The Covid-19 outbreak and associated quarantine have caused problems for every industry, and cannabis is no exception. After a quiet first few weeks, the initial round of layoffs, furloughs, and scaling back in planning has begun. There will almost certainly be more to come, and the long-term job prospects for those who've been sent home so far remain unknown.

Coronavirus Impact on the Cannabis Industry

From a macro perspective, it would appear that the cannabis industry is well-positioned to survive the pandemic. Public demand for cannabis products, both medically and recreationally, has remained robust and relatively steady throughout the duration of the crisis. Medicinal cannabis is still available everywhere, carrying an "essential products" designation based on its therapeutic capacities. Meanwhile, eight states have granted the same classification to stores selling adult-use cannabis, in recognition of the benefits offered by all marijuana products during a medical crisis.

Sales for the industry as a whole increased during the initial coronavirus scare. Although, purchasing activity flatlined somewhat after an initial rush to stock up by consumers across the nation. Nevertheless, the momentum of cannabis prevented a collapse in demand, and supply has not been an issue at this juncture.

But there are storm clouds on the horizon. The Covid-19 outbreak has created a high level of uncertainty in every area of American life. The country's grand reopening may ultimately be stalled by fresh waves of coronavirus infections, which could push the U.S. economy into depths not experienced since the peak of the Great Depression in the 1930s.

As essential as cannabis may be, many observers are concerned about what the future holds for the industry. With unemployment rates currently in the mid-teens and rising, many consumers will be forced to cut back on products they previously considered indispensable. As summer transitions to fall, a severe slump in demand for all types of cannabis products (along with pretty much everything else) could be in the offing.

Cannabis has been on the upswing for quite some time. However, the sudden shock of 2020 is coming on the heels of a difficult 2019 - a year that put many companies in a precarious position. The exuberance that drove cannabis stock prices sky-high in 2018 was replaced by a more sober assessment in 2019, as companies and investors realized that impressive ROIs might still be years away. The cannabis stock bubble deflated in 2019, setting the stage for financial struggles that would have plagued many companies even if the coronavirus hadn't come along to push them over the edge.

While the wounds are not yet profoundly deep, cannabis companies have begun to make some adjustments. Virtually all plans for expansion have been put on hold. Several planned mergers and acquisitions have been canceled, and some companies have decided not to release revenue projections for 2020 and 2021.

Actual personnel cuts, on the whole, have been modest so far. But the number of companies who've furloughed or laid off employees is growing (furloughed employees continue to receive benefits like health care coverage, while laid-off workers are left to fend for themselves).

Who's Feeling the Impact?

The Covid-19 virus and quarantine have interrupted supply lines, made financing more difficult to obtain, kept workers at home, forced changes in workplace infrastructure to support social distancing, and exacerbated revenue problems that developed in 2019. The list of North American companies that have been motivated to take action by this confluence of circumstances includes:

- **Canopy Growth**. Completing its third round of layoffs in the last several months, Canopy Growth has now cut more than 1,000 workers from its ever-shrinking payroll. Active in the United States, Canada, and the United Kingdom, this Ontario-based supplier has been struggling for months, and the arrival of Covid-19 has pushed it to the brink of implosion. Canopy Growth executives are hoping their new line of cannabis-infused drinks will reverse the company's sinking fortunes since current consumer demand is concentrated mostly on the edibles and beverages segment.
- **Organigram**. In April, this Canadian producer of both adult-use and medicinal cannabis reported the layoff of about 45 percent of its workforce, totaling approximately 400 people. These personnel reductions were necessitated by the company's decision to cut back on its manufacture of certain labor-intensive consumer products, in favor of more cost-efficient investments.
- **Marijuana Business Daily**. This prestigious cannabis media company is temporarily furloughing about 30 percent of its staff, as it cuts back on its sponsorship of promotional events and trade shows. The company hopes to make these furloughs relatively short, and Marijuana Business Daily will continue to issue special reports and host webinars designed to help cannabis businesses navigate the choppy waters of the current economic downturn.
- **Green Growth Brands**. Seeking to narrow its focus and avoid becoming overextended, Green Growth Brands plans to sell its CBD interests to focus exclusively on its cannabis products. This will end the company's association with its own CBD lines, including Seventh Sense and Green Lily.
- **Acreage Holdings**. Declaring its desire to save money and rethink its business plans moving forward, Acreage Holdings announced it would close shops and wholesale outlets in California, Washington, Oregon, North Dakota, Iowa, and Maryland. In April, they have so far furloughed 122 employees, including some who worked in management.
- **MedMen**. MedMen has abandoned its previously optimistic projections about rising store counts. The company was hurt by unexpected delays licensing its facilities in California and Massachusetts, and by the growing impact of the Covid-19 pandemic. MedMen just recently sold one of its extensive cultivation and manufacturing facilities in Illinois for $17 million, as they look to ensure their profitability by sticking with the safest possible investments.
- **iAnthus**. Despite a multistate presence and control of 10 percent of New York's medical cannabis markets, iAnthus has announced tentative plans to contract in 2020, as it seeks to facilitate "operational and financial restructuring." This move comes in response to the company's failure to secure any new financing in 2020.

- **Harvest Health and Recreation**. Basking in its success, in 2019, this cannabis product retailer pledged to purchase its competitor Verano for the vast sum of $850 million. But they announced the termination of that deal, citing difficulties with regulators, poor prospects in the capital market, and the impact of Covid-19 as the rationale for their change in plans.
- **Cresco Labs**. In September 2019, Cresco Labs declared its intention to purchase significant assets from Tryke Companies, a profitable seed-to-sale cannabis company operating successfully in Nevada and Arizona. Despite its reputation as a company on the rise, Cresco has now decided to scuttle this deal, which would have cost them $282.5 million to complete. Instead of expanding, they will concentrate on strengthening their presence in existing markets.

In isolation, none of these labor force cuts or plans for contraction looks especially catastrophic, outside of perhaps the changes at Canopy Growth. But these initial cutbacks may be the trickle that precedes the flood if circumstances continue to make investors skittish while limiting the discretionary income of cannabis consumers.

Painful Transitions and the Inevitability of Change

Lingering sluggishness in the U.S. economy will cause many cannabis companies to contemplate permanent payroll reductions. They may have fewer workers handling more chores or automate as many jobs as they can right out of existence. Automated systems have already begun displacing human inputs in every sector of the industry, and the current crisis may give companies greater motivation to automate their operations as quickly as possible.

Certainly, the cannabis industry will not die. But as it attempts to ramp up to full strength in the months ahead, it may do so with far fewer employees employed by far fewer businesses. Turmoil is coming, and it will claim many victims, even if the industry as a whole continues its long-term upward trajectory.

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