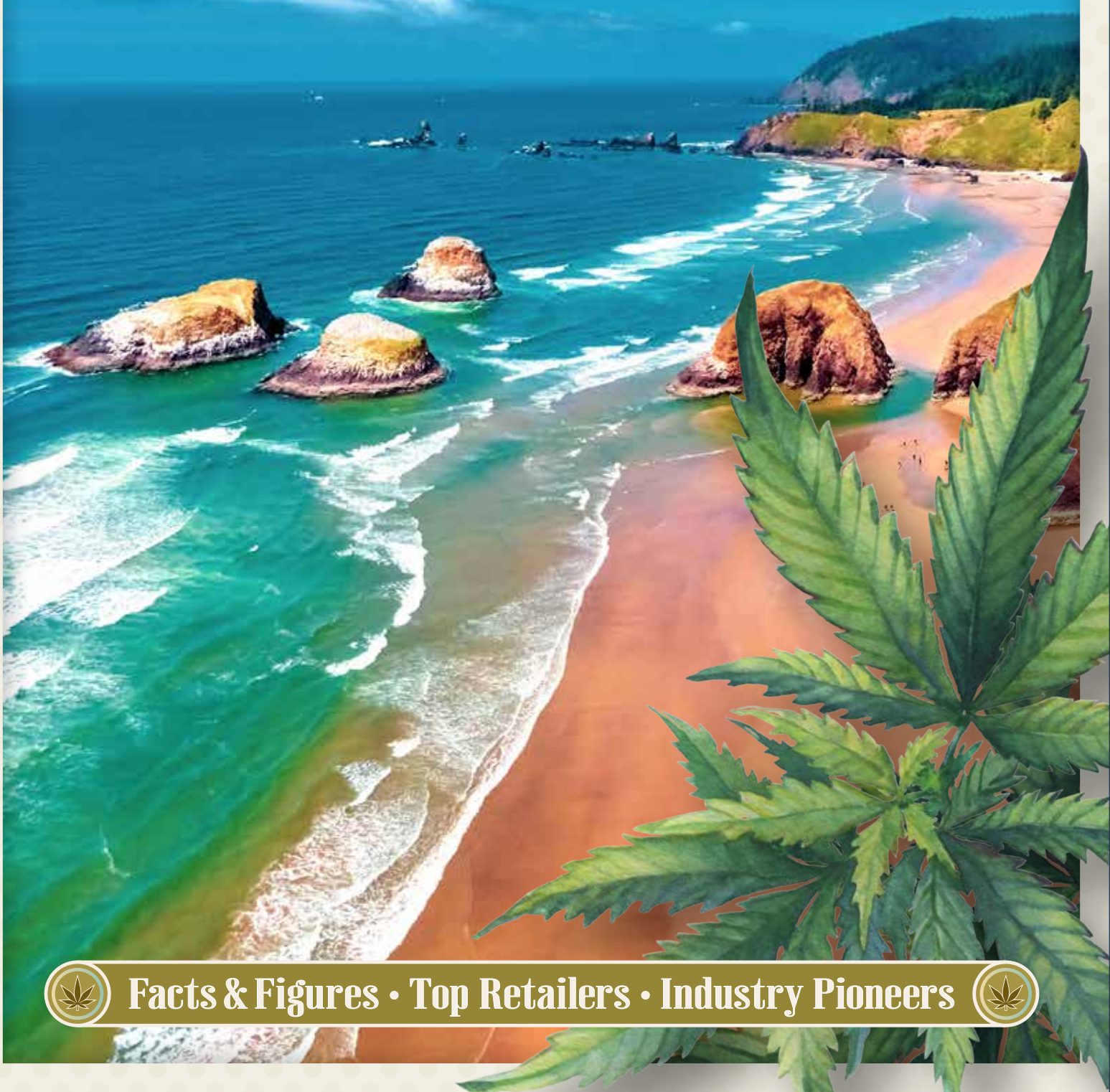


Cannabis and — **OREGON**



Facts & Figures • Top Retailers • Industry Pioneers



CANNABIS IN OREGON



Marijuana Venture's ongoing series on every legal market in the United States explores the ever-changing rules and regulations, market trends, state demographics, business leaders and more. This month looks at Oregon, the third state in the country to legalize recreational cannabis.

Although in 1973 Oregon became the first state to decriminalize cannabis and in 1998 became the first state to establish a medical marijuana patient registry, voters rejected multiple legalization bills before finally ushering in the adult-use era with the passage of Measure 91 in 2014.

Recreational sales began under the state's early start program in 2015, and demand has been on a steady rise ever since. In May 2020, sales surpassed \$100 million in a single month for the first time, putting Oregon on pace to sell more than \$1 billion worth of cannabis in 2020. That adds up to more than \$232 spent annually on cannabis per capita.

As of October, cannabis retailers in Oregon average \$154,980 a month in sales.

Next month, Marijuana Venture will look at Alaska (March), followed by Northern California (April) and Southern California (May) and other states in future months. For information about upcoming issues or to learn about advertising and sponsorship opportunities, email [Editor@ MarijuanaVenture.com](mailto:Editor@MarijuanaVenture.com).

SPECIAL THANKS

A special thanks to all the sponsors who helped make this issue possible: Chalice Farms, Cultiva Law, High Quality, Rooted Coast Cannabis, Sun God Medicinals and Top Crop.

ABOUT MARIJUANA VENTURE



Marijuana Venture is a leading business magazine focused on the legal cannabis industry in North America. Marijuana Venture is published monthly and distributed to subscribers and through bookstores and newsstands in the United States. For more information or to subscribe, visit MarijuanaVenture.com or call 425-656-3621.

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Legal Overview

BY KATIA ALCANTAR

The Oregon marijuana industry and regulatory environment has evolved rapidly over the past five years. Recreational use was approved by a 2014 statewide ballot measure, and the Oregon Liquor Control Commission began accepting applications for all recreational marijuana license types in January 2016. The OLCC issues six licenses (producer,

laboratory, research, processor, wholesaler and retailer), and the state allows home delivery, vertical integration and out-of-state investment.

Business is booming. As of December 2020, there were 2,351 active licenses. With a state tax rate of 17%, the state tax revenue received for fiscal year 2020 soared to \$133,150,349, up from just \$20,652,983 in 2016.

