



April 18, 2017

The Honorable Edmund "Jerry" Brown, Jr.
State Capitol Building, 1st Floor
Sacramento, CA 95814

Subject: Governor's Budget Trailer Bill Language - SUPPORT

Governor Brown,

We, the undersigned cannabis industry groups and allied organizations would like to voice our thank you and support of your proposed licensing model that allows cultivators and manufacturers to distribute their product to consumers. The goal of licensure should be to invite people out of unregulated markets. Incentivizing people to voluntarily transition to a regulated market is of critical importance. Restrictive regulations, that are exclusive rather than inclusive, will lead to unintended choke points and delays, thus encouraging diversion. Therefore, we support the proposed system that allows direct to consumer distribution as an option for cultivators and manufacturers.

Protecting small businesses. A mandatory independent distribution system for alcohol has favored large producers at the expense of small companies. While newer regulations are seeking a path for small producers to access consumers directly, the historic use of a mandatory independent distributor has resulted in the current wine industry breaking down like this: Of the approximately 675 wine distributors in the US, the top 3 (0.004%) comprise 54% of the market. Of the approximately 9,000 wineries in the US, the top 5 (0.001%) comprise 61% of the total wine market.

Preventing diversion. Modern technology allows for a more flexible distribution model while still retaining the ability to track and trace the product through the supply chain. Safety measures like Track-and-Trace software, GPS tracking, monitoring systems for vehicles, barcodes, and RFID tags should be leveraged to preserve supply chain integrity and consumer safety, and to prevent diversion.

Choices for patients. Allowing small businesses access to dispensaries encourages competition and results in dispensaries having a wider array of products on their shelves, and consequently increases choices for medical patients. Open--not mandatory-- distribution ensures healthy competition. The ability of beer manufacturers to hold a distribution license

has allowed for growth. Many of California's best known brewers do their own distributing; including Sierra Nevada, Stone Brewing, Hangar 1 and Anheuser-Busch. Like craft beer, cannabis distribution would benefit to include many licensed participants so that products can get to market quickly, especially given the vast distances that California operators span.

Ownership of the product. Manufacturers and cultivators with distribution licenses would be held to the same standards as other license holders. It's their name, brand, licensure, reputation, and livelihood at stake. Furthermore, the distributor makes their money on sales, not on quality. The distributor's brand name is not on the product, so they have very little risk if the product becomes of poor quality due to lax storage or handling standards while in their possession, etc.

We believe that allowing cultivators and manufacturers to hold distribution licenses is in the spirit of developing policies that will undo the illicit market rather than reinforce it, and provide opportunities for small producers to compete with larger players, allowing the flexibility to self distribute is crucial in reaching those goals. Thank you for your work on this issue.

Sincerely,



Amanda Reiman, PhD
Secretary, International Cannabis Farmer's Association

CC: Members of the Legislature



Kenny Morrison,
President, California Cannabis Manufacturer's Association

CC: Members of the Legislature