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INSIGHTS INTO

The State of the U.S. Cannabis Industry

FALL 2024

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Introduction and Methodology

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Despite facing obstacles like price declines, margin compression, and operational inefficiencies, the future outlook for the U.S. cannabis industry shines brighter than ever. In just ten years, the U.S. cannabis industry has evolved from a single legalized state to a nationwide industry generating over $32 billion in annual retail sales. With some form of legalization now established in 41 states, over 80% of Americans have access to cannabis, and the sector has created jobs for half a million people across 25,000 companies. As the fastest-growingconsumer packaged goods (CPG)industry worldwide, cannabis sales have increased sixfold, with product volume expanding 28 times.

This report delves into the late summer and early fall industry shifts and growth indicators, leveraging LeafLink data, state-level reports, and analysis of over 1 million orders to bring you a comprehensive view of market dynamics and trends.

Data is sourced from state-level sales reports from August 2024-October 2024, 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: Key Growth Drivers and Market Structure

FAST FACTS

Record-Breaking Sales: U.S. cannabis retail sales hit unprecedented levels in October 2024, reaching an annual run rate of over $33 billion, up 7% year-over-year.

Rapid Licensing Expansion: States like New York, New Jersey, and Ohio are accelerating license issuance, paving the way for market growth.

Improved Supply Chains: Mature markets are experiencing more balanced supply chains, setting a foundation for sustained growth.

The U.S. cannabis industry shows no signs of slowing down, with projections suggesting it could become a $55 billion market by 2030, growing at an annual rate of 11%. Much of the near-term growth in 2024 and 2025 will come from newly issued licenses in states like New York, New Jersey, and Ohio, expanding retail capacity and fueling market momentum. Over the longer term, even greater expansion is expected as large population centers, yet to fully legalize or establish robust cannabis markets, come online. This combination of rapid licensing and untapped markets positions the industry for sustained growth in the years ahead.

KEY STRUCTURAL IMPROVEMENTS

The U.S. cannabis industry is undergoing critical structural changes that set the stage for robust market growth and increased profitability. States like New York, Maryland, and Ohio are poised to become billion-dollar markets, with store counts expected to grow by 70%. Additionally, potential federal change are fueling new growth and profitability opportunities.

✓ **Accelerating Sales in Key States:** Markets like New York, Maryland, and Ohio are expected to become billion-dollar markets as they expand their retail infrastructures.

✓ **Expanding Retail Landscape:** An estimated 5,000 new non-MSO retailers are projected to open in states like New York, New Jersey, Maryland, and Minnesota over the next 24-36 months, representing a 70% increase in store count (excluding Oklahoma).

✓ **Federal Policy Shifts:** The anticipated reclassification of cannabis to Schedule III could relieve the 280E tax burden, potentially increasing industry cash flow by $2-3 billion annually.

- ■ Billion Dollar Market Potential
- ■ Expanding Retail Landscape
- ■ Billion Dollar Market Potential and Expanding Retail Landscape
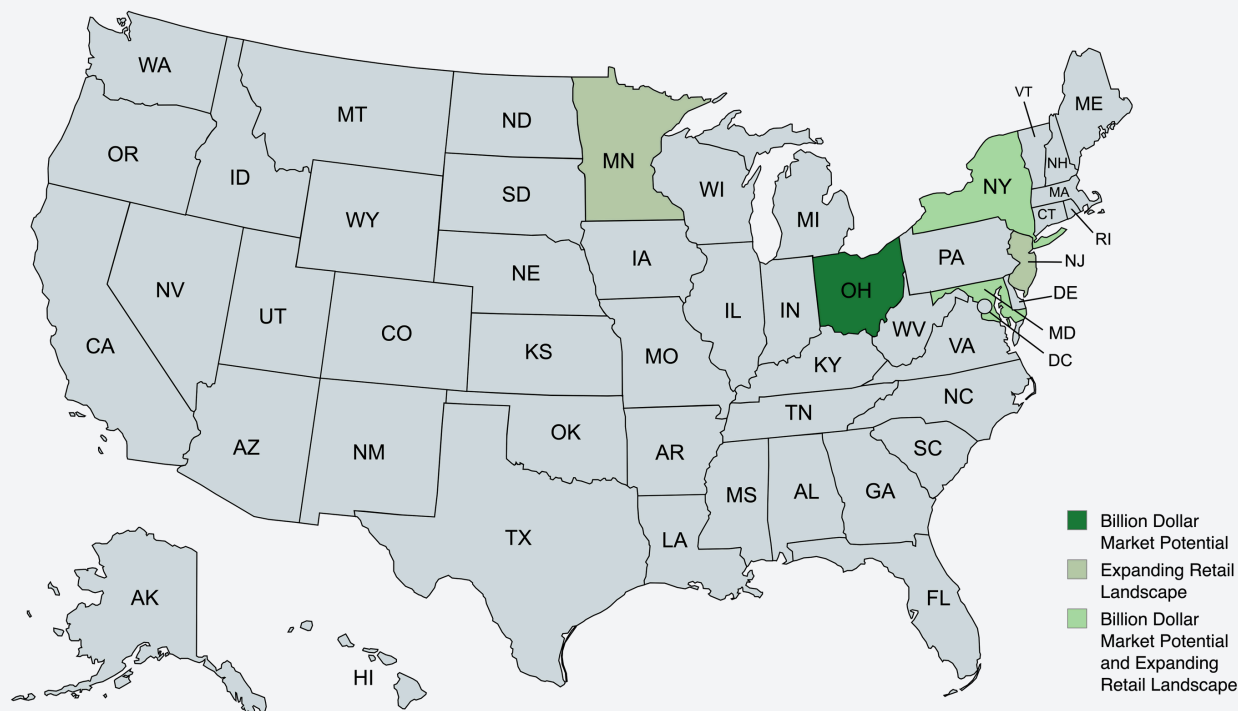
U.S. Cannabis Market Performance: Sales Trends, Pricing Dynamics, and State-Specific Developments

