of proximity changed from 25 km in March, to 13 km in July 2019 after the roll out of over 100 new stores. The most significant improvement in average distance to the nearest cannabis store was observed in British Columbia, where a decrease from 57 km to 24 km was observed after an additional 41 cannabis retail stores opened over that same period.

Table 4 shows the cumulative proportion of the population in each province and territory residing within a given distance of a cannabis retail store. As of July 2019, 45% of Canadians live within 10 km of a cannabis store, while 30% live within 5 km, and 19% live within 3 km.

In Alberta 70% of the population lived within 10 km of a cannabis retail outlet in July 2019, up from 61% in March. The proportion of households within 3 km of a retail cannabis outlet increased from 35% in March to 50% in July after the opening of an additional 101 stores. Meanwhile, in neighboring British Columbia nearly a third of residents (28%) lived less than 10 km from a cannabis store as of March, with this figure increasing to nearly half (46%) the population by July 2019 after the store count grew from 16 to 57.

Only 33% of Ontarians lived within 10 km of a cannabis store in July 2019 due to the later roll-out of the province's private retail outlets. Retail sales from cannabis stores in Canada's most populous province accelerated significantly in April 2019 with the introduction of the first physical outlets. While Ontario ranks relatively low in the July proximity and accessibility measures compared to other provinces, these figures are expected to change given recent developments in provincial license allocations.

Table 4
Cumulative percentage of Canadians living within a given distance to a cannabis store, March 2019, July 2019, Canada, provinces and territories

		Given distance to a cannabis store		
		3 km	5 km	10 km
		percent		
Canada	March 2019	12	20	31
	July 2019	19	30	45
Newfoundland and Labrador	March 2019	37	46	55
	July 2019	37	46	55
Prince Edward Island	March 2019	26	34	49
	July 2019	26	34	49
Nova Scotia	March 2019	26	38	48
	July 2019	26	38	48
New Brunswick	March 2019	23	36	51
	July 2019	23	36	51
Quebec	March 2019	12	24	43
	July 2019	13	27	48
Ontario	March 2019	...	...	...
	July 2019	9	18	33
Manitoba	March 2019	29	44	54
	July 2019	29	44	54
Saskatchewan	March 2019	26	38	44
	July 2019	32	41	48
Alberta	March 2019	35	48	61
	July 2019	50	63	70
British Columbia	March 2019	10	17	28
	July 2019	23	32	46
Yukon	March 2019	7	22	31
	July 2019	18	29	31
Northwest Territories	March 2019	32	46	52
	July 2019	44	58	62
Nunavut	March 2019	...	...	...
	July 2019	...	...	...

... not applicable

Source: Statistics Canada.

Online and wholesaler retail sales

Online sales of cannabis are an important vector of consumer access. Every province and territory, regardless of the existence of physical stores, provides access to non-medical cannabis through online stores. Most online sales are operated under the public retail model, the exception being Manitoba and Saskatchewan. Online sales were relatively stable over the observation period, however the share of online sales from cannabis stores steadily declined from 43.4% in October 2018 to 5.9% of sales in September 2019 due to the increase in the number of physical cannabis stores and their sales (Table 5). Online sales represented 13.3% of total sales from cannabis stores since legalization.

Table 5
Online cannabis sales¹ as a proportion of retail sales, October 2018 to September 2019, Canada

	Online retail sales of non-medical cannabis	Total retail sales of non-medical cannabis	Proportion of total retail sales
	unadjusted dollars (thousands)		percent
Total	120,586	907,833	13.3
September 2019	7,120	121,453	5.9
August 2019	9,262	124,576	7.4
July 2019	7,808	106,065	7.4
June 2019	7,783	89,811	8.7
May 2019	8,657	82,384	10.5
April 2019	9,740	72,895	13.4
March 2019	11,123	59,350	18.7
February 2019	9,891	50,292	19.7
January 2019	11,061	53,294	20.8
December 2018	9,283	55,808	16.6
November 2018	11,692	52,322	22.3
October 2018	17,166	39,583	43.4

1. Data represent non-medical cannabis sales in the legal market.

Source: Statistics Canada, Monthly Retail Trade program.

In some retail models, wholesale distributors also sell to retail consumers and are therefore included in the assessment of the cannabis retail market.⁹

Direct-to-consumer trade by wholesalers, including retail sales by publicly operated cannabis stores classified as wholesalers, accounted for a total 1.9% of cannabis-related retail activity since October 2018, reaching a high of 4.4% in November 2018 and averaging less than 1% in September 2019 (Table 6).

Table 6
Direct-to-consumer retail sales¹ of cannabis by wholesalers, October 2018 to September 2019, Canada

	Retailers' sales of non-medical cannabis	Wholesalers' retail sales of non-medical cannabis	Total retail activity	Wholesalers proportion of total retail activity
	unadjusted dollars (thousands)			percent
Total	907,833	17,541	925,374	1.9
September 2019	121,453	904	122,357	0.7
August 2019	124,576	931	125,507	0.7
July 2019	106,065	1,095	107,160	1.0
June 2019	89,811	1,232	91,043	1.4
May 2019	82,384	1,377	83,761	1.6
April 2019	72,895	1,380	74,275	1.9
March 2019	59,350	1,391	60,741	2.3
February 2019	50,292	1,419	51,711	2.7
January 2019	53,294	1,796	55,090	3.3
December 2018	55,808	2,005	57,813	3.5
November 2018	52,322	2,409	54,731	4.4
October 2018	39,583	1,602	41,185	3.9

1. Data represent non-medical cannabis sales in the legal market.

Sources: Statistics Canada Retail Trade program, Statistics Canada Wholesale Trade program.

9. By combining figures from Statistics Canada's Retail Trade Program with direct-to-consumer online sales from other non-retail industries (e.g. Wholesale Trade) we arrive at a slightly more complete picture of non-medical cannabis purchases and the proportion of online sales. That is to say that Monthly Retail Trade Survey sales figures may not equal the total purchases of cannabis consumers in a given province or territory, based on where and how those consumers choose to make their purchases. Statistics on the retail activity of wholesalers are produced only for the purpose of this paper.

Conclusion

Since the legalization of cannabis, online and retail store sales have reached \$908 million. With more than 400 retail stores in the country, 45% of Canadians live within 10 km of a cannabis store. While online cannabis retail ensures access to all Canadians regardless of proximity to a physical store, accessibility continues to improve as more stores open across the country. Among the provinces and territories, a diverse array of retail models and regulatory frameworks have influenced the structure and pace of the emerging cannabis market. The cannabis retail market will continue to evolve as jurisdictions adapt their regulatory approaches, as supply chains develop and as cannabis product offerings diversify. Measures such as retail sales values and proximity estimates will continue to be important sources of market insight. Over time, as more data are collected, Statistics Canada will continue to serve the interest of Canadians by observing market trends and developing new indicators that help assess the growing cannabis industry.

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