Cassels

Cannabis in Germany: The Time is NOW to Seize Opportunities in the Emerging Market

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Germany is at the dawn of a new era: the market for cannabis, especially for medical use, is developing at a rapid pace and recreational use is at the verge of happening. Foreign investors and companies active in this area should act now if they are to avoid missing out on entering this dynamic market. With a mix of regulated access and a clear legal framework, Germany not only offers potential, but also security for long-term investments.

The recent changes in the prescription of medical cannabis in Germany mark a turning point. Since April of 2024, medical cannabis is not considered a narcotic anymore but rather treated and reimbursed as regular rx drug, and in October 2024 the pre-approval of the statutory health insurance was abandoned. As one consequence, the inhibition threshold for prescribing cannabis has fallen drastically and many doctors are more open to the subject. But what does this mean for the envisaged recreational market? A closer look shows that key components of a regulated recreational cannabis market that the German Consumer Cannabis Act (*Konsumcannabisgesetz – KCanG*) is supposed to regulate in the future are already a reality – albeit in medical guise.

Hand in hand, in December 2024 the new regulation by the Federal Ministry of Food and Agriculture (BMEL) laid the foundation for research applications related to recreational cannabis. Notably, a pilot project is planned where pharmacies in select regions will serve as dispensaries for recreational cannabis, ensuring controlled distribution, consumer safety, and quality assurance. This approach complements the existing framework by supporting scientific research, enhancing prevention measures, and providing a structured alternative to the black market using the existing infrastructure of pharmacies and GMP quality.

Reducing Bureaucracy: Focus on Medical Use

In the past, the authorisation requirement of the statutory health insurance prior to initiation of the first medical cannabis prescription was anchored in Section 31 (6) of Book V of the German Social Book (*Sozialgesetzbuch V – SGB V*). This required doctors to obtain authorisation from the statutory health insurance funds before prescribing cannabis products for the first time. In medical practice, this meant a considerable administrative burden for which the remuneration was inadequate. Numerous applications were initially rejected, only to be approved later after lengthy procedures.

Since medical cannabis is now a prescription drug and the prior approval of the health insurance has been removed, the situation has improved noticeably and the industry has experienced an initial boost. Patients are benefiting from a faster supply and the number of prescriptions is increasing significantly with platforms for online consultations offering a new, flexible approach that challenges existing structures.

The economic impact also should not be underestimated: According to industry reports, the market for medical cannabis in Germany could grow to over one billion euros by 2028.

The Recreational Market in Theory – and Practice

The Consumer Cannabis Act (*KCanG*) provides for two stages of legalization of recreational cannabis in Germany. However, there has been little progress in commercial legalization. The first pillar of this law started in April 2024 with decriminalizing home grow and possession and cultivation associations have been legally permitted since July 2024. However, even though several licenses to such associations were granted, they have yet to engage in any significant activities. The second stage of the KCanG, i.e., the creation of a licensed and state-controlled market for recreational cannabis that ensures quality control, protection of minors and regulated distribution, has not been drafted yet.

However, current practices in the German medical cannabis market illustrate how close recreational use already is. Through platforms for online consultations, patients gain quick and regulated access to medical cannabis which is predominantly cannabis flowers. These cannabis flowers adhere to the same quality and youth protection standards like other medical products.

This could lead to the conclusion that, in practice, many aspects of the planned law have clearly already been realised in the medical market:

- **Controlled distribution:** Cannabis products are only sold in pharmacies, which guarantees quality and safety.
- **Protection of minors:** Access to cannabis is only granted to patients of legal age on the basis of a doctor’s prescription.
- **Regulation:** All products come from certified cultivation and are subject to strict standards that ensure both pharmaceutical quality and consumer protection.

This de facto medical-recreational market differs only in nuances from what the Consumer Cannabis Act is aiming for. Patients can obtain prescriptions via simple online consultations, which can then be redeemed in pharmacies. This enables quick access to tested products without the need to create extensive new structures.

Canada as a Role Model?

A look at Canada shows how a regulated recreational market can function. Two separate systems exist there in parallel: a medical market, in which patients receive cannabis products directly from the producer after consulting a doctor, and a recreational market with state-regulated sales outlets.

Although the German model has parallels, it remains more regulated.

The German practice could be an intermediate step: many aspects of the “second pillar” are already being implemented in the context of medical care. These structures could easily be expanded if political agreement is reached on an official recreational market.

Conclusion

Developments in the medical cannabis market show that Germany has already integrated many elements of a regulated recreational cannabis market. The controlled dispensing of cannabis via pharmacies, the assurance of pharmaceutical quality and the protection of minors are key points that are being implemented in a medical context.

Hence, as political uncertainties are slowing down the official introduction of the “second pillar,” the question arises as to whether a parallel recreational market is really necessary – or whether the existing system offers sufficient flexibility to serve both needs.

When recreational cannabis will be officially introduced remains uncertain. However, what is certain, is that the current market will continue to develop and grow. Those who act strategically now will benefit in the long term. Consequently, it could be wise to seize the opportunity to position a business model at this stage of the market to benefit from the developments.

*For more on this topic, read “*Canadian Capital Markets: The Next Stop for German Cannabis Operators*,” by* Jonathan Sherman *and* Misha Apel*.*

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