

EIGHTH REVOLUTION

# MONTHLY PLAYBOOK

CANNABIS & HEMP

PLATINUM



MAY 2021

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# DEAR READER,

**W**e want to thank you for your trust, and most importantly, your time. With the endless amount of resources at your disposal, we appreciate you leaning on us as your guide through the muddy waters of this industry's limitless news and intelligence.

We at Eighth Revolution initially created this document to help our partners understand how their short-term decisions were having long-term effects on the success of their businesses. In an industry that changes as aggressively as ours, we can't stress the importance of effective decision making enough.

Though the information in the report is never meant to dictate specific actions or guarantee certain outcomes, we hope that we're able to provide another voice in the room, one that illuminates, simplifies, and supports you.

If you find one area more helpful than others and want us to expand on it, please never hesitate to reach out. For any suggestions or questions, we can be reached directly at [bryan@8threv.com](mailto:bryan@8threv.com).

*Welcome to the revolution.*

*Bryan Fields*

CEO, CO-FOUNDER



*Kellan Finney*

CSO, CO-FOUNDER



# MAY 2021

## A NOTE FROM YOUR PARTNERS

As the industry enters its third summer of cultivation post 2018 Farm Bill, market conditions are beginning to stabilize. Price fluctuations in CBD products seem to have decreased significantly when compared to the volatility we witnessed this time last year. There was also a huge uptick in crude oil derivative pricing, which Hemp Benchmarks has attributed to a flood of USDA organic hemp extract hitting the market. We believe that the cannabis industry will follow suit and that USDA organic certified crops will fetch higher market prices, but in order for farms to obtain this certification, federal legalization is required. Even without access to this certification, the industry's steps toward product differentiation is a signal of the explosive growth that's yet to come. The summer of 2021 will be jam packed with riveting headlines, and we look forward to being there with you every step of the way.

*— Kellan Finney*

The recent legalizations in New Mexico, New York, and Virginia are prime examples of an industry hellbent on moving forward. As states like Connecticut, Delaware, Minnesota, and Rhode Island flirt with the idea of fully embracing cannabis, the strategic opportunities continue to multiply. To get ahead of the competition, you need experience, willingness to go out on a limb, and an understanding of the unique challenges that the cannabinoid space brings. That's where we come in - reading our report will put you three steps ahead of your peers and put the wind beneath your wings so that you can be ready for whatever comes your way.

*— Bryan Fields*



“SUCCESS  
REQUIRES BOTH  
*URGENCY AND  
PATIENCE.*  
BE URGENT ABOUT  
*MAKING THE EFFORT,*  
AND PATIENT ABOUT  
*SEEING THE RESULTS.*”<sup>1</sup>

- RALPH MARTSON  
BOSTON BULLDOGS FOOTBALL PLAYER, 1929

# LETTER FROM THE TEAM

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As more adult-use states come online, the more we see an expansion in the infrastructure necessary for federal legalization. The increasing speed at which this groundwork is being developed has sparked a sense of urgency.

Urgency, by definition, refers to “a psychological trigger that is deeply rooted inside our brain: it relates to the human loss aversion or the so-called Fear-of-Missing-Out (FOMO). Scientifically speaking, urgency is a time-based concept that prompts us to act quickly.”<sup>2</sup> As key states quickly dole out their finite number of licenses, urgency becomes less about the fear associated with missing out and more about the actuality of it.

Businesses are battling to capitalize on the unique, singular opportunities

offered by friendly municipalities in key battleground states, and those that miss out on the action may face repercussions from their lack of proactivity. Jon Sandelman, CEO of AYR Wellness, explained it best as he discussed AYR’s

“

I feared if I didn't move now for our shareholders, that we'd be locked out of most municipalities

acquisition of Liberty Health on Rena Sherbill’s podcast, *The Cannabis Investing Podcast*: “The reason why I felt I had to move on Liberty at the time I moved on Liberty is because I thought there was a land grab that was going to end. I feared if I didn’t move now for our shareholders, that we’d be locked out of most municipalities, because right now, I just can’t see certain municipalities having 10 cannabis stores in their towns, and if I waited, I would be locked out.”<sup>3</sup>

While the previously outlined scenario is a prime example of FOMO, a sense of urgency can also be sparked by the



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You've got the really **small** fish and these **medium** fish, which are the **large** fish right now, but the megalodons still haven't come into the waters yet.

And when the laws change and federal stance changes, you're going to see **big shifts in the market.**

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desire to protect yourself from outside threats. When we describe the large MSOs, we're really just talking about big fish in a small pond. As regulations change and the pond becomes an ocean, the environment will completely change. Bruce Eckfeldt, host of podcast Thinking Outside the Bud, echoed these sentiments in Eighth Revolution's podcast, [The Dime](#). "You've got the really small fish and these medium fish, which are the large fish right now, but the megalodons still haven't come into the waters yet. And when the laws change and federal stance changes, you're going to see big shifts in the

market. That said, it's going to be a going to be a dynamic, growing market, and there's still going to be lots of opportunities. If you can find a niche strategy, you can create a very nice business out of it," said Eckfeldt.

