2023 Business License Activity Review:

The Cannabis Market Retrenches, Reassesses & Redeploys

Brett Goetschius, Editorial Director

Cannabis-related business licensing in the United States and Canada plateaued in 2023 after six years of torrid growth, marking the beginning of an industry-wide reckoning as licensed cannabis businesses struggled to optimize their operations amid falling product pricing, penalizing tax policies, and a Balkanized marketplace that has thwarted economies of scale.

While several newly liberalized states provided pockets of growth as they stood up their adult-use cannabis programs, by and large the trends among the more mature markets with three or more years of licensed commercial sales were those of retrenchment, reassessment and redeployment: of operations, of market strategy, and of capital.

CRB Monitor tracks cannabis-related business licensing activity by federal, state, provincial and territorial authorities in the United States and Canada, comprising more than 64,400 businesses active, pending or in application to operate cannabis-touching shops and facilities in 46 jurisdictions across North America. This report looks at the changes in the number, type and location of cannabis licensees operating in these jurisdictions during 2023.

2023 Highlights

- Total active business licenses in the US witnessed a -4% decline in 2023, continuing a downward trend that commenced in the first quarter.
- Approved and pending licenses surged by 23% over the year but retreated by -8% in the fourth quarter.
- Pre-licensing activity peaked at 8,896 applications in the first quarter, plummeting by -40% in the latter half of the year.

Canada

- Canada's cannabis licensing landscape remained stable, with minimal fluctuations reflecting market maturity.
- Active business licenses increased by 2% to 6,860, while pre-licensing applications dropped by -13%.

US aggregate business licenses

Total active cannabis business licenses across all U.S. markets fell -4% for the year, continuing a decline that began in the first quarter, when active licenses declined -1%, followed by a -2% decline in the third quarter, and a -3% decline in the fourth quarter. Total active business licenses peaked in the fourth quarter of 2022 at 44,323, and ended the year at 42,393.

New cannabis businesses with license applications that have been approved but have yet to commence operations are grouped under the status "approved/pending." U.S. licensing authorities increased the total approved/pending licenses 23% for the year to 4,746, but that total fell -8% in the fourth quarter after peaking in the third quarter at 5,160 licenses.

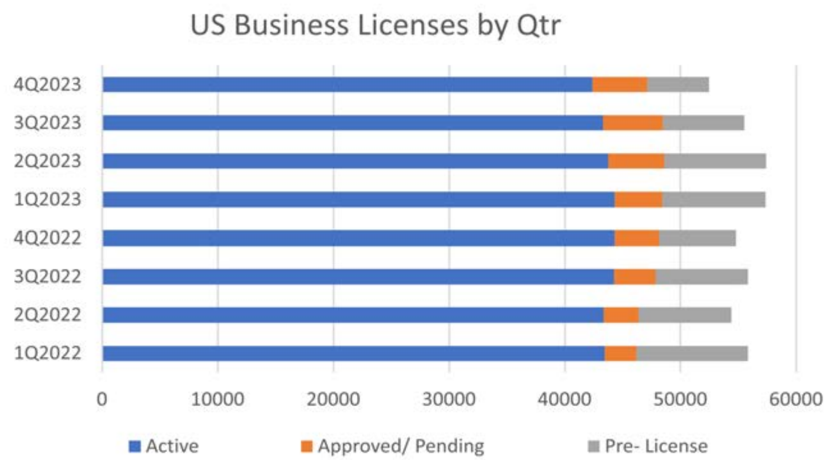
By contrast, total U.S. "pre-licensing" activity, defined as license applications pending approval, peaked at 8,896 in the first quarter, then declined precipitously, falling -40% in the second half of the year and notching a -20% year-over-year decline to 5,308 at year end. The decline in pre-licensed applications accelerated in the fourth quarter, dropping -25% in the final three months of the year.

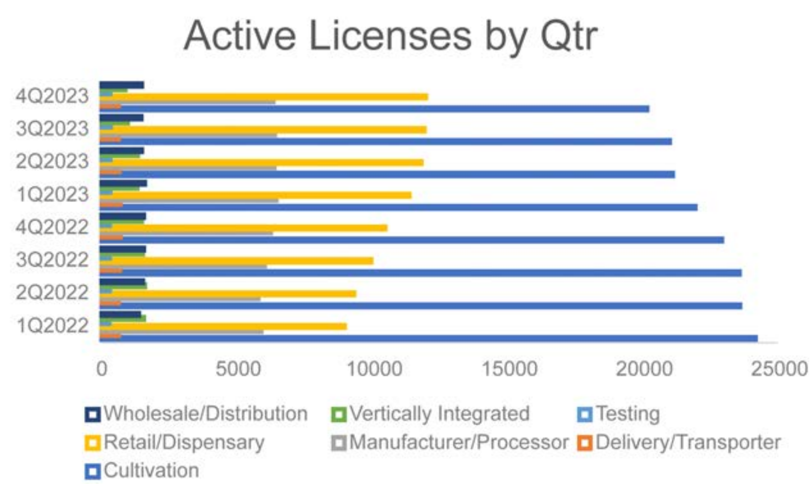
US license type trends

Of the major U.S. license types, cultivation and retail/dispensary licenses are far and away the most numerous. There were 20,177 active cultivation licenses and 12,004 active retail/dispensary licenses at year end, representing a -12% drop in cultivation licensing and a 14% increase in retail/dispensary licenses from year-end 2022. Manufacturer/processor licenses made up the third largest license type, with over 6,300 active licenses, followed by wholesale/distribution licenses, with 1,477, representing a 1% increase and -4% drop year-over-year, respectively.

But the sharpest change in active license types came among vertically integrated operators. Vertically integrated licenses experienced a -42% decline in the past 12 months, falling from over 1,500 active licenses in January 2023 to 875 at the end of the year. The decline in licensing tracked closely to the withdrawal of large multi-state operators from major maturing adult-use markets in California, Washington, Massachusetts and Colorado, in the face of increased competition and chronic poor performance.

