

Cannabis Experts Highlight M&A and Expansion for 2025 Growth

Cannabis Industry Eyes New Opportunities as 2025 Approaches: Mergers, Consumer Trends, and Technological Advancements Take Center Stage

LAS VEGAS – As 2024 comes to a close, the cannabis industry is preparing for significant transformation in the year ahead. With shifting regulations, evolving consumer preferences, and a challenging business climate, cannabis executives are strategically positioning their companies to seize new opportunities in 2025.

The marijuana market, particularly in state-regulated U.S. sectors, is expected to see substantial growth. According to the MJBiz Factbook, sales in the U.S. marijuana industry are projected to reach \$58 billion by 2030. However, the path to this growth will not be without its challenges. At MJBizCon 2024, industry stakeholders gathered to discuss the future of marijuana and hemp businesses, outlining the key opportunities they anticipate in the next year.

Mergers and Acquisitions: A Market Consolidation

One of the most significant trends predicted for 2025 is a wave of mergers and acquisitions (M&A). As cannabis companies across the U.S. face overleveraging and financial strain, the market is expected to see struggling businesses shed assets and be acquired by stronger players.

Steven Ernest, Vice President of Originations for Chicago-based private-market investment firm Chicago Atlantic, highlighted that companies with strong balance sheets and sufficient capital would be in a prime position to make strategic acquisitions. According to Ernest, companies that can acquire cash flow-generating assets from struggling firms could see substantial long-term benefits. He stressed that the current climate is ripe for aggressive expansion through M&A as stronger companies look to capitalize on weak market conditions.

Ben Gelt, an adviser at the Florida law firm Greenspoon Marder, echoed these sentiments, pointing out that the larger, more financially secure firms will increasingly target smaller, struggling companies that lack robust management or resources to thrive in the current market. This dynamic, Gelt said, will push for further consolidation within the cannabis industry, paving the way for stronger and more operationally efficient companies to dominate the market.

Interstate Expansion: A Major Growth Opportunity

As mergers and acquisitions intensify, established cannabis operators are expected to look toward interstate expansion as a key strategy for growth. Michael Teller, Chief Operating Officer of The Panther Group in Atlanta, emphasized that experienced operators will be particularly well-positioned to scale operations and enter new states in 2025. These companies' ability to secure debt and equity will be essential in helping them expand into new markets and seize opportunities across the country.

Teller noted that seasoned cannabis operators bring essential expertise and operational strength, making them more attractive to lenders and investors who prioritize operators with a track record of success. The combination of financial backing and operational know-how will allow these experienced players to expand into new states where cannabis markets are emerging, further cementing their dominance in the evolving industry.

Shifting Consumer Trends: Women and Wellness-Oriented Products Lead the Way

As consumer preferences evolve, cannabis companies are shifting their focus to meet the growing demand for wellness-oriented products, particularly among women. Ricardo Baca, founder and CEO of Grasslands, a Denver-based cannabis marketing agency, emphasized that women are increasingly turning to cannabis for wellness solutions, including alternatives to smoking.

Baca pointed out that women, who already dominate purchasing decisions in many retail categories, are beginning to engage more with cannabis products. As a result, cannabis brands are rethinking their marketing strategies, product development priorities, and core messaging to effectively connect with this demographic.

Furthermore, Harrison Bard, co-founder and CEO of Custom Cones USA and DaySavers, highlighted the trend toward higher-quality cannabis products. Consumers are shifting their focus from quantity to quality, and there is a growing preference for premium inputs such as solventless hash rosin across various product categories, from concentrates to vape pens and edibles. Companies that can deliver high-quality products will be well-positioned to thrive as this trend continues to shape the market in 2025.

Product Innovation: The Future of Edibles and Infused Beverages

As the cannabis market matures, product innovation is expected to be a key driver of growth. Christine Apple, CEO of Grön, a leading edibles maker based in Oregon, believes that cannabis companies are poised to develop a broader range of innovative products as new markets open up. The rise of infused beverages, edibles, and other alternative cannabis consumption methods will continue to gain traction among consumers, particularly those looking for non-smokable alternatives.

Apple noted that the increasing availability of cutting-edge cannabinoid ingredients and new flavors will allow cannabis companies to offer a wider variety of products to meet consumer preferences. As state legalization efforts continue to spread and possibly even federal legalization becomes a reality, the ability to introduce innovative products to a growing audience will present a significant opportunity for businesses in the cannabis space.

Rescheduling Marijuana: Unlocking Research and Medical Advancements

In addition to the commercial opportunities presented by the cannabis market's growth, marijuana rescheduling at the federal level could unlock new research and medical possibilities in 2025. Aaron Bloom, CEO of DocMJ, a Florida-based medical marijuana card provider, believes that marijuana's rescheduling from a Schedule I substance could open the door to government-funded research and medical studies.

This potential shift in federal policy would recognize the medicinal benefits of cannabis and pave the way for high-quality studies to explore its medical applications. Such research, Bloom suggests, could lead to transformative advancements in medical cannabis, benefiting patients who rely on marijuana for pain management, anxiety, and other conditions. This rescheduling could be a pivotal moment for the industry, fueling further acceptance and legitimacy of cannabis as a legitimate medical treatment.

Technological Advancements: AI and Supply Chain Innovation

As in other industries, technological innovation is expected to play a critical role in the growth of the cannabis sector in 2025. One area where technology is poised to make a significant impact is artificial intelligence (AI). Vince Ning, CEO of cannabis distribution company Nabis, discussed the potential for AI to streamline logistics, optimize distribution, personalize consumer experiences, and predict market trends.

AI could significantly enhance operational efficiency and elevate industry standards across the cannabis sector, helping businesses navigate challenges and improve their competitive edge. Additionally, ancillary businesses that provide software solutions to cannabis companies, such as point-of-sale systems and enterprise resource planning tools, have the opportunity to develop scalable, tax-advantageous products that are not subject to Section 280E of the Internal Revenue Code. Scott Jordan, founder of the Alternative Finance Network, highlighted the vast opportunities for entrepreneurs to create innovative software solutions for cannabis businesses.

The Cannabis Industry's Promising Future

As 2025 approaches, the cannabis industry stands at a crossroads. From mergers and acquisitions to consumer-driven product innovation and the potential for federal rescheduling, opportunities for growth and transformation are abundant. Businesses that can adapt to shifting consumer preferences, capitalize on new technologies, and navigate an evolving regulatory landscape will be well-positioned to thrive in the coming year.

The road ahead will not be without its challenges, but for those who are willing to embrace change and stay focused on long-term growth, the cannabis market holds immense potential. As legalization efforts continue to spread and new advancements emerge, 2025 could be the year that the industry reaches new heights.

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