



**EIGHTH  
REVOLUTION**



**ARCVIEW  
CONSULTING**

# Cannabis & Hemp MONTHLY PLAYBOOK

OCTOBER 2021



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# Dear Reader,

We 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.

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 [info@8threv.com](mailto:info@8threv.com)

## Welcome to the Revolution

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**Bryan Fields**

*Managing Director &  
Co-Founder  
Eighth Revolution*

**Kellen Finney**

*CSO & Co-Founder  
Eighth Revolution*

**David Abernathy**

*Principal  
Arcview Consulting*

**Jason Malcom**

*Principal  
Arcview Consulting*

## IN THIS ISSUE

# OCTOBER 2021

### Harvest Season is Coming...

Kellen Finney, *Eighth Revolution*

Harvest season has started for several hemp farmers, as well as outdoor cannabis farmers. The next four weeks will be a busy time for the industry with harvests, and the industry's biggest show all taking place. The lack of federal ruling on CBD as a nutraceutical, paired with the glut from 2019 harvest, have taken its toll on the wholesale market for biomass and derivative products. Given these variables it is still important to remember the massive potential cannabinoids have as a medicine, which is what started the industry down this path. Once the science catches up to the anecdotal claims and supply and have stabilized, the industry will be one of the most beneficial industries for humanity. Because of these reasons, our firm will continue to provide the most up to date information surrounding the entire cannabinoid industry.

### Maturity and Market Share Battles

Bryan Fields, *Eighth Revolution*

Cannabis is an incredibly capital-intensive industry. As the industry begins to mature, battles in certain markets will continue with operators big and small looking to use resources to acquire market share. Market share battles, at this current moment, are currently contained to individual skirmishes within state lines. Single State Operators (SSO's) and Multi State Operators (MSO's) are confined within these boundaries due to the inability of interstate competition. As consumers continue to educate themselves and consume more cannabis products, how do these operators separate themselves amongst their peers? These battles likely will use one key approach to challenge their peers and that's price. With margins currently very healthy, look for "a race to the bottom" to become a common theme in headlines moving forward.



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*There's a race  
to the bottom  
from a pricing standpoint  
as these  
companies try to  
get consumers  
in the store...*

---

*says Brady Cobb, former CEO of Bluma Wellness*

# Letter From The Team,

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Cannabis is a state-led story. Each U.S. state has different rules dictating how Cannabis must operate within its borders. One of the biggest variables in this state-led story is Vertical Integration. Vertical integration, in its truest form, means owning every aspect of the supply chain. Given cannabis' complexity and the sheer cost for operating, owning every level of the supply chain in key states is necessary but extremely expensive for operators.

In comparison to outside industries, manufacturing can be done out-of-state and supplies can be transported across state lines to help keep costs down and take advantage of economies of scale. Cannabis, as always, operates differently--more costly and, of course, more challenging. The details of the industry become even more challenging when you evaluate states on an economic level.

For this article, we will just look at the economics lens on vertical integration as operationally it is a completely different, yet challenging battle. In some states, vertical integration is allowed but not required. Owning every part of the supply chain has its advantages but is nearly impossible for some of the smaller operators to have the funds to build out these massive operations. Each new market requires a unique approach tailored

around the operator's core competencies. The risk analogy of large Cannabis operators battling for positioning in attractive markets continues to be the cleanest reference point to understanding how complex of a strategic approach is necessary when growing business. Florida is a key battleground state; and no I'm not connecting politics. According to Forbes "The Sunshine State, which legalized medical marijuana in 2014, is the third-largest cannabis market in the country by annual sales, behind only California and Colorado, which generated nearly \$4 billion and \$2 billion in annual sales last year, respectively."

Florida's unique rules require vertical integration, along with a limited number of licenses that can be dispersed to operators. All of this shapes up for a battle of the biggest titans for positioning within the market. As industry leaders jockey over market share to attract medical consumers to build brand loyalty, they use a common technique to attract newer customers--price. This is where owning every aspect of the supply chain makes this battle even more unique. In the outside industry, when you purchase products from outside vendors, you typically purchase at wholesale cost. Working with outside vendors is necessary for purchasing raw ingredients to turn into a finished product to sell to the end customer.

# FLORIDA MEDICAL CANNABIS ARMS RACE

## MMTC Dispensations

SEPTEMBER 10 – SEPTEMBER 16, 2021


DISPENSING LOCATIONS **91**

MEDICAL MARIJUANA (MGS THC)

65,613,070

LOW-THC CANNABIS (MGS CBD)

1,034,169

MARIJUANA IN A FORM SMOKING(OZ)

36,566.826


DISPENSING LOCATIONS **40**

MEDICAL MARIJUANA (MGS THC)

11,552,759

LOW-THC CANNABIS (MGS CBD)

8,810

MARIJUANA IN A FORM SMOKING(OZ)

3,572.453


DISPENSING LOCATIONS **39**

MEDICAL MARIJUANA (MGS THC)

22,078,673

LOW-THC CANNABIS (MGS CBD)