MARKET PERFORMANCE INSIGHTS

The U.S. cannabis industry continues to grow, with both retail and wholesale sales reaching new heights and state-level policies shaping regional dynamics.

✓ **Retail and Wholesale Sales Growth:** Retail sales reached a run rate of over $32 billion, up 10% from last year, while wholesale sales are at approximately $12 billion, marking an 8% year-over-year increase.

✓ **Stable Pricing Trends:** Flower prices on the LeafLink platform averaged $1,065 per pound in October, reflecting stable pricing amidst seasonal outdoor harvest pressures.

✓ **State-Level Expansion:** New store openings in New York, Michigan, and Ohio are driving sales, while steady growth in states like Illinois and Missouri balances declines in California, Arizona, and Oklahoma.

LEAFLINK MARKET METER

The LeafLink Market Meter provides insights into retail sales per resident, sales per dispensary, and wholesale activity, helping compare consumer adoption, retail density, and average operator revenues.

✓ **Top Performers:** Alaska leads in sales per resident due to tourism, with Michigan following closely. Nevada's dispensaries rank highest in per-store revenue, driven by Las Vegas tourism.

✓ **Emerging Markets:** Newly legal markets such as Missouri and Maryland are rapidly expanding, positioning operators for high revenues per location.

RETAIL LICENSES PER STATE
SUMMER VS. FALL

■ Retail Licenses Fall   ■ Retail Licenses Summer
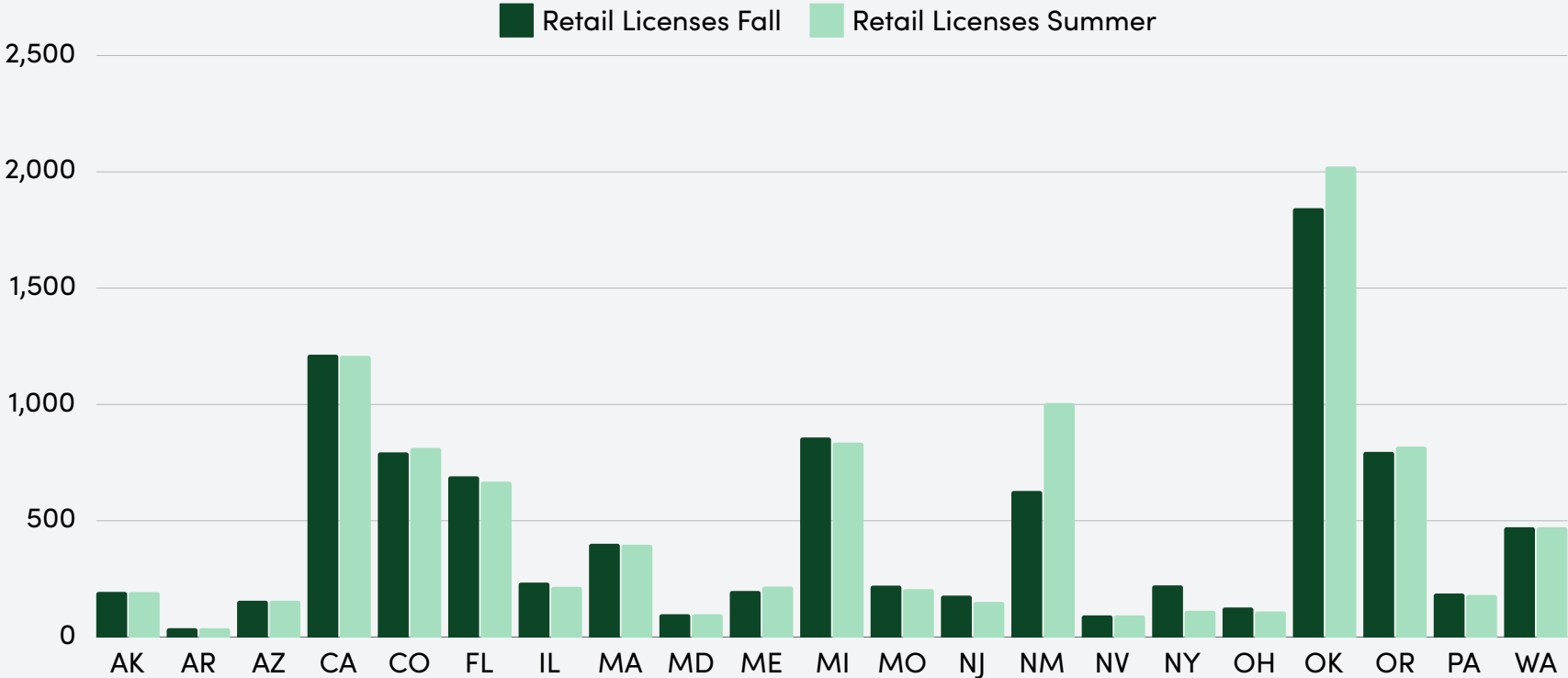
GROWTH AND MARKET DYNAMICS

