

THE EUROPEAN CANNABIS REPORT

9TH EDITION

 PROHIBITION
PARTNERS



LESSONS FROM THE NORTH AMERICAN MARKET



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With another year behind us, the European cannabis industry continues to balance optimism with uncertainty. As Germany is moving toward legalisation, the world is watching eagerly. However, European operators can benefit by keeping another market in mind as well.

The trials and triumphs of North America's cannabis industry offer valuable lessons on what to expect, what to do, and what to avoid. Franz-Josef Sima, Fluence EMEA's Horticulture Service Specialist (HSS) for Cannabis, notes that, 'It's a perfect example of how the industry could unfold in Europe within a short time.'

André Lagareiro, Fluence EMEA Strategic Account Manager, concurs: 'The US market is more than ten years ahead of the European one. We should look at both sides: what went well and what didn't work out.' That applies not only to lighting and cultivation practices but also to the dynamics of the US market's state-by-state legalisation.

Fluence, a Signify-owned US company with European headquarters in Rotterdam, has been at the forefront of North America's cannabis industry from the start. Recently honored by the Emjay International Cannabis Awards as the 2023 Lighting Company of the Year, Fluence now lights more than six million square feet of cannabis cultivation worldwide.

Fluence EMEA team members have done more than study the lessons that North America's cannabis market holds. They have lived them – and helped growers worldwide capitalise on those lessons to shorten learning curves and thrive. Simply changing from old HPS lighting to LEDs can unlock a great number of benefits for growers, including reduced energy consumption, increased yields, and even improved quality, which can result in higher prices from buyers.

The rise and fall of massive operators

In the beginning, North America's cannabis 'green rush' promised unparalleled profits. Investors rushed to get involved. Sima recalls companies couldn't get big enough, fast enough. But huge early margins didn't last. 'People learned the hard way, within a decade, that once too much product is produced, prices go down,' he says.

Fuelled by stiff competition and overproduction, price compression hit the market. Cannabis prices dropped drastically – down 78% in one US state. Cultivators of all sizes had to adapt to survive.

Sima watched the shift: 'There have been many industry pioneers who were caught off-guard and are not in the market anymore,' he says, adding that cannabis is still a new industry with error potential – especially when players and their partners lack expertise.

Lagareiro emphasises how North America's largest operators struggled to achieve market domination despite their great efforts and investment. Smaller, more specialised cannabis companies and craft growers became market bright spots because they were able to pivot more quickly.

Germany's non-profit model may help circumvent problems seen in US and Canadian booms. Matthias Stübben, Sales Account Manager (Cannabis) in the DACH region, looks forward to supporting the Social Club movements alongside Sima. 'Ultimately, we always wanted to work with cannabis in our home country, besides the established markets like South Africa or Portugal. We're excited to share international expertise with upcoming German cannabis entrepreneurs.'



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Conscious, competitive cultivation

With high initial profits, many North American growers believed the rush was endless. European cultivators poised for Germany's legalisation or other progress can benefit from this lesson: do not wait for price compression to control costs.

Lagareiro stresses, 'You have to be very conscious of your operational expenditure from the start. You should have a sustainable operation to compete within the league you want to compete in.' Regardless of your league, production costs must be controlled.

Controlling costs should not be confused with cutting corners. Some North American growers learned this lesson the hard way when they were lured by low prices from unproven suppliers who made the sale and then disappeared. This 'savings strategy' cost cultivators precious time, potential and profits. This is an exceptionally large risk with lighting, which is a vital investment for successful indoor grows.

'Maximising spec and reducing HVAC costs are important practices in this new industry,' Sima points out. 'The path to repetitive, high-quality cannabis production has become evident over the last few years. LED lighting is superior at saving energy, steering crops efficiently, enhancing quality, and increasing yields. Choosing the right lighting partner gives a grower the best chance for reaping all the benefits and advantages that LEDs have to offer.'

Stübben explains that trusted suppliers with long-term North American experience can prevent costly, short-sighted decisions upfront. With Fluence, growers benefit from its cutting-edge lighting technology and its cannabis research.

Fluence research at its US R&D cultivation facility revealed how to increase yields exponentially with high-intensity LED lighting – including practices to increase yield of over 50% compared to HPS-lit production. That research also led Fluence to develop RAPTR, a 1:1 HPS replacement that helps growers move forward without massive infrastructure expenses.

For Stübben, Fluence's tagline 'LED by science' is central for growers and the team: 'We did our research. We know why we offer what we do. That's why we can offer a well-rounded setup for professional, commercial growing with a focus on medical cannabis in Europe.'

Consumer and production perspectives

When applying North American market lessons, it's essential to keep European distinctions in mind. Early North American cannabis consumers were happy to get whatever cultivators produced. Now, consumers drive the market.

'Cannabis is becoming much more about what customers want to consume,' Lagareiro says, pointing to edibles, gummies, disposable cartridges and 'dog walkers' – small pre-rolls designed for a quick smoke while walking the dog.

The US market was built on a dispensary foundation advocating recreational access for all adults – an idea absent from European market plans, Stübgen says. For example, Germany's first step in legalisation embraces home grows and pharmacy prescriptions but not products like edibles, which enjoy enormous North American popularity.

With strict European guidelines and GACP (Good Agricultural and Collection Practice) and GMP (Good Manufacturing Practice) standards, standardising cannabis and cannabinoid profiles will be crucial to success.

'Lighting is the most important factor in the technology of how to standardise cannabis. We can provide that technology' Sima says. 'Then we take it a notch higher with complimentary horticulture services. We offer a helping hand thanks to our years of internal research and can share our findings to benefit our customers and position them as leaders.'

Fluence research on Inter Canopy Lighting (ICL) and sub-canopy lighting has opened new doors for growers and standardisation using the Fluence VYNE series. Already proven in commercial cucumbers and tomatoes, ICL disperses light throughout the plant's height, turning lower canopy biomass into profits. By increasing

light or redistributing existing light, growers can standardise cannabinoids and flower size.

'With this Inter Canopy Lighting, we steer the quality of flowers throughout the entire plant to meet standards and demand,' Sima says, noting the importance of standardisation in markets with 'final packaging' requirements, like Germany. 'This is where Fluence will help in the future to push for more standardised flowers with technology coming from the US.'

One final distinction to remember: the US has 50 states but one dominant language and culture, in sharp contrast to the EMEA market. 'Our team has been designed with this in mind,' Lagareiro explains.

The Fluence EMEA team covers all grower needs – in the grower's time zone – from operations and horticulture support to sales and marketing. In every key market, the team either speaks the language and understands the culture or has representatives there who do. All with a German and Dutch-speaking team at its core.

'We are an American company that's learned so much in the world's biggest market,' Sima explains. 'We have the desire and ability to truly communicate the knowledge from the US to these new German and European entrepreneurs.'

As the global leader in cannabis lighting, the Fluence team is ready to help you profit from all they have learned. To get in touch with the team, reach out to emea.sales@fluence-led.com.



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Leave your cultivation questions to us.

Fluence has dedicated **horticulture services specialists** on staff that assist our customers in getting the most out of their investment. A successful grow is not just about lights, but making all the key inputs work together seamlessly. Our team of trained horticulture service specialists at Fluence know how to make that happen. We'll focus on the details, allowing you to focus on your grow.



MAXIMIZE YOUR YIELD



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NO ADDITIONAL COST

FLUENCE

HELPING THE WORLD GROW SMARTER



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