



INSIGHTS INTO

The State of the U.S. Cannabis Industry

SUMMER 2024

Table of Contents

01

Introduction and Methodology

02

Section 1: Cannabis Industry Insights: Growth Trends and Structural Enhancements

2 Fast Facts

3 Key Structural Improvements

03

U.S. Cannabis Market Performance: Sales Trends, Pricing Dynamics, and State-Specific Developments

4 Market Performance Insights

5 State Specific Developments

5 LeafLink Market Meter

6 Sales and Pricing Trends

04

Impact of Wholesale Cannabis Sales on Buyers and Sellers

10 Impact of National Cannabis Wholesale Sales

15 Product Trend Tracker

16 LeafLink Long-Term National Retail and Wholesale Sales Forecast

05

Conclusion

Introduction and Methodology

Despite facing obstacles like price declines, margin compression, and operational inefficiencies, the future outlook for the U.S. cannabis industry shines brighter than ever. Explore the current market landscape in this quarterly report, delving into the latest data and trends that are shaping the industry. Discover the enhancements and growth catalysts driving progress throughout the U.S. cannabis industry.

Data is sourced from state-level sales reports, LeafLink internal data, and extensive analysis of over 332,000 on-platform SKUs and more than 1 million annual orders.*

*The information provided in this material is for informational purposes only and does not constitute legal or financial advice.**

Cannabis Industry Insights: Growth Trends and Structural Enhancements



FAST FACTS

Record-Breaking Sales: National cannabis sales hit all-time highs in June, signaling a robust market recovery.

Optimized Supply Chains: Supply imbalances are stabilizing in mature markets, paving the way for sustainable growth.

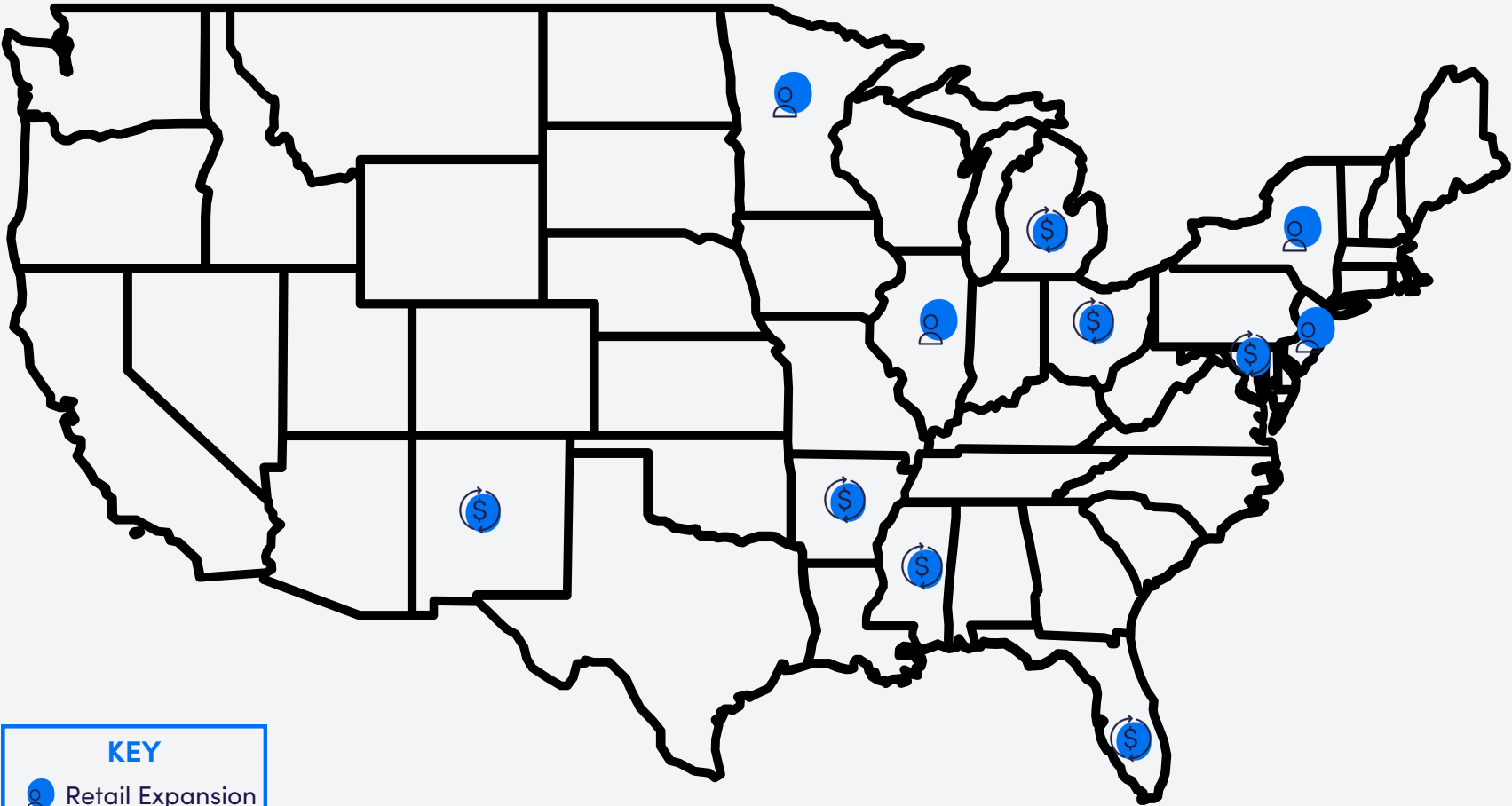
Rapid License Issuance: States are rolling out licenses faster than ever, expanding market opportunities.

The cannabis industry is experiencing significant growth, marked by record-breaking sales this summer, signaling a strong market recovery. Mature markets are seeing improved supply chain stability, which supports sustainable growth, while rapid license issuance across states is creating new opportunities for market expansion. These trends highlight the industry's resilience and its ongoing evolution toward a more balanced and thriving market expansion and investment.

KEY STRUCTURAL IMPROVEMENTS

The cannabis industry is witnessing pivotal structural enhancements that pave the way for significant market growth and improved profitability. These advancements underscore the industry's resilience and showcase burgeoning prospects for expansion and investment.

- ✓ **Accelerating Sales in Key States:** Missouri, Maryland, and Ohio are poised to become billion-dollar markets. New York and New Jersey are rapidly expanding their retail footprints, setting the stage for significant growth.
- ✓ **Expanding Retail Landscape:** Over 5,000 new non-MSO retailers are expected across New York, New Jersey, Maryland, Illinois, Ohio, and Minnesota within the next 12-24 months.
- ✓ **Federal Policy Shifts:** The anticipated move to Schedule III by the Biden Administration could eliminate the 280E tax burden, potentially injecting \$2-3 billion annually into the industry.