Federal Policy Outlook: The DEA's potential reclassification of cannabis to Schedule III in 2025 could lift the 280E tax burden, adding $2-3 billion in industry cash flow and improving profitability.

Pricing Dynamics: Flower prices are stable at around $1,065 per pound, with recent decline due to outdoor harvests in key states. Reduced cultivation in California and Oregon should support stability.

Long-Term Sales Projections: The U.S. cannabis market is projected to reach $55 billion by 2030, driven by retail expansion in states like New York, New Jersey, and Ohio and further growth in large population centers.

RETAIL SALES PER RESIDENT
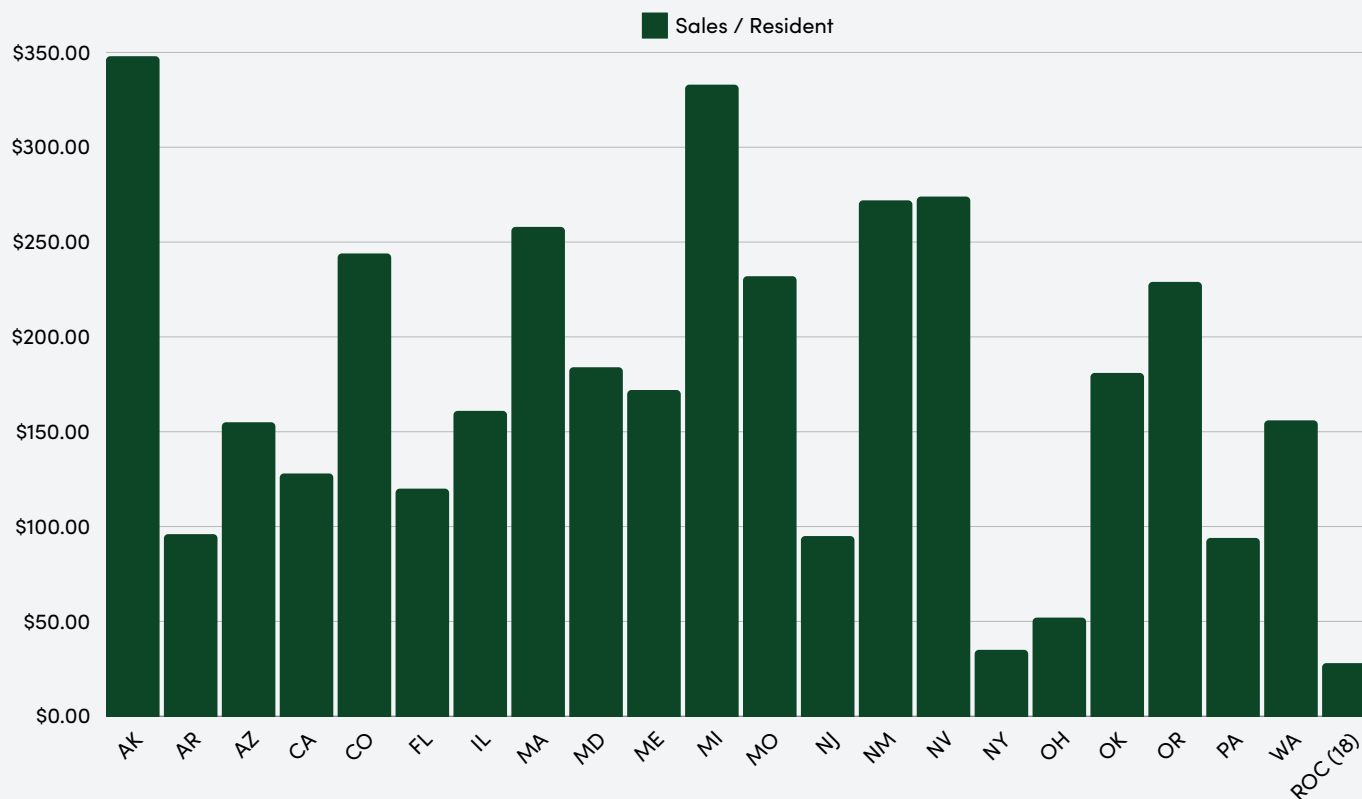
*ROC contains the rest of the US which includes 18 markets

KEY TAKEAWAYS

Market Leaders

Alaska (AK) and **Michigan (MI)** lead in sales per resident. Alaska benefits from strong tourism, while Michigan has a large and expanding cannabis market driven by retail access across metro areas.

Nevada (NV) ranks third in sales per resident, also boosted by tourism, particularly in Las Vegas.

