WHAT YOU NEED TO KNOW

about the 2017 Colorado Marijuana Market Size and Demand Study

This report uses state data to provide an updated view and assessment of Colorado's marijuana market and improves upon the original 2014 market study methods. It is part of the state's continuous efforts to monitor a comprehensive marijuana regulatory framework, specifically as it relates to implementation of a responsible production management model as directed by statute. In addition, MED provides this information to improve market transparency and to inform decision makers about the status of Colorado's marketplace.

In first-of-its-kind methodology, the study authors developed a measure called "flower equivalent," which allows for a proper comparison of supply, demand, potency and pricing across different product types such as flower, edibles and concentrates.

In 2017, regulated cultivators in Colorado harvested and packaged 340.7 metric tons of flower equivalent. Figures comprised in this number include 301.7 metric tons of demand represented by actual sales to consumers, 34 metric tons represents inventory on the shelf and six metric tons of residual marijuana.

*It's important to understand the difference between **actual demand** (reflected through sales to the consumer) and **consumption estimate** (determined through survey responses, demographics and pre-existing literature). Consumption estimate may not account for at-home inventory, may underestimate visitor consumption, may not fully account for rising market share of edibles in addition to legally purchased marijuana illegally crossing state lines.

KEY FINDINGS

Meeting Resident and Visitor Demand

Colorado's regulated marijuana market is meeting resident and visitor demand. Actual demand* is 301.7 metric tons, while consumption estimate* is 208.1 metric tons.

Competitive Market

Colorado remains a highly competitive marketplace for businesses. The team found that the largest 10 operators accounted for 23.1% of total market sales in 2017.

Market Share

The market share for marijuana flower has declined while demand for non-flower products (such as edibles and concentrates) continues to take a greater share of overall marijuana sales.

Improved Licensee Compliance

Residual marijuana has significantly decreased over the last three years, which suggests improved licensee compliance.

Production Management

Marijuana cultivators aren't utilizing the maximum authorized plant count allocations. The state's flexible regulatory framework allows the state to effectively monitor production management to prevent oversupply.

Changes in Price

Prices are highest in regions with a limited number of adult-use marijuana stores, which suggests competition is a more important factor for regional pricing than tourist demand. Overall, price for flower has declined slowly, while price of a standard serving of THC measurement unique to this study has declined more rapidly.

This study was commissioned by the Department of Revenue (DOR) and its Marijuana Enforcement Devisions (MED). MED signed an Inter-Agency Agreement with the Business Research Division of CU Boulder that then engaged a subcontractor, Marijuana Policy Group, to assist with the project. As a part of the unique agreement, the study authors accessed METRC data directly as their data source.

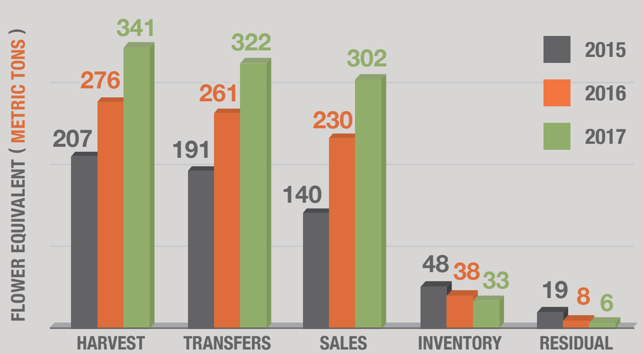
PREPARED FOR THE COLORADO DEPARTMENT OF REVENUE

KEY FINDINGS AT A GLANCE

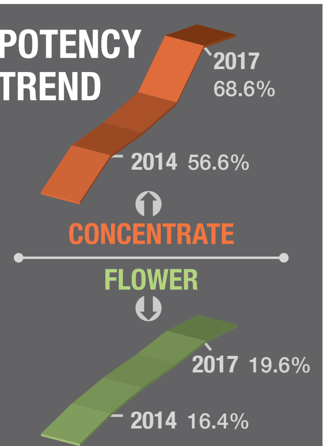
2017 Colorado Marijuana Market Size and Demand Study

REGULATED MARKET IS MEETING resident and visitor **DEMAND.**

PRODUCT FLOW COMPARISON



POTENCY TREND

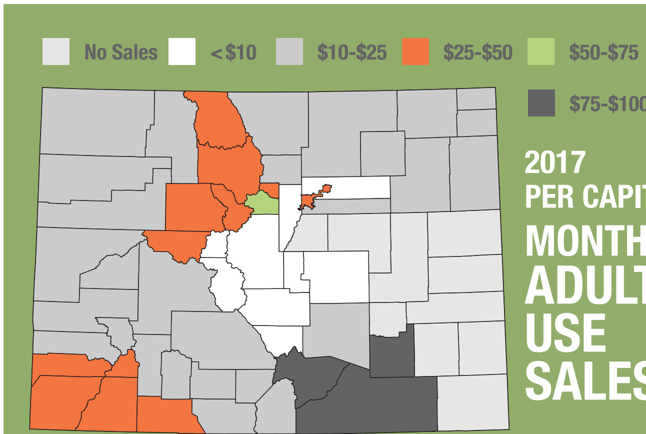


2017 MARIJUANA DEMAND BASED ON SALES

Flower Equivalent

301.7 Metric Tons

PRODUCT	%
Flower	61.8%
Concentrate	27.3%
Trim	5.7%
Infused Edibles	4.9%
Infused Nonedibles	.3%
TOTAL	100%



2017 PER CAPITA MONTHLY ADULT USE SALES

TOP 10 OPERATORS

23.1% OF TOTAL MARKET

HIGHLY COMPETITIVE MARKET

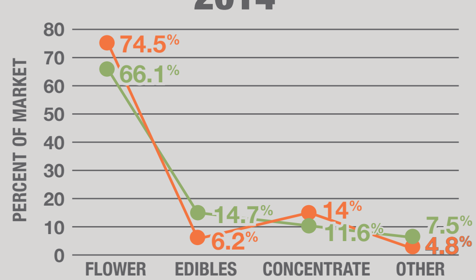
2017 TOTAL PLANT NUMBERS

MEDICAL	322,819	58% Utilization
ADULT USE	675,005	34% Utilization

PRODUCT TYPE MARKET SHARE COMPARISON

Medical
Adult Use

2014



2017