

# Chicago's Competitive Edge in the Cannabis Industry

# Table of Contents



<b>03</b>	Executive Summary
<b>04</b>	Chicago's Cannabis Industry
<b>05</b>	Industry Size & Growth
<b>08</b>	Chicago's Advantage
<b>10</b>	Findings

# Executive Summary



Since medicinal cannabis cultivation was legalized in 2013 — and recreational use in 2020 — Chicago's cannabis industry has grown rapidly. Today, Chicago is home to some of the cannabis industry's biggest names, including Cresco Labs, Verano Holdings, Green Thumb Industries, and PharmaCann, that were able to scale quickly in the early days of legalization. On the other hand, Chicago's cannabis industry is relatively small by company count.

In this issue of the Chicago Business Bulletin, the Research Center at World Business Chicago takes a deeper look at the corporate operations of Chicago's cannabis industry. We focus primarily on corporate offices instead of smaller retailers. Chicago's strengths — including our broad workforce and the fact that we're a hub for finance and corporate headquarters — contextualizes why Chicago is emerging as a hub for corporate cannabis offices.

As more licenses are granted and federal policy continues to evolve — including recent action by the White House to pardon federal marijuana-related convictions — we expect to see additional change in Chicago's cannabis industry. Although the industry is less than ten years old, it has become a pillar in Chicago's emerging industries.

## Findings:

1. Chicago is home to some of the cannabis industry's largest and most successful companies, which were able to scale quickly after medicinal cannabis was legalized in 2013.
2. Chicago has fewer companies than other major metro areas where cannabis cultivation has been legalized. Limited licenses in Illinois may restrict the market, allowing some companies to grow exponentially.
3. Chicago continues to offer a good value proposition for corporate cannabis operations: we have a plethora of service providers and an available workforce. Chicago is a hub for headquarters and business services.
4. Investments in Chicago's cannabis companies look different than in other industries and major metro areas. The fact that cannabis is still illegal federally has diversified investors.
5. Looking forward, new innovation programs and federal policies could impact Chicago's cannabis landscape.

## Fact Sheet:



In 2021, Chicago's cannabis companies raised **\$265.9M** in growth capital through 9 deals. In the first three quarters of 2022, **\$120.2M** has been raised through 5 deals.



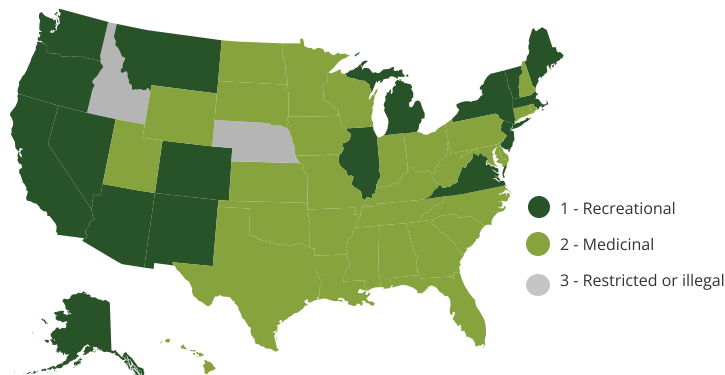
Over **180** licenses have been granted to businesses in Chicago's cannabis industry.



Chicago has **3 of the top 4** companies cultivating cannabis in the United States by market capitalization.

## A still life composition on a dark, reflective surface. In the upper left, two glass bottles filled with a golden-yellow oil are partially visible. In the center, a vibrant green cannabis leaf with serrated edges lies next to a small wooden spoon. The spoon is tipped, spilling a pile of fine, light-brown ground cannabis. To the right of the leaf and spoon, several yellow, oval-shaped capsules are arranged. The lighting is soft, creating subtle highlights on the glass and the leaf.

