

Cannabis

CBD AND INDUSTRIAL HEMP



Uruguay



EXECUTIVE OVERVIEW

In December 2013 Uruguay became the first country in the world to regulate the production of cannabis for recreational, medicinal, and industrial use. Successive decrees fostered the development of this industry in Uruguay, both at the production level and regarding the promotion of scientific research and business development.

The activity of companies linked to the cannabis industry in Uruguay is reaching an increasingly wide range of possibilities, while the associated services are multiplying and diversifying. A business ecosystem of more than 100 cultivation, industrialization and research companies has formed. After six years of uninterrupted exports and increasingly diversified products and destinations, Uruguay has gained a position as a reliable partner for the production and supply of CBD-derived products and industrial hemp.

Uruguayan producers offer a diverse range of products, including hemp flowers for nonmedical use, CBD extracts and isolates, seeds and hemp grain-based superfoods. In addition, the accumulated knowledge of ten years of regulation has enabled the export of specialized consulting services to countries where legalization is recent.

Uruguay's legal and regulatory framework is a key factor that attracts companies in the sector. With clear legislation regulating the production and export of industrial hemp and CBD-derived products, the country offers legal stability and transparency.

VALUE PROPOSITION

The sector's edge is based on the following pillars:

PIONEERING

As the **first country in the world** to fully legalize cannabis at the national level, Uruguay offers a wide range of business opportunities along the entire value chain, be it research, cultivation or industrialization for medicinal, industrial or food purposes. Ten years of regulatory progress have allowed the development of an ecosystem with more than 100 companies.

STRONG BACKGROUND IN RELATED INDUSTRIES

Uruguay has a number of cross-cutting strengths, both in the **agro-industrial** and **life-sciences** sectors, that underpin its value proposition for attracting investment and developing exports with a focus on industrial hemp or medical cannabis. The country's history as an exporter of agricultural and pharmaceutical products makes it a unique location for the development of the cannabis industry.

RELIABILITY & STABILITY

Located in an economically attractive region, Uruguay is one of the most reliable countries in which to do business. The long history of political, social and economic stability allowed the development of an incipient industry such as cannabis in a stable and predictable legal framework. Uruguay leads Latin America in the rankings of democratic quality, rule of law, low corruption and civil liberties.

SUSTAINABILITY

With over 90% of the country's energy generation coming from renewable sources, the carbon footprint of the cannabis industry on energy consumption is mitigated, allowing for **sustainable production over time** and with marginal impacts on the environment. In this sense, Uruguay has, together with Chile, the best performance in ESG factors in the region.

INNOVATION

Research is a key activity for the development of the sector and enables new products and processes. The presence of national and international companies has allowed, from early stages, the development of a solid base for the formation of an **innovative ecosystem**.

STRONG INSTITUTIONAL FRAMEWORK

As a result of having been a pioneer in integral legalization, Uruguay has consolidated a **public-private ecosystem**, with different institutions that have an interest in the development of the industry. In this sense, public articulation favors the development of the private sector, finding proximity at the level of authorities to raise problems or propose improvements.

SIZE OF THE INDUSTRY IN URUGUAY

PRODUCTIVE ECOSYSTEM

Cultivation, industrialization and research add up to a business ecosystem of more than 100 companies has been formed, employing approximately 750 permanent employees, with the need to add fruit harvesters at the time of harvesting and processing.

In order to truly dimension the total ecosystem of the industry, it is necessary to add all the companies that provide related services such as agro-industrial input companies, equipment and machinery suppliers, agronomic consultancy or advisory services, quality process consultancy or legal firms, among others.

Over ten years of development of the industry allowed the generation of innovative products and the possibility of offering highly specialized services in terms of agronomic advice, legal and accounting advice, as well as certification of quality processes.

Due to current legislation, companies wishing to focus on different areas of the hemp and CBD industry-whether in cultivation, industrialization, research or marketing-must comply with a specific licensing system. The requirements for obtaining these licenses vary based on the activity selected.

As a consequence, the Ministry of Livestock, Agriculture and Fisheries, through the General Directorate of Agricultural Services, concentrates the

issuance of licenses for all activities related to hemp, including the reproduction of seeds, their marketing, the reproduction of cuttings and seedlings, the cultivation of hemp for grain, fiber or flowers for nonmedical use and the industrialization of hemp for the generation of isolates and extracts with less than 1% THC.

