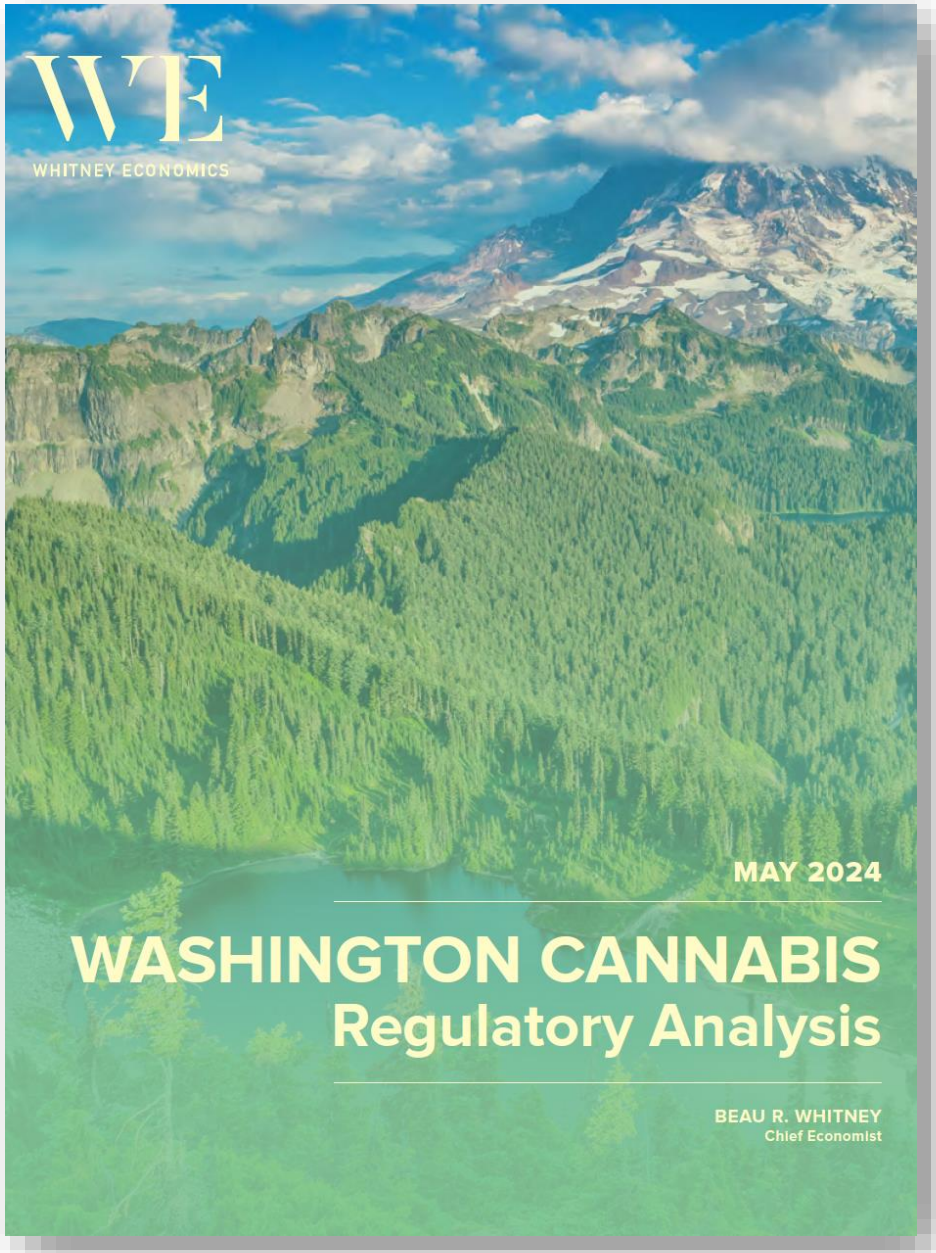