Technically, Oregon does not cap the number of licenses that may be issued. However, an oversupplied recreational marijuana market and a backlog of applications in 2017 led to a temporary pause on the OLCC's processing of all new applications beginning in June 2018. Oregon lawmakers then stepped in, attempting to prevent market oversaturation, and placed a moratorium on new production licenses from June 2019 through January 2022.

Despite the moratorium on new licenses, new growers can enter the Oregon market by purchasing an existing marijuana grow and changing the grow's location to

the new ownership's preferred location. Traditionally, a change of ownership is associated with a purchase and sale of company assets or stock, but under Oregon's regulatory scheme the prospective new owner applies for an OLCC grow license concurrent with a request to change ownership of the license. Thus, it is not so much a "sale" of the license itself. A change of ownership requires the same fees and approval of the same application forms, financial disclosures, land use compatibility statement,

background checks and site plan required if the new owner were seeking a new license. The price for acquiring an existing, licensed producer has been steep (\$150,000 and up) given the lucrative secondary market created by the moratorium and the appeal of being able to jump the line by acquiring an existing licensed business and changing ownership.

Despite the application backlog, the OLCC has shown it is receptive to input from stakeholders and willing to adjust its processes to streamline, including its reallocation of staff to licensing assignments to reduce the backlog and promulgation and use of simple, user-friendly

application forms. And, during the COVID-19 pandemic, marijuana retailers were given the green light for curbside delivery.

Katia Alcantar is a cannabis business litigator for Cultiva Law representing clients as plaintiffs and defendants in disputes concerning contracts, commercial leases and business torts.

**WITH A STATE TAX
RATE OF 17%, THE
STATE TAX REVENUE
RECEIVED FOR FISCAL
YEAR 2020 SOARED TO
\$133,150,349**

OREGON: BUZZ-WORTHY

• • • BY PATRICK WAGNER



EXPORTS.....

Every recreational state has differences in regulations, but Oregon is unique in that it is the only state to legalize exports across state lines. But there's a catch: The state's landmark export bill remains mostly symbolic as exports would require approval from both the federal government and the governor of an adjoining state, as well as a compact between both states, before state officials could even begin working on the logistics of legally shipping cannabis across state lines.

"Our side of the equation is complete, if you will," says Mark Pettinger, the director of communications and education for the Oregon Liquor Control Commission. "The implementation details would need to be worked out: the tracking, the payment of taxes, the actual transfer and security of the product. How will it work? Is it a transfer at the state border? There are lots of logistical details that would need to be worked out.

"Really unless there's a change in the federal status, including those restrictions on interstate commerce for it to be legal, then Oregon cannabis will need to stay in Oregon."

But when federal legalization arrives, top-notch flower won't be the only export Oregon will have to offer. Joshua Lehner, an economist at the state Office of Economic Analysis, says the hope is that when legalization goes nationwide, Oregon's cannabis businesses will have built up enough of a specialty that local companies will be able to train companies in other states when the time comes.

"That's the big picture," Lehner says.

OVERSUPPLY.....

For the past few years, terms like "glut" and "oversupply" have been looming over Oregon's cannabis industry after a report on the 2017 harvest suggested state-licensed cannabis growers produced 1 million pounds of unsold flower — approximately three times the amount sold during all of 2017. But Pettinger says data analysts working for the OLCC describe the alarming figure as a snapshot of the state's production and not reflective of the current market. He says state-licensed producers no longer have that daunting backlog of inventory. Some of that flower found its way into other products, including concentrates and edibles.

But there may be a more definitive reason the state shifted to a better equilibrium between supply and demand: "It is because demand has gone way up in the last two years, but supply has only increased marginally," Pettinger says.

Lehner says that confluence of decreasing prices and increasing demand is absorbing a large amount of the state's cannabis supply.

"In the last year the average price for edibles has come down 18% but the number of edible products sold has increased 64%," Lehner says. "The quantity sold is increasing so much faster than the prices that are coming down, that overall sales are rising."



.....SOCIAL EQUITY

The OLCC didn't include a social equity program when it built the infrastructure for Oregon's adult-use cannabis market, in part because the state set a relatively low cost to apply for a license and didn't cap the number of total licenses, Pettinger says.

But many hope to change that after a year full of stark reminders about the social inequalities many Americans face daily.

Casey Houlihan, the executive director for Oregon Retailers of Cannabis, says social equity is the nonprofit trade organization's top priority for the 2021 legislative session.

"It was definitely a massive oversight," Houlihan says. "There were so many different pieces to discuss at the outset for legalization. There were just so many different people at the table that there ended up not being the bandwidth to make sure issues of equity were addressed. I think that is a regret that everyone who participated has."

Houlihan says most of the same stakeholders who initially contributed to Oregon's legalization blueprint have returned to work alongside the communities of color who are spearheading efforts to ensure industry participation is adequately diverse. A social equity bill being proposed would allocate tens of millions of dollars of cannabis tax revenues to help communities impacted by the War on Drugs, create new opportunities within the cannabis industry for operators of color — including new license types — and provide funds for education and a means to eliminate lingering fines from expunged cannabis convictions.



.....APEX OF GROWTH?

As Oregon's cannabis industry closes the book on its first billion-dollar year, economists such as Lehner are hotly debating if the approximately 40% increase in sales over 2019 is the market's new normal.

"We're expecting sales to weaken next year," Lehner says. "The reason we are expecting it to weaken a little bit and then hold steady is just this surge in sales during the pandemic. The question is how sustainable is that or how permanent is that?"

Lehner says he and other state economists forecasting the next year have been divided on what the market will do. Some economists argue that the current market is unsustainable, believing the spike in sales is due to most residents working from home, with additional stressors from a turbulent 2020 and fewer outlets for recreation. Those economists suggest people are temporarily choosing marijuana as a means for relaxation until the pandemic passes.

However, other economists argue that the current market already has become the new normal because people have changed their lives to work from home and will be reluctant to change them back after nine-plus months of living in some state of quarantine.

With the room split, the economists took their own division as an indicator of what the market would do during 2021.

