



California Cannabis Sales Decline for First Time Since Adult-Use Launch

Wed / Mar 1st / by **TG Branfalt**

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California cannabis sales declined in 2022 for the first time since the state launched its adult-use marketplace in 2018.

Full story after the jump.

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Cannabis sales in California declined in 2022 for the first time since the launch of the adult-use market in 2018, according to Department of Tax and Fee Administration (DTFA) data outlined by Forbes. In all, sales dropped 8.2% to \$5.3 billion from the \$5.77 in sales last year.

California still represents 20% of the nation's \$26 billion legal cannabis industry, the report says.

The wholesale price for cannabis in California was down last year by 26% year-over-year to \$665 a pound. Since 2017, the year prior to the launch of legal sales, California cannabis wholesale prices are down about 50%, according to a New Leaf Data Services report outlined by Forbes.

Pablo Zuanic, an analyst at Cantor Fitzgerald who covers cannabis, told Forbes he believes that mature markets like California saw a revenue boost in 2020 and 2021 due to increased consumption during the Covid-19 pandemic and that the end of pandemic-era policies, including stimulus checks, paired with rising inflation, have added to the decline. He noted that there was "only" an 8% drop after a 23% increase in 2021 and a 68% increase in 2020.

California has about 1,000 dispensaries serving the state's more than 40 million residents but 60% of California jurisdictions – or 33 counties – do not allow adult-use cannabis businesses within their borders. Last month, officials launched a \$20 million grant program to increase legal cannabis access throughout the state. The grant will prioritize areas where national surveys find high cannabis consumption but have little to no access to cannabis retailers, officials said, adding that the program "seeks to incentivize local best practices by prioritizing programs that support equity operators and utilize existing licensing and permitting practices."

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Perhaps part of the sales decrease is due to the nearly 40% effective tax rate legal retailers have to charge consumers and the huge number of illegal retailers. In LA, there are currently nearly 100 unlicensed storefronts that the LAPD acknowledges knowing about. The number of illicit retailers is much higher once you factor in all of the unlicensed delivery businesses and the storefronts they haven't officially acknowledged (including the two that just opened within a few blocks of one of my locations). As long as this large of a price disparity exists for consumers, the illicit market will never be significantly reduced and the state will fail to capture all of the potential tax revenue its missing out on from the estimated 80% of annual retail cannabis sales that occur outside the legal market.

Bobby Vecchio - Owner, HERB

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