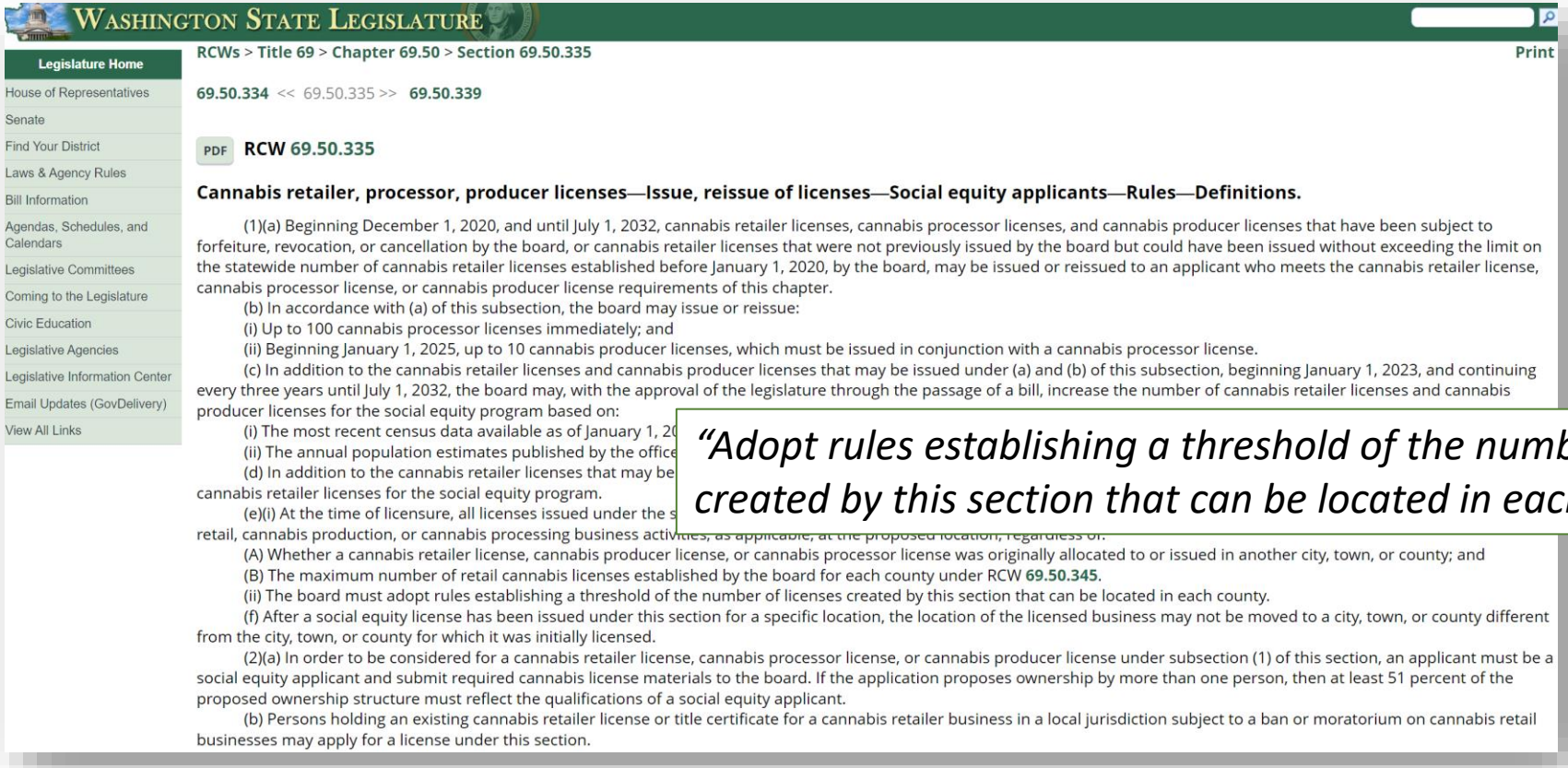