1,490,778

MARIJUANA IN A FORM SMOKING(OZ)

5,151.548


DISPENSING LOCATIONS **24**

MEDICAL MARIJUANA (MGS THC)

5,199,082

LOW-THC CANNABIS (MGS CBD)

95,797

MARIJUANA IN A FORM SMOKING(OZ)

824.107


DISPENSING LOCATIONS **17**

MEDICAL MARIJUANA (MGS THC)

6,701,729

LOW-THC CANNABIS (MGS CBD)

37,782

MARIJUANA IN A FORM SMOKING(OZ)

5,062.822


DISPENSING LOCATIONS **37**

MEDICAL MARIJUANA (MGS THC)

25,450,408

LOW-THC CANNABIS (MGS CBD)

250,517

MARIJUANA IN A FORM SMOKING(OZ)

11,591.613


DISPENSING LOCATIONS **37**

MEDICAL MARIJUANA (MGS THC)

31,909,156

LOW-THC CANNABIS (MGS CBD)

203,642

MARIJUANA IN A FORM SMOKING(OZ)

4,707.137


DISPENSING LOCATIONS **27**

MEDICAL MARIJUANA (MGS THC)

5,241,492

LOW-THC CANNABIS (MGS CBD)

137,650

MARIJUANA IN A FORM SMOKING(OZ)

989.719



# Will Cannabis Banking Finally Be SAFE?

Imagine you have a profitable business. You want to expand your existing business, but the local bank won't even have a meeting with you. In fact, you've had multiple bank accounts closed without warning. Three years into your profitable business and you're on your third bank paying 20% more than the hardware store down the block.

With no option to get a bank loan, you have to take on private debt at a much higher interest rate or give away equity to outside investors.

Credit card companies are also a no go. You're forced to take cash only from your customers, and multiple times per week, you have an expensive armored car take the cash to the bank. In the meantime, all that cash has been sitting there tempting criminals.

Your only crime – you run a cannabis business.



## Why Is Cannabis Banking a Problem?

At the federal level, cannabis remains illegal under the Controlled Substances Act. Today, 37 states have legalized the sale of cannabis for medical and/or adult-use. This discrepancy between state and federal law leaves many cannabis-related businesses (CRBs) in the lurch with much higher costs to operate, higher taxes, fewer tax breaks, limited access to financial services and loans, and cash-only payment processing, which adds to security concerns and costs.

Because U.S. financial institutions are regulated by the federal government, CRBs are treated differently than non-cannabis businesses when it comes to banking and financial services. The reason why stems from federal regulations related to banking.

Federal anti-money laundering (AML) laws are the primary barrier to banks serving the cannabis industry. Banking regulations promulgated under the Bank Secrecy Act (BSA) establish multiple recordkeeping and reporting requirements for banks.

Under the BSA, financial institutions are required to file a Suspicious Activity Report (SAR) when they know or suspect a transaction involves funds from a federally illegal activity. This would include any

transaction involving funds from manufacturing, distributing, and dispensing cannabis because cannabis is federally illegal under the aforementioned Controlled Substances Act.

Whether cannabis is legal and regulated at the state level doesn't matter. Financial institutions are bound by the BSA or they risk losing their national charters – the legal document that authorizes a bank to conduct business.

Over the years, federal regulators have issued guidance for how to deal with SAR reporting when it comes to cannabis businesses operating legitimately under state law. Hundreds of banks and credit unions (mostly state-chartered) do now offer limited services for cannabis businesses but considerable hurdles and expenses remain.

There is a solution – the SAFE Banking Act.

# Is the Fifth Time A Charm for Cannabis Banking?

First introduced in 2019 by Rep. Ed Perlmutter (D-CO) and passed in the House of Representatives on five separate occasions, including most recently in September 2021, the SAFE (Secure and Fair Enforcement) Banking Act would normalize cannabis banking in several important ways:

- Financial institutions will be able to process legitimate cannabis business transactions, which will no longer constitute money laundering.
- Regulators will not be allowed to terminate or limit a financial institution's depository insurance because it provides services to a legitimate cannabis-related business.
- Regulators will not be allowed to take adverse actions against or discourage financial institutions from providing services to legitimate cannabis-related businesses.
- Financial institutions will be protected from civil, criminal, or administrative asset forfeiture for providing services to legitimate cannabis-related businesses.
- SAR reporting guidelines for legitimate cannabis-related businesses will be amended.
- The Financial Crimes Enforcement Network (FinCEN) will issue guidance and review procedures for financial institutions working with legitimate cannabis-related businesses.

The SAFE Banking Act is considered the most likely piece of major federal cannabis legislation to pass both chambers and become law this legislative session. All cannabis industry trade groups and many prominent banking and business groups support the legislation and have spent time and money to support its passage into law.

Now on its way to the U.S. Senate for the fifth time, the cannabis industry hopes the SAFE Banking Act will finally pass the Senate in a timely manner and be signed into law by President Biden thereby solving a significant problem for cannabis businesses – safe, reliable, and affordable access to the same financial services as non-cannabis businesses.

