

Alcohol Sales slump as Cannabis legalization picks up pace



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Washougal, Jan 22, 2019 (Issuewire.com) - With the legalization of cannabis both recreationally and medically taking off, consumers now have another vice to choose from, which has already started damaging the sales of some alcoholic drinks.

Investment Bank Cowen, a firm who has been keeping a close eye on the cannabis industry, has theorized that both recreational cannabis and alcohol serve the same purpose, that being social lubrication, which could lead to many, who fear a hangover substituting their beers for cannabis products. Managing director at Cowen, Vivien Azer claimed that 2018 was “the worst year for beer sales

in the last 10 years we have been covering the alcohol industry, and we believe that an increase in the legalization of cannabis is a contributing factor”

In a report published on Friday, Azer, citing Nielsen data, showed combined sales of beer were flat for the month of December, slightly above the 0.3% decline observed over the 12 weeks prior. The National Beer Wholesalers Association Purchasers Index, posted at 47 for December, a monumental decrease from the 55 posted from December 2017, thus adding to the three-month trend readings of below 50, this showing contraction in beer orders placed to suppliers.

Based on a survey done by Cowen, beer was the most popular choice of alcohol among former and existing cannabis users, in addition, it shows that 60% of current consumers have reduced their intake of alcoholic beverages when mixing both products. Cowen’s survey also shows that 70% of former cannabis users, believed that if they returned to using cannabis their consumption of alcohol would be reduced. “Suggesting there could be an even greater impact to alcohol consumption if and when lapsed users re-enter the category,” Azer said. While only a fifth of consumers reported a complete substitution of **cannabis** and **alcohol**. “What investors are really worried about is this marginal alcohol unit,” Azer said. “Hypothetically you take a consumer that on a beer occasion would have three or four beers and then add cannabis to the mix, well now that’s one or two beers plus cannabis,” she added. “As we think ahead to 2019, we are increasingly cautious again on beer.”

One of the managing directors for Canaccord Bobby Burleson anticipated that Cannabis infused beverages, could skyrocket to over a \$500 million USD market in the coming three years and agreed that “a robust adult use recreational cannabis industry is going to be competing with alcohol sales to a certain degree.” He said “There’s a psychoactive wallet share of consumer dollars,” he said in an interview with Yahoo Finance. “I don’t think it’s a perfect substitution, but it’s some erosion into the discretionary spending on alcohol.”

Not everyone is convinced

It would seem that not everyone believes that the cannabis industry it all to blame for the dwindling beer sales. In a study released last week from the Distilled Spirits Council, who actively monitor trends in Washington, Colorado and Oregon. Found that although the consumption of beer per capita has dropped at a steady pace over the last 5 years, the declines they have recorded are consistent with the national average.

Based on state-level alcohol tax receipts and shipment data for the 2 years prior to marijuana legalization, the study showed that beer sales per capita declined 3.6% in Colorado and Oregon, with a 2.3% decline in Washington. This in comparison to the 4% decline on a national level

But when you look at the big picture, the total beverage sales (wine, spirits and beer) per capita remained pretty flat, with an increase to wine sales in both Oregon and Colorado which did offset some of the declines in beer sales. “This may undercut the idea that adult use cannabis is behind the decrease in beer sales, when a consumer taste shift toward other alcoholic beverages may, in fact, be to blame,” said David Ozgo, senior vice president of economic and strategic analysis for the Distilled Spirits Council.

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