KEY

- Person icon: Retail Expansion
- Dollar sign icon: High Growth

U.S. Cannabis Market Performance: Sales Trends, Pricing Dynamics, and State-Specific Developments



MARKET PERFORMANCE INSIGHTS

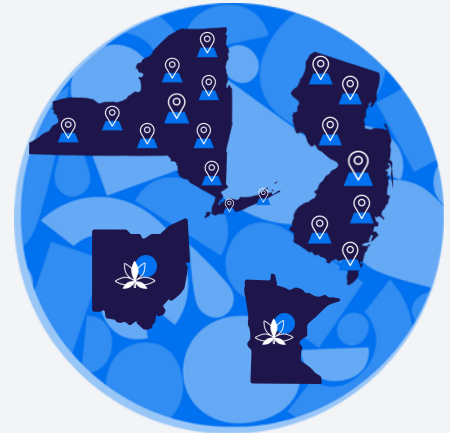
The U.S. cannabis industry is currently experiencing significant transformations, characterized by strong market growth and evolving state regulations. An overview of the most recent market performance indicators and notable state-specific advancements sheds light on the industry's ongoing expansion and the potential ramifications of upcoming policy adjustments.

By analyzing retail and wholesale sales trends, pricing consistency, and the expected alterations in federal tax treatment, you gain a thorough comprehension of the factors influencing the industry's trajectory. Exploring market-specific developments provides a full scope of the cannabis market's dynamics and its trajectory.

- ✓ **Retail and Wholesale Sales:** U.S. retail cannabis sales reached a record annual run rate of over \$32 billion in June / July, a 10% year-over-year increase. Wholesale sales are also on the rise, with a run rate of approximately \$11.5 billion.
- ✓ **Pricing Stability:** Despite the upcoming outdoor harvest, flower prices on the LeafLink platform have remained stable, averaging \$1,150/lb, driven by higher prices in early-maturity markets.
- ✓ **Taxation Impact:** The potential reclassification to Schedule III could drastically reduce the tax burden on cannabis businesses, aligning their tax rates with other industries and enhancing cash flows significantly.

STATE SPECIFIC DEVELOPMENTS

- ✓ **Retail Expansion:** States like New York and New Jersey are rapidly increasing their store counts. Ohio has commenced legal sales, and Minnesota is gearing up for adult-use sales next year.



- ✓ **New Legalizations:** States including Florida and Virginia are considering adult-use legalization this year, further expanding the market landscape.

LEAFLINK MARKET METER

The LeafLink Market Meter offers a comprehensive measure of market activity, providing insights into retail sales per resident, sales per dispensary, and wholesale market metrics. This data is crucial for understanding consumer adoption, retail density, and operator revenues across the country.

-  **Top Performers:** Alaska leads in sales per resident, driven by tourism, with Michigan closely following. Nevada's dispensaries top the charts in per-store revenue due to strong tourism in Las Vegas.
-  **Emerging Markets:** Newly legal markets like Missouri and Maryland show rapid accessibility growth, positioning operators for high revenues per location.

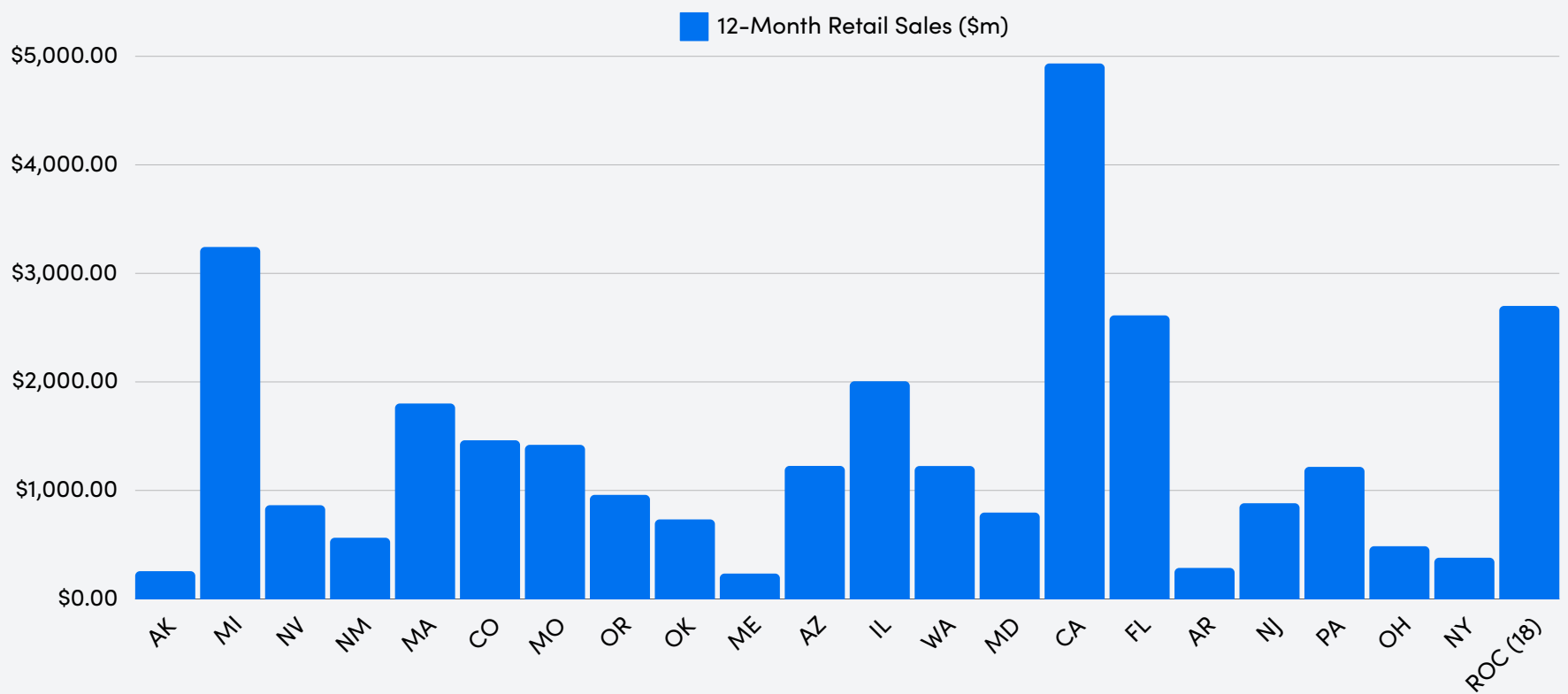
SALES AND PRICING TRENDS

Wholesale Sales Growth: U.S. wholesale sales increased by 4.0% month-over-month and 12.1% year-over-year in June.

