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Only-of-its-kind market report shows Colorado's licensed, regulated marijuana market is meeting resident and visitor demand

Report reflects competitive landscape and a shift in consumer consumption toward marijuana concentrates

DENVER, Thursday, August 2, 2018 -- The Colorado Department of Revenue (DOR)'s Marijuana Enforcement Division (MED) today released the 2017 update to the Market Size and Demand for Marijuana in Colorado study, which shows the regulated marijuana market is meeting resident and visitor demand, compared to the original 2014 estimate that 65 percent of consumption was supplied by the commercial, regulated market. The report establishes a new approach to quantify the volume of sales by using a "flower equivalent" measure, identifies a shift in consumer consumption patterns away from marijuana flower and toward marijuana concentrates, and suggests a diverse and competitive marketplace.

"This update improves upon the original 2014 market study methods and uses official market data to provide an updated insight to and assessment of Colorado's regulated marijuana markets through 2017," said Mike Hartman, DOR executive director. "This report gives me comfort that the licensed, regulated commercial marketplace is working well and is part of the state's continuous effort to monitor a comprehensive marijuana regulatory framework, improve transparency and use data to inform the public about Colorado's marketplace."

Key findings of the study include:

- Colorado remains a highly competitive marketplace for marijuana businesses. The largest 10 operators accounted for 23.1 percent of total market sales in 2017, down from 25.4 percent of total market sales in 2016 and 26.6 percent in 2015.
- The market share for marijuana flower has declined while demand for non-flower products (e.g. edibles and concentrates) continues to take a greater share of overall

marijuana sales. Overall, price for flower has declined slowly, while price of a standard serving of THC has declined more rapidly.

- 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 has significantly decreased over the last three years, which suggests improved licensee compliance.
- Prices for marijuana are highest in regions with a limited number of adult-use marijuana stores, which suggests that competition is a more important factor for regional pricing than tourist demand. There are also higher prices in mountain and border towns when compared to the average (\$8.30-\$11.75 price per gram of adult-use flower compared to \$5.79). Edibles account for 13 percent of the overall adult-use market, but account for nearly 25 percent of the market in tourist areas.
- Overall, marijuana cultivators are not utilizing the maximum plant count allocations authorized by MED. The flexibility in Colorado's regulatory framework allows the state to effectively monitor production management to prevent oversupply.

In first-of-its-kind methodology, the study authors from University of Colorado Boulder and Marijuana Policy Group developed a measure called flower equivalent, which allows for a proper 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.

“There are a few notable ‘firsts’ in this study,” said Adam Orens, Founding Partner of Marijuana Policy Group. “Colorado is the first state to use inventory tracking data to understand market dynamics; the first to use flower equivalent measures; and the first to compare supply, demand and consumption to monitor regulatory performance. This is an important step in the evolution of regulated cannabis markets – where governments are monitoring market data and adjusting policy accordingly.”

In 2017, regulated cultivators in Colorado harvested and packaged 340.7 metric tons of flower equivalent. Figures comprised in this number include 301.7 metric tons of demand represented by actual sales to consumers, 34 metric tons represented inventory on the shelf and six metric tons represented residual marijuana.

The study is the only one of its kind to use state sales data to determine demand while the resident and visitor consumption estimate of 208.1 metric tons is based on demographics, consumer responses to surveys and pre-existing literature focused on consumer marijuana use. Consumption estimate however doesn't take into account at-home inventory. Additionally, consumption numbers might underestimate visitor consumption, especially legal in-state purchases made from out-of-state visitors who come to Colorado specifically for marijuana, may not fully account for rising market share of edibles and concentrates as a result of federal usage

surveys' incomplete data collection, in addition to legally purchased marijuana illegally crossing state lines.

This study was commissioned by DOR and MED. MED signed an interagency agreement with the [Business Research Division of University of Colorado Boulder](#) that then engaged a subcontractor, [Marijuana Policy Group](#), to assist with the project. As part of the unique agreement, the study authors assessed the data from METRC, Colorado's marijuana inventory tracking system, as their data source.

To view the full Market Size and Demand Study and supplemental materials, visit the Marijuana Enforcement Division's website:

<https://www.colorado.gov/pacific/enforcement/marijuana-related-reports-studies>

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