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# Cannabinoid MONTHLY PLAYBOOK

April 2022



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# Dear Reader,

We want to thank you for your trust, and most importantly, your time. With the endless amount of resources at your disposal, we appreciate you leaning on us as your guide through the muddy waters of this industry's limitless news and intelligence.

In an industry that changes as aggressively as ours, we can't stress the importance of effective decision-making enough. Though the information in the report is never meant to dictate specific actions or guarantee certain outcomes, we hope that we're able to provide another voice in the room, one that illuminates, simplifies, and supports you.

If you find one area more helpful than others and want us to expand on it, please never hesitate to reach out. For any suggestions or questions, we can be reached directly at [info@8threv.com](mailto:info@8threv.com)

## Welcome to the Revolution

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### Bryan Fields

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# IN THIS ISSUE

## April 2022

### Welcome to spring in the cannabinoid industry, domestic crude CBD oil supply running low?

**Kellen Finney, Eighth Revolution**

April could prove to be a pivotal month in the development of both the cannabis and hemp industries. We will start with the hemp CBD industry, which we believe has finished its consolidation, and operators who weathered the storm are poised to reap the reward. This was prevalent through our own experience this month when sourcing CBD crude oil for a client, which turned out to be quite the challenge. Two years ago, obtaining a Certificate of Analysis (CofA) was the simple part of a wholesale transaction. Recently for our clients, the task has proven to be the biggest obstacle for crude oil transactions, suggesting a shortage of crude oil in the wholesale market. This could be due to the lack of operators providing intermediate products and only focusing on finished goods or due to the diminishing number of operators producing oil.

### Cresco to acquire Columbia Care

**Bryan Fields, Eighth Revolution**

The cannabis industry continues its march towards consolidation with two of the biggest players combining forces; Cresco Labs (OTCMKTS: CRLBF) agreed to purchase Columbia Care (OTCMKTS: CCHWF) for \$2 billion in stock creating the largest US cannabis company by sales, dethroning Trulieve (OTCMKTS: TCNNF). The acquisition also gives Cresco access to key positions in 7 of the top 10 potential cannabis markets.

This also positions the new entity for significant success as it will no longer be directly competing in the emerging markets of New York and New Jersey. Acquisitions and mergers will continue to dominate cannabis industry headlines; however, we believe the only real catalyst for the industry will come from federal policy changes.

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**"New York To Let  
People With  
Marijuana  
Convictions Open  
Dispensaries Before  
Big Businesses Can  
Enter Market"**

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# Does “Green” Experience Matter?

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As the East Coast’s markets are set to come online, major excitement is brewing.

Creative, experienced, eager parties are ready to make the move into the green rush. As projected numbers for total addressable markets get released, many believe this is their gold rush and are flocking to throw their hat into the ring.

We have fielded numerous calls with experienced, successful individuals looking to apply for licenses and use their outside industry experience in cannabis.

Some of the conversations sounds like this.

“I have been successful in X and am confident that it will apply to Y.”

Those statements are never met with disagreement from our side and are usually followed up with a simple, “does anyone on your team have a “Green” background?”

The response 99 out of 100 times is “is that necessary or important?”

Necessary? No. Important? Likely.

Allow us to explain...

Cannabis is hard.

Challenges exist inside cannabis that are hard to truly understand until you’re in the space.

Go-to platforms that are typically used for selling products may not be an option. For example, if you are starting an ecommerce brand that's Direct to Consumer, you can forget about using Stripe

If you are looking for standard, non-plant touching insurance, prepare yourself for 300% markup.

Looking for an SBA loan to finance your operations? No can do.

This is where experience is valuable.

The learning curve of the industry is steep and the velocity at which organizations operate is hyperspeed. These variables are counterintuitive.

Layered on top of that is the inability to receive basic funding, making decisions regarding capital extremely critical.

East Coast businesses won't just be competing with new, inexperienced players, they will be up against some of the biggest MSO titans in the space.

Their experience in understanding how the cannabis game is being played allows them to navigate these landmines swiftly.

That being said, does having a green background matter? Absolutely.

The bottom line is, if you want to be successful, you need to understand the rules of the game, and most of the time that means dealing with challenges and learning through experience. Solutions for all your obstacles exist. They are just not readily seen until you’re navigating the unknown path forward.

# Mergers and Acquisitions Outline

By Marc Brandl

As an entrepreneur building and running a business you are always seeking greater market share, cost reductions, or new niche offerings. Acquiring or merging with another company is a popular route to achieving these, pushing your company's mission to the next level. If your company is acquired it's also a chance to get a nice exit for yourself and your investors.



