



Cannabis Market Study

Legislative Auditor's conclusion

Washington businesses produced two to three times more cannabis than retailers sold in 2023. Inaccurate and incomplete data limits the Liquor and Cannabis Board's capacity for data-driven regulation.

Key points

- The Liquor and Cannabis Board (LCB) regulates Washington's cannabis industry.
- LCB regulates production by limiting growing space. It does not have an accurate measure of the amount of cannabis produced.
- JLARC's consultant, RAND, estimated broad ranges for cannabis produced, sold, and consumed in 2023 due to data limitations.
- These data limitations prevent LCB from answering the Legislature's questions about supply and demand and restrict its capacity for data-driven regulation.
- An existing oversupply of cannabis and a 31.6% decline in producers since 2017 indicate challenging market conditions for producers that will be licensed through the Social Equity in Cannabis Program.

Read the full report: leg.wa.gov/jlarc/Audits

Recommendations

1. LCB should submit a plan to the appropriate committees of the Legislature by December 31, 2025, that details the resources and funding needed to collect accurate data from licensees by December 31, 2026.
2. The Legislature should consider other ways to increase social equity in the cannabis industry beyond new producer licenses.

Contact us

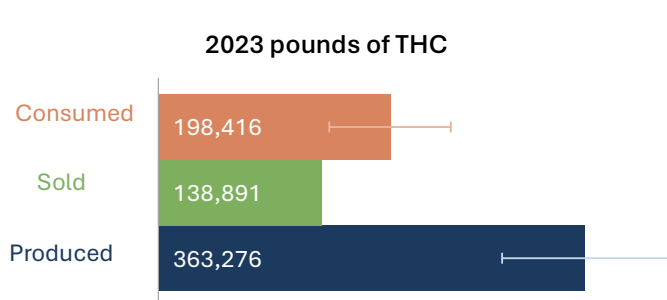
Suzanna Pratt, project lead
suzanna.pratt@leg.wa.gov | (360) 786-5106

Eric Thomas, legislative auditor
eric.thomas@leg.wa.gov | (360) 786-5182

LCB regulates cannabis production by limiting producer's growing space, called canopy

- Limiting canopy is a common regulatory approach among states with legal recreational cannabis. It is not a measure of the output from cannabis producers.
- LCB does not currently have reliable data that it can use to quantify the amount of cannabis produced by licensed producers. A standard measure of cannabis output is the weight of dried flower.

JLARC's consultant, RAND, estimated cannabis production, sales, and consumption in 2023 using best available data



Production is estimated to have been 2-3 times higher than legal **sales**

Consumption was higher than **sales**

This suggests consumers get roughly 60-70% of their cannabis from licensed retailers

Note: Due to the unreliability of LCB's data, RAND's estimates include broad ranges. These are indicated by error bars on the graph.

LCB's data is incomplete and unreliable, limiting its ability to estimate production and sales or regulate the industry

Examples of major data issues:

- Limited ability to link sales records, product details, lab results, and inventory records.
- Sales records are incomplete.
- Wholesale cannabis weights are unreliable.

LCB plans to replace its current data system with a new one by 2031. Until a new system is in place, LCB will likely continue to have incomplete and unreliable data.

New producers licensed through the Social Equity in Cannabis Program are likely to face challenging market conditions

The Legislature:

- Created the Social Equity in Cannabis Program in 2020 to reduce barriers and promote industry equity.
- Directed JLARC to estimate the impact of ten new producer licenses that will be issued under the program.

These new producer licenses have the potential to increase statewide cannabis canopy by a maximum of 2.5%.

The number of cannabis producer businesses declined 31.6% since 2017

This, along with Washington's current oversupply of cannabis, suggests that new producers licensed under the program are likely to face difficult market conditions.