The cannabis policy landscape has changed dramatically since California first legalized cannabis for medical use in 1996. Today, nearly all 50 states have legalized cannabis for some type of medicinal or recreational adult use. As states expand policies for any legal use of cannabis — including low-THC, medicinal, and recreational — corporate cannabis companies are able to scale and expand operations, and Chicago's largest cannabis companies are no different. **Founded years prior to the enactment of Illinois' cannabis statutes, Chicago's largest cannabis companies have operations in over 10 different states, which includes hundreds of retail locations and dozens of production facilities.**



Pursuant to the Cannabis Regulation & Tax Act (CRTA), cannabis became legal for recreational adult use in Illinois on January 1, 2020, after the Compassionate Use of Medical Cannabis Pilot Program Act (MCPPI) authorized medicinal use in 2013. Administered by multiple state departments — including the Department of Financial and Professional Regulation, the Department of Agriculture, and the Department of Commerce and Economic Opportunity — the statute also created the Illinois Cannabis Social Equity Program. Notwithstanding recent news of Combs Enterprises' \$185 million purchase of several Cresco Labs' operations, making it the first minority-owned, multi-state, vertically integrated, cannabis operator, cannabis social equity programs nationally have struggled to curate diversity. **In Illinois, many of the licenses were delayed by litigation, which has contributed to the overall lower number of cannabis companies in Illinois.**

As of the fall of 2022, there have been over 560 cannabis-related business licenses granted in Illinois, including retail operations. Because social equity license holders have encountered barriers to raising capital, this figure includes licenses that have been granted where business operations have not yet launched.

	Dispensary	Conditional Dispensary	Craft Grower	Infuser	Transporter	Cultivation Center	Laboratory
City of Chicago	18	123**	9	13	20	0	1
Elsewhere in Illinois	94	70	68	41	84	21	4
Total	112	193	77	54	104	21	5

\*\* Data is for the Chicago metro area.



Chicago  
Business  
Bulletin

## Industry Size & Growth



### Chicago is home to several of the cannabis industry's leading companies.

Chicago is the headquartered location to **three of the top four** public companies that exclusively cultivate, process, and sell medicinal and recreational cannabis: Green Thumb Industries, Verano Holdings, and Cresco Labs. These three companies were founded between 2013 and 2014, shortly after medical marijuana production was legalized in Illinois. These companies are homegrown, with their founders having ties to Chicago's business ecosystem prior to entering into the cannabis industry.

**Top seven publicly listed companies with operations in the cannabis industry** (U.S. headquartered, by market capitalization)

Company Name	HQ	Operations	Market Cap (\$B)
*Constellation Brands (NYS:STZ)	Victor, NY	Parent company of Canopy Growth, a Canadian cannabis producer and retailer	\$42.43
Curaleaf (CNQ:CURA)	Wakefield, MA	Cannabis producer and retailer	\$3.73
Innovative Industrial Properties (NYS:IIPR)	San Diego, CA	Cannabis facility real estate	\$2.52
*Scotts Miracle-Gro (NYS:SMG)	Marysville, OH	Cannabis equipment supplier	\$2.40
Green Thumb Industries (CNQ:GTII)	Chicago, IL	Cannabis producer and retailer	\$2.33
Verano Holdings (CNQ:VRNO)	Chicago, IL	Cannabis producer and retailer	\$1.45
Cresco Labs (CNQ:CL)	Chicago, IL	Cannabis producer and retailer	\$0.93

\* Business operations are not exclusively in the cannabis industry

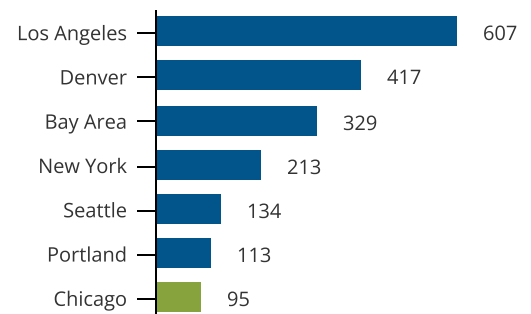
### Chicago has a broad range of companies related to cannabis, but lags other metro areas by number of businesses.

According to Pitchbook, Chicagoland is home to nearly 100 operating, private cannabis-related companies. Companies in Chicagoland include:

- retail operators
- delivery services
- cultivators and processors
- cannabis transportation services
- online platforms for supply management, e-commerce, and payments
- cannabis facility real estate and construction

Despite being home to some of the cannabis industry's largest companies, Chicago lags other metro areas for total company counts.

**Cannabis company count by metro area**  
(Pitchbook, as of October 2022)



Sources: Pitchbook Data, Inc.