Population Density and Sales

California (CA) has the highest overall retail sales volume, but less in sales per resident. Despite the large population, per capita sales are lower, indicating that there is room for deeper market penetration.

Illinois (IL) and **Florida (FL)** also show strong total sales, but relatively low sales per resident despite substantial market activity. For Illinois, the relatively low sales per resident in these states suggests untapped market potential. Florida is still a medical only state, but once recreational use is legalized tourism will likely contribute to more sales.

As more consumers become engaged, there's room for wholesale sellers to expand distribution, potentially increasing order volumes over time.

New Markets

New York (NY) and **Ohio (OH)** have low sales per resident, but are expected to see substantial growth as adult use sales continue to ramp. These states represent new markets where retail infrastructures are still expanding, and large population bases offer high growth potential.

National Trends

The national average sales per resident stands at $97, showcasing wide variance across states due to factors like legalization timelines, market maturity, and population density. States with established legal markets tend to have higher sales per resident, while states with newer or developing markets show lower figures, boasting growth potential as these markets mature.

RETAIL SALES PER DISPENSARY

■ Sales / Retail License ($M)

A bar chart titled "Retail Sales Per Dispensary" showing Sales / Retail License ($M) on the y-axis (from $0.0 to $12.0) and states on the x-axis. Approximate values:

State	Sales / Retail License ($M)
AK	1.3
AR	7.6
AZ	7.3
CA	4.1
CO	1.8
FL	3.8
IL	8.6
MA	4.5
MD	11.6
ME	1.2
MI	3.9
MO	6.5
NJ	5.0
NM	0.9
NV	9.4
NY	3.1
OH	4.8
OK	0.4
OR	1.2
PA	6.5
WA	2.6
ROC (18)	2.0

KEY TAKEAWAYS

Top Performers

Maryland (MD) leads the nation with the highest sales per retail license at $11.6 million. This indicates strong revenue generation per dispensary, likely due to limited license issuance relative to demand.

Nevada (NV) follows closely with $9.4 million in sales per license, supported by a robust tourism industry, especially in Las Vegas.

Illinois (IL) ranks third with $8.6 million per dispensary, showing high revenue efficiency and suggesting a well-balanced market for existing operators.

Market Balance and Stability

Arizona (AZ) and **Pennsylvania (PA)** show strong market balance and stability, with moderate license counts that align well with demand, creating steady revenue for operators and minimizing supply issues.

Emerging Hotspots

Arkansas (AR) shows promising market conditions, with $7.6 million in sales per license across only 38 retail locations, highlighting significant demand in a limited-license market.

Missouri (MO) is also emerging with $6.5 million in sales per dispensary and 221 licenses, indicating a growing market with strong sales potential.

Room for Growth

Oklahoma (OK) has the lowest sales per license at $0.4 million due to a high number of licenses (1,844), leading to an oversaturated market. There may be an opportunity for consolidation or increased operational efficiency to enhance per-store profitability.

New York (NY) and **New Mexico (NM)** also have lower sales per license, suggesting that as these markets mature, they could benefit from increased consumer engagement and optimized store density to drive up per-store sales.


Legend:
- Top Performing Market
- Market Stability
- Emerging Hotspot
- Room for Growth
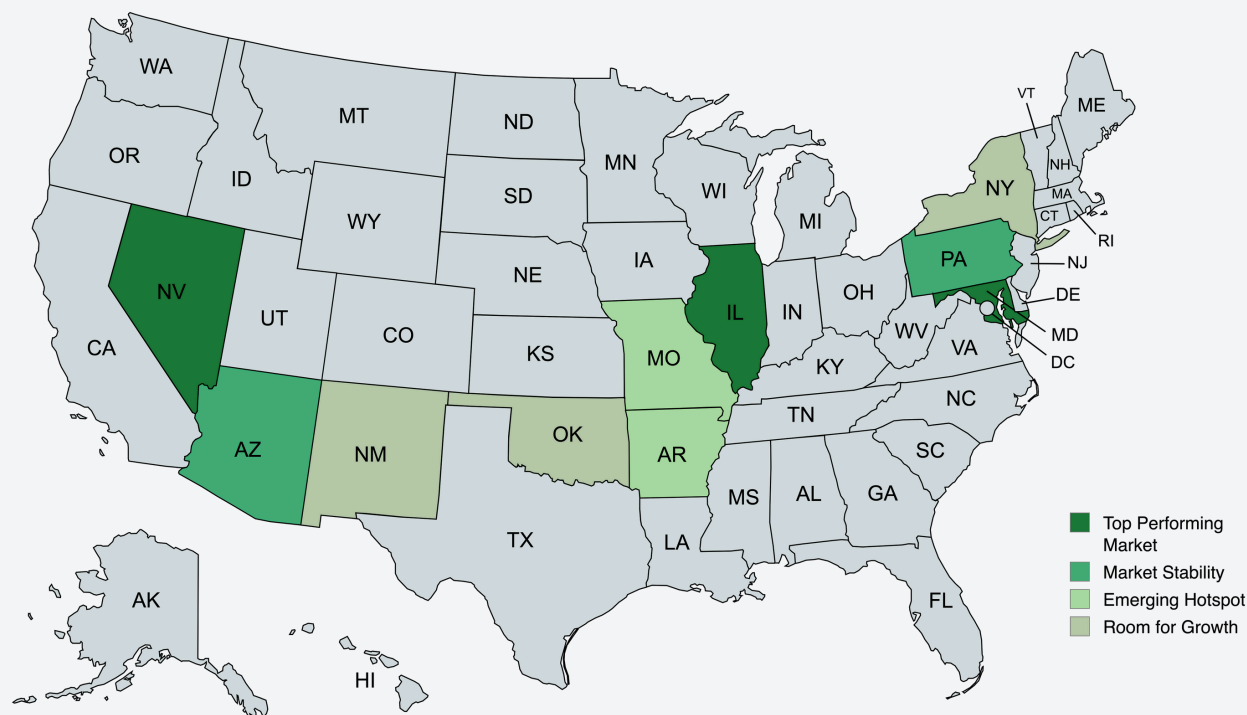
Impact of Wholesale Cannabis Sales on Buyers and Sellers