The best way to leverage urgency to your advantage is by understanding the finer details of the industry as a whole. Understanding your exposure to risk, working to fortify current approaches, and recognizing future areas of growth are crucial to preparing yourself for future changes.





# DOMESTIC NEWS



## MINNESOTA

## NEW MEXICO

## COLORADO

### Minnesota Adult-Use Cannabis Bill Steers Through Three House Committees in One Week

“An adult-use cannabis [legalization bill completed a House trifecta](#) last week in Minnesota, where primary sponsor Rep. Ryan Winkler helped steer the legislation through three committees.”

### New Mexico legalizes recreational cannabis

“Calling cannabis a “game changer” for New Mexico, Gov. Michelle Lujan Grisham signed a bill into law Monday that [legalizes recreational marijuana](#) for adults 21 and older.”

### In huge rules overhaul, Denver OKs cannabis delivery, consumption lounges

“Denver is [making major changes](#) to the regulations that govern one of the country’s oldest and most developed recreational cannabis markets.”



# INTERNATIONAL *REGULATIONS*

## MOROCCO



“After decades without legal cover, farmer Mohamed Morabet looks forward to selling his hashish this summer on the open market now that Morocco plans to legalise cannabis for medical use. The government of the world’s top hashish-producing nation last month...”

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## JAPAN



“Following the recent legalization of the recreational use of marijuana in New York and New Jersey, the Foreign Ministry in Japan is urging its citizens visiting or living in those states to continue to stay away from the drug. The Consulate General of Japan...”

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## CANADA



“Toronto-headquartered cannabis company Flowr Corp. is slashing its workforce and pulling out of noncore markets – including Australia, Uruguay and Spain – as part of a strategic review intended to put the business on firmer financial footing. Flowr is the latest...”

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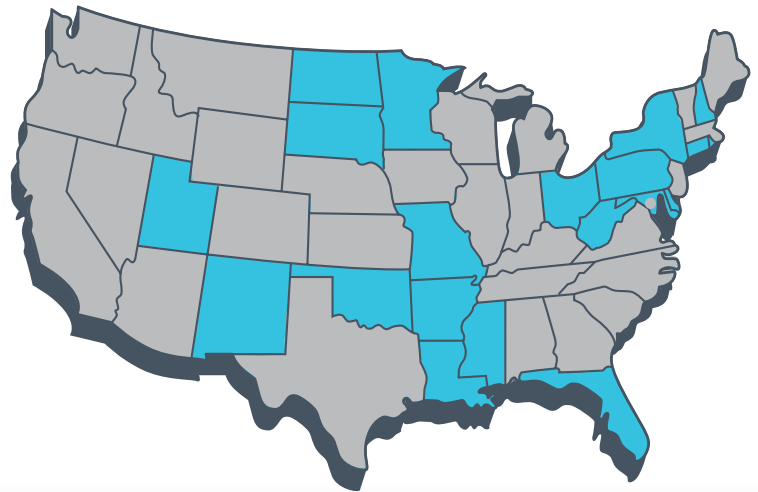
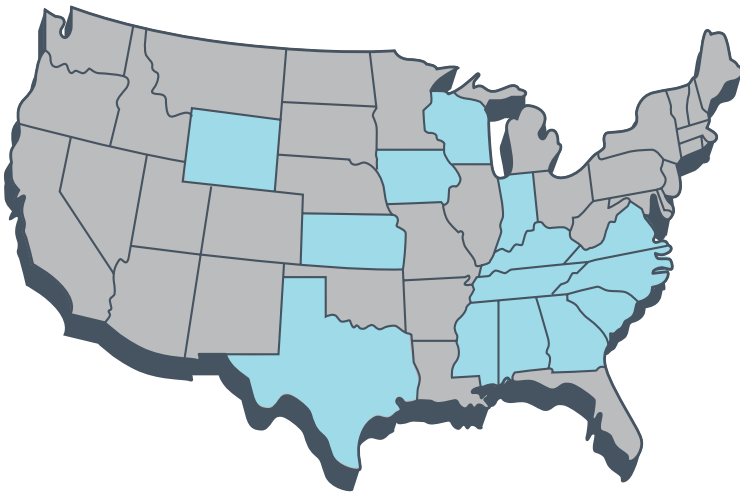
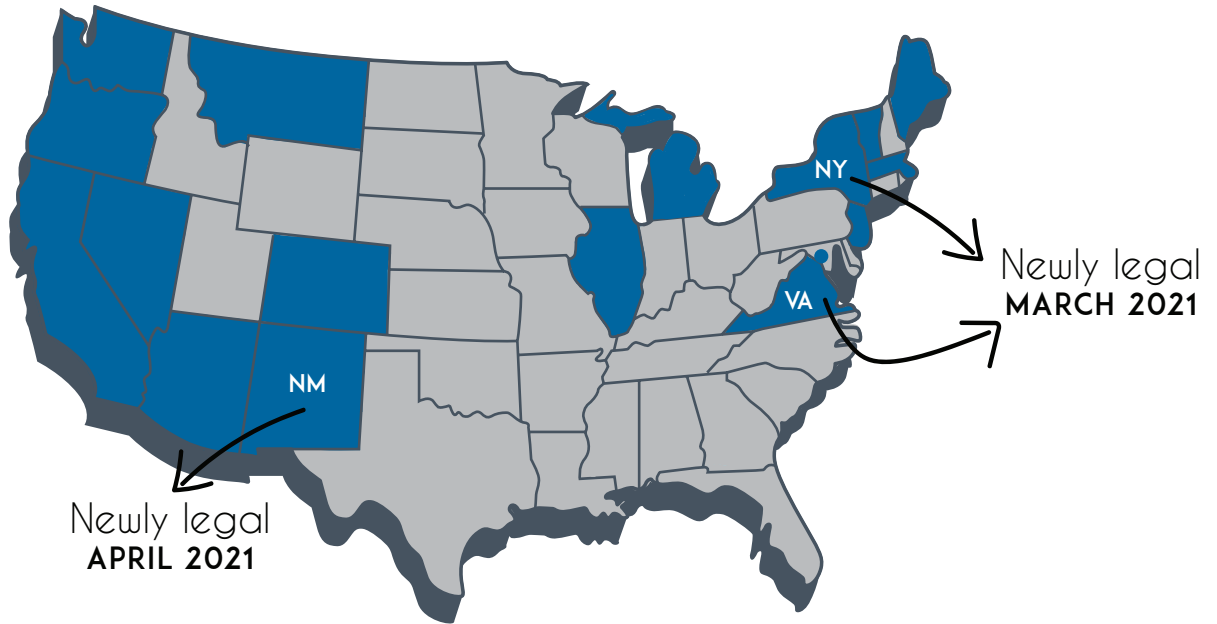
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# LEGALITY OF CANNABIS IN THE UNITED STATES