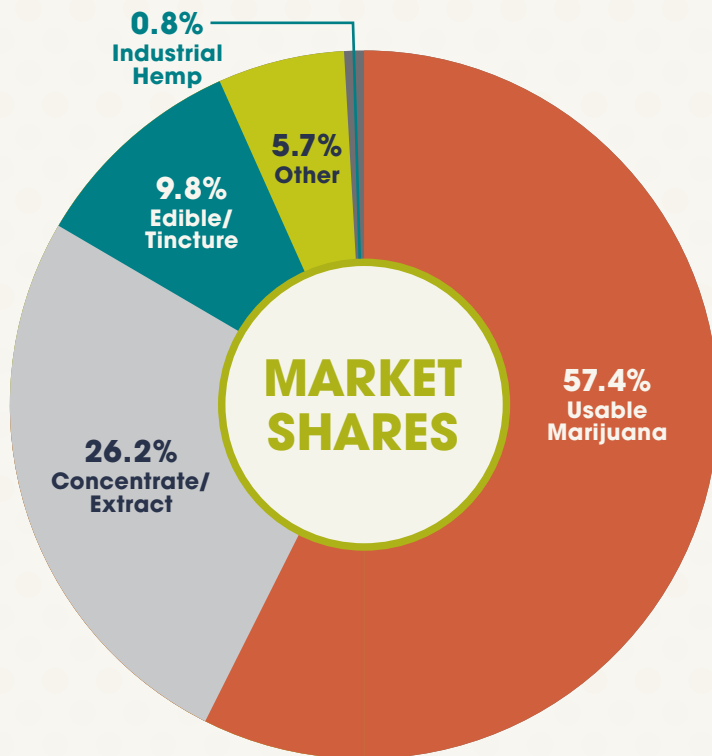
"We are looking at 1% growth next year," Lehner says. "We've taken a massive step up in sales and we are saying it's going to hold steady as opposed to it continuing to grow or falling back down. The growth rate is going to come down quite a bit, I feel fairly comfortable in that. We have raised our long-term outlook of what we think is going to come in over the next five to 10 years as a result of this."



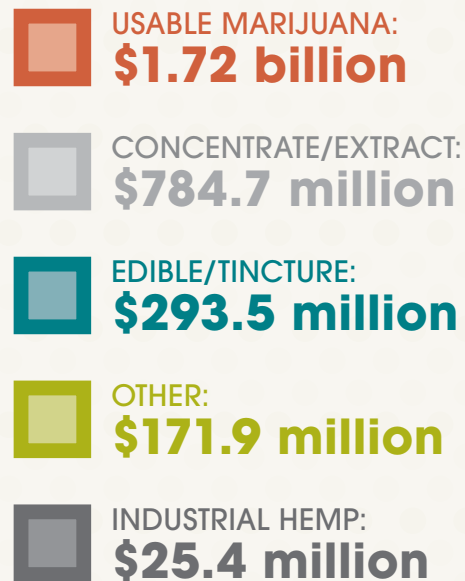
OREGON: MARKET TRENDS

Total marijuana sales since October 2016

• \$2,994,706,340 •



TOTAL SALES BY SEGMENT



RECORD YEAR

Sales reached an all-time high of \$106.6 million in July 2020. At the end of November, combined medical and recreational sales for the year surpassed \$1 billion, a whopping 40% gain over the \$729 million in the first 11 months of 2019.



FLOWER IS KING

Flower sales in Oregon have been higher than all the other product categories combined every month, except December 2018. Monthly flower sales hit an all-time high of \$67 million in July 2020, accounting for 63% of the market.



STEADY MEDICAL MARKET

Although only two medical-only dispensaries remain in Oregon, sales to medical patients have remained relatively stable. From 2017 to 2020, medical cannabis sales average \$6.1 million per month, with an all-time high of \$12.3 million in July 2020 and an all-time low of \$4.1 million in January 2017.

\$6.1 M



Big in Malheur

Although Malheur County is home to only 30,571 residents, the county's six cannabis retailers were on pace to sell more than \$90 million in marijuana products in 2020, according to the latest data available from the state. That's an outstanding \$245 per resident per month. That's more than three times the per capita spending in Denver County, Colorado, one of the most cannabis-loving parts of the country. Of course, part of the bonanza is due to Malheur sharing a border with Idaho and its two largest cities, Boise and Nampa, being only 56 and 50 miles away, respectively. Regardless, it's a significant windfall for the county's cannabis shops, which averaged about \$1.25 million in monthly sales apiece in 2020.



Where does the money go?

The distribution of cannabis taxes was recently changed with the passage of Measure 110 during the November election. Instead of dividing marijuana taxes based on a percentage, as was done in previous years, the new measure will cap cannabis tax distribution for schools, police, mental health and drug addiction and prevention to \$11.25 million per quarter or \$45 million per year. The remaining taxes will be transferred to the state's new Drug Treatment and Recovery Fund. The state has projected **\$81.4 million** in marijuana taxes for the Drug Treatment and Recover Fund in the 2019-2021 biennium and **\$229 million** in 2021-2023.

