

Carver Family Farm & NM IndCA

Mathew Munoz, Chief Innovation and Finance Officer, Carver Family Farm

&

NM IndCA Board Member

- More than just a dispensary...
 - Microgreens
 - Edible gourmet mushrooms
 - Exotic succulents and plants
 - Gardening Classes





Organic

- Preparing to apply for DEM Pure Certification

Water use Reduction

- Automated drip irrigation

Living Soil

- Regenerative soil technique



- **Business Model**

- Microbusiness = Microbreweries
- Locally Crafted IPA vs. National Chain Beer
- Focus on quality over quantity

Microbusiness

- “Lower Barrier of Entry”
 - Legislature created two licensing structures; CCD treats us all the same.
- Diversity and Social Equity
 - Minorities are 4 times more likely to be arrested for possession
 - White and minority groups use cannabis at roughly the same rate
 - Microbusinesses were intended to alleviate this issue
 - Nationally, only 2% of cannabis companies are minority owned



Microbusiness

- Restrictions
 - Limited to one license if you have a controlling interest and only sell what you produce.
 - Corporate Cannabis can obtain unlimited licenses and sell anything.

Microbusiness

- Restrictions
 - Vertically Integrated License Fee
 - Micros capped at 200 plants for \$2,500
 - Only allowed one license
 - Corporate Cannabis: \$7,500 license and \$10 plant fee for recreation
 - Additional Vertically Integrated License \$1,000 per license
 - Unlimited licenses for minimal fee

Microbusiness Restrictions

Unequal Playing Field

Microbusiness: 200 plants for \$2,500 = \$12.50 per plant

Corporate Cannabis: \$7,500 license and \$10 plant fee for recreation

- Level 1: 1,000 plants for \$17,500 = \$17.50 per plant
- Level 2: 3,000 plants for \$37,500 = \$12.50 per plant
- Level 3: 6,000 plants for \$67,500 = \$11.25 per plant
- Level 4: 10,000 plants for \$107,500 = \$10.75 per plant



Microbusiness

- Potential Profit Based on License Structure
 - National average is 180 grams per plant, per harvest, 720 grams per year
 - New Mexico average gram price \$10 retail \$4 wholesale
 - Revenue from one plant per year:
 - Retail: \$7,200
 - Wholesale: \$2,880

Microbusiness

Microbusiness Potential Profit, 200 Plants

- Retail **\$1,440,000**, Wholesale: **\$576,000**

Corporate Cannabis Potential Profit

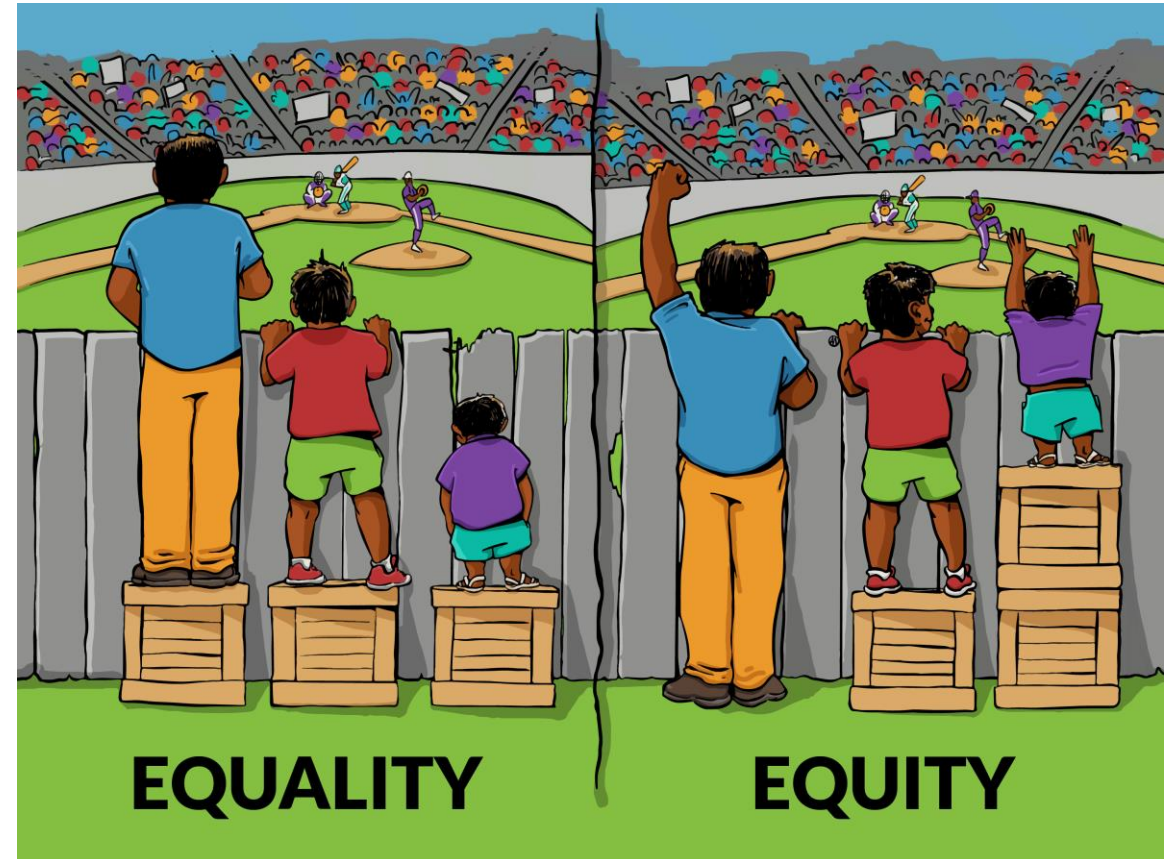
- Level 1, 1,000 plants:
 - Retail **\$7,940,000**, Wholesale **\$3,176,000**
- Level 2, 3,000 plants:
 - Retail **\$23,820,000**, Wholesale **\$9,528,000**
- Level 3, 6,000 plants:
 - Retail **\$47,640,000**, Wholesale **\$19,056,000**
- Level 4, 10,000 plants:
 - Retail **\$72,000,000**, Wholesale **\$28,800,000**

