

John Fowler - CEO, The Supreme Cannabis Company, Canada



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Heading Canada's largest cannabis Business to Business Retailer, John Fowler, CEO of The Supreme Cannabis Company, offers a novel approach looking at medical cannabis as a medicine that is not just healing but can also be enjoyable. He discusses the company's business model that differs from that of other licensed producers in Canada and explains how Canada has the opportunity to become a global leader in cannabis-based research.

John, you are almost a “veteran” in the medical cannabis industry, starting out as a lawyer, and now as CEO of one of the leading cannabis B2B companies. What is it that drew you to the field and still drives your interest today?

I spent my entire adult life working with cannabis, for 15 years to be exact. After first getting introduced to its therapeutic values through a personal connection, I was intrigued by the potential cannabis was holding as an alternative medication. Although users were adamant of its benefits, little was known back then about THC (tetrahydrocannabinol), and even less about complex cannabinoids and terpenes. In essence, there was no real pharmacology of cannabis.

I also identified an important business opportunity in the field. However, at the time it was illegal to grow cannabis on an industrial scale, and I took the path of law in order to be a criminal rights defender for medical cannabis patients. In 2016, the ACMPR (Access to Cannabis for Medical

Purposes Regulations) came into action, which laid the path for a commercial and legal medical cannabis regime, arguably one of the first of its type in the world.

This regime allowed for a broader range of businesses and investors to come forth and give room to develop a much deeper talent pool in academia and business. I was equally compelled, and hence founded 7ACRES in 2013, which was in turn acquired by The Supreme Cannabis Company in 2014.

What have been the main developments of 7ACRES and The Supreme Cannabis Company over the last five years?

We can divide the history of the company into four chapters. The first one began with the start-up phase of 7ACRES. In 2013, we were focused on acquiring our license from Health Canada and building the initial facility. Those times were marked by the communication effort required towards investors, convincing them that we were truly at the verge of a new era.

The second chapter began with the obtaining of our approval and the challenge to determine whether we really had the capacity to grow plants within the regulatory frame. From chapter two, where we were only 20 people, we transitioned into the third one, which kicked off with our sales approval in summer of 2017 and the decision to position ourselves as a branded wholesaler in medical cannabis. This allowed us to get our product quickly in front of a variety of patients.

The fourth chapter is the one we are currently working on and revolves around the question of “what is next?” We are already working with seven leading Canadian companies to provide patients with our products and will be targeting the recreational market next with our dried flowers.

What gap did you identify in the market to pursue a business to business model rather than a retail model?

The first reason was that we were a relatively young player among the licensed producers. Consequently, we had to find a way to rapidly grow our patient network. Through our partner companies we have been able to reach more than 20,000 patients rapidly.

Another reason is that we think that the future model of cannabis distribution will move away from the LPs selling directly to patients. There will be a similar model as in the beverages and alcohol industry with intermediaries, such as pharmacies, taking over the retail part, while LPs will focus on

their core strength, which is production.

Our strategic approach to the market is to reduce the risk attached to a new business venture by focusing on a narrow band of products. Although there are many great opportunities in the cannabis field, it is not about on how many paths you engage, it is about how many paths you walk all the way down from commercialization, to distribution, and eventually revenue.

Our focus today is on dried flowers, as we believe flower will be the largest category for medical and recreational consumers in the Canadian market. What truly sets The Supreme Cannabis Company apart is our focus on understanding the risk of execution. We are providing a medicine and it is our duty to provide a standardized, high quality and enjoyable product.

How do you see the future of cannabis as a medicine evolve?

The Supreme Cannabis Company operates 7ACRES, which I founded in 2013. 7ACRES is a hybrid grower combining the standardization and quality of indoor cannabis with the power of the sun, which enhances smell and taste of the flower.

I think that with medical cannabis, there is a chance to reevaluate entirely the way we look at medicines. For the last hundred years we have been convincing patients medicine should not be enjoyable and that something must be wrong with it if it is. Ironically, there have been tremendous efforts made on rendering medicine more enjoyable nonetheless, with sugar coating on pills, easier to swallow capsules, taste-enhanced cough syrups. With medical cannabis, we are at the core of this discussion. I reckon there is nothing wrong with enjoying cannabis-based treatments, and on the contrary, believe it is essential that patients do. As treatment evolves into something more agreeable, patients are likelier to stick to their treatment plan and actually consume the prescribed amounts.