## DID YOU NOTICE?

We've added some new brothers and sisters to our growing family!



ADULT-USE



MEDICALLY LEGAL  
WITH LIMITED THC



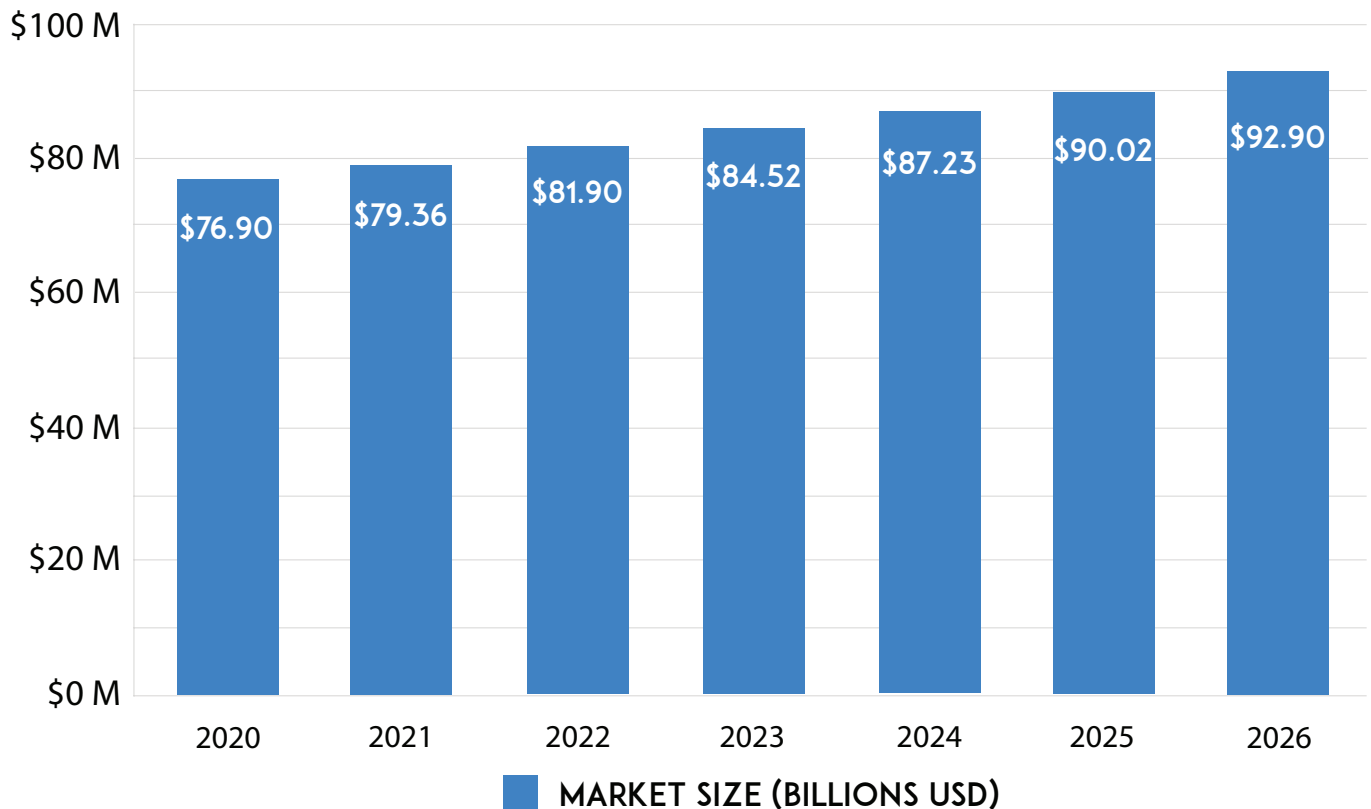
MEDICALLY LEGAL



# DIVERSIFICATION OF REVENUE THROUGH MONETIZATION OF WASTE STREAMS

In March of 2021, the United States Department of Agriculture (USDA) granted Oregon State University ~\$300,000 to fund studies focusing on hemp byproducts as a source of cattle feed.<sup>4</sup> There are several driving forces behind this connection, including allowing hemp to be grown on cattle farms, maximizing the nutritional value of livestock feed, and providing a use for the extracted hemp biomass that is currently going to