



Cannabis Market Study

December 2025

Analyst: Suzanna Pratt

Joint Legislative Audit and Review Committee (JLARC)

Legislative committee

- 8 Senators
- 8 Representatives
- Membership evenly split between parties

About 30 nonpartisan staff members

- Most are researchers



SENATORS: Leonard Christian, Keith Goehner, Bob Hasegawa, Liz Lovelett, Jesse Salomon, Shelly Short, Keith Wagoner

REPRESENTATIVES: Stephanie Barnard, April Berg, Jake Fey, Deb Manjarrez, Stephanie McClintock, Ed Orcutt, Gerry Pollet, Shaun Scott

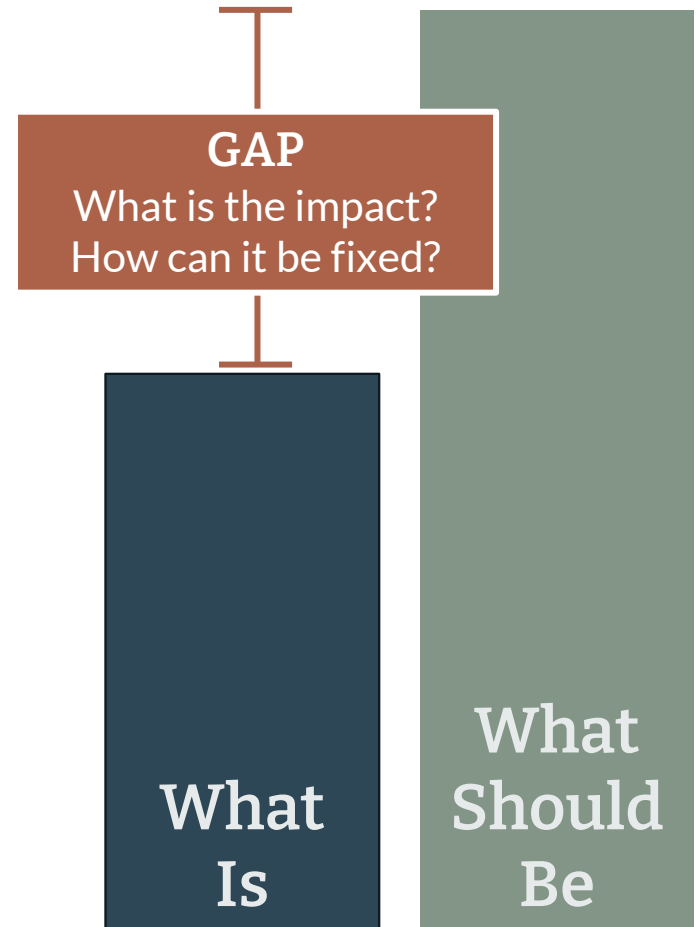
What is a JLARC study?

Evaluates state agencies and programs

- Work includes performance audits, tax preference reviews, and sunset reviews

Follows professional standards and uses a performance auditing process

- Analysis identifies “What Is” and compares it to “What Should Be”
- Must be based on evidence, law, best practice



2023 Legislature directed JLARC to evaluate Washington's cannabis market

Review previous canopy studies

Examine whether production aligns with market demand and capacity

Estimate impact of ten new producer licenses under the Social Equity in Cannabis Program





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.

Read the full report online:

https://leg.wa.gov/JLARC/reports/2025/CannabisMarket/f_iii/default.html

Presentation overview

Overview and canopy

Estimates and data limitations

Market conditions

Social equity program





Initiative 502 legalized recreational cannabis in 2012

Liquor and Cannabis Board (LCB) charged with:

- Establishing regulations
- Issuing licenses
- Collecting taxes

24 states have legalized recreational cannabis

Three main types of cannabis licenses



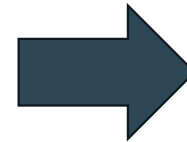
PRODUCERS

Grow and
harvest
cannabis, sell at
wholesale



PROCESSORS

Turn cannabis
flower into
products

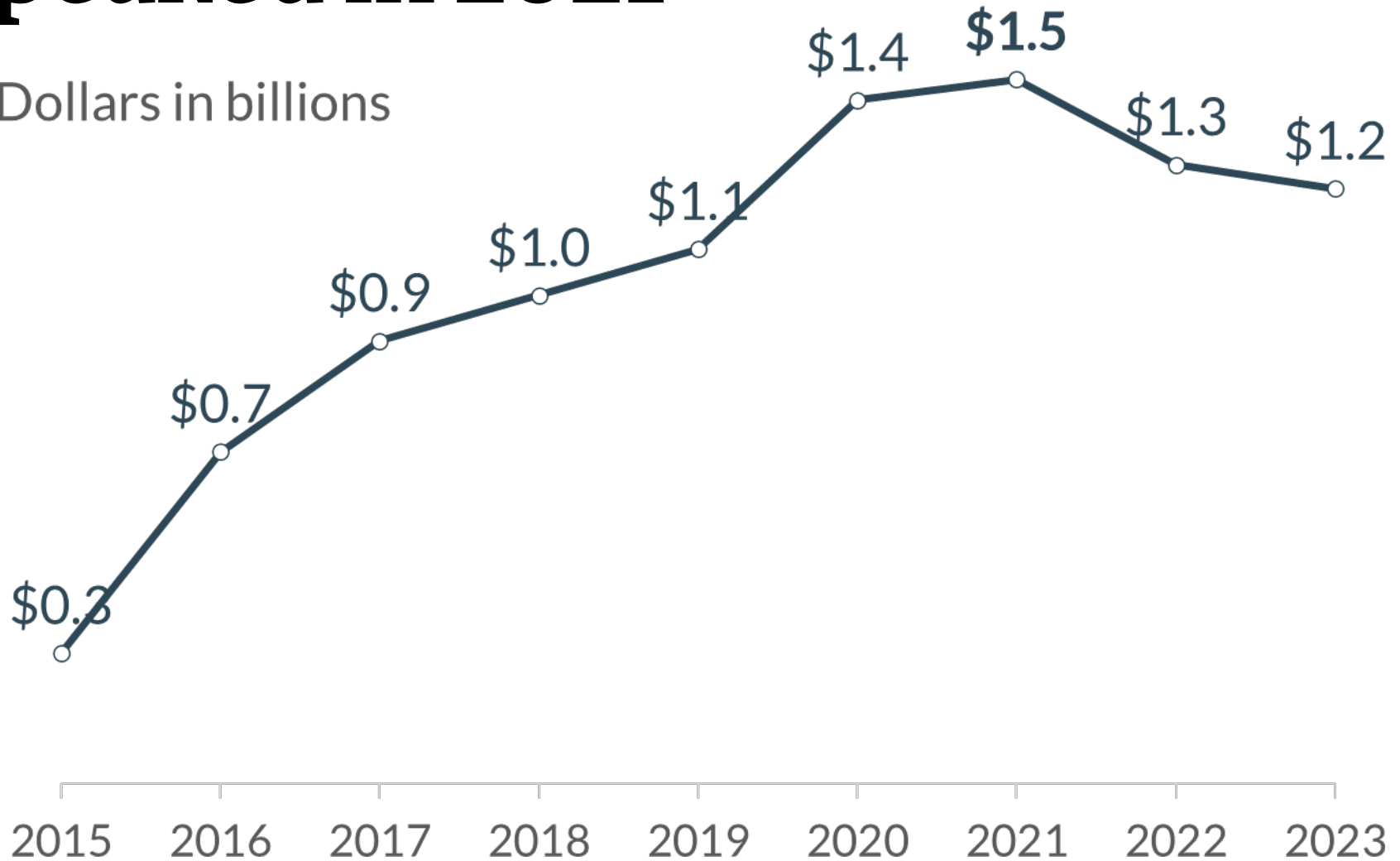


RETAILERS

Sell cannabis
products to
customers

Retail sales peaked in 2021

Dollars in billions



LCB regulates cannabis production by limiting canopy

Canopy is square footage dedicated to growing cannabis

