

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.

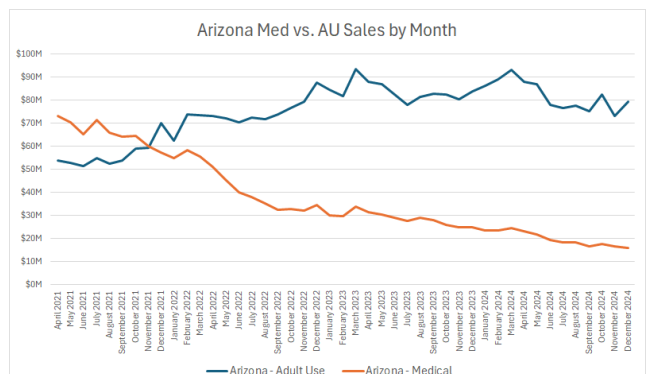
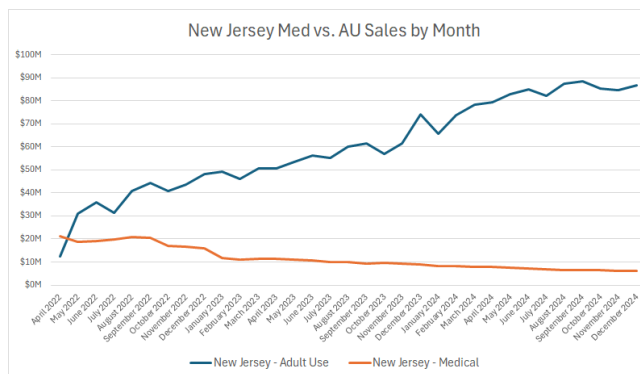
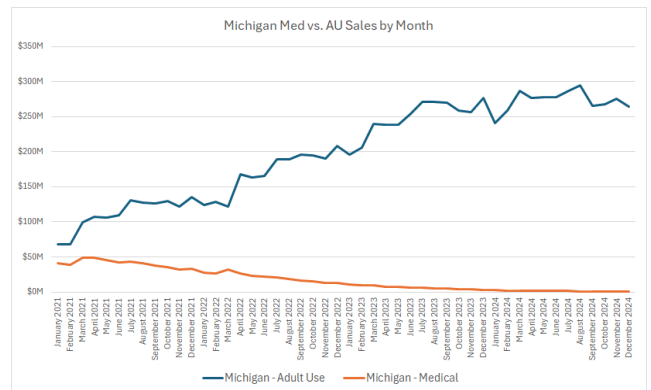
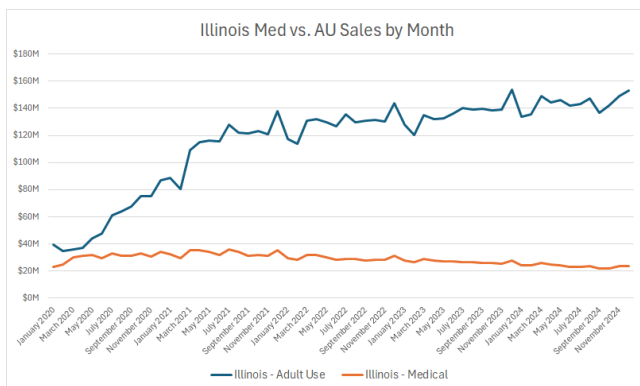
Dual Supply Chain Failure

- **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.

