



8235 97th St S, Cottage Grove, MN 55016
gtigrows.com

Monday, April 8, 2024

The Honorable Lindsey Port

Via email: Sen.Lindsey.port@senate.mn

Dear Chair Wiklund, Senator Port, and members of the Senate Health and Human Services committee:

On behalf of Green Thumb Industries (GTI), formerly LeafLine Labs, I write today urging you to pass legislation that would establish a single supply chain for Minnesota's medical and adult-use cannabis programs, and fully integrate the experience and infrastructure of the existing medical cannabis licensees. We appreciate the groundwork laid for launching the adult-use program, and we implore you to enact policies that are conducive to the long-term viability of a combined medical and adult-use market and participating businesses.

Our investment and dedication to Minnesota's cannabis industry demonstrates our commitment to the state's overall cannabis framework. Since 2015, LeafLine, and now GTI, has worked in collaboration with the State and others to ensure the success of the medical program as it was established by the legislature. We serve over 45,000 Minnesota patients annually, providing safe and reliable medical cannabis products through a well-established distribution channel. With over \$45 million invested, we have built and operationalized a solid Minnesota-focused medical cannabis company, including a state-of-the-art Good Manufacturing Practices ("GMP") Certified¹ production facility, and have committed millions of dollars more to meet the demands of medical and adult-use consumers. Our commitment to Minnesota extends to hiring over 150 Minnesotans in union-represented positions, with an expected growth to over 400 employees when adult-use starts. As we advocate for legislative improvements such as those outlined in SF4782, HF4757 (introduced), HF4966, and SF4798, it is clear that the establishment of a single supply chain is necessary for: streamlining operations, supporting the success of new licenses, and improving accessibility and quality within the cannabis market.

I. A Single Supply Chain Benefits All Cannabis Industry Participants and Consumers.

Current law creates inefficiencies in Minnesota's nascent cannabis marketplace by distinguishing medical cannabis plants from adult-use at cultivation, setting up a dual supply chain market. This can be corrected by passing legislation that (1) recognizes the substantial similarity between medical and adult-use cannabis products, and (2) clarifies that no distinction should exist between medical and adult-use products until the point of purchase by a patient or consumer.

a. Critical for the Viability and Growth of a Nascent Market.

As a proven, well-regulated operator with a record of following state laws and regulations on security, diversion, and the development of safe, consistent products, we have the experience and capacity to provide much needed inventory to new dispensaries at the start of adult-use, enabling them to establish successful businesses. However, the current law's inefficiencies create significant barriers to providing readily available

¹ GMP Certification requires annual third-party auditing to ensure the highest safety and quality standards in manufacturing.

products, as buying and selling specific product inventories will be restricted to only adult-use or only medical cannabis markets. This restriction hampers the growth potential of new businesses and undermines the efficiency of the emerging cannabis market.

Enforcing a system of separate adult-use and medical cannabis plants at cultivation is likely to lead to oversupply in the medical market and shortages in the adult-use market. A lack of flexibility to direct cannabis product to the cannabis markets as demand dictates will have a lasting ripple effect on all licensees and will jeopardize the viability of operators just as the cannabis market is getting off the ground.

b. Provides Stability to Changing Medical Markets After Adult-Use Launches.

We have seen first-hand how medical markets decline after adult-use is implemented. Mandating a dual supply chain where licensees are forced to operate their business in a shrinking market will inhibit the viability of those operators. Specifically, this inefficiency ties our future operations to the medical program's growth, leading to limited invested growth and scaled-down operations, and eventually making continued operations financially unviable. This will be a direct blow to the forty-five thousand plus Minnesota patients, jeopardizing their access to lab-tested, consistent, high-quality medicine they have relied on for years. Additionally, this uncertainty affects the job security of our employees and their families, many of whom rely on their cannabis careers for their livelihoods.

In contrast, a single supply chain model is crucial for supporting job growth, ensuring maximum product availability for both medical patients and adult-use consumers, and increasing wholesale product availability for newly opening dispensaries. By enabling seamless access to cannabis products across medical and adult-use, a unified supply chain facilitates operational stability and supports the sustainable growth and long term-viability of the industry.

c. A National Standard.

Our research has shown that most operating adult-use and medical cannabis combination programs provide for a single supply chain or allow product flow between medical and adult-use inventories as needed (other than product lines specifically reserved for medical patients). These states include Alaska, Arizona, California, Connecticut*, Illinois, Massachusetts Maryland, Missouri, Montana, Michigan*, Nevada*, New Jersey, New Mexico*, New York, Oregon, Rhode Island, Vermont and Washington.² The most recent states to begin adult-use sales, Connecticut, Maryland, New Jersey, New York, and soon, Ohio, have all adopted some version of this single supply chain model.

d. Combating the Illicit Market and Promoting Public Health and Safety.

A viable regulated market needs to be available when adult-use sales are announced to reduce consumer confusion and reduce illicit sales of untested and unsafe products.³ For example, New York's failure to have a balanced approach of licensing existing

² (*) indicates that a state has separate product lines reserved for medical patients (generally those with higher potency, or higher dosages)

³ <https://www.forbes.com/sites/dariosabaghi/2022/12/07/marijuana-sold-in-new-yorks-unlicensed-businesses-contain-harmful-contaminants-report-finds> ("Analyzed by a third-party lab, the test results show that 40% of marijuana products contain harmful contaminants, including E. coli, pesticides, heavy metals, and salmonella.")

operators with new operators resulted in a proliferation of the illicit market. Since enactment in 2021, only 70 adult-use licensed dispensaries have opened to consumers⁴. Thousands of unlicensed cannabis dispensaries appeared across the state, with over 1,500 in New York City alone. The state was forced to add an additional \$16 million to its 2023-2024 budget just to combat sales by these unlicensed operations. Notably, New York only collected approximately \$16.3 million in tax revenue⁵ in its first year of adult-use sales⁶.

e. Medical Patients Will Remain a Priority.

A streamlined supply chain will still prioritize patients, as they are the backbone of any Minnesota cannabis program. GTI has a track record of successfully prioritizing patients in adult-use rollout. Examples include:

- higher dosed products reserved for medical patients
- increased purchase limits for medical patients
- medical patient “fast lanes” (curbside and/or in-store)
- medical cannabis supply preservation requirements for operators

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Thank you for allowing us to address these critical issues. We hope that an engaged dialogue will lead to an industry-leading and sustainable adult-use program.

Best Regards,

Tiffany Newbern-Johnson
Director of Government Affairs
Green Thumb Industries

⁴ <https://www.ourtownny.com/news/bud-snob-manhattan-snags-only-one-of-38-new-dispensary-licenses-handed-out-by-nys-MI3192428#:~:text=The%20governor's%20office%20proudly%20noted,York's%20cannabis%20industry%20in%202024> (“The state reportedly now has 70 adult-use dispensaries, whether delivery-only or storefront-oriented.”)

⁵ <https://cannabis.ny.gov/system/files/documents/2023/12/annual-report-2023-final.pdf> (“Nearly \$16.3 million in revenue in State Fiscal Year 2022-2023.”)

⁶ In comparison, Illinois received over \$216 million in state tax revenues in its first year of legalization; New Jersey received over \$20 million in state tax revenues; Colorado - a state with 30% of New York’s population- generated approximately \$70 million in tax revenue.