



ESSENTIAL CANNABIS

INSIGHTS

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MISSOURI DEBRIEF: ADULT-USE BRINGS MASSIVE GROWTH AS MEDICAL EXPERIENCES EXPECTED DECLINE

Long known as the home of Mark Twain, Kansas City barbeque, and the boundless natural beauty of the Ozarks, Missouri has recently gained attention by having one of the hottest new cannabis markets in the country. Since the launch of adult-use sales on February 3, 2023, Missouri's legal cannabis industry has seen massive growth, with dollar sales from February 2023 totaling almost **three times** that of the sales total from January.

Missouri was home to a strong medical market leading up to the start of legal sales, with the state bringing in \$390 million in medical sales in 2022, 110% more than the state reported 2021 sales total. This robust medical market has given Missouri a strong base to build from in the early days of adult-use sales. Leading up to the start of sales, Missouri's Department of Health and Senior Services swiftly transitioned operational medical licensees into the adult-use system. Like the Arizona market, which also saw a rapid transition to legal sales, approval to operate in the adult-use channel was opened to all medical license holders.

The state had 196 dispensaries in operation as of March 2, 2023, giving the market significantly greater retail availability compared to other markets in their first months of adult-use. With this solid foundation for an adult-use market already in place, Missouri's market is showing signs of being one of the fastest growing markets in 2023.

Missouri's medical market grew steadily since the program kicked off sales in October 2020, with BDSA Retail Sales Tracking showing that monthly medical sales peaking at \$40 million in December 2022, then dipping slightly to \$37 million in January 2023 (A decline in January is a typical seasonal trend when looking across markets). With the start of adult-use the following month, legal sales began to skyrocket, totaling almost \$103 million in February 2023, then continuing to grow to almost \$130 million in March 2023.

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As often occurs upon adult-use enactment, the medical market is already showing signs of waning. Medical sales fell -16% between January and February 2023, the most dramatic decline since the start of the medical program. While sales did pick up slightly in March 2023, the medical market is still expected to decline as the year progresses.

Limited Supply and High Demand Contributing to Higher Prices

Boasting a 21+ population of 4.6 million in 2023, and an even larger pool of potential consumers if you include neighboring states with limited legal access, the addition of adult-use dramatically increased the access, and therefore demand for cannabis products in the Missouri market. Product shortages have been reported, in turn leading to price spikes. Between January 2023 and March 2023, equivalent average retail prices (EQ ARP) increased 15% in the total Missouri market.

Breaking down price trends by product category, Pre-rolls saw the biggest increase in prices by far, with prices jumping +18% between January and March 2023. Prices also took a sharp jump in the Dabbable concentrate category, +16 between January and March, while Edible prices increased the least of any major category, up +11% over this period.

Product Category	Flower	Dabbable	Vape	Pre-roll	Edible
EQ ARP (March 2023)	\$ 8.32	\$ 43.73	\$ 44.72	\$ 13.28	\$ 24.67
Change (Jan.-Mar. 2023)	+14%	+16%	+13%	+18%	+11%