LCB requires producers to submit a floor plan showing their canopy



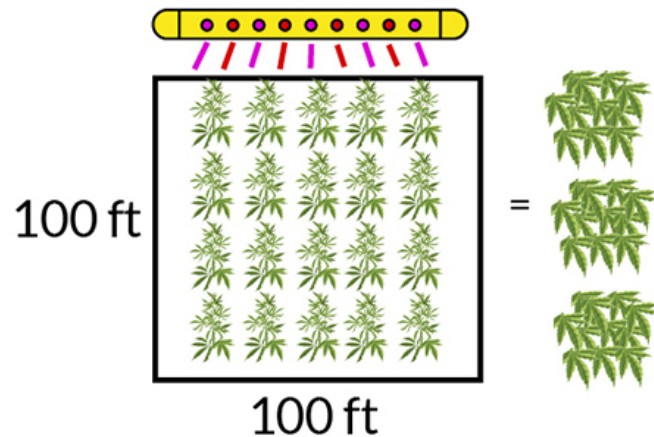


**Canopy
estimates
vary**

Canopy size estimates range from 4 million to 13.8 million square feet

Canopy is not a measure of the amount harvested

Indoor producers

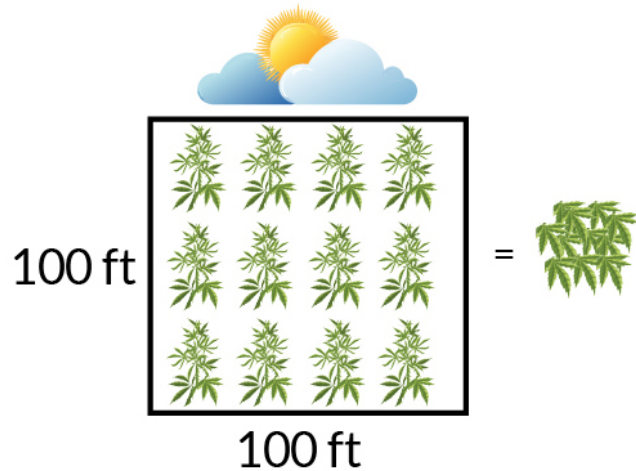


Four to six harvests per year.
Smaller plants spaced closely together.



Canopy is not a measure of the amount harvested

Outdoor producers



One to two harvests per year.
Larger plants spaced farther apart.





