

TOP 10 CANNABIS PREDICTIONS OF 2021

2020 has been an important year for the cannabis industry. Five states legalized either medical or adult-use cannabis or both, bringing the total population of states where medical cannabis is legal to **241.1 million or 71% of the country** and the total number of adult-use states to **83.3 million** (34% of the U.S.).

What's in store for 2021?



1 Total U.S. cannabinoid sales will continue to grow very rapidly and top **\$24 billion in 2021.**

U.S. sales of \$16.1 billion represent **33% growth** sales.

2 More than **3 million new consumers** will purchase cannabis in the U.S.'s legal, licensed retail stores.

Three years ago in Colorado, 24% of the adult (over 21) population had consumed cannabis; by March of this year, that percentage had increased to **41%**. In a state with an adult population of about 4.3 million in over three years, approximately **800,000 new consumers** had tried cannabis. States such as Illinois, Massachusetts and Michigan, which adopted adult use in 2019, are early in the adoption curve and with a combined adult population of 22 million, BDSA forecasts to add **1.5 million new consumers in 2021.**

3 Cannabis is the U.S.'s **most innovative industry** with hundreds of new brands and **thousands of new products** launched.

In California during the first nine months of 2020, licensed dispensaries sold 24,000 cannabis products, compared to 17,000 for the same period in 2019 — a pace of **19 new products per day!** These products were developed by 1,020 brands, as compared to 824 brands in 2019. BDSA predicts **tens of thousands of new products in 2021** from more than 1,000 new brands and hundreds of new companies to be established.

4 Cannabis **prices will decline** in almost every state and consumers will benefit the most in states with very high prices today like Illinois and Massachusetts.

In the early months after medical or adult-use cannabis legalization, most states experience supply constraints and prices tend to increase across the board. However, in some markets, inconsistencies crop up

between product categories. For example, the Illinois flower average retail price peaked at about \$16 per gram in July 2020; while at the same time, Coloradans and Oregonians were paying under \$6 and Californians about \$9. We anticipate that the price decreases that have occurred in other states over time will occur in newly legalized states such as Illinois and Massachusetts.

5 Consumers will flock to “**secondary cannabinoids,**” which will take more than 5% of the dispensary ingestibles market.

CBD has been the hot cannabinoid for some time, accounting for **26%** of ingestible dollar sales today in U.S. dispensaries. BDSA is monitoring several secondary cannabinoids in U.S. dispensaries, such as **CBN and CBG**. High CBD content is a top-10 driver of purchasing behaviors among consumers and we expect this number to jump for secondary cannabinoids as well.

6 Products incorporating **new technologies** will disrupt normal category sales activity.

The normal sales distribution in a mature state by product category is about **40% flower**, 10% pre-rolled products, 30% concentrates, 15% edibles and about 5% other including topicals. BDSA expects category share will swing more drastically than in prior years away from inhalables (flower and concentrates) into other formats if **technological advancements** actually happen and meet consumer expectations.

7 The dispensary (retailer) landscape will continue to change and **consolidate**.

Over the last three years, operators have expanded into multi-state operators (MSOs) typically through one of two business models. Some such as Trulieve have adopted a strategy of being very strong in one state before expansion, often by acquisition, into other states. Others, such as Curaleaf, have formed teams and partnerships to seek

out licenses as new markets emerged. Several MSOs have revenues that top **\$100 million** in the last quarter. This consolidation has a long way to go before they achieve a level that exists in almost every other consumer products industry.

8 **The cannabis shopping experience will be more technologically smooth, more familiar and mainstream.**

As with many consumer products, COVID-19 sparked the adoption of online ordering for cannabis products — both for pick up and delivery. When lockdowns eased, there was a gradual return to in-store shopping, but **e-commerce is here to stay** with an Amazon-like experience.

9 **Strong regional brands will outgrow single state brands and the first national brands will emerge with a presence in more than 10 states.**

Most established cannabis brands are investigating the **expansion into new states**. This expansion will take several forms: some are finding partners in other states, licensing them and collecting royalties. At the other end of the spectrum, others are setting up separate companies in target states and sending staff to build new businesses.

10 **Major Manufacturers will develop much more targeted products for specific consumer cohorts.**

Drivers of cannabis consumption are complex and multi-faceted. Brands and dispensaries are recognizing the need and opportunity to **target consumers more precisely**. The first instinct is to focus on gender, age, income and other demographics. But sophisticated marketers recognize that what matters more is how consumers think irrespective of their demographics.

