Marijuana Business Factbook 2013

Financial Data • Legal Info • Market Research • Useful Stats

Excerpt Includes:

- Letter from the Publisher
- Editor’s Intro & Methodology
- Executive Summary:
  8 Key Charts & Findings
- Complete Table of Contents

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A Letter from the Publisher

Welcome to the first edition of our Marijuana Business Factbook, brought to you by the editorial team behind MMJ Business Daily and the annual National Marijuana Business Conference!

Although plenty (indeed tons) of information has been published elsewhere about cannabis itself, as well as the legalization movement, until now there's been a near-complete dearth of financial, market and other business-related data.

What are the financials and business stats of key industry sectors now – from dispensaries and edibles to cultivators and ancillaries – and what can we expect coming up? How long does it take a cannabis-related business to reach profitability? What annual revenues should you expect? What does market research reveal about the preferences of cannabis customers? Which states are the best to launch or expand businesses in for the next few years, and which states should you avoid (even though they have medical marijuana laws)?

These are all facts that entrepreneurs, investors and expanding businesses need at their fingertips. Our research team has worked non-stop for the past few months to pull these business essentials together for you in one place. Some of the information, in particular state-by-state details, was surprising difficult to get. Even public databases don’t reveal useful information easily. Other information simply didn’t exist anywhere – for example, there’s almost no market research or industry sector financials anywhere else. So, we had to create exclusive studies to gather the data for you, including:

- **Our First Annual Cannabis Business Study**
  We surveyed 134 owners and executives in the four key sectors (dispensaries, cultivators, edibles/infused products and ancillaries) to gather exclusive data for you. I’d like to thank the readers of MMJ Business Daily who participated in this ground-breaking survey.

- **Our Second Annual Patient Market Research Study**
  For our second annual “What Do Patients Really Want?” study contained in Chapter IV of this Factbook, we surveyed 403 medical marijuana patients asking them what pricing, products, services, location preferences and even “atmosphere” they look for in a dispensary. This information is equally valuable to dispensary owners and to the businesses that
supply and serve them. I'd like to thank patient-facing publications and organizations including the Marijuana Policy Project, The Weed Blog, Culture Magazine, Cannabis Science, Dixie Elixirs, CannaPages.com and MJ Freeway, for asking patients to take the survey and providing other help and information.

Many thanks also to the dozens of cannabis industry business owners and executives who've given us their input and help with this Factbook -- in particular, Doug Banfelder of Premier Southwest Insurance Group; Robert Kane, president of The X-Change Corp. and head of investor relations for Cannabis Science; Troy Dayton, CEO of The ArcView Group; Len Goodman of New Mexi-Cann Natural Medicine; Jeffrey Raber at The Werc Shop; Kayvan Khalatbari of Denver Relief; and the team at Herbal Synergy.

Thanks also to the industry leaders who've generously sponsored this Factbook so we can keep the cover price low enough to make it affordable enough for everyone in the business. In particular I'd like to give a shout out to our lead sponsor Dixie Elixirs. See page 171 for our complete sponsor index.

One final note – As business journalists, we've done our best to make this Factbook as correct as possible. However, local regulations change quickly in this arena, and we are NOT lawyers, so don't depend on this Factbook as your sole source of legal advice. Always check with your own attorney.


Enjoy!

Cassandra Farrington, Publisher
Editor’s Introduction and Methodology Notes

If you’re looking for facts and figures to help drive your decision-making, launch a cannabis-related business, invest in the industry or simply beat back the competition, you’ve come to the right place. Scratch that – you’ve come to the only place where this sort of information has been researched, gathered and laid out at your fingertips.

This report provides a comprehensive overview of the medical marijuana and (state-legal) recreational cannabis industries from a business, financial, market research and regulatory perspective. It’s aimed at the everyday business owners, entrepreneurs and investors who make this industry tick.