waste. At present, the cattle feed market is valued at \$76.9 billion with a compound annual growth rate of 3.2%.<sup>5</sup>

## CATTLE FEED MARKET SIZE



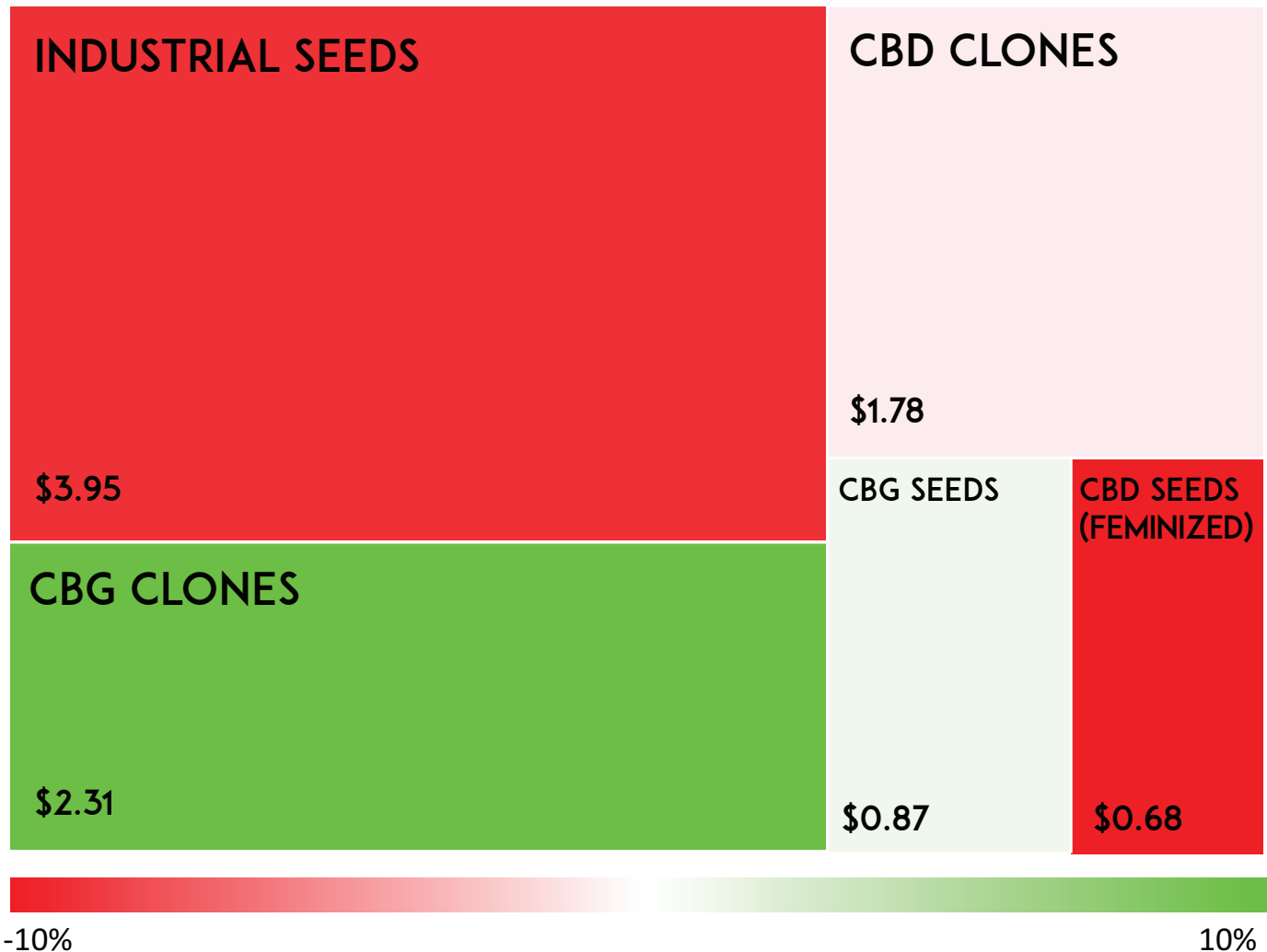
One percent of the total global cattle feed market equates to ~\$769 million, and if hemp captured that market share, it would boost the CBD hemp industry’s annual revenue by more than a 29%. Approximately 130,000 acres were planted last year, and assuming that there are 165 pounds of hemp per acre, that represents ~21,450,000 lbs. or 10,725 tons of CBD hemp..<sup>6</sup> The North American region alone consumed 27.7 million tons of beef cattle feed.<sup>7</sup> Turn a waste product into an opportunity.

