

A Fight to the Death Between Cannabis and Beer

Is CBD the salvation for the beer industry, including craft beer?

DENVER, COLORADO, USA, December 23, 2018 /EINPresswire.com/ -- The U.S. cannabis industry is quickly changing as many younger Americans are finding that cannabis is more appealing than liquor and beer.

A Yahoo News poll indicated that the majority of the 55 million American recreational cannabis users in 2017 were millennials. The report stated that most of these millennials used cannabis socially, with only 25 percent using cannabis alone. Millennials are also drinking far less alcohol than their parents and grandparents generations. An annual survey by Monitoring the Future found that the number of college students who drank alcoholic beverages daily decreased to 4.3 percent in 2017, a drop of more than four percentage points from the 6.5 percent of college students who used alcohol daily in 1980.

The trend of declining alcohol sales is likely to continue, with a beneficiary being the new market for legal cannabis. Adult-use or recreational cannabis was a \$6 billion annual industry in 2016. A report by the Wall Street firm, Cowen and Co., indicted as state-legal cannabis spreads to additional states, the U.S. cannabis industry will increase 700 percent to \$50 billion in annual legal sales by 2026. What's significant is that this \$50 billion of annual sales is only slightly less than the \$58 billion annual market for alcohol.

High Pressure Zone, in a report titled, "Cannabis: How marijuana is joining spin classes, pressed juice and craft beer as a lifestyle brand," has reported that to attract millennials cannabis companies must evolve to become lifestyle companies. The report also stated that lifestyle brands succeed because they seamlessly fit a product to a person's lifestyle, rather than forcing a lifestyle to change to fit a product.

But not all the buzz about millennials and their cannabis use is about the growing legal cannabis market. As a generation, millennials generally have been drinking less even before the recent legal cannabis revolution. The shift to cocktails, wine, and craft beer is definitely a key aspect of the millennial culture. Many millennials have been moving away from mass market alcohol, including "volume beer" to less expensive beer such as Budweiser BUD, or Coors TAP. Cocktails and wine are also beneficiaries of this trend.

A 2017 study by the University of Connecticut and Georgia State University indicated that in U.S. counties that had legalized cannabis programs, purchases of wine and beer decreased by 15 percent. This is a disturbing trend for the wine and beer industries and should be a wakeup call.

Beer, wine and spirits producers who fail to react to these trends are taking the risk of watching the revenues of their brands decreasing annually as the use of cannabis increases. Not content to sit on the sidelines, some major beer producers have taken action, but many others have been content to sit on the sidelines.

Constellation Brands, the North American distributor of Corona beer, the first major brewer to get involved in the cannabis industry invested \$4 billion in the Canadian cannabis company,

Canopy Growth. The company described their decision to invest in the industry as an offensive move rather than as a defensive strategy. In describing the cannabis market, Constellation's CEO, Robert Sands, stated, "It became evident to us that the whole market, all channels, all forms, is going to be explosive." Top executives of Constellation Brands and Canopy Growth have publicly stated that they believe that the legal market for cannabis products will eventually be a \$200 billion annual business and that it could disrupt up to \$500 billion across multiple sectors.

In August, Molson Coors Canada, a subsidiary of the multinational Molson Coors Brewing company, announced a joint venture with the Canada-based cannabis producer HEXO Corp. to develop non-alcoholic, cannabis-infused beverages for the Canadian market. In announcing the direction, Molson Coors Canada's CEO, Frederic Landtmeters, indicated that Canada's cannabis market could be a \$10 billion annual industry and that cannabis-infused beverages could represent 30 percent of that market. He was also quoted as saying, "We decided as a business that we did not want to be a spectator as this new market opened up. And we clearly wanted to be a participant."

What does all of this mean for craft brewers? Not only are large brewers seeing the impact of cannabis on their sales, but craft brewers are also being impacted. Bar Rescue host Jon Taffer recently stated, "Beer sales are way down right now. They're in the toilet. And craft beer is down, premium beer is down. And I blame a lot of it on cannabis." Taffer also stated, "Craft beer has lost its luster. The small boutique brewers have lost their luster and the beer category is in big trouble."

While craft beer production is still increasing in the United States, its growth rate has declined. In 2017, 165 craft brewers ceased operations.

But, cannabis is providing a tremendous opportunity for many craft brewers to innovate. While U.S. legal and regulatory considerations will not allow for a beer infused with the psychoactive cannabinoid THC any time soon, many beer producers, including craft brewers, may be able to infuse their beer with the non-psychoactive cannabinoid CBD, or produce non-beer beverages with CBD.

CBD has become America's coolest ingredient in food and drinks, and CBD infused beverages have become part of the trend in wellness beverages. Many bars are now offering CBD infused drinks or CBD shots as an addition to drinks. CBD infused beverages are definitely part of the trend in wellness beverages.

The Canada-based investment bank, Canaccord Genuity projects that the annual market for cannabis-infused beverages could be valued at \$600 million in the next four years, with CBD-infused beverages reaching \$260 million of that amount by 2022. The firm also indicated that revenue from cannabis-infused beverages would outpace the demand for cannabis products in general, resulting in 20 percent of the market for cannabis edibles by 2022.

Last week President Trump signed the "Agricultural Improvement Act" (the "Farm Bill")...(Full News Release: <https://bit.ly/2PXfq6b>)

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