How to use this Factbook:

- Dispensaries
  See Chapter III to learn how you compare to your peers in terms of costs, revenues and profitability. Also, be sure to check out the information on insurance and taxes for dispensaries we included. Next, review Chapter IV for the latest market research that reveals what your customers really want from you – and what would make patients switch dispensaries. This could be key in helping you grow revenues and beat the competition.

- Suppliers & Service Providers
  If you serve more than one state or plan to expand into new markets see Chapter II for state-by-state regional data, including which areas are the most stable and which offer the biggest opportunities (no, these are not always the same). Also, check out Chapter III for financial facts and figures for cultivation operations, edibles companies and ancillary businesses. Lastly, many of the market research findings in Chapter IV may apply to your business as well, so don’t forget to check them out (especially if you run a testing lab - you’re going to like what you see).

- Entrepreneurs Considering New Launches
  Start at the beginning - Chapter I - for a must-read overview of the entire industry, including important legal alerts and our tips on what types of people tend to become the most successful cannabis entrepreneurs. Then, review legal and statistical data in Chapter II for the state(s) you intend to do business in. Finally, use the financial data for startups from Chapter III to help you put together your business plan. We also included advice on how to attract investors and a financial startup worksheet for new dispensaries.

- Investors
  Chapter I, our overview of industry-wide financials, key sectors and legal alerts, is critical for you. Next, turn to Chapter III for specific advice for investors considering buying cannabis-related stocks, joining angel investor groups and investing directly with entre-
preneurs in the industry. Also, use the financial data and legal information throughout this Factbook as a guideline when you're evaluating pitches from particular businesses. Now you don't have to fly in the dark.

- **Reporters & Researchers**
  You may use the charts, tables and analysis in the Executive Summary in your materials for public consumption, as long as you give proper attribution to *MMJ Business Daily's Marijuana Business Factbook 2013*. If you publish online, we would also appreciate a link to http://MMJBusinessDaily.com/Factbook. If you have questions about the Factbook data – or about cannabis industry news – please submit your query via our online contact form at http://MMJBusinessDaily.com/contact-us/ so we can get back to you as quickly as possible. (We do have staff manning the contact center fulltime.)

However, please do not use any of the data, stats or analysis from the rest of the report (Chapters I-IV). They are not for publication in any form or format unless we give explicit permission. This Factbook is copyright protected, and it is a large part of our livelihood. Much of the data and all of the analysis contained herein are our own. We appreciate you respecting our copyright.

**Notes on our research dates and methodology:**

Many of the charts contained in this report reflect data from our two annual surveys. Our second annual Patient Survey was conducted online in October 2012. Our Business Survey was conducted online in January 2013. Find more details about these and the respondents in Chapters III and IV.

Other facts and figures throughout this Factbook are the result of intensive research from public sources (you'd be surprised how hard it can be to pry nominally “public” information out of states sometimes), as well as our own analysis of trends, extrapolations and assumptions using available data, and interviews with industry insiders conducted as part of our ongoing daily news coverage - unless otherwise noted.

Our industry revenue and growth projections are our own and in general are somewhat cautious – some might even say too much so. However, we've been reporting on this industry long enough to know that both good and bad unexpected changes are always around the corner. We do not see our role to be industry evangelists; rather, we provide a reality check. You can't make good business decisions without solid numbers to back them up. That's why we never “puff up” the numbers. We're painting as accurate a picture of the industry as possible given what we know today. You'll find additional notes and details on our methodologies in each section.

Our national industry revenue figures and projections are derived from an extensive analysis of the MMJ market in each state with active or planned dispensaries. Essentially, we tallied up our estimated for each state's revenues to come up with a national number (see Chapter II for individual state revenue estimates). We feel this is the most accurate way of estimating the national industry's size, as each state market and its driving factors can be completely different from each other. Our methodologies, therefore, vary by state and may include some or all of the following: the amount and quality of available information, existing estimates by government agencies or
other sources, identifiable trends, the maturity of the market, averages from similar markets or neighboring states with reliable data, average revenue per dispensary estimates, average annual patient spend in the area and tax data. This strategy allows us to create custom methodologies for each market, which we feel provides the most accurate and reliable numbers out there.