**Please contact your Senator to support this important legislation.**

Federal cannabis legalization could happen in the next 18 months. It represents some of the biggest opportunities and most significant threats your company faces. Arcview's comprehensive Federal Legalization Readiness Review will help you prepare for the most likely federal legalization scenarios by digging into your business and identifying the risks and opportunities that are likely to accompany a change in federal policy.

**Visit [arcviewconsulting.com/federal-readiness](https://arcviewconsulting.com/federal-readiness) for more information.**

## About the Author



### Marc Brandl

*Research Analyst,  
Arcview Market Research*

Marc Brandl is a research analyst for The Arcview Group. He has over 20 years of experience in the field of cannabis – first as a campaign manager and policy activist in Washington, DC for Marijuana Policy Project (MPP) and other advocacy groups, and in the past seven years working directly in the cannabis industry.

He can be reached at [marcbrandl@arcviewgroup.com](mailto:marcbrandl@arcviewgroup.com)



# Cannabis is a Buyer's Market: Five Generational Wealth Investment Opportunities

The cannabis industry is a unique investment opportunity with the potential for big returns – if you're looking in the right places. Consumer demand for cannabis products already exists, and cannabis businesses – both plant-touching and non-plant-touching – are actively looking for investors to meet to fuel growth.

But there is a problem.

There is a substantial lack of institutional investors, loan capital, and while steadily increasing, not enough professional venture capital in the cannabis industry. Companies need access to capital to scale, but finding those funds is challenging.

The good news for angel investors is the absence of those investors, loans, and venture capital equates to a buyer's market and opportunities for those with capital to place.

In 2021, five key cannabis investment opportunities should be top priorities for angel investors and venture funds. Despite the risks involved in investing in the cannabis industry, the growth projected for these five opportunities should outweigh the potential risks.

## 1. Markets in the Northeastern U.S. Markets

The Northeast represents a significant opportunity for angel investors thanks to soon-to-launch adult-use programs in Connecticut, New Jersey, New York, Pennsylvania, Rhode Island, and Virginia.

These states have high population densities, and growth of the cannabis market in the region once all adult-use programs are operational is expected to eclipse anything we've seen in the past.

## 2. License Holders Operating in One or Two States

The cannabis industry is all about mergers and acquisitions in 2021, and savvy angel investors should be looking at successful operators with active businesses in one or two states. As larger multi-state operators (MSOs) look for ways to enter new markets or expand their footprints, these high-performing operators are poised to deliver exceptional returns.

## 3. Medical Market after OTC Repositioning

The medical cannabis market is not sustainable in its current form. With threats from the adult-use market and the pharmaceutical industry, the medical market will need to be redefined in order to survive and thrive in the future.

Many experts predict the medical market will shift to an over-the-counter market, which could create new opportunities for angel investors.

#### 4. Companies across the Supply Chain with Unique Processes, Products, or Services

Cannabis companies that have created competitive advantages through their processes, products, or services (or a combination of all three) represent attractive investment opportunities.

These companies can be found across the supply chain with every one of them having one thing in common – they’ve established a position in the market that cannot be duplicated and is easy to defend.

#### 5. Consumers Not Yet Buying from the Legal Cannabis Market

In 2021, legal cannabis sales in the United States are expected to reach \$23.6 billion while illicit sales are approximately \$75 billion. As more consumers move from the illicit market to the legal market, legal sales will increase. When cannabis is legalized for adult-use at the federal level, legal sales will go up. And as the stigma surrounding cannabis fades and more non-users enter the market, sales will increase.

**Therefore, angel investors should look at businesses creating innovative product form factors and experiences targeted to the expanded legal cannabis consumer audience of the future.**

The cannabis industry needs angel investors now. Private equity and venture capital investments in the cannabis industry are growing, but they represent just a small fraction of what the industry requires. Angel investors are needed to fill the gaps, and those who get onboard now will enjoy the benefits that this industry can deliver as a generational wealth creation opportunity.

