



Cultivation License Moratorium Report

Presentation by: Cindy Miller, Senior Economic and Policy Analyst, Office of Cannabis Regulation

April 12, 2024

Pursuant to The Rhode Island Cannabis Act

R.I. Gen. Laws §21-28.11-7

▶ §21-28.11-7

(c) During the moratorium pursuant to this section, the commission, with the assistance of the advisory board, as required, shall submit a report to the general assembly which evaluates the cultivation of adult use and medical cannabis. The report shall consider factors, including, but not limited to:

- ▶ (1) Cultivation and production history;
- ▶ (2) Tax payment history;
- ▶ (3) Existing inventory and inventory history;
- ▶ (4) Sales contracts;
- ▶ (5) Current and future projected market conditions; and
- ▶ (6) Any other factors relevant to ensuring responsible cultivation, production, and inventory management for both medical and adult use cannabis.

▶ §21-28.11-8

(a) If the commission determines that the moratorium on issuing cultivator licenses is preventing an adequate supply of cannabis to fulfill the market demand pursuant to chapters 28.6 and 28.11 of this title, then the commission shall report the basis of the determination to the speaker of the house, the president of the senate and the governor.

(b) No later than May 1, 2024, the commission shall conduct and deliver to the governor, the speaker of the house and the president of the senate, a study relating to the impact of the moratorium imposed pursuant to § 21-28.11-7 on the availability of cannabis for medical marijuana and adult use sales, and the projected need for the issuance of additional cultivator licenses to satisfy projected market needs.

Key Findings

Existing licensed cultivators are currently and will continue to meet an increased demand for cannabis products based on this assessment

24% of the square footage currently licensed for cannabis cultivation and production is not being utilized.

While total retail sales grew by 24% during 2023, wholesale production increased by 584%.

Reserve bulk flower/trim, that has yet to be turned into a final packaged product, increased by 57% during 2023 with over 5 million grams remaining in cultivator's inventories.

Total Retail Sales appear to have leveled off around 9 million dollars during Q4 of 2023 and into Q1 of 2024.

Current State of Cultivation

License Class	Count of Licensees	Licensed Facility Size	Licensing Fee
Micro	15	0-2,500 Sq ft	\$5,000
A	25	2,501-5,000 Sq ft	\$20,000
B	25 (Including vertically integrated Compassion Centers)	5,001-10,000 Sq ft	\$35,000
C	0	10,001-15,000 Sq ft	\$50,000
D	0	15,001-20,000 Sq ft	\$80,000

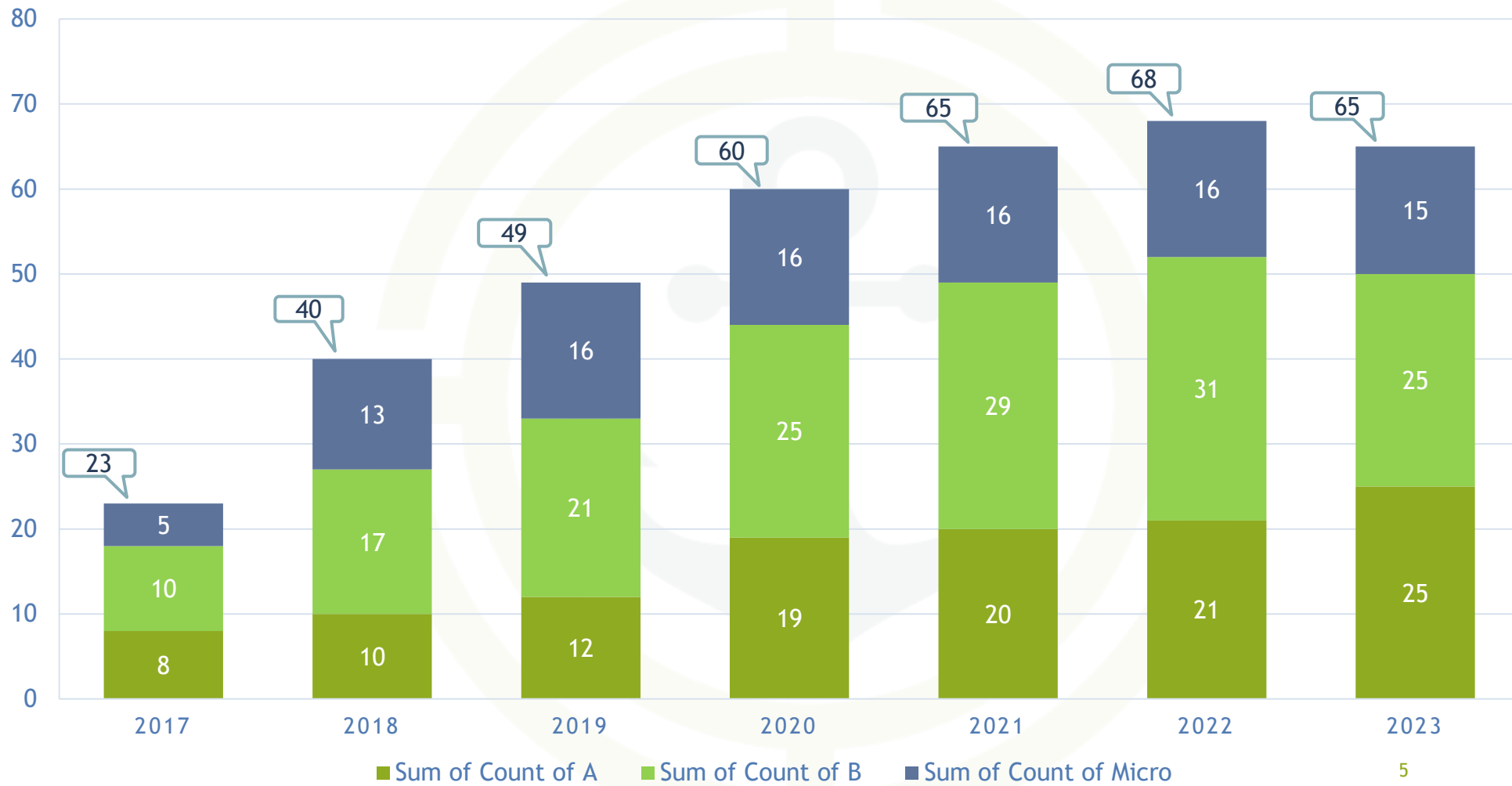
Vertically Integrated Compassion Centers are Licensees whose products are cultivated and processed by the Compassion Center selling the product.

