

CANNABIS BENCHMARKS®

Annual Review & Outlook: 2016-2017 Edition

The **Cannabis Benchmarks® Annual Review & Outlook: 2016-2017** identifies, calculates, charts and analyzes the numerous variables that drove wholesale price movement throughout the past year and the major trends likely to impact prices in 2017, such as:

“The U.S. Spot Index reached its 2016 peak of \$2,096 per pound in late May. Subsequently, unprecedented volumes of sun-grown supply, generated by greenhouse operators in the Western states, as well as from 2015’s harvest, drove the U.S. Spot Index downward dramatically, by 23.2% between May and August.” - Page 5

“In [August 2016], product in medical markets commanded a premium of over \$250 compared to generally lower-priced adult-use states. The harvest season changed that situation, as low rates in California’s still entirely medical market drove down overall prices for product designated as such, even to the point that rates for flower in adult-use markets were observed to be higher than in medical ones in late November and early December.” - Page 8

“The uncharacteristic summer price drop that took place in 2016 is attributable generally to increased sun-fueled production in the West Coast states - California, Oregon, and Washington - as well as Colorado.” - Page 10

“The stark pricing differences [between the East and West coasts] are not due simply to market size or maturity, but to their fundamental structures and the degree of control over production exercised by regulators.” - Page 17

“For medical-only markets, limited qualifying conditions or strictures on doctors can stifle demand right out of the gate, almost ensuring high prices no matter production capacity...” - Page 20

“...California’s requirement to employ a distributor for quality assurance testing and final transfer of products to retailers is novel in legal cannabis markets; it is expected to raise prices, as well as possibly crimp supply, particularly if testing standards still to be determined end up being as stringent as those put in place in Oregon.” - Page 57

“...the hypothetical buyer expecting prices to rise in the summer that executed Forward contracts for that season would have been overpaying significantly in light of this year’s unprecedented summer price decline...” - Page 65

Dominant trends in many major markets in 2016 included a continuing deterioration in wholesale prices, which fell to historic lows last year. This was driven by the overall intensification of production in Colorado, Washington, and California, as well as a shifting supply mix with more lower-cost outdoor and greenhouse production coming to market, which disrupted traditional seasonal pricing trends. Overall, the industry experienced dramatic and unprecedented shifts in pricing and supply dynamics.

Whether these changes resulted primarily from regulatory intervention, as was the case in Oregon, or market maturation, such as in Colorado and Washington, each week, Cannabis Benchmarks® assessed prices and analyzed the factors driving wholesale price changes.

Cannabis Benchmarks®, a division of New Leaf Data Services, LLC, is an independent, unbiased Price Reporting Agency (PRA) and is the creator of the world’s first Spot & Forward benchmark price assessments for wholesale cannabis markets and has become the trusted source for information that allows market participants to make informed business decisions.