In 2021 there was a record number of mergers and acquisitions (M&A) in the US cannabis industry, with 209 deals worth a total value of \$10.1 billion in the US alone, according to Viridian Capital Advisors. The total value and number of deals outpaced 2019 and 2020 combined. M&A took place in every part of the cannabis supply chain with publicly traded Multi-State Operators (MSO) leading the charge, buying up other MSOs, brands and software companies.

The primary drivers for cannabis sector M&A are different from traditional companies in the tech or financial spaces. Federal prohibition of cannabis remains intact for the foreseeable future, therefore interstate commerce is off the table. Additionally, each state has its own complex system of licenses and regulations to navigate. For example, obtaining and developing property and getting licensed in a heavily regulated state like California can take years. If you are a well-capitalized or public company and want to expand into more states, it's often easier to acquire existing licensed operations in those states, rather than start from scratch. Acquiring or merging with a company can cut that waiting time down drastically, even if you are paying a premium to do so.

Large publicly traded cannabis companies often have M&A as a core part of their long-term strategy. Canadian LP Canopy Growth has made 12 acquisitions and 3 investments totaling \$4.6 billion in the past five years alone. In addition to the large deals, multiple smaller deals happen all the time. This year we've seen Harborside, a publicly traded California retailer lead a merger with cannabis brand and producer Loudpack, and UrbnLeaf a San Diego-based dispensary with eight locations to form Statehouse.



# Mergers and Acquisitions Outline

By Marc Brandl

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This deal perfectly illustrates cannabis M&A, as Harborside and the other companies are partnering together to gain as much market share in the world's largest legal cannabis state. They combined forces to create a dominant brand, give access to the public markets, and increase their geographical reach with locations throughout the state.

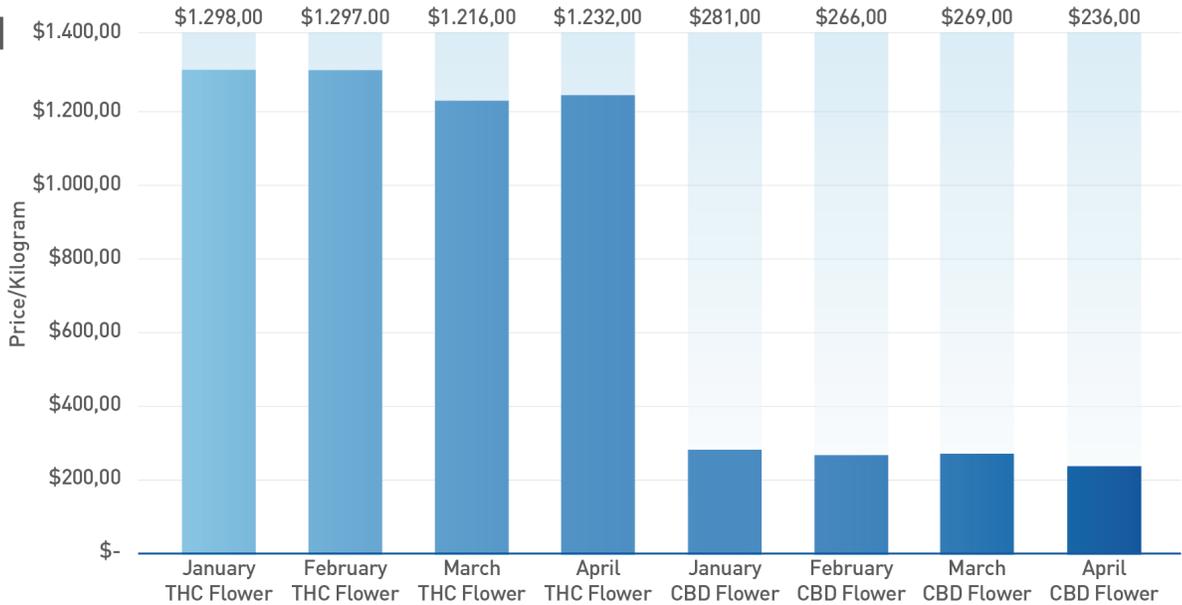
The first quarter of 2022 has started out with a bang with the \$2 billion acquisition of Columbia Care by Cresco Labs; a record M&A deal for the US cannabis industry. However, the number of deals compared to Q1 2021 is down. This is in part due to rough waters for many public cannabis companies, the rise and affordability of debt financing, concerns about the macroeconomic environment going forward and the perceived lack of any real prospects for substantive federal reform this year. These are all legitimate headwinds in 2022 but M&A will continue to play an important role in shaping the industry going forward. New markets are opening up, most notably New Jersey, New York and Connecticut. While more states continue to pass adult recreational laws, which will open up new markets, existing multibillion-dollar states like California, Illinois and Michigan are still growing rapidly every year. Companies are betting that expanding into as many markets as possible now through M&A will pay off handsomely. When banking is normalized, and federal legalization and interstate commerce arrive the industry will see massive expansion and national mainstream adoption.