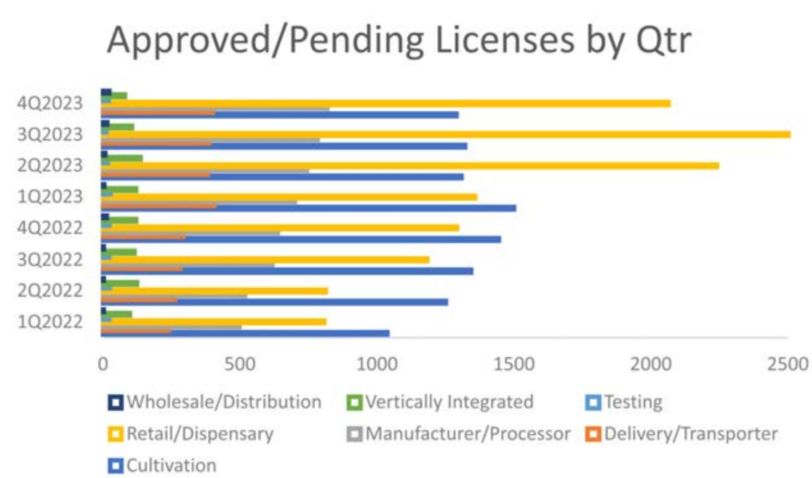
2023 marked the second consecutive year that vertical operator licensing declined, following a -12% drop in 2022 that continued into the first two quarters of 2023 and accelerated dramatically in the last half of the year, when active licenses fell -35%.





New licensing: the pipeline

Cannabis business license applications which have been approved but have yet to become operational are grouped by CRB Monitor under the category of "approved/pending" status, and reflect the near-term pipeline of new cannabis business operations poised to enter the regulated market. While no guarantee that these new operations will commence, they can be a leading indicator of sentiment and future growth in the market, as the investment of resources required to prepare, submit and successfully obtain a cannabis license suggests a level of commitment that can be used as a proxy for future business activity.



Nationwide, approved/pending license counts were mixed for the year but generally flat to lower in the final months, suggesting continuing weakness and uncertainty among operators eying market entries and expansion.

The two largest major license types, cultivation and retail dispensaries, ended 2023 with 1,290 and 2,064 approved/pending licenses respectively. That represented an -11% drop and 60% increase in approved and pending applications, respectively, as high-density urbanized states in the northeastern U.S. opened their adult-use markets while relying on their existing medical cannabis supply chain to serve the market in the short term.

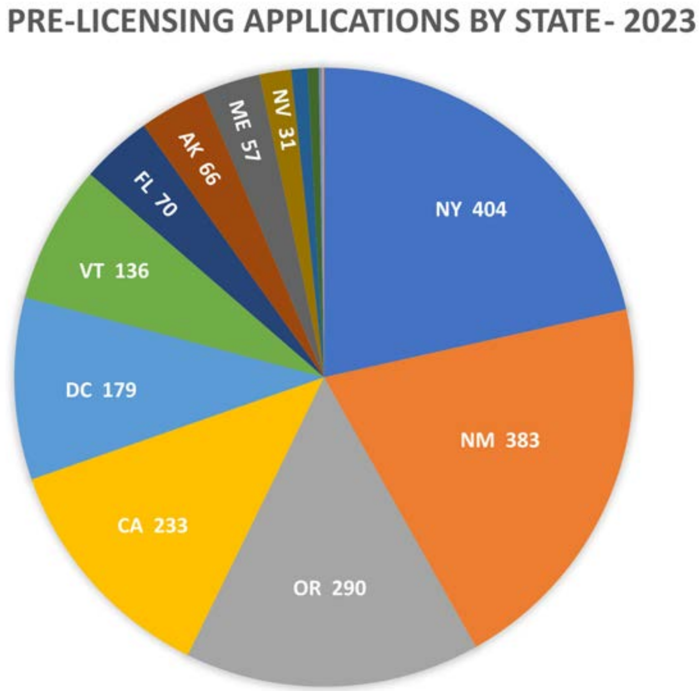
Manufacturer/processors, delivery/transporters and wholesale/distributors also saw significant increases in approved/pending licensing, albeit off smaller baseline totals. Pending delivery/transporter licenses increased 37%, manufacturer licenses increased 29%, and wholesale distribution licenses rose 64% for the year.

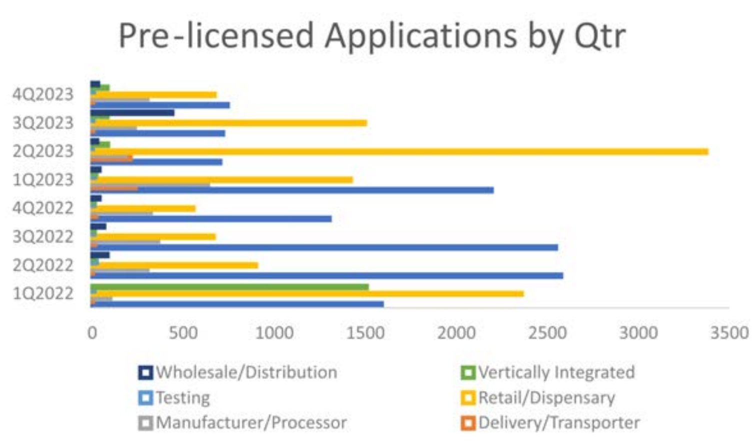
Once again, vertically integrated operator licenses fell dramatically, with the number of approved/pending licenses of this type declining -34% for the year and -42% in the last half of 2023 alone.

New applications volatile

Applications for new cannabis business licenses that have yet to be approved are classified as having a "pre-licensing" status at CRB Monitor. While the proportion of these applicants that may succeed in gaining approval, much less opening a cannabis business, is unknown, pre-licensing data nonetheless serves as an indicator of interest in entering or expanding commercial activities in a given market.

Overall, license applications in the pre-approval stage were quite volatile throughout the year, echoing the conflicting market forces of new opportunities in liberalizing jurisdictions such as New York, Maryland and Ohio, amid an industry-wide lack of capital and poor performance in more mature markets.

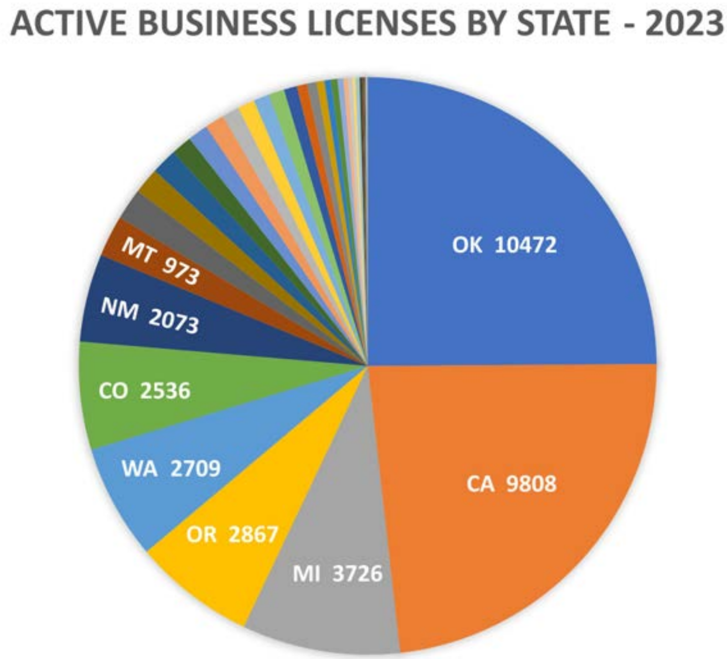




Cultivation and retail/dispensary licenses dominated the category as usual, but showed dramatic declines from 2022 levels. Cultivation licenses in application fell -43% for the year, with nearly all of the decline coming in the first half of the year.