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IMPACT OF NATIONAL CANNABIS WHOLESALE SALES

In October, U.S. wholesale cannabis sales dropped 2% from the previous month, but rose 9.6% from last year, reaching around $988 million (an annualized rate of $11.9 billion). Total wholesale sales for 2024 are projected to close at about $11.7 billion, marking an 11% increase from 2023.

US NATIONAL MONTHLY WHOLESALE SALES ($M)

■ Wholesale Monthly Sales ($M)
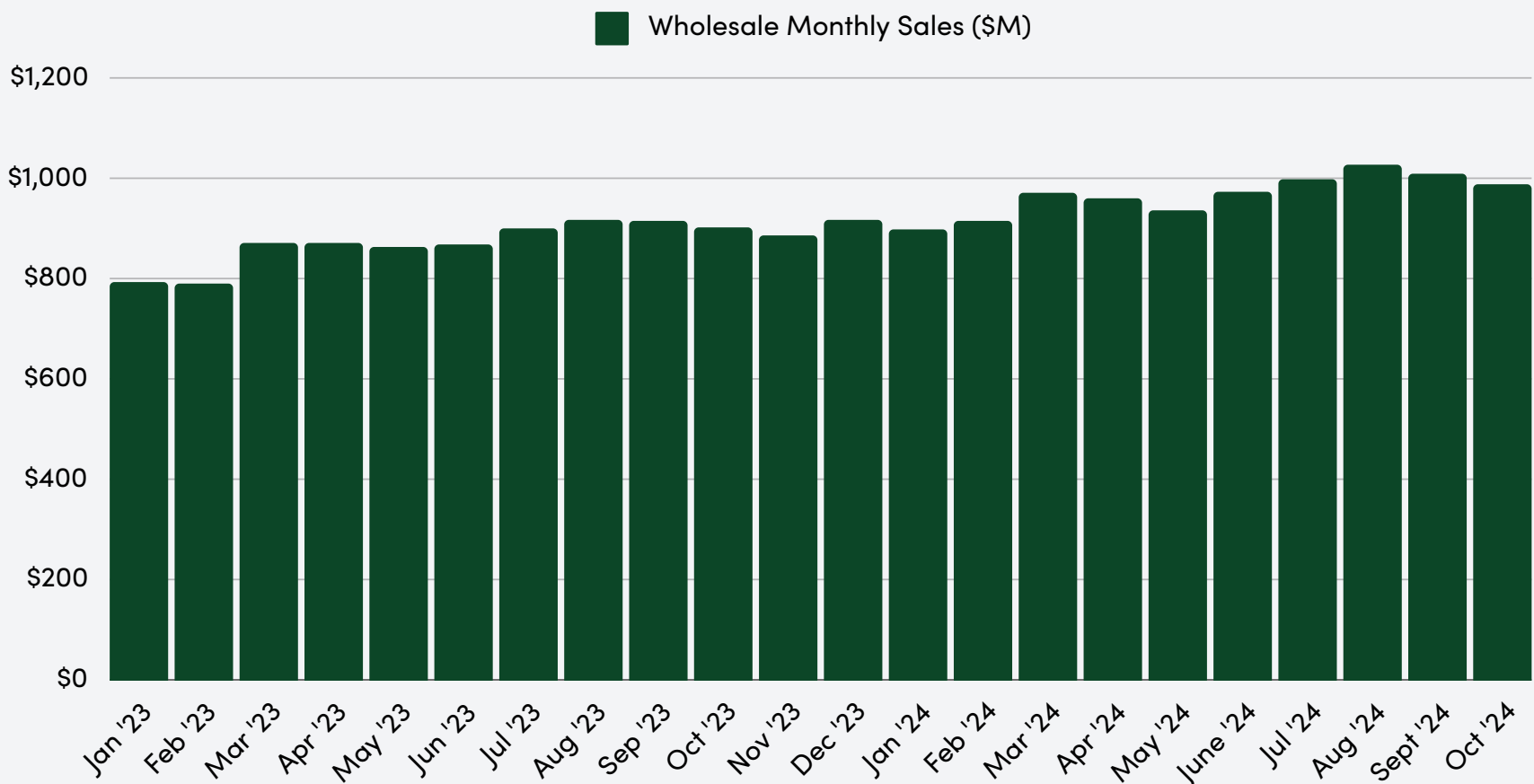
KEY TAKEAWAYS

Seller Impact

The wholesale market is set to grow by 11% in 2024, which means there will be robust demand and opportunities for sellers. Focusing on high-growth markets like Massachusetts, Illinois, and Michigan can help maximize sales as these states consistently drive demand.

