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SMALL BUSINESS

Hard Times for Colorado Weed Industry

Colorado's cannabis entrepreneurs face a perfect storm of problems: too much supply, not enough demand, plunging prices, heightened competition in other states and ...

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By Megan Ulu-Lani Boyanton – The Denver Post (via TNS).

The heyday of marijuana sales in Colorado — back in 2020 when recreational and medical sales topped out at a combined \$226 million — is a distant memory, as the

state's dispensaries struggle through an economic downturn, with sales plummeting and small businesses foundering.

“The market’s just bad. It’s bad right now,” said 29-year-old Val Tonazzi, who works in cannabis sales. “There’s businesses closing, left and right.”

In March, Colorado’s [total medical marijuana sales](#) were about \$17 million — around \$5 million less than last March. Retail marijuana sales racked up to \$122 million, but that’s still a \$17 million drop from March 2022.

It’s an improved outlook from February when medical marijuana sales dipped to their lowest point since retail sales began — around \$15 million. And sales for both recreational and medical weed totaled to over \$139 million, which is the highest it’s climbed to since last October.

But times have changed since the COVID-19 pandemic — [now officially over](#) — which gave the cannabis industry a boost as customers stocked up on edibles and joints to enjoy under lockdown.

Instead, in 2023, Colorado’s cannabis entrepreneurs face a perfect storm of problems: too much supply, not enough demand, plunging prices, heightened competition in other states, the allure of black market weed, a lack of cannabis tourism and more. That’s on top of the shaky economic forecast for the rest of the year, even though [inflation is steadily slowing](#).

In recent years, several of Colorado’s neighbors have legalized [recreational marijuana](#), including New Mexico in 2021, Montana in 2020 and Arizona that same year.

With weed sales plummeting, career opportunities in the industry are growing scarce. Colorado ranked as the No. 2 state for [cannabis job losses](#) in the past year, with more than 10,000 eliminated, according to the Vangst Jobs Report.

As of February, Colorado only occupied the No. 6 spot on the list of America’s top cannabis job markets, with almost 28,000 related positions. It fell behind California, Michigan, Illinois, Florida and Massachusetts.

Earlier this year, marijuana giant [Curaleaf](#) shuttered its operations in Colorado, along with California and Oregon. “We believe these states will represent opportunities in the future, but the current price compression caused by a lack of

meaningful enforcement of the illicit market prevent us from generating an acceptable return on our investments,” CEO Matt Darin said.

Nationwide, the marijuana industry’s [share of real estate acquisitions](#) is taking a hit. Realtors “are seeing a decline in commercial property purchases by marijuana industry-related businesses and a corresponding increase in leasing activity,” the National Association of Realtors reported.

And business owners of smaller chains, like Renée Grossman, find themselves especially at risk. In 2013, she founded [High Q](#): five retail stores in the Colorado mountain towns of Silt, Carbondale, Snowmass Village, Parachute and Cedaredge.

Eventually, she merged the businesses into Hava Companies, and expanded into cultivation and manufacturing in 2020. Now, Grossman is watching the state’s industry grapple with an oversupply, softening demand and lack of capital.

“There’s too many stores, there’s too much cultivation, there’s too many products,” she said in a phone interview. “Right now, all the investors are sitting on the sidelines, and kind of waiting to time the bottom — and nobody knows exactly when that’s going to happen.”

As she and other entrepreneurs have tried to weather the storm, Grossman was forced to move forward with a significant round of layoffs last year. She said other businesses in “cash crunches” can’t pay their bills.

“Most companies I know are losing money, or they’ve shut down and scaled back,” she said. “A lot of companies that are my size or smaller are really feeling the burn.”

Grossman anticipates that mergers may eventually need to take place, “so we can compete more effectively with the larger chains.”

Big marijuana brands

Even some of the big players in Colorado’s cannabis industry aren’t immune to the changing tides.

As Americans brace for a potential recession this year, “the general public is pinching pennies, and we’ve seen it firsthand,” said Buck Dutton, vice president of marketing at Native Roots Cannabis Company.

For example, performance in April — a traditionally strong month for cannabis, according to Dutton — fell flat.

As Colorado contends with new legal markets in other states, “people don’t see the need to travel here to spend their 4/20 with us,” he said. “The only expectation that it lived up to is that we thought it was going to be bad.”

At Native Roots, he described the average basket order as down, with customers buying fewer products and visiting less often.

Not only is the company operating in a decline, but the state is as well, Dutton said. That’s leading them both to rightsize, particularly due to Colorado’s once “oversaturated” market.

Meanwhile, edibles company Wana Brands is running business as usual, with expansions set in new states and no layoffs, said chief marketing officer Joe Hodas. He largely attributes that to the company never taking on debt or outside investment.

But the broader Colorado market is facing problems right now because it’s competing within three separate industries, Hodas said. The first is the regulated marijuana industry and its issue of price compression, while the second is the black market, which doesn’t tax consumers.

Finally, there’s the gray market, which consists of hemp products, along with Delta-8 and Delta-9 products — unregulated, hemp-derived cannabinoids.

A [measure](#) heading to the governor’s desk would empower the regulation of intoxicating hemp-derived products in the Colorado market, with Chuck Smith of cannabis business alliance Colorado Leads calling it a “major policy issue that many states will be grappling with for years to come.”

Hodas acknowledged the bill as “a good step in the right direction, but we’re still competing with Delta-8 and Delta-9 products.”

“Colorado is the ghost of Christmas future”

In Denver, Excise and Licenses Executive Director Molly Duplechian pointed to another potential problem.

The agency, which regulates Colorado’s largest cannabis market in terms of stores, is “working hard to educate the industry on the importance of our safe storage rules for product and cash to be in a locked safe overnight to reduce opportunities for burglaries, which can be especially devastating to smaller operators.”

The city is home to [319 stores](#), as of Wednesday.

For Truman Bradley, executive director of the Marijuana Industry Group, “Colorado is the ghost of Christmas future.”

When cannabis is first legalized in a state, it starts with a boom, with demand initially outweighing supply, he said in a phone interview. As the market matures, then equilibrium is reached.

But unlike other industries, cannabis businesses can’t find more customers for their products by selling across state lines. “The only way that we can survive is to get leaner,” with some of them ultimately shuttering for good, Bradley said.

In a message to Colorado legislators, Bradley said, “It’s critical that lawmakers understand that decade No. 2 of legalization needs to look fundamentally different from decade No. 1.”

On the federal level, nationwide legalization could remedy some of these challenges by easing hefty tax burdens, he added.

Bradley sees a bright spot for the industry: the consumers. And some of them aren’t immediately jarred by the trouble facing the marijuana industry.

“I just know weed is cheap right now — like, really cheap,” said 23-year-old Caroline Smith, whose favorite dispensary is Golden Meds. Even with the unpredictability of the economy, “I’d buy it either way.”

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