

# Illinois Cannabis Outlook 2025: Where Are We and Where Are We Going?

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The past year for the Illinois cannabis industry revealed continuing tensions and disparity between the rosy picture painted by officials; the reality for businesses on the ground; and the downstream impact to patients and consumers. There was no movement legislatively with respect to changes to existing cannabis law or regulations, nor was there any movement in prohibiting or regulating intoxicating hemp products found in unregulated “hemp shops” that compete with regulated cannabis products found in state-licensed dispensaries. While the number of operational dispensaries and craft grows increased, some licensees, like the independent transporters, have been left with nothing to show for their time, effort and money. Many licensees have simply thrown in the towel and left the industry altogether for a number of reasons, not the least of which is the inability to raise funds to launch their businesses. Large scale M&A activity among Illinois multi-state operators (MSOs) has shifted almost entirely to debt refinancing and restructuring as MSO long term debt becomes due, with smaller transactions, like the sale of a dispensary license or the purchase of an operating dispensary, being the bulk of transactional activity. With no relief in sight from rescheduling or safe banking at the federal level, and no relief at the state level either, we expect more of the same for 2025.

Illinois maintained its position as one of the largest cannabis markets in the country with total cannabis sales exceeding \$2 billion in 2024, but legislative gridlock in Springfield continues to stymie the market.

## Illinois Hits \$2B in Cannabis Sales

### Market Continues to Grow

This month, Governor JB Pritzker announced a significant milestone for the Illinois cannabis market: retail sales had reached \$2 billion for 2024, a 2.5% increase from 2023. “The \$2 billion of product includes a record-setting \$1.722 billion in adult use cannabis sales in 2024, with medical cannabis sales exceeding \$285 million. Sales taxes collected at Illinois cannabis dispensaries totaled more than \$490 million in 2024, per the [Illinois Department of Revenue](#).”<sup>[1]</sup>

Unlike some of the other cannabis markets like Colorado and Arizona<sup>[2]</sup>, the Illinois market shows no signs of slowing down. In total, 56,318,082 cannabis products were sold to Illinois customers in 2024, shattering the 2023 record by more than 13%. Illinois adult-use dispensaries sold 48,953,392 products and sales totaled \$1,337,640,019.91, an increase of almost 10% from the previous record set in 2023. More than \$385 million of adult use cannabis product was also purchased by out-of-state residents.<sup>[3]</sup>

## More Licenses Issued

Litigation and the COVID-19 pandemic stalled the issuance of new craft grower, infuser, transportation, and dispensary licenses from their respective regulatory agencies, the Illinois Department of Agriculture (“IDOA”) and the Illinois Department of Financial and Professional Regulation (“IDFPR”). These delays and the first-mover advantage for existing businesses built into the CRTA left new operators struggling to find a foothold. Social equity independent transporters have perhaps fared the worst of all the licensees, with almost no market for their services.

Despite initial licensing delays, the number of operational cannabis businesses in some categories grew significantly in 2024. IDFPR reported approving 82 dispensaries to operate in 2024<sup>[4]</sup>, with the current number of active adult-use dispensaries standing at **244**. <sup>[5]</sup> According to the state, approximately half of the operational licensees are social equity owned. However, the actual number of social equity-owned dispensaries is likely significantly lower due to ownership dilution, investor influence, and other factors that have eroded true social equity control. There are roughly 120 additional conditional licensees are working to become operational in 2025. <sup>[6]</sup>

In the FY24 Cannabis Report, IDOA reported its total license issuance as: 21 Adult Use Cultivation Centers, 87 Craft Growers, 55 Infusers, 163 Transporters, and 10 approved Cannabis Community College Vocational Pilot Program participants.<sup>[7]</sup>

Only about 30% of businesses awarded cannabis licenses by IDOA are operational, many of whom are transporters, which in reality are not operational, highlighting the difficulties faced by social equity applicants to turn their licenses into operational businesses.<sup>[8]</sup>

## New Licensees Face Uphill Battle

For new licensees, particularly those regulated by IDOA, 2025 is shaping up to be another challenging year. While Governor Pritzker touted the success of the social equity program in Illinois as “set[ting] a national standard in equity and economic justice,” and calling it “the most equitable cannabis industry in the country ... support[ing] communities ravaged by the War on Drugs,”<sup>[9]</sup> social equity licensees continue to struggle to get off the ground and stay afloat, due in large part to a combination of over-regulation and insufficient capital.

