

# Challenges Ahead for Cannabis Industry in 2023

*Despite revenues that show powerful earnings this year, limitations are keeping companies from true growth potential.*

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The marijuana and cannabis business is booming, isn't it?

Well, it depends on how you look at it. 2022 has been a challenging year for the marijuana industry as a whole and 2023 looks like it will be kicked off with similar difficulty.

Data predictions, such as those from New Frontier Data show revenues from cannabis and marijuana topping out around \$32 billion this year. However, 24 of the largest businesses in this sector reported losses in excess of \$550 million during the first half of 2022. Though revenues for these operations totaled almost \$4.5 billion, these are still quite eye-opening losses.

Especially in 2022, for many cannabis businesses, the challenges have put a tremendous hit on revenues for numerous reasons. These include overall stifling inflation costs, supply chain issues, high taxes, and various technicalities that involve interstate commerce because marijuana and cannabis laws vary between states.

"Arguably the biggest barrier to making money is the sky-high taxes weed companies pay because they're treated like illegal narcotics traffickers under the federal tax code. The goods also cannot cross state lines, and that lack of interstate commerce means companies must build separate farms, factories, and stores in each state where they do business and navigate a rapidly evolving patchwork of state regulations," stated Paul Demko, cannabis editor at Politico.



Additional challenges, such as impending labor shortages, the unfavorable regulatory environment, and the constant threat of product recalls make maintaining a business in this industry fraught with even further difficulty.

“Realistically, it’s still a bit too early in the game to be expecting anybody to be really making money because all of these guys are still in the investment phase,” stated Jon Decourcey, director of equity research at Viridian Capital Advisors. “It should be expected that it will take time for those investments to bear fruit in terms of actual profits.”

As exciting as the marijuana industry has become, with the great strides that have been made in recent years with legalization and greater availability, the progress should not outshine the many hardships and challenges today’s cannabis businesses face. It’s important for businesses to not get ahead of themselves right now and to keep the data in perspective.

While we have yet to see what 2023 will ultimately hold, it remains superbly important for businesses, especially small businesses to prioritize their risk strategies and stay vigilant for new risks on the horizon.

Though all is not “doom and gloom” for the marijuana industry, the current state of affairs is simply a reminder that with progress, especially of such a complex nature, businesses that hope to see great success must be invested for the long term.

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