Retail Sales Growth: Retail sales grew by 3.9% month-over-month and 11.6% year-over-year in June.

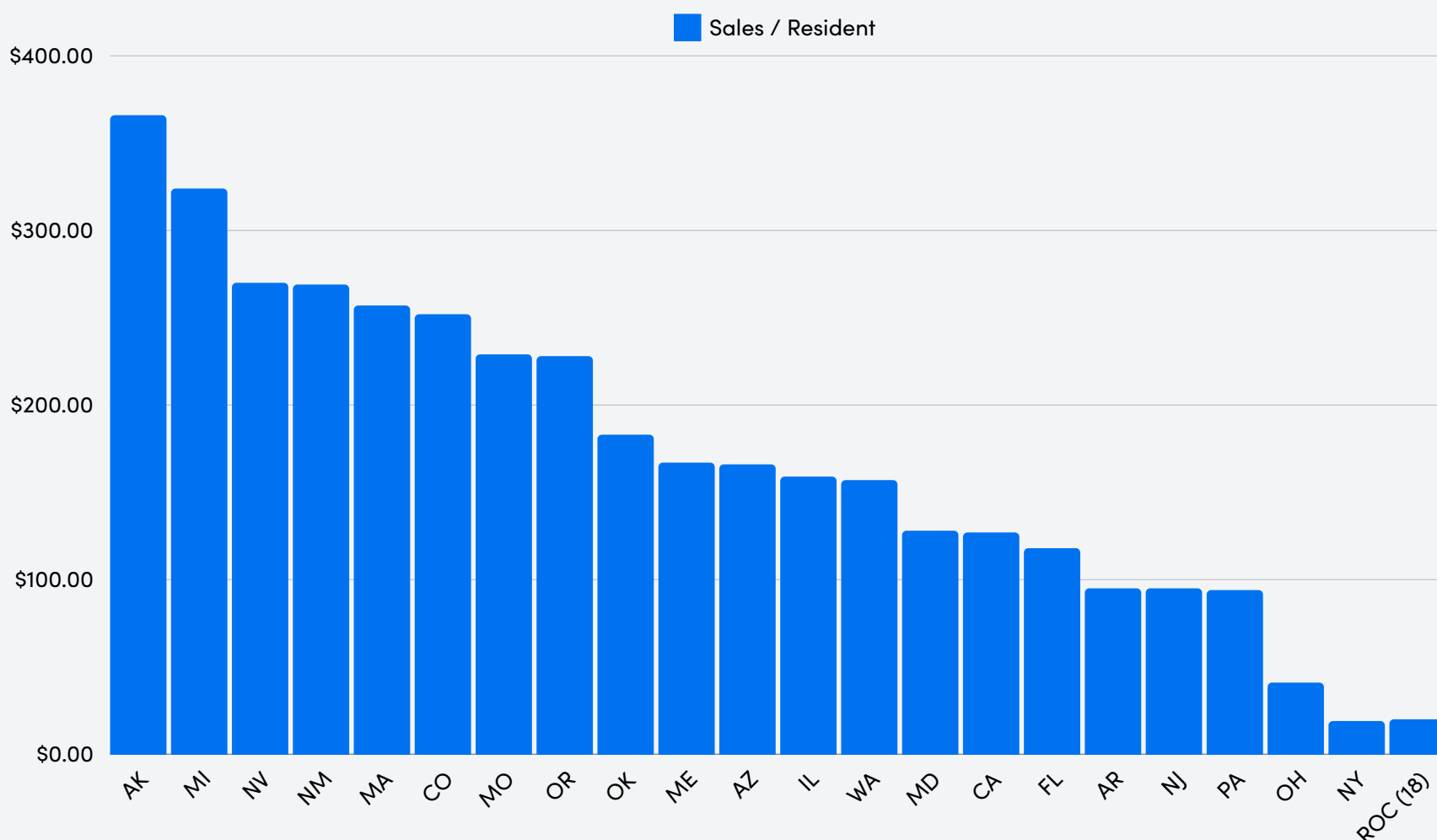
Product Popularity: Flower remains the dominant product form, accounting for ~40% of retail sales and ~38% of wholesale sales, followed by cartridges, edibles, pre-rolls, and concentrates.

12 MONTH RETAIL SALES BY STATE (\$M)



*ROC contains the rest of the US which includes 18 markets

RETAIL SALES PER RESIDENT



KEY TAKEAWAYS

Market Leaders



Alaska (AK) and **Michigan (MI)** top the chart with the highest sales per resident, \$366 and \$324 respectively. This indicates strong market penetration and high demand in these states, making them key markets for both retail and wholesale cannabis businesses.

Tourism Impact



Nevada (NV), with sales per resident at \$269, benefits significantly from tourism, especially in areas like Las Vegas. This highlights the influence of tourism on cannabis sales and the potential for similar markets to leverage this dynamic.

Emerging Markets



Missouri (MO) and **Maryland (MD)**, with sales per resident at \$229 and \$139 respectively, are showing rapid growth. This positions them as emerging markets with significant potential, driven by recent legalization and expanding retail footprints.

