



April 2025

Welcome to Volume 15 of the Whitney Wire

The Whitney Wire delivers short summaries of current findings and provides tasty nuggets of cannabis and hemp economics insight. We explore issues that are important to the medical, adult-use and industrial (hemp) cannabis industries. We look forward to sharing additional insights, data and predictive observations about the risks and opportunities of these global markets with you.

Beau Whitney, Whitney Economics



Photo credit: Whitney Economics

Annual Forecast Update 2025

Whitney Economics is publishing our annual forecast update for 2025. The U.S. legal retail cannabis forecast for 2025 is \$34.0 billion. This is an increase of 13.1% from 2024. 2024 legal sales came in at \$30.1 billion. This made our forecast in 2024 95.6% accurate from when we published it in Q1'24.

The updated forecast from this cycle has some pretty significant changes. The forecast for 2025 was lowered from our forecast a year ago by \$1.2 billion. The 2025 – 2030 legal retail cannabis forecast was reduced by \$21.1 billion since our last update. There were several key drivers that resulted in this reduction.

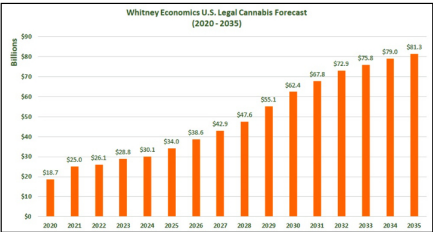
- Price compression driven by oversupply:** The U.S. cannabis market is over-supplied and has too much cultivation capacity. We will report separately on supply in Q2, but based on an analysis of the U.S. there is more supply capacity authorized by state regulators than there is demand throughout the entire U.S., legal and illicit. The resulting oversupply is driving down prices to such an extent that it is impacting state tax revenues, operator profitability, and is increasing business failures. Lower prices result in lower revenues, which result in lower forecasts.
- Local and state taxation impacting legal participation:** Consumers are very price sensitive. They are willing to pay a premium in price relative to the illicit market in order to participate in the legal market, just as long as that pricing differential is not too great. However, a recent analysis of state and local cannabis prices indicated that states with high taxes are lagging behind other states in terms of the percentage of legal participation. States with high taxes simply do not grow their markets at the same rate as states with lower tax rates. As a result, with lower growth rates and legal participation, there are lower revenues, which result in lower forecasts.
- The influence of substitute products:** One of the reasons cannabis consumers are so price-sensitive is that there are substitute products available for them to acquire. Previous economic theory assumed that there were no cannabis substitutes and therefore suppliers could charge any price, and states could tax at any rate. However, in 2014, W.E. proposed that there were in fact substitute products. They were available in the illicit market. With consumers now having a choice, they could afford to be more choosy. Although not an identical substitute, hemp-derived products are also now available to consumers. So with illicit suppliers, hemp suppliers, and suppliers in other states, the consumer now has more options available to procure cannabis products outside of the traditional adult-use or medical regulated channels. With tax prices so high and less legal participation, there will not be the growth in the markets as previously forecasted. This lack of legal participation has resulted in a lower longer-termed outlook.

So what does this all mean? Lower prices, lower participation and more substitutes will result in lower revenues. As such, we were forced to reduce our forecasts. Therefore, the short-term and long term growth are both lower.

Which states experienced the greatest amount of change since the last forecast?

- Increases for 2025:** NY (\$1.04B), MD (\$100M)
 - New York as increased access and taken steps to address illicit supply. The result is greater legal participation and sales
 - Maryland is at the beginning of their ramp. Lower tax rates have resulted in a surge of legal demand
- Decreases for 2025:** CA (-\$606M), IL (-\$497M) AZ (-\$425M), CO (-\$183M), WA (-\$179M)
 - California, Illinois and Washington have some of the highest sales tax rates in the country. Their legal participation is lower than in other markets and their revenues last year were flat to down, year over year. This is forecasted to continue in 2025 and beyond.

Here is the new forecast for 2025 – 2035.



Source: Whitney Economics

The outlook remains positive for growth, but each market has its own set of strengths and weaknesses. It is imperative to conduct extensive due diligence before investing in this space. Whitney Economics can help.

Contact Beau

Trump Trade Tariffs Likely to Benefit Hemp Beverage Industry
While Painful for Craft Beer Brewers, the Trump Tariffs Represent a Major Opportunity for Hemp Beverages

The Trump Administration's implementation of tariffs on most U.S. trading partners will have a negative impact on the craft beer industry. Tariffs on aluminum and stainless steel are already having an impact on the equipment used to brew beer. In addition, hops growers are being impacted by reciprocal tariffs from other countries. The U.S. is a major hops exporter. Hops are a main ingredient

in beer. This is driving start-up costs for craft brewers and limiting their ability to expand their operations right at a time when the beer industry is struggling. Demand for beer and alcohol has been declining for several years now. So, these tariffs could not have come at a worse time for the brewers.

