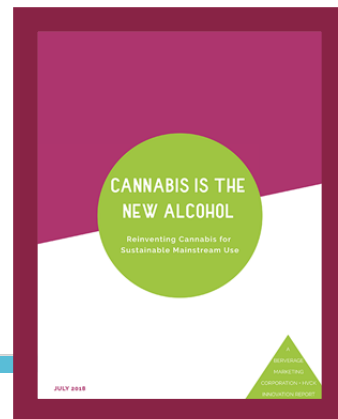


# CANNABIS IS THE NEW ALCOHOL: REINVENTING CANNABIS FOR SUSTAINABLE MAINSTREAM USE

2018 EDITION (Published July 2018.) More than 100 pages.



The beverage industry is uniquely positioned to capitalize on this growing market. Why? Because the new cannabis consumer is the old alcohol consumer.

Research indicates that many alcohol consumers are switching to or plan to switch to cannabis as it becomes legal. New food and beverage product entries into this space are key contributors to the growth of this next phase of cannabis culture because a) the bulk of new use is by mainstream consumers who want a casual high similar to the alcohol drinking experience, and b) this user wants to replicate the social experience of drinking alcohol: it's a demographic that prefers to drink or eat rather than smoke, and is most amenable to ingesting the substance over the course of an evening, slowly, in liquid or low-dose edible form.

The beverage industry is best positioned to help the new cannabis consumer replicate the social intake experience they are accustomed to with alcohol, but with fewer side effects.

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HAVE  
QUESTIONS?

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## THE ANSWERS YOU NEED

This report, produced in partnership between Beverage Marketing Corporation and emerging trends innovation experts HVCK, takes a closer look at the following topic areas:

- Comprehensive database of current food and beverage entries in the cannabis market
- Cannabis food and beverage trends
- Marketing and changing the cannabis narrative for an expanded customer base
- The demand for updated cannabis packaging and branding (and why the food and beverage industry will do this best)
- Exploration of the specific threat to beer posed by the rise of cannabis
- New product opportunities: CBD, THC, Terpene flavoring, low-dose products
- Dosing and user education

## THIS REPORT FEATURES

- A history of liquid cannabis
- Market stats regarding both cannabis as a whole and the cannabis beverage market
- Regulation updates, including beverage-specific regulations
- A look at the Canadian market as it becomes federally legal
- Information on banking regulations and banks that work with cannabis companies
- An overview of trends and regulations in restaurants, bars, and other on-premise sites
- A look at new and groundbreaking retail models for cannabis
- An overview of safety, sobriety testing, and a guide to physiological responses from cannabis
- Consideration of corporate cannabis investment, including food and beverage investment
- Information on marketing and consumer education, including ad campaigns and packaging
- Discussion of opportunities and challenges surrounding cannabis beverages, including the science of liquid cannabis
- A thorough guide to most major cannabis beverages currently on the market and in development
- A look at best practices from the beverage industry informing the cannabis industry
- Suggestion regarding opportunities for involvement and investment by the food and beverage industry
- Key takeaways and unique insights
- A 10-year outlook for cannabis in food, beverage, retail, and on-premise
- In-depth interviews with leading cannabis industry experts and entrepreneurs

# CANNABIS IS THE NEW ALCOHOL

Reinventing Cannabis for  
Sustainable Mainstream Use

JULY 2018

A  
BEVERAGE  
MARKETING  
CORPORATION + HVCK  
INNOVATION REPORT

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# ABSTRACT

Cannabis is the biggest consumer product category in 80 years, since prohibition — and the beverage industry is uniquely positioned to capitalize on this growing market. Why? Because the new cannabis consumer is the old alcohol consumer. And the two industries are sharing not only consumers, but leadership, best practices, technology, and regulatory challenges.

Research indicates that many alcohol consumers are switching to or plan to switch to cannabis as it becomes legal. New food and beverage product entries into this space are key contributors to the growth of this next phase of cannabis culture because a) the bulk of new use is by mainstream consumers who want a casual high similar to the alcohol drinking experience, and b) this user wants to replicate the social experience of drinking alcohol: it's a demographic that prefers to drink or eat rather than smoke, and is most amenable to ingesting the substance over the course of an evening, slowly, in liquid or low-dose edible form.

The beverage industry is best positioned to help the new cannabis consumer replicate the social intake experience they are accustomed to with alcohol, but with fewer side effects.

This report takes a deep dive into the growing category of cannabis consumables, with an emphasis on beverages, including trends, on-premise opportunities, regulatory considerations, scientific advancements, marketing, and notable early products and brands.