By adding revenue through a waste stream, you’re creating a sustainable, mutually beneficial relationship.



# WHOLESALE DATA

## WHOLESALE HEMP GENETICS PRICING

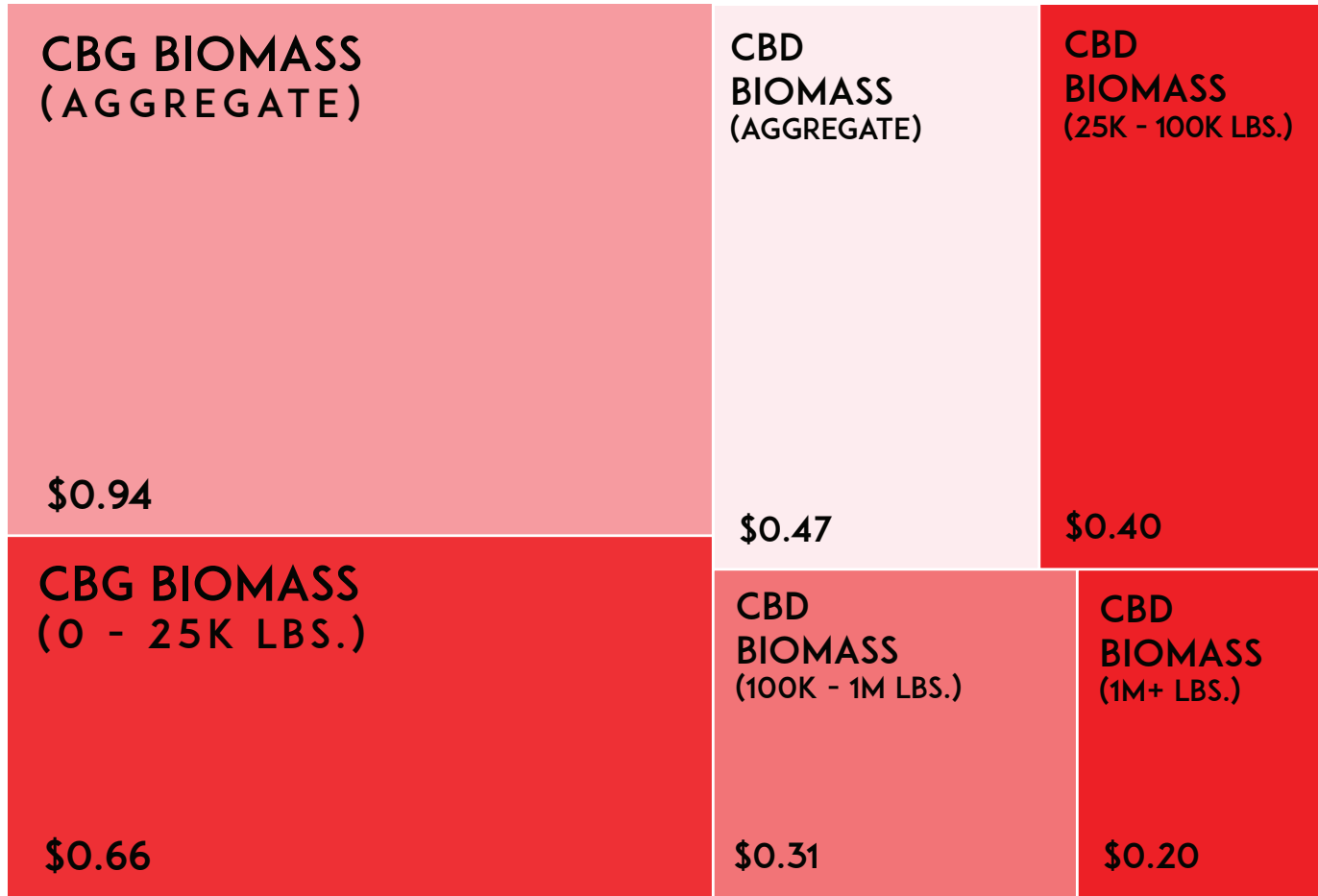


**NOTE:**  
 The color represents the percent drop in price from the previous month.  
 The dollar amount refers to the price of the product in \$ / unit.