There has only been one application period for Cultivators. The application period opened October 26, 2016 and closed April 30, 2017. The Department of Business Regulation received 117 total applications within that period.

In accordance with 230-RICR-80-05-1.3(D)(3) only Micro, Class A, and Class B applications were accepted. Unless DBR issues notice otherwise permitting new license applications, only Micro-license, Class A, and Class B applications will be accepted. An applicant who is considering eventually applying to operate a larger facility may detail any such plan on the application. A variance is required from OCR to expand into a larger class size.

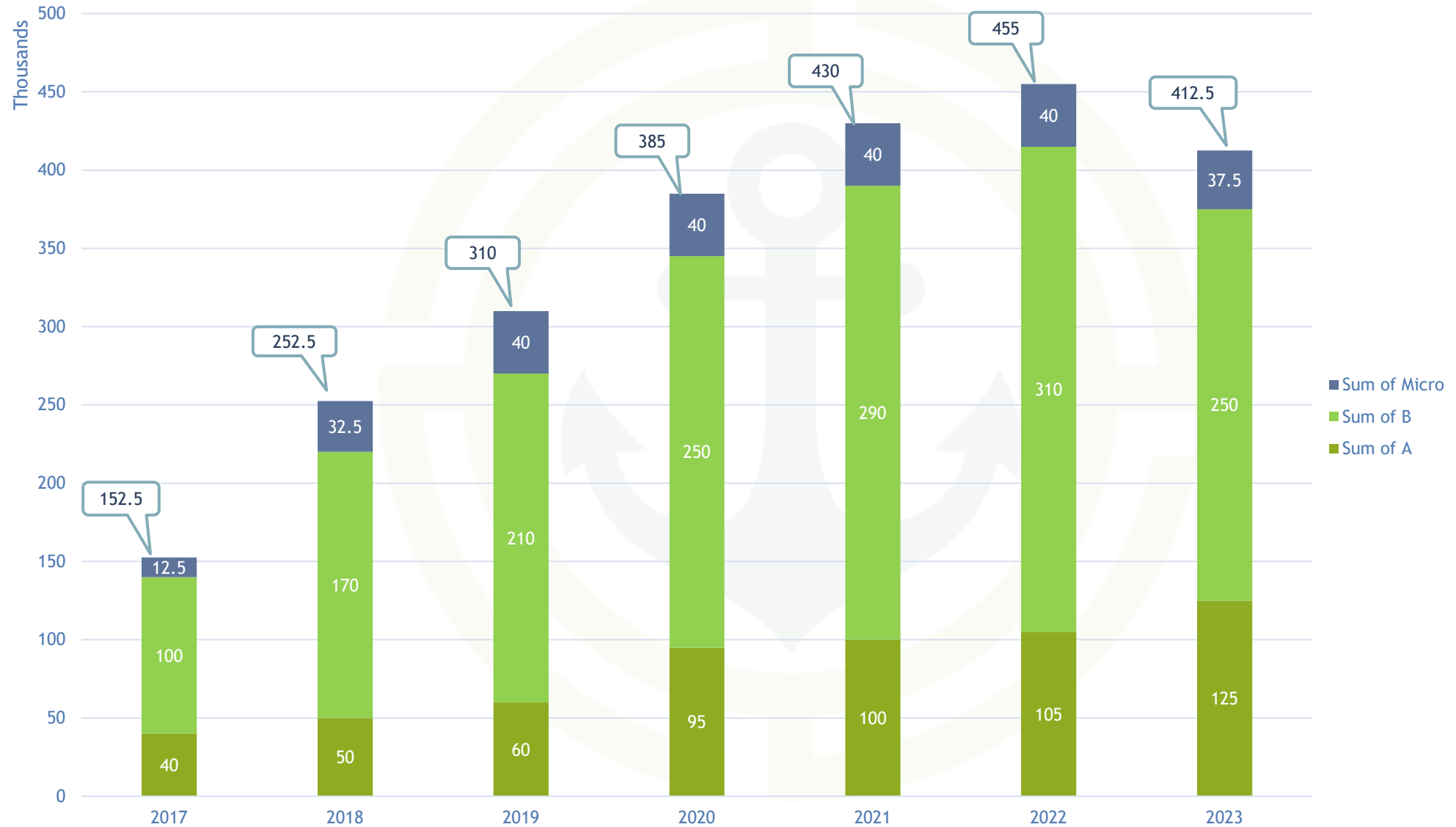
As of March 1, 2024, OCR has not approved any variance requests for increased facility size.