The Institute for the Regulation and Control of Cannabis covers all activities related to cannabis for medical use or with THC content above 1%, including cultivation, industrialization, manufacturing of final products, research and logistic operations.

In this sense, the industry stands out internationally for its ecosystem of companies and for the knowledge accumulated in the ten years that have elapsed since the regulation of the sector. This early regulation generated a strong interest in foreign direct investment, with installed projects of diverse capital origins and at different stages of the production chain.

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+100 COMPANIES

14 RESEARCH AND
DEVELOPMENT
LICENSES

51 CULTIVATION
LICENSES

21 INDUSTRIALIZATION
LICENSES

7 ANALYTICAL
LABORATORY
LICENSES

3 MARKETING
LICENSES

1 FREE TRADE ZONE
LOGISTICS OPERATOR
LICENSE



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AUTHORIZED
DRYERS

Table 1 - Licenses in force as of May 2024 - Source: Institute for Regulation and Control of Cannabis and Ministry of Livestock, Agriculture and Fisheries.

CBD & INDUSTRIAL HEMP: PRODUCTIVE CHAINS

The CBD and industrial hemp value chain in Uruguay is comprised by around thirty companies that hold licenses for various activities. Currently, 51 licenses are distributed through these companies, which are authorized by the Ministry of Livestock, Agriculture and Fisheries (MGAP) to carry out a variety of activities in the hemp sector.

These activities include the growing of hemp flowers, hemp grain and hemp fiber, as well as the reproduction of seedlings and seeds. In addition, these licenses allow the industrialization of hemp for the production of extracts, isolates and terpenes, as well as the production of food and beverages based on hemp grain.

