

**Voluntary Report** – Voluntary - Public Distribution

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## **Report Name:** Brazil's Initial Hemp Report

**Country:** Brazil

**Post:** Brasilia

**Report Category:** Agricultural Situation, Agriculture in the News

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### **Report Highlights:**

In August 2020, Brazilian lawmakers submitted to Congress a draft bill allowing Brazilian farmers to grow Cannabis for medical and industrial purposes. The bill replaces the original draft bill from 2015, PL 399/2015, which only authorized the trading of medication made from Cannabis. With a number of regulatory hurdles still pending, the earliest that the bill could become law is first half of 2021. In Brazil, it is estimated that the potential market could reach up to R\$ 4.7 billion (about US\$900 million). Brazil imported US\$ 90.4 million of cannabidiol (CBD) from 2010 to August 2020, with the United States responsible for 14 percent of the total (US\$ 12.7 million). In 2019, the United States had its best export performance, exporting US\$ 2.6 million CBD to Brazil and accounting for 22 percent of the total.

In August 2020, Brazilian lawmakers submitted to Congress a draft bill allowing Brazilian farmers to grow *Cannabis* for medical and industrial purposes. The bill replaces the original draft bill from 2015, PL 399/2015, which only authorized the trading of medication made from *Cannabis*. The new proposal came out of a Congressional Commission, formed in 2019, to examine potential rules for the sector. The draft bill has the support of the president of the Commission. With a number of regulatory hurdles still pending, the earliest that the bill could become law is first half of 2021.

### **The Proposed Regulation**

The draft bill authorizes the "cultivation, processing, research, storage, transport, production, commercialization, import and export" of the plant by companies, research institutes and patient associations. The draft bill allows for "unrestricted medicinal use" and non-medicinal use under one single standard: in its formulation, the products must not have tetrahydrocannabinol (THC) exceeding 0.3% - just as proposed in the 2018 U.S. Farm Bill. Beyond medical applications, the bill would clear the way for products in health and beauty, cellulose, fibers and non-medical veterinary use. Food and food articles are authorized to have *Cannabis* under the proposed draft bill, as long as they are completely exempt from having THC in them.

Deputies behind the draft bill note that Brazilian cultivation of hemp would be heavily regulated by authorities, with production restricted to companies and not individuals. The producer would need to request a quota for a pre-determined use, either industrial or medicinal. If it will be used for medicinal purposes, the producer will need to indicate the number of plants and that the cultivation will be done in a closed and controlled space. For industrial use, cultivation will be done in open areas and the quota will be by planted area. Industrial use would be for cosmetics, personal hygiene products, cellulose, fibers, veterinary use without medicinal purposes, among others.

The minimum control conditions in the current bill are: pre-established quotas for specific use; traceability of production from seed sourcing to final processing and disposition; mitigation measures to prevent misuse, and monitoring so as to assure the application of good agricultural practices and control of the THC level. If planted in open spaces, the perimeter of the crop would need an electric fence and a video monitoring system from all entrance points, with restricted access and a security alarm system. According to the proposal, only plants with THC levels above 1 percent on a dry weight basis would be subject to monitoring. The current bill does not spell out sanctions for those in breach of cultivation requisites, leaving it to the regulatory bodies.

### **Next Legislative Steps**

Congress has already started holding hearings, as well as public consultations on the draft bill. Specialists that spoke before a joint committee in Congress attested that the plant has great agricultural potential. Dennys Santos, a representative of the Agronomists Union of Rio de Janeiro, cites the state of Kentucky as a success story which can inspire Brazil, where hemp crops are used in rotation with corn and soybeans in the same area, which has been extremely advantageous to producers, diversifying crops

and reducing risks. The Agriculture and Livestock Joint Caucus in Congress is currently analyzing the issue. Some Deputies are against the draft bill, though it appears that there may be push to fast-track the legislation.

The Agriculture and Livestock Joint Caucus in Congress is analyzing the issue. Some Deputies are against the draft bill. Deputy Osmar Terra believes that “planting hemp in large scale means increasing supply in Brazil and with increasing supply, there is no way to regulate the market. Brazilian agribusiness does not need this, as Brazil has all the conditions to lead the world food production, profiting from people’s health, not from their disease”. Others note that due process in the special committee has not been observed. “Although the Special Committee that deals with this bill has been debating and discussing the topic, via public hearings, the rapporteur has not presented an opinion paper in the committee, which means that no text has been discussed, voted, or approved. This is likely an attempt to get a vote on the issue quickly as generally occurs in sensitive issues such as this”, noted Deputy Diego Garcia (PODE-PR), who had suggested that more conservative speakers participate at the public hearings denied by the president of the committee, Deputy Paulo Teixeira. Deputy Garcia also noted that the lack of criteria on the prescription of cannabinoid medications in the current bill is a true enabler for the use of recreational hemp in Brazil, as the bill authorizes unrestricted medicinal use. The original bill stated that the prescription of such products was linked to proven therapeutical efficiency for a specific case/disease. Senator Eduardo Girão (Pode-CE) said there is an attempt to use this fragile moment to approve the project, without proper debate on the issue.

