

Interview: Greg Engel - CEO, Organigram, Canada



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Looking back on his first year as CEO of Organigram, Greg Engel proudly highlights the successful transition of the company from being a low-cost to a high-quality cannabis producer with premium products. He emphasizes Organigram's close collaboration with both federal and provincial governments, on both the medical and recreational business, as well as the company's plans for expansion to Europe.

Greg, you took on the role of CEO of Organigram; what inspired the move from traditional pharma into the cannabis niche?

During my career, I have worked for more than 25 years in the pharmaceutical and biotech industry. Beyond the curiosity and passion for medicinal products, two main reasons drove me to join the medicinal cannabis sector. The first one was personal: I witnessed the effects of medical marijuana on a close relative suffering from a chronic late-stage disease. The relief she obtained from using the product was significant. The second motivator is purely a result of the immense opportunity the medical cannabis field represents. It is not every day that you get to participate in building an entire industry. In this space, nothing is set in stone yet; everything is new and has to be developed. Times are exiting and being part of it is thrilling!

How would you evaluate your first year at the helm of New Brunswick's biggest cannabis producer?

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When I took over as CEO of Organigram a year ago, I set myself several priorities: the first one being to organize and manage the shift from being a low-cost high-volume producer to becoming a quality producer with premium products. The goal was really to change the perception of the Organigram brand, in large part through collaboration with other stakeholders from the government health authority level. Our efforts have been successful and recognized: Organigram won two of the six product awards at the Lift Canadian Cannabis Awards in November 2017.

Secondly, I focused on ensuring and rolling out the rapid growth we are experiencing to this date. Our expansion rhythm has been tremendous, and we are today considered to stand amongst the leading indoor growers in Canada. One year ago, we were employing 58 people; today we have 150 staff and plan to hire another 100 employees by June 2018.

Finally, the establishment of Organigram in the adult recreational market as well as our international expansion were both set as priorities. Organigram is currently laying the foundation for CBD from hemp production and actively investigating several markets in Europe that hold the potential for the establishment of an affiliate across the Atlantic. Our geographic expansion, however, will not be limited to the international stage; we are also dedicated to further expansion in Canada.

Where do your planned production capabilities place you towards competition in Canada?

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We are currently in the middle of a 36-month period of ongoing expansion. We raised capital of CAD54 million in December 2017 and added another CAD115 million in January of this year. Hence, our full expansion project is fully funded, all phases can now practically be laid out, and we are set to build upon our position as a key player in the Canadian cannabis market.

In terms of production capacity, we have recently tripled our capacity with Health Canada approval of Phase 2 of our facility and will be increasing it by 20-fold over the next 24 months. However, despite all of these expansion plans, Organigram will remain a pure indoor producer. Unlike many of our peers in the industry, that at some point moved part of their production to greenhouses in order to augment production, we will continue to focus on indoor production only to maintain the quality of our products.

Your rapid growth in terms of human capital also requires your skills as a manager so as to maintain a functioning team. What strategy are you adopting to ensure this?

I believe it was essential for us to establish a corporate culture, something we have managed to do well and is upheld by our employees. Organigram's culture is defined by a very collaborative approach that is also highly needed, considering the nature of the cross-functional team we have built. Collaboration is one aspect that allows us to foster success. The other aspect is the passion present in our team. You can have all the skills, talent and knowledge needed, but if you lack the passion for what you do, you will never truly be successful.

Organigram sits in New Brunswick, perhaps not the most common choice for cannabis companies. What are the advantages you see in producing in the East and being a "Maritime company"?

Although we are based in New Brunswick, our focus is very much a national and international one. Nevertheless, being based in New Brunswick brings with it a series of advantages. Indoor growing is more expensive than greenhouse production, but in New Brunswick we have one of the lowest power costs in Canada, ensuring our competitiveness. Moreover, the province has a very supportive approach to cannabis production, which allows us to ensure a consistency in production that is hard to match for other provinces. In general, the province has been an early adopter and supporter of medical cannabis, and the breakthrough in healthcare it represents. To underline this, New Brunswick will be hosting—with the support of Organigram—the first-ever World Cannabis Conference in June of 2018.