New Markets



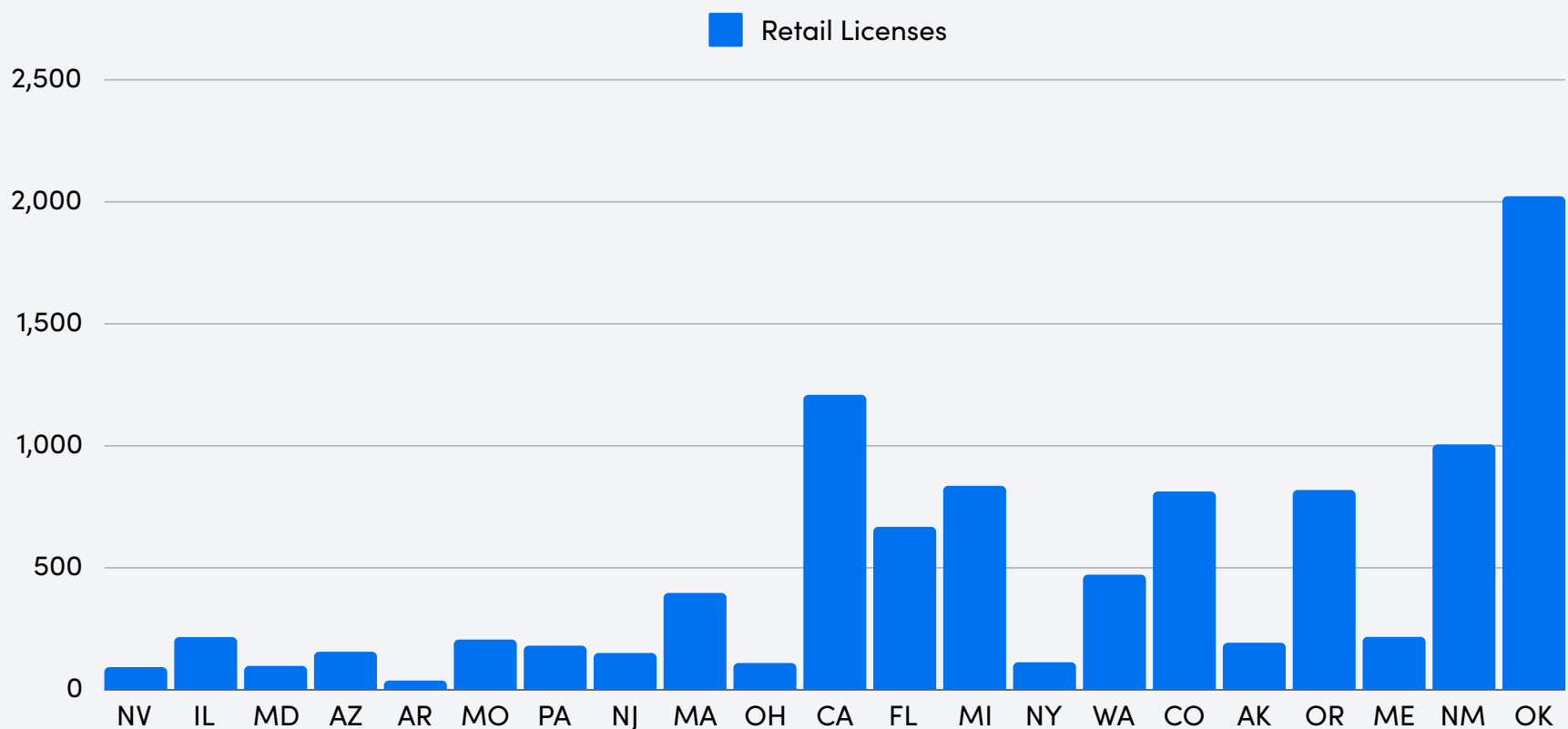
New York (NY) and **Ohio (OH)** have relatively low sales per resident at \$20 and \$41, but given their large populations and recent legalization efforts, they represent substantial growth opportunities as retail infrastructures expand.

National Trends

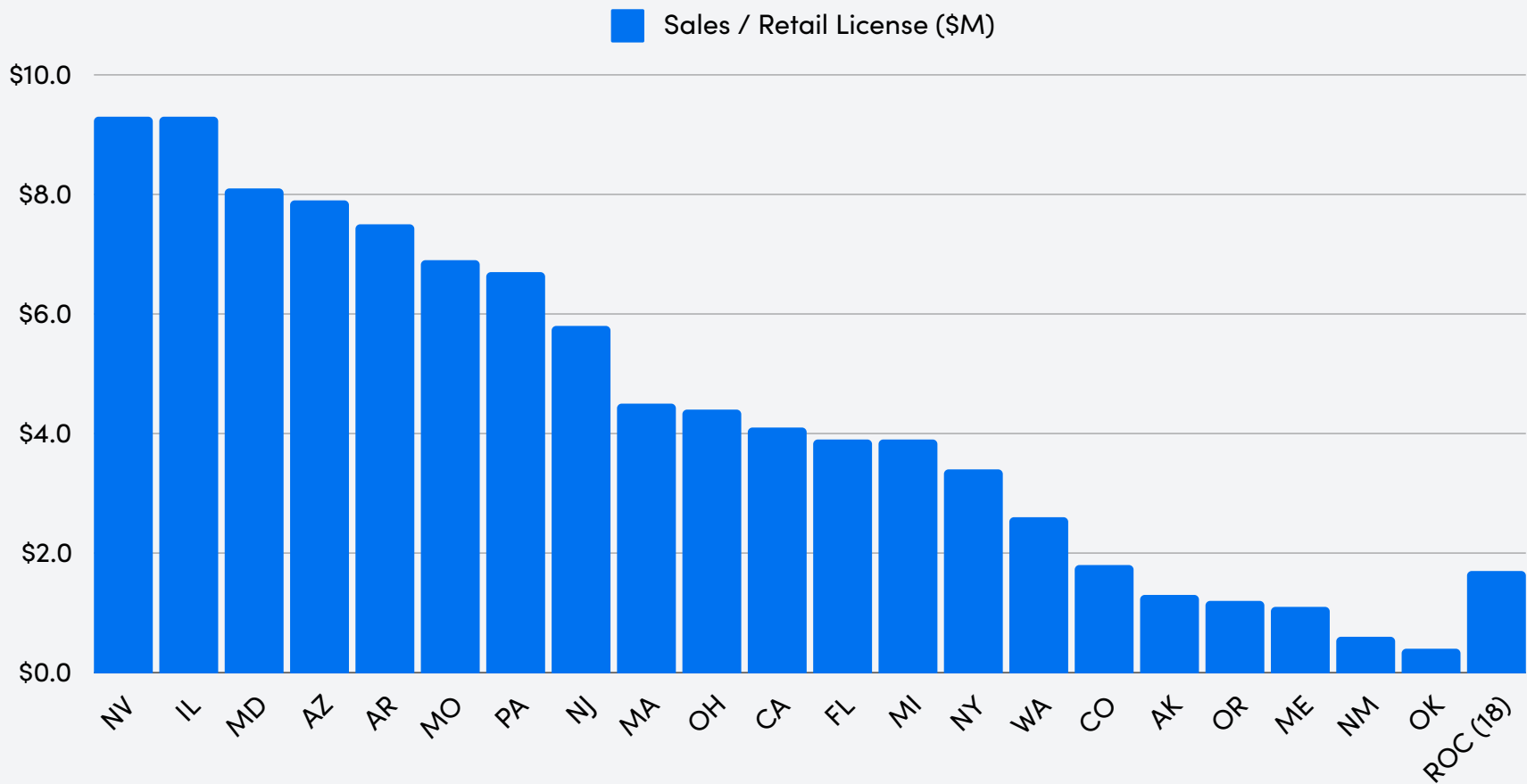


The overall national average of \$91 sales per resident showcases the diverse landscape of cannabis consumption across the U.S. and highlights the variance in market maturity and consumer adoption from state to state.

