

Comments from Les Helgeson

REALITY CHECK

Co-Chairs Lininger and Burdick, Members of the Committee,

It was interesting to see OLCC present an outline last week for what might be described as the partial intermingling of adult use and medical cannabis programs. OLCC's Dispensary Survey has since been made available and provides some additional useful information that could be helpful to the committee.

I would also like to make note of Mr. Seth Crawford's comments a couple of weeks ago describing current use/production estimates. Perhaps the sum total of information available has helped OLCC tear down the wall of separation it had erected prematurely – having built such wall well before it's "listening tour" was completed.

I am of course very supportive of OLCC's attempt to allow medical growers to opt in to the adult use program. Perhaps market considerations have finally been realistically assessed? The truth of the matter is, as substantiated by Mr. Crawford's work, the Oregon market for cannabis is substantially saturated with production outweighing consumption by at least a 3 to 1 margin.

It appears there has been great anticipation of a modern day gold rush as evidenced by the number of warehouse lease and purchase options reported in the press this year. As a consultant, I have personally been approached by several individuals anticipating substantial profits. With my background in engineering and science it is relatively straightforward to design and implement a high quality production system.

But in the final analysis there is no market for product potentially generated by new systems at this time. Dispensaries are generally flooded with product, especially extracts. It is also apparent that many people who consume cannabis outside of the medical system have existing "gray market" connections that are unlikely to disappear. It therefore appears likely that new adult use outlets licensed by OLCC could have very few customers to serve.

There are of course two additional concerns affecting market viability. First, existing local bans that have been blessed by the Senate further depress market potential and force consumers to stick with their connections outside of the system. It is clear that an identical amendment to HB 3400 (-5) is lurking in the background. I imagine the local tax question will again rear its ugly head further, ensuring the viability of black/gray market enterprises across much of the state.

Second, based upon a substantial increase in requests I have received for consulting by home growers (who may grow legally beginning July 1) it appears that both legal and illegal sales of cannabis could be affected substantially. We cannot continue to compare expectations with huge metropolitan areas like Denver vs. Portland as many have been inclined to do.

Portland is of course tiny in comparison by population but we are also a very different place culturally. There are many more avid gardeners even in the metro area so we will likely see a substantially diminished market for purchased marijuana products relative to Colorado.

It is unknown how tourism might affect demand but it might be realistic to expect a break even offset to market declines noted above, at best.

I therefore suggest a “soft-start” to OLCC’s adult use program by initially licensing existing dispensary operators who choose the opt-in provision and then perform a market assessment after the first year. I suspect existing and anticipated medical surplus will easily fill the expected demand for adult use cannabis. This would be true even if SB 964 becomes law.

It is doubtful additional growers would need to be licensed, as well. Again, existing production through the medical system far exceeds what is being consumed in Oregon so new ventures are virtually unworkable given the high quality and quantities currently available. There simply is little gold to be had despite marketing hype and efforts to ‘gentrify’ the world of cannabis.

This proposal dovetails with suggestions to begin adult use sales on July 1, etc. Certainly sale of seed and clones should be able to happen on July 1 (farm stand provision anyone?). But rather than make adult use sales of flower, etc. by dispensaries on a temporary basis, make it a permanent direction and allow the tiered approach of HB 3400 to work - followed by licensure of new operations if market conditions allow.

In summary, if enough existing medical growers and dispensaries opt-in for OLCC’s new proposal we might very well find that supply and demand for both medical and adult use programs will be met. This would greatly simplify the rule making process especially if the opt-out provision of SB 964 were deleted and the bill otherwise adopted. At this time I feel the limits and regulation system as proposed in SB 964 are appropriate for purposes of HB 3400, especially if all parties choose an opt-in provision with a reasonable seed-to-sale tracking system (though I question how much more effective such system would be relative to reporting and inspection/auditing requirements proposed under OHA). Again, providing for a tiered approach to increasing production makes sense up to a maximum of perhaps 5,000 sq. ft. indoors and twice that for outdoor operations.

I would appreciate the opportunity to discuss details of this proposal with members of the committee, OLCC, OHA and Mr. Seth Crawford as well as any other interested parties. Again, there exists sufficient evidence to suggest that existing surplus medical production could easily meet most, if not all, of expected adult use demand. It would be very interesting to compare data and crunch some numbers with Mr. Crawford, in particular.

Thank you for your consideration of these comments.

Les