Cannabis brands face their own set of challenges that M&A can help conquer. The Holy Grail of cannabis brands is building a recognizable national brand with a product line consumers recognize and demand when they order online or walk into a retail location. In addition to federal prohibition, severe restrictions on advertising on Google and social media platforms are additional obstacles. Merging with or acquiring a cannabis brand can greatly accelerate state expansion, economies of scale, diversification, greater market share and a larger marketing and sales budget and staff.

If you are a company looking to enter the M&A marketplace on either the buy or sell side and don't know where to start? Connect with our Director of Business Development Sarah Falvo [sarahfalvo@arcviewconsulting.com](mailto:sarahfalvo@arcviewconsulting.com) – we have deep connections through the North American cannabis ecosystem and would love to assist you and your company through this process.

# Wholesale Flower Pricing CBD vs THC flower

## Cannabinoid Flower Pricing



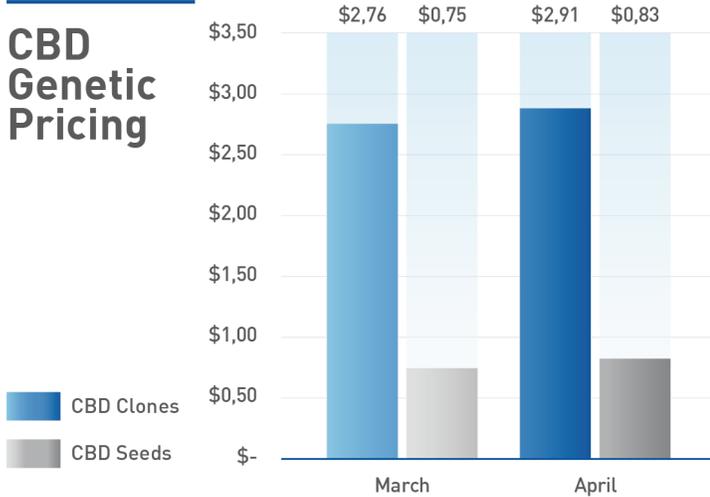
The flower market continues to show the most stability whether it is the THC flower market or the CBD flower market. THC flower prices nationally increased by 1.3% since last month to an aggregate price of \$1,232 / pound according to Cannabis Benchmarks data. Smokable CBD flower saw a double-digit percentage price drop from last month with the average price per pound hovering around \$236 USD.

Even with the average price of CBD flower being reported at \$236 / pound, we have heard through some of our clients that high-quality CBD flower can go for as much as \$1200 / pound. This suggests the market is significantly more fragmented than projected, with prices almost being localized like THC flower and state markets. We believe this is most likely due to how deals are executed in the industry, given the lack of normal commodity trading desks and exchanges that other agricultural industries have at their disposal to create price transparency. Until CBD is classified as a nutraceutical product and a major commodity exchange (such as the CME) allows trading, the industry will continue to lack price transparency.

