



## **Whitney Economics Testimony on Oregon SB 1458A**

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### **Disclaimer**

*Whitney Economics does not take a position on the legalization of cannabis nor does it take positions on proposed legislation; however, it does derive revenue from cannabis and hemp related companies and stakeholders. The views, opinions, and positions expressed in this paper are those of its author Beau Whitney, and do not necessarily reflect the views, opinions, or official positions of any of our affiliated organizations, groups or clients.*

### **Summary**

- A legislative requirement to have regulated cannabis edibles be individually wrapped will have a negative effect on the Oregon market and will not achieve public safety objectives
- Pricing compression due to regulatory induced oversupply has decreased basket amounts by 20.8% since march of 2021 and 5.3% from February 2025.
- Edible sales have declined from a revenue perspective YoY in 2025 and unit volumes are flat. A rise in prices would have a negative impact on the over sales as consumers are very price sensitive.
- For every 1% increase in price, tax revenue from the sale of edibles will decline approximately \$510,000 (elasticity -2.4x)
- At a time when the cannabis industry is struggling with profitability, this legislation would increase production costs, reduce margins and introduce greater economic distress to licensed operators
- Each regulated supplier of edibles in the state will be required to retool. Typical costs for machinery are between \$1.0 million and \$2.0 million
- If cash strapped suppliers can acquire financing, they will be deemed high risk and will be forced to pay higher interest rates sometimes in excess of 30%. Even at 18%, at \$1.0 million, an edible supplier will be required to pay an addition \$15,000 per month in interest payments alone and not receive machinery for approximately 8 – 12 months.
- If this policy is enacted, it will be a forced consolidation in the market. This will displace workers, increase unemployment and healthcare expenditures for the state.
- The economic harm to the regulated suppliers in Oregon significantly outweighs the benefits associated with public safety and harm reduction.

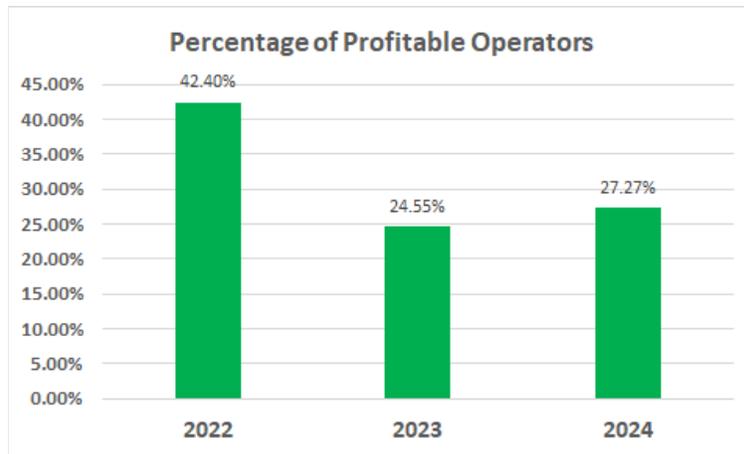
### **Data and Background**

A provision in SB 1458A would require cannabis edible suppliers to individually wrap each item in addition to packaging the product in a child resistant container. While this is intended to protect children from exposure to cannabis products, the costs associated with this provision seem to outweigh the benefits and would fail to meet the intended public policy objectives.



**The current Oregon cannabis market is under economic distress and it is getting worse.**

The Oregon cannabis industry is struggling economically. Higher input costs from labor, packaging and tariffs are impacting the profitability of the industry. In a national survey of the cannabis industry in 2024, only 27.3% of operators were profitable. Oregon mirrors this national trend.



Source: Whitney Economics U.S. Cannabis Business Conditions Survey (2024)

Pricing compression is also impacting licensed operators further compressing margins.

In data provided by cannabis software provider, Headset, the average basket (transaction) amount in Oregon has declined **20.8%** since march of 2021 and declined **5.3%** in 2025 alone. The major reason for this decline is due to regulatory induced oversupply of raw materials / cultivation. With lower prices combined with higher input costs, margins are forecasted to further compress in 2026.

**By increasing input costs as a result of this bill margins will continue to erode.**

The combination of higher costs and lower prices will have a negative impact on cannabis suppliers in Oregon. With an industry in crisis, ***the impact of this bill forces some operators out of business and consolidate the market, disproportionately impacting small, women and minority owned businesses.***

**The requirement would require upfront investment and re-tooling costing operators \$1.0 - \$2.0 million.**

A preliminary assessment of the requirement to individually wrap edibles indicate that this bill will force companies to retool their production lines or to force companies to buy new tooling at a cost of \$1.0 million - \$2.0 million per machine. The lead time on these machines is between 8 – 12 months, if distressed suppliers can obtain financing.

**If a supplier is able to obtain financing, interest costs are estimated to be a minimum of \$15,000 per month.**

If a supplier struggling with profitability is able to obtain financing they will be deemed to be high risks. As a result, the interest rates required to service a loan will be excessive. Some interest rates on high-risk cannabis businesses can exceed 30%. However, ***even at 18% interest, the interest portion of a \$1.0 million loan would require a payment of \$180,000 per year or \$15,000 per month.*** The return on the investment or time to break



even would be extended. This kind of debt service will not be possible for all operators to bear forcing some suppliers out of business.

**The bill will result in increased unemployment and health care expenditures for the state.**

As more companies fail due to the lack of profitability, there will be an increase in costs to the state. Higher unemployment will increase expenditures related to unemployment and health care. Those costs were not considered in the fiscal analysis by the legislature.

**Consumers are sensitive to price increases.**

The cannabis consumer is very sensitive when it comes to price. The consumer has many options to obtain cannabis and other psychoactive products. They can go to other states that have lower prices, re-engage with the unregulated market or can purchase substitute products on line. The elasticity of demand for cannabis products is -2.4x. Meaning that ***for every 1% increase in price will result in a 2.4% decrease in quantity demanded.***

**Cannabis tax revenues are forecasted to decline by \$5.1 million as a result of higher prices for edibles.**

In 2025, the total demand for edibles is estimated to be \$125.5 million in Oregon. At 17% tax, this represents state tax revenues of \$21.3 million. However, those tax revenues will decline as cannabis edible prices will be forced to increase. ***For every 1% increase in price for the edibles, there will be a decline in sales tax revenue in excess of \$510,000.*** The estimated impact to cost of goods sold for edibles in Oregon is a minimum of 5% - 10% or a reduction of tax revenues of \$5.1 million per year.

**Will the benefits of this bill greater than the costs to operators and the state.**

While consumer safety is of paramount importance, it does come with a cost. Are the benefits gleaned from this legislation greater than the costs involved? If the objective is to eliminate all hospital emergency room visits by children that are related to cannabis edibles, then would this policy not also extend to detergent pods where there is on call every 42 minutes to the U.S. poison control center? With the fact that 87% of those related hospital visits of are children under 6 years of age<sup>1</sup>? At some point, the costs associated with cannabis policy must be compared to the benefits derived.

***In the case of SB 1458A, the costs to the consumers, operators and to the state far outweigh the benefits derived from the harm reduction. Therefore, Whitney Economics does not recommend this policy be implemented.***

A handwritten signature in black ink that reads 'Beau R. Whitney'.

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<sup>1</sup><https://www.nationwidechildrens.org/research/areas-of-research/center-for-injury-research-and-policy/injury-topics/home-safety/laundry-pods>