Total Active Cultivation Licenses Each Year

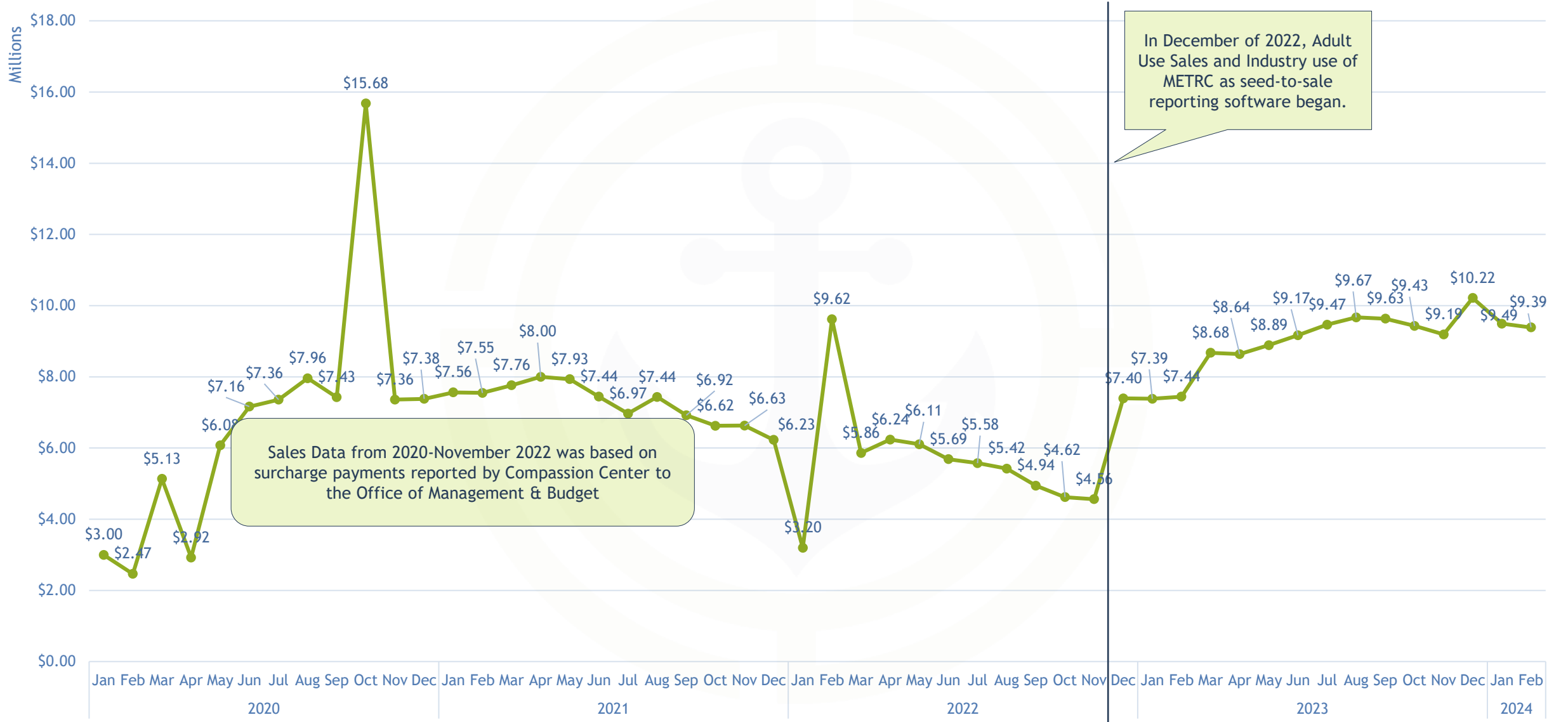


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Total