Buyer Impact

With overall wholesale sales up 9% year-over-year, buyers benefit from a stable supply chain and potential pricing opportunities. Monitoring month-over-month dips, such as October's 2% decline, can help buyers optimize costs by timing purchases strategically.

Overall Impact

The cannabis industry continues to expand steadily, with an expected $11.7 billion in wholesale sales by year-end. Seasonal and state-specific sales variability highlights the importance of strategic planning and a focus on high-growth regions to leverage market momentum effectively.

US NATIONAL MONTHLY RETAIL SALES ($M)

■ Monthly Sales ($M)

SECTION FOUR
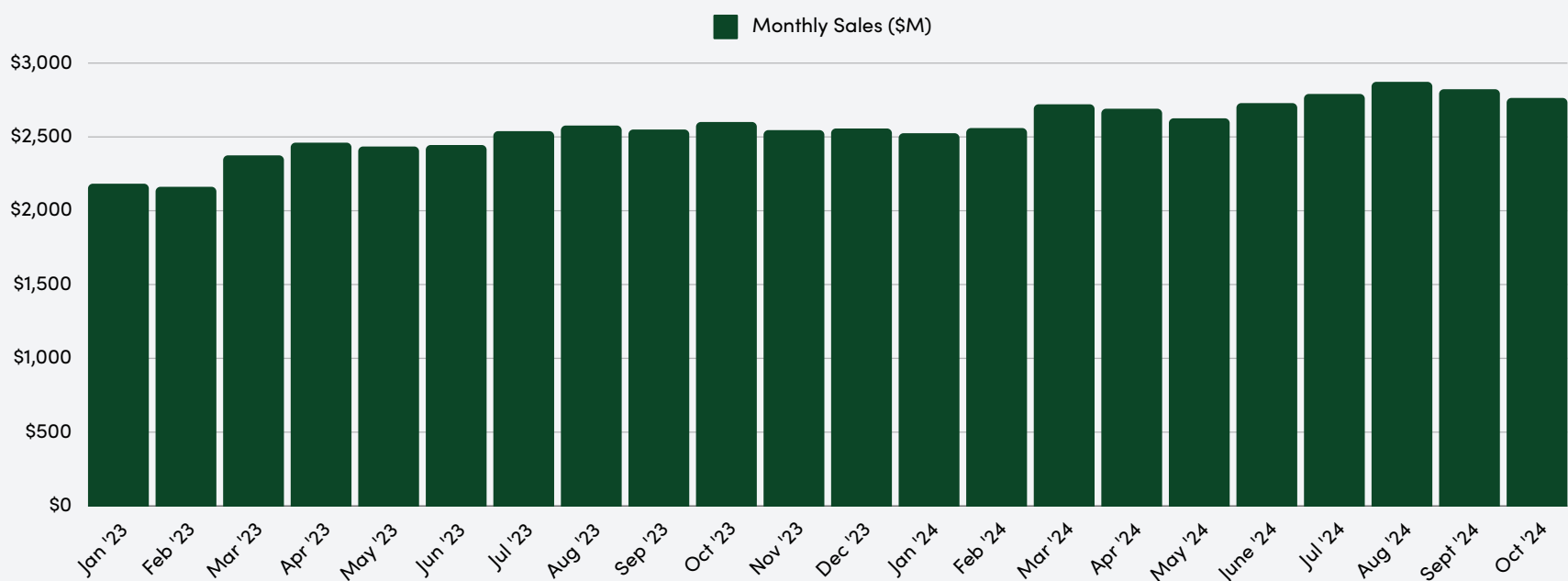
In October, U.S. retail cannabis sales fell 2.1% from the previous month but rose 6.2% from last year, reaching about $2.8 billion (an annualized rate of $33.2 billion). Total retail sales for 2024 are expected to close at approximately $32.6 billion, a 10.8% increase over 2023.

KEY TAKEAWAYS

Seller Impact

Monthly retail sales have generally trended upwards, with October 2024 reaching $2.8 billion, representing strong and consistent demand. For wholesale sellers, this stable retail activity means ongoing opportunities to supply retailers, particularly in high-growth periods, like early 2024, when monthly sales saw notable increases.

Buyer Impact

Month-over-month sales growth varies significantly by state, with some states like Maryland and Massachusetts showing more consistent growth, while others like California and Florida exhibit fluctuations. Buyers should pay attention to these trends to anticipate demand changes and optimize inventory levels accordingly.

Overall Impact

Retail sales have shown gradual growth over the year, with a 2.6% increase from January to October. Although there are some monthly dips, the overall upward trend highlights a resilient retail market, which is beneficial as it points to sustained consumer interest and a strengthening market foundation.

