

# Ohio Adult-Use Launch: The Only New Cannabis Market in 2024

## 2024 Expected to Be One of the Quietest Years for Cannabis Market Launches Amid Limited Expansion and Slow Growth

The cannabis industry in the United States has faced a significant slowdown in 2024, as only a single state—Ohio—has introduced a major cannabis retail market expansion this year. While market growth has been a cornerstone of the industry for over a decade, the lack of new state launches this year marks an anomaly in what has historically been a fast-paced expansion. Ohio's adult-use cannabis market, which opened its doors to retail sales on August 6, stands out as the sole significant development in a year that has otherwise been marked by stagnation. This standstill contrasts sharply with the previous year, when several states in the Northeast, Midwest, and Deep South saw significant cannabis market rollouts, including both medical and recreational marijuana programs.

### Ohio's Adult-Use Cannabis Market Launches Amid a Quiet Year for Cannabis Expansion

Ohio's adult-use cannabis market launch on August 6, 2024, became the 21st state in the United States to legalize recreational cannabis. This milestone came nearly a year after Missouri's launch in February 2023 and Maryland's debut in July 2023. The gap between these two launches and Ohio's is significant, and experts have suggested that this might be the longest lull in cannabis market introductions since the first adult-use markets began to open in 2014.

For many stakeholders in the cannabis industry, this period of inactivity has been frustrating, as it coincides with a rising demand for legalization in states like New Hampshire, Hawaii, and South Dakota. Karen O'Keefe, the state policies director at the Marijuana Policy Project (MPP), emphasized that a lack of sufficient funding for nonprofit advocacy efforts has played a role in hindering the advancement of cannabis legislation in many states. O'Keefe also noted that a more robust campaign could have yielded better results in these states.

### A Comparison to 2023: A Year of Robust Cannabis Market Expansion

By contrast, 2023 was a year filled with multiple cannabis market launches. In the Northeast and Midwest, three states launched recreational marijuana programs, while two southern states, Mississippi and Georgia, rolled out medical marijuana initiatives. This rapid expansion throughout the country has underscored the growing popularity of cannabis products among U.S. consumers. However, 2024 has seen this growth slow significantly, with many industry watchers attributing this to challenges in both advocacy and funding, as well as a saturated market in certain regions.

### Ohio's Cannabis Market Struggles with Initial Sales Decline Despite Strong Launch

Ohio's adult-use market had a promising start, but it has already experienced a noticeable decline in sales. Between August and November 2024, the state saw a drop in sales volume, which is a trend that typically doesn't occur until a market has been operating for several months. From August 6 to 31, Ohio cannabis sales totaled \$44.1 million, but by November 3-30, sales had dropped to \$48 million, marking a 13.1% decline from the month prior.

A significant factor contributing to this slowdown is competition from neighboring Michigan, which has seen explosive growth in its cannabis market. Michigan's low flower prices have led many Ohio consumers to travel across state lines to purchase cannabis, undercutting the growth of Ohio's recreational sales. Ohio's adult-use cannabis market is also still operating under the restrictions of its medical marijuana program, with product limitations such as a ban on pre-rolls and a 70% THC potency cap. These restrictions have contributed to the lack of growth in the state's retail cannabis market.

### **Price Drops and Limited Product Variety Contribute to Slower Sales in Ohio**

Ohio's cannabis market has also been characterized by price fluctuations, with retail prices falling after the initial market launch. The cost of a tenth of an ounce, which is unique to Ohio's market (as other states typically use eighths), has dropped by 20.8% from \$26.59 in August to \$21.05 by December. Similarly, the price per gram has fallen from \$9.40 in August to \$7.44 in December, a decrease of 20.9%. Prices for other cannabis products, including edibles and vapes, have also seen a decrease of approximately 9.4%.

The price drop, while beneficial for consumers, may not be enough to drive growth in the market. Moreover, the state's regulatory environment, which includes restrictions on pre-rolls and other popular products, has limited consumer options, which could be further slowing sales.

### **Marijuana Multistate Operators (MSOs) in Ohio Report Steady Growth Despite Challenges**

Despite these challenges, some cannabis operators have reported steady sales and growth in Ohio. Curaleaf Holdings, a New York-based multistate operator (MSO) with retail locations in Cuyahoga Falls and Newark, has seen adult-use products account for about 50% of its total sales in Ohio. According to Luke Flood, senior vice president at Curaleaf, sales at the company's two Ohio locations have exceeded expectations. Flood emphasized that the company had successfully retained its medical patient base while also welcoming new adult-use customers. Similarly, Insa, a Massachusetts-based MSO, has also reported steady sales growth since transitioning from a medical-only license to a dual-use permit in Ohio.

Both Curaleaf and Insa have emphasized the importance of understanding consumer demand and preferences in Ohio, and they have tailored their product offerings accordingly. Insa's vice president of retail development, Sara Sullivan, highlighted that the company's product offerings in Ohio have been consistent with what they have seen in other states that started with a medical cannabis program, such as Connecticut.

### **Marketing Restrictions in Ohio Raise Barriers to Consumer Awareness and Market Growth**

One of the most significant obstacles faced by Ohio's cannabis industry has been the state's stringent marketing regulations. In July 2024, Ohio regulators issued a series of restrictions on cannabis advertising, including bans on outdoor music, celebratory decor, unapproved signage, and the use of the word "recreational" in marketing materials. These rules, which are designed to curb excessive commercialization of cannabis products, have limited the ability of businesses to raise awareness about the new market.

Curaleaf's Luke Flood noted that the lack of direct marketing to adult-use customers has made it challenging to build broader consumer awareness. As a result, the company has focused on enhancing its in-store

experience, using word-of-mouth referrals, and scaling cultivation to meet growing demand. Similarly, Insa's Sara Sullivan pointed out that marketing restrictions have made it difficult to reach new customers in Ohio and introduce their products to a broader audience.

### **New York and Florida Provide Business Opportunities in a Slower Market**

While 2024 has been slow for market expansion in many states, there are some areas where business opportunities continue to grow. In New York, the number of licensed cannabis retailers has skyrocketed, with 265 stores open by the end of 2024, compared to just 40 the previous year. However, the state's market has faced challenges, including a court ruling that temporarily halted the approval of new licenses and a slow rollout of retail outlets. Still, New York's adult-use cannabis sales are on track to surpass \$1 billion for the year, a significant milestone for the state's burgeoning cannabis industry.

In Florida, regulators have expanded the number of licenses for medical marijuana dispensaries, as the state's adult-use legalization ballot measure failed to meet the 60% approval threshold needed for passage. The Florida Office of Medical Marijuana Use has approved 72 new applicants for licenses, signaling a continued push for growth in the state's medical marijuana market.

### **Conclusion: A Quiet Year for Cannabis Market Expansion Amidst Shifting Industry Dynamics**

2024 will likely be remembered as one of the quietest years for cannabis market launches in the United States. While the industry has faced a slowdown in new market expansions, Ohio's adult-use cannabis debut offers hope for future growth, despite initial challenges. The market dynamics in Ohio, along with regulatory hurdles and price fluctuations, will likely serve as a model for other states considering the transition to recreational cannabis sales. As the cannabis industry continues to mature, the focus may shift from rapid expansion to refining existing markets and addressing barriers such as marketing restrictions and product limitations.

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