Grams of Dry Flower

a standard measure of
cannabis production

LCB does not collect reliable
harvest data from cannabis
producers

Presentation overview

Overview and canopy

Estimates and data limitations

Market conditions

Social equity program



JLARC contracted with RAND to estimate THC produced, sold, and consumed

THC provides common unit of analysis

RAND unable to use data from LCB's cannabis reporting system

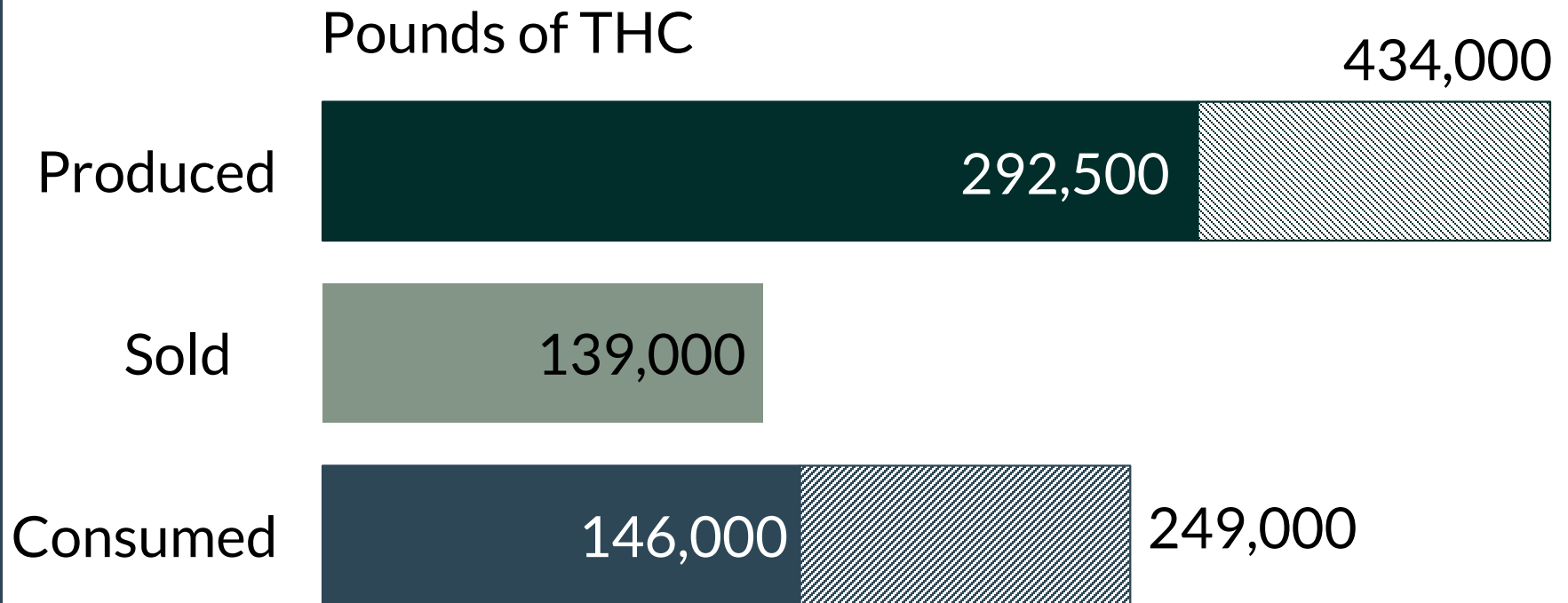
2023 estimates include a high level of uncertainty

The logo for RAND Corporation, featuring a white curved line above the word "RAND" in large, bold, white capital letters, with "CORPORATION" in smaller, white capital letters below it.

RAND
CORPORATION

Production likely 2x-3x higher than sales in 2023

Pounds of THC





Lack of data limits analysis of overproduction or where it goes

Washington State Institute for Public Policy:

Surplus may be destroyed or diverted in or out of state

LCB's data is insufficient for answering the Legislature's questions

Sales records incomplete

Can't quantify sales

Limited ability to link inventory data and product details

Can't determine the THC content of wholesale or retail products

Weight data for wholesale cannabis is unreliable

Can't determine the amount of flower produced

LCB's data system does not support a data-driven approach to regulation

Promote public safety

Tracking products manually makes it hard to identify products subject to recalls

Verify tax revenue

System does not capture all retail sales, affecting the ability to collect correct tax amounts

Identify diversion

Unreliable inventory data affects the ability to identify and respond to product entering illegal market

LCB plans to replace its cannabis data system

LCB will likely continue to have incomplete and unreliable data until then

88% of other states use data systems offered by two software vendors



Legislative Auditor's recommendation

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.

The plan should identify the data elements needed to determine production and sales levels and efficiently carry out statutory responsibilities.

Agency response: Partially concur



**LCB submitted a
decision package
requesting \$4M in
2026 for a cloud-
based SaaS solution.**

Update provided to JLARC on 12/3.