With the evolution of research, new forms of cannabis-based products will also reach the market, and as the market evolves, so will The Supreme Cannabis Company. However, in the near-term cannabis will probably remain a product mainly consumed through combustion and it is sensible to listen to the preference of hundreds of thousands of patients and continue to service the market with dried flowers. If the LPs stop providing dried flower, patients will turn to the black market. It is essential to have a plan for the future and consider new treatment options, but not at the expense of today's market demands.

How can the stigma attached to medical cannabis be diminished?

I hope that, as research catches up, the industry will be able to provide medical evidence and dosing controls to change the perception of cannabis into that of a real drug that is safe to use, which will ultimately decrease the stigma attached to cannabis today.

Education is a second important path to pursue in this regard as it helps the patient to consume knowledgeably. I believe that informed choices are good choices. Thus, we will replicate the process of larger pharmaceutical companies, working on educating doctors and pharmacists about cannabis-based treatment options. In traditional pharma, it ultimately comes down to whether the drug is able to deliver the active ingredient it contains. With cannabis-based products on the other hand, information is still difficult to obtain. The prescription a patient obtains for a cannabis-based product comes with no indications of its exact therapeutic effect. I dream of the day that doctors prescribe specific cannabis-based drugs and dosages for certain conditions.

You entered revenue streams in autumn of 2017. How do you anticipate revenue stream ramp up over the next months?

As a company, we anticipate rapid revenue growth. Our first quarter of sales, which ended in September 2017 closed at CAD 1.5 million (USD 1.16 million), ranking amongst the top seven cannabis companies in Canada and being by far the best first quarter of any licensed producer. Following this initial trend, we increased our revenues slightly during our second quarter. Over the next few quarters, we expect this growth to increase as soon as our expanded production rooms hit our financial statements.

We further expect a large uptake in terms of recreational revenue. Already having significant B2B experience, we are well adapted to advance rapidly in this market as well.

To sum up: we expect our capacity to reach its full potential over the next two years. We will achieve a yearly production capacity of 50 million grams, and a conservative wholesale pricing range predicts a top line revenue of CAD 200-300 million (USD 154-231 million) within the same timeframe.

What does it take to become a global leader within the cannabis space?

Profitability remains the measure of any company and the most significant metric for our shareholders. It is essential for us to learn managing ourselves along the axes of a competitive mix and maybe even more importantly, learning to say “no.” In the still very virgin cannabis field I see the risk of an overload of opportunities. We have to be self-conscious as to where we allocate our resources, especially our human resources.

Beyond our ability to lead in terms of profitability, I would like The Supreme Cannabis Company to be recognized as a dedicated actor in the social field. We provide good employment, are committed to research as well as other CSR activities. I believe that, in order to ensure long-term success and value creation, you have to treat all stakeholders involved in your business model fairly, not just shareholders, but all stakeholders.

Medical cannabis seems to be the field where Canada can take a leading position and step out of the US shadow for once. What role do you believe Canada can and should play in this industry on a global stage?

I see Canada in a clear leadership position in cannabis. Tempering this, I think we need to ensure we do not act too rapidly, privileging short-term success. If we aim for long-term profitability, we ought to cherish our reputation and not get lost on the capital markets. Furthermore, I see it as our duty to focus on research, not only on the medical side but the entire supply chain of cannabis.

We can take pride in the fact that, over just a few years, our industry has done more research than has been made on a global stage in the preceding decades. Until recently, funded research was focused on demonstrating the harms and negative impacts of cannabis. Both Canada and Israel have had a pivotal role in taking a novel approach to cannabis-based research. I hope we will be able to build on our leadership position, as being a leader in intellect will allow us to be a leader in business as well.

Our government certainly took a leadership position with its forward-thinking approach to the regulation of medical cannabis and the forthcoming legalization for adult use. This is our advantage to seize and build upon. That is where we have an advantage. We have the political and the entrepreneurial vision.

I do not want to sound like the Maverick, but I believe cannabis can change the world and it can change the way we look at medicine and the ways we look at what it means to be successful.

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