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Retailing

# Medical marijuana sales reach record low in Colorado

Medical sales have been down all year and this June fell short of the same month's 2019 sales for the first time.



Image: Denver Business Journal

Cannabis products in a customer's bag at Strawberry Fields Cannabis Dispensary on August 5, 2021, in Denver.

SETH MCCONNELL | DENVER BUSINESS JOURNAL

By [Matt Wolfinger](#) – Data reporter, Denver Business Journal  
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Medical marijuana sales in Colorado are the lowest recorded since the state began tracking eight years ago, according to the latest data released by the state Department of Revenue's Marijuana Enforcement Division.

Sales of both medical and recreational cannabis have been down **every single month** this year compared to 2021. This is in sharp contrast to the **state's record-setting spike in cannabis sales** during the first year of the pandemic, when Colorado reported an annual

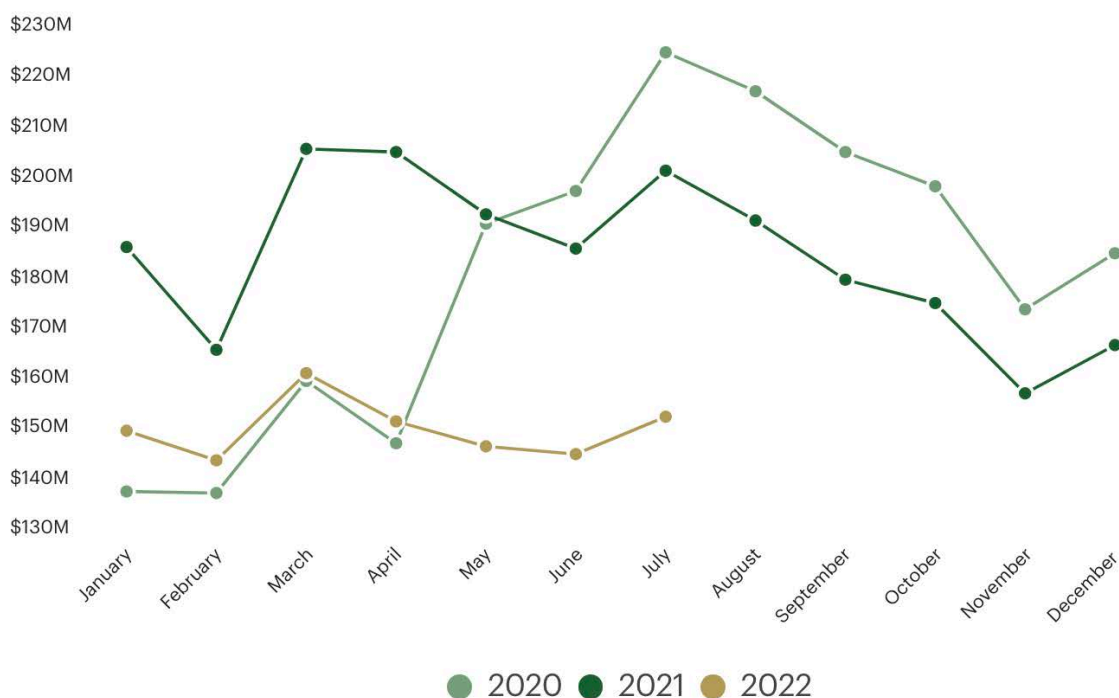
total of \$2.2 billion in 2020. Sales of medical marijuana in June fell short of the same month's sales in 2019 for the first time.

Medical cannabis sales have declined by nearly half in a year, with the state reporting \$18.3 million in medical sales for July 2022 – the lowest sales for a single month on record. That's a 48% drop compared to the \$35 million in sales a year before.

Recreational sales took a lesser but still impactful hit, dropping 19% from \$167.8 million last July to \$135.6 million in July of this year.

## Colorado marijuana sales 2020-22

Total monthly sales made by medical and retail marijuana stores.



Source: Colorado Department of Revenue

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This sharp reduction in sales volume led some dispensary chains to close their doors, including Denver-based Buddy Boy, which shuttered in June. When the federal government started to hand out pandemic disaster relief, cannabis businesses were explicitly barred from receiving that funding. Experts say the struggling retail chains that remained were dealt an additional blow by the recently enacted Colorado House Bill-1317, which lowered the amount of medical marijuana concentrate a patient can purchase per day from 40 to eight grams.

The price of flower per gram collapsed statewide to \$3.85 this June, according to the MED – falling lower than the \$4.04 per gram reported in 2019. Colorado's decrease in pricing was one of many contributors to a nosedive in the state's marijuana excise tax revenue last year. Every corner of the cannabis industry has been bearing the brunt of this shift.