OREGON VICE REVENUE FORECASTS

LOTTERY

2019-21 – **\$1.28 BILLION**

2021-23 – **\$1.51 BILLION**

ALCOHOL

2019-21 – **\$605 MILLION**

2021-23 – **\$631 MILLION**

CIGARETTES

2019-21 – **\$481 MILLION**

2021-23 – **\$680 MILLION**

MARIJUANA

2019-21 – **\$292 MILLION**

2021-23 – **\$319 MILLION**

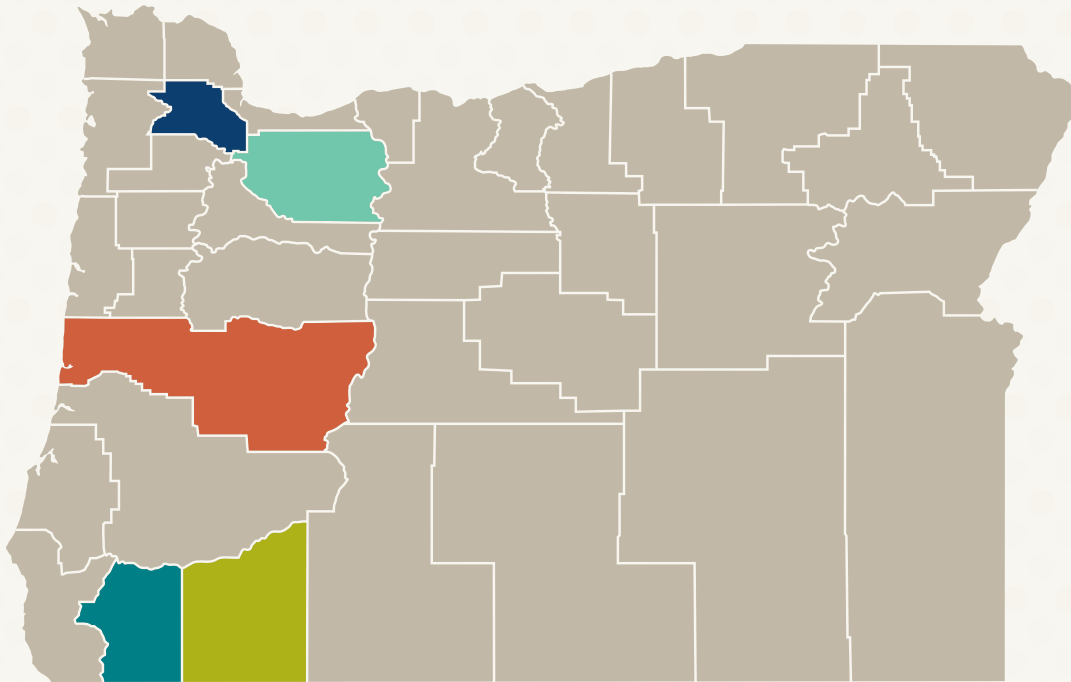
OTHER TOBACCO

2019-21 – **\$121 MILLION**

2021-23 – **\$141 MILLION**



OREGON: MARKET TRENDS



CULTIVATION COUNTIES

While Oregon is home to 1,162 active cannabis producers and another 647 producers in various stages of licensing, approximately 70% of the state's producers reside in just five counties:

JACKSON
437

JOSEPHINE
334

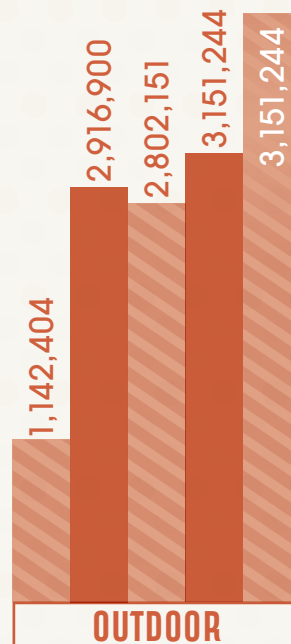
CLACKAMAS
300

LANE
256

WASHINGTON
140

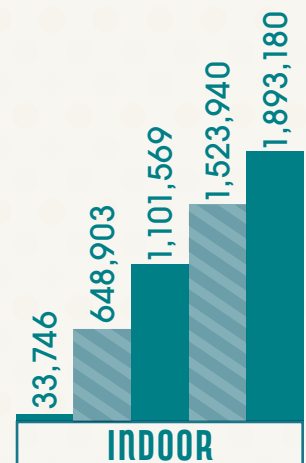
POWERHOUSE PRODUCTION

The demand for cannabis in Oregon is simply a beast that cannot be fed as state producers continuously ramp up production year over year. Altogether, Oregon's cannabis producers have harvested more than 24.8 million pounds of wet cannabis between 2016 and 2020. That's equal to more than one pound of marijuana per resident per year.



TOTAL CANNABIS HARVESTED

Wet weight in pounds per year, 2016–2020





Cultiva Law



Since joining Cultiva Law in June 2020, attorney Katia Alcantar says the learning curve in the legal cannabis industry has been steep, but the clients, the law firm and the work itself have made it all worth the change in career direction.

"It's not your typical law firm culture," she says. "We are client-centered because we are built on *relationships* and we encourage communication and collaboration with our clients."

Cultiva Law was founded in Seattle and now has offices in Los Angeles, San Francisco and Portland, Oregon, where Alcantar is based. She says working with cannabis clients on business disputes, license applications and compliance, among other things, has been great not only because of the depth of their industry knowledge, but because it fits well with her personality.

"The environment here is one of mutual respect and the people are supportive and sharp. In turn, our work product is elite and the client benefits," she says.

Originally from Texas, Alcantar started her career at a Houston law firm that primarily handled litigation and injury defense for the trucking industry. She moved to Oregon to work as the co-founder of a legal tech startup, before joining Cultiva Law, which covers everything from transactional law to intellectual property and litigation for clients in the cannabis and CBD spaces — a fascinating endeavor for Alcantar because of its fast pace and ever-changing legal landscape.

"I'm naturally inquisitive and have a hunger to learn," she says.

Plus, it has some cache with her family and lawyer friends back in Texas.

"I couldn't wait to tell my conservative father that I was a pot lawyer," she says with a laugh.

Timeline of Events

1973

Oregon becomes the first state to decriminalize cannabis, making possession of up to one ounce subject to a civil penalty instead of a criminal one, with an exception for dealing near a school.

1998

Oregonians approve Ballot Measure 67, a citizens' initiative legalizing cannabis for patients with "debilitating medical conditions." More than 54.6% of voters approved the measure, which established the first medical marijuana patient registry in the country.

2012

Oregon voters reject by a 53% to 47% margin the Oregon Cannabis Tax Act, which would have allowed for recreational use of cannabis and sales through state-licensed stores.

2015

Sales of recreational cannabis at existing dispensaries begin on October 1, 2015. More than \$11 million in cannabis is sold in the first week. Sales at licensed, non-medical stores would begin 15 months later.

1986

Oregon's first attempt at a legalization initiative, Ballot Measure 5, makes it to the ballot, but fails, gaining only 26% of the vote.

2010

Voters reject a ballot measure that would have created a state licensing system for medical cannabis producers and would have allowed sales at licensed dispensaries. The Legislature ultimately passed a similar bill three years later that regulated dispensaries through the Oregon Health Authority.

