Here Comes Cannabis
How Legalisation Will Disrupt Global Industries

ZORA MILENKOVIC
Here Comes Cannabis
How Legalisation Will Disrupt Global Industries

Zora Milenkovic
Head of Drinks and Tobacco
1 Introduction

2 Defining Cannabis
   It's all about CBD for now
   Cannabis legalisation

3 Legal Cannabis Will Disrupt FMCG Markets
   Beverages
   Tobacco
   Beauty and Personal Care
   Consumer Health
   Packaged Food

7 Conclusion

8 How Can Euromonitor International Help?
Introduction

Cannabis is poised to disrupt virtually every consumer industry. Whilst the total global market for cannabis, both legal and illegal, stands at USD150 billion today, Euromonitor expects the legal market to grow to 77% of total sales, at USD166 billion in 2025. The total global market for cannabis, both legal and illegal, stands at USD150 Billion

Within the next decade, some form of cannabis will be a part of consumers’ daily routines, either as a functional ingredient in foods, beverages and beauty or as a wellness mood enhancer in health. But what is it? Where is it? What industries will be most impacted? And how will it transform the future of consumer markets?
Defining Cannabis

The cannabis plant has three main species: sativa (hemp & marijuana), indica (marijuana) and ruderalis. Ruderalis is rarely used for consumption. All cannabis plants contain cannabinoids which interact with the human body’s endocannabinoid system.

Over 100 different cannabinoids exist, of which cannabidiol (CBD) and tetrahydrocannabinol (THC), a psychoactive substance, are the most well known. CBD is used as a medicinal ingredient in a range of products, from foods to cosmetics. THC is a psychoactive ingredient and thus its use is restricted to medical use only or banned outright.

It’s all about CBD for now

CBD is currently the functional ingredient of choice, being non-psychoactive and thus legal. It is kick-starting conversations around cannabis as consumers are educated about the potential applications of CBD, such as anti-anxiety relief, pain-relief, anti-nausea, anti-inflammatory and anti-spasmodic.

CBD is not the only cannabinoid. As scientific studies develop, a range of cannabinoids in specific combinations with each other and with THC will be created for specific ailments. For example, THC converts to cannabionol (CBN) as the plant naturally ages or is exposed to heat / oxygen. CBN is reputed to have sedative, pain relief, antibiotic and anti-inflammatory properties as well as being an appetite stimulant and stimulating bone healing, amongst other therapeutic properties.

Cannabis legalisation

Cannabis regulation is currently divided into medical and recreational or “adult” use. Medical use is only legal with a prescription or by registering as a medical patient. Recreational use allows cannabis products containing THC to be sold freely through licensed outlets at a taxable price. The government either controls the production and sale of the product, or it delegates this to the industry under strict legal guidelines.

Currently, North America is at the forefront of recreational use. Recreational marijuana is now legal in Canada and in 10 US states. Medical marijuana is legal in 33 US states, which is a strong pre-cursor to recreational legalisation. Euromonitor International expects federal legalisation of recreational cannabis in the US within the next 10 years. In the rest of the world, medicinal marijuana is a stronger prospect with some large markets, such as Germany, Czech Republic and Australia, moving forward with liberalised structures.
Beverages

Alcoholic drinks is by far the most embedded industry in the cannabis sector. At least three leading corporate players have a stake in cannabis producers. Alcoholic drinks that contain any form of THC currently tend not to contain alcohol, as the effects of THC in alcohol are still being researched. The industry is already headed in a low- / non-alcohol direction and so a future where THC replaces ABV in alcoholic beverages with an intoxicating buzz is on the horizon.

Expert View
Spiros Malandrakis, Industry Manager, Alcoholic Drinks
Cannabis will ultimately culminate a global paradigm shift that will radically disrupt traditionalist industries such as alcoholic drinks. Reshaping millennia-old drinking rituals and providing an alternative to social lubrication occasions, cannabis should be either embraced as a symbiotic opportunity or faced as a potentially detrimental antagonist for an alcohol industry already on the defensive.

The global soft drinks industry is driven by the health and wellness trend. CBD-infused products are prevalent in soft and hot drinks today. As low- and non-alcoholic beverages grow in popularity and sugary drinks decline, consumer trends between alcoholic drinks and soft drinks are converging. This creates an opportunity for the development of cannabis beverages that fit into social settings with a health and wellness element.

Expert View
Howard Telford, Industry Manager, Soft Drinks
In the short-term, the main opportunity for cannabis within the soft drinks industry will be CBD-infused drinks. These products can be positioned as naturally sourced relaxation beverages and provide a new functional angle. We can expect the major beverage companies to acquire and create new CBD beverage brands over the next few years.
**Tobacco**

Cannabis legalisation is expected to be a transformative dynamic for the tobacco industry, which has seen cigarette volumes and smoking populations plummet across developed markets. Some smokers will experiment with CBD or low-THC cannabis products, mainly via vaping, as a form of smoking in moderation. However, its greatest potential is to replace tobacco and alcohol in social occasions.