## Industry Size & Growth

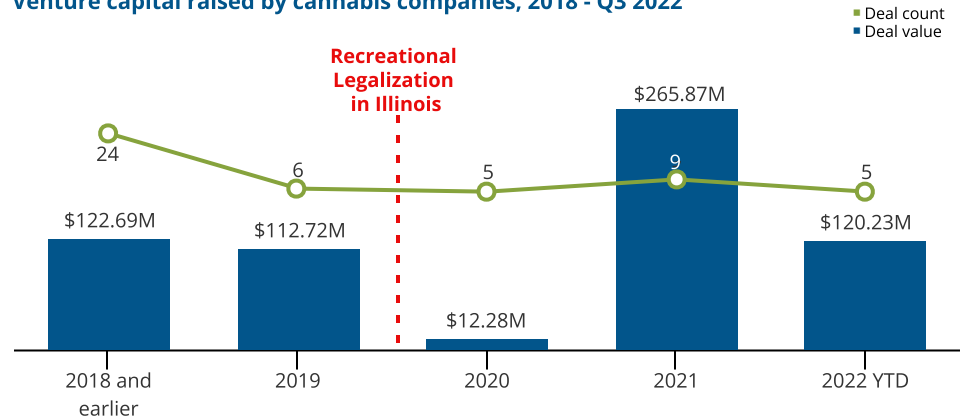


### Chicago's cannabis ecosystem is growing: companies are raising more venture capital funding.

Chicago's cannabis companies are landing more venture capital funding: nearly \$400M has been raised since recreational cannabis was legalized in Illinois, over two-thirds more than was raised prior.

The median venture capital deal size reached \$18.5M in 2021, up from \$2.3M in 2019, although has dipped to \$14.8M so far in 2022. Similarly, the median post-valuation reached \$210M in 2021, up from \$58M in 2020 and \$9.5M in 2019.

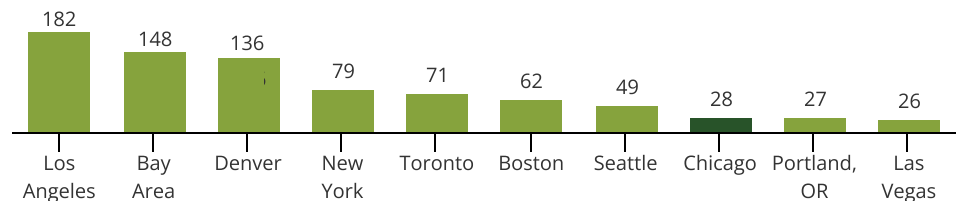
Venture capital raised by cannabis companies, 2018 - Q3 2022



### However, there are fewer Chicago cannabis companies receiving growth funding compared to peer cities.

Following the fact that there are fewer cannabis companies in Chicago's growth capital ecosystem, there are fewer capital deals occurring.

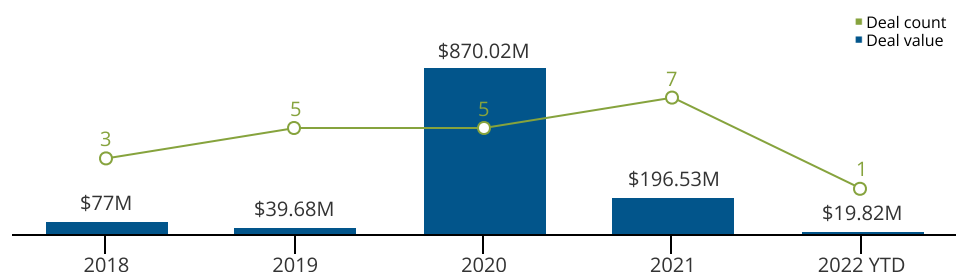
Number of cannabis companies with a growth capital deal, 2012 - Q3 2022



### M&A activity makes Chicago an outlier among all major metro areas.

Despite receiving less growth funding, Chicago's cannabis companies are significantly more likely to be acquired than cannabis companies in other cities. Since 2018, no other major metro area showed any M&A activity involving cannabis companies.

M&A activity involving Chicago cannabis companies, 2018 - Q3 2022



Sources: Pitchbook Data, Inc.



# Industry Size & Growth



## Investors in Chicago's cannabis industry are highly varied.

Given the fact that cannabis is still illegal under federal law, deals involving Chicago's cannabis companies expand well beyond venture capital investors, and include family offices, hedge funds, and private equity firms. Investors are largely from foreign countries or states where cannabis cultivation has also been legalized.

