

California Cannabis Production Sees Double-Digit Growth

Legal Cannabis Production in California Surges by 11.8% in 2024

California's legal cannabis production experienced significant growth in 2024, increasing by 11.8% to reach 1.4 million pounds, according to a newly released report commissioned by the state's Department of Cannabis Control (DCC). The report, published late Monday, highlights the ongoing expansion of the legal marijuana industry.

Illicit Market Still Overshadows Legal Cannabis Industry

Despite regulatory efforts, the illegal marijuana market continues to overshadow the legal sector. According to the report from Davis, California-based ERA Economics, illicit cannabis production in the state was estimated at a staggering 11.4 million pounds. A substantial portion of this unregulated marijuana is reportedly shipped out of state to unknown destinations.

While California's licensed cannabis production stands at 1.4 million pounds, total cannabis consumption in the state is significantly higher, reaching 3.8 million pounds. Illicit sales within the state nearly double legal sales, suggesting that major interventions are required to transition consumers toward legal operators.

Regulator Reaffirms Support for Legal Market

Responding to the report, DCC Director Nicole Elliott emphasized the progress made in strengthening California's legal cannabis market.

"By reducing costs, expanding access, and strengthening enforcement, we're creating a fairer, safer, and more resilient industry," Elliott stated. "Our commitment to supporting the legal market and protecting public health is unwavering."

However, the ERA Economics report underscores ongoing challenges within the state's estimated \$5 billion marijuana market. While California remains the largest cannabis market in the U.S., signs of distress persist, including an increase in inactive or surrendered business licenses surpassing active permits.

Positive Trends Amid Market Challenges

The report identifies several positive developments heading into 2025:

A nearly 5% increase in nominal wholesale prices.

A 7.5% hike in the gross value of the industry.

An 11.8% rise in licensed production.

Despite these improvements, challenges remain. The report notes, “Prices remain low and business conditions are tough.” Adding to the uncertainty, a proposed excise tax increase from 15% to 19% could take effect by July 1, potentially straining the industry further.

California’s cannabis production value increased to \$1 billion in 2024, recovering from a decline to \$881 million in 2022. However, the estimated wholesale value of illicit production remains significantly higher, possibly reaching \$7.9 billion.

Retail Sales Decline in Key Counties

While the number of [retail licenses in California](#) rose from 1,544 in September 2022 to October 2024, some areas have witnessed a decline in licensed retailers. Alameda County, for instance, saw its number of licensed retailers drop from 157 in 2022 to 100 in 2024.

Statewide sales declined by 4% from 2022 to 2023, with even steeper declines in key counties:

Los Angeles County: \$1.5 billion to \$1.3 billion.

San Diego County: \$567.5 million to \$550.3 million.

Alameda County: \$296.95 million to \$263.11 million.

Sacramento County: \$292.33 million to \$275.50 million.

San Francisco County: \$232 million to \$215.83 million.

Orange County remained relatively stable at \$279 million.

Hope for Marijuana Producers Amid Changing Market Dynamics

Wholesale cannabis prices appear to have stabilized after years of decline. Adjusted for inflation, wholesale flower prices fell by 43% in 2022 and 10% in 2023 before recovering by 11.7% in 2024.

A recent ban on hemp-derived THC products, implemented by Governor Gavin Newsom in late 2023, is expected to favor licensed marijuana producers. The report notes that “strong demand and reduced supply as licensed cultivators exit the market while restrictions on hemp-derived cannabinoids take effect should put upward pressure on price.”

While challenges persist, industry stakeholders hope that regulatory adjustments and market corrections will help stabilize California’s cannabis sector in the years ahead.

[Cannabis Risk Manager 2025](#)

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