# WHOLESALE DATA

## WHOLESALE HEMP GENETICS PRICING

### CBD Genetic Pricing



CBD seed prices continue upward trend **increasing by 11%**

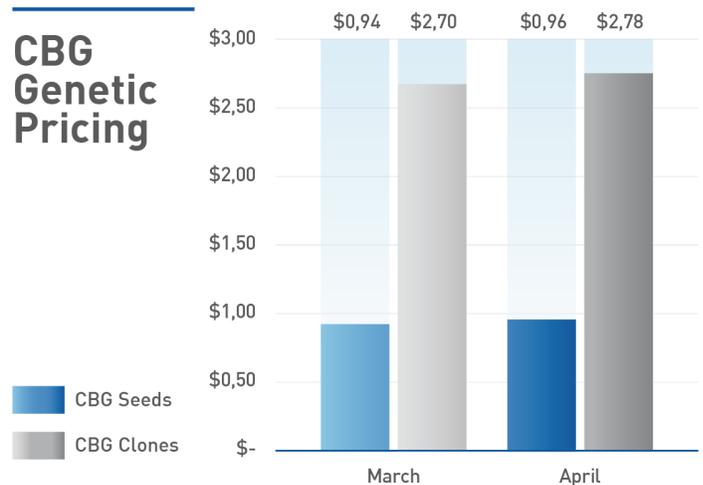


The upward price trend continues for both the CBD clone and seed product categories. CBD seeds increased 11% since last month whereas CBD clones only increased by 5%. We believe that the larger increase in seeds could be due to the increased demand for seeds over clones. Anecdotally, we have heard farmers are having a better experience when purchasing genetics via seeds vs clones. Early environmental conditions can have long-term effects on the health of the plants. With clones, the farmer does not have control of those first few weeks, but when using seeds the farmer can control the environment throughout the lifecycle of the plant.

Mirroring the CBD genetics market, the CBG market also saw price increases for both clones and seeds. The opposite trend was observed in the CBG genetics market, where the seed prices saw a 2% increase vs clones experiencing a 3% price increase. We believe this is due to the fact that CBG genetics are still new, and farmers are skeptical. CBG seeds, vs clones, could have more robust identifiers to ensure it's a CBG dominant strain.

We believe the genetics market pricing will peak in next month for the 2022 season.