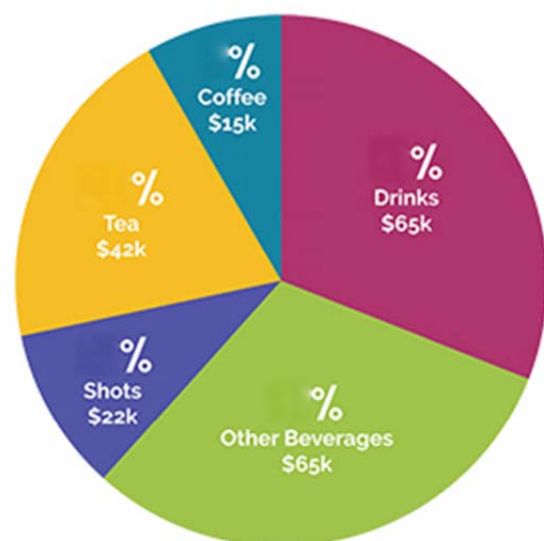
## **This report includes:**

- A history of liquid cannabis
- Market stats with regard to both cannabis as a whole and the cannabis beverage market
- Regulation updates, including beverage-specific regulations
- The Canadian market as it becomes federally legal
- Banking regulations and banks that work with cannabis companies
- Notable cannabis advocates
- Trends and regulations in restaurants, bars, and other on-premise consumption sites, as well as regulations pertaining to them
- New and groundbreaking retail models for cannabis
- Safety, sobriety testing, and a guide to physiological responses from cannabis
- Corporate cannabis investment, including food and beverage investment
- Marketing and consumer education, including ad campaigns and packaging
- Opportunities and challenges surrounding cannabis beverages, including the science of liquid cannabis
- A thorough guide to most major cannabis beverages currently on the market and in development
- Cannabis' effect on non-cannabis beverages
- Beverage executives moving over to cannabis
- Best practices from the beverage industry informing the cannabis industry
- Opportunities for involvement and investment by the food and beverage industry
- Key takeaways and unique insights
- A 10-year outlook for cannabis in food, beverage, retail, and on-premise

Additionally, this report includes originally designed infographics and five exclusive, in-depth interviews with leading cannabis industry experts and entrepreneurs within cannabis food, beverage, and retail.

## CANNABIS BEVERAGE SALES IN OREGON

Market share by beverage type, 2017



Source: Beverage Marketing Corporation; HVCK



# ADVERTISING NON-CANNABIS FOOD AND BEVERAGES TO CANNABIS USERS

The correlation between cannabis consumption and the munchies is well-known. And some fast food chains are capitalizing on this opportunity to be the go-to choice for hungry cannabis consumers.

In one study, cannabis consumers indicated overwhelmingly that McDonald's was their favorite fast food chain, with 43% indicating that preference. Taco Bell came in a distant second with 18%, followed by Wendy's, Burger King, and Subway. Also included in the top ten

were Kentucky Fried Chicken, Arby's, Chick-Fil-A, Jack-In-The-Box and Carl's Jr.

Despite McDonald's reputation amongst cannabis consumers, the company distances itself from this demographic. A New Mexico franchise outpost of McDonald's (near the Colorado border where cannabis is legal), posted a billboard saying, "Usually when you roll something this good, it's illegal!" next to a picture of a breakfast burrito.

The billboard was taken down and McDonald's condemned it.

Not every chain is taking the McDonald's approach. Some chains, like Denny's and Chipotle, have directed their social media content to this demographic — Chipotle has even used the exact phrase that McDonald's condemned as commentary on social media posts to promote their burritos. Jack-In-The-



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# MARIJUANA-LACED WINE

California-produced marijuana wines got their start back in the 1980s. Most used rose and the bottles sold for upwards of \$100, given the “war on drugs” government crackdown and the risk involved with production. Most marijuana-laced wines sell for far less today (particularly in places like California) and are most likely to use red grapes, like cabernet sauvignon or syrah.

A pound of high-quality marijuana is placed in a cask of fermenting wine, yielding 1.5 grams of cannabis per bottle. The alcohol produced from the fermentation process extracts the THC.

Some pot wine makers keep it in the barrel for nine months before bottling and serving, for maximum extraction.

And since cannabis is delivered into the system more quickly via beverages, these drinks are preferred to other edibles alternatives, not to mention the high induced by the cannabis and alcohol combo.

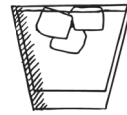
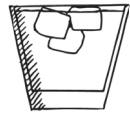
Due to regulations around selling products that contain both alcohol and cannabis, other vineyards, like Rebel Coast Winery, is selling marijuana-laced non-alcoholic wine.

