



WHAT YOU NEED TO KNOW

2019 Regulated Marijuana Market Update

This 2019 Regulated Marijuana Market Update provides an updated view and assessment of Colorado's regulated marijuana market since the 2017 Colorado Marijuana Market Size and Demand Study. This update remains the only report of its kind that uses state data in its analysis.

This report serves as a vital tool to provide insights on how market share, price and potency evolve over the years.

Once again, the study authors from the University of Colorado Leeds School of Business and MPG Consulting used the measure they created called 'flower equivalent,' which allows for an effective comparison of supply, demand, potency and pricing across different product types such as flower, edibles and concentrates. Flower equivalent converts non-flower sales to consumers into weight-based units of flower.

In 2019, regulated cultivators in Colorado produced 552 metric tons of flower equivalent and sold 357 tons to consumers. Expected demand of consumers (including residents and visitors) is estimated to be between 223 and 275 tons. The difference between the amount sold and the demand can be explained partially by considering the difference between the amount purchased vs. the amount consumed. With the market trending towards concentrates, some consumers are likely to make purchases that exceed the amount they consume, which remains on their shelves at home or thrown away before consuming. Additionally, consumption of non-flower products is not captured in consumption estimates, which leads to underestimation. Also, visitor consumption is likely to be underrepresented, especially legal in-state purchases made from out-of-state visitors who come to Colorado specifically for marijuana.

KEY FINDINGS



- **Evidence of Marijuana Market Maturity**
Colorado's marijuana market has matured given the prices first bottoming out in Spring 2019 and now remaining steady after a gradual increase.
- **Concentrate Market Continues to Grow**
Concentrates now make up about 32% of the market share, compared to 46% for flower and 13% for edibles.
- **Highly Competitive Market**
Though consolidation continued in 2019, Colorado remains a highly competitive marketplace for marijuana businesses. The largest five operators accounted for 18% of total market sales in 2019, while the top 10 operators accounted for 25% of sales.
- **Amount of Residual Marijuana has Decreased**
The total amount of residual marijuana that is seized, destroyed, does not meet quality assurance standards, or is otherwise taken out of the supply chain, as a percentage of the inventory, has declined each year and now represents only 3% of the total supply.
- **Sales Numbers Evaluated**
Per capita sales numbers were evaluated, and there are higher sales numbers in some border regions and counties with a high number of tourists and visitors from out of state. Monthly adult-use sales per capita for Colorado was \$21.68 in 2019.
- **Production Management**
Overall, marijuana cultivators are not utilizing the maximum plant count allocations authorized by MED, which indicates licensees are engaging in responsible production and cultivation practices, and that the market appears to adjust appropriately based on supply, demand and seasonality.
- **Individual Sales Transactions Analysis**
New to the report this year is an analysis of individual sales transactions. Data shows that the average medical transaction is almost double the average adult-use transaction.

This study was commissioned by DOR and MED. The Business Research Division of the University of Colorado Boulder and their subcontractor MPG Consulting jointly produced the analysis and report. As part of the study, the authors assessed the data from METRC, Colorado's marijuana inventory tracking system.



Prepared for the Colorado Marijuana Enforcement Division

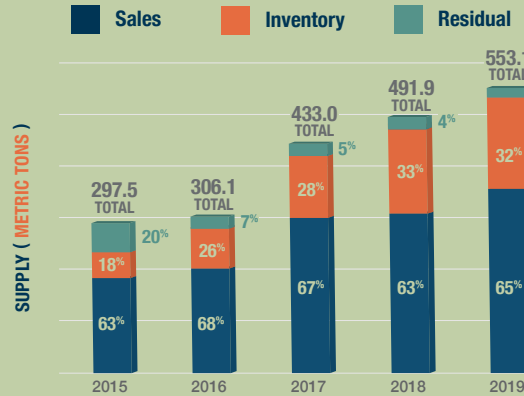


KEY FINDINGS AT A GLANCE

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REGULATED MARKET CONTINUES TO MEET resident and visitor DEMAND.

TRANSFER FLOW INVENTORY & RESIDUALS



AVG. PRICE PER THC DOSE BY PRODUCT

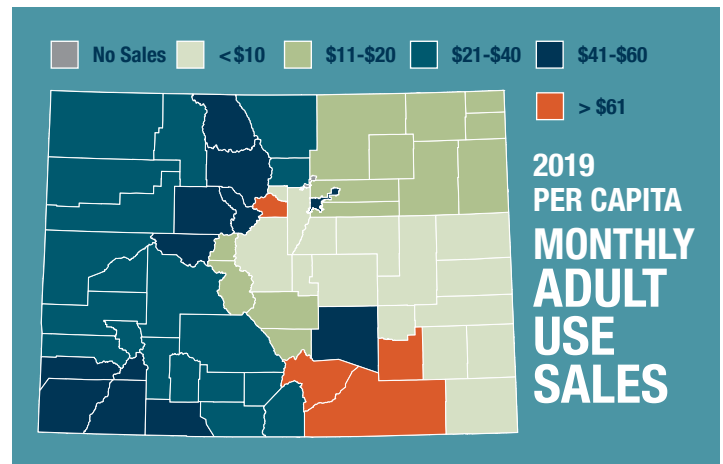
Product Type	Adult Use Price	Medical Price
Flower	\$1.35	\$1.00
Concentrates	\$1.35	\$1.00
Edibles	\$2.00	\$0.20

2019 MARIJUANA DEMAND BASED ON SALES

Flower Equivalent

357.5
Metric Tons

Product	%
Flower	61.6%
Concentrate	27.5%
Shake/Trim	7.6%
Infused Edibles	3.0%
Infused Nonedibles	.3%
TOTAL	100%



ADULT USE

90% OF ALL TRANSACTIONS LESS THAN \$100

AVG. \$51.89

MEDICAL

77% OF ALL TRANSACTIONS LESS THAN \$100

AVG. \$97.92

THE LARGEST 5 OPERATORS

18% OF TOTAL MARKET SALES (2019)

TOP 10 OPERATORS

25% OF TOTAL SALES (2019)

(up slightly from 23% in 2017)

PRODUCT TYPE MARKET SHARE COMPARISON