Throughout the month, there was a decrease in industrial seed and CBD seed prices, potentially signaling the tail end of purchases for this summer’s harvest. CBG genetics continue to be a popular topic with most circles, showing month over month growth with clones up 4% and seeds up 10%. The product category that’s proving to be the most explosive is nonfeminized seeds, which is typically left out of the discussion with unit quantities of pounds vs units or individual seeds. The nonfeminized CBD genetics market is up 25% month over month with more farmers looking to save money on genetics.



## WHOLESALE HEMP BIOMASS PRICING



**NOTE:**  
The color represents the percent drop in price from the previous month. The dollar amount refers to the price of product in \$ / % CBD or CBG / lbs.

Manufactures continue to finish extracting the 2019 crop, and this is evident when you look at biomass prices. The biomass market prices, however, continue to remain stable with only slight decreases in prices observed. Biomass pricing of orders of 25k-100k saw the largest price decrease which was \$0.06 or 13%. If your facility has storage capacity, we continue to advise our clients to be selective with biomass acquisitions and connect with farmers that are planning on being in the industry for the foreseeable future.



## WHOLESALE HEMP DERIVATIVE PRICING

<b>CBG ISOLATE</b>	<b>REFINED HEMP OIL (AGGREGATE)</b>	<b>DISTILLATE (BROAD SPECTRUM)</b>
<b>\$1,656</b>		
<b>DISTILLATE (THC FREE)</b>	<b>\$994</b>	<b>\$828</b>
<b>\$1,348</b>	<b>CBD ISOLATE</b>	<b>CRUDE HEMP OIL</b>
<b>CBG DISTILLATE</b>	<b>\$547</b>	
<b>\$1,336</b>	<b>DISTILLATE (FULL SPECTRUM)</b>	<b>\$260</b>
	<b>\$543</b>	



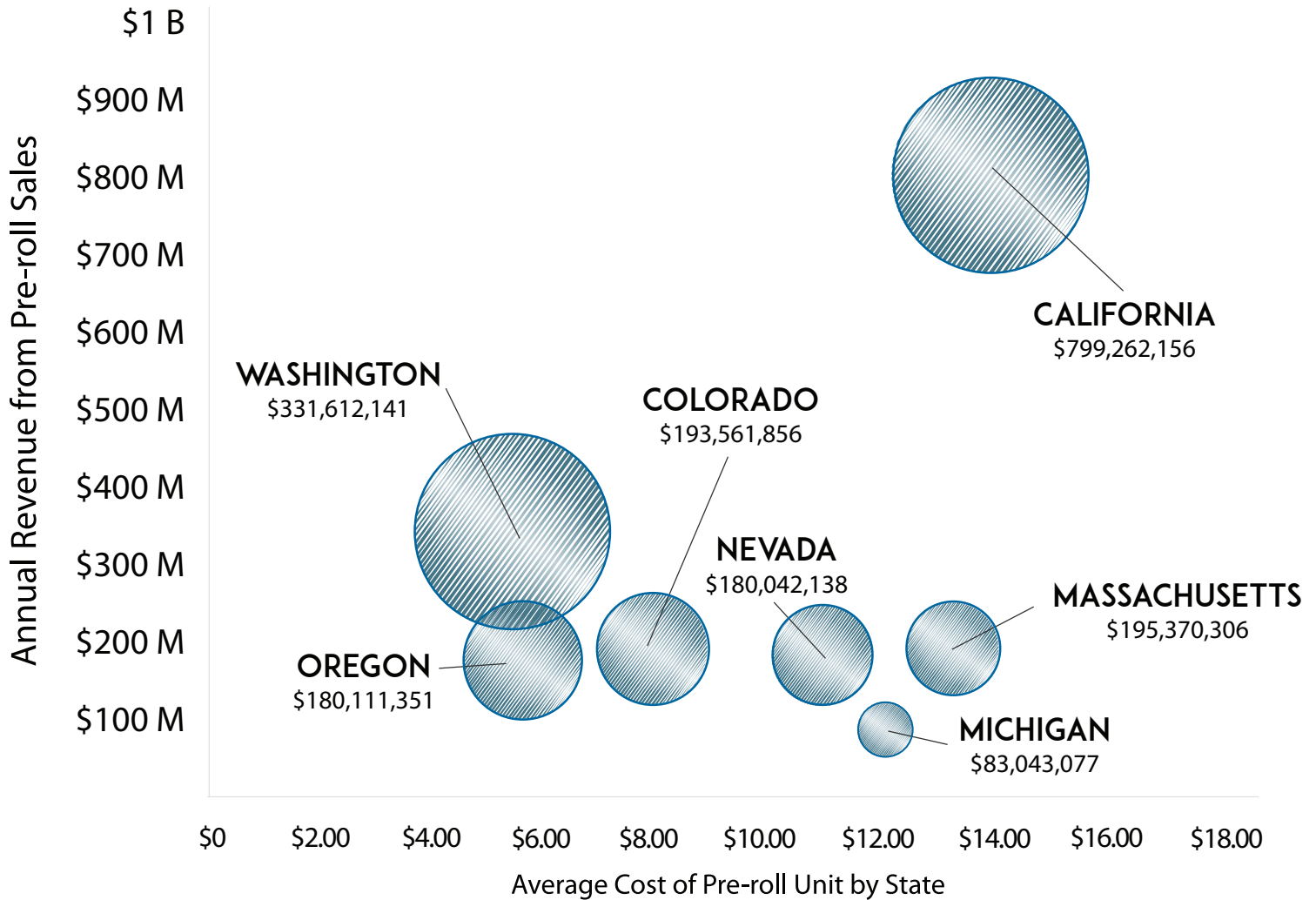
**NOTE:**  
 The color represents the percent drop in price from the previous month.  
 The dollar amount refers to the price of the product in \$ / unit.