Presentation overview

Overview and canopy

Estimates and data limitations

Market conditions

Social equity program



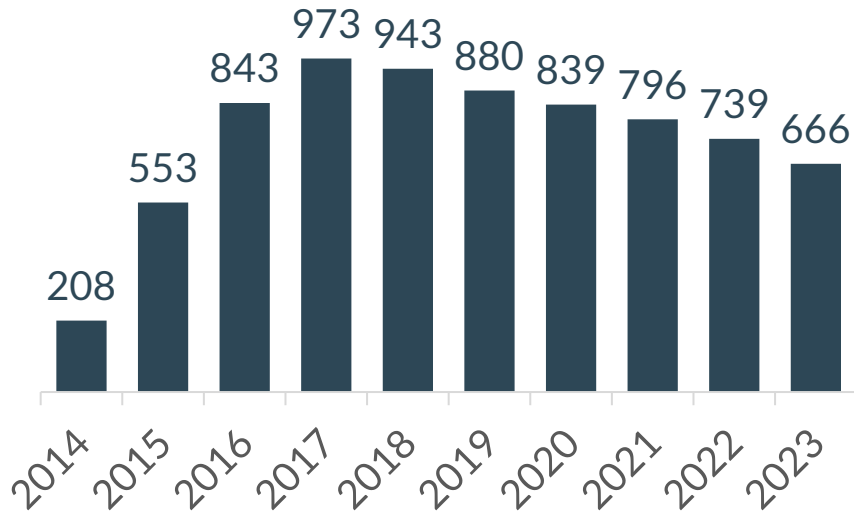
Producers face challenging market conditions



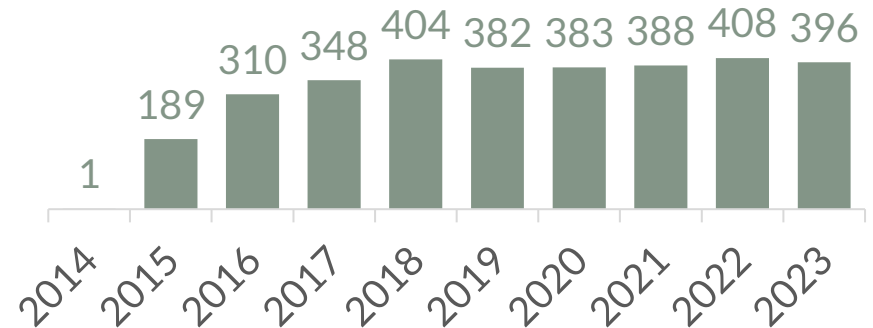
- Oversupply contributes to declining prices
- Other states report oversupply
- The illegal cannabis market competes with the legal market
 - 30-40% of cannabis consumed from sources other than licensed retailers