RETAIL LICENSES PER STATE



RETAIL SALES PER DISPENSARY



KEY TAKEAWAYS

Top Performers



Nevada (NV) and **Illinois (IL)** lead with \$9.3 million in sales per dispensary, indicating extremely high revenue per retail outlet, suggesting efficient operations and strong demand in these states.

Emerging Hotspots



Maryland (MD) and **Arizona (AZ)** follow closely with \$8.1 million and \$7.9 million in sales per dispensary, showing promising market conditions and profitability for dispensary operators.

Room for Growth



States like **California (CA)** and **New Jersey (NJ)**, with \$4.4 million and \$3.3 million in sales per dispensary respectively, show significant room for growth. The large number of dispensaries in these states suggests a competitive market where increased efficiency could lead to higher per-store revenues.

SECTION THREE

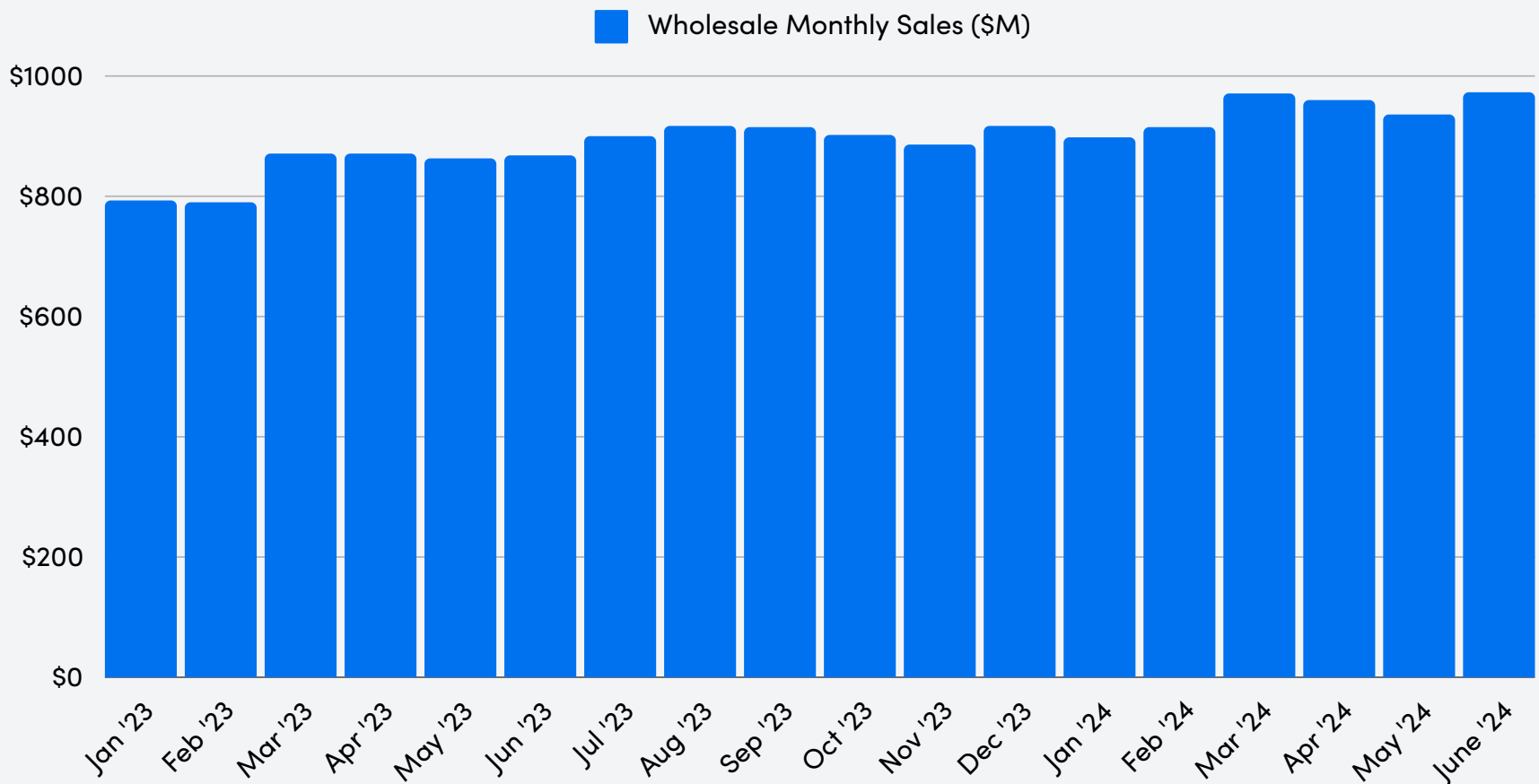
Impact of Wholesale Cannabis Sales on Buyers and Sellers



IMPACT OF NATIONAL CANNABIS WHOLESALE SALES

Wholesale sales in the U.S. grew by 4.0% from the previous month and soared by 12.1% compared to last year, reaching approximately \$973 million in June (~\$11.7 billion annualized wholesale run rate).

US NATIONAL MONTHLY WHOLESALE SALES (\$M)



KEY TAKEAWAYS

Seller Impact



This data signals a robust market for bulk product sales, providing opportunities for expanding their market share and scaling operations. This trend emphasizes the importance of strategic partnerships between wholesale brands and retailers, ensuring a steady and reliable supply of high-quality products.