Crude oil prices saw a huge rebound from their previous low in January with a 26% price increase. Currently, we're seeing prices around \$260 / kg for crude oil, which is a welcome relief for manufacturers across the board. CBG distillate prices remain stable at ~\$1300 / kg, but volume orders remain the limiting factor in the emerging CBG market. Delta-8 prices saw another steep decrease, with our network reporting Delta-8 distillate prices around \$800 / kg. Lastly, CBD isolate manufacturers continued to convert inventory at record levels.



# ANALYSIS OF THE PRE-ROLL MARKET

## PRE-ROLL MARKET SIZE



Additional data from Headset\* provides more insight into the current state of the industry. It's clear that certain factors associated with differences in sales volume between states can and should be examined.


The above chart outlines the correlation between average price per unit and overall market sales data. Based on this chart, there does not seem to be a correlation between annual pre-roll sales and unit price. When viewing the results of the correlation, there does not seem to be a direct relation between annual pre-roll sales and unit price. California and Massachusetts, where the unit price is the highest out of any states, also boast the first and third largest markets by sales, respectively. Washington on the other hand has the second largest pre-roll market and has the lowest average price per pre-roll unit.

\*Headset is the leading cannabis data & market intelligence solution






# SECTOR ANALYSIS\*

	INDICES	3 MONTH	6 MONTH
	S&P 500	9.18%	21.37%
	DOW JONES	8.26%	15.52%
	NASDAQ	6.36%	17.23%
	GLOBAL CANNABIS INDEX	-3.89%	83.72%
	AMERICAN CANNABIS STOCK INDEX	-8.92%	79.07%



“Investors should prepare for some potential volatility in cannabis sales growth in the months ahead. The pandemic and the timing of stimulus checks will play an important role in near-term spending trends on a per capita basis.”<sup>8</sup>

\*This text expresses the opinion solely of the writer. The thoughts expressed are independently formed and the writer is not compensated by any third party.

	SECTOR	3 MONTH	6 MONTH
	HEALTHCARE	0.67%	8.03%
	TECHNOLOGY	10.28%	23.84%
	INDUSTRIALS	13.69%	29.47%
	FINANCIALS	12.86%	46.56%
	CONSUMER CYCLICAL	9.62%	31.64%
	CONSUMER NON-CYCLICAL	8.75%	16.47%
	BASIC MATERIALS	11.68%	41.45%
	ENERGY	9.21%	60.04%
	UTILITIES	5.59%	7.90%
	ALTERNATIVE HARVEST ETF (MJ)	5.09%	80.91%
	MULTI- STATE OPERATORS (MSOS)	-11.06%	56.46%

\*Information retrieved from NCV and E\*trade.



RAW MATERIALS



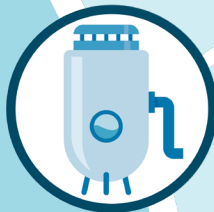
MAY 2021

What's this month's broken link in the supply chain?

TESTING



MANUFACTURING



THE  
BREAKING  
POINT



DISTRIBUTION



RETAIL



CUSTOMER

## RETAIL

The ship that blocked the Suez Canal, the *Ever Given*, is being held by Egypt until a fine of nearly \$1 billion is paid, and this spells trouble for the retail sector of the cannabinoid supply chain.<sup>9</sup>

The cannabis industry is arguably the least environmental-friendly industry, particularly when it comes to consumables. Everything purchased at a licensed dispensary, including vape pens and CCELL cartridges must come in plastic, child-proof containers. All of these packaging materials are sourced from China, and limited access to these supplies could springboard into a price jump for consumables. This is particularly true for cannabis companies that have already been struggling to make ends meet, as they're now faced with an increase in their cost of production with no way to make up for their losses. Losing access to the exact SKU of containers previously ordered is also a potential roadblock cannabis companies may encounter.



