

"Retail" Amendment SB 218

*Oregon has many more licenses - unsustainable

Oregon Licenses	2099	Population	4.13 mil	(.0005 per capita)
Washington Licenses	1435	Population	7.40 mil	(.0001 per capita)
Colorado Licenses	1690	Population	5.60 mil	(.0003 per capita)

Oregon Retail 2019 Licenses 606 vs 946 applications = 340 more???? (56% increase)

*Production vs Retail Saturation = applications "double the initial estimates"

Retail slicing up more pieces of the pie - Number of users divided with each new store

Liquor stores in Oregon

248 = 1 per every 16,653

Monmouth/Independence Cannabis retail stores

Oregon Pop.(10,340/10,053) 20,393 divided by 7 (stores) = 1 per every 2913

*Potential Tax Revenues Lost

Tax Revenue Forecast = \$163 mil

Going out of business - Losses in Marijuana tax arrears (6 months behind)

30 % = \$48.9 mil

50 % = \$81.5 mil

2018-2019 Store numbers increase 50%, but sales rise only 16% (divided pie)

*Black Market leakage from stores

Not making payroll \$\$\$

Expiring product \$\$\$

*Toolbox

Legislative authority to OLCC - need temporary moratorium to apply other means

Short session next year - fix can't wait

Committee to advise

Cull Marijuana Tax Cheats - negatively affecting compliant Licensees

SB 585 responsible retailer program

OLCC Retail Cannabis Moratorium - Bullet Points

Moratorium on Retail Stores required to correct over saturation and support fledgling industry

- 1) No Federal bankruptcy protection, due to continued illegality at Federal level, Schedule 1 status
- 2) Inventories sold at loss due to steep declines in pricing. Stock in house reduced to half incoming value. Selling off over time at a loss, OLCC rules requiring licensees to sell at or above cost, older stock expiring.
- 3) No exit plan. Owners with successful businesses can't even command a single multiple. Many failing stores selling at rock bottom prices.
- 4) Failing stores dumping product on market driving prices further down.
- 5) Potential direct farm sales, would put further pressure on retail stores.
- 6) Labor reductions due to slow sales create risk to employees and stores that are running with short staff.
- 7) Retail has much greater Federal tax burden as opposed to farms who have much greater "cost of goods sold" deductions. Recent Federal Tax Ruling requires many retail stores to amend returns and pay greater tax liability than expected. Retail stores can literally break even and still owe Federal taxes.
- 8) Many retailers signed personal guarantees for leases, loans and equipment. No credit for cannabis businesses without collateral or personal guarantees. No bankruptcy.
- 9) State economist reports "prices have dropped but sales have doubled" may be true macroeconomically, but on a microeconomic level, individual store prices have reduced in half, but sales have not doubled. Individual store sales down as much as 69% since OLCC licensing. (16% growth not 50%)
- 10) CBD sales at OLCC retail reduced even further in near future due to new Federal Farm Bill legalizing hemp/CBD.

All of these factors create a perfect storm under which OLCC cannabis retailer licensees are seriously challenged for survival. We are the states business partners and need support. Stock markets now have controls in place to prevent wild swings in the market. After the real estate debacle, new controls were placed to prevent future crashes. We ask that controls, i.e. moratorium, be placed on the market to support the cannabis industry from these current severe market conditions. Suggested temporary, two year moratorium on new retail store and producer licenses should reduce saturation over time. New stores beyond moratorium date should be let by area population and public demand, just like alcohol, which was the original intention of Measure 91.