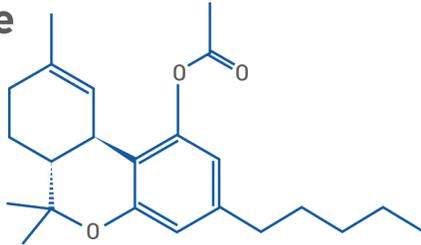
### CBG Genetic Pricing



# Minor Cannabinoid Wholesale Pricing

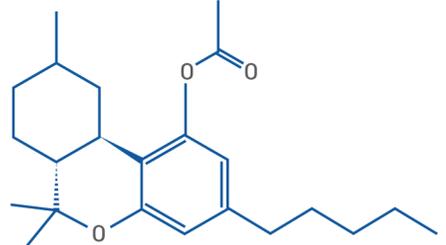
## THC-O-Acetate

Mar 22	\$ 950.00 / kg
Apr 22	\$ 980.00 / kg



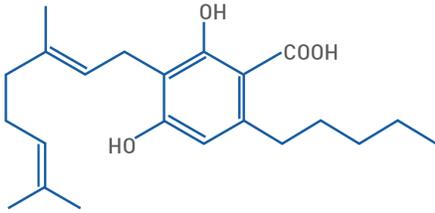
## HHC-Acetate

Mar 22	\$ 2,600.00 / kg
Apr 22	\$ 2,900.00 / kg



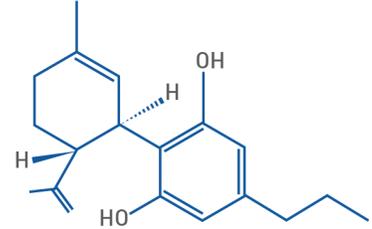
## CBGA

Mar 22	\$ 5,500.00 / kg
Apr 22	\$ 5,116.00 / kg



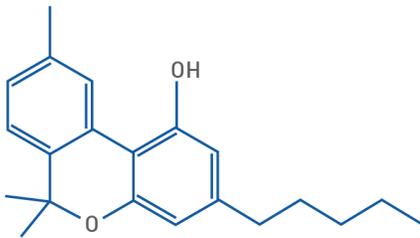
## CBDV

Mar 22	\$ 3,010.00 / kg
Apr 22	\$ 3,000.00 / kg



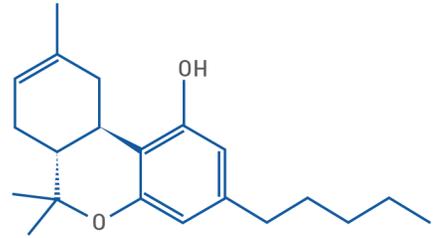
## CBN

Mar 22	\$ 3,294.00 / kg
Apr 22	\$ 4,435.00 / kg



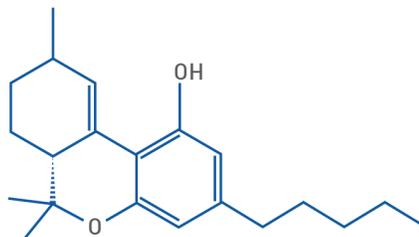
## Delta-8 THC

Mar 22	\$ 763.00 / kg
Apr 22	\$ 624.00 / kg



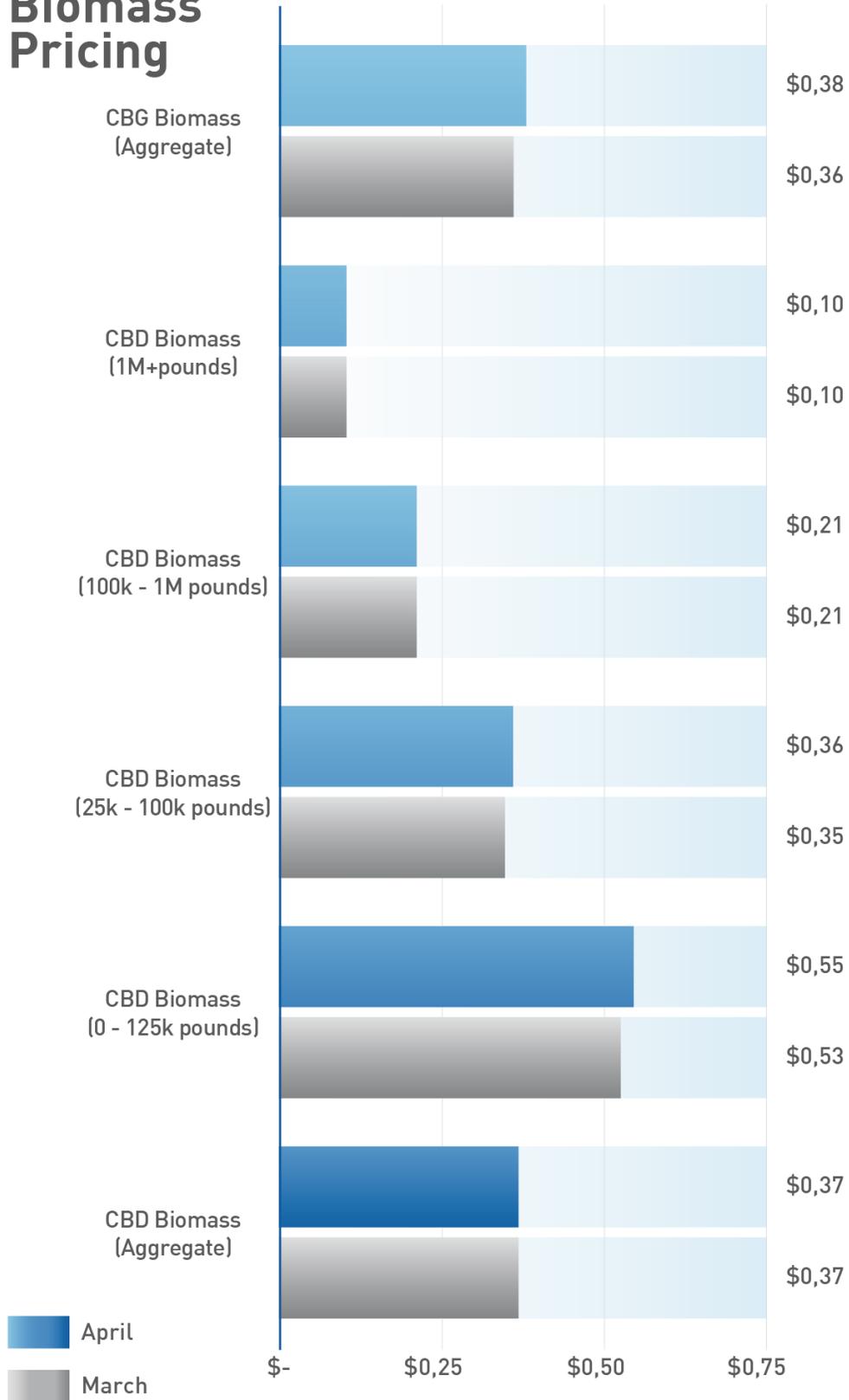
## Delta-10 THC

Mar 22	\$ 2,613.00 / kg
Apr 22	\$ 2,289.00 / kg



# WHOLESALE HEMP BIOMASS PRICING

## Biomass Pricing



## WHOLESALE HEMP BIOMASS PRICING

Further evidence of pricing stability in the biomass sector emerged after tracking the monthly wholesale prices. There was even a 2% increase in orders where volume was between 25,000 – 100,000 lbs. suggesting a stronger market demand for medium size operators. The average price for CBD biomass on average was ~\$0.36 / % CBD / pound, which was the same price as the previous month. The stability should allow operators to breathe easily as they can now start to forecast expenses and lock in their consumable orders based on a fixed ingredient price to produce oil.