Retail/dispensary license applications rose 21% for the full year, but declined -80% in the last half of 2023, and -55% in the fourth quarter alone, when total licenses in application (pre-license status) dropped to just 672 nationwide. Underlining the volatility in the pre-licensing phase, vertically-integrated license applications rose by over 500% as large operators vied for entry points in Florida's much-anticipated opening of its vertically integrated medical market to adult-use.

State licensing activity



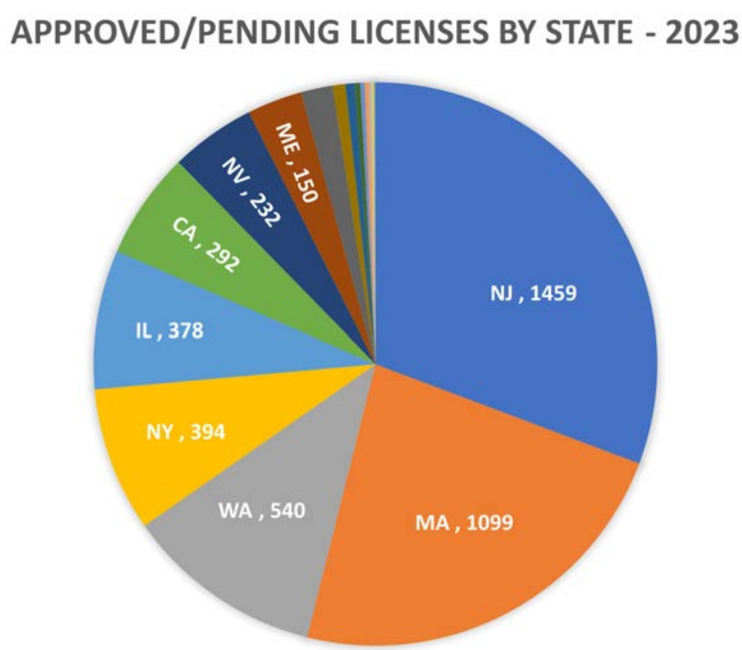
Once again, Oklahoma led the country in the number of cannabis business licenses, ending the year with 10,472 active licenses, ahead of California's 9,808 and Michigan's 3,726. The Sooner State's outsized number of licenses — which are limited to medical cannabis — remained higher than the country's largest and most established medical and adult-use market despite a year-long moratorium on new licensing and a crackdown on non-compliant operators that resulted in a -15% drop in active licenses from year-end 2022. Much of that drop came in the second half of the year, when active licenses fell -12%.

While Oklahoma slammed on the brakes of its wide-open medical market, California succumbed to a general market downturn after years of consecutive quarterly growth. Active license counts in the Golden State peaked in the first quarter and fell every quarter after, closing the year down -19% from end of year 2022.

Michigan, the nation's third largest licensed market, bucked the downward trends in Oklahoma and California, posting a 17% increase in active licenses at year end, with a total of 3,726. Nearly all of the state's growth in license count came in the second half of the year, when active licenses rose 15%.

Other states with notable changes in active license counts included adult-use pioneer Colorado, where license counts fell -13% year over year, and New Mexico, which rose 41% as that state accelerated the rollout of its adult market and approved over 2,000 licenses.

Northeast - NY, NJ, CT and MA



Recently expanded adult-use states in the Northeast racked up exponential growth as they entered their post-opening phase of retail and supply chain build-out. Active business licenses in New York grew 895% in 2023, from a near standing-start launch of its adult-use market, to bring nearly 400 active licensees into the market by year's end. Nonetheless, the most populous state in the region still lagged the least populated, Vermont, in active licensees at year end by more than 30%.

New Jersey's business licensing likewise more than quadrupled during the year, increasing 314% for the year. Connecticut, the most recent Tri-state adult-use market to open, expanded its business licensing 96% to 137 active licensees by year end amid broad concerns about the slow pace of market buildout in the Nutmeg State.

Despite the early surge of licensing at the opening of adult-use market in New York and Connecticut, both states quickly plateaued and new licensing stalled in the latter half of the year. New active licenses in both states increased a mere 5% in the second half of 2024 after torrid growth in the first half, as each state's license authority struggled with social equity program rollouts that were either undercapitalized, legally challenged, or both.

By contrast, New Jersey's adult-use licensing appeared to hit its stride in the second half, increasing its business license count 133% to 182 active licensees at year end. Massachusetts, an early-mover market which has been beset by oversupply, price compression, a stumbling social equity program and chaos within its regulatory leadership, was the upside surprise of the region, posting a 23% increase in active licenses in 2023, to 744.

Of the remaining states with more than 200 permitted business licensees at year end, Missouri, Pennsylvania, Ohio and Maine all added 25% or more new active licensees in 2023. Missouri logged the greatest number of active licenses of the four, increasing its licensed market by 30% to 459 at year end, while Pennsylvania more than tripled its licensing to 227 licensees in its medical-only program, as the Keystone State moved ever closer to adopting an adult-use licensing scheme.

Highlights

- Northeastern states experienced exponential growth in licensing, notably in New York and New Jersey.
- While 22 states recorded increased licensing, California, Oklahoma, and Colorado faced significant declines.
- Nevada and Illinois, with differing regulatory approaches, also witnessed double-digit declines.
- Washington and New York recorded notable increases, while Maine experienced a significant decline.
- New Jersey and Massachusetts led in approved/pending licenses, driven by regulatory transitions and backlogs.

Mature markets rationalize

Considered together, 22 of 43 regulated state markets logged higher totals of active cannabis business licenses in 2023, with a median increase of 41%. Of the rest, 12 experienced declines in licensing, with a median drop of -12% year over year.

Several large, early-mover states saw some of the sharpest declines in active licensing in both absolute and relative terms. California lost 2,261 active licensees in 2023, a -19% annual decline in the nation's largest cannabis market. Oklahoma and Colorado also experienced sharp declines of -15% and -13%, representing a decline of 1,830 and 375 licenses, respectively.

Nevada and Illinois, two promising sophomore adult-use markets representing diametrically different approaches to market opening, each suffered double-digit declines in cannabis business licensing 2023.

