



Joint Committee on Implementing Measure 91

Written Testimony for Beau R Whitney
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Honorable Members of the Committee.

My name is Beau Whitney. I am the Chief Operating Officer at Greenpoint Oregon, Inc. I am also an economist, an economics instructor at the university level and I have previously submitted testimony to this committee on a variety of economic issues including taxation and demand.

Greenpoint Oregon, Inc is an Oregon based, vertically integrated medical cannabis company that serves the medical community and provides patients with high quality, high value medicinal Cannabis products. As an industry leader committed to transparency and controls, Greenpoint dedicated to partnering with industry leaders, communities and regulators to ensure the continued success and growth of the Oregon cannabis market.

The objective of this written testimony is to provide inputs on the economic impact of limiting plant count for suppliers on the Oregon economy. My conclusion is that the proposed limits on plant counts currently being considered on both indoor and outdoor grows will have a significant detrimental impact to the economic foundation of the emerging Cannabis economy in Oregon.

Introduction: Current Law

Under current Oregon law, the Oregon Health Authority may issue a marijuana grow site registration card to a person producing marijuana for no more than four cardholders. The grow site card holder may possess no more than six mature plants and 24 ounces of usable marijuana for each cardholder. ORS 475.320(2)(b) and (c). The cardholder/producer may also possess up to "18 seedlings or starts" for each of the four cardholders. ORS 475.320(4)(a). Under current law, more than one grow site card holder may operate from the same site.

Estimate of Economic Impact Of New Production Limits

Various limitations on the production of marijuana by cardholder/producers have been proposed. I have attempted to assess how many growsites would be impacted by the proposed limits, see how many plants would be taken off line and then use a standard calculation to ascertain what the direct and indirect cost impact this policy would have on Oregon's economic projections.

In this analysis, I assumed that the Legislature lowered the plant limit to 48 plants for each cardholder for whom the cardholder/producer is raising marijuana. I also assumed that a new statutory scheme would allow co-location at the same address of card-holder producers.

The OMMP website provided a majority of the data I needed. Patient cards and the number of patients per grow site were the two most significant items taken from the OMMP data. By comparing the differences between the existing allowable limits versus the proposed limits, a calculation could then be made on the direct economic impact and the indirect impact based on the multiplier effect.

Findings

By reducing the plant limits to the equivalent of 16 OHA patient cards (96 mature and 288 immature plants), there will be a total impact of between \$48.3M and \$96.6M. (Direct reduction in revenue for Oregon's future economy of \$24.1M and an additional indirect reduction of between \$24.1M and \$72.5M, depending on the extent of the multiplier effect.) The total number of plants currently allowed in the OHA medical system would be reduced by 13,416 (3,354 mature and 10,062 immature).

HB 3400-10, Section 7, page 26 & 27, are even more restrictive than the assumed figure I used to calculate the economic impact of imitations. That part of the bill limits the plant by *address*. The limits are stated in reference to "the address of a person responsible for a medical marijuana grow site" The economic impact of those limits would be even larger than what I'd calculated.

Conclusion

A reduction in plant count needs to be considered carefully. Even if the limitation merely limited the plant counts to the equivalent of 16 OHA patient cards, there would be a significant impact to the Oregon economy, in the range of \$48.3M and \$96.6M. This can have a long-lasting negative impact to local communities, particularly those once dependent upon revenues associated with the timber industry.

Greenpoint does not recommend legislation imposing plant count limits on either recreational or medical grows at this time of this emerging agricultural industry. If the limit is not high enough to meet medicinal demand, the Oregon Health Authority will not be authorized to raise it. New legislation will be required.

If limits are imposed, cardholder/producers who produce, or could produce, more in the status quo for patients should be allowed to secure producer licenses in the recreation marijuana regulatory system. Section 116 of HB 3400 ("Medical Marijuana Grow Site Opt-In") appears to allow cardholder/ producers to designate the same address for purposes of an application for a producer's license. There, they may produce marijuana for both markets. The portion produced for recreational use will be subject to the canopy limits imposed on production for recreational use, whereas the portion for medical marijuana use may be transferred to other cardholders.

If the legislature does limit the production of medical marijuana, then producers of medical marijuana no longer able to use as much of their production for the benefit of patients as is allowed under the status quo will likely invoke the Section 116 process. The process of securing additional authority as allowed by section 116 should dovetail with the reduction, if any, in allowable production for the medical marijuana market. Sufficient overlap should be allowed to avoid an illogical regulatory-dictated reduction in production followed by a ramp up once the recreational producer licensure process is complete.

Currently, it does not certain that the systems would dovetail in this way. The reduction in medical marijuana production becomes operative on March 1, 2016. Section 8, HB 3400-10,

page 29, lines 8 - 11 and section 48. Section 116 of HB 3400-9, page 82 - 83 will become operative just three months before -- on January 1, 2016. Section 140, page 163, lines 1 - 5.

Three months may be sufficient, but only if the OLCC is fully prepared to begin the Section 116 licensing process on January 1, 2016. If not, this will be an issue the 2016 session may need to address.

Thank you.

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Source OMMP 4-2015 report

Patients per	Growsite Address	Mature plants (6)	Immature plants (18)	Mature plant reduction	Immature plant reduction	Direct revenue deduction	Direct revenue deduction
16	16	96	288	0	0	\$ -	\$ -
17	13	102	306	78	234	\$ 140,400.00	\$ 421,200.00
18	13	108	324	156	468	\$ 280,800.00	\$ 842,400.00
19	6	114	342	108	324	\$ 194,400.00	\$ 583,200.00
20	4	120	360	96	288	\$ 172,800.00	\$ 518,400.00
21	3	126	378	90	270	\$ 162,000.00	\$ 486,000.00
22	1	132	396	36	108	\$ 64,800.00	\$ 194,400.00
23	1	138	414	42	126	\$ 75,600.00	\$ 226,800.00
24	2	144	432	96	288	\$ 172,800.00	\$ 518,400.00
25	2	150	450	108	324	\$ 194,400.00	\$ 583,200.00
26	2	156	468	120	360	\$ 216,000.00	\$ 648,000.00
27	2	162	486	132	396	\$ 237,600.00	\$ 712,800.00
28	1	168	504	72	216	\$ 129,600.00	\$ 388,800.00
30	1	180	540	84	252	\$ 151,200.00	\$ 453,600.00
31	2	186	558	180	540	\$ 324,000.00	\$ 972,000.00
34	1	204	612	108	324	\$ 194,400.00	\$ 583,200.00
38	3	228	684	396	1,188	\$ 712,800.00	\$ 2,138,400.00
41	1	246	738	150	450	\$ 270,000.00	\$ 810,000.00
44	1	264	792	168	504	\$ 302,400.00	\$ 907,200.00
49	2	294	882	396	1,188	\$ 712,800.00	\$ 2,138,400.00
51	1	306	918	210	630	\$ 378,000.00	\$ 1,134,000.00
104	1	624	1,872	528	1,584	\$ 950,400.00	\$ 2,851,200.00
10284	No Growsite Designated	4,968	14,904	3,354	10,062	\$ 6,037,200.00	\$ 18,111,600.00
Impact totals:				4	With 4 multiplier	\$ 24,148,800.00	\$ 72,446,400.00
				2.6	With 2.6 multiplier (CA)	\$ 15,696,720.00	\$ 47,090,160.00
				2	With 2 multiplier	\$ 12,074,400.00	\$ 36,223,200.00