[SOURCES: The Daily Beast, Newsweek]

Wine  
tasting



# SHARING BEST PRACTICES



## DISTRIBUTION

The cannabis industry faces the same sort of regulation and distribution challenges that the alcohol industry faces, and a great deal of money and opportunity lies in distribution expertise. In fact, new California regulations around distribution are modeled on the post-Prohibition laws intended to limit mafia power. This means cannabis distribution is likely to be quite lucrative and positions alcohol companies to be central players, if and when they choose to enter the market.

## CULTIVATION AND MANUFACTURING

Tony Magee, founder of Lagunitas Brewing Co., says "Cannabis cultivators are tapping into the experience of hop growers in the Yakima region of Washington State, and craft brewers are starting to implement extraction technologies honed by marijuana manufacturers." Le Herbe beverage company recently designed one of the biggest cannabis manufacturing facilities in Southern California, just for cannabis beverages, and are expected to break ground in Q4 2018, and will be up and running Q1 2019. "People are stuck after they develop a great idea for a product — they don't know how to mass produce it," says co-founder Jay Grillo.

Companies like Yofumo are drawing inspiration from the alcohol industry by aging cannabis similarly to wine or whiskey. Curing cannabis preserves it and increases potency, smell, and flavor, by bringing out natural terpenes of various marijuana strains. Unlike most commercial growers that cure their cannabis by sealing it and leaving it for weeks or months, the "Yofumo Pro" curation process allows for humidity, temperature, and antimicrobial control, which can produce new flavor profiles through the curation process. Their new product lines will target consumers, not just commercial growers.

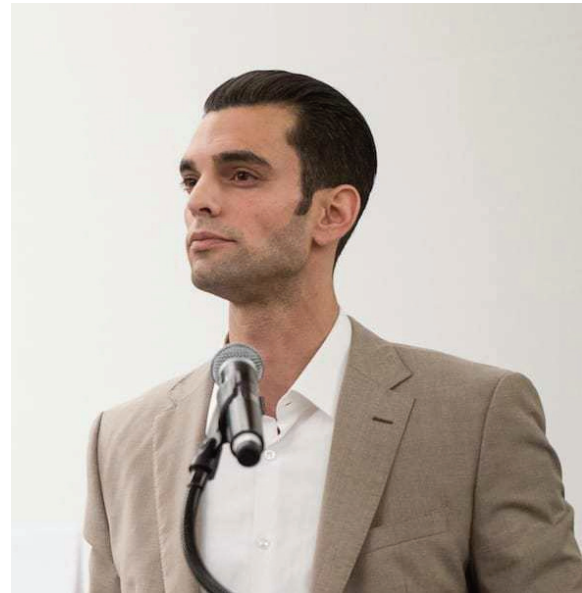


# INDUSTRY INSIGHTS

## Interviews With Cannabis Innovation Leaders

### Tarek Tabsh Cannabis serial entrepreneur

*Tarek Tabsh is the co-founder of Province Brands, a technology-driven company developing groundbreaking products (including cannabis beverages) and IP using cutting-edge cannabinoid science. He is the co-founder of Oxford Cannabinoid Technologies, a biopharmaceutical company focused on researching, developing, and licensing cannabinoid-based compounds and therapies, and is the co-founder and chief strategy officer of Forma Holdings, which builds businesses in legal medical cannabis markets around the world. He is the founder of Los Angeles and Las Vegas dispensary New Amsterdam Naturals, voted by High Times as one of the top dispensaries in LA and won the High Times World Cup 3 times. Tabsh serves on the selection committee for The ArcView Group, which facilitates the emergence of the legal cannabis industry by connecting forward-thinking investors, visionary entrepreneurs, and cannabis consumers in an effort to meet the expanding and changing needs of responsible cultivators, dispensaries, and customers nationwide. Tabsh also serves on the board of directors for Librede, which focuses on metabolic engineering, synthetic biology, and platform technologies that enable the creation of new therapeutic molecules. Librede has developed the world's first biosynthetic, yeast-based cannabinoid production and drug discovery*



*platform to create chemical compounds that target the endocannabinoid system (ECS).*

### **Q: When did you get in the market and how have things evolved?**

I was the youngest dispensary owner in the country in LA and have been in the industry for 10 years. I've seen the evolution of the market and am a veteran in the industry. 10 years ago, the industry was filled with scumbags.

Now there's new wave of cannabis coming that goes beyond smoking dope and dabs and bongos. It's the cannabis 2.0 wave of more discrete, socially acceptable methods of ingestion.

