

Submitter: Derek Deems

On Behalf Of:

Committee: House Committee On Economic Recovery and Prosperity

Measure: HB4016

Hi, my name is Derek Deems, and I own and operate a small recreational cannabis farm in southern Oregon. For the overall health of the marijuana market and marijuana businesses in our state, it is imperative that the moratorium on new producer licenses remains in effect.

Small mom-and-pop farms like my own are the lifeblood of a vibrant and diverse industry, but we are also the first to be forced to close our doors when a flood of product leads to catastrophic price crashes. Due to economies of scale, bigger, more corporate farms have been able to muscle prices down to the point that some single-license operations have been forced to sell large quantities of their crop at a loss or barely break-even. In a closed market, confined only to sales within the state, there simply is a maximum amount of production that can be consumed, and any further surplus only serves to devalue the commodity. As a friend of mine in the industry likes to say, "There's only so many lungs in Oregon."

Current production by existing licenses already pushes the limit of the state's consumption. The cannabis market in Oregon has been extremely volatile as it attempts to reach an equilibrium between supply and demand, and new licenses will unquestionably lead to further and even more extreme price fluctuations. This sort of instability, along with a surplus of inventory, will incentivize illicit activities and backdoor exportation to other states, while at the same time further stretching the OLCC's ability to properly oversee licensed businesses. In short, issuing more licenses will lead to more illegal sales and less rule enforcement.

The most important and most catastrophic butterfly effect of adding more licenses will be the loss of local Oregon jobs, not just on farms, but in all sectors of the industry. Lower prices on a pound of marijuana means thinner margins to break even, and that trickles down to processors, wholesalers, and retail; lower prices on a gram of flower to the consumer means thinner margins at the store. The obvious result is businesses making due with less, which regrettably sometimes means downsizing the workforce. A prime example that we have witnessed firsthand in this state is that many farms have moved from hand-trimmed flower to machine-trimmed. Hand trimming is a very slow, labor intensive process that is very costly to the bottom line--because it requires so many employees. I estimate that my farm would reduce our overall annual payroll expenses by a third if we moved to machine trimming, but at the unfortunate price of hiring fewer people. I take a lot of pride in being a job creator, especially in the time of Covid, and many consumers prefer a higher quality, hand-trimmed bud, but there's no cheating the balance sheet. With a glut of extra product

on the market and prices crashing, a significant number of people all over the state will see hours reduced or jobs vanish entirely as owners struggle to keep their heads above water.

Thank you for taking the time to read this testimony. I hope I have effectively outlined the reasons that issuing new producer licenses could cripple the already unsteady marijuana market, and directly lead to significant negative economic effects for many of the state's businesses and their employees. Please feel free to contact me directly if any questions arise from the arguments I've made. Thanks again,

Derek Deems