



ESSENTIAL CANNABIS

# INSIGHTS

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## CANNABIS BEVERAGES BREAKDOWN: WHATS NEXT FOR BEVERAGES AFTER A BOOMING SUMMER?

While other edible subcategories such as chocolates and infused foods are losing share across the most mature BDSA-tracked markets, beverages are holding strong, and even gaining across most markets. Cannabis beverages may be a small segment of edible sales, but with the strong growth potential of the subcategory, and lower availability compared to products like gummies and chocolates, brands have much to gain by entering the beverage space, especially in markets with limited beverage availability. Tools like BDSA's Retail Sales Tracking and Consumer Insights offer businesses valuable insights to craft a successful strategy when entering small (but mighty) cannabis product categories such as beverages.

In BDSA's tracked markets, the cannabis beverage category makes up a small share of the legal market, bringing in ~1% of total cannabis sales so far in 2021. BDSA's Retail Sales Tracking for the first eight months of 2021 found that the beverage category made up ~5% of edible sales across BDSA-tracked markets (AZ, CA, CO, FL, IL, MA, MD, MI, NV, OR), dwarfed by the gummies giant, which brought in ~65% share of edibles. Still, there is tremendous potential for growth in the beverage space, with BDSA forecasting cannabis beverages to total over \$180 million in 2021, set to grow to almost \$500 million by 2026.

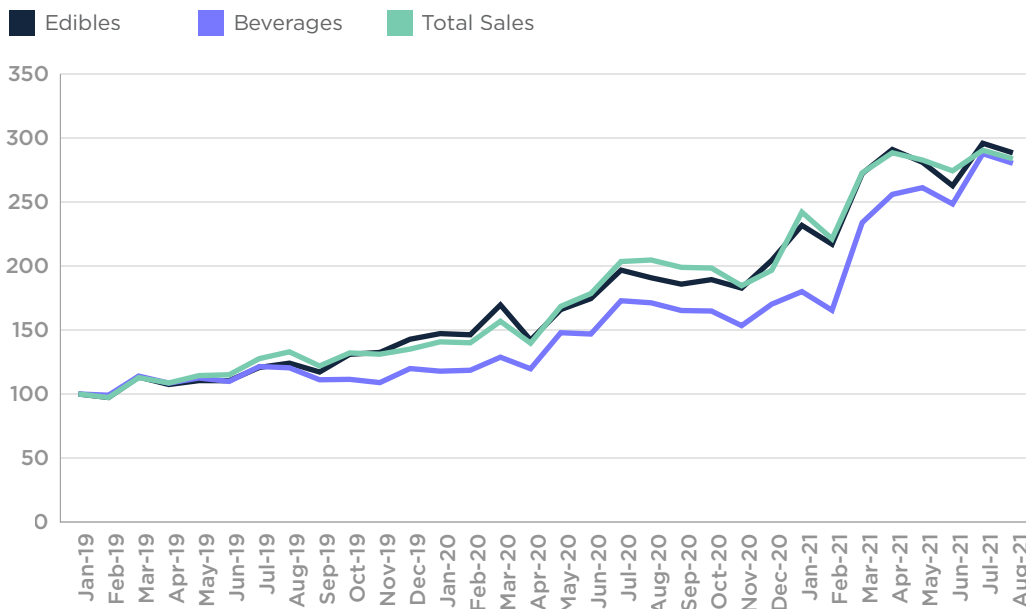
Cannabis beverages have seen strong growth in the past year when compared to other edible subcategories such as chocolates and infused foods. Cannabis beverage sales across BDSA-tracked markets in the first eight months of 2021 were ~94% higher than in the first eight months of 2020, the second strongest growth of any edible category (gummies seeing the strongest growth). By comparison, the chocolate edible category only grew ~40% from the first eight months of 2020 to the first eight months of 2021, while losing share of total edible sales in several markets. Keep in mind it is always a bit messy when looking at year-over-year growth in cannabis due to markets shifting from medical to adult-use, markets adding licenses or expanding allowed form factors, etc.

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BDSA analysts have to caveat this, as these growth numbers could be misleading if you assume the markets are fairly constant 2020 vs. 2021—which they are not.

While much of the aggregated growth of beverages can be attributed to the strong performance of beverages in the massive California market, where beverages grew from a 4% share of edible dollar sales in August 2018 to a 7% share in August 2021, beverages have seen strong growth in other markets as well. Nevada saw beverages grow their share of edible sales from 7% to 10% in the same period, while the rapidly growing Massachusetts market saw beverages grow their share of edibles sales from below 1% in October 2019 to 8% in August 2021.

### Edible, Beverage and Total Cannabis Sales Indexed to 100



Source: BDSA Retail Sales Tracking from AZ, CA, CO, FL, IL, MD, MA, MI, NV, OR. 2019–2021

While cannabis edibles generally are less popular than inhalable cannabis forms according to BDSA's Consumer Insights, BDSA's trending consumer data shows edibles becoming more widely accepted and consumed. In Spring 2018, ~60% of consumers reported using edibles, a figure that rose to ~70% by Spring 2021. Cannabis beverages are not as widely accepted/consumed as other categories, though much of this may be a factor of availability. Consumers cannot buy what they cannot find—and we see this in the BDSA availability/distribution metric looking by category and by brand across tracked markets.