On the other hand, the Trump tariffs could represent a significant upside opportunity for the hemp beverage industry, which has been experiencing strong growth for several years now. As alcohol and beer sales decline, hemp beverages have filled in the gaps in demand. *Look for our report on **hemp beverages coming out shortly**.* The popularity of hemp cannabinoid beverages is just at the beginning of its ramp.

Whitney Economics has been conducting research on hemp beverages for quite some time. In addition, we have also been researching the hemp cannabinoid market in general for several years. The beverage sector has come on strong, especially since the market opened up in Minnesota in 2022. Recent surveys in Texas, Illinois and Tennessee indicate that hemp beverages are capturing an increasing amount of market share among hemp retailers, distributors and manufacturers.

Market Share of hemp beverages versus other hemp cannabinoid products

State	Retail	Wholesale	Manufacturing
Texas	18.6%	25.3%	22.3%
Illinois	14.8%	21.2%	20.0%
Tennessee	6.7%	5.0%	8.0%

Source: Whitney Economics

While Whitney Economics is forecasting strong growth in the hemp beverage sector, this growth is forecasted to accelerate as a result of the Trump trade tariffs. Essentially, as the cost of craft beer goes up, the share of hemp beverages will increase. The ramp will pull-in and increase upward.

The hemp industry looks to be a potential winner in the trade wars. That is, if state regulators will allow it.

[Download WE Texas Hemp Cannabinoid Analysis](#)



Photo credit: Whitney Economics

An Update on European Cannabis

Whitney Economics recently supported three major meetings/conferences in the EU in March. Each one was as robust as the others but brought different issues to the table. Here is a summary of my insights and observations in chronological order:

Cannabis Summit: Beau Whitney was the keynote speaker at this summit. It was held at the World Horti Center in The Hague. This was an excellent event. Very intimate but robust in terms of thought leadership. The keynote presentation focused on comparing the EU cannabis market to the U.S. cannabis market from an investment and opportunity perspective. Some key items:

- The U.S. market is losing favor from an investment perspective due to the low returns and high levels of risk
- The EU market development is intentional, pragmatic, but slow
- Given the upside potential, the EU is very attractive right now, given the right opportunities

Amsterdam coffeeshop tour and history: After the summit as number of the attendees toured the coffeeshops of Amsterdam. We received the royal treatment as we were hosted by Simona van Breda, who helps the coffeeshop unions by representing them on policy issues, and by the nephew of the founder of the Bulldog coffeeshop, one of the first coffee shops established there. The tour was rich with content and insights, especially on the impact the coffeeshop industry is having on the country. There is some potential reform to the coffeeshop model that is coming up, so stay tuned for more insights on this as it develops.

Science in the City: This was a reunion of sorts from the October event held in Bordeaux, France. Originally this meeting was intended to discuss opportunities to drive U.S. insurers to reimburse for medical cannabis; however, the nature of the meeting quickly changed, as France requested a ruling from the EU Parliament on the proposed roll-out and expansion of the medical cannabis program in France.

Beau attended a round-table meeting of key businesses, stakeholders and representatives with ties to the French government to discuss the proposed expansion and implications to the medical cannabis community there. Beau was able to provide data on the number of potential medical patients that would be covered by this expansion and highlighted some of the challenges that remain in the deployment, especially from a public safety perspective. The one fascinating aspect of the French market is that insurance coverage is enshrined in the law.

ICBC Barcelona: This conference is held the day before the B2C Spannabis conference. ICBC is more B2B. This year, Beau provided an update on the Spanish market and how it compares to the rest of Europe. Included in the presentation was data on cultivation, total sales and tourism. Recently, the citizens of Barcelona have been protesting against tourism in Barcelona. Beau provided data on the economic impact of canna-tourism in Spain and Barcelona. This is the first of its kind presentation that showed there is a \$500 million ~ 1 billion Euro positive impact from cannabis tourism in Barcelona. Unfortunately, the Spannabis conference is moving away from Barcelona next year, so this was the last time ICBC will be held in Spain.

Overall, the European market is very dynamic and compelling. I felt blessed to be able to spend time there and take in the many observations and insights from thought leaders in the industry.

Policy: How State Tax Policy Influences Consumer

Purchases and State Tax Revenues

In the preparation of the forecast update that we just published, one key factor that has a significant influence on demand is state and local taxation. State cannabis tax revenues have done a lot of good over the years—funding law enforcement, education and drug awareness and drug treatment programs. Funds have also been allocated to help support minority communities. There is a lot of good that can be derived from these taxes.