Whitney Economics Report

Brief Overview and Key Takeaways

Overview

LCB contracted with Whitney Economics to forecast the number of producer, processor, and retail cannabis licenses that *may* be economically viable in Washington through the year 2032.



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RCWs > Title 69 > Chapter 69.50 > Section 69.50.335 Print

69.50.334 << 69.50.335 >> 69.50.339

PDF **RCW 69.50.335**

Cannabis retailer, processor, producer licenses—Issue, reissue of licenses—Social equity applicants—Rules—Definitions.

(1)(a) Beginning December 1, 2020, and until July 1, 2032, cannabis retailer licenses, cannabis processor licenses, and cannabis producer licenses that have been subject to forfeiture, revocation, or cancellation by the board, or cannabis retailer licenses that were not previously issued by the board but could have been issued without exceeding the limit on the statewide number of cannabis retailer licenses established before January 1, 2020, by the board, may be issued or reissued to an applicant who meets the cannabis retailer license, cannabis processor license, or cannabis producer license requirements of this chapter.

(b) In accordance with (a) of this subsection, the board may issue or reissue:

(i) Up to 100 cannabis processor licenses immediately; and

(ii) Beginning January 1, 2025, up to 10 cannabis producer licenses, which must be issued in conjunction with a cannabis processor license.

(c) In addition to the cannabis retailer licenses and cannabis producer licenses that may be issued under (a) and (b) of this subsection, beginning January 1, 2023, and continuing every three years until July 1, 2032, the board may, with the approval of the legislature through the passage of a bill, increase the number of cannabis retailer licenses and cannabis producer licenses for the social equity program based on:

(i) The most recent census data available as of January 1, 20

(ii) The annual population estimates published by the office

(d) In addition to the cannabis retailer licenses that may be

cannabis retailer licenses for the social equity program.

(e)(i) At the time of licensure, all licenses issued under the s

retail, cannabis production, or cannabis processing business activities, as applicable, at the proposed location, regardless of:

(A) Whether a cannabis retailer license, cannabis producer license, or cannabis processor license was originally allocated to or issued in another city, town, or county; and

(B) The maximum number of retail cannabis licenses established by the board for each county under RCW 69.50.345.

(ii) The board must adopt rules establishing a threshold of the number of licenses created by this section that can be located in each county.

(f) After a social equity license has been issued under this section for a specific location, the location of the licensed business may not be moved to a city, town, or county different from the city, town, or county for which it was initially licensed.

(2)(a) In order to be considered for a cannabis retailer license, cannabis processor license, or cannabis producer license under subsection (1) of this section, an applicant must be a social equity applicant and submit required cannabis license materials to the board. If the application proposes ownership by more than one person, then at least 51 percent of the proposed ownership structure must reflect the qualifications of a social equity applicant.

(b) Persons holding an existing cannabis retailer license or title certificate for a cannabis retailer business in a local jurisdiction subject to a ban or moratorium on cannabis retail businesses may apply for a license under this section.

"Adopt rules establishing a threshold of the number of licenses created by this section that can be located in each county"

WE

WHITNEY ECONOMICS

Our Mission is to use sound analytic principles and valid data to provide insights and recommendations to increase the value, effectiveness and influence of our clients in the global marketplace.

APPENDIX 3:
About the Author / Statement of Conflicts

Beau Whitney, Cannabis Economics, Operations and Supply Chain Expert

Beau Whitney is the founder and Chief Economist at Whitney Economics, a global leader in cannabis and hemp business consulting, data, and economic research. Whitney Economics is based in Portland, Oregon.

Serving an international clientele, Beau is considered one of the leading cannabis economists in the U.S. and globally. His applications of economic principles to create actionable operational and policy recommendations has been recognized by governments, and throughout the economic, investment, and business communities. In 2022, Beau presented data and insights about cannabis and hemp economics at the United Nations.

His white papers analyzing the adult-use, medical and industrial cannabis markets have been referenced in the Wall Street Journal, Washington Post, New York Times, USA Today, the Associated Press, as well as in leading cannabis industry publications.

Beau Whitney is a member of the American Economic Association, the Oregon chapter president of the National Association for Business Economics, is a member of multiple regulatory advisory committees throughout the U.S. and participates on the Oregon Governor's Council of Economic Advisors.

Beau has provided policy recommendations at the state, national and international levels and is considered an authority on cannabis economics and the supply chain. Whitney Economics does not take a position on the issue of cannabis legalization or on pending legislation.

Beau Whitney
WHITNEY ECONOMICS

Statement Of Conflicts

Whitney Economics does not take a position on this issue of cannabis legalization, however there are potential conflicts while presenting economic and market analysis.