2014

Oregon voters approve Measure 91 56% to 44%, finally legalizing the recreational use of cannabis and allowing the state to regulate and tax the sale of marijuana through the Oregon Liquor Control Commission.

2020

Deemed an essential industry during the coronavirus pandemic, monthly cannabis sales reach record highs in March and April before topping \$100 million for the first time in May.



Sun God Medicinals

Sun God Medicinals, a pioneer of plant-based organic wellness products, has a mission to demystify healing herbs and to blend these herbs with cannabis. Founded by herbalist Brie Malarkey, the company works hard to help people discover the medicinal herbs of Southern Oregon, including organically grown cannabis in both marijuana and hemp form.

After successfully experimenting with healing herbs to help her young son sleep, Brie was inspired to help others. She developed color-coded product lines with legend mascots from world mythologies to help make discovering the right herbs simple and easy. Many of the company's products contain groups of herbs working together toward a goal such as sleep support. The herbs assist the body's natural cycles in a number of areas. Sun God Medicinals has product lines for Mental Ease, Moon and Menopause Support, Muscle Ease and more.

With a commitment to traditional herbal extractions and whole-plant medicine, Sun God Medicinals works to extract as many naturally occurring phytochemicals as possible. For cannabis, "full spectrum" means extracting all the cannabinoids, lipids, terpenes and more.

"We embrace all the medicinal qualities of the plants as a core philosophy," Brie says.

Sun God Medicinals also produces a variety of hemp- or marijuana-ONLY products for those who prefer only cannabis. These products feature sungrown cannabis from single sources — either certified organic hemp grown in Williams or regenerative, living-soil-grown marijuana from the company's family farm in Shady Cove, Sunna Ra Acres. These product lines called Ra Hemp or Ra Cannabis, include tinctures, capsules, edibles and topicals.

The company's diverse line of hemp and herbal products has something for everyone and are sold nationwide through retail partners or directly at www.sungodmedicinals.com. For Oregon-only items, like marijuana products, visit www.sungodmeds.com.



High Quality

The High Quality dispensary in Corvallis is a medical-focused cannabis retailer that prioritizes a holistic approach to health and wellness and prides itself on getting to know customers like friends would in order to make the best possible recommendations on product.

"We take a very consultative approach for discerning cannabis users," says CEO Brock Binder.

That approach is codified in the company's manifesto, which reads, in part, "We aspire to support our clients in finding which varieties of cannabis best serve their individual mind, body and spirit. We work hard to uncover what works well to restore, maintain or elevate their personal wellbeing."

But for customers at High Quality who may not know, the reception desk that greets customers when they enter the dispensary serves as a potent symbol. The desk is made from rocks and tree roots that were gathered at the company's farm in Canby. The roots signify the store's focus on a "return to the beginning" and "to celebrate nature instead of conquering it," something High Quality does by prioritizing vendors with regenerative growing practices.



"What it symbolizes is that no matter how big or large we get, we remember the foundation of roots of why we founded High Quality," Binder says. "We wanted that to be known right when you walk in, to see how strong our values are and how deeply our roots are entrenched."

Aside from the symbolism, the reception desk setup guarantees that everyone gets a one-on-one consultation when they enter and have the time and privacy to ask the questions they need to ask. It's a carry-over from the pre-recreational era when the dispensary operated in the state's medical market, a focus Binder says he still maintains after seeing how cannabis helped his mother overcome opioid abuse and others he helped when he worked in a physical therapy clinic prior to opening the store.

High Quality's focus on customer needs also extends to the training of its employees, who follow Binder's philosophy that "if you make a friend when someone comes in, you've won." Budtenders are trained to gauge what an individual is looking to achieve when they come into the store before offering any product recommendations. Employees are encouraged to send them home with not just

a purchase, but knowledge of the plant and product that can be passed on to someone else who may need it.

Binder calls it a "compounding compassion effect" and says that the company uses a unique hiring process that involves group interviews from people throughout the company to ensure new team members' values mesh well with the rest of the company's now-18 employees.

But that doesn't mean there isn't a place at High Quality for those who know exactly what they want. A move to a new 13,000-square-foot shop in January 2021 allows for a large, open floor plan to ensure there is always an open register for customers looking to quickly get in and out.

There is also a sister store next door, focused on holistic plant medicine, called The Lifestyle Store that sells CBD and other plant-based medicines for people looking for THC-free products. Both stores are committed to giving back to the community by investing in local organizations.

"We view our entire model as an ecosystem and the foundation of that ecosystem is our people and our community and when we take care of that aspect, everything else seems to take care of itself," Binder says.



**"WE STRIVE TO BE
THE BEST, AND OUR
EMPLOYEES KNOW
THAT THE CUSTOMER
IS KING."**

**— MATTHEW CHADWICK,
TOP CROP**

Top Crop

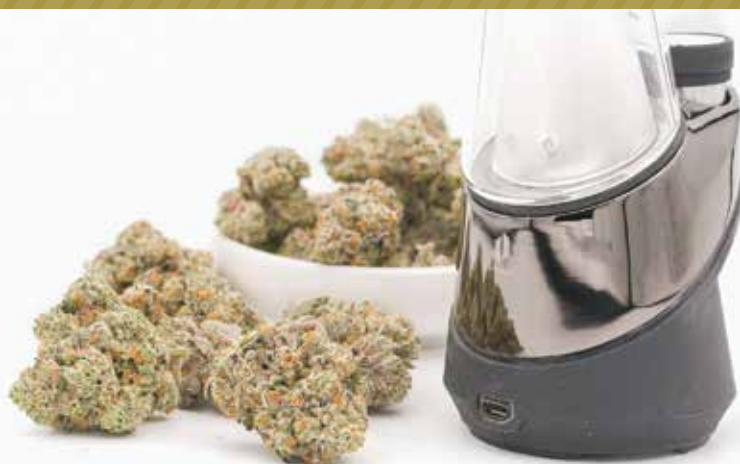
Matthew Chadwick is a quick study. He graduated from the University of Idaho in 2013 with a degree in business. Soon after, he joined his father's construction recruiting business and moved to Florida where he quickly became a top performer in the company.

However, a phone call from a good friend changed all that.