It is important to note that in 2019, Anvisa, the Brazilian regulatory agency for health, discussed the issue at length and vetoed a resolution that would have permitted hemp cultivation in Brazil exclusively for medicinal and research purposes. At the time, Anvisa approved unanimously a resolution to authorize the registration and commercialization of “products” based on *Cannabis sativa*, such as Cannabidiol (CBD), the most known product in Brazil. This regulation entered into force in March of 2020, and allows for the import of products with *Cannabis sativa*. Brazil still does not allow for imports of any products classified as medication with *Cannabis sativa*, due to the lack of studies to prove its efficiency. The Anvisa regulation authorizes companies in Brazil to produce their own products, as long as the source input is imported, as its cultivation in Brazil is not authorized.

## **Potential Market**

Research done by Euromonitor International consultancy found that the world market for *Cannabis* should reach US\$166 billion by 2025. In Brazil, it is estimated that the potential market could reach up to R\$ 4.7 billion (about U.S. \$900 million), and 3.9 million patients could benefit from using CBD in the country. In an interview with press, Eduardo Sampaio, CEO and founder of cultivation and commercialization companies of medicinal *Cannabis* in Portugal and Uruguay, believes that Brazil will be one of the largest markets for medicinal hemp in the world, but this reality will take some time. He estimates that “in a first wave of acceptance of medicinal *Cannabis*, this will be equivalent to 0.4% of the population. In a second moment, this number has the potential to increase”. This would be

equivalent to 80 thousand patients in Brazil. Anvisa published on its website that since 2015, almost 14,000 requests have been authorized for the import of CBD products.

As quoted by the press, Sérgio Barbosa, founder of the startup ADWA *Cannabis*, which focuses on technology development for the cannabis production chain, explained that joint research with the Federal University of Viçosa showed that Brazil has favorable weather conditions for growing hemp and could become a large exporter. According to this report, Brazil has approximately 7.5 million square kilometers of land appropriate for hemp cultivation. Barbosa noted that the production value of one hectare of *Cannabis* is, on average, US\$ 52,000 for seeds and US\$ 31,000 for fiber. Due to the high productivity of the plant, one hectare can produce up to 12 tons of cellulose, thus becoming a great option for the paper and cellulose industry.

Another report, prepared by New Frontier, a market analysis firm, estimates the total market accessible – meaning regulated and illicit – at US\$ 9.8 billion for all of Latin America, of which Brazil represents US\$ 2.4 billion. According to this report, these numbers tend to increase as markets become regulated both for internal production and for international trade.

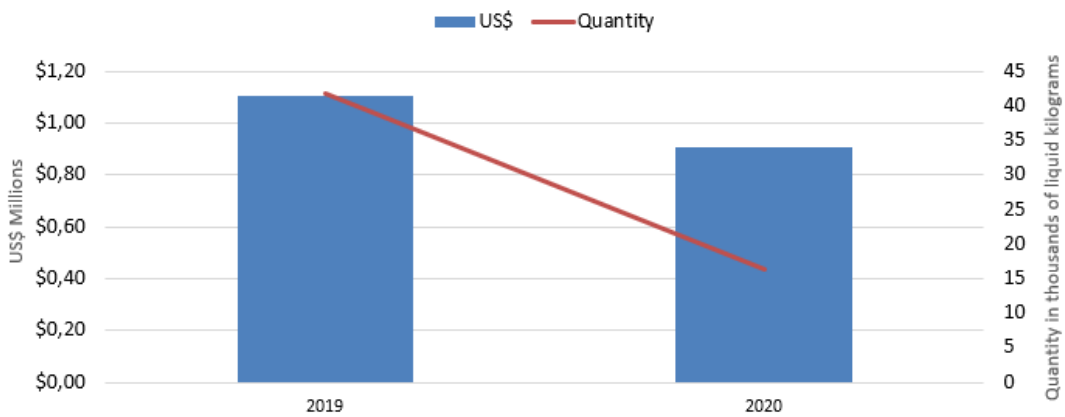
## **Imports**

Brazil imported US\$ 90.4 million of cannabidiol (CBD) from 2010 to August 2020, with the United States responsible for 14 percent of the total (US\$ 12.7 million), representing the fourth largest exporter by value to Brazil in the period, after India, Japan, and China. In 2019, the United States had its best export performance, exporting US\$ 2.6 million CBD to Brazil and accounting for 22 percent of the total. So far in 2020, 20 percent of total imports of CBD are from the United States, accounting for a total of US \$1.7 million January until August. Post believes that cannabidiol imports into Brazil have relatively high elasticity as compared to some other products. Due to the sharp devaluation of its currency - the real lost around 30 percent of its value against the USD this year - Brazil significantly reduced its imports in the first half of 2020, vis-a-vis the same period last year.

## Brazil's imports of Cannabidiol 2010 - Aug 2020



## Cannabidiol Imports from the US Jan-Jun only



### Attachments:

No Attachments