Buyer Impact



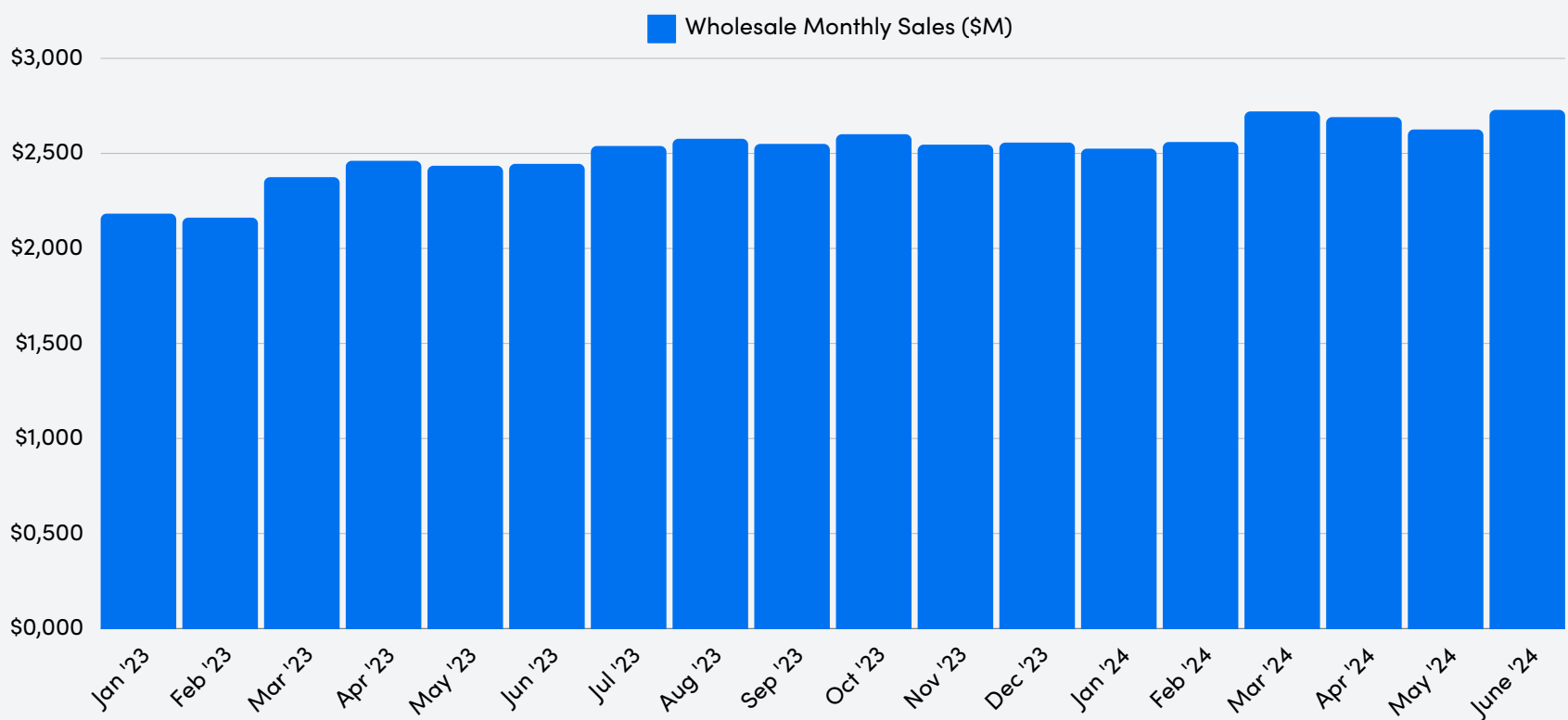
The increase in wholesale sales indicates a healthy supply chain and a diverse product availability, which is crucial for meeting consumer demand and maintaining competitive edge. The rising wholesale volumes suggest that retailers are likely stocking up in anticipation of strong consumer sales, possibly driven by new product launches, seasonal demand, or market expansions.

Overall Impact



Overall, the growth in wholesale sales is a positive indicator of the industry's vitality and offers a promising outlook for both wholesale cannabis brands and retailers. It reflects increasing market maturity, consumer acceptance, and the potential for sustained growth and profitability in the sector.

US NATIONAL MONTHLY RETAIL SALES (\$M)



In June, retail cannabis sales in the U.S. increased by 3.9% compared to the previous month and by 11.6% compared to the previous year, reaching \$2.73 billion (equivalent to an annualized retail run rate of approximately \$32.7 billion).

KEY TAKEAWAYS

Seller Impact



The rise in retail sales directly drives up the demand for cannabis products. With increased sales, retailers are inclined to restock more often, leading to a continuous stream of orders to wholesale brands. This scenario fosters an atmosphere where brands are motivated to innovate and expand their product ranges to align with the changing tastes of buyers, ensuring they stay competitive and attractive in a saturated market.

Buyer Impact



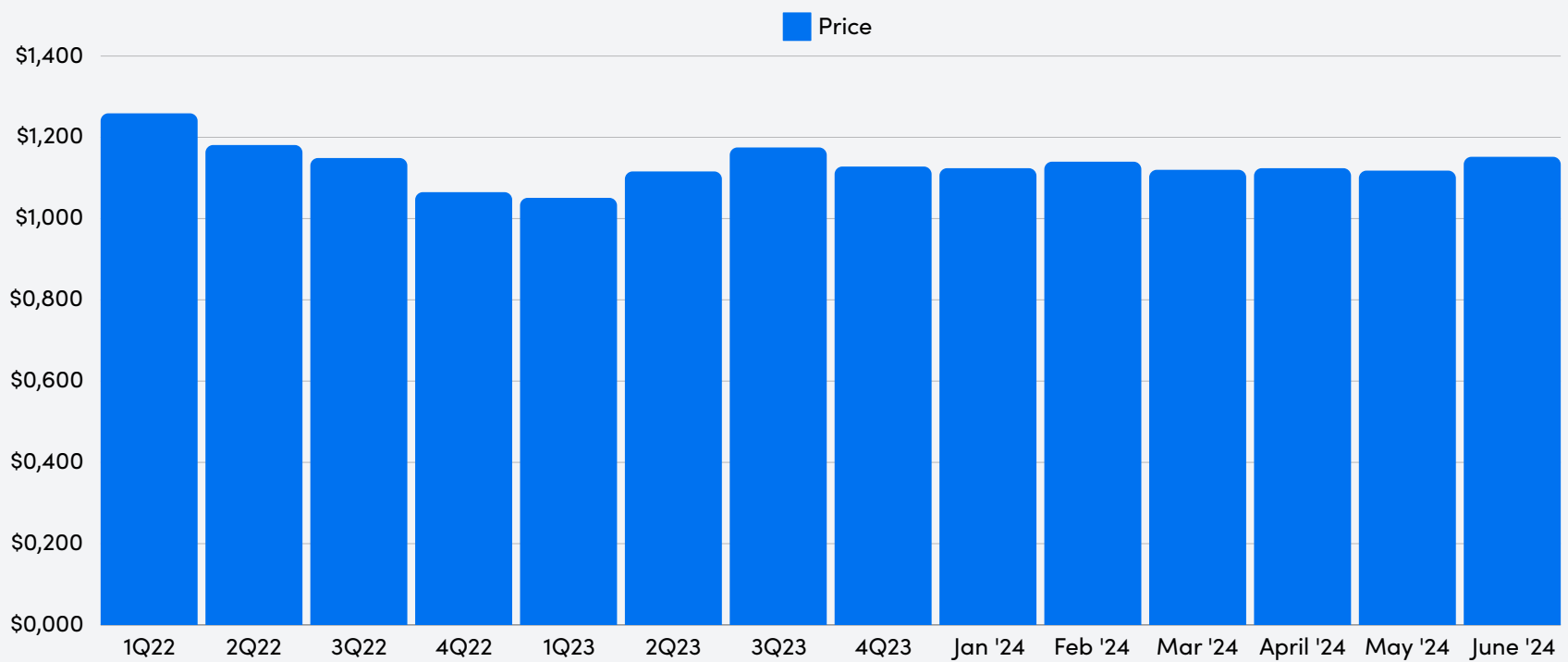
The rise in retail sales signifies a thriving market landscape, with a growing number of consumers buying cannabis products. This surge in consumer purchasing power presents retailers with a chance to diversify their product offerings, test out pricing tactics, and focus on marketing strategies to draw in and keep customers. Moreover, robust retail sales data can empower retailers to negotiate more favorable terms and prices with wholesale suppliers, as higher purchase volumes frequently result in economies of scale.