Our firm has also witnessed a significant uptick in operators looking for crude oil and tolling services for the coming season. We believe the industry is at the tail end of the weed-out events that caused the volatile prices in the wholesale market. Operators who played the long game will be poised for success in the coming years.

CBD hemp production  
**shrinks  
by 80%**  
since 2019



Historically, navigating an emerging market comes with unique economic challenges, specifically when balancing supply and demand. The cannabinoid industry has been no different, except when it comes to price volatility in an agriculturally focused business, posing challenges not experienced in other sectors. For example, the production volume of biomass since 2018 has changed significantly, with hemp benchmarks estimating 112 million pounds being grown in 2019 and only 60 million pounds in 2020. Since then, the production volume shrank by 80%, with production levels in 2021 estimated at 20 million pounds.

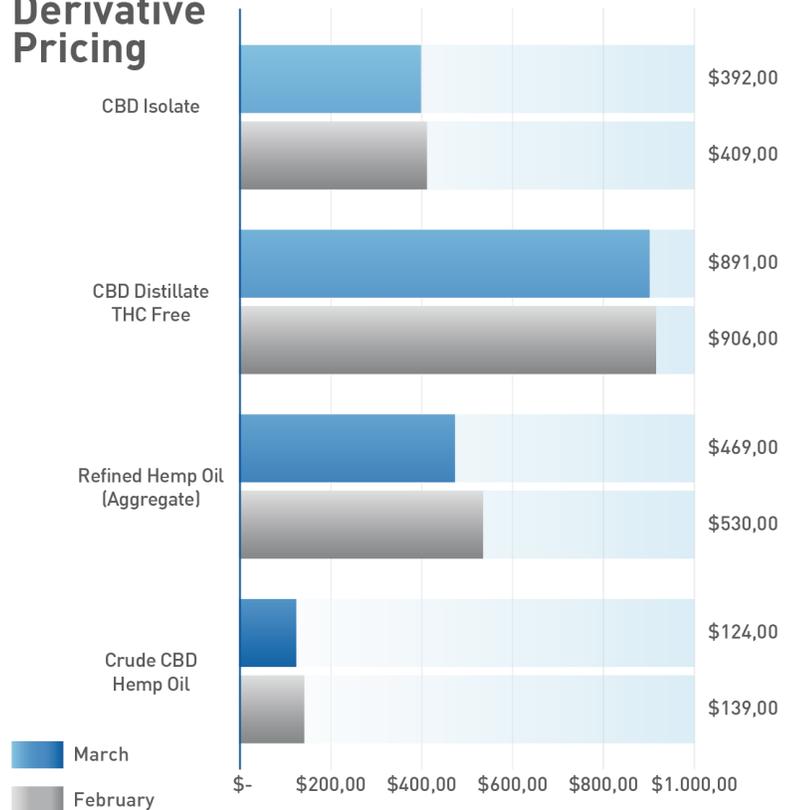
## WHOLESALE DERIVATIVE PRICING

Prices for derivative products continued their downward trend. The largest drop was seen in the intermediate product category with refined hemp oil and crude CBD oil both experiencing double-digit percentage drops in price.

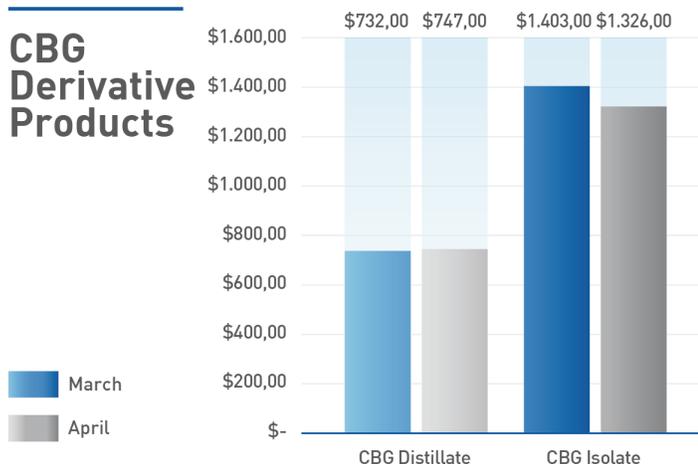
CBD isolate dipped below the \$400 dollar mark to \$392 for the first time in the history of wholesale price tracking.

