



**STATE**

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 OF THE 

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**CANNABIS  
UNION**

2019

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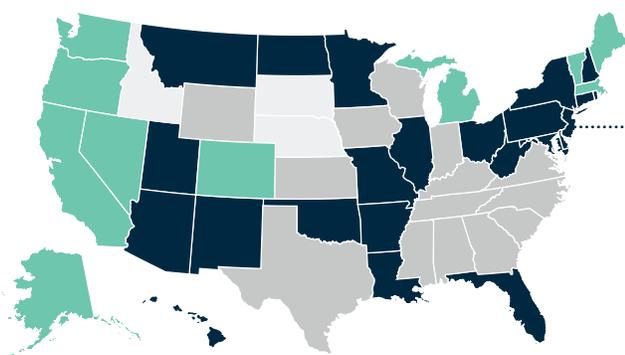
# STATE OF THE CANNABIS UNION

**At the start of 2019**, it looks certainly to be another year of continued progress if not historical change for the legal cannabis industry in the United States. Of course, last year Canada to the north became the world's largest economy to adopt a fully legal, nationwide adult-use program; to the south, the high court of Mexico ruled cannabis as constitutionally protected to grow for private, personal use.

Within the United States, since California in 1996 became the first state to legalize cannabis for medical use, a total of 33 states (and the District of Columbia) now allow it toward the treatment of more than 60 unique qualifying conditions. Following last year's midterm elections, now 10 states (and D.C.) effectively represent more than half of the U.S. populace's enjoying access to legalized cannabis for adult use, with positive polling (and more newly elected politicians) suggesting that more will soon follow.



## U.S. LEGALIZATION



**47**  
STATES

47 states and Washington D.C. have legalized cannabis in one form or another.

**10**  
STATES  
ADULT-USE

**23**  
STATES  
MEDICAL ONLY

**14**  
STATES  
CBD ONLY

80 million people, 125 House seats, 20 Senate seats among adult-use markets



## MEDICAL & ADULT USE CANNABIS:

2019 is primed to be another banner year for the global cannabis industry, as cannabis demand for medical, adult-use, and industrial (hemp) purposes are all expected to grow significantly. New Frontier Data now estimates that \$356 billion of medical and adult-use cannabis will be sold globally in 2019 through the legal and illicit markets.

Industry experts are also predicting 2019 to be the year for Canadian cannabis production to assert itself, with growing operations in a rush to scale up while efficiently cultivating high-quality crops products, and distribution deals.

While demand for medical and adult-use cannabis is global, North America and Europe continue to represent a disproportionately high share of retail spends when compared to population size: (see chart below)

Medical cannabis will spearhead legal cannabis' global expansion in 2019. Today, more than 50 countries are officially regulating medical cannabis, including 29 in

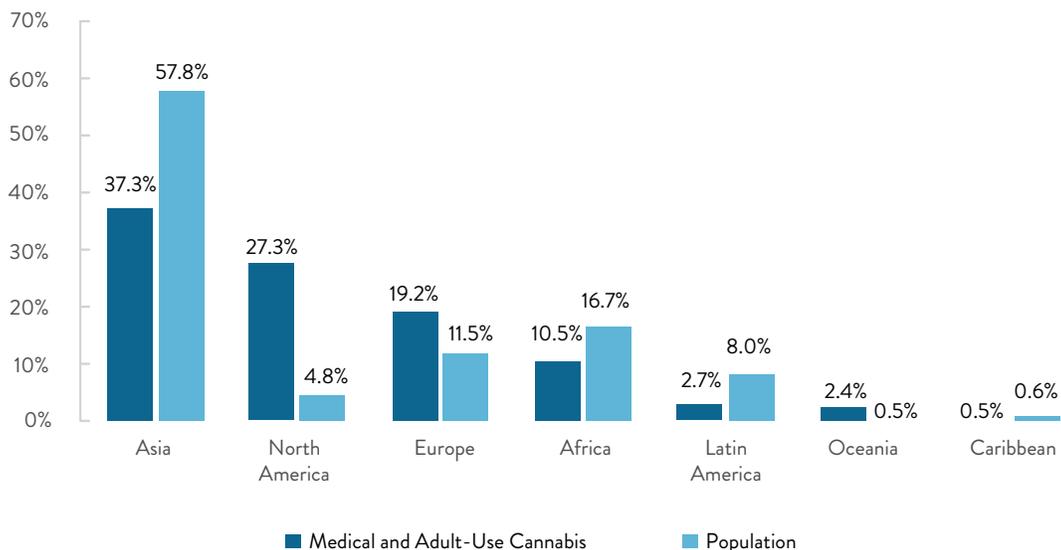
Europe, eight in Latin America, and six in Oceania. In the United States, 33 states now permit medical cannabis, treating 1.8 million patients for more than 60 different qualifying conditions.

Worldwide, there are 1.2 billion people (15.3% of the world's population) respectively suffering from some medical condition that is now commonly treated with medical cannabis. Medical cannabis could be effective not only in treating common conditions like chronic pain, but also could significantly reduce spending on prescription drugs. This is evidenced by an 11% reduction in state spending on pain-related health care in states with access to medical or adult-use cannabis.

