

February 25th, 2019

Testimony of Michael Getlin

Oregon Industry Progress Association & Old Apple Farm

Chair Lively and Members of the Committee,

Oregon is known for our world class wine and microbrew industries. These industries bring in an immense amount tourism and media, offer employment and economic mobility for scores of Oregonians and constitute a meaningful part of Oregon's economy. So it is important to note that current sales of beer and wine combined bring in the equivalent annual tax revenue that our regulated cannabis industry generates in just over two months.

Another pillar of our economy, Oregon's high tech industry, has created over 7600 new jobs in the last decade. Again, the legal cannabis industry has created over 11,000 jobs in the same period according to the Office of Economic Analysis. The industry supports tens of thousands of Oregonians and is brings in hundreds of millions in wages. Regulation has created a wide array of auxiliary enterprises: cannabis related IT startups, security system enterprises, packaging, marketing, tools and technology improvements and even agricultural supplies. This economic impact is meaningful, growing, and spread throughout rural areas which have lacked access to the kind of opportunities offered by this budding industry.

All of this is just the beginning, as the comparison to alcohol and tech is a bit misleading. Those industries are allowed to sell their products throughout the world. At this point we can only sell our products and services in Oregon. When inevitably federal laws catch up with the more than 30 states that have legalized cannabis in some way, the true benefits of our state's investment in cannabis will be seen.

I am the founder of Old Apple Farm, an innovative, family owned cannabis farm in rural Clackamas County. I am also the founder and director of the Oregon industry Progress Association, which is an advocacy group focused on nuts and bolts issues facing our growing industry.

As you've heard from representatives of our regulating agencies, Oregon's cannabis statutes and rules are unique. This is primarily because of the healthy existence of the unregulated marijuana economy in the state prior to M91 passing. Stakeholders, regulators and high-ranking officials alike, proposed myriad ways for the new, legal framework to either envelope or eradicate the illicit market. In order to bring as many participants as possible under regulations, we created low barriers for entry. The result has been a large number of licensees and the ensuing "oversupply" recently in the media.

While it's true that the OLCC is reporting large stockpiles of marijuana in our system, this is not necessarily bad news. It is, in fact, the best testimony to the success of our state's efforts. We're likely not producing more marijuana than we have been, we're just tracking and securing more through our regulatory framework. The very fact that we know about - and can quantify - the "oversupply" means that it has been taken out of the black market, placed in highly secured storage facilities, and is being audited by the OLCC. In short, the "oversupply" represents the state's success in bringing unregulated production under state control, where it can be tested for consumer safety and permanently tethered to the highly scrutinized legal market.

There is no denying the industry is experiencing a period of supply saturation, causing widespread hardship throughout the industry. On the other hand, it has also created a hyper-competitive training ground through which skillful navigation by business leaders is the only way to survive. I can personally testify to the stress and difficulty of operating in this environment, but I also know if I can succeed now in Oregon, that I will have a strong business model ready for expansion into the coming nationwide market.

Still, there is a point at which issuance of more licenses will harm the industry and the state's ability to achieve its regulatory goals. The entity best suited to make that determination is the OLCC. As such, we strongly support the Governor's bill to give the OLCC authority to throttle up or down the number of licenses issued based on their analysis of the market.

The other positive effect of the supply imbalance has been the downward trend in prices. This is allowing regulated businesses to continue capturing market share from the black market. In just three years, we have already captured 55% of the adult use cannabis market in Oregon according to the latest OLCC estimates. We have made it so more than half of the marijuana used by Oregonians is tested, safe, and secured against access by minors. While we should be proud of that accomplishment, we clearly have a long way to go.

Any illicit market still operating in Oregon is therefore, firmly entrenched. It jeopardizes access to tested, regulated medicine for those with genuine medical needs. Oregon has approximately 35,000 medical marijuana patients and approximately 14,000 medical grow sites (that's 14 medical grows for every OLCC licensed producer). Even if we assume each of those patients consumes 28 grams per week (which widely considered is a LOT of pot), that means we need roughly 100,000 lbs to supply the entire medical need state wide. To put that in perspective, were my production facility a medical grow, it could produce about 900 pounds per year. When you do the math, the 1400 medical growers are poised to produce millions of pounds of product and all to supply the small demand for legitimate medical use.

Medical producers pay \$200 in licensing fees instead of up to \$5000 paid by OLCC licensees. Additionally, they have no meaningful camera or security requirements at their grow sites. In an effort by regulators to further capture any potential diversion, these growers are now permitted to sell a portion of their crops to recreational dispensaries. This puts the medical market in direct competition with OLCC licensed farms. For now, those sales are limited to 20 pounds per year, yet there is an effort

afoot, in SB 0382, to remove that maximum and give medical producers full and unrestricted access to the recreational market. It appears that the black market is hiding in plain sight and our regulators are powerless to stop it with the current rules and statutes.