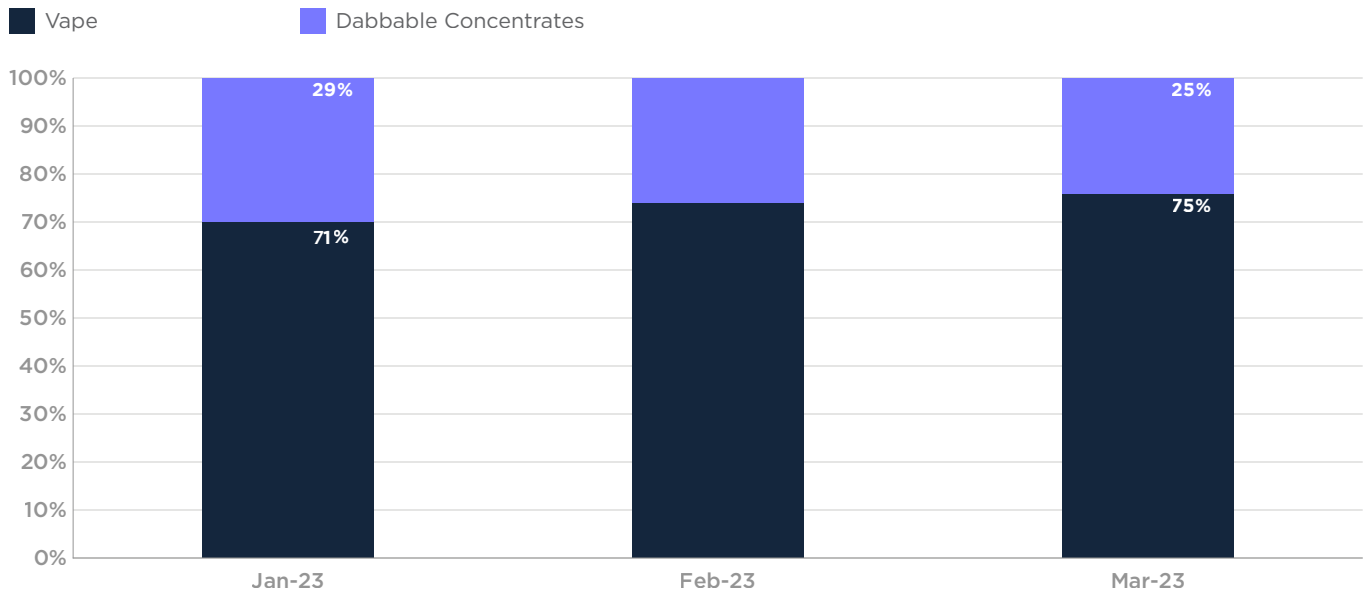
Source: BDSA Rapid Retail Sales Tracking, January-March 2023, Missouri

Product Category Breakdown: Vapes Seeing Big Gains in Adult-use Channel

BDSA data show that product share is already shifting in the Missouri market with the addition of adult-use sales. Early indications suggest adult-use category share is shaping up with a decreased share of sales held by Flower. This trend matches that of what we have seen in other emerging adult use markets, such as Arizona, where Flower went from making up a 50% share of dollar sales in January 2021 (the first month of adult-use) to a 39% share in January 2023.

The biggest shift seen in product share in the first months of sales was within the Concentrates category, with Vape sales growing significantly with the addition of adult-use. BDSA Rapid Retail Sales Tracking data show that Vape’s share of total dollar Concentrate sales grew from 71% in January 2023, to 75% in March 2023, with most of this growth coming from increased Vape sales in the adult-use channel.

MO Concentrate Sales by Subcategory



Source: BDSA Rapid Retail Sales Tracking, January–March 2023, Missouri

Brand Dynamics of Missouri Cannabis

Since the launch of medical sales, Missouri’s cannabis market has developed a healthy mix of MSO and homegrown brands. BDSA Retail Sales Tracking data show that most of these brands were approved for adult-use sales in time for the first day of adult use sales (Feb. 3) with 197 brands reported in the medical channel, and 184 of them in the adult-use channel.

Almost all brands in Missouri saw a sizable sales increase in the first two months of sales, and sales have yet to become more consolidated within the top brands. However, as Missouri cultivators and manufacturers catch up with the booming demand in the state, prices are likely to come back down, making the brand landscape in Missouri’s market much more competitive. Once that is the case, brands that are best able to handle supply and the growing scale of the market will be primed for rapid growth.

Judging from the first months of adult-use sales, legal cannabis has a bright future in Missouri. BDSA predicts that adult-use sales will total \$650 million in 2023, pushing total annual sales up to \$958 million. The market is expected to cross the billion-dollar mark in just its second year of adult-use, with total sales predicted to reach \$1.1 billion in 2024, and grow to \$1.4 billion by 2027. But the huge potential of cannabis in the Show Me state should not be seen as easy pickings. With the massive interest in Missouri legal cannabis, the market is likely to grow increasingly competitive as it evolves, meaning that any business looking to win the Missouri cannabis market will need to employ a thoughtful, data-informed approach whether they are a new brand launching their first cannabis venture, or a veteran of the industry looking to expand to this rising Midwest cannabis powerhouse.

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