Overall Impact



The rising retail sales figures provide a promising outlook for the entire cannabis supply chain, from producers to final point-of-sale. They indicate a healthy, expanding market, which can encourage investment, drive innovation, and ultimately result in a more diverse and dynamic cannabis industry. This growth also highlights the importance for both brands and retailers to stay agile and responsive to sales trends, ensuring they can capitalize on the increasing demand and market opportunities.

US NATIONAL AGGREGATED FLOWER PRICING (\$/LB)



Pricing has maintained stability on the LeafLink platform, with average Flower prices reaching approximately \$1,150 per pound by the end of June. This marks a slight increase compared to the previous year, primarily due to the significant rise in sales from emerging, high-value markets in contrast to established, traditional markets. As we move forward, it is anticipated that prices will decrease with the upcoming harvest of outdoor Flower; however, the decline is expected to be less severe than in previous years, given the reduced licensed capacity. The equilibrium between supply and demand is gradually being restored in the mature markets of the western United States.

KEY TAKEAWAYS

Seller Impact



Stable pricing indicates a balanced market where supply and demand are relatively aligned. This equilibrium helps brands plan their production and pricing strategies with greater confidence, reducing the risk of sudden price fluctuations that could impact profitability. The slight price increase in early-maturity markets suggests that there is strong demand for premium products, offering an opportunity for brands to position themselves in these higher-margin segments. As the market for high-quality cannabis continues to grow, brands that can differentiate their products with quality and consistency may capture more market share and command better prices.

Buyer Impact



Stable flower prices mean a more predictable cost structure when sourcing products, which is crucial for managing inventory and setting retail prices. It allows retailers to maintain consistent pricing for consumers, which can enhance customer loyalty and satisfaction. Understanding that prices may decline slightly as outdoor flower is harvested prepares retailers to adjust their purchasing strategies accordingly. They can take advantage of lower prices during the harvest season to stock up, potentially increasing their margins.

Overall Impact



Retailers and brands operating in mature, legacy markets may face different pricing pressures and competitive dynamics. The indication that the supply and demand balance is improving, particularly in mature west coast states, suggests a more stable market environment ahead. This is beneficial for both wholesalers and retailers as it reduces the volatility that can come with imbalances in supply and demand.

TOP INSIGHTS

- ✓ **Market Growth and Opportunities:** The cannabis industry is growing rapidly, with wholesale sales increasing by 12.1% year-over-year and retail sales reaching \$2.73 billion in June, presenting opportunities for brands and retailers to expand and innovate.
- ✓ **Emphasis on Strategic Partnerships:** Strong partnerships between wholesale brands and retailers are essential for maintaining a steady supply of high-quality products, enabling both to capitalize on market trends and stay competitive. These collaborations are crucial for driving market share growth.
- ✓ **Stability and Pricing Dynamics:** Stable cannabis flower pricing indicates a balanced market with aligned supply and demand, allowing for better strategic planning and reduced volatility. This stability offers a more predictable environment for investment and growth, especially in mature western markets.

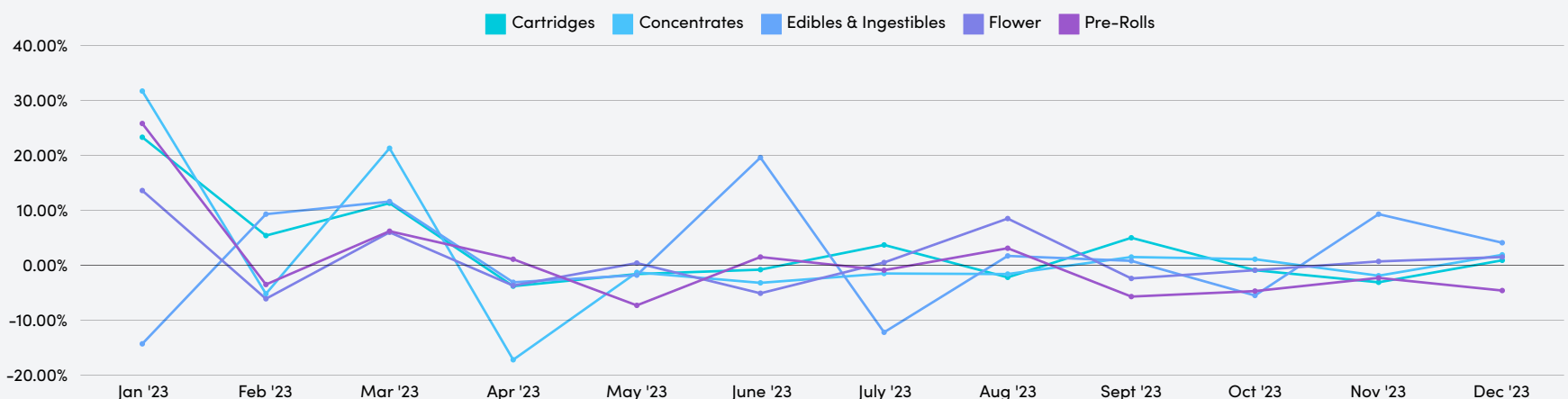
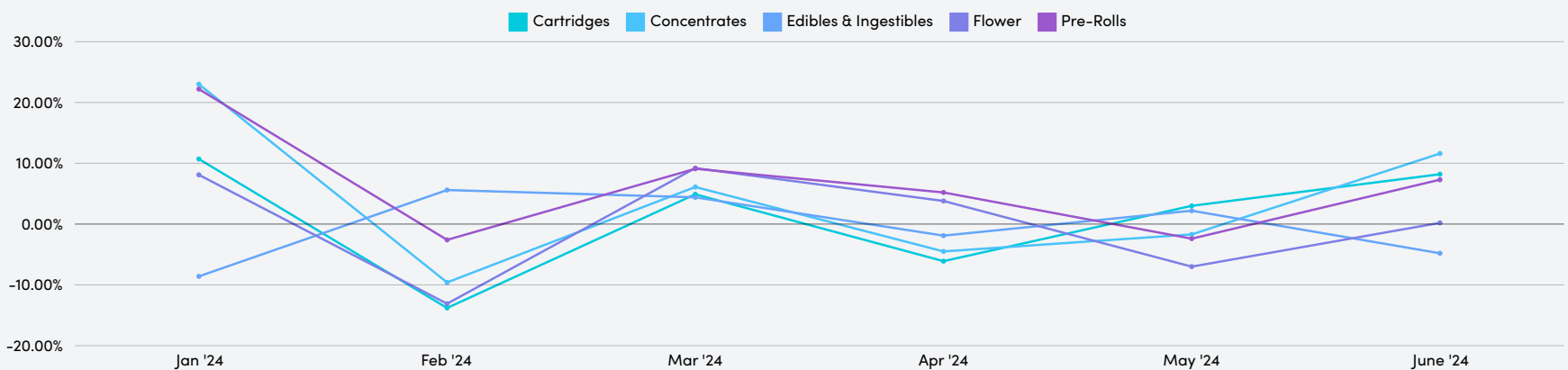
PRODUCT TREND TRACKER