"Matt, come to Oregon and help run a cannabis store with me," was the friend's suggestion. Chadwick was intrigued and decided to check it out. And, as so often happens, the friend realized he didn't actually have time to work on a cannabis store, as he was increasingly getting busier with his grow operation. They devised a plan to have Chadwick open a store, for which his friend would supply the flower.

The first Top Crop shop opened in Eugene in 2018. That store did well and quickly became a favorite in the local scene. Not long after the Eugene store opened, Chadwick learned that the Eastern Oregon town of Ontario was going to lift its moratorium on cannabis retail. As the closest Oregon town to the Idaho border and the large, unserved Idaho markets of Boise and Nampa, Ontario looked to Chadwick like a huge opportunity.

Very quickly, plans were drawn up, permits submitted and land secured. And, after what seemed like an agonizingly long wait, Top Crop Ontario opened in May 2020. It was an instant hit. Within weeks there were lines at the door and skyrocketing sales.



By the end of 2020, the 3,000-square-foot Top Crop location in Ontario was generating sales in excess of \$2 million per month. It had become the No. 1 store by sales in the Western U.S. and possibly the entire country.

"We do about 95% of our business serving people who drive over from Idaho, and we've generated a huge and loyal following in that state," Chadwick says. Top Crop prides itself on having great quality flower and a huge selection of edibles, extracts, cartridges and other products. With a background in business and a love of retailing, Chadwick is very focused on ensuring the shopping experience in Top Crop is always a good one.

"We strive to be the best, and our employees know that

the customer is king," he says.

Constantly improving on the product mix is also a priority, and the Top Crop buying team is always on the lookout for new and better products.

"Anytime we can source top-grade flower from a new vendor, we do," Chadwick says. With customers flocking to the store from Idaho, Oregon, Wyoming and even Utah, Top Crop has become something of a regional powerhouse.

At Top Crop, the "sky's the limit" and the No. 1 store by volume in Oregon. It's a great example of what happens when you mix visionary leadership with great products, friendly budtenders and a well-thought-out location.

SOCIAL EQUITY: DIVERSIFY PORTLAND

• • • BY PATRICK WAGNER



In Portland, minorities comprise about 30% of the population, according to the 2019 U.S. Census. Yet, it's believed that fewer than a dozen of the nearly 400 cannabis businesses in Oregon's largest city are minority-owned.

While the city and state are working on legislation to address this lack of diversity, one group is taking the matter into its own hands.

Diversify Portland is a social development group that hosts weekly events in Portland and provides consulting and education services that aim to connect businesses inside and outside the cannabis industry with people from minority communities.

"We really want to inspire people to come into this industry and to use what they have to come in now — no matter where they are income-wise," says Mss Oregon, the organization's founder and co-owner. "The families that were most impacted by the War on Drugs are low-income families. We want the ones who are truly impacted to come and find their place in the industry."

Mss Oregon started Diversify Portland with her three children after she realized she was the only Black woman at most of the cannabis industry conventions and parties she attended. She took it upon herself to start throwing "diversity parties" to bring together people from minority communities and cannabis entrepreneurs with the hope of adding some new faces to the starkly white industry and to dispel the myth that only affluent people can join.

"People of color think you have to have a lot of money to come into this industry," she says. "We don't, so get in here and join."

The success of Diversify Portland's events grew from those backyard parties into a full-fledged family business and led to the launch of the National Cannabis Diversity Awareness Convention in 2019. The convention, now in its third year, celebrates diversity through education and entertainment with the underlining goal of creating social equity in the cannabis industry.

"We are creating conventions that are inclusive," she says.



Chalice Farms

If there's one thing that helps the seven Chalice Farms stores stand out from its hundreds of competitors, it would have to be the culture.

"We've created a culture of care," says CEO Jeff Yapp. "It helps separate us from the others."

Each store is purposefully built with natural wood and an open plan to create a warm and inviting environment. And each is staffed with knowledgeable, friendly budtenders all centrally trained to take as much time as necessary to answer questions about the hundreds of different products available for purchase at each location.

It all stems from a simple premise, put forth by company founder William Simpson, who credits cannabis with saving his life, at its 2014 inception: create a safe and welcoming environment to help introduce new users to the cannabis space because each person is unique and each body interacts differently with cannabis.

"He believes, as I do, the growth opportunity in this space is in the 75% of the population that doesn't use cannabis," Yapp says.

But that doesn't mean Chalice Farms forgets about its regular customers or those who already have a relationship with cannabis. Yapp says Chalice's vendor/partner relationships are second-to-none, ensuring that the shelves are always stocked with top-quality, competitively priced products that might not be available anywhere else.

The strength of Chalice Farms' model shone through in 2020 in particular, as the entire team of 167 employees pulled together and made sure the stores opened every morning to meet the needs of its customers, all with a focus on health and safety.

"That's who we are culturally," he says. "We really believe in the cannabis community."



OREGON LIQUOR CONTROL COMMISSION

BY PATRICK WAGNER

Cannabis has become a massive industry in Oregon since its transition to a recreational market, which has seen sales explode from \$7.3 million in December 2016 to a peak of \$106.6 million in July 2020.

“The growth in sales has been pretty significant,” says Mark Pettinger, Oregon Liquor Control Commission director of communications and education. “We had multiple months where sales were more than \$100 million. It’s gone down a little bit, but it’s still considerably high. Even in September and October, it was \$97 million.”

The OLCC was the third state agency in the United States to implement a regulatory framework for recreational cannabis sales. While the program has seen yet another record-breaking year in terms of sales, it has also endured its fair share of unprecedented challenges with wildfires, persistent oversupply and the ongoing coronavirus pandemic. For the OLCC, those challenges are in addition to providing support to the Department of Agriculture’s hemp program, overseeing the distribution and sale of alcohol, providing relief services to the thousands of bars and restaurants that were forced to close in 2020 and enforcing the state’s bottle bill, a landmark recycling program that helps keep more than 100 million pounds of waste out of landfills annually.

“Pick any of those challenges and we’ll be busy,” Pettinger says.

As part of its focus on Oregon, Marijuana Venture interviewed Pettinger to discuss the current state of Oregon’s legal marijuana industry and the agency’s plans for a brighter 2021.