The number of producer businesses declined by 31.6% since 2017

Producer, producer-processor businesses

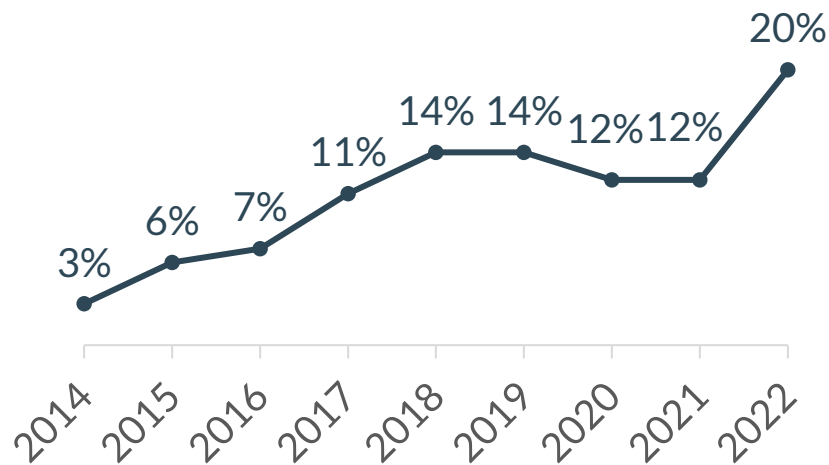


Retail businesses

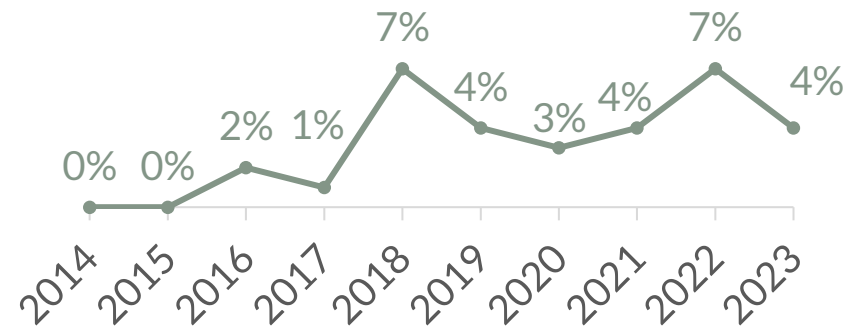


Producer turnover was 11%, compared to 3% for retailers

Producer and producer-processor turnover



Retailer turnover



Presentation overview

Overview and canopy

Estimates and data limitations

Market conditions

Social equity program

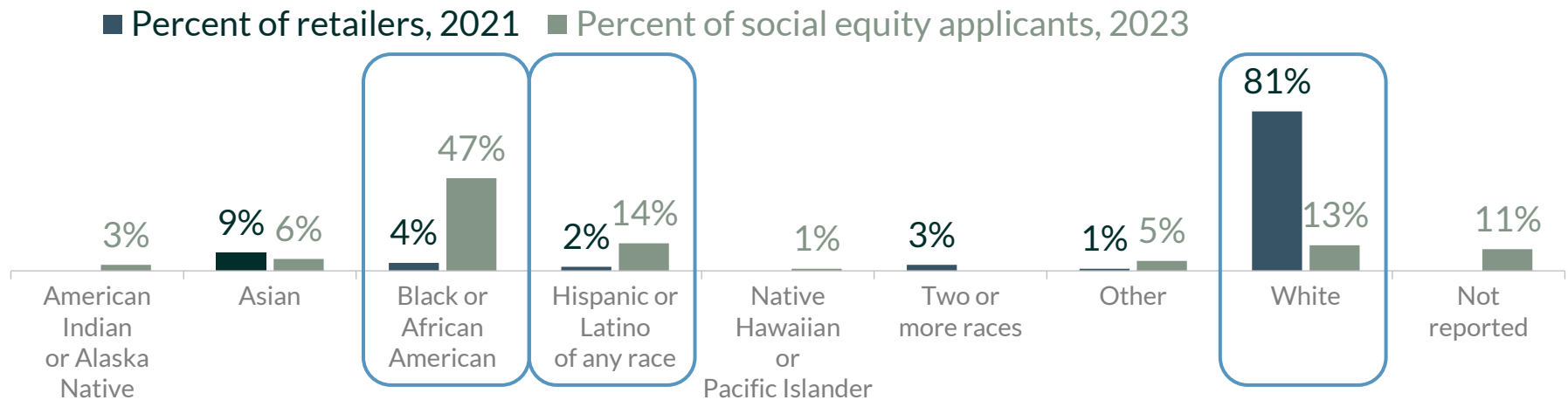


The Legislature created the Social Equity in Cannabis Program in 2020



- Goals are to reduce barriers, promote equity, and increase participation in cannabis industry
- LCB accepted applications for 46 social equity retail licenses in 2023
 - Nine have been issued
- More licenses to be issued in the future, including 10 producer-processor

WA social equity program applicants in 2023 were more diverse than existing licensees in the industry



New producer licenses will have a minimal effect on cannabis production

Potential to increase statewide canopy by 2.5%

2023 estimated
licensed canopy
12 million square feet

Maximum social
equity canopy
300,000 square feet

Producers licensed through the social equity program face challenging market conditions

- Existing overproduction
- New entrants into an established market
- More accurate data would enable more informed decision-making about the program



Legislative Auditor's recommendation

The Legislature should consider ways to increase social equity in the cannabis industry beyond new producer licenses.

- Options presented in a 2022 Social Equity in Cannabis Task Force report and recently proposed legislation.





Contacts



JLARC Research Analysts

Suzanna Pratt 360-786-5106

Andrew Hatt 360-786-5187

Audit Director

Ryan McCord 360-786-5186

Legislative Auditor

Eric Thomas 360-786-5182

Legislative email addresses are firstname.lastname@leg.wa.gov



leg.wa.gov/jlarc/audits