

# Ensuring a Sustainable Cannabis Market and Protecting Patient Access

## Support Supply Chain Unification to Stabilize Minnesota's Cannabis Market

### Minnesota's Cannabis Market is at Risk

Minnesota's current dual supply chain for medical and adult-use cannabis is creating significant instability and putting the state's medical cannabis program at risk. State law requires medical and adult-use cannabis to be cultivated and tracked separately, even though there is **no biological difference** between medical and adult-use cannabis plants.

This is due to the **canopy ratio**, which limits how much adult-use cannabis a medical cannabis combination business operator can cultivate based on the previous year's medical cannabis sales. This artificial restriction creates operational inefficiencies and financial instability by:

- **Forcing all cannabis businesses to maintain separate cultivation and production operations** for identical products.
- **Increasing production costs**, which are passed down to patients and consumers in the form of higher prices and fewer product options.
- **Making it financially unfeasible for smaller businesses** to enter the medical market, reinforcing a system where only large operators can afford to remain active.
- **Threatening job security** for cannabis industry workers due to market instability and reduced production capacity.

Without action, Minnesota's medical cannabis market will continue to shrink, leaving patients with fewer choices and higher costs while undercutting the long-term viability of the industry.

### The Problem With a Dual Supply Chain:

Mandating separate supply chains for medical and adult-use cannabis creates significant financial and operational challenges:

- **Higher costs** - Maintaining two separate supply chains increases compliance costs, which are passed down to patients and consumers.
- **Oversupply in the medical market** - If medical operators are required to produce more than patients demand, businesses will be forced to cut back or leave the market.
- **Lack of flexibility to address medical market needs** - with a bifurcated supply chain, adult use cannabis cannot be sold as medical cannabis in a medical supply shortage.
- **Under supply in the adult-use market** - Newly licensed businesses will struggle to compete with the illicit market if the supply chain remains fragmented and production capacity remains artificially restricted.
- **Threat to union jobs** - Reduced production capacity and market instability place cannabis industry jobs at risk, including those represented by UFCW Local 1189.
- **Limited business growth** - Operational inefficiencies and financial instability prevent businesses from expanding and reinvesting in the market.



## Protecting Medical Patients Must Be a Priority

Market stability is not just about business - it's about ensuring that medical cannabis patients have affordable, consistent access to the products they need.

Unifying the supply chain would protect patients by:

- **Ensuring medical-grade product availability** - higher dosage and potency products will remain available to medical patients.
- **Improving access to medical cannabis** - Unifying the supply chain will make it easier for new cannabis businesses of all sizes to serve the medical cannabis market, resulting in more patient centers and a wider variety of products.
- **Preserving medical patient benefits** - Medical patients will continue to have higher purchase limits, medical patient "fast lane" for in-store and curbside pickup, and medical supply preservation requirements for operators.
- **Eliminating the canopy ratio** - Removing the artificial cap on adult-use cultivation for medical operators will reduce costs, and ensure a more reliable supply of quality medical cannabis for patients.
- **Ensuring a stable and predictable supply** - A unified supply chain will allow businesses to adjust production based on the market demand, improving product consistency and availability for medical patients.

## Impact on Jobs and the Economy

Unifying the supply chain will stabilize and grow Minnesota's cannabis industry - creating new opportunities for businesses and workers alike:

- **Preserve existing jobs** - Ensuring financial stability for medical operators will prevent job losses in the medical sector.
- **Support new job growth** - Increasing production capacity and allowing new operators to enter the medical market will create new employment opportunities.
- **Protect union jobs** - All current medical cannabis retail and production facilities in Minnesota operate under a Labor Peace Agreement with UFCW Local 1189. LeafLine Labs LLC currently employs over 280 Minnesotans that depend on their careers for their livelihood. Supply chain unification will create additional employment and growth opportunities for all industry operators.
- **Reinforce the supply chain** - Creating an open wholesome market via unification of supply chain will give cannabis businesses of all sizes more options for their inventory.
- **Encourage industry collaboration** - By removing the bifurcated supply chain, cannabis businesses can collaborate on products and offerings in ways they cannot under current regulations.