# BRAND SPOTLIGHT: PLATINUM



Price Range:	\$10 - \$60
Target:	Cannabis users ages 20 - 40
Availability:	CBD - Nationwide / THC - CA, MI, OK
Ownership Status:	Public, Red White & Bloom

## OUR RATING:



**WHY WE LOVE THEM:** Their bright colors and fun, easy visuals make Platinum hard not to like.

**WHY WE DOCKED STARS:** The gummies are the only product that explore the possibilities of their branding.

## *Sometimes it pays to be boring.*



Boring is good. Boring is the comfort you find in your standard Sunday routine, the no-thought-required way you do your hair, and the same playlist you always use whenever you clean your house. In a world of products that constantly strive to beguile you with flash, unexciting brands can provide a welcome reprieve. Though there's no right or wrong answer, next time you're contemplating which direction your brand should take, think about what category you align with most: the trendy, or the reliable?

Simple, professional, and clean - that's where Platinum comes in. Unfussy and containing no bold personality, this brand is much like your mom's chicken soup; you may branch out from time to time and try some fancier, new versions, but at the end of the day, when you want something that hits the spot with no muss or fuss, you'll go back to the original. Though they haven't reinvented the wheel when it comes to design or packaging, Platinum's run-of-the-mill style is comforting to those looking for a reliable product. While it's true that wildly unique visuals are a great way to draw in users who want to try something new, a large portion of the cannabinoid market is morphing into one that wants to get their high in a consistent and reliable way. Platinum isn't trying to compete with the flashy brands that market themselves with all the bells and whistles - they're just waiting until you get bored of them and decide to come back home.

Visit House of Platinum at [houseofplatinum.com](http://houseofplatinum.com)





# HOT IN THE NEWS

A

Aphria loses  
CA\$361 million as  
cannabis revenue

plunges 24%

CALIFORNIA  
CANNABIS FIRM  
GLASS HOUSE

B

GROUP TO BE  
BOUGHT IN  
\$567M DEAL

C

U.S. HOUSE OF  
REPRESENTATIVES APPROVES  
CANNABIS BANKING  
BILL

D

CURALEAF GETS \$130M  
FUNDING FOR STAKE  
IN NEWLY ACQUIRED  
GLOBAL CANNABIS  
FIRM

E

“Adult-use cannabis  
legalization in New York  
will produce  
powerful impacts well  
beyond the sales generated within the  
state’s borders, industry  
experts say.”

G

TerrAscend Adds Three  
Pennsylvania Dispensaries  
With \$63  
Million Additional  
Investment

UBER COULD GET INTO  
CANNABIS  
DELIVERY  
BUSINESS, CEO SAYS

F

# Cannabinoid Corner

Welcome to the *Cannabinoid Corner*, where we provide a broader understanding of the entire cannabinoid industry, as we see it.



The purpose of this section is to provide a deeper understanding of how the various industries and sectors from a chemistry, business, and social perspective.

We hope this section helps you see past the present-day cannabinoid business model, the one that currently dominates all THC and CBD industries, and invites you to think about it a little differently. And, if you learn nothing else, we hope that you'll ***always remember that Eighth is in your corner.***

# A GMO FEAST FOR CANNABINOID YEAST

This month, we want to touch on a topic that's been circling the news quite a bit; how yeast may become the method in which cannabinoids are produced.

You probably saw the headline “Vancouver biotech company produces CBG from yeast”, but this isn't the first company to have successfully produced cannabinoids using a micro-organism such as yeast.<sup>10</sup> Chronos Group, as well as several other companies like InMed Pharmaceuticals and CBYeast, have been working on successfully commercializing this technology for quite some time.<sup>11</sup>



The way the technology works is by providing sugar to yeast, and like brewing beer, the yeast uses the sugar to create the target cannabinoid. The difference between this technology and brewing beer is that, in this case, the yeast has been genetically engineered to create a specific cannabinoid. This is done by providing the yeast with a “blueprint”, or genetic code, of the cannabis plant enzymes that are needed to create the target cannabinoid. Even if this technology is successfully commercialized, it will be interesting to see how the consumer market reacts to a “GMO” cannabinoid and if it can economically compete with the traditional production methods.

The main area we believe this technology will be valuable to is the pharmaceutical sector, as it could be easier to obtain a minor cannabinoid such as CBC or CBN through synthetic methods rather than standard agricultural practices. Only time will tell how disruptive this technology will be in the space.

As always, please reach out if you have any feedback or there are specific topics you would like us to elaborate on in the future.



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