Advocating to make New Mexico's cannabis market fair for diverse, small, and local cannabis businesses.




NM IndCA

- How Proposed Rules Affect our Members
 - What Lower Barrier to Entry?
 - Micro Producers forced to wholesale
 - Fine Structure for Violation
 - \$10,000 fine regardless of license size
 - Fines should be based on licensure size
 - Rural Producers will Struggle to Meet Technology Requirements
 - Internet connectivity is required to be in compliance



NM IndCA

- Corporations Hate Regulations Unless...

A person's hands are visible holding a bright yellow sign with bold, dark red and black text. The sign reads "STORE CLOSING" in large, dark red letters, and "GOING OUT OF BUSINESS" in large, black letters below it. The background is slightly blurred, showing what appears to be a store interior with a sign that has the numbers "50" and "0" visible.

**STORE
CLOSING**
**GOING OUT
OF BUSINESS**

NM IndCA

- Who is Helping Us Draft the Regulations?

- MPG Consulting

“MPG Consulting is an internationally recognized corporate strategy and policy advisory firm renowned for its role in shaping regulated cannabis and hemp markets in Colorado, Canada, and California.”

- CPPC

“Government can't do this alone. To successfully implement cannabis reform, ancillary businesses that provide financial, monitoring, safety, data, and infrastructure solutions must become the backbone of the regulatory system. We are uniquely positioned to help these businesses thrive in an emerging and constantly changing business environment.”

NM IndCA

- Fee Structure is Backwards
 - First Vertically Integrated License \$7,500 plus \$10 plant fee
 - Second, third,...TENTH \$1,000 plus \$10 plant fee
- Any additional production licenses should cost \$125,000
- Multiple production licenses should be for Level 4 companies only
 - Encourage growth via the licensure structure FIRST
 - Discourage gaming of the system



NM IndCA

- No Social Equity or Diversity
 - Rules require licensees to have a Corporate Diversity Plan
 - Does not apply to Investors
 - Does not apply to Corporate Officers
 - Requires diversity hiring plan for “jobs”



NM IndCA

“Well, the free market should have taken care of it but hasn’t ... because of the black market. You’ve got the cartel; you’ve got the Chinese drug ring; you’ve got the biker gangs. Pretty much every criminal organization is operating in the state of Oklahoma right now...”

Foreign investors, crime among concerns as cannabis booms in rural Oklahoma

Randy Krehbiel Jul 3, 2021 Updated Jul 6, 2021 2



A cannabis cultivation operation along U.S. 59 in Kansas, Oklahoma, south of Jay, is seen in aerial photos. Rural law enforcement authorities can often point out their local grow operations, most of which are duly licensed by the Oklahoma Medical Marijuana Authority.

Tulsa World

Subscribe for only \$1*

1 of 3

An advertisement for Smith's grocery store. At the top, it says "Smith's FRESH FOR EVERYONE." Below that is a photo of a pizza topped with vegetables. Underneath the photo is the text "THIS WEEK'S CIRCULAR" and a thumbnail image of the circular itself, which is filled with various grocery items and their prices. At the bottom of the advertisement, it says "HOVER FOR CIRCULAR".

NM IndCA

- 50% Failure Rate?!?!
- No Agricultural Industry has a 50% failure rate built into their business plan.
- CCD increased the initial plant count limit based on a 50% failure rate.
 - This is a **HUGE WASTE OF WATER**



