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Ontario Government Takes Steps to Expand the Private Retail Market for Cannabis

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On December 12, 2019, the Government of Ontario announced changes to the cannabis licensing regulations under the *Cannabis Licence Act, 2018* which will significantly expand the private cannabis retail market for authorized retailers across Ontario, including for federal licensed cultivators, processors and sellers of cannabis (Licensed Producers).

Open Market

The amendments make several significant changes to the licensing rules governing private cannabis retail stores.

Perhaps the most significant changes are those coming into force March 2, 2020, which will eliminate the cap on the number of private retail stores in Ontario. The existing limits on the total number of retail stores in specified regions of the Province will also be eliminated. This will be achieved in phases where each authorized retailer will initially be permitted to operate a maximum of 10 cannabis stores, increasing to a maximum of 30 stores on September 1, 2020, and then to a maximum of 75 stores on September 1, 2021.

Another significant change impacts Licensed Producers, where Licensed Producers can now own up to 25% of the shares in a corporation that holds a retail operator licence (ROL). The current limit is 9.9%.

Licensed Producers located in the Province will also be permitted to apply for a retail store authorization (RSA) to be located at a production facility in Ontario, provided that Licensed Producers are only permitted to have one RSA.

Application Process

As a result of these changes, the AGCO has updated its application process for cannabis retail licences.

Pre-qualification requirements for ROL applicants are being eliminated which will be important for new entrants to the market. Also, as mentioned above, Licensed Producers will no longer be prohibited from applying for an RSA for a store that is located on or within the site set out in the Licensed Producer's licence issued by Health Canada.

The AGCO will begin accepting ROL applications under the new rules on January 6, 2020, followed by RSA applications on March 2, 2020. The process for obtaining a licence to operate a cannabis retail location remains the same: a retailer must be authorized by the AGCO by first obtaining an ROL and then qualifying for an RSA.

The AGCO estimates it will issue up to 20 new RSA's per month beginning in March 2020.

Additional Changes

Additional cannabis related items that depict or use cannabis (such as cookbooks), have been added to the items permitted for sale by authorized retailers. Food and drinks that are not cannabis infused are still not permitted and it remains unclear whether authorized retailers may be permitted to sell merchandise as a result of these amendments.

According to the AGCO, authorized retailers will be able to sell cannabis edibles when approved products become available for

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retail sale in Ontario in January 2020.

Authorized retailers may now offer “Click and Collect” services featuring online payment with in-store pick up.

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