# Lessons from Other States

Other states have already faced this challenge. States that adopted a unified supply chain have seen greater market stability, lower patient costs, and improved access. States that failed to integrate supply chains have experienced market instability, rising prices, and reduced patient participation.

## Single Supply Chain Successes

- **Illinois, Michigan, Colorado, and Arizona** - Each of these states moved to a unified supply chain to stabilize the market and improve patient access.
- **California and Nevada** - Supply chain unification has increased competition and reduced product costs without compromising medical patient protections.

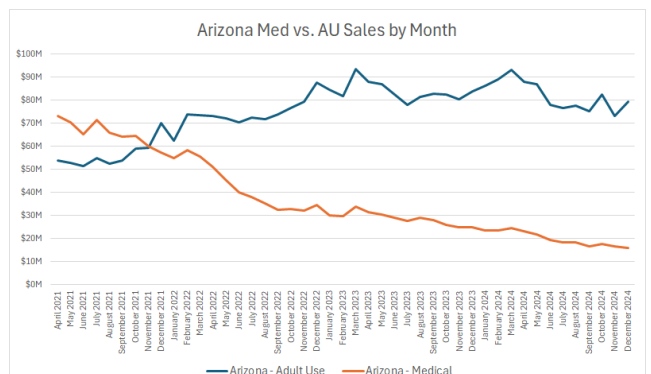
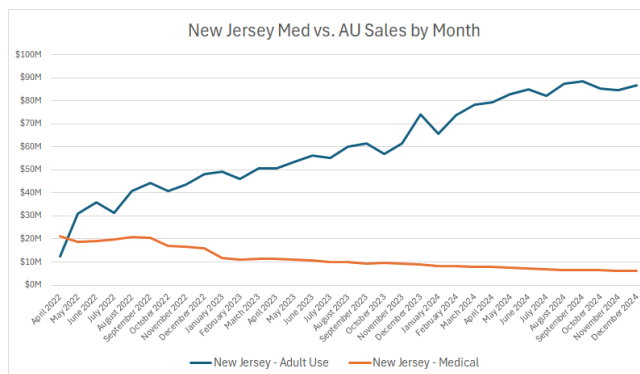
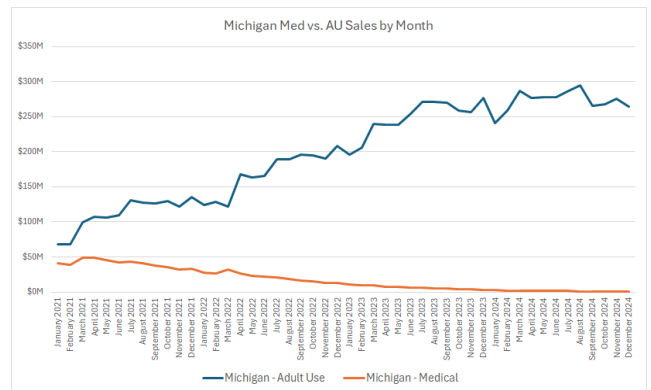
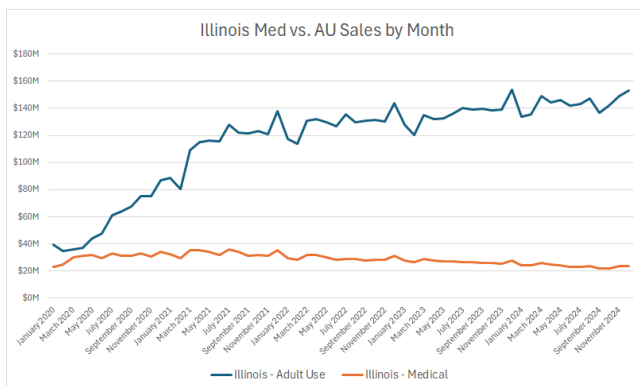
## Dual Supply Chain Failure

- **Maine** - As the only state maintaining a separate supply chain with no ability to transfer products between medical and adult-use markets, Maine has experienced an oversupply in the adult-use market and unstable pricing in the medical market. Additionally, with no medical testing standards, 42% of Maine's medical products would fail their adult-use testing standards.

