

Katherine Douglas

Public Comment

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From: Sam Rodriguez <sam@goodfarmersgreatneighbors.com>
Sent: Monday, June 26, 2023 9:19 AM
To: sbcob
Cc: Sam Rodriguez
Subject: State of the Cannabis Economy in California
Attachments: California Cannabis Taxes Study News Release May 2022 (2) (1) (1) (1).pages

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Attention: Clerk of the Board

Please include the enclosed email and reports about the State of the Cannabis Economy in California and how the unlicensed, illegal operators are undermining the legal market and impacting licensed, legal operators, especially cultivators in rural counties.

Good Farmers Great Neighbors have always embraced the "best in class" standards in organic, sustainable cultivation and farming practices to conserve water with state of the art irrigation technology and adherence to environmental stewardship.

California, Rural Counties see fewer cannabis growers licensed

Nearly 20% of California cannabis growers' licenses have fallen off the map in a year, sounding alarm bells among stakeholders and sparking one North Coast senator to propose financial breaks for small growers.

Of the 8,380 active cultivation licenses recorded at the start of 2022, the state has lost 1,623 between then and now — 19.4%. That's the second-largest decline of any of the industry

categories, according to the California Department of Cannabis Control, **trailing only the cannabis testing labs renewal rate of 26%.**

According to a recent report from the Northern California data publishing firm Leafly, the wholesale value of cannabis plummeted from \$1.6 billion in 2021 to \$1 billion in 2022.

Many factors have made life more difficult for growers — **from regulatory hurdles and a plummeting wholesale price due to steep competition, accentuated by a thriving illicit market, and fewer places to sell a glut of product.**

from July 2021 to April 2023, according to the **California Department of Cannabis Control:**

- **Testing labs lost 35% of its licenses**
- **Distributors lost 14.6%**
- **Manufacturers lost 19.1%**
- **Retailers lost 11%**

California voters legalized adult recreational cannabis in 2016 with passage of Proposition 64, laying the groundwork for a multifaceted taxing mechanism over a year later that allows the state and local governments to collect.

Cannabis is taxed throughout the supply chain. And with only about a third of cities and counties labeling it legal and, with heavy competition — including those growing it illegally -- **the glut of available product has flooded the market, driving wholesale prices down.**

Tack on the weather, changing regulations and minimal or no profit, and some growers threw in the towel. Estimates from grower groups claim about half has fallowed their land to wait out the turbulence.

Over the past four years since the tax structure was enacted, the number of cannabis businesses “with seller’s permits” and “outstanding liabilities” has climbed, according to a **North Bay Business Journal public records request** to the **California Department of Tax and Finance.** That agency reported **813** companies were in arrears in **2022.** In **2019,** that number was **556.**

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Sam Rodriguez

Policy Director

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