Stability is not the norm in other industries, most established agricultural commodity markets have been rooted in our society for hundreds of years. This time has allowed for price stability to match other economic forces such as inflation. Hemp and cannabinoid markets have only existed briefly, we have yet to witness the effects that other economic forces will have on this market.

### CBD Derivative Pricing



### CBG Derivative Products



The CBG derivative market has consistently experienced higher prices than the CBD derivatives market, but the price point has never been the key issue for minor cannabinoid markets. Instead, there's the issue of volume and consistency. The spectrum of CBG distillates from a quality perspective can vary significantly on the wholesale market. Price points for minor cannabinoid derivative products also vary significantly based on quality. Our recommendation is to focus on isolates for product ingredients until you have a trusted vendor.

## SECTOR ANALYSIS\*

INDICES	3 MONTH%	6 MONTH %
S&P 500	-7.09%	-5.92%
DOW JONES	-2.06%	-0.72%
NASDAQ	-12.29%	-6.59%
GLOBAL CANNABIS	-21.21%	-44.45%
AMERICAN CANNABIS	-7.76%	-32.06%



"We have the war, the reminder that the pandemic is endemic and significant, long-lasting disruptions to supply chains," said Vincent Reinhart, chief economist at Dreyfus and Mellon"

\*This text expresses the opinion solely of the writer. The thoughts expressed are independently formed and the writer is not compensated by any third party.

SECTOR	3 MONTH	6 MONTH
HEALTHCARE	-7.85%	-14.04%
TECHNOLOGY Sector	-12.5%	-10.38%
INDUSTRIALS	31.00%	31.19%
FINANCIALS	-0.33%	2.05%
CONSUMER CYCLICAL	-11.26%	-5.85%
CONSUMER NON-CYCLICAL	-1.04%	1.81%
BASIC	8.49%	6.68%
ENERGY	23.82%	32.43%
UTILITIES	1.56%	5.46%
ALTERNATIVE HARVEST ETF (MJ)	-19.17%	-37.24%
MULTI-STATE OPERATORS (MSOS)	-20.54%	-37.44%



\*Information retrieved from NCV and E\*trade.

# Jurisdiction Roundup

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The Fyllo Regulatory Database creates unparalleled visibility at every level of government, with access to more than 4,300 sources in 1,450+ jurisdictions across the country. Today's leading MSOs, SSOs and law firms rely on Fyllo to accelerate research, track licensing opportunities and make better decisions. To learn more or schedule a demo, please visit [hellofyllo.com](https://hellofyllo.com).



## Michigan

In an effort to continue stimulating business growth while preserving safe consumer access to marijuana, the Marijuana Regulatory Agency (MRA) adopted a new administrative ruleset with the intention of growing the industry and keeping patient access safe. New license types/allowed activities include:

- New Class A Microbusiness license
- New Adult-Use Educational Research License
- Contactless and limited contact transactions – including curbside service and drive-thru operations – are allowed, with municipal approval

Fees, applications, and guidance will be updated in conjunction with the new rules and the MRA is advising that old application forms will not be accepted.