IDOA’s excessive delays in approving everything from location changes to new construction and operations-combined with its rigid enforcement of application plans written in a pre-COVID-19 era, and an overly restrictive, often non-sensical interpretation of the CRTA, make it nearly impossible for craft growers and infusers to get up and running. Craft growers face skyrocketing buildout costs for very limited cultivation space, are getting crushed in a race-to-the-bottom discount war with the MSOs who have infinitely more cultivation space and cash, and lack flexibility to pivot to a manufacturing-only model due to the aforementioned regulatory restraints. Infusers are also stuck in regulatory limbo, unable to expand their businesses to extract cannabis concentrate from flower due to IDOA’s failure to issue processing licenses, further limiting infusers’ growth potential.

As a result of IDOA’s regulatory approach, many of the awarded licensees will continue to remain inactive in 2025, and social equity licensees will continue to face severe disadvantages, despite all the praise showered on the adult-use program. Without legislative intervention and a fundamental

shift in regulatory priorities, these bottlenecks will persist, reinforcing the dominance of the state's large multi-state operators (MSOs) at the expense of smaller, independent cannabis businesses.

## **Cannabis & Hemp: Legislative Changes Unlikely**

While Illinois became the 11th state to legalize cannabis for adult use in 2019 and the first state to legalize cannabis formally through the Cannabis Regulation and Tax Act (CRTA),<sup>[10]</sup> disagreements and disfunction amongst politicians and stakeholders have paralyzed any efforts to make common-sense reforms to the cannabis program. The same disagreements and dysfunction have prevented any common-sense legislation from passing with respect to prohibiting and/or regulating intoxicating hemp products in Illinois.

Cannabis and hemp come from the same plant, *Cannabis Sativa L.*, and the difference between the two is legislative and not scientific. The Agricultural Improvement Act of 2018, commonly known as the 2018 Farm Bill, federally legalized hemp with less than 0.3% Delta-9 THC (the psychoactive compound of cannabis), while cannabis containing more than 0.3% Delta-9 THC remains federally illegal under the Controlled Substances Act.<sup>[11]</sup>

Clever scientists already knew or realized very quickly they could make hemp products just as intoxicating as state-legal regulated cannabis products - Delta 8, Delta 9, and other cannabinoids, some of which are found naturally in the plant in varying amounts and some that are "man-made" from hemp-derived CBD. As a result, intoxicating hemp products are sold nationwide in gas stations, vape shops, hemp shops, head shops, and sometimes, in stores labeled "dispensaries" that look and act just like licensed cannabis dispensaries. These stores sell similar intoxicating THC products but are not bound to the same licensing procedures and strict regulations as state-licensed cannabis dispensaries, confusing patients and consumers alike.

Because of this unregulated free-for-all, many states started cracking down on the sale of hemp products and passed regulations either seeking to ban hemp altogether, regulate it, or ban certain hemp products (like THCA, for example) and regulate the rest.<sup>[1]</sup> Illinois has attempted to regulate these intoxicating products, as well, but has failed to do so due to the aforementioned infighting in the Statehouse.

For example, Governor JB Pritzker pushed Illinois lawmakers to pass a hemp regulation bill (HB 4293) during the 2024 legislative session, an almost carbon copy of a failed bill filed in the previous legislative session, which sought to regulate intoxicating hemp products similarly to cannabis. The legislation would have imposed testing and packaging requirements on hemp products, with an aim to mitigate deceptive advertising practices designed to appeal to minors; however, HB 4293 was shot down due to Democratic infighting over how hemp should be regulated, leaving egg on the face of everyone involved, including the Governor, the Speaker of the House, and the Mayor.