Active licenses fell -18% in Illinois, in the second year of a highly-regulated, supply-restricted and policy-laden rollout, shedding 81 licenses over the past 12 months. The year ended with just 104 active licensees in the state of 12.5 million, or one per every 120,000 residents.

Nevada, despite its more laissez-faire opening five years ago, including unrestricted licensing and relaxed consumption rules aimed at its large tourist industry, saw a similarly sharp -15% drop in license totals to 614 active permits at year end.

Application pipelines by state

New Jersey and Massachusetts led the country in the number of approved/pending licenses outstanding at the end of the year, with 1,459 and 1,099 respectively. That represented a 120% increase over the 2022 for New Jersey, while Massachusetts was unchanged from the previous year. The increase in New Jersey came as the state processed a backlog of over 2,000 license applications dating back to 2021, when it began its transition from a medical-only market to full adult-use.

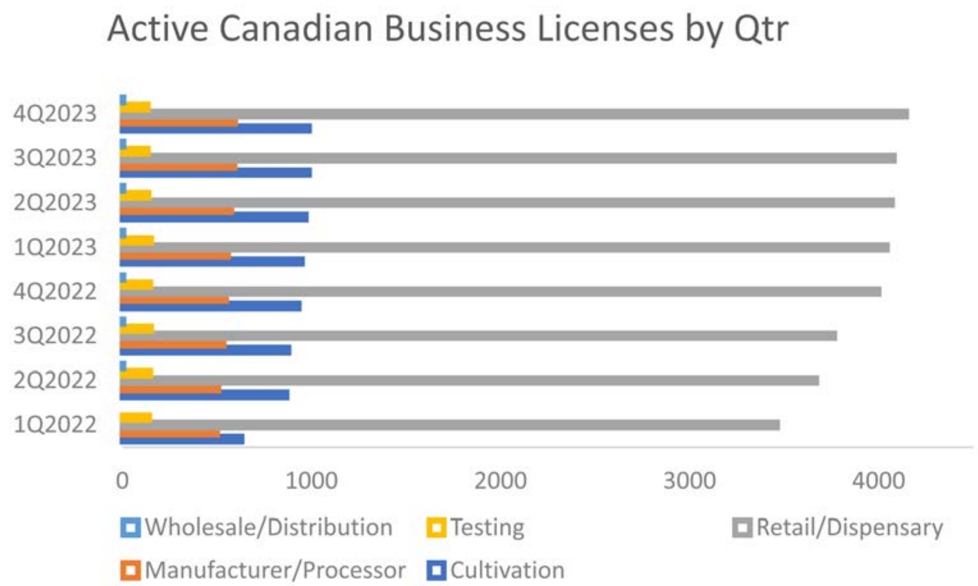
Other states with notable increases in approved licenses include Washington and New York, where newly approved licenses rose 35%, and Illinois, which nearly doubled its newly approved license pipeline as it awarded its first social equity licenses via lottery. Nevada and Vermont logged the highest proportionate increases in pending licenses, albeit off small bases, rising 383% and 617% respectively, as each state ramped up its adult-use program rollout. Only Maine experienced a significant decline in approved/pending licenses, declining -33% from 2022 to 150 pending at year end 2023.

New York led the country in both absolute and relative terms in new, unapproved license applications last year. The nation's youngest large adult-use market finished 2023 with 404 applications in pre-licensing status, a nearly 2,000% increase from the prior year, as New York entered the third year of its adult-use market rollout.

New Mexico, Oregon and California all ended the year with more than 200 applications in pre-licensing, but in each instance the totals represented sharp declines from the year before. Florida was the only other state to record a notable increase in applications in pre-licensing, to 70, as cannabis operators jockeyed for position in anticipation of the state's opening of its adult-use market. Of the six other states that ended the year with any applications in pre-licensing, the average decline was -49% over the previous year.

Canadian activity steady

Canadian licensing numbers continued to exhibit only minor fluctuations throughout the year, reflecting the country's more centralized and mature cannabis market. Active business licenses increased 2% year over year to 6,860, the highest number of active licenses since the country legalized cannabis in 2018. Licenses in the approved or pending stage remained flat at just three, while applications in pre-licensing fell -13% to 291.



The Canadian cannabis market's national integration and maturity was reflected in the notable stability of its active licensing counts over the course of the year. All licensing types experienced single-digit fluctuations year-to-year in 2023. The two largest license types, retail/dispensary and cultivation, logged 4% and 6% increases, respectively.

That said, it is notable that total count ratios between the two operational license types is reversed from the current U.S. market: retailers outnumber cultivators more than 4 to 1. Again, this reflects the kind of producer consolidation and scaled production that can be expected from a mature and integrated national market.

Manufacturer/processor licenses were the third largest license type in Canada in 2023, rising 9% to 596 active licenses by year end. Testing was the only license category to fall during the year, slumping -9% to 134 active licenses.

Regulation

Despite Some Big Steps, Feds Didn't Travel Far as More States Liberalize

Maria Brosnan

Last year started with high hopes for some meaningful cannabis reform at the federal level but ended disappointingly with no significant action to help cannabis-related businesses.

Rescheduling cannabis, comprehensive banking reform, allowing businesses to deduct expenses from their federal taxes, and hemp-derived cannabinoid regulation were all left to keep stewing in 2024.

Health officials recommend rescheduling cannabis

The biggest news of 2023 was the Department of Health and Human Services' recommendation to move cannabis to Schedule III on the Controlled Substances List. So far, the DEA, which ultimately makes the decision, has not tipped its hand.

But thanks to a Freedom of Information Act request from attorney Matt Zorn of the blog *On Drugs*, the HHS on Jan. 12 released more than 250 pages of documents to the DEA pertaining to their recommendation.

In a nutshell, the HHS has determined that cannabis does have accepted medical use and is less harmful than other Schedule I drugs, as well as alcohol. But it will still be a long time before the DEA finalizes any rule change, if it follows the U.S. health department's lead.

Matt's blog partner, attorney Shane Pennington of Porter, Wright Morris & Arthur, told CRB Monitor he thinks the DEA will issue a proposed rule this year, possibly soon. But he doesn't expect a final decision in 2024 given that the DEA has historically taken on average over nine years to consider a rescheduling request.

Pennington said it was "very, very unusual for [President Joe] Biden to ask for rescheduling," and that he asked for a quick decision during an election year. On the other hand, "There's an unbroken chorus of precedent going back to the day [President Richard] Nixon signed the Controlled Substances Act" for the DEA to take "absolutely forever when it comes to rescheduling, especially when it comes to cannabis."

