

PK-BON STOCK

ONTARIO & QUÉBEC

CANNABIS

WHAT'S THE DIFF?



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QUÉBEC

WHAT'S THE DIFF?

ONTARIO

The legalization and commercialization of cannabis in Canada have resulted in varying approaches and outcomes across its provinces. Ontario and Québec, two of the country's largest provinces, offer a compelling contrast in their cannabis policies and market dynamics. By examining all these aspects, Bon Stock believes that we can understand the differences in how each province has implemented cannabis legalization and the implications of these differences on their respective markets and societies.

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Our exploration to gain a comprehensive understanding of the cannabis markets in Ontario and Québec is based on these two documents: [ONTARIO CANNABIS MARKETPLACE: BY THE NUMBERS](#) and the [RAPPORT ANNUEL 23-24 SQDC](#).

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LEGAL FRAMEWORK

ONTARIO



- **Legalization and Distribution:** The Société québécoise du cannabis (SQDC) is the only entity authorized to distribute and sell recreational cannabis in Québec. It operates under a more restrictive provincial framework aimed at protecting public health.

- **Retail Structure:** Cannabis is sold through a network of 98 SQDC stores and the SQDC's online platform. The age for purchasing cannabis is 21 years, and personal cultivation is prohibited without a medical exemption.

- **Age and Personal Cultivation:** The legal age for purchasing and consuming cannabis in Ontario is 19 years. Personal cultivation of up to four plants per household is allowed.

- **Product Restrictions:** Québec has stricter regulations on cannabis products, prohibiting the sale of edibles that resemble candies, desserts, or chocolates, as well as cannabis topicals. The concentration of THC in cannabis products is limited to 30%.

- **Legalization and Distribution:** The Ontario Cannabis Store (OCS) is the sole legal distributor of recreational cannabis in Ontario. It operates as a Crown agency, providing a centralized wholesale distribution system.

- **Retail Structure:** Cannabis can be purchased from 1,714 authorized cannabis stores across 353 municipalities. The Alcohol and Gaming Commission of Ontario (AGCO) licenses and regulates these stores.

- **Age and Personal Cultivation:** The legal age for purchasing and consuming cannabis in Ontario is 19 years. Personal cultivation of up to four plants per household is allowed .

QUÉBEC MARKET DYNAMICS

ONTARIO



- **Store Network and Expansion:**

Québec operates 98 stores, with plans to strategically expand despite zoning and acceptance challenges in some municipalities. The SQDC focuses on enhancing accessibility and maintaining relevance through efficient management and customer engagement.

- **Product Offerings and Local**

Production: Approximately 46% of the products sold by the SQDC are locally sourced, exceeding their target. The SQDC also emphasizes eco-friendly packaging and recycling programs.

- **Store Growth and**

Distribution: In 2023, Ontario added 80 net new stores, resulting in a total of 1,714 authorized cannabis stores. The average distance to a store decreased, indicating better accessibility.

- **Product Variety and Pricing:**

Ontario offers 3,983 active product SKUs, with an average wholesale price per gram of dried flower at \$4.05. Prices vary depending on the format and region.

QUÉBEC CONSUMER BEHAVIOR

ONTARIO



- **Usage and Market Capture:** The SQDC has successfully converted 62.8% of the cannabis market from illegal to legal channels. The remaining 37.2% still purchase from the illegal market.
- **Sales Channels and Transactions:** The SQDC recorded sales of 122,478 kg of cannabis, generating \$662.1 million in revenue. The average price per gram is approximately \$6.22, including taxes.
- **Usage and Preferences:** 47% of Ontarians are cannabis consumers, with 20% consuming regularly and 27% occasionally. Most consumers purchase through legal channels, with 54% exclusively using legal sources.
- **Sales Channels:** Total sales for 2023 amounted to \$1.94 billion, with a significant proportion of sales occurring through authorized stores. Both legal and illegal channels are used, but there is a clear preference for legal purchases.

QUÉBEC FINANCIAL IMPACTS

ONTARIO



- **Revenue and Social Contribution:**

- The SQDC reported a net income of \$104.1 million for the 2023-2024 fiscal year, all of which was reinvested in public health initiatives and the fight against addiction. The total financial contribution to the Québec government, including excise taxes, was approximately \$321.4 million.