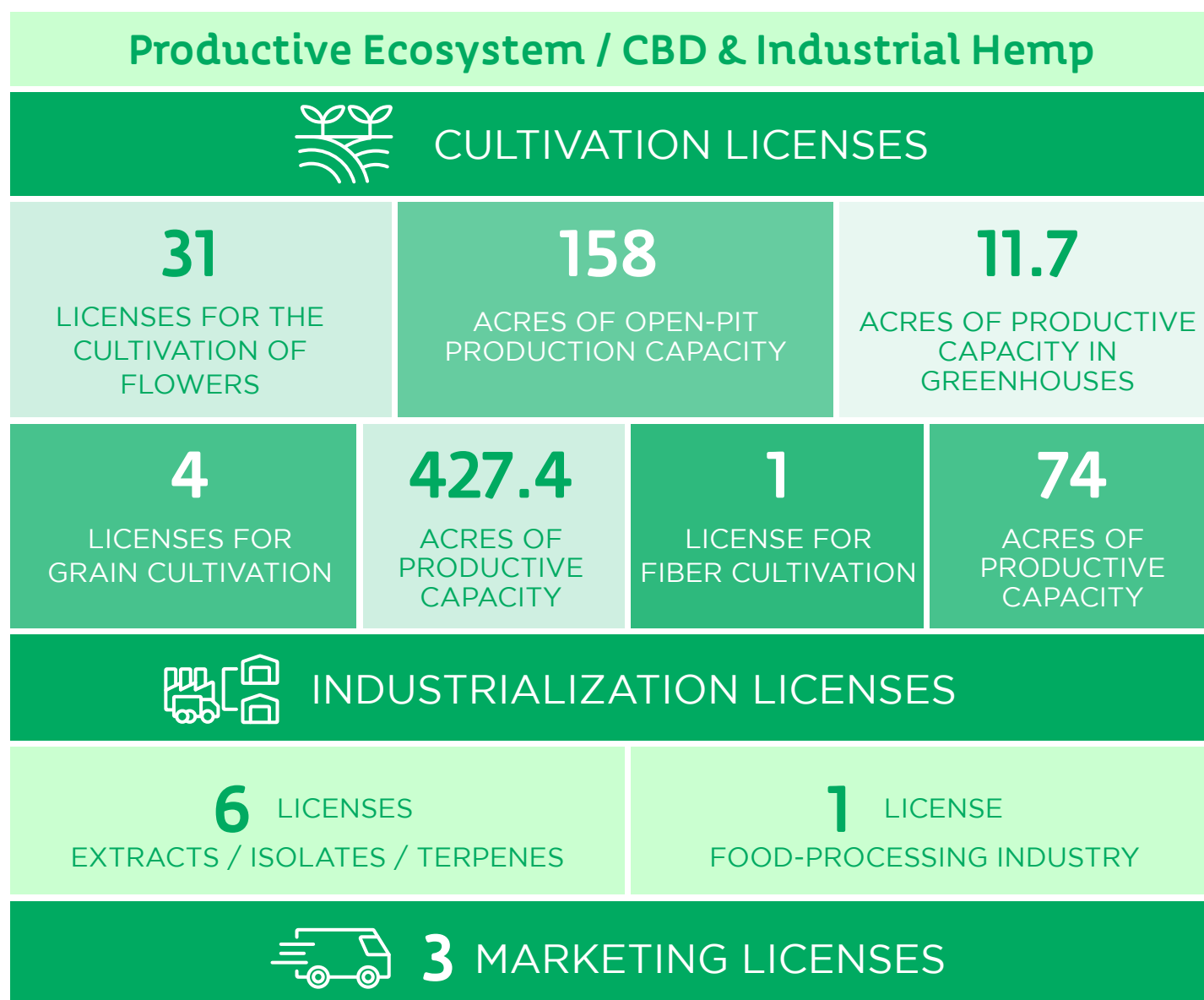


Table 2 - Licenses in force as of May 2024 - Source: Ministry of Livestock, Agriculture and Fisheries

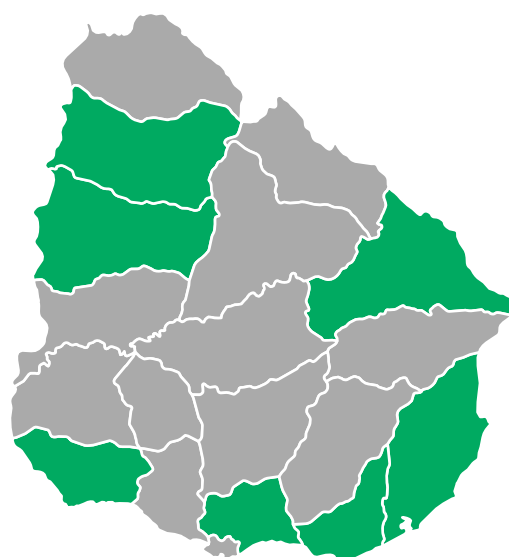
The largest number of licenses is concentrated in the cultivation of hemp flowers for nonmedical use, with a production capacity of more than outdoor 150 acres and approximately 11.7 acres in greenhouses. The cultivation of industrial hemp for grain production is still an incipient industry, but 427.4 acres are licensed for its development. As for fiber cultivation, the industry is still in the research stage, with no large-scale production developments.

For hemp as a superfood, so far only one company has obtained the necessary registrations to market hemp-based foods in Uruguay. This suggests that, although the hemp food market is at an incipient stage, there is significant potential for its

development. Additionally, in recent years, there has been an increase in the number of industrialization plants dedicated to the production of CBD extracts and isolates, as well as terpenes. This indicates a growing interest in adding value to the production chain, as well as a growing interest in this type of industrialized products from abroad, especially from the region.

Geographically, the largest number of licenses is concentrated in the south of the country, **mainly** in the departments of **Canelones** and **Maldonado**. These areas are strategically located near Uruguay's main ports and airports, which facilitates logistics and transportation for product exports. Proximity to these international exit points is a key factor for companies seeking to participate in the global market for CBD and other hemp-derived products.

In summary, the value chain of this sector in Uruguay is growing fast, with a clear focus on the export of flowers for nonmedical use and the development of industrial capacities for the production of extracts and other derivatives.



Concentration of licenses

EXPORTABLE SUPPLY

INTERNATIONAL TRADE

From 2019 onwards, Uruguay is registering increasingly diversified exports, both in terms of products and export destinations. In this period, exports of various hemp-derived products were finalized, including seeds, biomass, hemp flowers for nonmedical use, as well as CBD extracts and isolates.

The increase in the variety of products exported demonstrates Uruguay's capacity to adapt to the demands of the global market and its ability to develop a competitive and diversified industry.

