



# Annual Review & Outlook 2017-2018 Edition



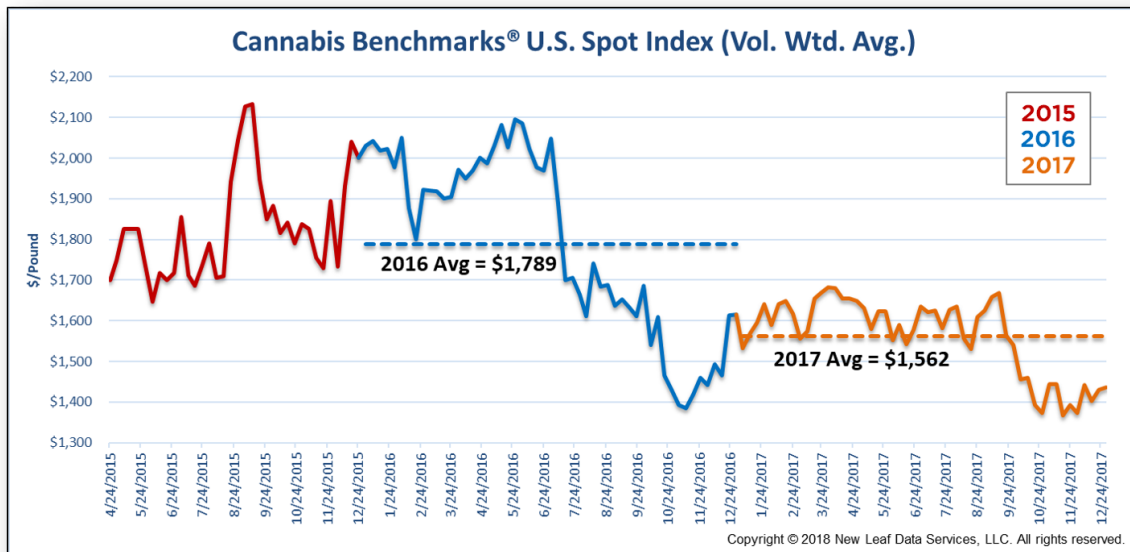
[www.cannabisbenchmarks.com](http://www.cannabisbenchmarks.com)



<b><u>Table of Contents</u></b>	<b><u>Page</u></b>
<b>1. Introduction.....</b>	<b>4</b>
<b>2. Overview &amp; Analysis of U.S. Wholesale Cannabis Prices.....</b>	<b>6</b>
2.1. <i>Cannabis Benchmarks U.S. Spot Index Performance &amp; Highlights</i>	
2.2. <i>National Supply Mix &amp; Deal Size Overview</i>	
2.3. <i>Volume Discount Curve</i>	
2.4. <i>2017 Transactions Analyzed by Grow Type and Price Range</i>	
2.5. <i>U.S. Wholesale Market Size</i>	
<b>3. Trends that Defined 2017.....</b>	<b>28</b>
3.1. <i>Seasonal Forces Disrupt a Year Distinguished by Mostly Stable Prices</i>	
3.2. <i>Downward Trend in Wholesale Cannabis Prices Continues</i>	
3.3. <i>Expanding Production and Maturing Markets Drive Historic Lows in Colorado and Washington</i>	
3.4. <i>Conditions for a Buyer's Market</i>	
<b>4. State Market Highlights, Analysis &amp; Outlook.....</b>	<b>46</b>
4.1. <i>California</i>	
4.2. <i>Colorado</i>	
4.3. <i>Oregon</i>	
4.4. <i>Washington</i>	
4.5. <i>Nevada</i>	
4.6. <i>Michigan</i>	
4.7. <i>Arizona</i>	
<b>5. The Evolution of Cannabis as a Commodity.....</b>	<b>91</b>
5.1. <i>The Continuing Maturation of The U.S. Cannabis Market</i>	
5.2. <i>Volatility as a Measure of Uncertainty</i>	
5.3. <i>Implied Forward Curve</i>	
5.4. <i>Evolution of Quality Grading and Contracting</i>	
<b>6. What Else to Watch for in 2018.....</b>	<b>108</b>
6.1. <i>New Markets</i>	
6.2. <i>Implications of the Current Federal Disposition</i>	
6.3. <i>Taxation Considerations in Wholesale Markets with High Volatility and Declining Prices</i>	
<b>7. Assessment Methodology.....</b>	<b>118</b>



