



Rep. David Gomberg, Chair
Reps. Marsh and Smith, Vice-Chairs
Members of the House Economic Development & Trade Committee

RE: Oregon Cannabis Business Council, Testimony 2.26.18

Chair Gomberg, members of the committee, thank you for allowing me this time. It is exciting to have both the experience and knowledge of Reps. Helm and Fahey - and the energy for this conversation from the rest of you.

My name is Donald Morse and I am the chairman of the Oregon Cannabis Business Council. We are a trade organization for the industry representing businesses from every facet including growers; processors of edibles, topical and oils; as well as wholesalers, retailers and consumers.

The majority of our members are small and midsize cannabis companies and the ancillary businesses who partner with them. All of whom want a part in this growing economy. Small or large, industry or ancillary, the philosophy of the Oregon Cannabis Business Council is that everyone is given an equal voice.

My journey into this industry began 10 years ago when my wife was diagnosed with fibromyalgia. The doctors prescribed a litany of pills to which she had negative reactions. Someone recommended she try marijuana. It worked for her but there was no legal place to buy it. That is what set me off to provide safe access in a socially responsible manner for all Oregonians.

I led the efforts to write and pass HB3460 which legalized medical marijuana dispensary's in 2013 for just that purpose. At about that same time, 5 years ago, I formed the Oregon Cannabis Business Council to bring cannabis businesses together to network, learn and most importantly, build the legislation and rules forming the structure of our industry. Since then our members have been active participants and leaders in regulatory and legislative matters.

OCBC brings a unique perspective to the table when discussing the cannabis industry in Oregon and beyond. We have worked with the Legislature, OHA and the OLCC to formulate a model for cannabis governance that other states are using to develop their own industry. OCBC relies on the advice and work of many people. We are fortunate to count among our board members, Mr. Beau Whitney of Whitney Economics and New Frontier Data. Beau has authored many papers on the economics of the growing cannabis industry. His work has been reviewed and published by the NY Times, Newsweek, and the Washington Post to name a few. Most recently his work was presented at the White House outlining the effects of 280E on the industry.

Mr. Whitney is with us today so that he may answer any questions you may have later. We have submitted one of his briefs for the record and I would like to share with you some of its more important facts.

1. The average retailer in Q4 sold 92,000 in product making it very difficult for them to make a profit.
2. Based upon the total current licensed suppliers There is approximately 21 million square feet of canopy in Oregon. This does not include the additional producer applications currently in the OLCC cue.

3. Prices are commoditizing, producer and retailers are in distress. The environment is ripe for consolidation by entities that are well funded.

The reality is that the market is flooded with cannabis. Because of this, small businesses like many of our members struggle to compete with both the illicit market and those licensed entities with deep pockets. Many will be forced to close or sell out to the larger chains.

The Governors proposal this session to bolster law enforcement agencies is a good step to eliminating the illicit market. If licensed producers had to make up what is otherwise supplied to Oregonians, the legal market would double and the state would collect millions more in tax revenue. And many of the smaller to mid-range businesses would survive.

In addition to these challenges we suffer under significant over-regulation on the local level, often a result of the fear of change. We are also burdened by the ever changing state regulations, which in some cases cause our members to spend millions in compliance costs. After three years they still lack the certainty of a stabilized system. Finally, banking is another issue that affects us all. The lack of services results in a cash economy for our industry. That not only poses a public safety threat, it complicates your job to oversee the budget.

Turning now to federal issues, OCBC is a proud founding member of the newly minted Western Regional Cannabis Business Association. We consist of cannabis industry leaders from Hawaii, Alaska, Washington, Oregon, California, Nevada, Arizona, Colorado and Montana.

We have come together to address the Federal issues that affect us all, but more importantly we wish to lay the groundwork for the inevitable legalization nationwide. Much like Cornelius Vanderbilt who found that as railroads crossed state lines, they required a uniform gauge of track. We have realized that certain standards for pesticides in growing, lab testing, packaging and labeling to name a few, must all be standardized.

Until the national question is called we look to you, our state legislature, as partners to ensure that Oregon is positioned as a leader in the Cannabis Industry and remains the model for the nation.

Thank you. I am ready to take any questions you may have.