



FTI Consulting

New York State Hemp Beverage Market Size

Projections Based on Four Regulatory Scenarios

Hemp THC Beverage Regulations Background

New York State is currently drafting new legislation to regulate and tax hemp THC beverages. FTI examined sales data across all 50 states to determine how different statutory and regulatory structures could affect the growth of the New York hemp beverage market and resulting tax revenues.

- Since the federal enactment of the 2018 Farm Bill, hemp-derived THC products, including beverages, have been sold in various stores across the U.S.
 - The growing popularity of these beverages has led to proposals in New York to regulate and tax THC beverages.
- **New York Senate Bill S8575:** Proposes to limit cannabinoid hemp beverage potency to 5mg of THC per container and restrict sales to individuals aged 21 and up at liquor stores licensed to sell liquor at retail for consumption off the premises (Section 63 of The New York Alcoholic Beverage Control Law).
- Other states have issued a range of regulations on hemp THC beverages, limiting **potency** and restricting what **types** of stores may sell them, creating a patchwork across states where some states are very restrictive in both dimensions or have little to no restrictions in both dimensions. This variation allows for a comparative analysis across states based on regulatory structure.

Potency Limit Examples

- Minnesota: limits hemp-derived THC to 5mg per serving and 10 mg per container
- Illinois: limits hemp-derived THC to 10mg per container

Store Restriction Examples

- California: only licensed marijuana dispensaries are legally allowed to sell hemp THC products
- New Jersey: many types of retailers sell hemp THC products, including vape shops, gas stations, and convenience stores*

Onerous restrictions may prevent a full-fledged retail market from succeeding in the state and prevent consumers from accessing these products through approved channels, reducing potential sales and tax revenues.

Source: <https://www.nysenate.gov/legislation/bills/2025/S8575>

*Note, new regulations will restrict sales to liquor stores and dispensaries in New Jersey beginning November 2026

Market Analysis Methodology

FTI classified states into four stringency groups based on two policy dimensions – potency limits (allowable mg per serving/container) and retail store classification restrictions (liquor stores vs. convenience stores, etc.).

- Several states allow only dispensaries or liquor stores to sell hemp beverages while others allow all store types including grocery stores, convenience stores, and gas stations with convenience stores.
- Some states allow 5mg beverages (or 10mg in some cases) while others only allow very low potency drinks such as 1mg or less.

- To determine the relationship between regulatory structures and hemp beverage sales, FTI Consulting:
 - Analyzed state-level retail sales data by potency from two hemp beverage manufacturers and calculated average sales within four groups of selected archetype states.
 - Below, the chart highlights sales per capita across each group relative to Group 4 (most restrictive).

Stringency Clusters

	Group 1 Expanded	Group 2 Mixed	Group 3 Mixed	Group 4 Regulated
States Examined	<ul style="list-style-type: none"> ■ North Carolina ■ New Jersey ■ Illinois ■ Minnesota 	<ul style="list-style-type: none"> ■ California ■ Louisiana ■ Texas 	<ul style="list-style-type: none"> ■ Colorado ■ Hawaii 	<ul style="list-style-type: none"> ■ Virginia ■ Montana ■ Arkansas ■ Massachusetts
Regulations	Few to no store restrictions, but no potency cap or higher potency allowed (at least 5mg)	Store restrictions, but no potency cap or higher potency allowed (at least 5mg)	Stricter potency limits, but none or fewer store restrictions	Maximum limits: strict potency requirements and dispensary restricted access

Sales Relative to Group 4 (Most Restrictive)

Stringency Cluster	Indexed Sales Per Capita
1 - Expanded	81x
2 - Mixed	36x
3 - Mixed	14x

Market Projections

Both retail outlet restrictions and potency limits can reduce market size, but the data suggests expanding retail access and allowing at least 5mg beverages can lead to larger tax revenues.

- To account for the full scope of the market, total U.S. sales figures from the confidential manufacturer data were scaled up to the size of the full U.S. market.
 - FTI utilized projections from the Whitney Economics U.S. THC Beverage Report, which estimated a \$7.2 billion midpoint total addressable U.S. market.
 - This appears to be a realistic figure compared to the current ~\$110 billion U.S. beer market.

- New York projections were then adjusted based on average household income, cannabis use rates (as a proxy for proclivity to use hemp beverages), and retail outlet density to generate a range of potential impacts.
 - Assumed a 9% wholesale excise tax and 13% retail tax (9% state, 4% local).

- New York’s market has the potential to be significantly larger than other states within each group due to relatively higher income and store density levels.

NY Annual Sales and Tax Projections

Scenario	Characteristics	Projected Sales (Low)	Projected Sales (High)	Est. Tax Revenue (Low)	Est. Tax Revenue (High)
1 – Expanded	Liquor stores + beverage centers + grocery + convenience/gas Minimal to no potency cap	\$1.3B	\$2.0B	\$221M	\$346M
2 – Mixed	A: Liquor stores + beverage centers Minimal potency cap	\$571M	\$962M	\$100M	\$168M
	B: Liquor stores Minimal potency cap		\$886M		\$156M
3 – Mixed	Strict potency cap Minimal store restrictions	\$238M	\$497M	\$42M	\$87M
4 – Regulated	Strict potency cap Dispensary restricted access	\$15M	\$18M	\$2.7M	3.2M

Future Outlook and Discussion

In line with consumer preferences, the availability of higher potency beverages through a wide variety of retail channels will grow the market.

- New York has the potential to be a major market for hemp beverages, but total market size could vary significantly based on how legislation to regulate potency and retail access develops.
 - Markets that are very strict across both regulatory dimensions struggle to get off the ground.
 - Allowing beverages of at least 5mg *and* enabling broader consumer access leads to a significant jump in projected sales.

- Allowing dispensaries to sell higher potency beverages in line with other cannabis products currently on the market will help attract a specific segment of consumers.
 - Traditional cannabis products sold in dispensaries frequently have a total THC content of more than 20%.
 - For a one-gram joint, this equates to roughly 200 mg of THC.
 - FTI analysis of the manufacturer sales data suggests that products with a potency greater than 5mg make up roughly 17% of the current market.
 - Allowing at least some retail outlets to sell these products will capture a broader share of the market.