

Cannabis in 2024: a year in review

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Historically, an election year presents special challenges and opportunities for the cannabis industry. Although cannabis has not been a significant issue this election cycle, several states had ballot questions seeking to codify legalization and included psilocybin among others in addition to cannabis.

From legislative changes to market trends, 2024 highlighted both the challenges and opportunities within this rapidly growing sector. In this article, we focus on some of the most significant developments of the past year and how they might affect the industry in the coming years under a new administration whose president-elect has hedged on the issue in the past.

The DEA agrees to reschedule cannabis under federal law

Perhaps the most significant development of 2024 was the Drug Enforcement Administration's (DEA) announcement in April that it would act on the Biden administration's call to re-schedule cannabis from Schedule I to Schedule III of the Controlled Substances Act (CSA). This historic move is considered to be the biggest step towards federal legalization in more than half a century. Although, in a private tweet earlier this year, President-elect Trump appeared to be in favor of legalization efforts in Florida, it remains to be seen what his administration's position on re-scheduling will be.

In 2024, states continued to lead the way in expanding access to legal cannabis. As of November, recreational cannabis is legal in 24 states while medical cannabis is legal in 40 states.

However, even assuming no change in direction, the DEA's process for implementing this change is complex, lengthy, and would stretch well into next year. If successful, re-scheduling would solve some of the biggest issues for the state-legal industry (like federal illegality, IRC 280E, and the unavailability of Patent and Bankruptcy protections), while also presenting new challenges (such as the likely involvement of the Food and Drug Administration, and probable misalignment between federal and state approaches to regulation). Nevertheless, the DEA's announcement was a

boon to the industry, fueling hopes of a renewed push for federal legalization in the years ahead.

State-level initiatives expand legal access

In 2024, states continued to lead the way in expanding access to legal cannabis. As of November, recreational cannabis is legal in 24 states while medical cannabis is legal in 40 states. Additionally, Florida, North Dakota, and South Dakota all included provisions on their November ballots giving voters the opportunity to legalize recreational cannabis in those states. Nebraska also put cannabis on the ballot in November, giving voters the opportunity to legalize medical cannabis in the Cornhusker State.

The developments in the U.S. cannabis industry in 2024 reflect a significant shift towards acceptance and normalization.

While voters in Florida, North Dakota, and South Dakota ultimately voted against the proposals to legalize recreational cannabis, voters in Nebraska (one of the few remaining states where cannabis remains completely illegal) approved two complementary proposals to legalize medical cannabis and regulate its manufacture and sale. The first legalizes medical marijuana in the state while the second provides the state's mechanism for regulating and manufacturing medical cannabis in the state.

According to a recent Pew Research Center analysis (<https://pewrs.ch/48GFQTz>), a majority of Americans now live in a state where recreational cannabis is legal, and 74% of Americans live in a state where cannabis is legal either for recreational or medical use. Meanwhile, a whopping 79% of Americans live in a county with at least one dispensary. State legalization efforts appear to reflect the continued trend of increasing public support for legalizing cannabis, which hit a record 70% (<https://bit.ly/4eqRyD4>) this past year based on a Gallup poll.

Advancements in cannabis research and development

The cannabis industry has seen advancements in research and product development this year. With a growing number of states legalizing cannabis for both medical and recreational use, and as usage rates continue to climb, research into the drug is needed now more than ever.

As a result, many industry watchers anticipate that the cannabis sector will see an influx of research funding from health care investors. And, indeed, 2024 has seen a number of universities and private institutions launch studies focused on the therapeutic benefits of cannabis, exploring its efficacy in treating various conditions.

This influx of research not only bolsters the legitimacy of the cannabis industry but also paves the way for the development of new products and innovations. This trend is expected to continue in the years ahead, especially in the wake of the DEA's announcement that it plans to reschedule cannabis, which would likely reduce much of the red tape that has impeded cannabis research opportunities in the past given its status as a Schedule I drug under the CSA.

Market growth and investment surge

The U.S. cannabis market has had an impressive growth trajectory in 2024, with estimates (<https://bit.ly/4hyQos9>) suggesting it could reach \$40 billion in sales by year-end. This growth is fueled by increased consumer demand, particularly in the states where cannabis has recently become legal.

While capital raises and M&A activity continued to be sluggish in 2024, experts expect a resurgence given perceived improved federal legalization prospects, state-level regulatory developments,

and a more favorable capital market outlook. The industry is also becoming increasingly attractive to private equity and venture capital firms looking to capitalize on distressed assets and underperforming operators.

All of this has been a welcome development for industry participants, many of whom, in previous years, have struggled with oversupply, low prices, and competition from the grey market. While many of these challenges still persist (especially in mature markets, such as California), 2024 offered hope that the industry remains robust and that growth opportunities will continue.

Conclusion

The developments in the U.S. cannabis industry in 2024 reflect a significant shift towards acceptance and normalization. It remains to be seen if the trend continues under the second Trump administration in 2025. With federal legalization efforts gaining traction, states expanding access, advancements in research, and market growth, it is possible that the administration decides to stay the course. As the landscape continues to evolve, stakeholders should be prepared to respond to the emerging opportunities and challenges that will shape the industry's next chapter.

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