However, if cannabis comes down to Schedule III, it won't make state medical marijuana programs legal. The biggest boon to the industry will be significant tax savings for companies on their federal income tax returns.

The Congressional Research Service outlined the limitations in a Jan. 16 report on the "Legal Consequences of Rescheduling Marijuana."

Banking and other bills languish

When it comes to banking, the SAFER Act still didn't get a Senate floor vote despite strong bipartisan support in both houses and approval by the powerful Senate Committee on Banking, Housing and Urban Affairs in September. Senate Majority Leader Chuck Schumer still identified the legislation as a priority in 2024, but he acknowledged it "won't be easy."

Not only will it be a tough sell on Capitol Hill, but the big banks apparently aren't quite on board either. At a Dec. 6 Senate Banking Committee hearing on the "Annual Oversight of Wall Street Firms," none of the eight chief executives of the nation's largest banks raised their hands when Sen. Raphael Warnock, D-Ga., asked them if they support the SAFER Banking Act.

Bank of America Chairman and CEO Brian Thomas Moynihan explained, "Senator, we all support the intent of it. The problem is it doesn't fix the problem," of which he did not elaborate.

Warnock said he supports SAFER but is "concerned about equity, and what we get in the process."

When asked by Warnock, all the executives said they support the "intent" of equity banking standards in legislation but qualified their position upon seeing the "actual words," as JPMorgan Chase Chairman and CEO Jamie Dimon put it.

As Congress adjourned for the year, more than 20 federal cannabis bills were left idling, including the:

- VA Medical Cannabis Research Act — Requires the Department of Veterans Affairs (VA) to study the effects of cannabis on eligible veterans who have been diagnosed with PTSD or chronic pain.
- Veterans Equal Access Act — Authorizes VA doctors to recommend cannabis to eligible veteran patients in states where medical marijuana is legal.
- Small Business Tax Equity Act — Allows cannabis businesses operating in legal states to deduct business expenses from federal income taxes.
- Clarifying Law Around Insurance of Marijuana Act — Protects insurance companies from federal action for providing coverage to state-legal cannabis businesses. This language is also included in the SAFER Act.
- Harnessing Opportunities by Pursuing Expungement Act — Authorizes funding to states to assist in expunging cannabis convictions.

One true high point in 2023 was Biden continuing to pardon Americans and legal residents who had prior marijuana possession convictions. On Dec. 22, he pardoned those with simple possession on federal property, which followed a more general pardon in October 2022.

No clarity on hemp products

Congress also didn't act to clarify how hemp-derived cannabinoids, from intoxicating THC derivatives to more therapeutic CBD, should be regulated. State regulators who have been dealing with the problem of these products being sold to children and with no safety standards hoped legislators would address this accelerating market in the updated Farm Act. But instead, they put it off for another year.

Until then, federal courts look like they will decide the matter. Several states have taken to regulate this lucrative part of the hemp industry, and hemp companies have fought back. In Virginia, U.S. District Judge Leonie Brinkema ruled in October that the state does have the right to limit the "total THC" in consumable products. In Arkansas, however, U.S. District Court Judge Billy Roy Wilson came to the opposite opinion a month earlier and granted a preliminary injunction on the state's ban on "synthetic" hemp-derived THC substances.

Both decisions have been appealed to the Fourth and Eighth Circuits, respectively.

Ohio latest state to legalize

As the federal government continues to dig its heels on cannabis legalization and regulation, three states and the U.S Virgin Islands legalized adult use, while Kentucky legalized a medical marijuana program in 2023.

Ohio is the latest state to legalize adult use, but it took a voter referendum to do it. In November, 57% of voters approved Issue 2. However, Republican state legislators who opposed legalization were quick to file bills that would significantly change the law.

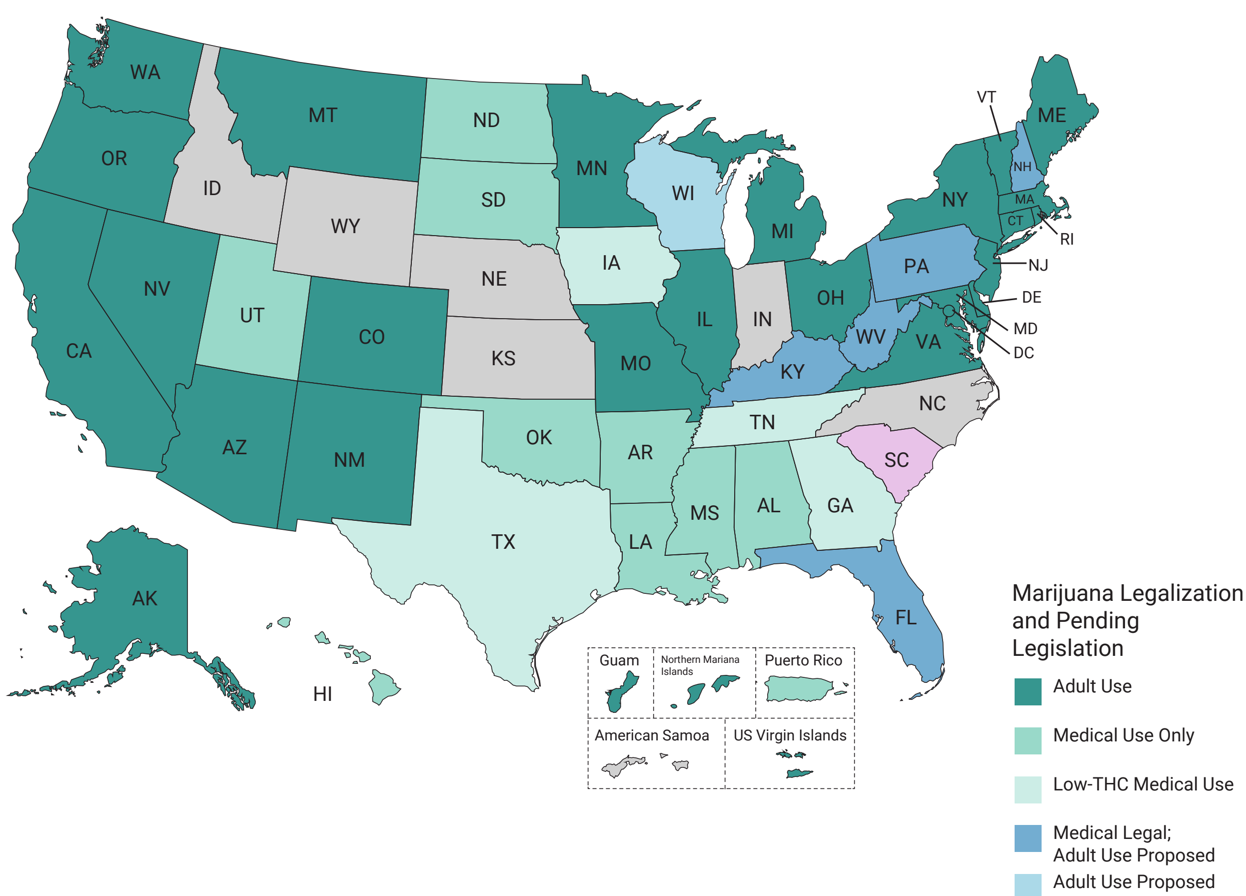
At the moment, HB 354 reportedly has the most support. It would prohibit sharing, add a 10% tax on cultivators, change tax allocations to support public safety instead of social diversity, ban public smoking and restrict advertising. Lawmakers realized there was no rush to enact changes since it will take a while to get licensed cultivation and sales operating. In the meantime, Ohioans have no legal way to obtain non-medical cannabis other than growing it themselves — up to six plants per person to a maximum 12 per household.

