



PRIORITIES FOR ADULT USE LEGISLATION

Enabling legislation making cannabis legal for adults over 21 must:

- Create a regulatory framework and tax structure that makes sense for New Mexico
 - Institute a sensible tax rate that will garner revenue for the state while keeping cannabis cost-competitive with other markets
 - Learn from mistakes and successes in other states, as well as within our current industry
 - Create a framework that will adapt to future changes and easing of federal restrictions
 - Empower a regulatory body to develop and promulgate comprehensive and thoughtful rules

- Create equitable opportunities for New Mexicans to enter and participate in the industry
 - Build on the existing strong foundation of the medical cannabis industry
 - Create pathways with micro-licensure so that New Mexico businesses are set up for success
 - Residency preference clause; NMEDD and NMFA loan and grant programs
 - Make licensing flexible and affordable to remove barriers to entry
 - Pass a bill – the single most important action from a restorative justice perspective is to legalize adult use cannabis now

- Protect medical cannabis patients and patient supply
 - Remove GRT from medical cannabis, continue to add qualifying conditions to the MCP
 - Maintain patients' and caretakers' right to cultivate

- Weaken the illicit market
 - Ensure that supply doesn't outpace demand by conducting annual independent analysis and having that inform production and license limits until the market matures

Stronger, together

The New Mexico Cannabis Chamber of Commerce is voice of the cannabis industry, united to build a vibrant and sustainable future by promoting opportunities for economic development and community engagement.

Learn more at nmcannabischamber.org.

A PATH TO SUSTAINABLE GROWTH

Goal:

While we believe wholeheartedly in the benefits of adult use cannabis, we want to make sure it is done right in New Mexico and that we learn from the mistakes of other states.

Belief:

There are considerable unintended consequences of an unlimited license/unlimited plant approach. In an effort to create opportunity for all, we could spawn opportunity for none. Small and medium sized New Mexico businesses will not have the economies of scale to survive if the retail price per gram of cannabis were to fall below the cost to farm it. Intentionally or not, legislation that encourages disproportionate supply and unsustainable business practices will lead to diversion into the illegal market across state lines, undermining New Mexico's legitimacy, and efforts to create a new economy for its diverse residents.

Rationale:

We have seen that an UNLIMITED LICENSE/UNLIMITED PLANT COUNT APPROACH leads to OVERSUPPLY.

- Oversupply has led to a myriad of problems in Oregon, forcing the state legislature to take immediate measures to equalize production and protect Oregon's economy and population (see article below)
- Small businesses bet it all to get into a quickly flooded market, where they can't make a sustainable living
- OVERSUPPLY leads to ILLICIT MARKET BOOMS
- It is not without precedent that intoxicants have limitations, i.e. liquor licenses and NM's medical cannabis program

Recommendation:

Be strategic with a measured path towards unlimited license and unlimited production.

Set reasonable production caps, based on yearly independent analysis of consumer demand, that encourages equitable entrance and success in the cannabis market for small businesses, while at the same time undermining the dangerous illicit market.

In the future, as the cannabis market matures and the cost to produce cannabis equalizes, we will move towards a realistic scenario for unlimited licenses and unlimited production.

Los Angeles Times

Oregon has too much cannabis. Two laws may help the state manage its surplus

By [SUHAUNA HUSSAIN](#) STAFF WRITER

Matt Miller's family has farmed pot in Oregon since well before it became legal.

But since the market flooded after recreational use was approved by state voters in 2014, prices have plummeted, putting strain on the operation he runs with his wife, Rhea.

Oregon's lush climate and weed-tolerant culture have long resulted in large and potent harvests. Seeking to fold black market growers into its budding legal industry, the state has distributed licenses liberally, leaving Oregon saddled with an enormous surplus of legal cannabis — more than its small population of 4 million would ever be able to smoke.

Now, Oregon lawmakers are hoping to tackle the problem, with two bills signed into law in the past week: one aimed at curbing excess production and the other seeking to establish new markets to funnel excess weed into.

[Senate Bill 218](#) gives the Oregon Liquor Control Commission more power over issuing new licenses based on an assessment of supply-and-demand conditions. [SB 582](#) aims to lay the groundwork to eventually divert the state's oversaturated marijuana market by giving the governor the green light to enter into agreements with other states for cannabis imports and exports.

It is illegal to transport cannabis to other states, and so the export legislation hinges on action in Washington, D.C., in the form of a change in federal law or

guidance issued by the U.S. Department of Justice allowing or tolerating interstate transfers.