While cannabis beverages may fall short of the broad appeal of other edibles subcategories, some aspects of the cannabis beverage form factor fit consumer need states in a unique way. Taste and flavor are key factors that influence product choice for consumers who prefer edibles, with ~40% of consumers who prefer edibles citing it as an influence of their product choice. Beverages offer a whole host of different flavors, from sweet, to sour, to bitter flavors, carbonated and non-carbonated, dissolvable and water soluble, and beyond. The variety of flavor and convenience that can be incorporated in beverages make them well suited to mask or minimize the taste of THC, which many consumers find unappealing.

New production methods, such as nano-emulsion, allow for beverages to be much faster acting. This gives beverages appeal with segments of the consumer base who may not usually gravitate toward edibles, such as inhalable consumers. BDSA Consumer Insights show that ~15% of consumers who prefer inhalables claim that fast-onset has a substantial influence on their product choice. Can Beverages tap into this need?

## Brand Feature CULTA

One brand that is taking these consumer need states for fast-acting products and quality flavors into account is CULTA, a powerful Maryland brand on the verge of releasing a new line of cannabis beverages, set to be released in January 2022 under the "grass" brand name. Seeing as the Maryland market often goes overlooked in favor of the mature cannabis markets (talking about you CA, CO, OR, WA) or even some of the newer, legal markets (yep—AZ, IL, MA, MI), we jumped on the opportunity to chat with CULTA's CEO Allison Siegel to gain some insight on their upcoming beverage launch.

Active in the Maryland medical market since 2015, CULTA has grown to be one of the top brands in the state. Already the number 3 ranked flower brand and the number 4 ranked concentrate brand in the market for the first eight months of 2021, CULTA has remained a mainstay in Maryland even in the face of stiff competition from large MSO brands. Two factors that have helped the brand stay on top is their commitment to quality product and utilization of data-based strategies to craft winning flavor profiles and product types.

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# CULTA

“We’ve used BDSA data to understand where the beverage market is going and what flavor profiles are selling the best in other markets. We started down a different path by surveying our employee base to figure out what beverage products people want, then recognized that might not be what the marketplace wants, so we used the data to understand what flavors are selling best in other markets.” – Allison Siegel, CEO.

The brand has also taken note of consumers’ fondness for fast-acting beverage products, which appeal to segments of edible consumers as well as inhalable consumers who are looking for a fast-acting edible product as a change of pace from flower or concentrate products. CULTA has partnered with New Age Nanotech, who will be providing their pharmaceutical grade nano-emulsion technology to give CULTA beverages the fast-acting effects to set them apart from the competition.



#### **BESIDES THE EXCITING NEW PRODUCTS CULTA IS RELEASING, BDSA HAS TO CONTINUE TO CALL-OUT OTHER TOP BEVERAGE BRANDS/PRODUCTS:**

- **Cann:** Best-selling beverage brand in the California market with \$711K in beverage sales for August 2021.
- **Keef**—Number one best-selling beverage brand across BDSA-tracked markets with \$1.36 million in sales across AZ, CA and CO.
- **Select Squeeze:** A new product line by cannabis giant Curaleaf under the Select brand, Select Squeeze has brought in \$757k across the AZ, CO, MA and OR markets.
- **Haze and Main:** Best-selling beverage brand in the Arizona market with \$147K in beverage sales for August 2021
- **Progressive Treatment Solutions:** Best-selling beverage brand in the Illinois market with \$1.1 million in beverage sales for August 2021.

## What markets might be ready for a Cannabis Beverage push?

Cannabis beverages see the strongest performance in Nevada (~10% of edible sales) and Maryland (~6% of beverage sales). States with a lower count of cannabis beverage brands may offer great opportunity for entry and innovation. Maryland presents a golden opportunity in this way, as edible sales figures from BDSA Retail Sales Tracking show a significant demand for edibles, but only five brands offer cannabis beverage products in the market.

### Beverage Sales Per Brand by State, August 2021, Thousands of Dollars

AZ	\$ 51	MD	\$ 138
CA	\$ 76	MI	\$ 74
CO	\$ 187	NV	\$ 126
IL	\$ 400	OR	\$ 58
MA	\$ 313		

Source: BDSA Retail Sales Tracking

With its particularly hot climate, Arizona also represents a good opportunity for growth in the cannabis beverage space. While BDSA is tracking cannabis beverages to only represent ~2% of edible sales in Arizona in 2021 TYD, the state has a rapidly growing consumer segment, and launched adult-use earlier this year. With only 14 brands selling beverages in 2021, the Arizona market offers an opportunity to brands willing to innovate in the edible subcategory and meet consumer needs in new and unique ways.