Notes on industry nomenclature:

Just as with any niche industry, marijuana business insiders use terminology. Here’s how we use some of these terms in this Factbook:

- Marijuana vs. Cannabis
  We use these words pretty much interchangeably. Cannabis is the scientific name for the plant, popularly called marijuana, from which THC and hemp are derived. Some industry evangelists and insiders prefer to use the term cannabis due to historic reasons.

- Medical vs. Recreational Marijuana
  For years, the only type of cannabis use allowed on a state level was for medicinal purposes, hence “medical marijuana.” But then came the November 2012 elections, when Colorado and Washington State legalized marijuana for “recreational use.” We will use these two terms exclusively, though some industry insiders use “adult use” or “social use” instead of recreational. Please note: The federal government does not make this distinction between recreational and medical marijuana; to the feds, any and all cannabis use is illegal.

- Patient vs. Customer
  When talking about medical marijuana, we use “patients” and “customers” interchangeably.

- Businesses vs. Nonprofits
  In many states, such as California, dispensaries and cultivators are required by local law to operate as nonprofits. We tend to use “business” and related financial terms such as “profits” as umbrella terms for these operations.

Finally: Given the nature of the cannabis industry, all of the facts we present here are subject to change. We will publish a fully revised edition of this Factbook annually from now on. To keep up with changes in between, I urge you to subscribe to our free newsletter and to consider attending our annual convention – the National Marijuana Business Conference, scheduled to be held outside Seattle from Nov. 7-8. You can find information on both at http://MMJBusinessDaily.com.

And be sure to send me your feedback, news and notes so we can make sure next year’s Factbook is even more useful for your business.

Thanks,

Chris Walsh, Editor
Executive Summary: 8 Key Findings

Overall size of industry projections 2011-2018

California was the first state to legalize medical marijuana way back in 1996. Since then, 17 additional states and Washington, D.C. have jumped on the bandwagon, with medical marijuana dispensaries, cultivation sites, edibles companies and related businesses opening up in many of them. As a result, the industry has grown to well over a billion dollars in gross annual retail cannabis sales in legal states. How far over that mark is a matter for debate. While the federal government and trade associations track financial information for other industries very closely, that’s not the case with cannabis. No national database of state-legal cannabis sales, dispensary revenue figures or other information exists.

Most states don’t collect revenue or other market data either, though a few - like Colorado - do keep tabs on important parts of the industry. (You’ll find our state-by-state market estimates in Chapter II of this Factbook.)

This is also an extremely unpredictable industry. Back in early 2011, when a private firm released the first real estimate of the market’s size, it looked like boom times were immediately ahead. But then the bottom fell out of the industry in many states amid a federal crackdown, local pushback and other challenges - and the market actually shrunk.

We believe that the industry is in recovery mode and is now on the path to sizable growth once again. It’s just going to take the industry a bit longer to get there than some initially expected.

With that said – turn the page for our market estimates.

Executive Summary continues on next page…
Note: These estimates reflect sales of marijuana and infused products through dispensaries and retail stores in states that have legalized marijuana for medical and/or recreational use, but not transactions between caregivers and patients or revenues from ancillary businesses or wholesale marijuana transactions.

The above estimates are based on our detailed examination of industry revenues on a state-by-state basis along with the results of our exclusive survey of 135 business owners and dozens of interviews with MMJ professionals. They also reflect the insights and knowledge our editorial staff has developed while analyzing and reporting on the industry for MMJ Business Daily since May 2011. (For more details on our research methodology for this Factbook, see methodology notes on page 12 above and Chapter I.) Important: These estimates also assume that retail marijuana stores will open in Colorado and Washington in 2014 as planned, and in other states in the future. If the federal government prevents that from happening, this chart could change radically.