#### About the Author



#### Jeff Finkle

CEO,  
The Arcview Group

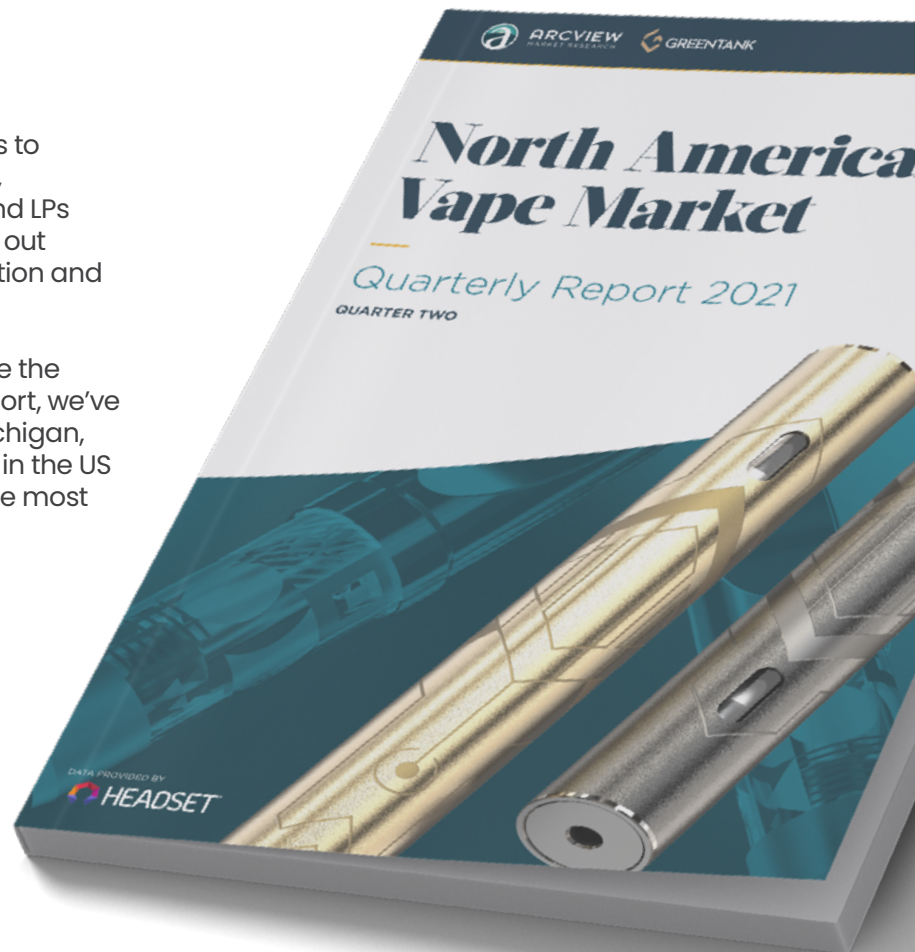
Named one of the “25 Angel Investors in New York You Need to Know” by AlleyWatch, Jeff Finkle has been a venture investor for ten years, an angel investor for eight years. Jeff is presently CEO of the Arcview Group and Arcview Ventures and co-founder of the Arcview Collective Fund, the first member-managed fund in cannabis. He also serves as Chairman of the Evaluation Committee and Treasurer of the Angel Round Capital.

# Arcview Market Research & Greentank's North American Vape Market Report for Q2 Is Now Available!

Our first report, which compared 2021's Q1 sales to those of the same time period one year earlier, was a huge success. We had multiple MSOs and LPs from each of the nine markets analyzed reach out to us with follow-up requests for more information and vape trend consultations.

If you enjoyed our Q1 report, you're going to love the second part of this series. With Headset's support, we've upped our game with two new US markets: Michigan, the second largest rec-legal cannabis market in the US by population size, and Pennsylvania, one of the most thriving medical-only markets in the country.

This report presents a snapshot of where the industry was when North America started adjusting to the COVID-19 pandemic, approximately three months in (Q2 2020), and where it is now, a year later (Q2 2021). Point of Sale tracking across the USA and Canada—supplied by our incredible partners at Headset—demonstrates the popularity of cannabis vaping, as well as some of the drivers behind it.