With the addition last year of Canada and Georgia in joining Uruguay, adult-use cannabis is now federally legal in three countries. However, the global rollout of adult-use cannabis is slower and more uncertain than is the momentum behind medical-use programs. For more information on the global expansion of medical and adult-use cannabis, including details on spending, addressable market size, and consumption rates, please see New Frontier Data's series of global reports, including the 2019 Global Cannabis Report (due out in February 2019), the 2019 Latin America Cannabis Report (also in February 2019), and the Oceania Cannabis Report (November 2018).



### MARKET SHARE BY REGION



## INDUSTRIAL CANNABIS:

Cannabis for industrial purposes (hemp) is also in the spotlight. Canada and China will lead production in 2019, cultivating over 70% of the global supply. However, with the passage of the 2018 Farm Bill, U.S. farmers are now legally allowed to cultivate hemp for the first time since World War II. Expect global hemp sales to grow at a combined annual growth rate (CAGR) of 17.5% until 2020.

New Frontier Data's forthcoming Global State of Hemp report (February 2019) details seven primary sales sectors for hemp in 2019: CBD, food, supplements, personal care, consumer textiles, industrial products, and consumer (other). New Frontier Data predicts that sales of hemp-based industrial products will post the strongest growth over the next five to 10 years as they become used for automotive composites, oil-well linings, insulation, fiberglass, biofuels, bioplastics, and animal bedding and feed. Further information about market sizing by sectors and regions, along with the likely impacts of recent regulatory changes, global investment, and other key industry topics, will be available in the report.

## JOBS AND TAXES:

New Frontier Data estimates that in the United States during 2018 there were 259,000 people working full-time in the legal cannabis industry, a nearly 30% increase from the previous year. Assuming that the current legal status persists, such jobs are expected to increase to 659,000 jobs by 2025. However, were cannabis to become federally legal in the interim, the projected number of fulltime jobs within the industry could spike upward to 1.01 million.

Currently, the only form of cannabis-related revenues at the federal level come from business taxes (with IRS 280E) and normal payroll deductions. In 2018, the estimated total federal tax revenue raised by cannabis businesses was \$2.7 billion, which New Frontier Data estimated for increase to \$6.9 billion by 2025. Assuming that cannabis was federally legal, with 2019 business taxed at a standard 21%, federal tax revenues would increase even with lower effective tax rates: The potential associated revenue would increase to an estimated \$14.4 billion by 2025.

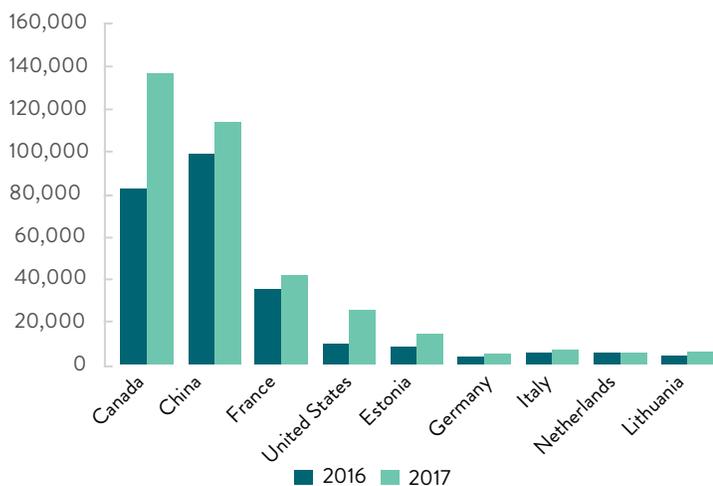
## ENERGY USE:

Energy use is a primary concern for cultivators and regulators alike. For cultivators, energy is the second-highest cost driver (after labor) among operators growing in a controlled environment. Regulators looking to meet energy and carbon emission goals are often targeting cannabis operations. The concern is legitimate, as legal cannabis produced an estimated 472,000 tons of electricity-based carbon emissions in 2017, enough to power 92,660 cars. Such levels are expected to grow 162% by 2022, and only represents 25% of the total energy use versus illicit operations' 75% of overall energy consumption.

Businesses and nonprofits are being to enter the space, seeing automation, data sharing, and even cannabis genetics as opportunities to address energy use. The 2018 Cannabis Energy Report (available free of cost) from New Frontier Data provides detailed analysis of cannabis cultivation's demands for electricity consumption, and provides recommendations to key stakeholders – including industry, governments, and utilities – seeking to drive efficiencies and reduce emissions.



### GLOBAL HEMP CULTIVATION LEADERS ACREAGE



Source: Health Canada, EIHA, FOASTAT, Vote Hemp and Hemp Business Journal



# CANNABIS CONSUMERS IN 2019

New Frontier Data's 2018-2019 Cannabis Consumer Report (November 2018) provides key information about how cannabis is being consumed today. In one of the report's findings, consumers in more mature legalized markets are shown to use cannabis in more lifestyle/wellness-specific ways as opposed to strictly for medical or recreational purposes. Nuanced differences affect important consumer behaviors like product choices, frequency, openness to use, and more. The wellness-focused drivers for consumption (anxiety and pain management, sleep improvement, etc.) illustrated below convey such realignment.