Key: It’s unusual for an industry financial forecast to show such a broad (or even any) range for projected years. Most analysts want to look like “experts” by picking one fixed number. However, financials in the cannabis industry are so under-reported and volatile that making such a precise prediction is unwise. Anyone claiming to be able to pinpoint exact figures might as well be drawing numbers out of a hat.
The most important aspect of this chart is that it gives you a good indication of the market’s current size and stability (despite regional fluctuations) and how the industry could expand in the years to come, based on our professional analysis of many stats and factors. Current market size and projected growth are critical data points for anyone investing in or running a cannabis business, especially companies that sell products and services in multiple states (such as consultants, hydroponics supply companies, dispensary inventory software firms, etc.).

Although the market actually shrank in 2012 by our estimates - as opposed to the rapid growth many had predicted - $1.2 billion-$1.3 billion in sales isn’t too shabby when considering the extreme turbulence the industry experienced. The challenges ranged from high-profile raids and civil forfeiture threats - which forced hundreds of MMJ dispensaries out of business - to credit card companies and banks severing ties with the industry.

Fortunately, the situation changed greatly in just a matter of a few months, and the industry’s prospects are now bright once again. Going forward, market expansion will depend on many, many factors, including whether the government interferes with retail cannabis sales and court cases challenging MMJ laws in some states. But the room for growth is tremendous as more states come on board, begin to launch dispensaries and even allow legal recreational use.

We see the industry overcoming its many challenges and expanding at a solid clip, particularly in 2014 - when retail cannabis sales are slated to begin in Colorado and Washington - and again in 2018, when new medical marijuana and recreational cannabis markets could really start to develop.

The stars are aligning for huge expansion in the long-term. We expect most states will allow some form of medical marijuana use within the next decade, and many will have passed recreational cannabis laws. Here’s an idea of the potential: If cannabis is eventually legalized across the US, marijuana sales could easily hit $46 billion annually, according to our estimate based of figures for Washington by the state’s Office of Financial Management. To put that in context, the beer industry rakes in $96 billion in revenues and coffee and tea sales total $11 billion annually.

Executive Summary continues on next page…
Which States Are Best for Cannabis-Related Businesses – and Which Are Worst?

In Chapter II of this Factbook, you’ll find an overview of legal/regulatory information as well as financial and statistical data for each state that has medical cannabis laws on the books. For most states, market data such as annual industry revenues, number of dispensaries and patient totals are simply non-existent. So we developed solid methodologies to make our own estimates for this data. We then compiled all of this information in one handy place that you can use as a reference throughout the year.

Plus, you’ll also find our exclusive business ratings for each MMJ state - as well as separate ratings for California and Washington State’s nascent recreational marijuana industries. You’ll see two different ratings for each state.

- **MMJ/Marijuana Business Stability Rating:** This rating tells you how safe we think a particular state is to run a cannabis business in for the next year. Factors evaluated include the likelihood of local regulations changing, local officials’ attitudes towards MMJ, lawsuits that could affect the industry and any major expected development. The ratings are based on a typical school grading system, ranging from A to F, with A+ being the best.

- **MMJ/Marijuana Business Opportunity Rating:** This rating tells you how good the opportunity may be in each particular state to start or expand a cannabis-related business. Factors evaluated include legal considerations as well as the current amount of competition, estimated market demand, potential for growth, maturity of the market, local limitations (such as restrictions in the number of dispensaries) etc. The ratings are based on a typical school grading system, ranging from A to F, with A+ being the best.

Table: The Best and Worst States for Cannabis Businesses in 2013

<table>
<thead>
<tr>
<th>Example: State Rankings for Cannabis Business Stability and Business Opportunities in 2013</th>
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<tbody>
<tr>
<td><strong>Stability Rank</strong></td>
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<tr>
<td>Colorado: Recreational marijuana market</td>
</tr>
<tr>
<td>Maine: Medical marijuana market</td>
</tr>
<tr>
<td>Montana: Medical marijuana market</td>
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<tr>
<td>Washington State: Medical marijuana market</td>
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• The emerging Colorado recreational marijuana market has the potential to generate hundreds of millions in revenues, hence the A+ rating for business opportunities. However, anyone who wants to get involved in the industry should brace for plenty of uncertainty. The federal government could very well look to prevent retail cannabis sales entirely, and there are many other factors that could make it a turbulent market in the near-term, which is why we gave it a C in stability. (As mentioned above, we also have a separate ranking for Colorado's medical marijuana industry.)