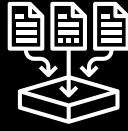
- **Revenue and Economic Contribution:**

- Ontario's legal cannabis market generated nearly \$1.94 billion in sales in 2023. The OCS's operations contribute significantly to the provincial economy through tax revenues and job creation in the cannabis retail sector.

Summary Table		
Aspect	Ontario	Québec
Legal Age	19 years	21 years
Personal Cultivation	Allowed (up to 4 plants)	Prohibited without medical exemption
Authorized Retailers	1,714 stores	97 stores
Product Restrictions	Less restrictive	No edibles resembling candies, etc.
Market Capture	54% legal-only consumers	62.8% market converted to legal
Total Sales (2023)	\$1.94 billion	\$662.1 million
Revenue to Government	Significant tax revenue	\$321.4 million total contribution

QUÉBEC DATA ANALYSIS

ONTARIO



- **Total Sales (2023-2024):** \$662.1 million.
 - **Legal Age:** 21 years.
 - **Market Conversion:** 62.8% of the cannabis market converted from illegal to legal channels.
 - **Total Adult Population (21+):** Approx. 6.5 million (based on Québec's total population and age distribution).
- **Total Sales (2023):** \$1.94 billion.
 - **Legal Age:** 19 years.
 - **Number of Consumers:** 47% of Ontarians consume cannabis (20% regularly, 27% occasionally).
 - **Adult Population Served:** 88% of Ontario's adult population served by 1,714 authorized cannabis stores.
 - **Total Adult Population (19+):** Approx. 11.5 million (based on Ontario's total population and age distribution).

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PLAUSIBLE EXPLANATIONS

ONTARIO



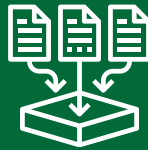
The difference in sales per consumer between Ontario and Québec can be attributed to several factors:

- 1. Regulatory Differences:** Ontario's more permissive regulations (e.g., lower legal age, allowance of personal cultivation) might encourage higher consumption rates. In contrast, Québec's stricter regulations, including a higher legal age and prohibition of personal cultivation, may limit overall consumption.
- 2. Market Accessibility:** Ontario has a significantly higher number of retail stores (1,714) compared to Québec (98), which increases accessibility and convenience for consumers in Ontario. The greater number of stores might lead to higher sales per consumer as cannabis is more readily available.
- 3. Product Variety and Pricing:** Ontario offers a wider variety of products (3,983 active SKUs) at competitive prices (average wholesale price of \$4.05 per gram). This diverse selection and competitive pricing could attract more consumers and result in higher sales.
- 4. Cultural and Social Acceptance:** Differences in cultural attitudes towards cannabis use might also play a role. Ontario has a higher percentage of consumers purchasing through legal channels, which might reflect a more accepting attitude towards legal cannabis consumption.
- 5. Economic Factors:** The economic conditions and disposable income levels in each province could influence consumer spending on cannabis. Ontario, with its larger economy, might have higher disposable incomes, allowing consumers to spend more on cannabis products.
- 6. Government Initiatives:** Both provinces invest differently in public education and health initiatives related to cannabis. Ontario's extensive research and public education programs might contribute to higher consumer confidence in purchasing legal cannabis.

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COMPARISON OF AVERAGE PRICE PER GRAM

ONTARIO



- **Average Retail Price Per Gram:** \$6.22 (all taxes included, all cannabis products combined).

The average retail price per gram in Québec is higher at \$6.22, including taxes. This higher price point could be influenced by Québec's more stringent regulatory environment, which imposes additional costs on compliance and restricts certain types of products, such as high-THC concentrates and edibles that resemble candies or desserts.

- **Average Wholesale Price Per Gram:** \$4.05 (dried flower, without HST).
- **Range of Prices by Product Format:**
 - Pre-Rolls: \$5.04
 - 3.5 Grams: \$5.47
 - 7 Grams: \$3.41
 - 14 Grams: \$3.92
 - 28 Grams: \$2.88.

The average wholesale price per gram of dried flower in Ontario is relatively low at \$4.05, reflecting competitive pricing aimed at attracting consumers from both legal and illegal markets. The range of prices across different formats suggests a strategy to cater to various consumer preferences and budgets.