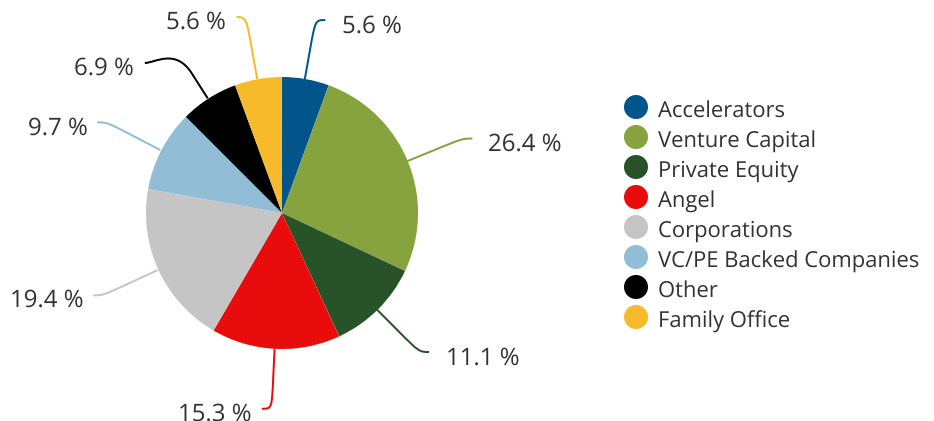
### Top investors by identified deal frequency in Chicago's cannabis companies

Investor	Deal Frequency	Location	Cannabis Focus	Primary Investor Type
Salveo Capital	9	Northbrook, IL	Included in portfolio	Venture Capital
V. Gastevich Investments	6	Chicago, IL	Primary focus	Family Office
Arcadian Capital	5	Beverly Hills, CA	Primary focus	Venture Capital
JW Asset Management	5	New York, NY	Included in portfolio	Hedge Fund
Sol Global Investments	5	Toronto, Canada	Included in portfolio	Private Equity
K2 & Associates Investment Management	4	Toronto, Canada	Included in portfolio	Hedge Fund
Hyde Park Angels	3	Chicago, IL	Included in portfolio	Venture Capital
Phyto Partners	3	Boca Raton, FL	Primary focus	Venture Capital
Ambria Capital	3	San Juan, PR	Included in portfolio	Venture Capital
Artemis Growth Partners	3	Santa Ana, Costa Rica	Primary focus	Impact Investing

## A wide range of investors in Chicago have invested in cannabis companies.

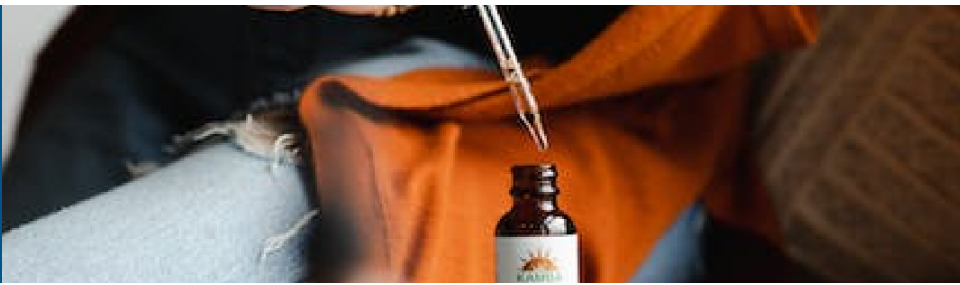
Over a quarter of Chicago-based investors involved in cannabis deals nationwide are venture capital firms, while 29% are corporations or privately backed companies.

Chicago is unique in that its investor pool for cannabis firms is tilted more towards corporate investors than in New York or the Bay Area (12% and 14%, respectively), and less so towards venture capital firms (36% and 48%, respectively).



Sources: Pitchbook Data, Inc.

