

Dispatch from Mecca (of THC Drinks)

Key learnings from the first-ever Hemp Beverage Alliance Conference



IAN DOMINGUEZ AND ADAM DAWSON

JUN 15, 2024 · PAID



Share

...

Two essential conferences took place in Minneapolis in early June: one was focused on THC beverages and the other was designed for cannabis regulators. Below are our takeaways from the inaugural [Hemp Beverage Alliance Conference](#). We'll be back soon with learnings from cannabis regulators.

Minnesota Regulators: Primarily concerned with high-potency edibles (>50mg/dose) and the accuracy of COAs. New regulations align with alcohol standards.

- Significant issues with high-potency edibles, particularly those sourced from out of state. Smoke shops and convenience stores also pose issues (~25% of currently registered hemp retailer active door count)
- Beverages are less problematic, though high-dosage products still cause adverse impacts and emergency room visits
- Liquor stores + hemp dispensaries = ~25% of registered hemp active door count, and very likely punching above their weight in terms of volume share
- Concern about the accuracy and freshness of Certificates of Analysis (COAs)
- The state's new Office of Cannabis Management (OCM) will continue to regulate hemp-derived products and expand to adult-use dispensaries
- Regulations are aligning with those for alcohol, with strict standards for serving and intoxication. Good news is one is now able to serve 5mg at same location as where alcohol is served. Bad news is you'll need a liquor license to be able to serve cannabis beverages for the foreseeable future

Hemp Beverage Distributors: Challenges with COA compliance, varying payment terms, exit clauses, and in-market support.

- Distributors must ensure that COAs match batches to comply with regulations, though this can be challenging, especially for low-dose products (10% testing threshold is more difficult for brands to hit with lower total mg count)
- Payment terms vary, with some beer distributors using cash on delivery (COD) and others using net 30 terms
- Exit clauses in contracts are contentious, with varying buyout values as a % of gross profit
- Marketing efforts are typically split evenly between distributors and suppliers

Retailer Panel: Retailers focus on quality, distinct labeling, and sampling to boost sales. Hemp beverages bring incremental customers and significant sales.

- Retailers emphasize product quality and price, with distinct labeling for dosed products
- Comarketing plans are popular: in-store posters, displays, paid ads
- Internal product tasting and heavy sampling are critical for customer engagement, leading to very high conversion rates
- Retailers face issues with COAs, batch number matching, and compliance. Retailers are in many ways “on the hook” for any issues
- Alcohol product overlap: craft beer (which itself is popular in Minneapolis), white wine, seltzers. “Suburban customer, slightly older and slightly affluent”
- Incremental customers come from those who never buy alcohol. Also see some overlap with smoke shop crowd (and not uncommon to see \$250 baskets)

Retailer Transaction Metrics: Hemp beverage prices vary; multi-packs are popular.

- Liquor stores seeing 10% of sales on average for the category, up to 15%-20% for outliers
- Hemp beverage prices vary by dosage, with higher prices for higher dosages
- Wide variation in performance between multi-packs and single cans

- Craft beer drinkers often convert to buying hemp beverages, contributing significantly to store sales. At the same time, seltzers are a popular alternative to alcoholic beverages

On-Premise Consumption: There's strong demand for draft THC beverages. On-premise sales require education and face payment processing challenges.

- There's significant demand for draft options and adding THC to various drinks. Also common to sell units for consumption at home
- Operator preference is to skew to lower-dose formats in this channel
- Education is crucial for on-premise sales, including safe serving, tax obligations, and COA/batch codes
- Insurance is a major hurdle, especially if dealing with "2am crowd." Policies with cannabis coverage are limited and expensive, deterring large chains like Applebee's from carrying THC products. Smaller establishments are less affected due to lower litigation risk
- Payment processing is challenging, with many systems not permitting THC beverage transactions. Retailers like Top 10 and Total Wine handle these challenges but still require more effort

Midwest States: Midwest states vary in hemp beverage regulations, with Illinois revisiting standards in 2025, Missouri maintaining the status quo, and Iowa imposing strict limitations. Retailers are cautious about high-potency products.

- Illinois has a 10mg THC exemption per serving, but this will be revisited in 2025 for comprehensive packaging and labeling standards
- Missouri will likely maintain its current status quo, which is favorable. Wisconsin is heating up. Iowa has strict limitations on hemp beverages, threatening confiscation and imprisonment for non-compliance
- Midwest retailers are dominated by big-box stores, which are especially hesitant to engage with high-potency products due to significant regulatory concerns



1 Like

Discussion about this post

[Comments](#)[Restacks](#)

Write a comment...

© 2024 Ian Dominguez · [Privacy](#) · [Terms](#) · [Collection notice](#)
[Substack](#) is the home for great culture