

Softening Revenue Hits American Cannabis Industry

US Cannabis Industry Faces Slowdown as Mid-2024 Sales Lag Behind Projections

Halfway through 2024, the cannabis industry in the United States appears to be softening, a trend that aligns with reports of slower-than-expected medical marijuana sales in Ohio in 2023, just ahead of the state's recreational rollout. A new report from economist Beau Whitney of Whitney Economics reviewed the sales data for the first six months of the year and noted that national sales figures are trending slightly lower than in previous years.

Lagging Sales Figures

Whitney highlighted that by the end of June, national cannabis sales typically reach roughly 45%-48% of the year's total. However, so far this year, legal sales are slightly below this trend at 42%-45% of the forecast, based on current sales. This places the annual national cannabis legal sales forecast between \$29.6-\$30.5 billion, with a best-case scenario at \$31.4 billion, implying a year-over-year growth rate of 3% to 6%.

Revised Growth Projections

Earlier this year, Whitney had forecasted a year-over-year growth rate of 9.14% for legal cannabis sales in the U.S., projecting sales to rise from \$28.8 billion in 2023 to \$31.4 billion in 2024. However, with current trends, that number now seems overly optimistic. The revised forecast underscores the industry's challenges in maintaining its rapid growth trajectory.

Factors Contributing to the Slowdown

Several factors could be contributing to the slowdown in sales. Market saturation in some states, high taxation rates, and the ongoing competition from the illicit market are likely playing roles. Additionally, economic uncertainties and inflationary pressures may be impacting consumer spending on cannabis products.

Implications for the Industry

The revised sales projections have significant implications for the cannabis industry. Lower-than-expected sales growth could affect investment, expansion plans, and market valuations. Companies may need to reassess their strategies and focus on improving operational efficiencies to navigate this period of slower growth.

Ohio's Market Context

The trend in national sales is mirrored in Ohio, where medical marijuana sales in 2023 were slower than anticipated, just ahead of the state's recreational cannabis rollout. This context suggests that even as new markets open up, the overall industry may face challenges in sustaining high growth rates.

Looking Ahead

As the industry adapts to these new realities, stakeholders will be closely monitoring sales trends and adjusting their expectations accordingly. The potential for regulatory changes, such as federal legalization or banking reforms, could also influence future growth trajectories.

The US cannabis industry is experiencing a slowdown in sales growth midway through 2024, with national figures lagging behind earlier projections. This trend reflects broader challenges within the industry, including market saturation, high taxes, and economic pressures. As the industry recalibrates, stakeholders will need to focus on strategic adjustments and operational efficiencies to navigate this period of slower growth.

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