## Medical Remains Important Though Smaller After Adult-Use

- **Colorado** - Medical sales dropped 44% from June 2021 (\$34.5 million) to June 2022 (\$19.1 million).
- **Arizona** - Medical sales peaked at \$73.4 million in April 2021; by July 2023, medical sales were down to \$26.1 million.
- **Maryland** - Total medical revenue declined by \$50 million from 2021 to 2022.
- **Illinois** - Medical program participation declined after adult-use legalization, leading to fewer medical product options and higher prices.

Minnesota has an opportunity to **learn from these examples** and prevent similar failures.



## A Unified Supply Chain Stabilizes the Market

Nearly every state with a legal adult-use cannabis market has adopted a single supply chain model because it creates a more stable, competitive, and sustainable market.

Unifying Minnesota's cannabis supply would:

- ✓ **Reduce production costs** - Eliminating the need to maintain separate supply chains will lower compliance and production costs, which can be passed down to patients and consumers.
- ✓ **Encourage competition and business growth** - Allowing medical operators to scale production based on market demand will increase competition and drive down costs.
- ✓ **Ensure product availability** - Medical patients will have access to the same broad product selection as adult-use consumers while maintaining higher potency and dosage options for medical needs.
- ✓ **Combat the illicit market** - Increased product availability and lower prices will make it easier for licensed businesses to compete with the illicit market.
- ✓ **Protect and grow union jobs** - More stable production capacity and market growth will create new employment opportunities and preserve existing jobs within the cannabis sector.

## The Path Forward

Minnesota's medical cannabis program is at a critical turning point. Creating a unified supply chain and strengthening patient protections will:

- ✓ **Stabilize the market** and improve long-term financial sustainability.
- ✓ **Lower costs** for patients and increased product availability.
- ✓ **Encourage new business participation** and market competition.
- ✓ **Protect union jobs** and create new employment opportunities.
- ✓ **Ensure patients have consistent access** to the product they need.

The Legislature has the opportunity to protect Minnesota's medical cannabis program and support a stable, patient-focused, and competitive market. Now is the time to act.





April 2, 2025

House Commerce Finance and Policy

Dear Chair O'Driscoll, Chair Her, and Committee Members:

On behalf of Sota Cann, Minnesota's Cannabis Trade Association, I am writing to express our opposition to HF2426, which would radically change the operational parameters of the Medical Combination Business license.

As it currently stands, the Medical Combination Business license is the largest vertically integrated cannabis business license available under Minnesota state law: it allows for up to 8 retail locations and a cultivation canopy of up to 60,000 square feet of medical cannabis and up to 30,000 square feet of adult-use cannabis, for a possible allowed canopy of 90,000 square feet. Meanwhile, a Mezzo license allows only 15,000 square feet of canopy and three retail locations. The relative size of the Medical Combination Business license exists to accommodate the current operations of Minnesota's two medical cannabis companies and to ensure a supply of medical cannabis for patients. Under the statute, Medical Combination Business license holders may cultivate adult-use cannabis up to a square footage equal to one-half of the area the business used to cultivate cannabis sold in the medical market in the preceding year.

HF2426, as amended, modifies the Medical Combination Business license to allow license holders to cultivate up to 60,000 square feet of adult-use cannabis with only the most minimal requirements to service the medical market. This would have the effect of giving a massive advantage to the existing medical cannabis companies. In a time before any other operators would have a chance to enter the market, those two companies would enjoy control of the vast majority of the adult-use cannabis cultivation and would naturally reap the financial windfall that goes along with that position.

It should be noted that the existing medical cannabis companies are already well-positioned to benefit enormously from the issuance of cannabis business licenses. The moment that licenses are issued, they will be able to perform the calculation mentioned above and be able to rapidly enter the adult-use market at a substantial, and highly lucrative level.

To be clear, Sota Cann does not oppose the existing medical companies entering the adult-use cannabis market. Quite the contrary: Sota Cann believes that medical cannabis companies should be a part of that market. If modifications to the statute are needed to expedite the calculation of adult-use cultivation that is allowable to holders of a Medical Combination Business license, allow



515 N Washington Ave  
Suite 250  
Minneapolis, MN 55401

sotacann.org  
(xxx)-xxx-xxxx  
insertemail@.org

the wholesaling of medical cannabis to other retailers, or any other reasonable accommodations to make those businesses more viable, those modifications should be made.