- Whitney Economics receives compensation for business and economic analysis of the cannabis industry.
- Mr. Whitney has previously held positions and licenses within the legal regulated cannabis industry.
- Mr. Whitney currently has investments in a cannabis investment fund, Mantis Growth Investments, and he is a member of the fund's Board of Directors.
- Mr. Whitney is a director for the Cannabis Advisory Group (CAG) in New Jersey, a non-profit policy think tank
- Mr. Whitney is an advisor to CTRUST, a cannabis centric credit agency
- Whitney Economics is a member of the European Industrial Hemp Association.
- Mr. Whitney is a founder of Every Day Hemp Company, an Oregon-based manufacturer of hemp based plastic products.

Whitney Economics Report: Key Takeaways

- Retail
- Producers
- Processors
- Limitations

The full report and our key takeaways can be found online.

This is an independent report. Findings do not represent an official position of LCB.

Whitney Economics Report: Key Takeaways

- Retail
- Producers
- Processors
- Limitations

This was an independent report from Whitney Economics.

Findings do not represent an official position of LCB.

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Determining the total retail outlets necessary to meet demand

1. Determine to existing total legal sales
2. Examine forecasted year over year (YoY) growth
3. Determine future sales forecast. This is based on the future levels of legal participation
4. Divide future sales forecast by $2.5 million (Min. amount to remain healthy and viable)
5. This gives a rough outline to be used as guidance for further analysis

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Whitney Economics Report: Key Takeaways

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Legal Market Participation=
Legal Sales / Total Addressable Market (TAM)

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Whitney Economics Report: Key Takeaways

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Threshold of Economic Viability

- Labor
- Product Acquisition Costs
- Taxes
- Health Care
- Rental Rates
- Etc.

= $2.5 million

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Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

“This does not mean to imply that if a business generates revenues below this threshold, that they will immediately go out of business. However, the farther below this level of revenue, the greater the propensity for business failure, diversion of products and other illicit activities.” – Whitney Report, page 13

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Overall, retail opportunities are available but limited in scope Whitney Economics estimated that 634 retail licenses *may be* economically viable in 2032.

County estimates are provided online.

Table 1. Retail License Analysis

	Current (May 2024)	Recommended Estimate 2032	High Estimate* 2032
Washington	473	634	1095
Adams	2	2	3
Asotin	3	2	3
Benton	4	19	28
Chelan	8	7	12
Clallam	10	8	11
Clark	17	44	72
Columbia	1	0	1
Cowlitz	13	11	17
Douglas	3	4	7
Ferry	1	1	1
Franklin	3	9	13
Garfield	0	0	0
Grant	10	10	15
Grays Harbor	10	8	11
Island	7	8	13
Jefferson	6	3	4
King	104	134	313
Kitsap	20	24	43
Kittitas	6	5	7
Klickitat	2	2	4
Lewis	4	8	13
Lincoln	3	1	2
Mason	9	7	11
Okanogan	9	4	7

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Determining the level of cultivation (producer) potential – (Note this is based on pounds rather than licenses)

1. Based upon the per capita supply estimates, calculate the total amount of supply already licensed

2. This can be done by multiplying the license types in a given area (State or county) by the average output per square foot of each grow type (Indoor, Greenhouse, Outdoor). This is based on canopy

3. Compare the amount of total supply recommended to support the demand to the amount of cultivation output capacity already licensed

4. The difference is the amount of pounds of additional capacity available to be licensed

This is an independent report. Findings do not represent an official position of LCB.

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

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Grow Type	Tier 1 Output Capacity in Pounds		Tier 2 Output Capacity in Pounds		Tier 3 Output Capacity in Pounds	
	Min	Max	Min	Max	Min	Max
Indoor	0	1,728	1,728	4,320	4,320	12,960
Greenhouse	0	868	868	2,170	2,170	6,510
Outdoor	0	404	404	1,010	1,010	3,030

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Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Overall, producers have the capacity to supply more cannabis than demand. By 2032, there will be an estimated demand of 891 thousand pounds.