Cannabis Tax Revenues Make Up Only a Small Percentage of Tax Revenues

After originally being viewed as a new source of revenue that does not involve increasing taxes overall, states have become very dependent upon these tax revenues. This dependence is despite the fact that cannabis tax revenues only make up between 0.5% and 1.5% of state revenues. Currently, states are seeing declines in their cannabis tax revenues while at the same time running budget deficits. The state's solution to solving the budgetary woes is to **INCREASE** tax rates on sales of cannabis. This only serves to push consumers to other markets and potentially impacts many public policy objectives.

What Effect Is This Having?

The cannabis consumer is known for being very sensitive to price.

These consumers are more savvy than they are given credit for. In economics, consumer pricing sensitivity is called the "elasticity of demand." If consumers' behavior changes a lot in reaction to a price change, the product or service is considered very elastic. This is the case with the U.S. cannabis consumer. Cannabis consumers compare prices throughout the market and beyond. When the price goes up in one store they may move to the next; when state taxes go up too high, they look to the illicit market, other state markets or even the hemp market to acquire cannabis products. When consumers have options, the elasticity goes up, when there are few options, then consumers are forced to pay the higher price.

Cannabis Taxation Influences Legal Participation

When consumers get priced out of a market, like they are in some markets via high taxes, they tend not to participate in the legal space. This is the case in the U.S. Cannabis market. And states where there are high cannabis taxes tend to have the lowest levels of legal participation. Legal participation drives tax revenues, so it should be in the interest of all legal states to keep taxes low, so that they can maximize legal participation and also tax revenues.

State	Retail	Wholesale	Manufacturing
Texas	18.6%	25.3%	22.3%
Illinois	14.8%	21.2%	20.0%
Tennessee	6.7%	5.0%	8.0%

Source: Whitney Economics

However in places like Michigan and Illinois, state legislatures are proposing tax increases in the wake of the declining revenues. This will only lead to a further erosion of demand and lower tax revenues. It is a vicious cycle. Illinois consumers are flocking to Missouri and Michigan to find lower prices. This is happening across the country, from Washington into Oregon, and from Connecticut to most adjacent states. In states with low taxes, like Maryland and Missouri, legal participation is through the roof. The growth rates for the demand ramps in Maryland and Missouri are ahead of schedule and both retail and tax revenues are significantly up, as is legal participation.

What Should States Do to Address This?

Eventually, assuming there is national reform and full federal legalization, prices will normalize across the country. In the meantime, as more and more states deploy legal programs, they should do so with other markets in mind. Having a regional state tax policy, where taxes are similar from state to state, will keep consumers home and not incentivized to go to other states. Otherwise, they will continue to look to other markets, including the illicit ones, and tax revenues will not be maximized.

Upcoming Travel & Reports

Conferences

April

Northern Colorado Hemp Expo - NoCo - Estes Park, Colorado (Speaker)
IGBC Berlin - Berlin, Germany (Speaker)

May

Cannabis Alliance 10th Annual Policy Summit - Seattle, Washington (Speaker)

June

Cannabis Regulatory Association Annual Meeting - CANNRA - Denver, Colorado (Panelist)

Upcoming Reports

U.S. Cannabis Jobs report
U.S. Cannabis Supply Report
U.S. Cannabinoid Beverage Report
The State of the Cannabis Market in Portland, Oregon

Whitney Economics in the Media

Cannabis Rescheduling Remains Paused Despite Trump Support
Independent Voter Project

Texas Hemp Market Economic Report Shows Increasing Wages and Job Growth
Cannabis Science and Technology

Report: Texas hemp market tops \$10B as Senate ban advances
Green Market Report

EU cannabis may overtake US cannabis as market gains momentum
MJJ Daily

Oregon has spent \$46 million fighting black market cannabis. Officials can't tell if it's working
Oregon Capital Chronicle

Do you have a topic you want to us to discuss?

Send Us Your Topic

Service Offerings

Hemp & Cannabis Economic Research,
Analysis & Insights
Legislative & Policy Analysis
U.S. & Global Cannabis Market Data
Supply & Demand Forecasting
Business Valuations

Market Entry & Investment Assessments,
Strategy & Risk Analysis
State & Federal Expert Witness
Testimony
Government & Regulatory
Advisory Services

LinkedIn Website

About Whitney Economics:

Portland based Whitney Economics is a global leader in cannabis and hemp business consulting, data, and economic research. The firm regularly consults with private companies as well as local, state, and national government agencies, applying economic principles to create actionable policies and strategies. The firm does not take a position on the legality of cannabis nor on any pending legislation.

Copyright (C) 2025 Whitney Economics. All rights reserved.

Our mailing address is:

Want to change how you receive these emails?
You can

WE
WHITNEY ECONOMICS