US NATIONAL AGGREGATED FLOWER PRICING ($/LB)

Price

Chart (bar) showing US National Aggregated Flower Pricing ($/LB). Y-axis from $0,000 to $1,400. X-axis categories: 1Q22, 2Q22, 3Q22, 4Q22, 1Q23, 2Q23, 3Q23, 4Q23, Jan '24, Feb '24, Mar '24, April '24, May '24, June '24, July '24, Aug '24, Sept '24, Oct '24.

By the end of October, average flower prices on LeafLink's platform were around $1,065 per pound, down about $100 since it's high in June at $1,152, due to oversupply from outdoor harvests in key states like Michigan and Arizona. Prices are expected to keep declining through year-end as bulk flower is processed into packaged products. Reduced cultivation capacity in states like California, Oregon, and Colorado may help stabilize prices in mature markets compared to 2023.

KEY TAKEAWAYS

Seller Impact

National aggregated flower prices have been steadily declining, with October 2024 showing a 7% year-over-year drop to $1,065 per pound. This trend highlights a challenging pricing environment for sellers, especially in states like Maryland and Michigan, which experienced year-over-year declines of 23.2% and 14.1%, respectively. Sellers may need to adjust strategies to maintain margins or explore markets with higher stability.

Buyer Impact

The general downward trend in flower prices creates an opportunity for buyers to secure lower prices. With certain states like Arkansas and Washington showing significant year-over-year price increases (20.7% and 17.9%, respectively), buyers in these states may consider diversifying suppliers or negotiating for more competitive pricing in states with decreasing prices, such as Maryland and Arizona.

Overall Impact

U.S. flower prices have been on a gradual decline throughout 2024, indicating increased supply or decreased demand in certain markets. This trend benefits buyers looking for cost efficiency, yet poses profitability challenges for sellers, underscoring the need for careful market analysis and strategic pricing adjustments to adapt to changing conditions.

TOP INSIGHTS

✔ **Seasonal Price Decline:** The average flower price dropped to $1,065 per pound in October, down about $100 from peak summer levels. This decrease aligns with seasonal outdoor harvests, which typically leads to oversupply and lower prices in key markets like Michigan and Arizona.

✔ **Expected Stabilization in Mature Markets:** While prices are likely to decline through the end of the year as bulk flower is processed, reduced cultivation capacity in mature markets such as California, Oregon, and Colorado may help stabilize prices in 2024 compared to 2023.

✔ **State-Specific Price Variability:** Different states show contrasting year-over-year price trends. For example, Maryland saw a significant 23.2% price drop, while Arkansas experienced a 20.7% increase. This highlights the importance of state-level dynamics, as supply and demand conditions vary across regions.

PRODUCT TREND TRACKER

Flower remains the top-selling product in cannabis, making up approximately 40% of retail sales and 39% of wholesale sales. Following flower, the most popular categories are cartridges (~22% of wholesale sales), edibles (14%), pre-rolls (13%), and concentrates (12%).

US WHOLESALE CATEGORY SHARE

CATEGORY	2024 WHOLESALE SHARE (%)
CARTRIDGES	22%
CONCENTRATES	12%
EDIBLES AND INGESTIBLES	14%
FLOWER	39%
PRE-ROLLS	13%

US WHOLESALE SHARE MONTH-OVER-MONTH GROWTH
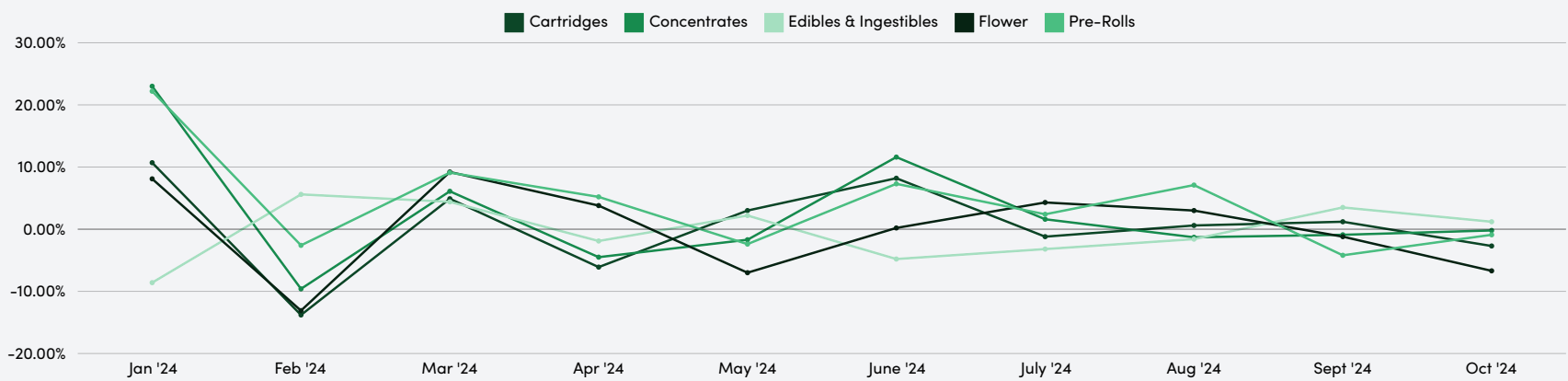
LEAFLINK LONG-TERM NATIONAL RETAIL AND WHOLESALE SALES FORECAST