**Sales data in this report includes nine North American markets in the United States and Canada:**

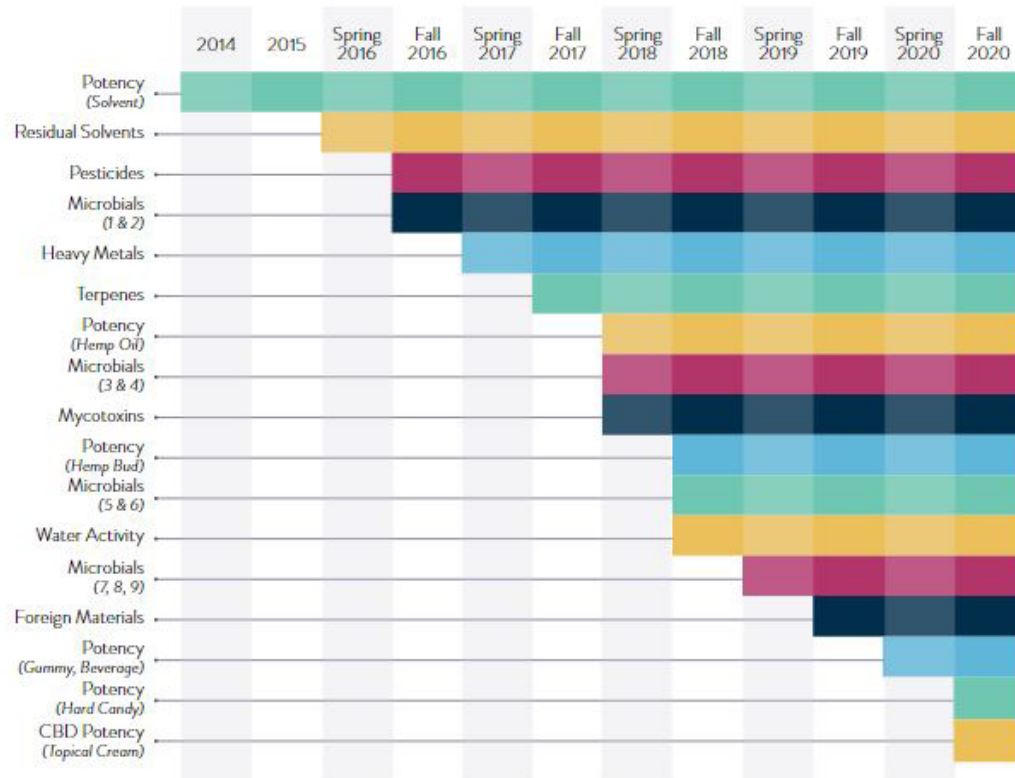


**Request your copy of the report at**  
[arcviewgroup.com/greentank](https://arcviewgroup.com/greentank)



## PROTECTING THE CONSUMER

### The Emerald Test™ Proficiency Tests Offered




#### Note:

Figure 1. 2021 Emerald tests offered to 3rd party testing laboratories, data sourced from New Frontiers.

Cannabis with higher than 0.3% THC levels has yet to be recognized by the federal government and is only available in select states that have adult-use or medical programs in place. With the lack of federal recognition, states have been required to implement their own ways of regulating and ensuring consumer safety for the myriad of products containing THC. Fortunately, since Colorado and Washington legalized adult-use high THC cannabis in 2016 a company called Emerald Scientific has provided The Emerald Test to help 3rd party testing laboratories maintain consistent and proficient performance. The proficiency test is where 'unknown samples' are sent to the laboratory which must process them in accordance with their internal SOP. The results from this test are compared to the known concentrations of the 'unknown sample'. Emerald has collaborated with the top reference material providers to facilitate the test ultimately helping the industry provide the safest products to consumers. These services barely scratch the surface of the offerings out there for brands wanting to provide only the safest possible products to cannabis consumers.


## SECTOR ANALYSIS\*

	INDICES	3 MONTH	6 MONTH
	S&P 500	12.43%	18.29%
	DOW JONES	2.65%	16.82%
	NASDAQ	10.41%	12.31%
	GLOBAL CANNABIS INDEX	1.36%	-31.02%
	AMERICAN CANNABIS STOCK INDEX	-18.82%	-43.74%



“The big themes ahead are likely to be continued cross-industry investment into the sector and more consolidation in Canada and in the U.S., potential federal regulatory reform (SAFE Banking Act and other more comprehensive legislation, which could eliminate 280E<sup>11</sup> taxation and enable trading on higher exchanges for MSOs”

\*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	17.9%	19.21%
	TECHNOLOGY	14.84%	10.03%
	INDUSTRIALS	3.66%	15.91%
	FINANCIALS	3.21%	18.78%
	CONSUMER CYCLICAL	6.83%	7.24%
	CONSUMER NON-CYCLICAL	1.75%	1.01%
	BASIC MATERIALS	2.06%	-1.67%
	ENERGY	-3.2%	10.67%
	UTILITIES	3.66%	8.12%
	ALTERNATIVE HARVEST ETF (MJ)	-16.6%	-31.28%
	MULTI-STATE OPERATORS (MSOS)	-13.2%	-31.01%

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

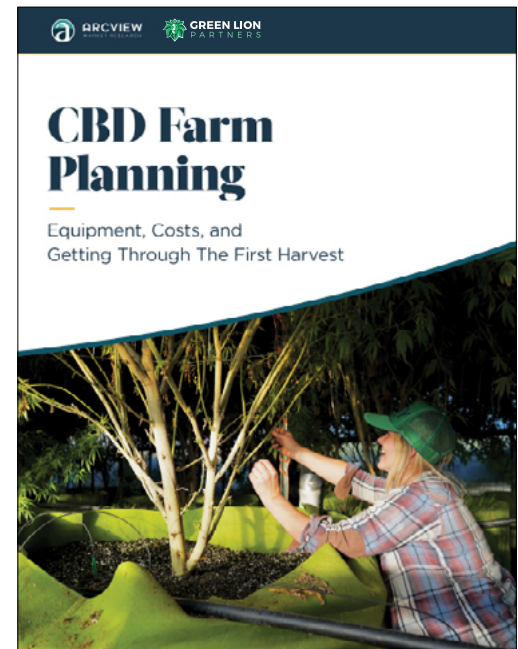
## NEW REPORT NOW AVAILABLE

# CBD Hemp Farm Planning: Equipment, Costs, and Getting Through The First Harvest

**Arcview Market Research's** latest report in collaboration with **Green Lion Partners** gives valuable insights for anyone looking to start a hemp farm for CBD.