Importantly, the 2018-2019 Cannabis Consumer Report also contains the cannabis industry's first in-depth profiling of cannabis consumers. In it, New Frontier Data outlines nine unique archetypes: three each of high-frequency, moderate-frequency, and low-frequency consumption rates. Beyond frequency of use, the consumer characterizations are differentiated by primary sources of procurement, spending habits, reasons for use, preferred products, social factors, and other defining qualities or behaviors. The nine archetypes help focus the discussion on consumption behaviors, and are detailed in length throughout the report.

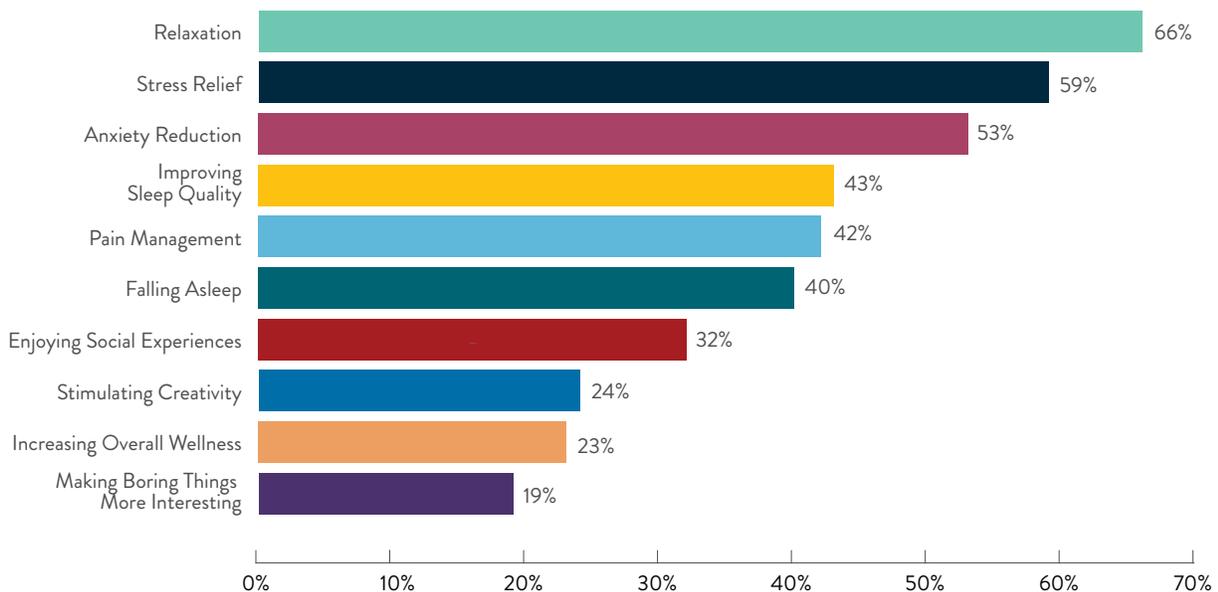


## CANNABIS CONSUMER ARCHETYPES

User Type	Archetype	Archetype Profile
HEAVY	Traditional Lifestylers	The classic consumer
	Modern Lifestylers	The "Cannabis 2.0" consumer
	Functional Dependents	The extreme consumer
MODERATE	Medical Purists	The consumer of cannabis for health and wellness
	Weekend Enthusiasts	The moderate leisure consumer
	Discreet Unwinders	The passionate but secret consumer
LIGHT	Social Opportunists	The communal sharer
	Silver Dabblers	The occasional indulger
	Infrequent Conservatives	The graying traditionalist



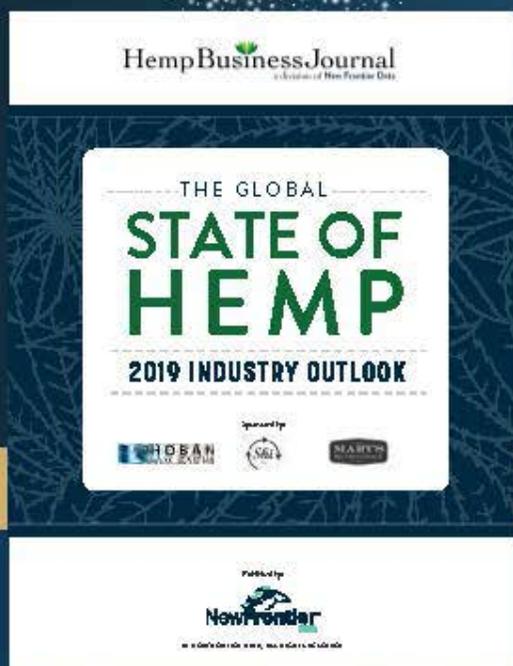
## TOP 10 REASONS FOR CANNABIS CONSUMPTION



Source: New Frontier Data 2018 Cannabis Consumer Survey



# THE GLOBAL STATE OF HEMP



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