• Maine got the highest rating for stability, as it hasn't experienced the huge fluctuations common in other markets and largely flew under-the-radar during the federal crackdown. But due to strict limits on the number of medical marijuana dispensaries allowed, we rate it lower for future growth - both for dispensaries and the many companies that serve them. The market is pretty mature, and any expansion in 2013 will be minimal.

• Montana received the lowest grades in our rankings, earning an F in both stability and opportunity. As of early 2013, the state's MMJ industry was in shambles and barely clinging to life. For businesses, the market is simply too unstable at this time to make it worth any kind of investment, and the opportunities are extremely limited (and could even be non-existent depending on the result of a court case).

• Washington is one of several states where medical marijuana business conditions appear relatively stable. Even though there are no statewide rules on dispensaries, the state and individual cities appear poised to enact MMJ-friendly regulations in 2013. And opportunities could multiply if medical cannabis businesses can tap the emerging recreational market. (As mentioned above, we also have a separate ranking for Washington State's recreational marijuana industry).

For more analysis on each of these markets, as well as 14 additional states plus Washington, D.C., see Chapter II.

Executive Summary continues on next page…
Owners of existing businesses in all areas of the medical marijuana industry – from cultivators to consultants – were most likely to use their own personal financial resources to start their businesses. One major reason: banks and government-run small business organizations will not lend to the industry. Additionally, many MMJ business owners are in their 30s, 40s and 50s and therefore have built up some personal resources to pump into their companies. Attendees at the most recent National Marijuana Business Conference, for example, were largely in the Boomer Generation, and some had started or run successful businesses in other industries or had climbed the ladder in other professions before jumping to MMJ.

This isn’t as surprising as it may seem on the surface. Both the average age of a medical marijuana patient and the average age of an entrepreneur in the early days of the dot-com boom was early 40s.

Another reason behind the heavily reliance on savings and personal debt to get companies started in MMJ is the lack of alternatives. You can count the number of MMJ-focused angel groups and equity funds on one hand. However, those groups are now growing in investor membership, and we know of several more groups on the launching pad today. As more angel funds become available, the percent of businesses funded entirely by the owners will drop. For more information on angel groups, see Chapter III.
Early-stage venture capitalists (VCs) and other private equity firms also are eyeing the market now, especially as recreational use moves toward legalization. That said, few are willing to actually invest yet, aside from a handful dedicated to ancillary businesses only.

Lastly, only a dozen or so ancillary businesses, such as Medical Marijuana Inc. and Cannabis Science, have raised expansion financing by going public, and most are penny stocks. You can see a table with stock information on some of these companies in Chapter III.

**What Are Typical Cannabis Business Startup Costs?**

How much does it take to get an MMJ business up and running? It depends on the type of business, but there are some common threads running throughout the industry. Nearly 45% of respondents to our exclusive survey of cannabis business owners said equipment accounted for the largest portion of expenses in the startup phase. This includes everything from grow lights for cultivation operations to glass cases for dispensaries to kitchen appliances for edibles manufacturers and printers, copiers and computers for ancillary businesses.

A large percentage of respondents also listed real estate and renovations. Indeed, these areas often create a huge financial headache for businesses that handle marijuana. In many cities, landlords who will rent to MMJ tenants are few and far between because of the risks involved, meaning those who do often charge a premium. Additionally, MMJ businesses in states with strict regulations can spend a fortune on renovations to comply with those rules.