## Root causes

Pinning the blame onto one central cause – high inflation is another contender – for the sustained downturn is tempting, but experts say the explanation is more complex and must factor in a pandemic culture shift.

Cannabis dispensaries were one of the **businesses deemed essential** during the early stages of the pandemic, letting them continue business alongside pharmacies and supermarkets.

“We had open access to cannabis as medicine, throughout the pandemic,” Ricardo Baca, founder and CEO of the cannabis marketing firm Grasslands, told Denver Business Journal. “But we also had access to cannabis as a diversion, as a recreational tool, as an escape.”

Baca explained that pandemic restrictions and lockdowns led to an increase in sales from what he calls the “cannacurious” consumer – someone who has tried other illicit substances, but never marijuana.

“We did see a lot of the ‘cannacurious’ coming out and trying it,” Baca said. “Maybe saying, ‘we don't have plans all weekend, we have to cancel our summer vacation, we have to cancel so much of our life right now. Hey, maybe we should buy some edibles!’”

Marijuana sales in July 2020 shattered records, reaching an all-time high of over \$226 million in a single month. Aside from a few occasional spikes, those numbers have gradually declined over the last few years.

As the world begins to open back up, Baca suggested that the pool of “cannacurious” consumers don’t have as much time on their hands, or interest in a trip to the dispensary.

“I think that the biggest reason that we're seeing down sales numbers is because we saw those record-setting sales numbers, when life was quieter, and when we had fewer social opportunities,” explained Baca. “And that ‘cannacurious’ consumer was finding that experience in their house with cannabis.”

He said that many in the industry are waiting for sales to reach a “new normal” similar to 2019.

But if a decrease in “cannacurious” consumers were the only thing to blame for a downturn in sales, numbers should be returning to pre-pandemic numbers. That hasn’t been the case.

## Multistate trends

The state of Colorado has seen a decrease in cannabis-centered tourism as more neighboring states legalize adult use of the drug. Medical marijuana is legal in 37 states and Washington, D.C., and nineteen of those states, plus D.C., have also legalized recreational use. These shifts in policy and public opinion have been slowly unseating Colorado from its once-indisputable title of cannabis king.

In 2012, Colorado and Washington became the first states to legalize cannabis. Nearly a decade later, they're now two of five states in the region that have legalized recreational marijuana – New Mexico followed suit in April of last year.

"I'm guessing that you'll see the opening of neighboring states," said Baca. "But also the opening of destination markets having a negative impact on overall sales in some of these early adopter markets like Colorado, Washington, or even Oregon."

The ever-growing pool of states with legal marijuana has led multistate operators, or MSOs, to [snap up smaller Colorado-based companies](#) in large numbers. They're not just buying dispensaries, either – they're acquiring everything from flower and edible brands to growing facilities to ensure every part of the process is conducted in-house. These MSOs bring their out-of-state brands into Colorado to pit against the state's native cannabis companies.

Last October, the East Coast-based Curaleaf [acquired Los Sueños Farms](#) – the largest outdoor marijuana growing operation in Colorado.

"That giant facility outdoor farm within one of the few counties where you can actually commercially cultivate outdoors ... it's crazy that they are now under the control of a company based in Massachusetts," said Baca.

Chris Mapson, vice president of marketing for cannabis retailer LivWell, told DBJ by email that the company deems acquisitions the natural next step.

"As with any young industry, consolidation is part of the life cycle," said Mapson. LivWell and Chicago-based PharmaCann merged this year. The vertically integrated cannabis giant will soon own over 50 dispensaries and 10 cultivation facilities throughout eight states nationwide, including Colorado.

Mapson told DBJ that LivWell’s expansive presence throughout the state of Colorado allows customers to “be confident that they will receive the best customer service and quality products they have come to expect from LivWell.”

PharmaCann recently announced its plans to buy all four retail locations owned by The Clinic, a smaller Denver-based chain of dispensaries that have operated for more than a decade. They plan to rebrand those stores to match the seven other LivWell locations already managed in Denver.

The acquisition, if finalized, would make LivWell the largest chain in Colorado with 26 dispensary locations throughout the state, on top of another two in Michigan. In comparison, independently-owned Native Roots – a brand exclusive to the state – owns 20 locations in Colorado.

