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Three Reasons Wine Could Be Hurt by Marijuana Legalization

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Summary

Adult-use marijuana is now legal in nine states, and Canada looks to legalize by the end of the summer. Should the alcoholic beverages sector be worried, and if so, which category is most vulnerable to the rise in marijuana use that comes with legalization?

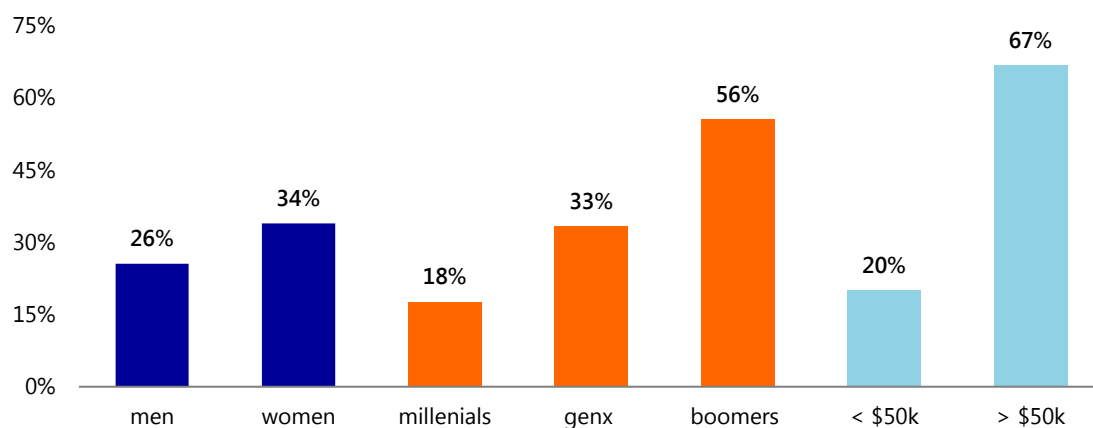
Marijuana legalization is spreading like wildfire across the U.S. Nine states have legalized adult-use (recreational) marijuana, and Michigan, which will likely have legalization on the ballot this November, is poised to become the tenth. While the scientific evidence for alcohol and marijuana being substitutes is not overwhelming, existing research does indicate that rising marijuana use will negatively affect the growth of beverage alcohol.^{1,2,3} Out of the categories wine, beer, and spirits, Rabobank believes that wine is most likely to be threatened by the precipitous rise of legal weed. Here are the three reasons behind wine’s marijuana problem:

Reason #1: Women and Older, Wealthier Individuals Say They Will Use More Marijuana After Legalization

A 2017 Marist/Yahoo News poll asked respondents, “If the federal government legalized marijuana would you... buy and use marijuana?” Every demographic group expected their marijuana consumption to rise,⁴ but the rise was especially significant among women and older, wealthier consumers (see Figure 1). These are the core demographic groups of the wine consumer.

It makes sense that older, wealthier consumers would see the largest bump in marijuana use after legalization. These individuals conceivably have the most to lose (like mortgages or higher-paying jobs) if caught using/possessing illegal drugs.

Figure 1: How Consumers Expect Their Marijuana Consumption To Increase After Legalization



Source: Marist/Yahoo News, Rabobank 2018

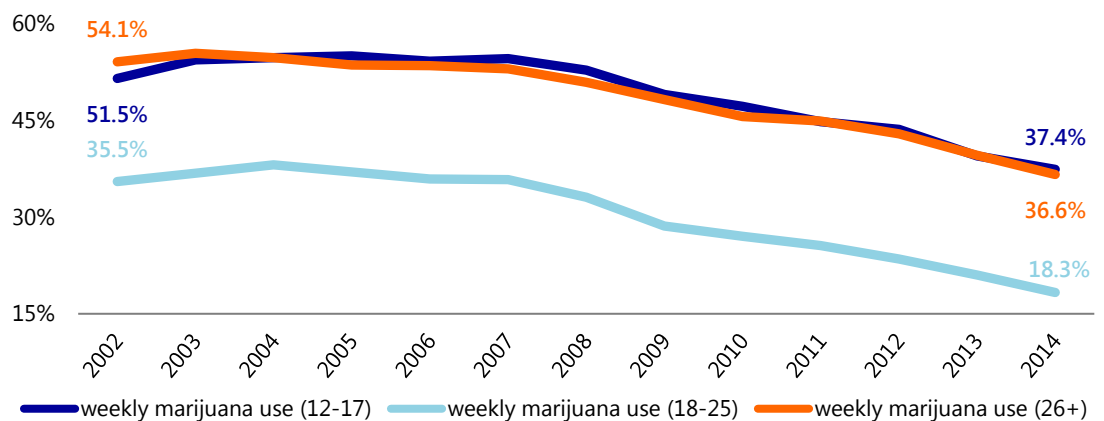
It is worth mentioning that most industry analysts believe that beer is at the top of the cannabis 'hit list'. The demographics of today's typical marijuana consumer overlap with the typical beer consumer: a young, lower-middle income male without a four-year college degree. If the consumers that start using marijuana after legalization look like the consumers that used marijuana before legalization, beer would likely be most affected.