The reasons for our current policy framework around medical marijuana are complex but understandable. Until recently, a strong medical program was the only way to assure patient access for those with legitimate medical needs. This is a responsibility we cannot ignore. I know from personal experience. Last July, I lost my left leg below the knee in a climbing accident. Through my recovery, marijuana was the only way to treat the debilitating phantom pain. It also helped me get off opioid pain killers only three weeks after my amputation. I know how important marijuana is for medical patients.

As the adult use market matures, it gains the ability to supply medical needs through our safe and highly regulated system. This is proven by the fact that the number of medical card holders has decreased by nearly half since the rollout of the OLCC regulated market. Prices now, even including tax, are far lower for medical consumers purchasing at OLCC retailers than they were in dispensaries just two years ago.

It's time to give the OLCC enforcement authority over medical grows, so that they can bring the same level of control and transparency to the medical system that they have achieved in the adult use market. That is going to be the surest way to bend the adult use market so that it can better supply medical patients. Again, this is an important commitment we in the recreational market need to keep. Yet, long term, there is no need for these two systems to run in tandem, soaking up regulatory resources and blurring the line between legal and illegal production.

The majority of the feared negative consequences of marijuana legalization have not occurred. Though we may need more time to draw definitive conclusions, it's looking as though underage use has not significantly increased, according to the Oregon Health Authority. While adult use has increased, it still represents a small portion of Oregon's population (only 16% surveyed had used in the past month). Though poison control center calls initially increased sharply in 2016, they have dropped significantly since and represent a small fraction of overall incidents.

There has been about a 20% increase in the number of traffic incidents after which positive tests for marijuana have been seen. Still, this is a misleading statistic as it does not indicate that those drivers were intoxicated at the time of the incident, only that they had used marijuana at some point in the month leading up to it. The total number of those positive tests in 2016 was 1020, compared to about 10,000 incidents where blood alcohol was above the legal limit. If you held alcohol to the same standard, such that a DUI could be ascribed to everyone who had had a drink in the month prior to being pulled over, most of us would be in jail.

In short, Oregon's public safety and public health laws have done an outstanding job regulating marijuana. As with any other industry, there are some needed improvements and fine tuning. Marijuana testing facilities are only audited once per year; consumers are potency shopping resulting in "grade inflation" in the potency testing system. There are known examples of products which tested to contain

more than 100% THC (the main psychoactive chemical) by volume! We need to assure that potency labeling is accurate. To do this, we need to establish coordination between OHA, OLCC, ODA and industry to solve this complex issue. We need a reference laboratory run by the state against which private labs can be tested and regulated. Oregon consumers deserve accurate information about the products they consume.

We must also make laboratory reports, which are the only guarantee of product safety and fitness, available to all licensees who control a product throughout the supply chain. To accomplish this, these reports must be embedded in the cannabis tracking system to avoid tampering. As it stands now, each time one of the millions of cannabis products that moves through the Oregon system each day changes hands, the two parties must coordinate to exchange paper or electronic copies of the lab reports. The thousands of stacked paper reports inevitably get lost or mixed up, making accurate labeling by retailers time consuming and difficult. The state must demand that its cannabis tracking system contractor immediately accomplish this simple change.

Finally, the current lack of access to banking resources means that most Oregon cannabis businesses operate on a cash basis, making tax collection uniquely difficult. While the majority of OLCC licensed business steadfastly pay their taxes, there are a number that do not. This body should empower the OLCC to refuse license renewal for business that believe they are above the law.

The long term health of the Oregon cannabis industry will be dependent on our access to and position in the nationwide market - and beyond. We have always been, and will always be, one of the nation's leading cannabis exporters. To leverage this into a legal economic benefit, we must pave the way for interstate commerce. We should be ready to compete outside of our borders the minute federal action on cannabis policy allows us to do so. This is a dynamic and highly competitive industry and we will have no time to waste. As such, we are working on a bill to pave the way for interstate commerce as soon as it is feasible under changes in federal guidance. We see this as the single most important issue currently on the table in Oregon.

Oregon has done an outstanding job creating a safe and regulated cannabis market. We applaud the years of hard work by legislators and regulators, who have given us an opportunity to flourish in this industry. There are real problems that must be addressed and there are battles yet to be won, but taken as a whole, there is no place in the world I would rather run a cannabis business and OIPA members are hopeful and optimistic for the future, as Oregon continues to lead the way in cannabis policy. On behalf of the industry, your newest agricultural neighbor, we deeply appreciate that smart legislation has allowed our efforts to benefit so many Oregonians. The rest will all start with what you folks decide to do next.