

California's legal cannabis industry needs 20/20 vision in 2020

By Michael Steinmetz

California cannabis can absolutely be a catalyst for social, environmental, medical and economic change, but that promise is growing increasingly fragile.

Just as no farmer would try to grow in contaminated soil without first remediating it, it is incumbent upon all of us, including our elected and appointed leaders in Sacramento, to commit to remedying the soil in which California's cannabis industry is presently attempting to grow.

According to BDS Analytics and ArcView Group, approximately \$1 billion dollars are spent on cannabis in California each month. The problem is, only ¼ of that is directed toward the legal market, and that number has been relatively flat for the past 18 months. No one who worked on or voted for Prop. 64 would say that less than half of total sales is success. The combination of overtaxation, overly-complicated regulations, and lack of dispensaries due to local moratoriums have created significant imbalance in the biggest legal marijuana industry in the world.

According to the LA Times, close to 80% of our state's jurisdictions have banned retail cannabis stores, effectively rolling out the red carpet to illicit retailers.

The alarm bell is ringing. The entire legal industry is contracting as evidenced by recent noteworthy lay-offs experienced by [Eaze](#), [Pax](#), [CannaCraft](#), [Grupo Flor](#), [Weedmaps](#), and many other private companies that have been silently conducting hiring freezes and discharges. Today, Flow Kana joins these leading brands as we announce a strategic workforce reduction. We too have had to make the difficult but necessary choice to better align our operations with the realities and size of the market and, moreover, to protect the backbone of our mission and model, California's independent heritage cannabis farmers.

Flow Kana sources cannabis from 200+ independent family farmers who have invested considerable time and resources in order to comply with California cannabis regulations. They have worked hard to earn their cultivation licenses, and they adhere to state regulations in every aspect of their businesses. All the while, their sustainable and regenerative growing practices have transformed California cannabis into a world renowned agricultural product. These farmers have dedicated their lives to pioneering our industry, sacrificing everything to make the expensive and arduous transition into the legal market after a multi-generational legacy of "traditional" cannabis farming. This leap of faith required that they become experts on regulatory compliance, reimagine their business models, and accept lower earnings. They've had to forfeit immediate financial stability in favor of long-term viability.

In this moment of crisis, we ask that their partner, the State, act with the long-term future of this industry in mind as well.

Many of our state legislators have done commendable work standing the basic framework of this industry up in 2015, and others educating themselves on the unique needs of cannabis companies since. We applaud them as well as the farmers, producers, and retailers who have put in the time to teach our lawmakers about what we do. That was a great start. Now, as we approach 2020, we need to take our efforts a step further in the name of building a thriving California cannabis community that is sustainable in every sense of the word. That is afterall, the California way.

Every legal operator is looking to state leadership to join us in effecting solutions and making 2020 the year of perfect vision for California's cannabis industry. In brief, here are our immediate recommendations:

- We respectfully demand a wider (and easier) path for illicit retail operators to join us in compliance. Rather than spend time and resources punishing these businesses, help us bring them into the market so that we can all thrive together.
- We ask that the Bureau of Cannabis Control be elevated to a Department-level agency reporting directly to the Governor. With direct interface with our business-minded Governor the cannabis industry should benefit from his acumen.
- We ask elected officials to ease the heavy state tax burden which makes licensed retailers non-competitive with the illicit market. As a model, we ask the state to look to the craft beer industry and help us create a tax structure based on measured output and production so that smaller businesses labor under a lower rate.

California cannabis is here for good, and so are we. From farmers to dispensary owners — California's cannabis industry is working to ensure that our golden state can demonstrate the extraordinary medicinal, social, and agricultural benefits that this plant promises and in doing so contribute the jobs, tax revenue, and business fundamentals of a promising growth industry.

Let's make the New Year one of fruition in the which the extraordinary promise of California's legal cannabis industry begins to flower.