Reason #2: Wine and Marijuana Compete for the Health-Conscious Consumer

Another reason why wine should be wary of cannabis: both products are competing for the health-conscious consumer. According to the Marist/Yahoo News Poll, 72% of consumers believe that marijuana is safer than alcohol. Around 75% of wine consumers think that wine is healthier than other alcoholic beverages.⁵

Personal health is particularly important to older consumers. Medical marijuana is now legal in 29 states, and its association with medicine has undoubtedly assuaged consumer fears about marijuana use (see Figure 2). Smoke-free marijuana formats like marijuana-infused edibles, non-psychoactive CBD, and vaporizers could be especially appealing to health-conscious consumers over 40.

Figure 2: Perceived 'Great Risk' of Weekly Marijuana Use by Age Group⁶



Source: NSDUH, Rabobank 2018

For weight-conscious consumers, a group skewing slightly female,⁷ marijuana has another advantage: it is calorie free. Even when accounting for the munchies, research has repeatedly shown that marijuana use does not lead to an increase in body mass index,^{8,9} and is even correlated with a lower BMI.¹⁰ Heavy alcohol use, on the other hand, is consistently found to be associated with weight gain.¹¹ As one wine industry observer told me, "you'd be crazy" to believe that a middle-aged soccer mom "won't replace her 120-calorie pinot gris with a cannabis-infused gummy bear."

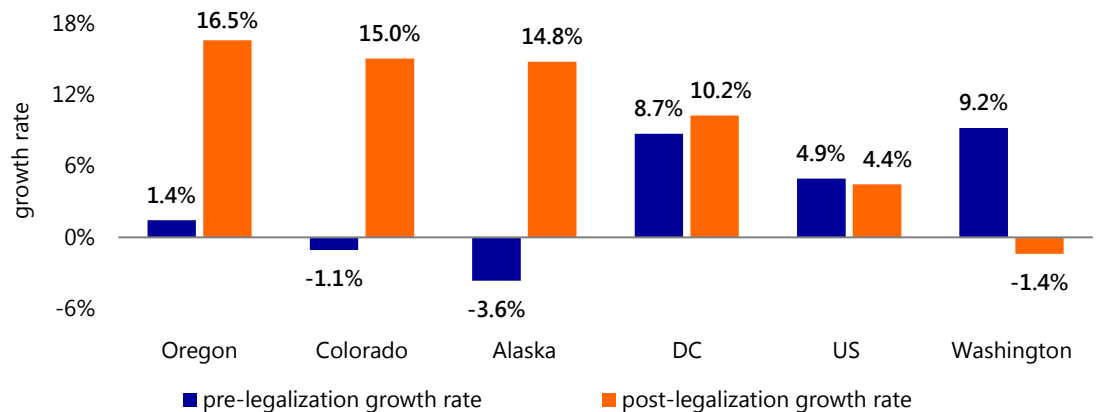
The success of marijuana's appeal to the health-conscious consumer, however, is based on the assumption that marijuana companies will market their brands as healthy, 'lifestyle' products, highlighting marijuana's health-related advantages over alcohol.

Reason #3: Marijuana Legalization is Coming to States with High Wine Consumption

According to IWSR, the average, per-capita wine consumption in states with legalized marijuana is 13.4 litres. The average for states without legal adult-use marijuana is 8.2 litres. Over 30% of U.S. wine, by volume, is consumed in states that have legalized adult-use marijuana. Conversely, only 22% of beer, by volume, is consumed in states with legal marijuana.

Why is this important? Legalization leads to a dramatic increase in marijuana consumption (see Figure 3). A disproportionate number of the people exposed to legal marijuana are wine drinkers. This could help accelerate some of the trends we've highlighted above.

Figure 3: Time-Weighted Growth Rate of Marijuana Use Before and After Legalization



Source: NSDUH, Rabobank 2018

So What's Next?

Marijuana is not going to replace wine with dinner. If you are eating steak-frites, chances are you will still be reaching for a cabernet. Marijuana is really competing for the relaxation-indulgence occasion and social occasion. A 'vape' could replace that glass of wine after a long day's work, and a box of marijuana-infused chocolates could replace the bottle of wine brought to a friend's house-party.

There remains significant uncertainty in identifying exactly how many consumers will switch from alcohol to marijuana. In fact, it will take many years to fully understand the impacts of legalization and for consumers to change their behaviours and beliefs. This is not an excuse, however, for beverage alcohol companies to be complacent. Suppliers need to position themselves for success in a world with legal marijuana.

¹ *Substance Use & Misuse*. 51(11): 1399-1414

² http://www.dmarkanderson.com/Medical_Marijuana_Accidents_and_Alcohol_7-8-13_v1.pdf

³ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3063288

⁴ Stated expectation to use marijuana, believe it or not, is predictive of future marijuana use [http://www.ijdp.org/article/S0955-3959\(14\)00020-6/abstract](http://www.ijdp.org/article/S0955-3959(14)00020-6/abstract)

⁵ <https://www.sciencedirect.com/science/article/pii/S2212977415000022>

⁶ While data exists for 2015 & 2016, methodological changes make those years incongruous with historical data

⁷ <http://news.gallup.com/poll/198074/fewer-americans-lose-weight-past-decade.aspx>

⁸ <https://www.ncbi.nlm.nih.gov/pubmed/16186086>

⁹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4204468/>

¹⁰ <https://www.ncbi.nlm.nih.gov/pubmed/27572145>

¹¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4338356/>

Imprint

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