

Keep Underestimating Michigan: This Midwest Powerhouse is Just Hitting its Stride

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By Denise Pollicella, Esq.

It is no secret that Michigan cannabis businesses have had a rough time of it lately. The market consolidation that took three to five years in other maturing legal cannabis states compressed into the span of roughly 18 months in Michigan in which the wholesale price of marijuana cratered by an astounding 90%. This is in a state that most MSOs had already passed on, primarily due to the unlimited state license structure.

Over-leveraged and cash-poor companies with limited to no options for traditional financing found no help from the private equity market, which appears to have pulled up stakes for the younger and more fertile East Coast. But those quick to write Michigan off are not paying close enough attention.

Take, for example, the wholesale price of marijuana. According to Leaflink's Wholesale Cannabis Pricing Guide, Michigan had a 3.2 score in 2020 (1 being the highest on a 1 – 10 scale). At the time, Michigan had the third highest flower prices in the country, and the second highest concentrate prices in the country, while the more mature states in the West and Southwest had the lowest.

But in Leaflink's 2022 Guide, even though Michigan's score fell to 4.8, it was still well above the more mature West and Southwest markets and continues to hold the spot for the third-highest flower prices in the country. It is in the edibles and cartridges that the state has seen the steepest declines. Still, after the expected brief Coptober dip, Michigan has seen its prices level off and even tick up slightly. The sigh of relief from growers across the state has been almost audible.

Demand in the legal market is also increasing, thanks to Detroit, Port Huron and Traverse City all finally permitting recreational adult use retailers after years of messy litigation. Twenty-four are already online in Detroit, with a second application period due to open in March, which will likely bring at least another two dozen online in short order, all in the state's most populous city, and all before the start of baseball season and a host of arts and cultural events that bring fans and tourists to Michigan in the Summer. A completely non-scientific poll of my own licensed cannabis retailers in Detroit shows an increase of roughly \$150,000 monthly in sales and climbing from the addition of recreational adult use licensing.

While the majority of the State's most populous cities have already welcomed not only the licensed cannabis industry as a whole but recreational adult use retailers, the number of retailers

will likely continue to climb as the more than 1,300 Michigan municipalities who opted out of the recreational adult use market watch the state write nearly \$61,000,000 in checks to the 129 municipalities who did, up nearly \$17,000,000 from 2021's distribution. At \$51,800 per retailer and microbusiness license, smaller cities are starting to run out of reasons to "just say no".

And let's not forget about Michigan's border towns, now the most sought-after locations in the state: in the South, bordering Indiana and Ohio, and in the North, bordering Wisconsin. A mere 45-minute drive from Green Bay on the East and a 90-minute drive from Minneapolis on the West, Michigan's Upper Peninsula is booming. Whether cannabis is federally legalized or not, Michigan is situated, both in infrastructure and location, to dominate the Midwest for the next ten years.

This expected growth in continued revenue, taxes, and demand is good news for the Michigan licensed cannabis industry, which, by all accounts, has not met the projected demand of the state's reported cannabis-consuming population. So while the consolidation happened earlier than anyone expected, and we will continue to argue about why, it was, in the end, inevitable and necessary, and the businesses that survived came out all the stronger for it.

As a state, Michigan certainly still has its challenges, and for our legal cannabis industry's age, our laws and policies very often do not reflect maturity. We seem determined to continue to disregard a \$2 billion industry that has created over 30,000 primary full-time, living wage jobs, and is rapidly becoming the primary revenue generator for many of Michigan's communities, big and small. We have a lot of work to do, and not all of it will be painless.

The MSOs can continue to pass Michigan on the way to Massachusetts and New Jersey. We don't mind. That was never Michigan's plan. If you have been to even one planning commission meeting in rural Michigan, you already know that Michigan prefers its businesses to be locally owned and operated. We are an agricultural, manufacturing state that has always thrived on free market competition and local economic development, and Michigan's cannabis industry fits in nicely.

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This article was originally published on Benzinga [here](#).

Cannabis Attorneys of Michigan are experts in licensing and representation for Michigan's cannabis industry since 2009

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