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TECHNICAL REPORT

Estimating the size of the global drug market

A demand-side approach

Report 2

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Prepared for the European Commission

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Summary

The size of a market is based on factors influencing both demand and supply. Changes in market size, therefore, provide valuable information about the net effects of movements in both parts of the market. For example, while the number of users may decrease in response to a prevention policy targeting initiation, total expenditures may simultaneously increase due to factors shifting more light users into heavy use or an increase in supply. Therefore, estimating the size of the market, in terms of both participants and expenditures, is critical to fully understanding the impact of interventions intended to influence demand and/or supply.

This report uses data on the prevalence of drug use, retail prices, and consumption patterns to generate country-level consumption and retail expenditure estimates for cannabis, heroin, cocaine, and amphetamine-type substances. Inadequate information is available for generating credible estimates for every country or making comparisons between 1998 and 2007, but the estimates presented here offer an important starting place for future work and comparisons. Given the substantial uncertainty of these figures, a range of estimates is provided rather than one specific number. Even with this uncertainty, there are useful insights for both policymakers and researchers. Major findings include:

- Global retail expenditures on cannabis to range from €40B-€120B. Our best estimate is close to half of the previous global estimate of approximately €125B.
- Exporting cocaine hydrochloride from Colombia to consuming countries generates a value of no more than €10B annually (import price-replacement cost). The equivalent value for opiates exported from Asia and the Americas is no more than €20B.
- Surprisingly little is known about typical quantities consumed of illicit drugs, which makes generating demand-side estimates difficult. This report summarizes the small literature on this topic and highlights actions that could be taken to improve understanding of both consumption patterns and retail expenditures. For cannabis, much could be learned by adding a few questions to existing surveys. For harder drugs, arrestee surveys can provide a wealth of information.