MARIJUANA VENTURE: *How would you describe the overall state of the industry coming out of 2020?*

Mark Pettinger: I think, like a lot of industries, the cannabis industry has been challenged by the pandemic. There are now a lot of safety procedures and protocols that they had to put into the workplace.

The other shock to the industry was the wildfires all along the West Coast. There was some impact, and I don’t know if it’s been completely accounted for in the system. It appears to have disproportionately affected retailers. That’s not to say that there wasn’t crop damage for some producers, or damage to their infrastructure systems, their security or irrigation lines, but it has been hard to tell because of the federal designation and a lot of these businesses were not allowed to apply for any assistance.

That said, I think the sales figures reflect that the market is doing fairly well. We have another supply study that we will be doing this year. We’re required to report to the Legislature so we will see what that looks like.

MV: *How important has the cannabis industry become for Oregon?*

MP: Well it is pretty significant, especially when you look at tax revenue. Since the pandemic started there’s been about \$700 million in taxable sales, which would be about \$100 million in estimated tax revenue. Industry employment has generally been pretty healthy. The industry

has grown in terms of jobs that are on the market.

The industry is sizable, it is certainly maturing and there are a lot of (industry) best practices that are developed here. The industry was deemed important enough to remain open during the pandemic. Because of the responsibility that has been shown we approved curbside delivery, that is a reflection that the industry is growing up. There are still a lot of things to iron out, but it is a significant contributor to the state's economy, especially right now as cannabis sales are adding a lot in the absence of some industries collapsing.

MV: What are the OLCC's top priorities for 2021?

MP: I think what we're looking for is the impact of two recent, significant changes. One is what we call "verification of compliance." For some lower category violations, we are now essentially giving folks a "fix-it ticket," if you will, that is designed to keep them up and operating and not bog them down or bog us down. Early on, we found that a number of licensees would have violations for a camera not working or a hard drive wasn't recording and maybe it was unbeknownst to them or they couldn't get someone to repair it for days on end; this change is an acknowledgement of those challenges. Essentially, it offers folks the opportunity to fix it and become compliant without getting a category violation. The idea is to give our licensees a chance to quickly get back in business and not worry about the red tape of an administrative hearing or going through that process.

The other thing is that we have made improvements to our licensing process, which has been a bit of a challenge all the way back to when we began licensing in 2016. We've made tweaks before to try and deal with the backlog. Now we've changed or modified some of the requirements around licensing to eliminate a burdensome and time-consuming step both for license applicants and for our investigators. One of those things is that we have made it less difficult to make ownership changes, and that makes it easier for applicants to begin operating before the final approval of changes in ownership and financial interest changes have taken place. Another thing we have done is added some temporary staff to help with the backlog.

Those are priorities for us going into 2021. In the second quarter of 2021 and beyond, we

can assess the efficacy of those changes and then see where else we can do some trimming.

MV: What lessons has the OLCC learned since the launch of recreational sales?

MP: Be ready to pivot like a bobble-head. I say that because we started issuing licenses four-and-a-half years ago and there were just three other legal states (Alaska, Colorado and Washington). In a very short period of time, a lot of things have changed.

A sort of obvious lesson for us and for new states that are entering cannabis is underestimating the degree of interest as reflected in our license numbers. We didn't staff up with enough employees to support the program; we staffed up with numbers that were reflective of the best-case projections. In that way, you could say we didn't know our market, but who could have at that time? Now I think late-entry states can benefit from the market analysis of states that have been up and running. We also know that the industry is entrepreneurial and that they are often pushing for change and innovation. It's not to test the boundaries of what is legal, but more to test the boundaries and see where the market could go, but oftentimes there is a lag between the innovation of industry and the regulation by the state.

What we learned is to share the information because every state is going to want to put its own imprints, and the citizens and the legislators are not going to want the same things. But at least by sharing that information it is helping the industry as a whole.

It's still a fast-moving industry. It's still entrepreneurial and innovative. I think the pandemic may have constrained some of that activity, but it hasn't curtailed and in a post-pandemic operating environment a lot of that will be unleashed.

"It's still a fast-moving industry. It's still entrepreneurial and innovative. I think the pandemic may have constrained some of that activity, but it hasn't curtailed."

OREGON: AT A GLANCE



5 MOST POPULATED COUNTIES

1. Multnomah

Population: 790,670 | Largest City: Portland
Cannabis sales per capita: \$33.03

2. Washington

Population: 583,595 | Largest City: Hillsboro
Cannabis sales per capita: \$14.83

3. Clackamas

Population: 404,980 | Largest City: Lake Oswego
Cannabis sales per capita: \$11.25

4. Lane

Population: 365,940 | Largest City: Eugene
Cannabis sales per capita: \$22.99

5. Marion

Population: 333,950 | Largest City: Salem
Cannabis sales per capita: \$18.21

**Cannabis sales per capita are based on average monthly sales for FY2020.*

Population

4.2
MILLION

RANK: 13
Comparable to
Kentucky and Oklahoma

Median Household Income

\$60,212

RANK: 21
Comparable to
Wyoming and Nebraska

Geographic Area

98,381
SQUARE
MILES

RANK: 9
Comparable to
Colorado and Wyoming

DID YOU KNOW?

The Tillamook Cheese Creamery produces **170,000 POUNDS** of cheese every day and it can age up to 50 million pounds of cheese at once.



Oregonians own **25%** of the U.S. llama population.

At **1,949 FEET**, Crater Lake is the deepest lake in the United States and the ninth deepest lake in the world.



Spanning **2.4 MILES**, the honey fungus on Oregon's Blue Mountains is widely considered to be the largest living organism on Earth.

Oregon has more than **200 GHOST TOWNS**, more than any other U.S. state, including the poorly named Idiotville.



OREGON: Natural Wonders



Oregon is a well-known destination for outdoor adventure seekers, boasting 361 state parks, 21 National Wildlife Refuges and 11 National Forests, though only one national park, Crater Lake.



24%

National Forests take up a full 24% of land in the state, second only to Idaho. The largest, the Wallowa-Whitman National Forest, located in the northeast corner of the state, covers 2.4 million acres, including 600,000 acres of designated wilderness.



7,913 feet

At 7,913 feet deep, Hells Canyon, located in the Wallowa-Whitman National Forest, is the deepest river-carved gorge in North America — nearly 2,000 feet deeper than the Grand Canyon.