Here’s an example of the data you’ll find in Chapter III for each of the four main cannabis business sectors:

**Chart: Startup Costs for a Typical Edibles Company**

<table>
<thead>
<tr>
<th>Startup Costs: Edibles Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than $500,000</td>
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<tr>
<td>$200,000 - $500,000</td>
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<tr>
<td>$100,000 - $200,000</td>
</tr>
<tr>
<td>$50,000 - $100,000</td>
</tr>
<tr>
<td>$10,000 - $50,000</td>
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<tr>
<td>Less than $10,000</td>
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Small-scale edibles companies providing anything from cannabis-infused brownies to pizza are one of the cheapest and easiest types of marijuana businesses to launch. However, if you intend to serve more than a handful of mom-and-pop style dispensaries, costs for everything from packaging, production equipment and sales and marketing can rise sharply. Additionally, in some markets big players are starting to dominate the market, making it harder for new entrants and smaller companies.

**How Much Money Can a Cannabis Business Make?**

Business revenues vary widely across the industry, and even within key sectors and states. These variances are tied in part to differing regulations and market dynamics. But they’re also due to the fact that there are three main types of entrepreneurs:

- **Hyper-local mom-and-pops**
  Ranging from cultivators supplying some inventory for just one small dispensary to edibles producers working out of the kitchen in their home, these businesses may only generate $50,000 or less in annual revenues. Many are not interested in – or do not have the skills or financial resources to – become larger organizations. Their businesses may be born as much out of a personal passion for serving patients and a desire for additional (sometimes part-time) income than out of the desire to actually be a businessperson.

- **Mid-sized regional players**
  These businesses include established dispensaries, consultants and services firms such as lawyers and accountants with a specialized client base. Many of them have past entrepreneurial experience but may not want to grow their businesses beyond a handful of employees. They would be happy with a stable, prosperous small business. Their revenues may range from the low-to-mid six figures.

- **Top dogs and national brands**
  These include the largest local dispensaries, especially those with multiple locations, as well as infused product companies with popular brands and ancillary companies that serve the national market. Some are public companies listed on over-the-counter markets. Their owners and shareholders may be interested in significant growth, including chain stores and more aggressive national distribution at some point in the future. Their revenues tend to range from $1 million and up. These are the brands and businesses who’ll either come out on top in the future or will be acquired by newly aggressive players with deep pockets when the time is ripe.

*Executive Summary continues on next page…*
Here’s a breakdown of revenue data for dispensaries we’ve surveyed:

As you can see, they tend to clump into major groupings by size. What’s interesting is that there are just as many dispensaries making $100,000-$250,000 as there are centers making more than $1 million.

For more data on average dispensary revenues nationally and by state - as well as this type of data for edibles, cultivators and ancillary companies - please see Chapter III.

**How Long Does it Take to Reach Profitability?**

According to our business survey data, approximately 83% of currently active cannabis-related businesses are either hovering near breakeven or are already profitable. Given the legal dramas of 2012 - and how young the industry is (many businesses have been around for just a few years) - this is a very good sign.

We also asked respondents to tell us how long it took for them to become profitable. Obviously this will vary widely depending on: the type of business; regional fees, product pricing and competitiveness; the management skills of the owners; and whether or not the founders decided to plow potential profits into further growing their business versus enjoying the fruits of their labor.
However, in general we can tell you that cannabis businesses tend to break even fairly quickly – often in a matter of months (though this can vary greatly by state or city). That’s a remarkably short period compared to many other types of American businesses. For example, according to Pharmacist eLink, a new pharmacy started from scratch can take six months or more to pay the owner a salary and up to five years to get to profitability.

Here’s an example of our profitability charts from Chapter III:

![Chart: Time to Profitability for Cultivation Operations](image)

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A few months</td>
<td>44%</td>
</tr>
<tr>
<td>6-12 months</td>
<td>39%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>17%</td>
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</tbody>
</table>

**What Does Market Research Reveal About Cannabis Customers?**

Every year we field an exclusive survey to cannabis patients and customers. Currently, our survey is the only market research that we are aware of published on the cannabis marketplace. We ask them to rate everything from the importance of pricing to the look-and-feel they prefer in a dispensary, as well as what sorts of edibles and infused products they’re most interested in. Perhaps the most interesting finding from last year’s survey was that nearly 50% of surveyed patients said they’d be willing to switch dispensaries if a different one in their area offered organic marijuana. This year, however, the number fell to 33%, although many patients still ranked organic marijuana as important.