Similarly, a wide-ranging "omnibus" cannabis bill was introduced in the 2024 legislative session, which would have allowed all licensed dispensaries to sell to medical patients, permitted dispensaries to utilize curbside pickup and drive-thru windows, reduced barriers to people with criminal records working in the industry, and repealed certain cultivator and craft grower taxes.<sup>[12]</sup>

Despite continued promises by various legislators and cannabis working group members that the fate of cannabis and hemp legislation would be separate, disagreements over the approach to hemp

products, coupled with opposition by certain cannabis special interest groups, led the omnibus cannabis bill to die on the vine alongside the hemp bill for the second time in two years.

Several similar common-sense reform efforts, introduced since the passage of the CRTA, have suffered a similar fate. A 2022 bill authored by Rep. Jonathan Carroll, HB 5394, sought to amend the CRTA to allow direct-to-consumer delivery of cannabis, by permitting existing transporting organizations to transport cannabis from licensed dispensaries to purchasers of legal age.[13]

Proponents of the bill highlighted the potential new business opportunities for (then newly licensed) social equity transporters, believing that the legislation would alleviate the untenable market conditions facing independent transporters. Passing HB 5394 would have directly addressed some of the complaints raised in the recent lawsuit filed by independent transporters against IDOA.[14]

### **Hemp-Derived Delta-9 THC Infused Products - Winners and Losers**

The rise of hemp-derived Delta-9 THC beverages is one of the biggest industry shifts we see going into 2025, thanks in part to strong lobbying efforts from groups like the Hemp Beverage Alliance, led by Christopher Lackner. These beverages have gained widespread acceptance and are now stocked at major retailers like Total Wine & More and Binny's—even in states where selling hemp products has not explicitly been permitted by state law (like Illinois). This trend signals that major alcohol retailers see THC beverages as a viable growth market amid declining alcohol sales, and that they believe the risk is worth jumping into the space.<sup>15</sup>

On the other hand, THCA has faced increasing scrutiny and prohibition in several states, and Illinois is likely to follow suit once the legislature can reach consensus. Illinois technically already prohibits THCA under its total THC rule, but this rule applies only to in-state hemp growers. Due to interstate commerce protections, out-of-state THCA flower continues to be sold in Illinois, leaving Illinois hemp cultivators at a disadvantage when it comes to THCA.

### **Class Action Lawsuits on the Rise**

A new wave of class action litigation against Illinois cannabis companies has created new legal risk in 2025. Over two dozen cannabis companies, all MSOs, have been served with class action fraud lawsuits claiming that some of the oil based products they manufacture, like tinctures and vape carts, violate Illinois laws limiting the amount of THC in cannabis infused products, aka “edibles.”<sup>[15]</sup> The lawsuits claim that because vapes do “not utilize combustion,” vapes should not be considered “cannabis concentrates” but rather “edibles,” which are subject to a limit of 100 MG THC per package. Thus, the plaintiffs contend that the vapes manufactured by the defendant cannabis companies, which typically range in sizes of .3 g (300 MG), .5 g (500 MG), and 1 g (1000 MG), violate the limitation on THC for cannabis edibles.<sup>[16]</sup>

Just as unions have gained a foothold in the cannabis industry, another trend common in more established sectors is beginning to take hold: class-action lawsuits based on alleged violations of the law. While such litigation has long been prevalent in industries like tobacco, alcohol, and pharmaceuticals, plaintiffs firms have largely overlooked cannabis companies—until now. As the industry matures, businesses scale, and plaintiff's firms recognize the potential for significant settlements, we can expect a surge in these types of lawsuits, potentially creating new legal and regulatory burdens for cannabis operators across the country.

## **Will 2025 Break the Cycle of Self-Sabotage?**

2025 is shaping up to be another challenging year for the Illinois Cannabis Industry.

New licensees, especially those regulated by IDOA, will continue to struggle in the face of strict regulation, long wait times, and regulatory overreach from the agency. Cannabis businesses are facing litigation risk, economic pressure in light of a downward pricing trends, and a paralyzed legislature which has been unable to make substantive change to cannabis laws while the debate over how to handle hemp product regulation continues into another year.