## New York

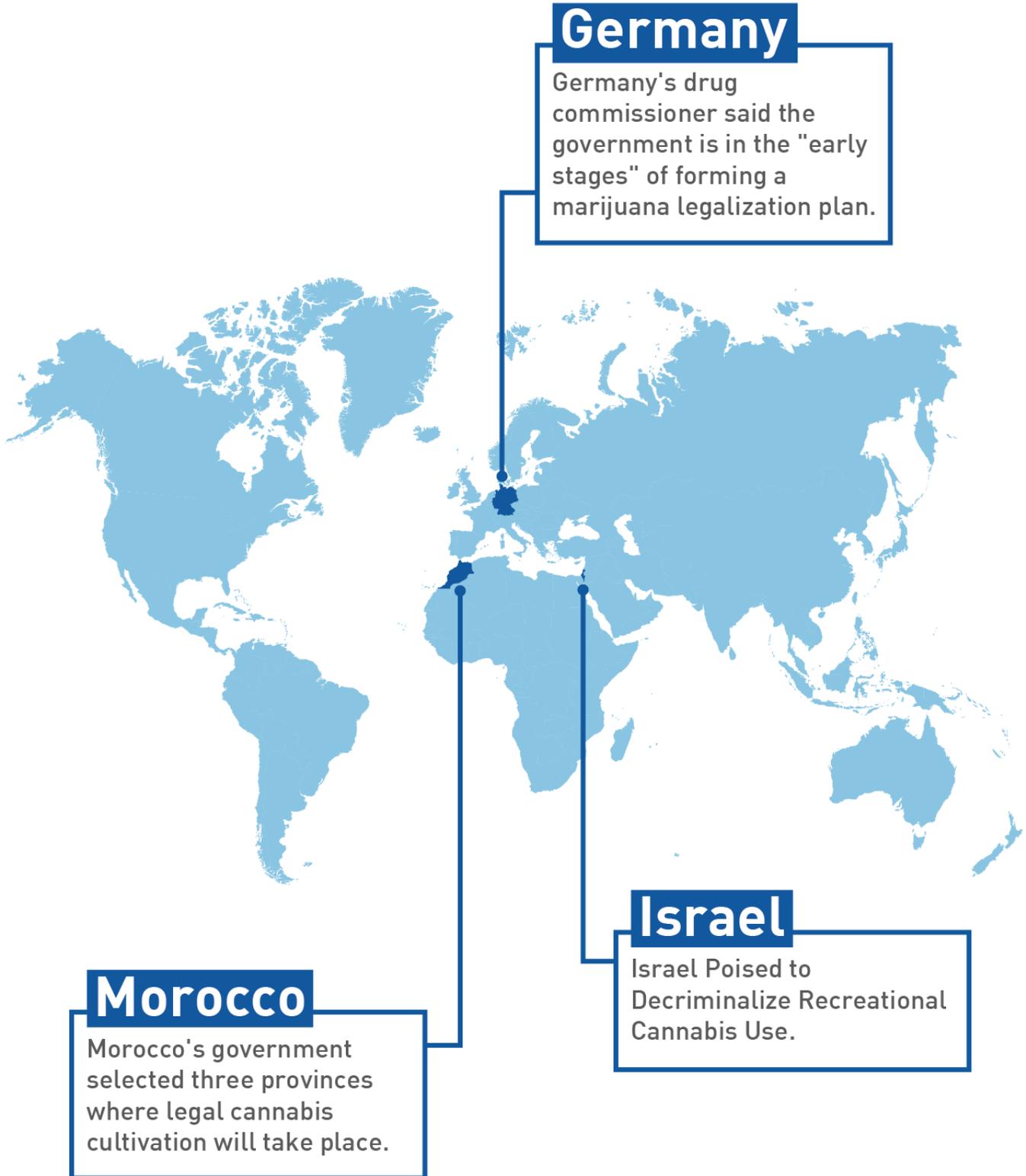
Recently, New York released plans that aim to make the state's cannabis industry more equitable. Governor Kathy Hochul explained that the first adult-use retail licenses in the state will go to those with prior cannabis-related offenses. The program is called the Seeding Opportunity Initiative. The initiative includes conditional adult-use dispensary licenses for social-equity applicants and those conditional licenses for hemp farmers, in addition to the \$200 million social equity investment program outlined by Hochul's 2023 Executive Budget. However, the 2022 potential start date is unexpected, as it was previously indicated that adult-use licenses would not be awarded until at least the spring of 2023.



## South Dakota

A Senate-approved bill (SB 3) that would have legalized cannabis in the state went on what seemed to be a roller coaster ride, which unfortunately ended in a downturn. The bill was first defeated by the House State Affairs Committee, was then revived by a legislative process known as a smoke-out, to end up in the House for consideration, where it was ultimately killed by lawmakers. The matter of legalization now falls onto an activist group that is working to get a proposal in front of voters for November's election.

# INTERNATIONAL UPDATE



## Germany

Germany's drug commissioner said the government is in the "early stages" of forming a marijuana legalization plan.

## Morocco

Morocco's government selected three provinces where legal cannabis cultivation will take place.

## Israel

Israel Poised to Decriminalize Recreational Cannabis Use.

# HOT IN THE NEWS

March 2022

**Top marijuana executives to push for federal reform in DC meetings**

**College Students Who Use Marijuana Show Signs Of Greater Motivation Compared To Non-Users, Study Finds**

**Congress Keeps D.C. Marijuana Sales Ban In Place But Continues Protections For Medical Cannabis States In Spending Legislation**

**Emerald Scientific Teams Up With Eighth Revolution To Highlight 'A Heavy Focus On Quality & Analytics' In Cannabis**

**TerrAscend Completes Acquisition of Gage Cannabis**

**Department of Cannabis Control Launches CannaConnect, a New Resource to Support California's Cannabis License Holders**

**New Jersey prepares to launch \$2 billion recreational cannabis market**

**New Yorkers With Marijuana Convictions Will Get First Retail Licenses**



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