EXPORT DESTINATIONS



Export products

- Seeds
- Grain
- Flowers with high CBD content
- Seed-based foods and beverages with terpenes

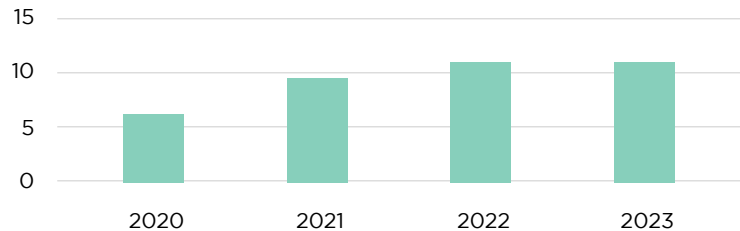
The diversification of export markets occurred as new markets were opened for Uruguayan products; whereas in 2022 more than 97% of exports were destined for Switzerland, in 2023 this figure dropped to 47%. This diversification was made possible by the

opening of new markets in the United States, the Czech Republic, Paraguay, Argentina and Brazil, reflecting a successful strategy of expansion and penetration in emerging markets.

**9.8
tons**

Average exports of
hemp flowers for
nonmedical use

TONS OF FLOWERS EXPORTED

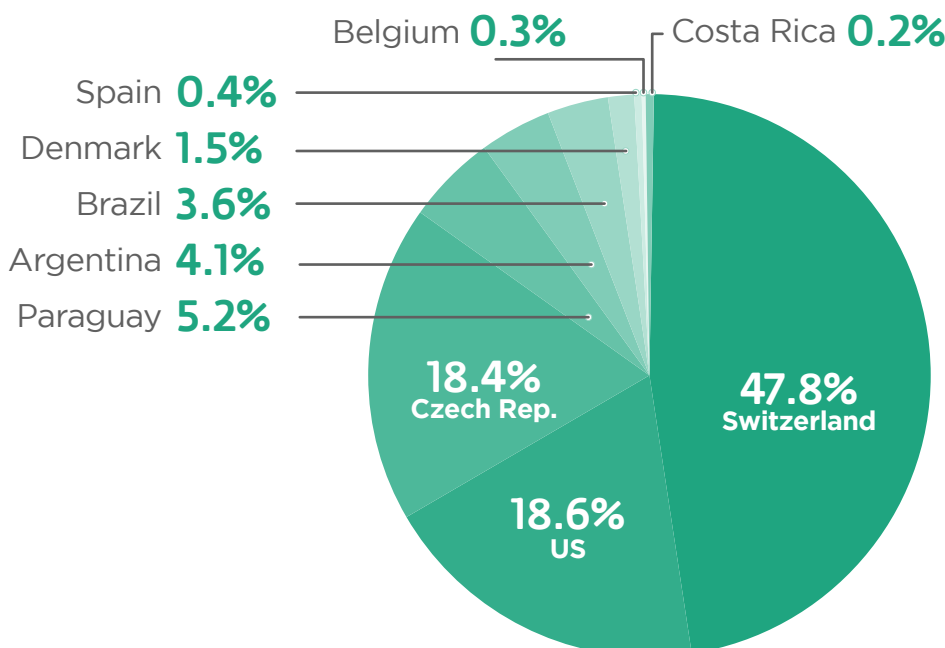


The sector's main product for export so far has been hemp flowers for nonmedical use. From 2020 onwards, more than 35 tons of flowers were exported, with an annual average of 9.8 tons. The superior quality of Uruguayan production has allowed these flowers to enter more than 10 markets in different continents, positioning the country as a reliable supplier in the global hemp industry.

Beyond the export of hemp flowers, the production and export of CBD extracts and isolates is gaining momentum, especially to regional markets such as Brazil. This growth suggests a shift in demand and a growing recognition of the quality of Uruguayan products. CBD extracts and isolates offer versatility and potential for application in a variety of products, which could open up new commercial opportunities for Uruguay.

The genetics planted in the territory vary depending on the target market, with a THC content between 0.2% - 1.0%, predominantly European genetics. The 1% THC threshold provides versatility to the sector to accommodate specific demands, both for flowers and extracts.