But making changes to the statute will only benefit existing companies and tilt the playing field away from the social equity applicants and other prospective cannabis business operators that will have no opportunity to pursue the business model allowed by HF2426 (it should be noted that the application window for cannabis business license has already closed) is fundamentally unfair and runs counter to the cannabis industry envisioned when HF100 was passed in 2023.

We appreciate the outreach from the bill author and are willing to continue to work with him and other stakeholders to find a solution to this perceived problem. However, given the lack of substantive discussion as to the feasibility and fairness of the changes proposed by HF2426, even as amended, we would ask committee members not to support this bill.

Sincerely,

A handwritten signature in cursive script that reads "Fatima Moore".

Fatima Moore  
Executive Director  
Sota Cann



# TEAMSTERS

## Joint Council 32

TOM ERICKSON  
President

MINNESOTA · IOWA  
NORTH DAKOTA · SOUTH DAKOTA

BRIAN ALDES  
Secretary-Treasurer

April 2, 2025

House Commerce Finance and Policy

Dear Chair O'Driscoll, Chair Her, and Committee Members:

On behalf of Teamsters Joint Council 32, I am writing to express our opposition to HF2426, which would dramatically change the operational parameters of the Medical Combination Business license.

The framework established under HF100 created a structured path for the transition from a medical-only market to a broader adult-use system, ensuring medical cannabis operators could participate while maintaining some balance for new businesses. HF2426 threatens to disrupt that balance by removing key guardrails that prevent a few companies from dominating the market before it has a chance to develop fairly.

Currently, Medical Combination Business license holders can expand into adult-use cultivation, but their growth is tied to the scale of their medical operations. This connection was intentional—it ensures continued medical supply while keeping the door open for new market entrants. HF2426 would break that connection, allowing these companies to cultivate adult-use cannabis regardless of their medical footprint. The result is an even greater advantage for the state's two existing medical cannabis companies at the expense of independent businesses and social equity applicants who have yet to establish themselves.

The issue is not whether medical cannabis companies should participate in the adult-use market. The concern is that HF2426 accelerates their dominance without giving others a fair opportunity to compete. The existing rules, while not perfect, at least impose some limits to prevent a market monopoly. Eliminating those limits now would set the industry on an uneven course before it even fully launches.

We urge you to maintain the current licensing structure and reject HF2426. A strong and competitive cannabis market will only be possible if all participants, new and existing, have a fair shot at success.

Sincerely,

*Hannah Alstead*

Hannah Alstead  
Political Director  
Teamsters Joint Council 32

April 04, 2025

Hello Members of the Commerce Committee,

My name is Bryant Jones, I am a plant scientist and Governor Walz appointee on the Cannabis Advisory Council as the expert on Cannabis Cultivation

I am reaching out to express my concern about HF 2426 which is scheduled for a hearing in the Commerce Finance and Policy Committee this Wednesday: April 2nd. This bill, as introduced, would dramatically change Minnesota's new cannabis marketplace making it nearly impossible for a small business to compete.

This bill directly negatively impacts the small and medium businesses which are supposed to be supported by the OCM per regulations 342.02 Sub 1 reads "The Office of Cannabis Management must: promote a craft industry for cannabis flower and cannabis products". HF2426 would allow medical combination licenses most often sought after by large multistate operations (MSO) to operate at a scale that will inhibit micro and mezzo from long-term success.

HF 2426 allows for excessive flowering canopy space in excess of 10x in some cases while imposing higher costs of operations to smaller licenses by enforcing unnecessary transportation requirements on micro and mezzo businesses and allowing medical combination licensees to transport internally.

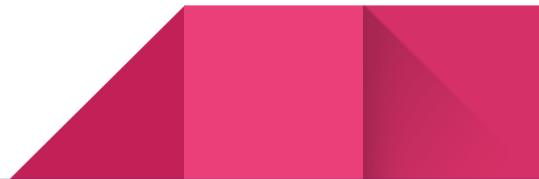
Additionally, if HF 2426 is passed this session it would become law in the middle of the first licensing round. The application deadline was March 16, 2025 and 3,529 prospective Minnesota cannabis operators examined all the license types and chose which type to apply for without knowing that a super license might become available. Only six businesses chose to apply for the medical combination business license. Not only is this incredibly unfair for all the applicants but this will surely lead to hundreds of lawsuits that will delay the market launch by many months and possibly even years.