Additionally, Maryland, Missouri and Connecticut launched their adult-use marketplaces.

At the end of 2023, Maryland has 155 active cannabis business licenses, with another 12 approved or pending. Missouri has 459 active licenses and 15 approved or pending. Connecticut had 137 active business licenses and 5 more approved or pending at year-end.

Currently, 41 states, plus the District of Columbia and four U.S. territories, allow for some level of THC consumption beyond hemp-derived cannabinoids, including 24 states now permitting full adult recreational use of cannabis.

Cannabis Regulation State by State



Oklahoma rejects adult use, ramps up medical program enforcement

Oklahoma voters, however, rejected a ballot measure in March to move into adult use. An out-of-control medical-use market with rampant illegal operations was largely to blame. Instead, a number of new laws were passed to increase law enforcement and regulatory oversight and begin clamping down on straw owners.

In the second half of the year, law enforcement, including the state attorney general, have been arresting people accused of being a front for illegal cultivation businesses, shutting down operations with untagged pot and selling over the legal limit, and even going after sign scofflaws.

Because of the heightened law enforcement, as well as increased fees and renewal requirements, the number of grower licenses plummeted by over 2,000 from Jan. 11 to Dec. 1, 2023. Dispensary licenses dropped by 257 to 2,502, and processor licenses fell by nearly 250 to 1,482 by Dec. 1, according to the Oklahoma Medical Marijuana Authority.

What to watch for in 2024

This year, the states to watch for legalization include Florida, Wisconsin, Pennsylvania, New Hampshire and Hawaii.

Wisconsin Democrats have been pushing to create a comprehensive adult-use program for years and introduced AB 506 in October, but the Republican-led majority won't allow a hearing. Republicans prefer incremental reform, and on Dec. 22 introduced a decriminalization bill. AB 861 would reduce penalties for simple possession. Additionally, a Republican-led proposal to legalize medical use of non-smokable products sold by state-run stores is circulating for co-sponsors.

Pennsylvania, which already has a medicinal marijuana program, has a pending bill to legalize and tax adult use, overseen by a new Cannabis Regulatory Control Board.

Meanwhile, there was a lot of talk in New Hampshire about creating an adult-use program with state-operated stores. However, after months of meetings, a special commission adjourned without making any recommendations. But the push to legalize continues with the introduction of AB 1633 on Jan. 3.

In Florida, if a constitutional amendment to legalize adult use makes it to the ballot, there is a strong likelihood it will pass. Nearly seven out of 10 registered voters support it, according to a recent poll by the University of South Florida. The initiative, largely funded by multi-state operator Trulieve, is being challenged by State Attorney General Ashley Moody and other opponents. The State Supreme Court, which invalidated a legalization measure in 2022, heard oral arguments on the case in November.

In other states to watch for, Kentucky and Virginia have also introduced bills to legalize or implement adult-use programs, and West Virginia has a bill to start a licensed cannabis marketplace. Meanwhile, Hawaii Attorney General Anne Lopez somewhat reluctantly provided the state legislature with draft legislation to legalize cannabis, as well as a report outlining "significant risks."

"The Department of the Attorney General does not support the legalization of adult-use cannabis," Lopez said in a Jan. 5 news release. "We acknowledge that with changing public perception in recent years, the odds that the Legislature may pass legislation legalizing adult-use cannabis have increased substantially."

She noted that the Hawaii Senate passed SB 669 in 2023 with only three no votes. "Given that the Legislature could theoretically pass a bill as early as this year, it is my department's duty to warn the Legislature of the risks, while simultaneously providing a framework that includes robust public-safety and public-health safeguards," she said.

Industry insiders on Capitol Hill predict election-year politics could spur more change in 2024.

When it comes to hemp, U.S. Hemp Roundtable spokesman and attorney Jonathan Miller told CRB Monitor that pending bills to regulate CBD in food and dietary supplements, as well as relax regulations for grain and fiber hemp farmers, would likely be folded into the Farm Act renewal. The Roundtable also agrees with state agriculture departments that the 0.3% dry weight delta-9 THC limit be increased to 1% for legal hemp.

However, Miller said, “I think they’ll increase the limit, but I don’t think it will be to 1%. But if they increase it to 0.7%, it would bring relief to hemp farmers.”

Miller told CRB Monitor that while the House of Representatives has said it plans to release its Farm Bill draft in March, that will likely be delayed. Whether the bill gets approved this year at all will depend on the election results.