	Current Supply Capacity Licensed	20% Utilization	30% Utilization	40% Utilization	50% Utilization	60% Utilization	70% Utilization	80% Utilization	90% Utilization
Supply Based on Utilization --->	2,610,639	522,128	783,192	1,044,256	1,305,319	1,566,383	1,827,447	2,088,511	2,349,575
2024 Supply Forecast based on Demand	612,416		2024 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2025 Supply Forecast based on Demand	668,090		2025 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2026 Supply Forecast based on Demand	723,765		2026 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2027 Supply Forecast based on Demand	779,439		2027 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2028 Supply Forecast based on Demand	835,113			2028 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2029 Supply Forecast based on Demand	835,113			2029 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2030 Supply Forecast based on Demand	890,787			2030 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2031 Supply Forecast based on Demand	890,787			2031 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2032 Supply Forecast based on Demand	890,787			2032 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2033 Supply Forecast based on Demand	890,787			2033 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2034 Supply Forecast based on Demand	890,787			2034 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized
2035 Supply Forecast based on Demand	890,787			2035 demand covered	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized	Excess Supply If Utilized

.CB.

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Overall, producers have the capacity to supply more cannabis than demand. By 2032, there will be an estimated demand of 891 thousand pounds.

County estimates are provided online.

Note: LCB does not consider county level estimates to be reliable since producers are not public-facing and products are easily transported.

Table 2.2 Producer License Analysis

	Current Licenses (May 2024)	Current Supply Capacity in Pounds (May 2024)	Estimated Demand in Pounds 2032
Washington	986	2,610,639	890,787
Adams	36	82,268	1,981
Asotin	1	864	2,597
Benton	41	123,212	22,700
Chelan	3	4,947	9,090
Clallam	14	36,936	9,444
Clark	14	74,466	58,213
Columbia	1	518	473
Cowlitz	20	52,392	12,509
Douglas	21	59,237	4,761
Ferry	2	3,504	871
Franklin	0	0	9,900
Garfield	0	0	260
Grant	88	218,645	10,527
Grays Harbor	30	117,949	8,882
Island	10	19,824	10,460
Jefferson	8	11,850	4,292
King	44	104,242	269,828
Kitsap	13	33,722	32,453
Kittitas	7	20,336	5,318
Klickitat	11	22,952	2,701
Lewis	4	15,552	9,365
Lincoln	16	49,823	1,258

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Determining the number of processing licenses – (Based on output capacity of producers)

1. Determine the output capacity in the state and counties in pounds
2. Divide the number of pounds either by 250 or 500 (Upper and lower bounds). This will determine maximum potential licenses
3. Compare the number of potential licenses by the number of licenses already issued by LCB
4. The different between those numbers will be the number of potential licenses
5. The number of licenses per year can be ascertained by using the amount of legal demand (Based on legal participation rates) each year and dividing by 250 or 500

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Whitney Economics Report: Key Takeaways

Retail

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Processors

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"The only real limit to support consumer demand is the availability of raw plant material."

"Businesses do not need a lot of raw material to make a product."

– Whitney Report, page 26

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Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Processor licenses are considered to be the largest opportunity in the cannabis market. Whitney Economics estimates there will be demand for between 1,782 and 3,340 processor licenses to be viable in 2032.

County estimates are provided online.

Note: LCB does not consider county level estimates to be reliable since processors are not public-facing and products are easily transported.

Table 3. Processor License Analysis

	Current (May 2024)	Lower Estimate 2032	Higher Estimate 2032
Washington	1,039	1,782	3,563
Adams	22	4	8
Asotin	1	5	10
Benton	35	45	91
Chelan	6	18	36
Clallam	12	19	38
Clark	14	116	233
Columbia	1	1	2
Cowlitz	24	25	50
Douglas	23	10	19
Ferry	2	2	3
Franklin	0	20	40
Garfield	0	1	1
Grant	75	21	42
Grays Harbor	29	18	36
Island	12	21	42
Jefferson	12	9	17
King	82	540	1,079
Kitsap	20	65	130
Kittitas	7	11	21
Klickitat	9	5	11
Lewis	5	19	37
Lincoln	16	3	5
Mason	35	16	31
Okanogan	93	10	19
Pacific	17	6	11
Pend Oreille	3	3	6
Pierce	77	208	417
San Juan	3	5	9
Skagit	25	30	59
Skamania	3	3	6