# Chicago's Advantage

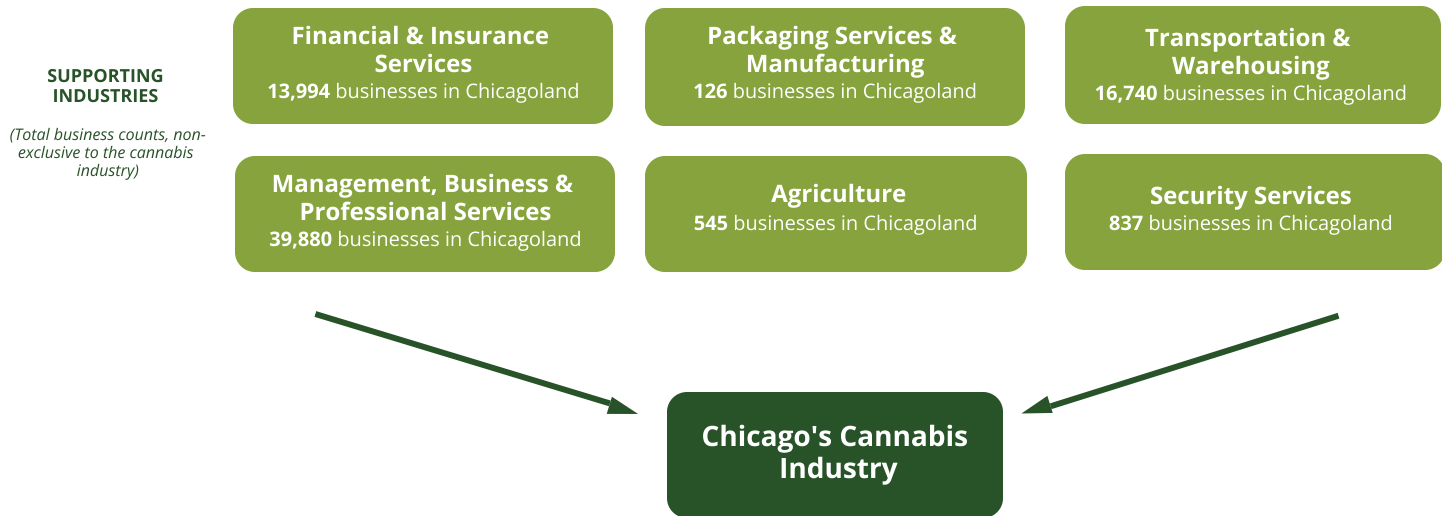


## Chicago's diverse business landscape helps the cannabis industry thrive.

Chicago's economy is both large and diverse. As a result, **cannabis companies — both corporate and retail — have close access to a large pool of the supporting services they need to thrive.** These include services for handling cannabis products, like transportation, packaging, and security, as well as services for complex financial and legal business activity.

In fact, Chicago trails only New York, Los Angeles, and the Bay Area for density of service providers on capital deals for cannabis companies. Over 30 companies — including law, accounting, market research, and financial advisory firms — have been involved in cannabis industry deals nationwide. Chicago ranks as the fourth largest ecosystem in the U.S. for both financial firms and law firms.

In addition to the service providers for investment deals, **Chicago has one of the top ecosystems of supply chain inputs for cannabis companies.** Chicago ranks as the top ecosystem for the TD&L industry by business count, and third for number of manufacturers.



Sources: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (Q1 2022)



# Chicago's Advantage



## Chicago has a large workforce for corporate cannabis operations.

The workforce needed for corporate cannabis companies mirrors that of other corporate headquarters. For example, top-hiring occupations at Chicago's largest cannabis companies included managers, accountants, and other finance and sales-related positions. Chicago is a historical hub for corporate offices and headquarters, ranking third among metro areas for most management, business and financial operations workers.

Workers in top-hiring occupations in Chicago's cannabis companies

Occupation	Workforce size (2022)	Workforce size rank among metro areas
Operations Managers	109,536	2nd
Marketing Managers	18,653	2nd
Accountants	43,276	4th
Financial Managers	33,135	3rd
First-Line Production Supervisors	20,864	1st
Sales Managers	24,328	2nd

**Chicago is also developing a talent pipeline for specialized cannabis workers.** Under the Cannabis Regulation and Tax Act, the Community College Cannabis Vocational Pilot Program allowed community colleges to develop cannabis-related programs and courses. There are currently ten licensed vocational programs at community colleges across the state, including City Colleges of Chicago's Olive-Harvey College and Wilbur Wright College; City Colleges offers an Associates of Applied Science in Cannabis Studies and certificates in cannabis processing and dispensary operations.

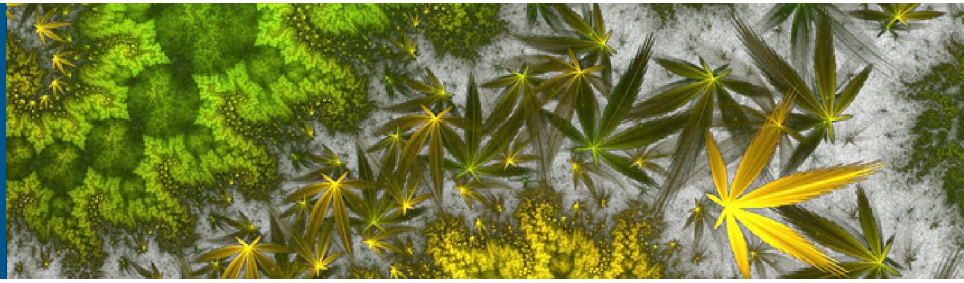
## Chicago's cannabis industry is still nascent; local programs and federal policy could impact future business activity.