Hemp farming can be approached and cultivated in many ways. Whether you are growing your product indoors with hydroponics or soil, or you are growing outdoors using organic conventional practices, identifying the growing methodology appropriate for your corresponding end product(s) is essential. The improper mixing of approaches can lead a farmer to use non-compatible products together, which results in lower yields or other situations detrimental to both the plants and the business. The sheer variety of products and methods available can leave entry-level farmers baffled, since it appears they have limitless choices to make. Fortunately, this is not the case, and once a philosophical and methodological approach has been decided upon, the list of possible products quickly decreases. Still, these decisions cannot be written in stone, as things may change.

- Products in seasonal and/or emerging industries like hemp farming fluctuate quickly.
- Sourcing certain products for a commercial facility without adequate lead time is a common issue for new and experienced farmers alike. Plan a season ahead.
- Many capital investments take a month or two to arrive after being ordered.
- Foster clear communications between grower, supplier, and the financial team.



### ADDITIONAL INSIGHTS ON:

- Business & Location Costs
- Choosing Right Trays & Containers
- Soil & Media / Dry Amendments
- Integrated Pest Management
- Harvesting
- Curing & Storage
- Lighting
- Heating & Cooling Systems
- Irrigation & Environmental Controls

**Request your copy of the report at**  
**[arcviewgroup.com/product/CBD-farm-planning](https://arcviewgroup.com/product/CBD-farm-planning)**

# DOMESTIC NEWS

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## New York tribe opens applications for adult-use marijuana retail licenses

*The Saint Regis Mohawk Tribe, which has a reservation near the Canadian border in Akwesasne, approved recreational marijuana in a community referendum in December 2019 and is keen on launching sales as soon as possible.*



## NJ approves new cannabis grow site, but 24 other weed business licenses continue to languish

*New Jersey's cannabis regulators on Tuesday moved to streamline the licensing of new weed businesses and approved another marijuana grow site — but it did not announce the recipients of some two dozen businesses that have sat in limbo for nearly two years.*



## Medical marijuana dispensary license approved for Iowa City

*The Iowa Department of Public Health announced Thursday it plans to award two new medical marijuana dispensary licenses - one to the Iowa Cannabis Company East in Iowa City and one to the Cannabis Patient Network in Council Bluffs.*

# INTERNATIONAL REGULATIONS

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## France

*The medical marijuana is being supplied by participating companies at their own cost, and neither the government nor patients will have to pay for it.... "The first prescriptions of dried medical cannabis as part of the French pilot program are a significant step toward providing access to patients and will support the destigmatization of medical cannabis in France."*



## Germany

*"We have licensed 57 investors for medicinal cannabis production from Germany, Switzerland, Canada and as well some local players," the agency told the news outlet. "Companies have been licensed for cultivation and processing of medicinal cannabis and they own 100% of their investment."*