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

Whitney Economics Report: Key Takeaways

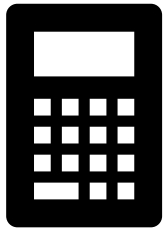
Retail

Producers

Processors

Limitations

1. These are estimates only



Whitney Economics Report: Key Takeaways

Retail

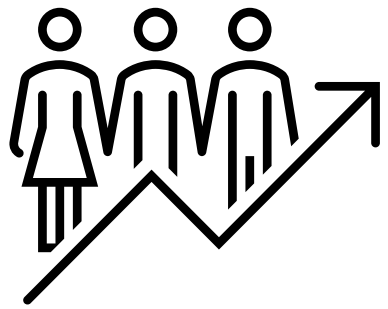
Producers

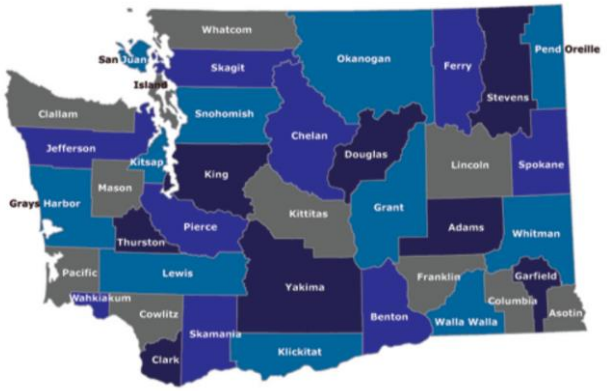
Processors

Limitations

1. These are estimates only

2. There is extensive variability across licenses and counties





Whitney Economics Report: Key Takeaways

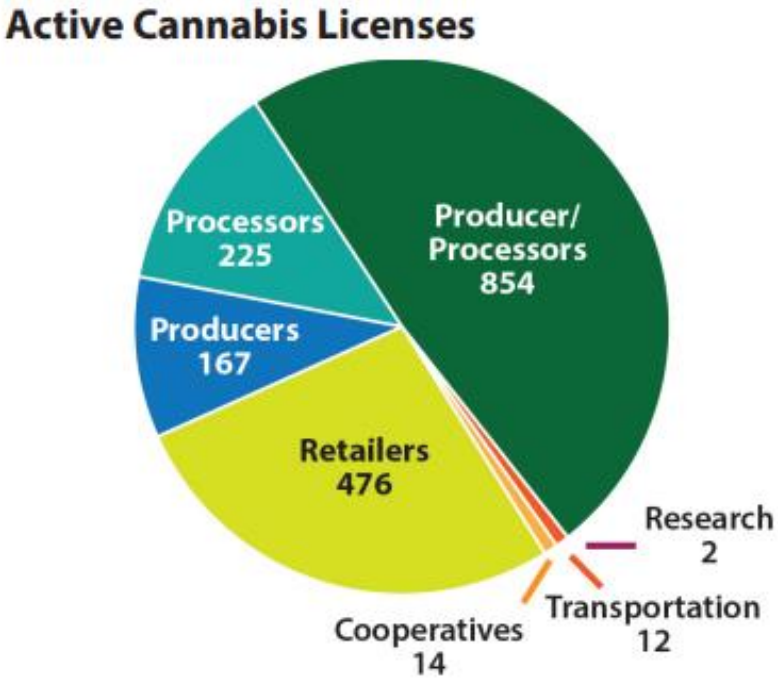
Retail

Producers

Processors

Limitations

1. These are estimates only
2. There is extensive variability across licenses and counties
3. Processors and producers were examined separately



LCB Annual Report, 2023

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

1. These are estimates only
2. There is extensive variability across licenses and counties
3. Processors and producers were examined separately
4. Data sources vary

Whitney Economics Report: Key Takeaways

Retail

Producers

Processors

Limitations

1. These are estimates only
2. There is extensive variability across licenses and counties
3. Processors and producers were examined separately
4. Data sources vary
5. This is an economic analysis

Summary

This independent economic analysis provided a snapshot into the cannabis market:

- There is some economic opportunity for retail licenses;
- There is limited economic opportunity for producer licenses; and
- There is great economic opportunity for processor licenses

This is one tool to further provide informed decision making

The full report and our key takeaways can be found online.