Chicago's cannabis business landscape is still evolving, and could be impacted by local programs and national policy, including:

- **President Biden's statement on marijuana reform.** In October 2022, President Biden announced a federal pardon for low-level marijuana offenses and support for the reclassification of its Schedule I of the Controlled Substances Act status.
- **Illinois' social equity licenses.** Despite the resolution of legal challenges, social equity license applicants and holders encounter restrictions in raising capital, which has impacted their ability to scale operations. This further entrenches disparities between well-established corporate cannabis companies and social equity license holders.
- **1871's future cannabis-industry innovation lab.** To be launched in 2023, the second industry-specific innovation lab by 1871 will bring together startups, growth-stage companies, and corporate partners for collaboration in a four-month program.

Sources: Lightcast • The United States Government, (2022, October 6). Statement from president Biden on marijuana reform. The White House. • Pletz, John. "1871 to Launch Cannabis Program." Crain's Chicago Business. 23 September 2022. • City Colleges of Chicago.

# Findings



## 1. Chicago is home to some of the cannabis industry's largest and most successful companies, which were able to scale quickly after medicinal cannabis was legalized in 2013.

Chicago is home to three of the top four cannabis cultivators by market capitalization, including cannabis industry giants like Cresco Labs, Verano Holdings, Green Thumb Industries, and PharmaCann. These companies are homegrown, with founders that were able to leverage business experience into rapid growth in an emerging market.

## 2. However, Chicago has fewer companies than in other major metro areas where cannabis cultivation has been legalized. Limited licenses in Illinois may restrict the market, allowing some companies to grow exponentially.

Despite the fact that Chicago is home to several of the cannabis industry's most successful companies, we have fewer companies than in Los Angeles, New York, and Denver. There are also fewer growth capital deals, indicating limited startup activity compared to these other major cannabis ecosystems. The limited licenses initially made available in Illinois restricted entry into the market, and in turn led Chicago's larger cannabis firms to expand their markets across the United States in the early days of legalization.

## 3. Chicago continues to offer a good value proposition for corporate cannabis operations: we have a plethora of service providers and an available workforce. Chicago is a hub for headquarters, finance, and business services.

Major cannabis companies found success in leveraging business expertise cultivated in other industries, including the knowledge needed for license applications and complex legal and financial transactions. Chicago also offers close access to supporting services as hub for headquartered offices. Chicago's large workforce for financial and business services occupations serves as a good talent pool for corporate cannabis operations.

## 4. Investments in Chicago's cannabis companies look different than in other industries and major metro areas. The fact that cannabis is still federally illegal has diversified investors.

Chicago's investor pool for cannabis companies is diverse. Some investors work exclusively in cannabis, while several are located in cannabis-friendly states or countries. Unlike in New York or the Bay Area, more of Chicago's investors are corporations or private companies.

## 5. Looking forward, new innovation programs and federal policies could impact Chicago's cannabis landscape.

Chicago's cannabis industry is still just less than ten years old. While early restrictions in license counts defined the shape of the market — fewer, very successful companies — future license availability, including through the Social Equity Program, may help reshape Illinois' cannabis market in the future. Additionally, federal and other state action may open up new markets — or lead to new competitors — for Chicago's cannabis companies. Finally, new programs coming online, like 1871's cannabis-industry innovation lab, may promise to grow Chicago's cannabis startup community.



THIS PAGE LEFT INTENTIONALLY BLANK



## About

World Business Chicago is Chicago's public-private economic development agency. Our mission is to drive inclusive economic growth and job creation, support businesses, and promote Chicago as a leading global city. Our vision is to ensure that all Chicagoans prosper.

## The Research Center



**Robin Ficke**  
Vice President, Research



**Hannah Loftus**  
Research Director



**Himashi Jayasundera**  
Research Analyst



**Justine Ingram**  
Research Coordinator



**Eric Pacynski**  
Graduate Research Intern

## Contact

[research@worldbusinesschicago.com](mailto:research@worldbusinesschicago.com)

## Follow Us