## Preview

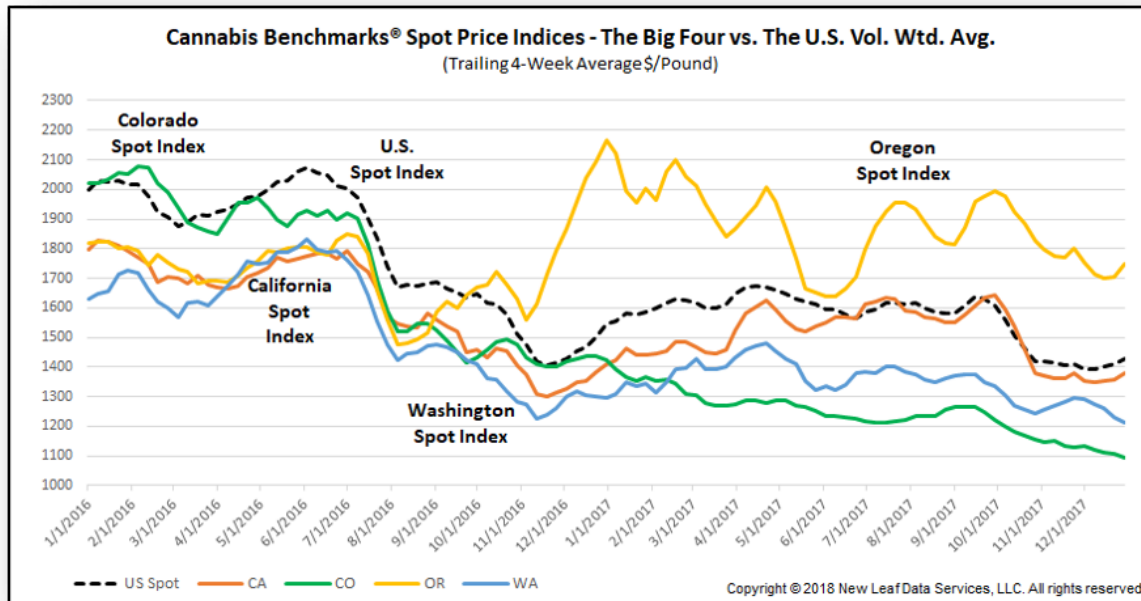


- The U.S. Cannabis Spot Index averaged \$1,562 per pound in 2017, a decline of 13% from the average of \$1,789 per pound in 2016
  - 2016 U.S. Spot Index average = \$1,789
  - 2017 U.S. Spot Index average = \$1,562
- The U.S. Cannabis Spot Index declined 6% in 2017 vs. a decline of 20% in 2016
  - The Index opened 2016 at \$2,030 and closed at \$1,615, down 20%
  - The Index opened 2017 at \$1,532 and closed at \$1,436, down 6%
- The seasonal impact of the fall harvest remains undeniable, driving prices to their annual low in November the last two years
  - 2016 low was \$1,386 on November 11th
  - 2017 low was \$1,368 on November 17th
- The volume of wholesale flower sold in the U.S. cannabis market grew 22% in 2017
  - Estimated 3.0 million pounds in 2016
  - Estimated 3.7 million pounds in 2017
- The U.S. wholesale market for cannabis flower was \$5.7 billion in 2017
  - 77% the size of the U.S. wholesale wheat market of \$7.4 billion



# CANNABIS BENCHMARKS®

Annual Review & Outlook: 2017-2018 Edition



## California

The fall harvest price decline in California was of an equal proportion to the ascent that took place in the first half of the year, and occurred over the span of only six weeks, rather than six months. Overwhelming any upward pressure on wholesale prices was a bumper crop, with reports from Emerald Triangle growers that 2017 was the most favorable harvest season in years.

## Colorado

Colorado's oversupply situation has reached a point that flower is abundant enough that grow type and signifiers of quality - or any other evaluation criteria employed to gauge differences in value - have become almost moot. While some have argued that cannabis is too varied to become commoditized, data from Colorado's wholesale market refutes such assertions.

## Oregon

The combination of a lack of overall limits on production, the relative absence of vertical integration, a very favorable cannabis farming season in a state familiar with outdoor growing, and generally increased know-how regarding commercial-scale cultivation resulted in the generation of supply sufficient to overwhelm demand in Oregon, causing a steep drop in wholesale prices less than 18 months after the beginning of adult-use sales.

## Washington

The closing weeks of 2017 and the early ones of 2018 have seen Washington State's Spot Index - as well as the volume-weighted average rates for individual grow types - repeatedly establish new records for historically low prices not seen before in any state market.