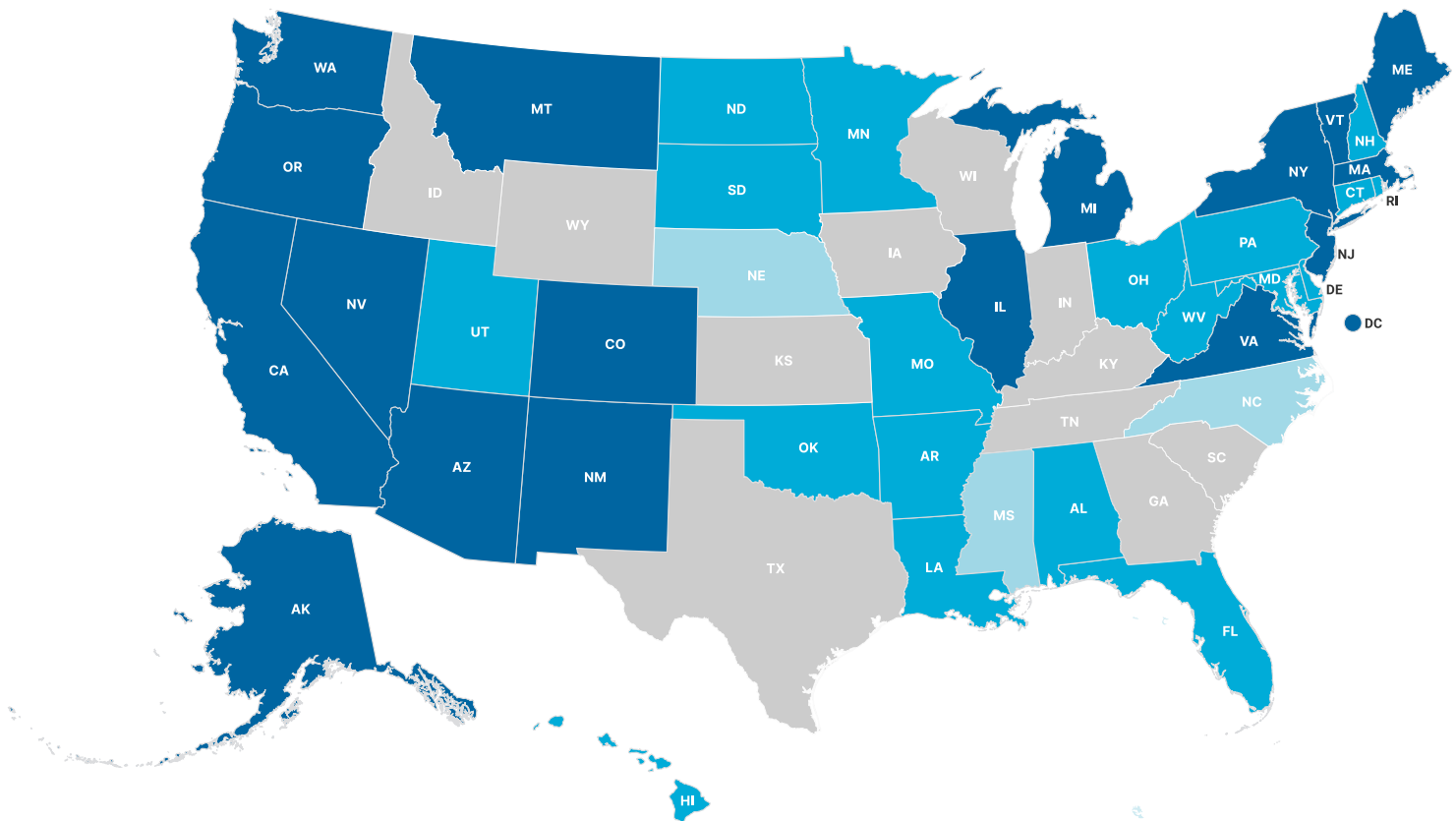


## Panama

*"Panama has become the first Central American country to legalize medical cannabis. The bill, which Assembly President Crispiano Adames lauded as "innovative," would allow registered patients with certain medical conditions to access cannabis for treatment, the news outlet reported. It also paves the ways for additional cannabis research in the country."*



# LEGALALITY OF CANNABIS IN THE UNITED STATES



**Adult Use**



**Medical Only**



**Decriminalized**

# Thinking About a Cannabis Business in New York?



New York is home to Broadway, the Statue of Liberty and now... legalized cannabis. Recent updates to New York State's regulations and guidelines mean licensing is now available for those wanting to break into the local cannabis scene.

During the time that cannabis use was illegal, NYC Health found that 34% of those ages 18–25 had used cannabis in the previous year. With legalization, it's almost guaranteed New York will become one of the hottest spots for cannabis.

## **New York Cannabis Licensing**

The type of license you'll need in New York will depend on the nature of your business. Whether you manufacture, distribute, or open a dispensary, you'll need the legal documentation to prove you've been

licensed. The infrastructure for New York's licensing system has not yet been perfected and there are still details that must be resolved. Licenses will be initially available for two years and standard age requirements will be enforced. While applying for a license, businesses will need to commit to a labor peace agreement.

## **MRTA**

The Marijuana Regulation & Taxation Act (MRTA) legalizes the creation, selling, and local use of cannabis. This bill was fundamental to the introduction of legal marijuana within the state and its supervision through the Liquor Authority of New York State. The MRTA was created specifically to allow newer businesses to thrive and develop within New York, ensuring both production and selling are within guidelines. The MRTA

# Thinking About a Cannabis Business in New York?

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also allows for small-scale production and implements the use of micro-licenses, providing opportunities for businesses of all sizes. The MRTA specifies a tax breakdown that ensures local communities are provided for and the cannabis industry is contributing towards positive change. Forty percent will go towards the Community Grants Reinvestment Fund, which focuses on providing programs for the community; 20% will be focused on drug treatment options and the remaining 40% is dedicated to the Department of Education.

## **The Office of Cannabis Management**

Officially signed and created on March 31, 2021, the Office of Cannabis Management is going to be responsible for many of the licensing duties. This group will also oversee the Cannabinoid Hemp Program. Because of the relatively recent instatement of this group, their full role is still being decided upon. However, what is known is they will play an instrumental role in the approval process for cannabis licensing within New York.

One of the prominent goals of current legislation is to provide licenses to those that are social equity applicants. The

purpose of this is to welcome minorities and encourage diversity. It is possible for both counties and municipalities to not allow cannabis sales within their boundaries. If they choose to do this, it will need to be before December 31, 2021.

## **Licensing Information Required**

While there are some things, such as a business plan, that aren't necessarily required, there is a list of information that must be filled out when going through the application process. Fingerprints, financial background, and ownership details will all need to be submitted. This is all part of the process and allows the Office of Cannabis Management to determine whether the business is within current guidelines.

Going through the licensing process is a monetary investment. Not counting legal counsel costs, it can total \$210,000. Paying this amount is the only way to ensure your business is operating legally within New York's guidelines. Tax specifications are expected to be enforced in 2022.

If you're interested in learning more, reach out to us today!

# A Replacement to Alcohol?

## Trends, Insights, and Market Potential for Cannabis Beverages

Walk into any party or socially gathering in 2021, and its likely spiked seltzers will be front and center among the alcoholic offerings. Small portions, sleek design, and a relatively high alcohol content makes for a satisfying and economical beverage. To both consumers and producers of the cannabis industry, take note: the spiked seltzer craze presents an opportunity for cannabis-based beverages to reach a similar level of popularity among consumers.