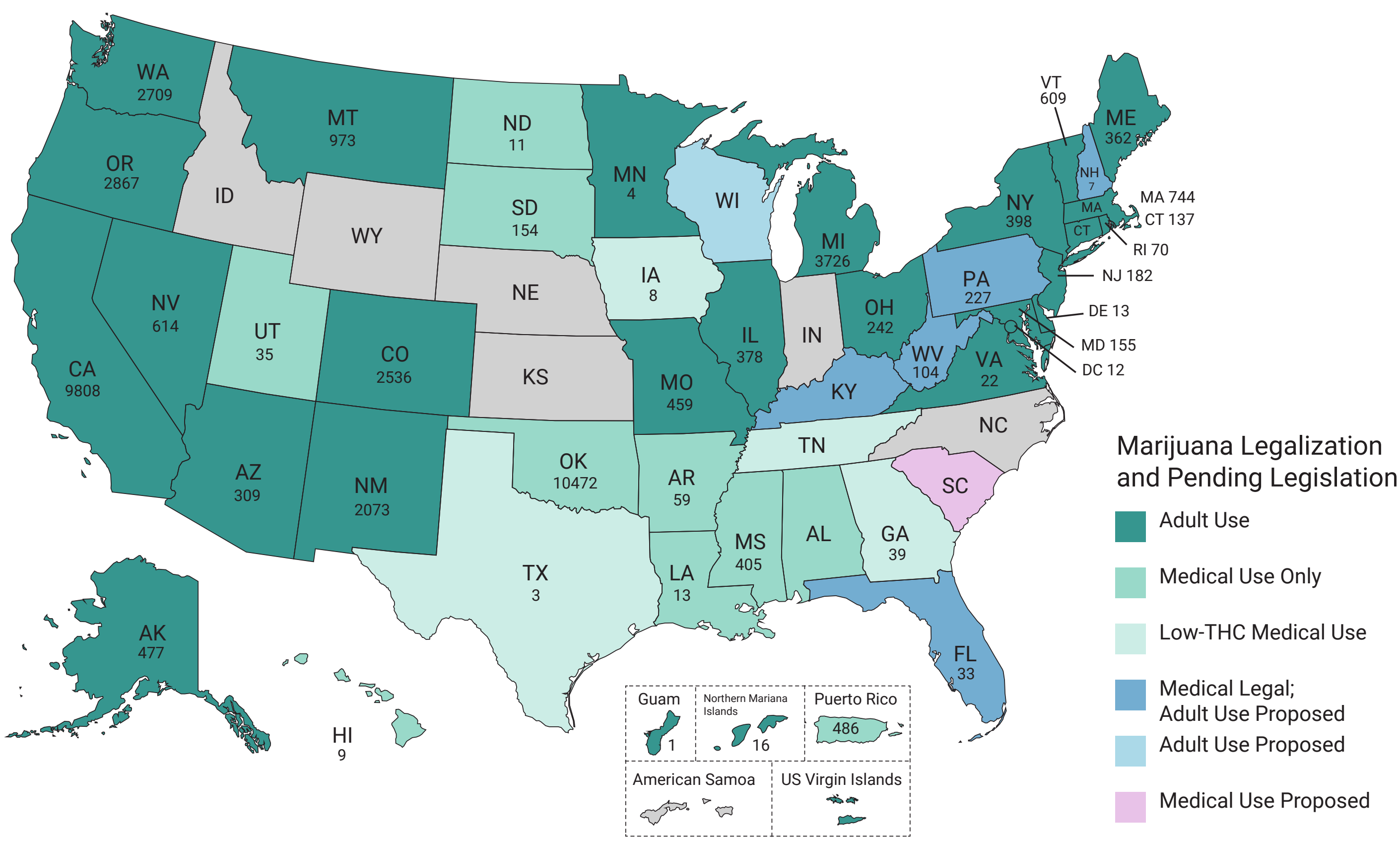
“If Republicans win the White House and Congress, they’ll want to wait until 2025 to act. Same with Democrats. If it’s a split, it’s more likely it will be passed in the lame duck session,” he said, explaining that other weighty issues in the vast omnibus legislation, such as SNAP program funding, are the political concerns. He said that the hemp proposals have bipartisan support.

Broader marijuana reform depends on President Biden.

“What additional actions the administration takes (or does not take) along with that schedule change will have a large impact on cannabis policy in the next administration and next Congress,” Erin Moffet, spokeswoman for the Cannabis Financial Industry Group, said in an email. “With it being an election year, we should see additional states establish or expand cannabis programs that give Congress even more of a need to act and will bring new supporters for action into the fold.”

“I don’t see significant movement on cannabis issues for the remainder of this Congress. All eyes will be on DEA,” said Adrian Snead, attorney at Porter Wright Morris & Arthur. “Ultimately, I think the DEA will reschedule, though I see them delaying as long as possible. If the White House continues to support rescheduling behind the scenes, we may see action before the election.”

Active Business Licenses by State 2023YE



Markets

Rocky Start in Several New Markets in 2023

Zack Huffman

In 2023 new cannabis markets stumbled while others soared. Several multi-state operators retrenched as U.S. Circuit Courts reviewed state residency requirements and hemp product bans.

New York's troubled roll out

At the end of 2022, New York's emerging adult-use market was poised to become a major player on the national scene. And then the first lawsuit hit. Variscite, a company helmed by a man from Michigan, challenged New York's rules to prioritize dispensary applicants with prior in-state cannabis convictions. That lawsuit resulted in a temporary restraining order preventing New York's Office of Cannabis Management from issuing any Conditional Adult Use Retail Dispensary (CAURD) licenses.

That lawsuit was eventually settled out of court, with Variscite being awarded a CAURD license in the Finger Lakes region.

Subsequent lawsuits from a group of veterans without New York cannabis convictions and a business association that included several of New York's medical MSOs further delayed licensing.

Amid ongoing litigation, the state's Cannabis Control Board approved new regulations that allowed general applicants to seek licenses, while also moving up the opening for existing MSOs in the medical market to convert to adult-use by one year to December 2023.

The new rules were part of a settlement that ended those additional lawsuits and opened the door for 445 CAURD applicants that had been left waiting for the end of the court order.

By Jan. 22, 2024, 51 adult-use dispensaries were open across New York State as, nine of which are designated as temporary delivery only.

Courts kept cannabis complicated

Kenneth Gay and Jeffrey Jensen, who originally sued New York on behalf of their company, Variscite, opened new fronts in their fight against residency requirements and social equity standards that favor locals. The pair sued the state of Washington over its scoring rubric for social equity cannabis licenses. Washington favored state residents, which the plaintiffs claimed violated the U.S. Constitution's dormant commerce clause.

The case remains in federal court.

Just in time for the new year, Jensen filed a second lawsuit in New York, but the case is still in its infancy.

The plaintiffs also pleaded their case in front of the Ninth Circuit Court of Appeals in support of two lawsuits they filed in 2022 in the cities of Sacramento and Los Angeles. The circuit court has yet to render an opinion in the matter.

California's perennial cannabis plaintiff, Elliott Lewis of Catalyst, sued Glass House Brands in June. Lewis alleged that the cultivation giant was diverting large amounts of weed through the use of "burner distributors" that obtain licenses for the sole purpose of undermining the state's track and trace program. Glass House Brands responded with a defamation countersuit two weeks later.

Catalyst's lawsuit is very similar to a previous one the company filed against the state, where Lewis alleged that California was failing to stop the flow of legally grown cannabis into the illicit market. Despite the case being dismissed, California's Fourth District appellate court revived that earlier lawsuit in August after it found that the state failed to properly monitor its cannabis market for signs of diversion.

Just before the end of the year, on Dec. 28, Lewis filed another lawsuit in the Golden State. This time he targeted the California Department of Tax and Fee Administration over how the agency assessed excise taxes on non-cannabis paraphernalia.