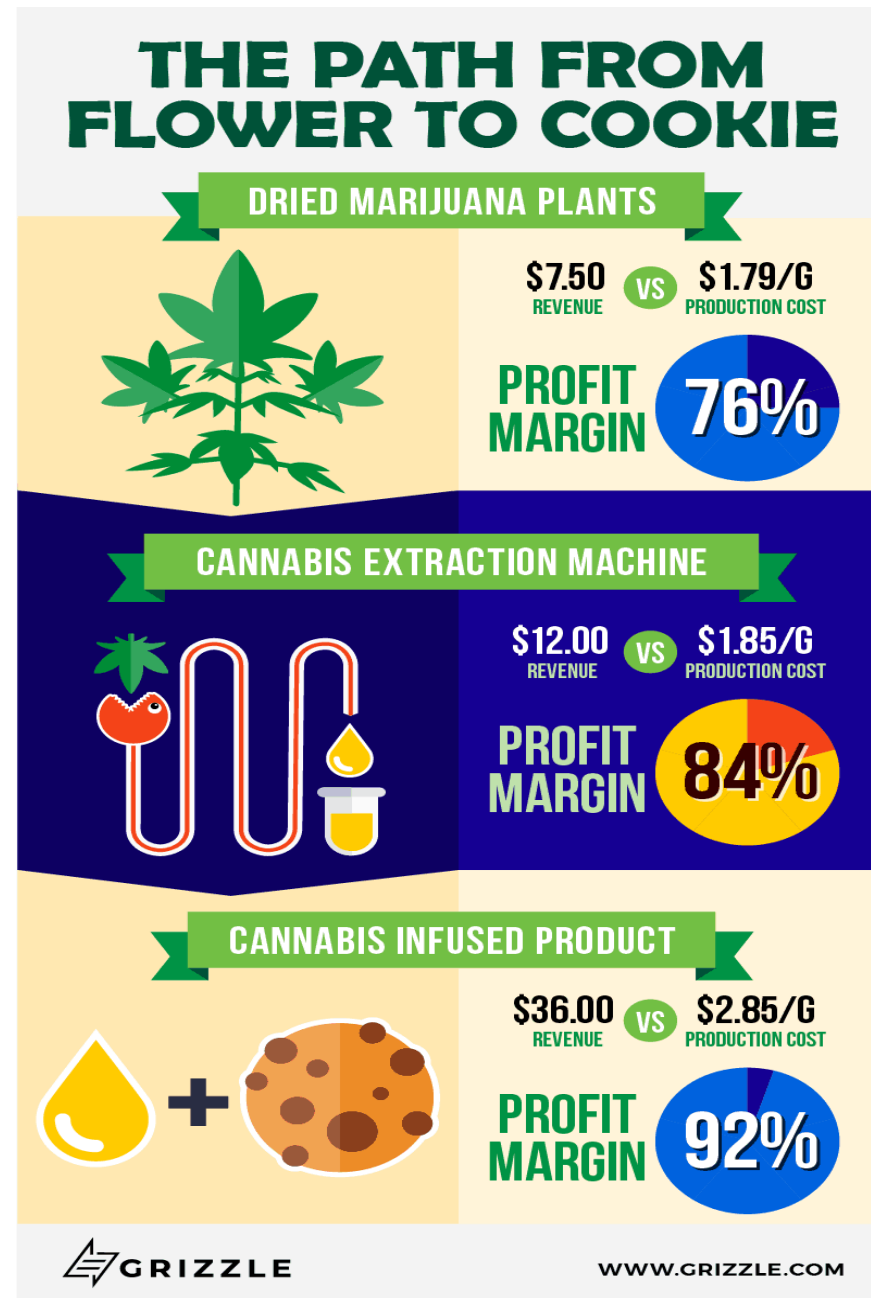


NM IndCA

- Is there a shortage? Will there be?
 - No shortage of edibles, wax, or other concentrates
 - Cannabis Extracts have higher profits
 - Shortage of quality cannabis flower

NM IndCA

- Since 2016 there has been a shift in the market to extracts and infused products
- Customer preference
- Ease of Dosage
- 92% Profit Margin



NM IndCA

- DOH MCD March 16, 2021, 4th Quarter Report
 - Total Plants Licensed to Grow: 51,250
 - Total Mature Plants in Production: 29,370
 - Total Yield: 10,322,250 grams
 - Total Flower in Stock: 5,464,940 grams
 - Total Extract in Stock: 1,275,384 “Units”. DOH unit is 0.2 grams



NM IndCA

- PATIENTS before PROFITS
 - Shortages Happen in Medical Cannabis after Legalization
 - Most States experience severe shortages in their medical programs after legalization
 - Medical shortages are prolonged due to the focus on more profitable recreation market
 - Medical Producers are not producing at the current allowable capacity
 - CCD must require medical producers to put 100% of all their production towards solving the shortage before they are licensed for recreation.
 - CCD must require medical producers to focus on PATIENTS before PROFITS

NM IndCA

- Shortage Scare Tactics
 - Same Playbook Different State
 - Claims of shortage have been used in other states to push regulations quickly.
 - Shortages are common in states where the number of licenses are capped.
 - We don't have a cap on the number of licenses.
 - Surplus ends up on the black market



NM IndCA

- Market Correction After the “Shortage”
 - Proposed Rules have a reduction in plant count in future years
 - Proposed Rules should include reduction in multiple licenses FIRST
 - If a Corporate Cannabis company has 10 production licenses and the cannabis market is flooded, CCD should reduce the number of licenses.
 - CCD must find a balance to prevent a shortage and the flooding of the market

NM IndCA



Questions?

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