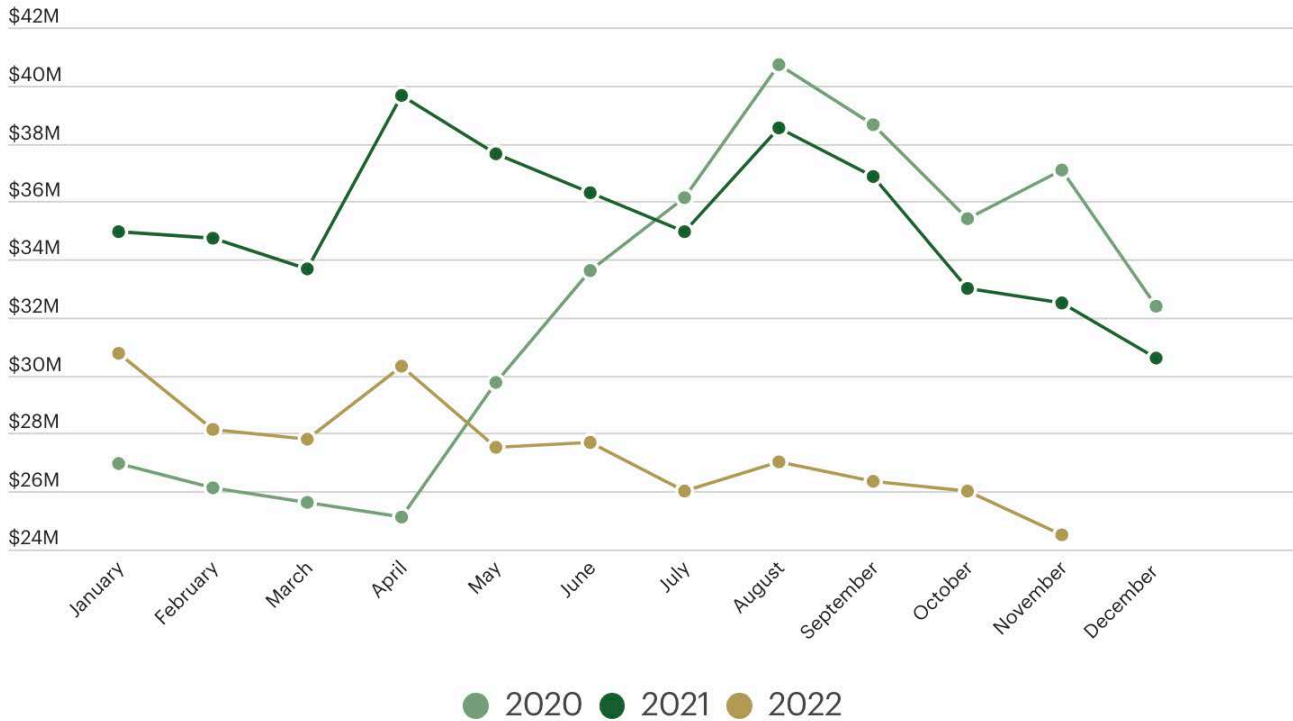
While MSOs are pulling every aspect of the industry under one roof, mom-and-pop brands native to Colorado are struggling to keep up with their immense set of resources. Smaller stores and chains been forced to change tactics, lower prices and introduce new promotions in an effort to turn the heads of consumers.

### **Ripple effects**

The decrease in sales also eats into the state's plans for tax revenue. Even when cannabis sales reach historic highs, the generated tax revenue accounts for a small percentage of the state’s annual budget. Marijuana taxes brought in [over \\$423 million for Colorado in 2021](#) – funding 1.14% of last year’s \$36.5 billion state budget.

# Colorado marijuana tax revenue 2020-22

Total monthly tax revenue from medical and retail marijuana sales.



Source: Colorado Department of Revenue

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Shannon Gray, a marijuana communication specialist with MED, told DBJ that relying solely on tax revenue to fund state-run programs for everything from mental health care to affordable housing wouldn't even come close to footing the bill.

"When you start to spread that tax revenue over to the buckets it's associated with, it's definitely not as much as the public would think it actually is," said Gray. "When you look at the budget, it's definitely put to great use, but it's not enough to completely fix a school system or every road."

This misconception hasn't stopped lawmakers from assuming this revenue stream will be enough to fund these programs year after year. The state could be faced with a **\$95 million shortfall in cannabis tax revenue** if this trend continues, spelling potential disaster for programs already on life support.

Formal data-keeping on retail sales hadn't begun until 2014, when a new cannabis sales tax made it easier to track.

Gray told DBJ that predicting the future of cannabis revenue is difficult when such a narrow frame of data exists – with three years of that data further muddled by a global pandemic.

“I think the pandemic certainly makes the data in that time an outlier,” said Gray. “We actually haven’t even been doing retail sales for a decade yet. Even if we’re the most mature market in the country, we’re still infants in the grand scheme of things.”

**T H E L I S T**

# 2022 Denver-Area Cannabis Companies

Denver-area full-time employees

Rank	Prior Rank	Business name
1	1	Native Roots Cannabis Co.
2	2	Terrapin Care Station
3	3	Pioneer Interests

[View This List](#)