

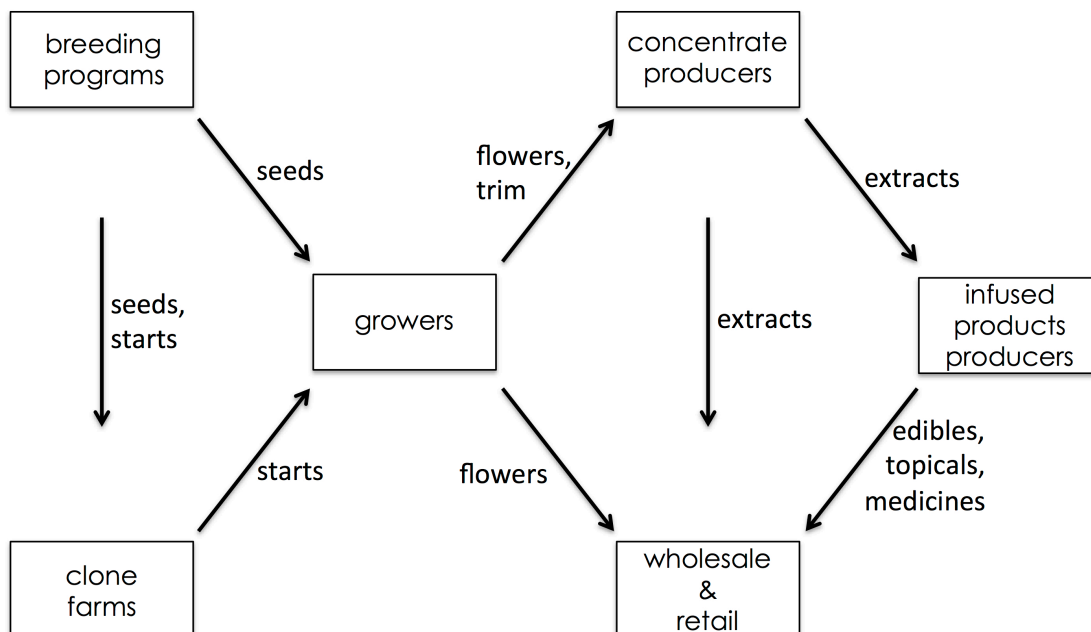
### Measure 91 Nursery License

The black market cannot be addressed without a realistic understanding of the existing structure of the entire Cannabis industry. Cannabis plants are grown either from seed or from cuttings (clones). Flower producers can produce their own seeds and clones, but businesses that specialize in these areas are becoming more common.

Clones (rather than seeds) dominate Cannabis production in urban areas, but they also carry plant diseases and have contributed to the recent sharp increase in pesticide use. It is likely (and important) that clone farms utilizing sterile tissue culture technique become the dominant supplier of starts in the next few years.

In certain areas, growers prefer to start plants from seed. Oregon is already home to several world-class Cannabis breeding programs that operate as seed providers. The medicinal varieties driving the recent intense interest in Cannabis are the result of work done in these programs, and in hundreds of others. Many more new cultivars with a range of medicinal properties will be developed in the next few years as Cannabis breeding becomes modernized. These will largely be distributed at first by seed companies.

The diagram below outlines the actual structure of the Cannabis industry supply chain.



License structures that are based on plant counts or square feet of flowering canopy are not appropriate for clone farms growing many thousands of starts in agar dishes. Nor are they appropriate for breeding programs that require many thousands of plants to be grown, crossed, selected, and analyzed. If no available license type protects seed or clone producers under state law, then genetic innovation will suffer, pesticide use will continue to rise, and this portion of the economy will remain rooted in the black market.

*Recommendations:*

- A *Nursery License* specific to providers of clones and seeds should be provided for in statute. It is not necessary to create two separate licenses for these two different types of business, because they are fundamentally similar in their requirements. Neither of them should allow the sale of Cannabis flowers, but they both require high plant counts and large facilities in order to be able to supply raw starting material to flower producers.
- Any mature flower material produced in the course of the operation of these businesses should be destroyed, donated for research purposes, or donated to low-income medical patients.
- Flower production facilities often engage in some cloning or breeding. This should not be prohibited, even if the results are meant for sale rather than in-house production.
- Co-licensing with nursery production and flower production should be available, as long as all commercial flower production falls within the limits of that license.
- Seeds should not be taxed, as there is no consistent and reasonable way to do so. Seeds are genetically variable, and often non-viable, so the number of mature plants a given lot will produce is impossible to determine.
- Measure 91 specifies a tax of \$5 per clone. This is not recommended, as clones vary widely in value and maturity stage, this is a very high-percentage tax, and it is placed far too early in the supply chain to be effective against black market economic pressures.