40,000

The Thomas Condon Paleontology Center, located in the beautiful Painted Hills section of the John Day Fossil Beds National Monument in central Oregon, contains a collection of more than 40,000 fossils. The monument is one of the richest fossil sites in the world.



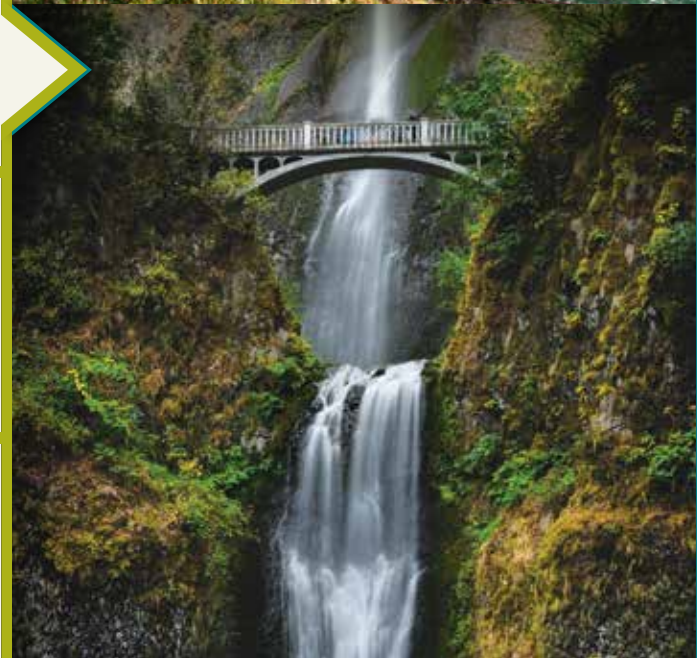
41 degrees

Inside the world-renowned Oregon Caves, located in the coastal Siskiyou Mountains, the temperature is a constant 41 degrees, so a coat is recommended if you plan to visit.



362

The 362-mile Oregon Coast includes numerous iconic cliffs, beaches and rock formations, such as the 235-foot Haystack Rock, seen in the 1985 movie “The Goonies,” set in Astoria.



OREGON: AT A GLANCE

CRATER LAKE »

American novelist Jack London described this beautiful volcanic formation best, stating: “Never again can I gaze upon the beauty spots of the Earth and enjoy them as being the finest thing I have ever seen. Crater Lake is above them all.” With a depth of 1,949 feet, it is the deepest lake in the United States.



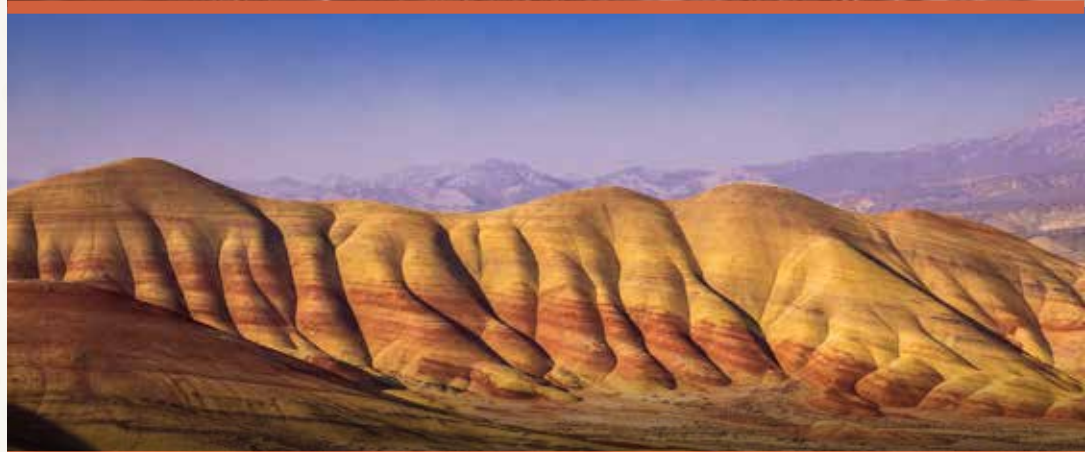
THOR'S WELL »

Researchers believe Thor's Well, off the coast in Yachats, was originally a sea cave that was pounded by waves until the roof collapsed and left what appears to be an ominous hole in the ocean.



PAINTED HILLS »

Much like the rings of a tree, the colorful layers of these hills in Mitchell catalog the region's past geologic eras dating back to when it was an ancient floodplain.



NESKOWIN GHOST FOREST »

This secret, 2,000-year-old forest hidden for centuries within the sand banks along Cannon Beach was revealed after winter storms in '97 and '98 blasted the coastline.





Rooted Coast Cannabis

We opened Rooted Coast Cannabis to bring high-quality cannabis products to the Oregon Coast. At Rooted Coast Cannabis, we love and respect the cannabis plant. After years of doctors and pharmaceuticals taking away my husband's quality of life, we discovered cannabis isn't just a recreational drug, it's the most healthful plant on the planet to our bodies. Cannabis acts as a medicine to so many diseases and ailments because it is a plant that gives our body what it needs to function in a balanced, healthy way. When we balance our bodies, we see many common conditions fade away.

We lived in an illegal state and both received felony charges for possession of marijuana, so when we lost our house to foreclosure due to medical debt, we moved with our four kids to Oregon. I wanted to share this incredible plant with others, so I became a budtender at a dispensary. After seeing the lack of knowledge and quality at many of the dispensaries, we decided to open

a shop of our own to bring higher quality products and a place for knowledge to the coast. We wanted a shop with knowledgeable budtenders with a focus on quality. We wanted to give our customers a large selection of products and help them understand those products and why this plant is so amazing.

It took about a year and a half to get licensed and we spent every dollar we had to make it work. It was a lot of hard work scavenging supplies, building recovered redwood slab displays and getting everything together. We have been open for two years now and have become the shop where the locals go. Rooted Coast Cannabis was named Coos County's Best Dispensary, Best Customer Service, Best Employer and Best Business in Coos Bay. It feels good to help people understand this amazing plant and find healing through nature.

Find out more at RootedCoast.com.

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