

Is Latin America the Next Big (Legal) Marijuana Market?

Colombia is already a hotbed of marijuana M&A work. Mexico may soon follow suit.

By **Dylan Jackson** | enero 15, 2019 at 12:15 PM | Originally published on **International**



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With the election last summer of a new president and a [ruling](#) by Mexico's Supreme Court in October, Mexico may be the next country, following Canada, to legalize marijuana.

The ruling by Mexico's high court marked the fifth time that prohibition on recreational marijuana consumption had been ruled unconstitutional. The number of rulings is significant, as five rulings create a precedent that applies to all of Mexico's courts.

Also in October, Mexico's Federal Commission for the Protection of Sanitary Risks (COFEPRIS) issued guidelines allowing for the commercialization of cannabis products with tetrahydrocannabinol (THC) content of 1 percent or less. And a week later, Mexico's ruling party introduced legislation legalizing marijuana for production and consumption.

Lawyers and investors are ready.

The changes spurred Canada's second-largest marijuana producer, Aurora Cannabis, to purchase [Mexico's only federally licensed importer in December](#). And at the Marijuana Business Conference & Expo in Las Vegas in November, a trade show widely recognized as the largest for the marijuana industry, Latin American investors and farmers came out in droves, according to [Jay Kotzker](#), general counsel of Strainwise Consulting, a marijuana consulting business in Colorado.

Law firms and investors, eager to capture a piece of the potentially lucrative legal cannabis industry, are now looking beyond the restrictive U.S. marijuana market to Latin America, specifically to Mexico and Colombia, which are expected to be the scene of the next big cannabis rush.

[Colombia legalized medicinal marijuana in 2016](#), allowing for growers and business to import and export the crop. Officials in the country drafted the legislation with a burgeoning industry in mind: As of May 2, [80 cultivation licenses](#) have already been granted.

"Colombia seems to be gaining momentum, and we've already met growers who are looking to grow the industry there," said Kotzker, who joined Strainwise in 2015.



Jay Kotzker

While the U.S. market is valued at an [estimated \\$10 billion](#), federal laws and the prohibition of importation and exportation have stunted investor returns.

But those investors and their outside counsel may find better results south of the border. Colombian growers hope to capture a fifth of the world's marijuana market, worth an [estimated \\$40 billion](#). Mexico, Peru and Argentina have already legalized medical marijuana and would provide nearby export targets.

And while Mexico's marijuana laws are currently a complicated mash of court rulings and federal guidelines, the country's new government, led by Andres Manuel Lopez Obrador (often referred to as AMLO), appears to be headed toward full legalization.

Luis Armendariz, a partner at Mexican firm Corral, Arzola, Armendariz & Maynez, expects the legislation legalizing marijuana for production and consumption to pass. He says his firm has already been contacted by a slate of law firms looking for opportunities for their clients.

"I think that, in regards to cannabis, it's a matter of time for legalization to arrive in Mexico," he said.

Most of the firms that reached out are based in Colorado, including [Vicente Sederberg](#), [McAllister Garfield](#) and [Hoban Law Group](#). Armendariz has also spoken with some private equity firms in Canada and an online payment platform company.

Armendariz still stresses that Mexico's marijuana industry is "in diapers." It isn't clear how liberally the government will hand out licenses or how hard it would be to set up a dispensary. But he believes Latin America will only continue to move toward legalization, meaning more and more opportunity for marijuana investment will arise.

"There's a tendency for new governments in Latin America to be more liberal overall," he said. "It's also just a matter of time before these governments come to realize that cannabis is a multibillion-dollar market. They'll be watching Mexico and Colombia."