Flower reigns as the top choice in cannabis products, commanding about 40% of retail sales and 38% of wholesale sales. Following closely are cartridges, accounting for approximately 24% of wholesale revenue, edibles at 14%, pre-rolls at 13%, and concentrates at 11%.

US WHOLESALE CATEGORY SHARE

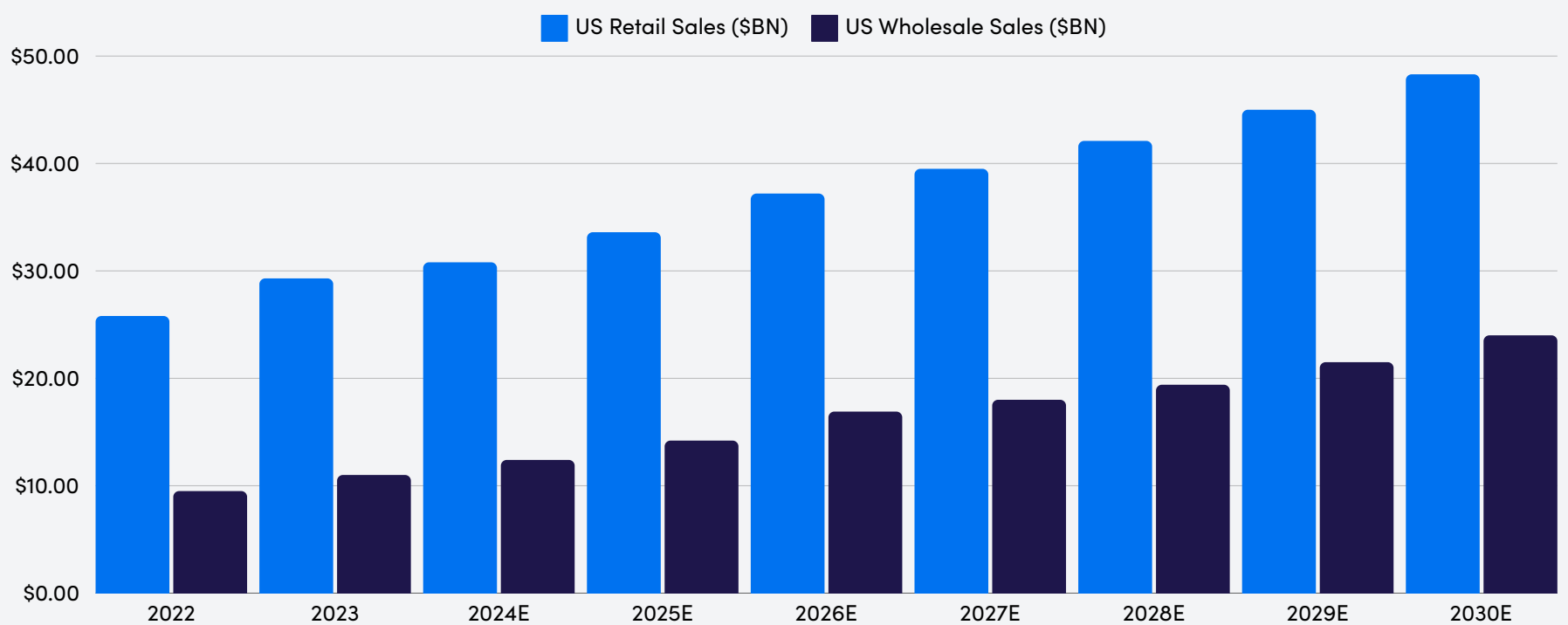
CATEGORY	2024 WHOLESALE SHARE (%)
CARTRIDGES	24.3%
CONCENTRATES	10.8%
EDIBLES AND INGESTIBLES	14.1%
FLOWER	37.6%
PRE-ROLLS	13.2%

US WHOLESALE SHARE MONTH-OVER-MONTH GROWTH



LEAFLINK LONG-TERM NATIONAL RETAIL AND WHOLESALE SALES FORECAST

By 2030, LeafLink projects the U.S. cannabis market to reach nearly \$50 billion, with an estimated annual growth rate of approximately 11%. The company anticipates that the primary drivers of increased sales in 2024 and 2025 will stem from the issuance of new licenses in key states, thereby expanding retail capacity (specifically in New York, New Jersey, Maryland, Ohio, Illinois, and Minnesota). Looking ahead, LeafLink foresees future growth originating from major population hubs that have yet to establish comprehensive market frameworks for legalization and approval.



**E indicates estimation*

Conclusion



The U.S. cannabis industry is navigating a period of transformative growth and evolution, with a promising outlook for the near future. Despite encountering challenges such as price fluctuations and operational inefficiencies, the sector is showcasing remarkable resilience and potential. Record-breaking sales, stabilized supply chains, and rapid license issuance are key indicators of a market poised for sustained expansion.

The industry's structural enhancements, including accelerated sales in burgeoning markets and anticipated federal policy shifts, are laying a robust foundation for future development. With significant retail and wholesale sales growth, stable pricing, and a favorable tax climate on the horizon, both investors and operators are presented with abundant opportunities to capitalize on the sector's momentum.

As we move forward, understanding the dynamic interplay of market performance, pricing trends, and emerging opportunities will be essential for making informed strategic decisions. By leveraging the insights from this report, stakeholders can better navigate the evolving landscape, ensuring they remain competitive and well-positioned to thrive in the burgeoning U.S. cannabis market.