The tobacco industry is uniquely poised to take advantage of the shift in consumer preferences because it understands the restrictive legislation, taxation and the agricultural production chain. Today, the industry invests in producers of medical cannabis and cannabis consumption devices. In the future, tobacco manufacturers may be either cannabis brand owners or producers of the gadgetry for its consumption.

**Expert View**

Shane MacGuill, Industry Manager, Tobacco

Cannabis legalisation will revolutionise the tobacco industry, solidify combustible declines and accelerate its transition to reduced risk delivery systems. By 2030, the vaporisation of cannabis alongside consumption in a plethora of other formats will have irrevocably framed the desires and expectations of consumers with respect to the delivery of nicotine.

**Beauty and Personal Care**

Hemp seed oil beauty and personal care products have been on the market for decades. However, hemp-derived products launched within the last two years carry only occasional reference to hemp. The new superhero ingredient in beauty, CBD, has replaced hemp references, promoting its anti-oxidising, oil-balancing and anti-inflammatory properties.

CBD-infused beauty product launches are largely prevalent in skin care, toiletries and cosmetics. Euromonitor International expects skin care to be the main driver of cannabis beauty growth. Specifically, brands operating in the therapeutic and dermocosmetics space will tie in current holistic and health-aligned beauty trends whilst THC beauty products align with trends in neurocosmetics.

**Expert View**

Irina Barbalova, Global Lead, Beauty & Personal Care

Exploring the cannabis space in terms of product formulation and overall proposition will be an opportunity hard to resist. As health becomes intrinsic in every brand’s strategy, cannabis’ remedial and therapeutic credentials present an immediate investment prospect. Cannabis may well become as ubiquitous as any other mainstream beauty ingredient in the not so distant future.
Consumer Health

Cbd products exist in a growing variety of consumer health categories, such as dietary supplements, topical analgesics and sleeping aids. The current opioid crisis in mature markets will drive demand for cannabis as a natural, homoeopathic alternative to pharmaceuticals for the relief of chronic pain, stress and insomnia.

The global market for vitamins and dietary supplements is predicted to be the largest cannabis-driven OTC market by 2025, with 2% of total value sales to be cbd- or thc-based, followed by topical analgesics, sleeping aids and sports nutrition.

Aside from focusing on clinical trials, one area being worked on for all medical marijuana products is determining the dosing for indications, in terms of ratio of cbd to thc, and frequency. Clarity in this area will enable doctors to prescribe brands confidently.

Expert View

Matt Oster, Industry Manager
Consumer Health

The mainstreaming of cannabis will open the consumer health space up to untold innovation and experimentation. Though cbd is already in demand, we haven't scratched the surface of potential applications for the ingredient. I expect engagement to only deepen once norms and regulations finally catch up.
Packaged Food

Hemp-based food products, such as hemp seeds, oil, plant-based milk alternatives and protein bars, have long existed on the shelves of health food stores. Euromonitor International expects global sales of CBD packaged foods to double over the next two years, as consumer awareness grows of the ingredient’s benefits.

As CBD and THC become more mainstream and manufacturers recognise their potential, the market will be dominated by outcome-based products, which will address a specific condition. This will further blur the boundaries between food and consumer health.

CBD food products are currently concentrated in sweet categories. However, once markets expand and cannabinoids as an added ingredient become ubiquitous, cannabis will become prevalent in food categories beyond this, such as bakery products, savoury snacks, pasta and soups.

Expert View
Pinar Hosfaci, Industry Manager, Packaged Food

Whilst current penetration of cannabis and related ingredients remain niche in foods, there are strong growth opportunities. Similar to the way plant-based disrupted the entire packaged food industry, cannabis is expected to bring a brand new edge to mindful consumption. Today’s functional food-seeking consumer will convert into tomorrow’s mindful / mood-boosting consumer.
Today’s CBD-infused market will drastically change over the next decade. By 2030, the cannabis market will be transformed by outcome-based brands made by household brand names. The growth of THC-infused products will become more routine in consumers daily lives, adding a new dimension of social lubrication beyond medical applications. Brands across all industries will focus on the sensorial, mood-enhancing attributes.

The pace of legalisation means that consumers will be able to use cannabis products in 2030 for their daily needs. They will be able to wake up and have a pick-me-up cannabis beverage, jump in the shower and use cannabis toiletries, take a cannabis supplement with lunch, consume cannabis sports nutrition after the gym, pop out in the evening for a non-alcoholic THC drink with a buzz and go to bed at the end of the day with a THC sleeping aid.

By 2030, those companies which reacted early will have their own everyday cannabis brands, as cannabinoids are turned into a variety of outcome-based products across all industries.
Euromonitor International is a global market research company providing strategic intelligence on industries, companies, economies and consumers around the world. Comprehensive international coverage and insights across consumer goods, business-to-business and service industries make our research an essential resource for businesses of all sizes.