For years, industry watchers have predicted a surge in cannabis beverages sales, but “liquid cannabis” has been slow to gain traction. In 2021, however, the data is starting to back these forecasts. Based on May 2021 data from Headset, a cannabis market intelligence platform, beverage basket penetration increased significantly in both Canada and the U.S. in the past two years. “Basket penetration,” or the percentage represented by beverages in the average cannabis consumer’s basket, increased from about 1% in 2020 to 4.5% in 2021 in Canada; in the U.S., penetration rose from about 1.6% in January 2018 to 2.8% in February 2021. Cannabis beverage sales are rising in several states including WA and CA. In California alone, the state reported





# A Replacement to Alcohol?

## Trends, Insights, and Market Potential for Cannabis Beverages

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\$15.5M in sales by January 2021, compared to \$2.7M in January 2018.

Consumers and producers alike are entering the cannabis beverage space at a quick pace, with Canada serving as a prime case study. Responding to the diverse needs and interests of consumers, Canadian cannabis beverage sales have shifted to reflect a wide variety of brands as opposed to just a few brands dominating the beverage space. This increasingly diverse playing field mirrors the gradual brand expansion of spiked seltzers and enables consumers to select from a variety of dosages (ranging from 100 mg to 5 mg THC or less), flavors, and designs. While cannabis beverages are not as popular as alcoholic beverages, trends in both Canada and the States suggest they have the capacity to enter this category.

Especially when marketed and consumed as alcohol replacements, cannabis beverages allow consumers to enjoy the myriad of benefits of cannabis without the all-too-familiar side effects of alcohol. Particularly in social settings, beverages offer an efficient, discrete, and novel way to consume cannabis. Based on sales trends in CA, WA, CO, NV, and OR, consumers tend

to adopt an all-or-nothing mindset when considering their desired dosage: sales are increasingly consolidated at either 100 mg or 10 mg products, with the latter category appealing to those who prefer micro-dosing and consume the beverage as an alcohol alternative. The ability to purchase based on both dosage and flavor is likely to appeal to consumers who want a highly curated and personal experience, whether the beverage is consumed alone or with good company. Although the industry is still young and likely to fluctuate alongside COVID trends and other global factors, cannabis brands would be wise to invest in beverages as an exciting and versatile product for the modern consumer.





RAW MATERIALS



TESTING



OCTOBER 2021

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

### Manufacturing, Retail, & Distribution

The big news globally from a supply chain perspective has to do with the port congestion outside of Los Angeles and Long Beach. There was a record number of cargo ships waiting to unload their cargo with Russell estimates placing the total value of goods waiting to be offloaded at \$90.2 billion dollars. Again with the majority of consumer packaging coming from China, expect significant disruptions to the supply of containers, vape pens, and other consumables needed in the industry. The congestion is due to the 60% increase in the inbound and outbound ratio of cargo ships entering US west coast ports.

MANUFACTURING



THE  
BREAKING  
POINT

DISTRIBUTION



RETAIL



CUSTOMER



# BRAND SPOTLIGHT



## WHY WE LOVE THEM:

Authentic and natural affection  
towards their target customer

## LOWELL FARMS

<b>Price Range:</b>	\$30-60
<b>Target:</b>	Women & Men
<b>Availability:</b>	California
<b>Ownership Status:</b>	Public OCT: LOWLF

**OUR RATING: 9.2/10**



EIGHTH TAKE

Understand who your customer is and what they want. Do everything you can to build an experience around them and you will build brand loyalty. The Farmer's Eighth doesn't lean on unverified claims such as sleepy or relax to connect but engages the demographic identity directly.

At first glance, it's immediately clear who Lowell Farm's target customer is: Cannabis smokers. The packaging is simple, authentic, and made of natural materials. Their vape products feature non-distillate, solventless, cold-pressed rosin extracted from cannabis flowers. Their classic packs come stocked with matches to truly simplify the experience for the user. Its hard not to envision a farmer sitting back in a rocking chair on their porch overlooking large fields of crops enjoying the creative sativa pre-roll. Not to mention, it's proclaimed to be California's best selling pre-roll.

Visit Lowell Farms at [lowellfarms.com](https://lowellfarms.com)

# HOT IN THE NEWS

**Ohio to allow medical marijuana growers to expand to meet demand, prepare for more dispensaries**

**Maryland Approves Slew Of License Transfers To Multistate Operators, More Edibles**

**Georgia lawmakers want agriculture department involved in cannabis oil program**

**Ayr Wellness Enters New Jersey Cannabis Market with \$101 Million Garden State Dispensary Deal**

**FDA And CDC Issue Warnings On Delta-8 THC Products Derived From Hemp**

**South Dakota Marijuana Activists Gear Up For Large-Scale 2022 Legalization Ballot Push**

**Rhode Island Lawmakers Are 'Very Close' On Marijuana Legalization Deal Ahead Of Possible Special Session, Top Senator Says**

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