By 2030, the U.S. cannabis market is projected to reach around $55 billion, growing at an annual rate of about 11%. We expect much of the sales growth in 2024 and 2025 to come from new licenses issued in key states, expanding retail capacity in New York, New Jersey, Maryland, Ohio, Illinois, and Minnesota. Over the long term, additional growth will likely come from major population centers that have yet to implement fully legalized or structured markets.
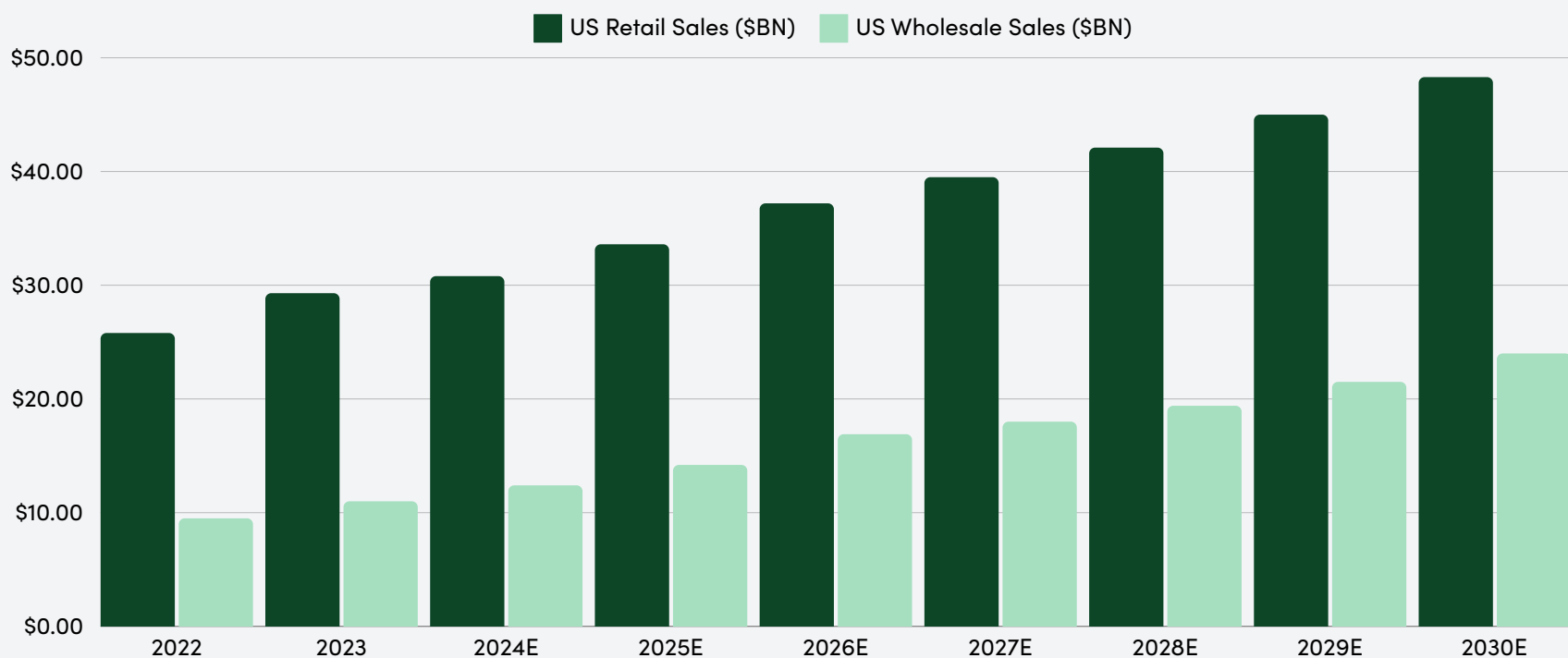
*E indicates estimation

Conclusion

The U.S. cannabis industry is evolving rapidly, driven by a combination of record-breaking sales, expanding retail capacity, and shifting policy landscapes. Over the past decade, what began as a single-state market has transformed into a nationwide sector with over $32 billion in annual retail sales, creating economic opportunities across 41 states and supporting half a million jobs. Key structural changes, such as increased licensing in emerging markets like New York and Maryland, are paving the way for substantial near-term growth. Meanwhile, the potential federal reclassification of cannabis to Schedule III could provide significant tax relief, boosting industry cash flow and profitability.

This report highlights the growth drivers and market dynamics shaping the industry's future, from the robust performance of top states like Alaska and Nevada to the promising potential in newly legal markets such as Missouri and Maryland. Pricing trends, regulatory shifts, and long-term sales projections underscore the industry's resilience and adaptability, with LeafLink forecasting a $55 billion market by 2030.

As the industry matures, both sellers and buyers can leverage these insights to strategically position themselves in a competitive landscape. The coming years will offer both challenges and opportunities, and staying informed on market trends and regional variations will be essential for success. LeafLink remains committed to supporting operators as they navigate this evolving landscape, providing data-driven insights and a platform that empowers businesses to capitalize on growth and innovation within the cannabis ecosystem.