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**Industrial
Hemp Exports
(2023)**

**22 exporting
companies**

USD 1.079.764

11.5 tons of seeds

11.5 tons of flowers

In addition, the production of hemp-grain based foods, with no cannabinoids, is a recent trend that is starting to gain momentum. These food products, which include hemp seeds, oil and protein, are becoming increasingly popular due to their nutritional benefits. As a country with a strongly agro-industrial production matrix, Uruguay is positioned as a potential global supplier for these types of products.

In summary, the diversification in products and export destinations of CBD and industrial hemp in Uruguay demonstrates the evolution and maturation of this industry. With internationally recognized quality and an expansion strategy in key markets, the country is positioning itself as a major player in the global hemp and CBD trade, with continued growth prospects in the coming years.



TRADE OPPORTUNITIES WITH URUGUAY

BUY FROM URUGUAYAN EXPORTERS

The **CBD** and **industrial hemp industry** in Uruguay is fully dedicated to **exporting high quality products** and has consistently demonstrated its ability to enter markets with demanding consumers and strict regulations. This industry has earned a reputation for meeting the highest international quality and safety standards, which has allowed it to access a wide range of global markets.

Uruguay was able to open markets in South America, such as Argentina, Brazil, Paraguay and Ecuador; the United States in North America; and Belgium, Denmark, France, Switzerland and the Czech Republic in Europe. This expansion into several international markets proves the global confidence in the quality of Uruguayan products and the ability of producers to meet the needs and expectations of different regions and cultures.

With **six years of uninterrupted and increasingly diversified products and destinations of exports**, Uruguay is positioned as an ideal and reliable partner for the production and supply of CBD-derived products and industrial hemp. Uruguayan producers offer a diverse range of products, including hemp flowers with high CBD content, CBD extracts and isolates, hemp seeds and biomass, as well as hemp-grain based foods.

In addition, the hemp **industry** in **Uruguay** benefits from a **favorable regulatory environment** and **strong government support**, ensuring that products are

grown, processed and exported under strict quality controls. The Ministry of Livestock, Agriculture and Fisheries (MGAP) monitors and regulates all hemp-related activities, ensuring compliance with national and international regulations. This regulation provides an additional guarantee of the safety of Uruguayan products.

The experience accumulated by Uruguayan producers in these years of exporting has enabled them to perfect their production and logistics processes, guaranteeing a constant and reliable supply. This experience has also encouraged innovation and the deployment of sustainable agricultural practices, which not only improves the quality of the final product, but also contributes to environmental sustainability.

Finally, Uruguay's **strategic geographical location**, with access to **major ports** and **airports**, facilitates export logistics and ensures efficient delivery times to international destinations. Proximity to key markets in South America and seamless connections to North America and Europe position Uruguay as an ideal export hub for CBD and hemp products.

SETTING UP PRODUCTION IN URUGUAY

Uruguay has become the **destination** par excellence for **international companies** seeking quality, efficiency, experience and new opportunities.

This business environment, the most stable and reliable in Latin America, offers first-class **logistics infrastructure**, **cutting-edge technology** and telecommunications, and the **best energy supply in Latin America** based on renewable sources.

Investment in Uruguay, both domestic and foreign, is declared of national interest according to Act 16.906. Foreign and local investors are treated equally and a wide range of incentives are adapted to different types of activities, be it industrial and

commercial or services, to be carried out in the country.

Uruguay's **legal and regulatory framework** is a **key factor** that attracts companies in the hemp sector. The country has **clear and friendly legislation** that **regulates the production and export of industrial hemp and hemp-derived products**.

CBD, offering legal certainty and transparency. Companies can operate with the certainty that their investments are protected and that their operations will meet international standards.



EXPOCANNABIS



It is the **first and main information and articulation platform on cannabis and hemp in Uruguay.**

It is the only one in the world where the State, social organizations, private agents, academia, users and the live cannabis plant coexist. Since 2019, it has been declared of National Interest by the Presidency of the

Republic and has been supported since its beginnings in 2011 by the Institute for Regulation and Control of Cannabis, the National Drug Board and several ministries. ExpoCannabis does not promote cannabis consumption, but provides information for the normalization of regulation in Uruguay.