As the 2025 Illinois Legislative Session kicks off, we expect that legislators who have been working for years to enact common-sense hemp regulations and cannabis reforms will continue their pursuits. There are several other reforms, many of which have been considered before, that might also receive new life this year and would have significant impact on the Illinois cannabis and hemp markets, if enacted. Chief among them are the following:

1. Regulation of the intoxicating hemp industry with a carve-out for hemp-derived Delta-9 THC infused beverages.
2. Allowing drive-thru windows and curbside pickup at dispensaries.
3. Permitting medical patients to purchase cannabis products at any licensed dispensary.
4. Integrating the larger medical and adult use cannabis programs for licensing and regulations.
5. Integration of the various agencies responsible for regulation of medical and adult-use cannabis into one consolidated agency.
6. Permitting licensed transporting organizations to deliver cannabis direct-to-consumer.
7. Authorizing transporters to build out “transportation hubs,” to temporarily store cannabis and alleviate the logistical challenges of statewide transport coverage.
8. Evaluation of the cannabis excise tax rates. Illinois’ legal cannabis tax is among the highest rates in the US<sup>[17]</sup>, and a comprehensive study should be done to evaluate whether loss to the black market at the hands of the high tax rate is ultimately leaving tax revenue on the table. Don’t hold your breath, though, with cuts to various State programs by the Trump Administration, Illinois lawmakers are unlikely to consider any proposal that could be perceived to result in lower revenue.<sup>19</sup>

While we are not optimistic that meaningful change will happen in 2025 with respect to cannabis or hemp, all eyes will be on Springfield to see if they can rise to the occasion.

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[1] Benesch maintains both a cannabis and hemp legislation tracker across the United States. Please reach out to one of the authors of this article if you would like access to the tracker(s).

[1] [Pritzker Administration Announces Cannabis Sales Exceed \\$2 Billion Annually](#)

[2] [Cannabis Sales Begin 2025 Shrinking Sequentially - New Cannabis Ventures](#)

[3] [Pritzker Administration Announces Cannabis Sales Exceed \\$2 Billion Annually](#)

[4] [Illinois FY24 Annual Cannabis Report, Sep. 30, 2024, pg. 8](#)

[5] [List of Adult Use Cannabis Dispensaries](#)

Updated: January 24, 2025 Total Number of Active Adult Use Dispensing Organization Licenses: 244

[6] [Pritzker Administration Announces Cannabis Sales Exceed \\$2 Billion Annually](#)

[7] [Illinois FY24 Annual Cannabis Report, Sep. 30, 2024, pg. 38](#)

[8] [Illinois Officials Tout Diversity In Marijuana Industry Ownership, But Many Businesses Have Yet To Become Operational, Marijuana Moment, Sep. 29, 2024](#)

[9] [State of Illinois Celebrates \\$1 Billion in Cannabis Retail Sales - Press Release 7.10.24](#)

[10] [Illinois Lawmakers Approve Marijuana Legalization, US News, May 31, 2019](#)

[11] [Agriculture Improvement Act of 2018](#)

[12] [Illinois lawmakers fail again to pass hemp regulations and medical cannabis expansion, Chicago Tribune, May 29, 2024](#)

[13] [Illinois HB5394, Introduced Jan 28, 2022](#)

[14] [Illinois' cannabis transport license process discriminates against minority-owned businesses, lawsuit says - Chicago Sun-Times, Nov 11, 2024](#)

[15] [Big Alcohol's Cannabis Beverage Push: Progress or Problem for Industry Leaders?](#)

[16] [Lawsuits claim cannabis products violate Illinois law on limits for THC, Chicago Tribune, Jan 31, 2025](#)

[17] [Cannabis vaporizers are actually edibles with THC, lawsuit claims, MJ Biz Daily, Jan 29, 2025](#)

[18] [Illinois' recreational weed market is most expensive in the Midwest, Axios, Mar 7, 2024](#)

[19] [Trump Administration Cuts Funding for Grants That Support Illinois Farmers and Food Banks, Mar 4, 2025](#)