

# Support HB 4016 + Adopt the -1

February 2, 2022

Rep. John Lively, Chair  
House Economic Recovery & Prosperity Committee  
Reps. Cate and Kropf, Vice Chairs  
Members of the Committee  
900 Court St. NE  
Salem, OR 972301



**The undersigned cannabis trade associations and individual organizations are seeking to extend that sunset until April 1, 2024 and expand the policy to every recreational license type<sup>1</sup> at the OLCC.**

SB 218 (2019) codified a de facto moratorium for producer applications. At the time that is what stabilized the recreational industry. With a sunset of January 1, 2022 and a federal government teetering on action, the upcoming February Session is the time to act. *The Oregon Cannabis Industry needs your help to stabilize Oregon's legal cannabis market swiftly.*

**Time to implement SB 408 and further fine-tune our regulatory system to be more business friendly.**

Industry and Agency have been in an ongoing collaborative process to improve the climate and culture of the regulatory relationship. A finer examination of triggers for license cancellations and adjustments to violation/remediation programs have infilled a greater mutual trust. SB 408 complements the work that the agency is doing under the guidance of the cannabis industry advisory group, but won't be built in rule, let alone implemented come next year. *The system created in 2015 was the right one for 2015; not for 2022 and beyond.*

**A licensing moratorium will ensure that Oregon has a healthy cannabis industry that will be prepared to compete nationally.**

With the lowest entrance barriers in the country, the likelihood of opening hundreds of new licenses to our self-contained market will drive capital towards overcrowding, with organizations that willingly operate at a loss while home-grown entrepreneurs are steadily cannibalized. *A licensing moratorium will protect small and mid-sized Oregon businesses, giving way to the certainty and resiliency necessary to survive and then compete.*

**Avoid picking winners and losers - support a 2-year all-license, all-cannabis moratorium in February.**

The impacts of today's market saturation flows up and down the licensee continuum and the ancillary supply chain. This is especially antagonizing in the context of a 10% - 15% decrease in yearly revenue, one of the most competitive wholesale pricing markets and looming additional testing costs. Now is the time to ensure certainty and stability for the tens of thousands of Oregonians who are responsible employers and valued employees. *Legislative action is needed to protect and maximize this industry's economic potential.*

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<sup>1</sup> All license types with the exception of Lab Licenses

*Quick Facts... ..*

**Oregon currently has about 755 retail marijuana stores and about 1320 producers.** We have approximately one liquor store for every 16,000 residents in a market of similar size.

**Currently there is approximately one retail store for ever 5,500 Oregonians and one producer for every 3200.** Oregon has more than twice as many licenses per resident than any other state that has legalized with only the exception of our neighbors to the North.

**In what is the second largest ratios next to California, Oregon has one processor for every 4.52 cultivators.** The national average is 3.13 cultivators to processors. There is 2.48 retailers for every processor. This bottle neck in the waiting can be avoided.

**Leading economists have determined that a marijuana retailer under the current tax structure must make approximately \$2.5mm per year in sales to remain economically viable.** Oregon retailers average about \$1.5mm. For comparison, the national average for annual revenue per retailer (for markets that are fully open and operational) is over \$7mm. *The picture for farms is even worse and farms act as the bank for the system.*

**With more than twice the number of licenses consumer demand can support, the Oregon cannabis industry is in perpetual crisis.** We must not throw fuel on the fire and the irreparable damage of further market dilution must be stopped immediately by passing this moratorium.

**Having an abundance of licensees in an environment of uncertainty and market saturation creates pockets of haves and have nots.** This results in very large firms with plenty of revenue (and purchasing power) or very small firms looking for table scraps and existing month to month hoping to avoid any shocks in the system. Unless some allowance or consideration is given to the entire regulatory environment, then Oregon businesses will be forced out of business or into a situation of selling out to larger, more competitive firms. *A more diverse industry is a healthier industry.*

**The undersigned are seeking to extend that sunset until April 1, 2024 and expand the policy to all cannabis and to every license type<sup>2</sup>.**



<sup>2</sup> All license types with the exception of Lab Licenses