

TO: The Joint Committee on Marijuana
FR: The Oregon Cannabis Association and the OCA Legislative Committee
RE: Concerns regarding HB 2198 -7 and -8 amendments

The Oregon Cannabis Association is comprised of over 170 cultivators, processors, edible-makers, retailers, and allied businesses throughout Oregon. As Oregon and other states move beyond prohibition, we seek clear and sensible regulation that promotes health and safety in our communities, excellence in our products and services, and compliance at every level.

We share the Committee's goal of minimizing diversion from the legal cannabis market, and we recognize that one component of preventing illegal movement of material is increased tracking of medical product. However, we have strong concerns about trying to provide medical growers an incentive to accept additional tracking by allowing them to transfer cannabis into the adult use market, as specified in the -7 and -8 amendments, if the consequence of doing so is market destabilization or flooding of the recreational supply chain.

As the Oregon Cannabis Association has previously testified, any provision that allows medical growers to access the adult-use retail market without conforming fully with OLCC rules gives those growers an unfair advantage over the more than 1,000 family-farmers who have applied for OLCC licenses over the last 15 months or the already licensed 500 or more adult use producers.

Many of those growers have invested hundreds of thousands of dollars in the transition from medical to adult-use cultivation – securing water rights, navigating complex land use requirements, local government licensing, installing comprehensive security systems, and bringing their facilities into full alignment with local building codes.

As stated, there are already almost 500 growers licensed by the OLCC and more than 500 additional applications pending. There is no doubt that there will be an oversupply of cannabis flower produced by just these growers. The OHA had a registry of over 33,000 medical grow sites as of April 2017. If even 10% of those growers begin selling into the recreational market, as estimated by proponents of this bill suggest, Oregon will add another, approximately, 33,000–82,500 pounds of cannabis to the recreational supply, depending on which of these amendments is adopted. As oversupply rises, flower prices will plummet and the small, family-run farms, the micro-canopies and tier ones, who are the most vulnerable will see their investments become valueless. Additionally medical growers will be able to undercut prices of OLCC licensed growers because they have a lower cost of licensure, lower compliance cost, lower start up cost, lower operating costs.

We understand that one of the concerns is that patients are being prevented from receiving medicine. As a participant on the canopy bump up RAC, I strongly believe that this new system will help provide additional medicine to those who may have lost their grower due to attrition into the adult use program. Oregon must give this program, and

new processes like the bump up, a chance to work before adding tens of thousands of medical pounds to the market.

If the Committee is determined to invite medical growers into the adult-use market, we believe those growers should meet the following conditions:

1. They should satisfy the same land use compatibility requirements as OLCC-licensed growers and should not be allowed to grow for sale into the legal market in areas zoned residential within city limits;
2. They should be already registered with OHA when this statute is adopted.
3. They should be allowed to sell no more than 10 pounds of indoor or 15 pounds of outdoor per year to OLCC-licensed wholesalers and processors.
4. In the alternative the amount medical growers can sell into the adult use market should be based on a percentage of what they cultivate with a cap on the final amount.

On behalf of our member businesses, I appreciate the opportunity to offer this feedback. Thank you for your consideration.