Of course, we are also proud to contribute to the local economy with the creation of jobs. We have been very active in collaborating with New Brunswick-based higher education platforms to develop programs allowing us to meet students on campus, discussing the opportunities in the industry, and seeing those students visit our facilities to gain insights into the cannabis industry. This initiative has led us to assess which students would be a good fit for the company while giving the students a solid base to determine whether they would like coming to work for us upon completion of their studies. To date, we have already hired 16 young professionals following this path.

The Organigram brand has somewhat suffered when you lost the "organic" label for your marijuana production. What does your timeframe to regain it look like?

One of our main priorities is to ensure that in future we will never face a recall again. In fact, this experience has been beneficial to us in a sense, as it confirmed our ability to work in close and positive collaboration with the health authorities. Together, we laid out a detailed plan and will most likely regain the "organic" label for ten percent of our production before the end of June 2018.

How do you go about establishing a brand despite Advertising Standards Canada's proposed labeling and branding guidelines, which, if they come into effect in July 2018, could hinder brand differentiation?

Beyond the educational programs we undertake with the various stakeholder groups in the industry, I think that the relationships we build with the patients are essential in establishing brand loyalty. The single biggest advantage cannabis producers hold over traditional pharma in that regard is that each patient has to register online. Therefore, our interaction with patients is very direct, and building loyalty is feasible, given that you can ensure consistent supply. This is one of the reasons we have decided to take a step back on our launches, and rather focus on the quality and the certainty to consistently have sufficient inventory.

Organigram is today recognized as a quality brand and we clearly have a pioneer position. In November we launched a new premium product, priced at CAD 15/gram (USD 11.5), while the average in the industry is CAD 8/gram (USD six). Yet, the response from patients has been amazing, and the product is really recognized for its quality. This also demonstrates that there is a market for premium products in Canada as we move into the adult recreational marketplace.

What allows Organigram to differentiate itself from the now 90 other licensed cannabis producers in Canada?

We pursue a very collaborative approach on a national level, both in the medicinal market and with the upcoming legalization of cannabis for adult recreational use. On a national level we are actively looking into expansion to Ontario and Alberta, both strategic markets we identified as key to our success.

Our strategic approach to future growth remains to focus on what we identify as our core business. We do not want to be spread ourselves too thin by trying to span all the breadth of cannabis production and would rather master depth.

In the expectation of legalization, Organigram has been working in close collaboration with the federal government and even more intensively with some of the provincial governments. This collaboration has proven to be highly efficient, and we have signed two memorandums of understanding with Prince Edward Island and New Brunswick to supply them with a total of 6,000,000 grams per year.

This is a very exciting time in Canada, where the country is building an entirely new industry around cannabis: new rules and regulations around production, manufacturing,

transformation, sales and policy. What role do you believe can and should Canada play in the medical and recreational cannabis landscape?

The cannabis industry provides Canada with a unique opportunity for global leadership. We are still in the process of establishing a framework for the industry but have already built up a functioning industry and gathered the experience needed to now be able to export knowledge globally. Several countries are looking at Canada as a model market and reference country. Canada is already the pioneer in this field, but it should also continue take advantage of this clear leadership position.

What will your future internationalization strategy look like?

A number of the cannabis producers have targeted markets such as Germany and Denmark as a priority for EU production. We are currently very actively investigating some lower cost markets in Europe to establish a durable presence in. On the list are Croatia, Greece and Portugal, and we expect to start setting up operations on the other side of the Atlantic very soon.

What is there to come for Organigram over the next few years?

Within less than a year we transitioned from being a low-cost producer to a premium brand company and we have built up a solid patient base. While not losing sight of those two aspects, we will be moving forward with internationalization. I think it is time for everyone to realize that the medicinal cannabis industry is here to stay and so is Organigram. In this establishment, Canada will be the anchor market, not just for us, but also for the whole of the industry.

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