The big news this year: An astounding 71% of patients said it is crucial for dispensaries to test and label marijuana.
This question got by far the most impassioned response out of any topic we touched on. Patients care more about tested marijuana than they do about discounts, strain availability, convenient retail locations, types of edibles and infused products, and a host of other options.

The implications go beyond dispensary inventory (and a potential boom for testing labs). In effect, we are seeing marketplace demand for the cannabis industry to be as professionally and scientifically run as any FDA-approved industry, or even as the alcohol industry - which, after all, is required to label all its products with a host of information.

Of course, there's a fair share of controversy surrounding testing. And with good reason: Because testing isn't regulated, there are no industry standards, quality assurances or qualifications to start a lab. As a result, there are a lot of questionable companies out there.

Still, consumers are clamoring for it. We therefore foresee competitive advantages for dispensaries that promote the availability of tested offerings in their advertising, as long as it's from a credible lab. You may also be able to charge a slightly higher price for tested and labeled product.

We also encourage edibles and infused product businesses to consider this data with a view to...
their own testing and labeling practices. Lastly, if lab testing takes off as it may deserve to, this could affect cultivators a great deal.

For advice on selecting a lab and budgeting for testing, see Chapter III.

Want more information on cannabis customers? For overall patient demographics see Chapter I, for state-by-state information numbers see Chapter II and for the rest of our exclusive patient market research study see Chapter IV.

**What’s the Cannabis Business Outlook for the Next Year?**

Confidence is running extremely high in the MMJ industry. Our data show that the vast majority of cannabis business owners are optimistic about their prospects in the coming year. Nearly 50% said they expect moderate growth, while a solid 34% said they’re “projecting big growth.” The optimism is understandable: Two states legalized medical cannabis in 2012, dispensaries are slated to open in a handful of new MMJ states and the government crackdown on the industry is waning. At the same time, Colorado and Washington are moving forward with regulations covering the recreational use of cannabis, which opens the door further for MMJ nationwide and makes it more acceptable.

Here’s specific information for the sector that investors are the most excited about, ancillary cannabis businesses:

Chart: Ancillary Business Executives Forecast Their 2013 Business Growth

For more forecasts for all sectors, see Chapter III; for our forecasts by state, see Chapter II.
In Conclusion…

Based on the data, we believe 2013 will be a more stable and stronger year than 2012 was, and we forecast significant gains for 2014 and beyond. Current businesses are reaching profitability, and many are expanding. National brands, in particular in the ancillary arena, are beginning to emerge. Thousands of American entrepreneurs and investors are waiting eagerly on the sidelines, trying to decide if this is the year they should jump in. These startups will all require equipment and services that existing providers can grow wealthy selling to them.

We also see a marketplace shakeup further along the horizon. This shakeup will result from increased business activity instead of legislation or federal activity. As the industry grows rapidly and professionalizes itself, many of the smaller players may choose to depart - or be forced under. Mid-sized businesses may be acquired or battle increased competition. Lastly, well-funded companies in the supplements, herbal health, food-and-drug testing, and other non-cannabis industries will consider dipping their toes into the cannabis market to duke it out against the current crop of brands.

Some of the companies founded in 2013 are going to be among the biggest players of 2016 and beyond. This is a very good time to get into the industry and learn how to run your business … before the market really hits its stride. It’s also a time for existing businesses to get their houses in order. We hope this new Factbook can be of assistance to both newbies and veterans.

Next:

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  - MAINE
  - MICHIGAN
  - MONTANA
  - NEW JERSEY
  - NEW MEXICO
  - OREGON
  - WASHINGTON STATE

Profiles: MMJ States in Process of Launching Dispensaries
- CONNECTICUT
- MASSACHUSETTS
- RHODE ISLAND
- VERMONT
- WASHINGTON, D.C.

Profiles: MMJ States Without Dispensaries
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