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RATIONALES FOR PRICE DIFFERENCES

ONTARIO



1. Regulatory Environment:

- **Ontario:** More permissive regulations allow for a wider variety of products and competitive pricing strategies. The lower legal age and allowance of personal cultivation contribute to a larger market with higher competition, which can drive down prices.
- **Québec:** Stricter regulations, including higher legal age and prohibition of personal cultivation, reduce market size and competition, potentially leading to higher prices. Québec also imposes limits on THC concentration and bans certain products, which can increase the cost of legal compliance and product offerings.

2. Market Strategies:

- **Ontario:** The focus on competitive pricing is evident from the lower average wholesale prices and the variety of price points for different product formats. This strategy aims to attract a wide range of consumers, including those who might otherwise purchase from the illegal market.
- **Québec:** The higher average price in Québec might reflect the cost of maintaining strict compliance with provincial regulations and the SQDC's emphasis on public health and safety. The focus on responsible consumption and high-quality standards may justify the higher prices to consumers.

3. Economic Factors:

- **Ontario:** A larger market size and higher population density can lead to economies of scale, reducing per-unit costs and allowing for lower prices. The extensive retail network of 1,714 authorized stores further supports competitive pricing.
- **Québec:** With a smaller market and fewer retail stores (98), the economies of scale are less pronounced, contributing to higher prices. The focus on a controlled retail environment through the SQDC also adds to the operational costs.

QUÉBEC ECONOMIC FACTORS

ONTARIO



1. Wealth and Capitalism:

- Québec's economy, while strong, is characterized by higher public sector involvement and a greater emphasis on social welfare. The SQDC's monopoly on cannabis sales reflects the province's preference for state control over potentially harmful substances. This approach aims to balance economic benefits with public health considerations, ensuring that cannabis revenues support social programs and addiction prevention efforts.

2. Attitudes Towards Money:

- Québec's approach is more cautious and socially responsible, focusing on the health and well-being of its citizens rather than purely economic gains. The higher average prices and stricter regulations reflect a deliberate effort to control consumption and ensure that the legal market does not encourage excessive use.

1. Wealth and Capitalism:

- As Canada's economic powerhouse, Ontario's approach to cannabis is influenced by its capitalist and entrepreneurial spirit. The province's robust economy supports a competitive cannabis market, aiming to attract consumers from both legal and illegal markets through competitive pricing and diverse product offerings. The economic benefits, including job creation and tax revenues, are significant factors in the liberalization of cannabis laws.

2. Attitudes Towards Money:

- The province's capitalist ethos promotes a market-driven approach to cannabis, focusing on maximizing economic benefits and fostering a competitive industry. This is evident in the lower average prices and the extensive network of retail outlets, making cannabis accessible and affordable.

QUÉBEC

POLITICAL LEADERSHIP AND PUBLIC POLICY

ONTARIO



1. Political leaders in Québec prioritize public health and safety in their cannabis policies. The SQDC's monopoly ensures strict control over the sale and distribution of cannabis, reflecting the province's commitment to minimizing potential harms associated with cannabis use. This approach is consistent with Québec's broader social policies that emphasize state intervention and regulation to protect public welfare.

1. Leaders in Ontario have implemented policies that reflect a balance between economic growth and social responsibility. The focus is on creating a robust legal market that can compete with illegal sources, providing safe and regulated access to cannabis while also generating significant tax revenue. This approach aligns with the province's broader economic and social policies that emphasize individual choice and market competition.



Luc Prévost

The cannabis industries in Ontario and Québec present a study in contrasts, shaped by their unique regulatory frameworks, cultural attitudes, and economic strategies.

Ontario's cannabis industry is poised to continue its rapid growth, driven by consumer demand and innovation within the market. The province's focus on competitive pricing and product variety will likely attract more consumers from the illegal market, further solidifying its position as a leader in the cannabis sector.

Québec, on the other hand, will likely maintain its careful and health-focused approach. The SQDC's emphasis on responsible consumption and public health will continue to guide its strategies. However, there may be incremental shifts towards broader accessibility and product diversity as consumer preferences evolve and the market matures.

Both provinces will face challenges, including navigating regulatory adjustments, addressing public health concerns, and ensuring the economic sustainability of the cannabis market. As they adapt to these challenges, Ontario and Québec will provide valuable insights into the diverse impacts of cannabis legalization and the balance between economic benefits and social responsibilities. Bon Stock will continue to document the evolution of the Canadian legalization. You are invited to share your opinions and information with our editorial team.

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