

Economic Analysis of Growth in Green Industry

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INTRODUCTION

Once thought of as nothing more than something for burn out hippies and high school dropouts, marijuana has presented itself as possibly one of the most lucrative investments of this century. It has had investors and economists alike raving. From the millions of dollars already being poured into research and the development of cannabidiol medication, to the jungle of dispensaries and growers popping up in marijuana friendly states, it is certain that the industry is off to a flying start. The multitude of millionaires created from the rise of Apple, Dell and the Anheuser Busch corporation had a common characteristic, they invested early. So the same could be said the marijuana industry. However, first the validity of the claims that there are billions to be made must be scrutinized before even considering specific investments. In my research, I examined the following question:

How can an average citizen capitalize on the capitalization of this green industry?

Should they take the risk on pouring their money on a poor harvest?

ECONOMIC ANALYSIS

Arcview

“Legalization of cannabis is one of the greatest business opportunities of our time, and it's still early enough to see huge growth,” according to Arcview's executive summary.

- Since its inception in 2012, profits increased from \$1.5 billion to \$2.7 billion by 2014, a **74% growth in the recreational and legal areas in the US**, which in 2014 was only Colorado and Washington state.
- According to Arcview, the value of recreational pot at 5.4 billion dollars in Colorado, Washington, and Oregon, but even these numbers don't paint a clear picture of the situation due to the complication of political uncertainty.

Green Wave

- Green Wave estimated that **if full legalization in all 50 states occurred by 2020, revenues in retail pot would be about 35 billion dollars.**
- With a more realistic estimate at the current progression of legalization they expect revenues to be around 21 billion dollars in 2020.

“Those who educate themselves now will be the best positioned to profit from the coming opportunities and will therefore have a distinct advantage over those who wait.”

- However, this data also only accounts for sale of the drug itself, not the ancillary business that has begun to sprout up in the legal areas in which the competition between the private equity firms has already begun.



Societal Issues that Compromise Green Industry Development:

1. The first and most destructive being that the plant is still illegal on a federal level and direct involvement by businesses and banks could cause stakeholders issues down the line.
 2. Medically, there is illegitimate and reckless trading occurring, especially when it comes to the pink sheet penny stocks. Real estate, marketing and oil companies have simply changed their business plan and have mutated into medical marijuana companies over night.
- The Financial Regulatory Authority even went as far to publish a formal warning to prospective investors that any medical marijuana penny stocks should be picked over to ensure that investors won't fall into scams.

Any aggressive investors thinking that they can capitalize on the dispensary, growing, or edible side of the market is venturing into a world of legal minefields and simply reckless business dealings. Some may think that, while the risk is high, so is the reward, but they would be mistaken.

CONCLUSION

Ancillary companies app and website ventures show promise, with a large growing user base that will only become larger as the drug is accepted among more and more people. My personal pick for these third party apps and websites is **Mass Roots and Leafly.**

- Both have shown high traffic and growth and both are backed by long standing firms that know how to generate income from websites, but they are niche.
- I recommend a tentative buy on MassRoots. If you are going to invest, be in for the long haul.

Companies like **GW Pharmaceuticals** echo the large jumps and dips of value as other biotech companies but similarly has great potential. The company is being run efficiently, and is on track to finish their cannabidiol based epilepsy drug in the next five years, in which time legalization will have spread across the USA, further increasing stock price. Its a strong company, and one of the only medical marijuana companies that is showing potential for FDA approval on their drugs. The future looks strong for GW.

As decriminalization spreads across the states and the drug becomes more commonplace, the market will be massive and at that point will be in the time to invest in companies that touch the plant.



MassRoots
Smoke Social

ACKNOWLEDGEMENTS / REFERENCES

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