Kind regards,



**Bryant Jones**

CAC Expert on Cannabis Cultivation



**Date:** April 1, 2025

Members of the Commerce Committee,

My name is Kari Taylor and I am the CEO of NativeCare, the Tribal Cannabis enterprise of the Red Lake Nation.

I am writing to you this morning to share my concern about HF 2426 which is scheduled for a hearing in the Commerce Finance and Policy Committee this Wednesday: April 2nd. This bill, as introduced, would dramatically change Minnesota's new cannabis marketplace, giving enormous competitive advantages to well-funded multi-state operators making it very difficult for others to compete.

In drafting HF 100, the Legislature created statutes allowing small and medium businesses the advantage of vertical integration, while limiting larger operations to a specific portions of the supply chain. For example, those seeking to hold a retailer license, could have 5 locations, but would be prohibited from holding additional licenses. Or, an entity cultivating 30,000 sqft of canopy could not open a retail store.

HF 2426 would negate the careful crafting of the statues, by granting medical cannabis companies with 8 retail locations already operating, the opportunity to write their own legislation and dominate the new cannabis marketplace before it has truly launched. This would allow the biggest players operating in the state the advantage of vertical integration, virtually unlimited canopy space (90,000 sqft + additional expansion as deemed necessary), and first entry to market. These companies already have the advantage of being well-funded and well-established in Minnesota, and could easily drive price in the new market - speeding market maturation, and making it more difficult for smaller businesses carrying debt to make ends meet.

As tribes, and prospective license holders are scrambling to find retail locations, get funding and obtain jurisdiction approvals, these medical companies could be serving recreational customers and acquiring the data they need to support their next expansion.

Removing the canopy restrictions combined with the advanced timing will exacerbate the concerns of giving the current medical groups an unfair market advantage. This would effectuate a monopoly for the current medical companies. This cannot go into effect immediately, if at all. The legislature must allow other businesses a fair chance to be issued licenses and open. This can be done with a trigger that allows the whole, or specific portions of this bill to happen only after at least 50% of the licenses issued have begun operations.

The window for licensing is already closed. By changing the rules now, this also provides an unfair advantage to the medical companies who will be given licenses that were not an option for other potential applicants. This goes against the entire spirit of the MN cannabis programs as currently designed.

This could result in potential lawsuits that would further slow the licensing process, leaving potential licensees further behind while the MSO's are capitalizing on their existing structure, and justifying their next expansion.

HF 2426 is subverting the rules of the adult use market in favor of the current medical licenses. This bill is designed to make the medical combination license the best adult use license that the

general population did not have an opportunity to apply for. This completely undermines the established statutes for the license categories, and limits access to uncapped monopolistic structures - allowing them to thrive.

Further, the amendment to section 342.515 subdivision 5 allows the MSO's the ability to import product from their out of state facilities, or other hemp providers and convert them to adult use products without limitations other than labeling requirements. Uncapped, this will allow for these operators to flood the market with products, as they are not limited in resources to do so as most other applicants are.

Ultimately, HF 2426 would allow the largest multi-state cannabis companies the ability to have a license that no one else can obtain and use their existing early market footprint and their structural scale advantage to bottom out prices and ensure that small cannabis businesses fail. It would be an example of what is wrong in politics, by allowing large corporations to write their own rules, establishing market dominance that leaves little room for the many Minnesotan's hoping to be a part of Minnesota cannabis. This would deprive Minnesotan's of investments, jobs, and create an unfair cost structure.

342.02 Sub 1 reads "The Office of Cannabis Management must: promote a craft industry for cannabis flower and cannabis products". HF 2426 would ensure this never becomes a reality. I ask that you ensure that HF 2426 is not included in the cannabis omnibus bill, and support the constituents of Minnesota by giving them a proper opportunity to be a part of this industry.

Thank you for your time, and consideration of this testimony.

Sincerely,

Kari J. Taylor