



May 8, 2019

To: House Committee on Economic Development

Re: Senate Bill 218

Testimony of: Adam J. Smith, Founder and Executive Director, Craft Cannabis Alliance

Chair Lively, Vice Chairs Bonham and Fahey, members of the committee.

When Senate Minority Leader Herman Baertschiger Jr. voted against the original version of SB 218, he told the Associated Press that the bill was “a stab at capitalism in pure form,” and said that the state “should let the free market dictate prices.”

We could not agree more with the second part of that statement. A free, legal market should dictate cannabis prices just like any other product. In fact, we believe that Oregon’s locally owned cannabis industry will not only survive, but will thrive in a free market. Unfortunately, the remnants of federal prohibition have artificially depressed prices here, while making it impossible to legally access markets in which Oregon cannabis would sell for a fair market price.

Without smart political leadership on this issue, these anti-market forces will result in the unnecessary loss of thousands of local jobs and hundreds of millions of dollars in local capital, much of it centered in agricultural and rural communities across Oregon.

Prohibition distorts markets. And in this case, it has precipitated a massive glut in product. Most local producers, particularly small locally-owned farms and businesses, are struggling with the price crash that has accompanied the glut, putting them at an unfair disadvantage to deep pocketed, out of state and multinational companies which can simply afford to wait until actual capitalism is allowed to function; consolidating, vertically integrating, and buying up struggling locals for pennies on the dollar.

Many of these foreign corporations have direct access to capital markets, while locally owned cannabis businesses, through no fault of their own, can barely get checking accounts. This isn’t competition in a free market, it’s the systematic extraction of an industry from communities that have built and depended upon it for decades.

Oregon, along with Northern California, is one of the best and most bountiful regions in the world to grow cannabis, while in many other legal and soon-to-be legal states, the economic and environmental costs of production are significantly higher. Capitalism’s genius, when it is allowed to function, is that it eliminates such inefficiencies.

SB 218 will not save the local industry. There is already far too much production capacity for a market the size of Oregon’s. But it will, even incrementally, increase the value of licenses to current holders, and will help keep larger concerns from further manipulating an anti-competitive situation until markets begin to function more normally.

The future of the US cannabis industry is certainly not fifty entirely self-contained production industries. That would be both economically and environmentally unsound, and would turn the idea of a free, well-functioning market on its ear. Rather, cannabis will continue to evolve to look more and more like other legal (even if tightly regulated) markets as we continue to unwind a century of failed prohibition.

That free market capitalist future cannot get here fast enough for Oregon’s local cannabis industry. By supporting reasonable, temporary limits on licensing, Oregon’s legislature can support both capitalism and a world-class industry that has been an important economic driver in Oregon for generations.