The Trump administration has been unfriendly to legal weed. Last year, then-Atty. Gen Jeff [Sessions rescinded an Obama-era federal policy](#) called the Cole memorandum, which allowed states to legalize pot without the threat of a federal crackdown. Sessions' replacement, William Barr, [confirmed to U.S. senators](#) in January that he would not push for this crackdown (which never materialized under Sessions). But his hands-off approach to legal weed does not by any means signal that the administration will allow trade between states.

Adam J. Smith, founder and director of the Craft Cannabis Alliance, based in Oregon — which helped push for the export bill — is optimistic that a change at the federal level is around the corner, particularly if a Democrat defeats Trump in 2020.

It just doesn't make sense, he said, that states legalizing weed are forced to create their own self-contained industry.

“You have people using water in the desert in Nevada to grow mediocre cannabis, or in Florida, where they have to dehumidify giant spaces, consuming twice the energy,” Smith said. “Oregon wouldn't have an oversupply problem if we could access legal markets like these.”

[**West Hollywood's original marijuana dispensaries fear city will leave them behind »**](#)

Recreational marijuana is legal in 11 states; medical marijuana is legal in 33.

Smith and other advocates are exploring the idea of pushing a similar bill — giving officials authority to enter into marijuana trade agreements with other states — through the Legislature in California. The end goal is to move cannabis between states by 2021.

Unlike other states that have legalized recreational marijuana, including California, Washington and Colorado, Oregon did not implement tight restrictions on the number of cannabis licenses. (Some of these states also

have a glut of marijuana. However, a smaller proportion of the supply is legal and on the books, and their populations are larger so the supply-to-demand dynamic isn't as stark as Oregon's.)

Oregon recognized that for generations cannabis culture had been part of its fabric and decided to allow the black market growers into the legal market, according to Andrew Livingston, director of economics and research at Vicente Sederberg, a Denver-based law firm that provides legal and policy services to cannabis businesses.

“They put out advertisements, they did a whole ‘go legal’ campaign to attract Oregon cannabis growers to the legal market, and it worked. People jumped on board,” Livingston said. “They wanted to make it as easy as possible to make those businesses become legal and licensed.”

The result was about 2,100 grower licensees as of January, and enough weed that it would take an estimated 6.5 years to sell it all within Oregon without any more production, according to a 2019 Oregon Liquor Control Commission [report](#).

If that were the case, much of the supply would actually go stale, since it has a shelf life of maybe four to eight months if sealed and kept out of the light, Livingston said. As a result, many producers are turning their supplies of weed into extracted oil, which lasts a bit longer — over a year.

The median price of weed in Oregon fell steadily over two years, from more than \$10 per gram in October 2016 to less than \$5 in December 2018.

Because the market was flooded, the Millers grew in only half of their 40,000 square feet of permitted space last year, and at the same time, the price of the flower has dropped precipitously.

“Those two things really hit us fast and hard,” Matt Miller said. “It was pretty scary and intimidating.”

[Legal weed can raise the roof on home prices »](#)

Giving the commission more leeway to stanch the flow of new licenses is a practical move on the state's part, Livingston said. But the law is likely to have limited impact since the state already placed [a moratorium](#) on processing new licenses a year ago.

A [January audit](#) by the Oregon secretary of state's office found Oregon's regulatory systems were weak and lacking in adequate inspections.

Oregon and California historically have been the two leading producers of marijuana in the nation — and growers in both states illegally export large quantities (though it's difficult to quantify exactly how much), said Hezekiah Allen, a cannabis lobbyist and former head of the California Growers Assn.

California, like Oregon, struggles with an oversupply of cannabis. Though Oregon became the first state to decriminalize marijuana possession in 1973, the state did not create a medical marijuana program until 1998, two years after California.

Vessel Logistics, a San Francisco-based cannabis distribution company, said in a report that the cannabis industry in California had over-relied on the black market and out-of-state sales, causing producers to overestimate the state's actual demand, [according to the Sacramento Bee](#).

[Black market cannabis shops thrive in L.A. even as city cracks down »](#)

In California, a patchwork of rules governs individual jurisdictions. About 75% of municipalities don't allow retail sales — and those probably have illegal operators who have been selling for years. California's Bureau of Cannabis Control has sent about 3,500 cease-and-desist orders to illegal retailers since January 2018.

California's surplus is worsened by the fact that the state has limited licensed retail stores — people aren't buying cannabis from licensed retailers, Allen said.

“We don’t have enough places to sell the stuff, so that’s a big problem,” he said. “Folks everywhere in the country are consuming cannabis, and very few states produce significant amounts.”

He pointed out Oregon’s legislation would not be helpful for trade with nearby states that also have an oversupply. California has too much; so does Washington, another early legalizer.

“It’s awesome Oregon is trying to do something,” Allen said, “but the real solution really will come at the federal level.”