

Canada's Wholesale Cannabis Market Shifts to Seller's Advantage

Cannabis Market in Canada Shifts from Surplus to Shortage as Demand Surges for High-Quality Flower

While the beginning of cannabis legalization in Canada was characterized by a surplus of product, many in the industry now say that trend has been shifting to a shortage in recent months. This change is good news for cannabis growers, as it grants them more leverage in the market, positioning brokers and third-party processors in a less favorable situation for potentially the first time.

Jacquie Trombley, Director of Sales, Marketing, and Product Development at Agmedica Bioscience Inc. in Ontario, highlights this shift in 2024 from a buyer's market to a seller's market. Agmedica, which operates in Canada's medical and non-medical markets, and exports internationally, has seen substantial changes in market dynamics.

Demand Outstrips Supply

"Historically, we would usually have at least some inventory in our vaults," Trombley explains. "But right now, the majority of the requests we receive for product go unfilled. We get asked for product pretty much every day, and we cannot meet the demand."

This surge in demand is driven by both the increasing export market and the closure of numerous cannabis producers. Some struggling producers who were previously desperate to move products at a discounted rate are now out of the market, benefiting those who have remained resilient.

Rising Prices Across the Board

The shortage has led to significant price increases for not only top-quality flower but also for smaller quantities and trim, which generally don't make their way to international markets.

"Pricing has come up dramatically," Trombley notes. "We used to sell A [grade] flower for what we're selling B [grade] flower for now. B flower and trim pricing has probably doubled."

Payment Terms and Financial Impact

Another significant change is the shift in payment terms for growers selling to processors. Previously common consignment deals and delayed payments have been replaced with more stringent requirements.

"We are no longer offering terms to B2B domestic buyers," Trombley says. "There's been a significant shift to 100% cash up front, and we're getting it! Before the product leaves our facility."

This adjustment is crucial for smaller growers who are struggling financially, as improved payment terms can help them stay afloat.

Industry Perspectives

Steve Clark, founder of the Canadian Cannabis Exchange, points out that the shrinking domestic supply is due to multiple factors.

“We are seeing domestic supply shrinking in a number of ways,” Clark notes. “The closures of growing facilities and the reduction of square footage by Canopy in Canada mean that companies that were producing for their own internal supply are now net buyers, which further reduces the market supply.”

Michael Gorenstein, President and CEO of the Cronos Group, echoes these sentiments.

“We’ve really seen a huge shift in the supply dynamics where we’ve had significant oversupply in the past,” Gorenstein says. “While there’s still a large supply of low-quality cannabis flower, there is a shortage of high-quality desirable flower that is sellable to consumers in Canada.”

The Cronos Group’s recent quarterly report also noted anticipated shortages in raw materials, indicating potential challenges in obtaining adequate supplies in a timely and cost-effective manner.

Looking Ahead

As the cannabis market in Canada continues to evolve, the shift from a surplus to a shortage of high-quality cannabis flower highlights the growing demand and the need for strategic adjustments in the industry. For growers and industry leaders, adapting to these changes will be crucial for maintaining market stability and meeting consumer needs.

Email: info@cannabisriskmanager.com | Phone: +415-226-4060

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