ANNEX I SECTORAL INSTITUTIONAL FRAMEWORK

GOVERNMENTAL



The Institute for Regulation and Control of Cannabis (IRCCA) was created as per Act 19,172 with the purpose of regulating the planting, growing, harvesting, production, processing, storage, distribution and dispensation of cannabis. Its purpose is to promote and propose actions aimed at reducing the risks and damages associated with the problematic use of cannabis and to monitor the compliance with the provisions contained in the law and the current regulations, without prejudice to the constitutional and legal competences attributed to other public bodies and entities. The National Drug Board of the Presidency of the Republic is responsible for setting the national policy on cannabis, with the advice of the IRCCA.



Ministerio
de Salud Pública

It is the ministry responsible for helping improve the health of the inhabitants of the Republic, creating health promotion and prevention policies, standardizing and regulating the treatment and rehabilitation of the disease under the guiding principles of universality, equity, quality, solidarity, sustainability and efficiency. Act 19,172 establishes that this ministry is responsible for authorizing and controlling plantations or crops exclusively for scientific research purposes or for the production of therapeutic products for use. Also within its orbit is the Specialized Unit for Evaluation and Monitoring of the policies issued by the act.



**Ministerio
de Ganadería
Agricultura y Pesca**

One of its tasks is to contribute to the permanent development of the following sectors and fisheries, as well as to organize and develop the protection of the health and quality of cannabis for non-psychoactive use (hemp).



INASE
URUGUAY

The main goal of the National Seed Institute is to promote the production and use of the best seed with proven identity and superior quality, fostering the development of the national seed industry. At the same time, it supports the breeding and use of new national and foreign phylogenetic materials that are suitable for Uruguayan conditions. Regarding the cannabis market, INASE is responsible for the General Register of Seed Breeders (RGS) and the National Register of Cultivars (RNC).

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The National Drug Board is responsible for designing and approving the National Drug Strategy (END) and the respective Operational Action Plan (PAO), establishing the political guidelines for the different areas of drug policy. Via the National Drug Secretariat, it articulates, coordinates and monitors the implementation of the actions defined through the articulation with the different institutions involved in drug policies.



Canelones is the department with the highest number of licenses for cultivation or industrialization of both medical cannabis and industrial hemp. The departmental government plays an active role in promoting the industry through participation in international events, as well as through the organization of business roundtables.

BUSINESS ASSOCIATIONS



Civil association that watches over the rights and interests of medical cannabis companies in Uruguay, building bridges of communication between members. It contributes to the development of the production, industrialization, research, marketing and export of medical cannabis.

ACADÉMICOS



Institute belonging to the Faculty of Chemistry of the University of the Republic, which serves as a center for research, development and innovation in the following fields: chemistry, biotechnology, material science and environment. It specializes in Uruguay's most productive industries and services.

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The experimental neuropharmacology department of the Clemente Estable Biological Research Institute focuses on understanding the neurobiological bases associated with neuropsychiatric pathologies such as depression, schizophrenia and addiction to drugs, and the study of the mechanism of action of psychotropic drugs (antidepressants, anxiolytics and antipsychotics). The purpose is to understand the physiology of the systems involved in these

pathologies and to find new therapeutic targets that allow the design of more specific and selective pharmacological strategies with fewer side effects. In the search for alternative therapeutic strategies to the existing ones, they are beginning to develop different lines of research, including the medicinal use of cannabis and cannabinoids.

ANNEX II
URUGUAY IN
BRIEF

Official name: **Oriental Republic of Uruguay**



Geographical location South America (neighboring with Argentina and Brazil)



Capital
Montevideo



Surface area

176.215 km². 95% of the territory is productive land suitable for agriculture agricultural operation.



GDP per capita (2023) USD 22.421



Population (2023)
3.44 million



Currency Uruguayan peso(\$)



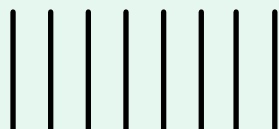
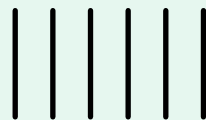
Literacy rate 0.98



Life expectancy at birth 77.9 years



Form of government Democratic Republic with a presidential system



Political division 19 departments



Time zone GMT-03:00



Official language
Spanish

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Uruguay XXI

INVESTMENT, EXPORT AND COUNTRY
BRAND PROMOTION AGENCY



#1 country in
the world to
legalize



10 years at
the forefront
of regulation



Ecosystem
with more than
100 companies



Sound history
of exports to
demanding markets



Sustainable
production

For additional information or contact
with Uruguayan companies in the sector,
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