Tu Coop, the largest credit co-op in Puerto Rico which also serves the island's medical cannabis market, lashed out at dispensaries using unauthorized methods to accept electronic payments for weed, when it sued 3G Green Gold Group for allegedly using a third party company to disguise purchases made with debit cards as ATM withdrawals.

Tu Coop's lawsuit sought a court order protecting the plaintiff from future litigation over its decision to close 3G Green Gold Group's bank account.

Ultimately, the judge in that case ruled against Tu Coop, suggesting that the credit co-op was attempting to circumvent state law, which would allow 3G Green Gold Group to sue over a closed account.

Chronic lawsuits hindered Alabama from launching its medical market, with three attempts at issuing licenses getting shut down by court orders.

The Alabama Medical Cannabis Commission announced its first attempt at awarding licenses on June 12, 2023, only to scrap those results four days later based on concerns about application scoring inconsistencies.

The commission tried again the following month. The only change between the two rounds was that Verano, an MSO, was no longer in line to get a license. Verano sued, effectively halting that second attempt.

The AMCC tried for a third round of license awards, but those too were stopped by a lawsuit from an applicant that won an award in the first two rounds, but not in the third. A federal judge threw out that case in January, but the commissioners are ordered to testify in yet other lawsuits challenging the AMCC's decision making, according to the Alabama Reflector.

A defamation suit in Minnesota highlighted the conflict between hemp growers and cannabis producers which exists in most states that have legalized adult-use weed. In Minnesota, a group of hemp producers claimed, in an April 26 lawsuit, that the state's leading legalization group, MN is Ready, committed defamation when it allegedly spread rumors about the plaintiffs' personal lives while also claiming the plaintiffs were dishonest and attempting to undermine legalization in the state in order to save their respective hemp businesses.

Since the original complaint was filed, Minnesota's legislature legalized adult-use cannabis. In December, there was a hearing on the defendants' motion to dismiss for failure to state a claim. A judge's ruling remains pending.

Other new markets start with strong sales

Connecticut's adult-use market came online on January 10, Missouri launched on February 6, while Maryland opened for business on July 1, 2023.

Missouri started with as many as 195 dispensaries that brought in over $100 million in sales in the first month. Nearly all of them were established medical dispensaries, each of which were eligible to convert to adult-use sales with a $2,000 fee. The state approved every conversion as soon as the first Monday sales began. By the end of the year there were 204 hybrid adult-use/medical dispensaries and two medical-only shops, and total adult-use sales hit $1.2 billion.

As Missouri's market grew so quickly, the Show Me State soon found itself dealing with an "inversion" problem, where products, such as hemp-derived THC, were being moved in from out of state. The state targeted one company, Delta Extractions, as a lead culprit in allegedly trafficking in hemp-derived THC concentrates, which could be used to create any number of products from edibles and infused drinks, to vapes and potency-enhanced flower.

Missouri regulators ordered a recall of products that were made with Delta Extraction's concentrates, affecting dozens of legal operations and 62,799 different products.

Connecticut started with seven dispensaries, all of which were former medical shops, and which grossed $5 million in sales in its first month. New retail shops slowly began to open, but strict income-based social equity requirements paired with a $3 million application fee for cultivation made it difficult for new growers to open.

In its first year, the state pulled in $144.7 million in adult-use sales.

The state struggled to expand its production capacity throughout the year, with only a single new cultivator license coming online. By the end of the year, the state was plagued with reports of dispensaries running out of flower.

Maryland's adult-use market was open only for the latter half of 2023, but in that time the market accrued $332 million in total sales. Maryland sold $87.4 million in its first month, according to the Maryland Cannabis Administration. In the first week alone, there were $20.9 million in sales. Sales remained limited to 96 hybrid dispensaries throughout most of those six months.

Rhode Island opened its market in December 2022. In its first full year of business, adult-use dispensaries pulled in about $76 million. Those sales were split between just seven vertically integrated companies that are permitted to operate in both the medical and adult-use markets.

Not a year for MSO expansion

New York-based Curaleaf kicked off the year by announcing that it was shutting down operations in California, Oregon and Colorado, in favor of new markets on the east coast. The company also announced that it had exited direct operations in Michigan and Kentucky in its third quarter report and by the end of the year, Curaleaf had also sold off its vertically integrated operation in Vermont.

The company faced scrutiny from regulators in Massachusetts, Connecticut and Vermont over the company's alleged financial ties to Russian oligarch Roman Abramovich.

Abramovich pumped over $400 million into the pockets of Curaleaf, its executive chairman Boris Jordan, and at least two of Curaleaf's top shareholders from 2017 to 2021 through two of his companies, Cetus Investments and Meliastove Investment, according to reports from Forensic News. Uncovered documents showed that those payments took place, but they did not show that those payments were loans or in exchange for Curaleaf equity.

Ultimately, Massachusetts, Connecticut and Vermont would all find that the company did not violate reporting rules, because there was no clear documentation of Abramovich actually owning any part of Curaleaf.

Curaleaf also came under the gun in New Jersey when the state's Cannabis Regulatory Commission refused to renew the MSO's licenses amid allegations that Curaleaf was improperly fighting unionization efforts in its dispensaries. After a weekend of uncertainty, the CRC met again and renewed the licenses, under the condition that the company provide documentation showing it was negotiating with the union in good faith.

Trulieve announced that it was leaving Massachusetts, after abandoning Nevada and reducing its footprint in California. Trulieve, which operates in nine states, including 131 dispensaries in Florida, came under fire in Massachusetts when Lorna McMurrey, a worker in one of its cultivation and processing facilities, died after suffering an asthma attack in a room where an industrial grinder allegedly filled the room with cannabis dust.

The Occupational Safety and Health Administration would eventually fine Trulieve $14,502 for failing to conduct a hazard analysis of the room where McMurrey worked.

Despite winding down in some states, Trulieve became one of Georgia's first two medical cannabis producers and continued to expand its hold in Florida where the company helped finance a campaign to put legal adult-use cannabis on the ballot in 2024.

Cresco Labs and Columbia Care failed to close on what would have been the largest cannabis merger in U.S. history. The deal involved assets across 19 states. Of those, both companies overlapped in nine states, exceeding single company license caps in five.

Cresco Labs and Columbia Care were able to settle on a tentative deal to sell operations in Illinois, New York and Massachusetts to music mogul Sean "Diddy" Combs, but the companies were unable to secure business sales in Florida and Ohio before the deal expired on June 30.

Since then, Cresco Labs shut down operations in Arizona and Maryland. Columbia Care rebranded as The Cannabist in September.