

Five to Watch in the Cannabis Industry



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2020 is proving to be a very tumultuous year for all Americans. That includes members of the cannabis industry. As we move forward through the remainder of the year, here are five key developments worth keeping an eye on.

1. **ELECTION:** All eyes on the November election, and whether Democrats take the White House AND the Senate. The consensus among industry members and lawyers alike is that both are needed to secure removing “marihuana” from Schedule 1 of the Controlled Substances Act.
2. **ECONOMICS:** While the American economy has slid into Recession, and many industry sectors are operating in the negative, cannabis is one of the few positives. Retail sales of medical and recreational cannabis in the U.S. are predicted to top \$15 billion by the end of 2020, according to the *Marijuana Business Factbook*. That’s an increase of about 40% over 2019 sales. There are several leading US cannabis operators that are generating more than \$100 million of revenue per quarter and have been projecting higher revenues for future quarters.

HOWEVER, that’s not true for all: Several operators tried to expand too far, too fast and they are paying the price for it. For example, Medicine Man Technologies, which recently changed its name to Schwazze, has attracted attention because it announced acquisitions that it ultimately failed to close, reportedly due to inadequate capital.

The same is true of MedMen Enterprises, which also is saddled with extensive debt. The company took on \$250 million in capital loaned by Gotham Green Partners in order to finance a 2019 acquisition spree. Current market speculation is that MedMen will face significant challenges as repayment obligations come due.

3. **STATE/LOCAL PREEMPTION:** Tensions, some of which have resulted in litigation, are rising between state laws authorizing production and delivery of medical marijuana and municipalities who seek to ban such activities in their communities. Several California lawsuits are pending.

4. **SCIENCE:** A number of studies, and media reports on studies, are emerging to focus attention of the health aspects of cannabis. While many are favorable, some are decidedly negative.

American Heart Association – compares THC to alcohol in terms of negative affects

Journal of American College of Cardiology – Recently addressed observational studies suggesting an association between marijuana use and a range of cardiovascular risks.

Centers for Disease Control: Currently has compiled a list of 450 cases of possible lung disease stemming from smoking and vaping cannabis.

5. **PANDEMIC:** State-legal cannabis industry members now employ an estimated 240,000 Americans. They have been impacted by the pandemic, as costs to operate within CDC guidelines, and productivity losses due to infected employees, have cut into profit margins. Yet, federal pandemic relief packages still have not helped this important sector of the American economy. A House of Representatives version of the latest COVID-19 relief package does include support for the cannabis industry, including legislative amendments to allow cannabis companies to access services from banks and other financial institutions. However, the Senate apparently continues to oppose any support for marijuana-related businesses.

Certainly lots to think about, and even more to keep an eye on.

Richard



Richard M. Blau leads GrayRobinson's Cannabis Law Group, focusing on the laws that govern the production, processing distribution, marketing and dispensing of cannabis products, including medical marijuana as well as hemp and derivative CBD products. Richard devotes a substantial portion of his practice to trade regulation, legislative lobbying, and M&A compliance guidance involving the members of the emerging cannabis industry.