Eyes on the prize, part III: The half-trillion US cannabis economy

Roughly equivalent to the entire GDP of Thailand

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In Part II of this series, we left you with a **$124bn estimate for total U.S. dispensary revenue *without federal legalization***. This figure assumes dispensaries reach an equivalent store density to liquor stores – one location for every 7,400 people [1]. And remember: that $124bn ignores upside from pharmacy, grocery, convenience, and on-premise sales.

> *Eyes on the prize, part III TL;DR* We see a clear path to a **half-trillion US cannabis economy, and there's easy upside to this estimate** if you think federal legalization will open up grocery, convenience, and on-premise sales channels.

In this Part III, we use U.S. Census Retail Sales data and an economic multiplier [2] to estimate the total GDP of legal cannabis today, and in a future that includes pharmacy retail.

Let's start with today: Given $26bn of legal sales in 2022, what's the total economic impact of those retail sales, and the 417,000 people working in the industry?

We need an economic multiplier for cannabis, and our friends at Whitney Economics provided us with their latest estimate: 2.8x [3]. Applying that multiple to $26bn of legal sales gives us a **total *legal* cannabis economy of $73bn in 2022** [4].

Applying that same 2.8x multiple to our $124bn estimate of U.S. cannabis sales *without federal legalization* suggests **$347bn of economic value** [5] **assuming each state legalizes** (**but sans federal legalization**) when dispensaries become as common as liquor stores.

What could federal legalization unlock?

Pharmaceutical sales are an obvious missing piece of today's legal market. According to 2021 U.S Census data (the most recent data available as of publication), pharmacy sales represent 37% of sales for all food and beverage outlets. That proportion has been consistent for the last 15 years and suggests the opportunity for cannabis pharmaceutical retail sales could be $46bn [6].

Adding $46bn of pharma sales to the $124bn dispensary retail opportunity yields a $170bn combined revenue opportunity. **Applying the 2.8x multiplier suggests a total economic impact of $476bn [7] when we include the pharma retail sales that we'd expect with federal legalization.**

But wait… there's more!

We're still missing the potential contribution from grocery, convenience, and on-premise sales. [8] **If cannabis sales across these channels come to mirror that of the alcohol industry, we could expect our $124bn "liquor store equivalent" estimate to *quadruple***!

The below chart suggests that in 2022, **for every dollar that the US consumer spent on alcohol in the liquor store channel, they spent ~$4 on alcohol away from the liquor store channel**. The chart also clearly shows the dip in "away from home" alcohol consumption that happened during COVID.

Source: US Census

What's next

In the final chapter of this series, we'll explore what a $476bn cannabis economy means for CannaTech.

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1 One store for every 7,400 people implies a store density of 45,000 stores and 146mm shoppers.

2 An easy way to think about this is that a dollar of sales at retail doesn't account for the total economic impact of that dollar spent. This is called an economic multiplier.

3 We like that Whitney's 2.8x multiplier looks more conservative vs. MjBizDaily's 2022 Marijuana Business Factbook multiplier of 3.5x

4 For those keeping score at home, a $73bn 2022 US legal cannabis economy is roughly equivalent to the GDP of Uruguay.

5 To continue with the country GDP comps, a $347bn "all states, no federal" US cannabis economy would be the same size as the GDP of Colombia.

6 $124bn * 37% = $46bn

7 Slightly less than the GDP of Thailand.

8 This entire series will continue to ignore the upside from grocery, convenience, and "on-premise" (bar and restaurant) sales. Not because we don't believe in the opportunity, but because it becomes increasingly difficult to estimate economic impact when cannabis is as ubiquitous as alcohol. We welcome the day this is true.

A guest post by

Adam Dawson

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