Facility Square Footage by Year



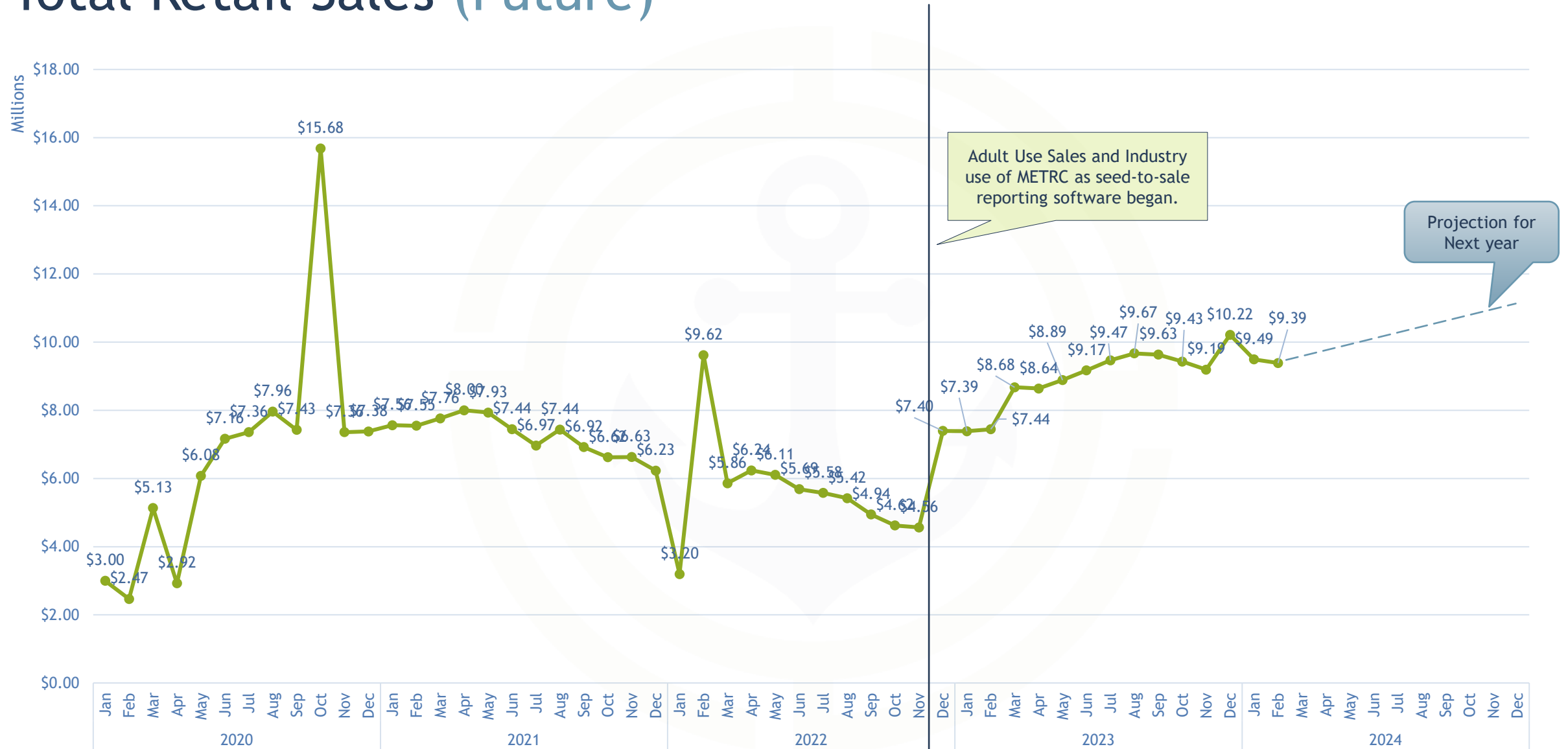
Total Retail Sales 2020-Present



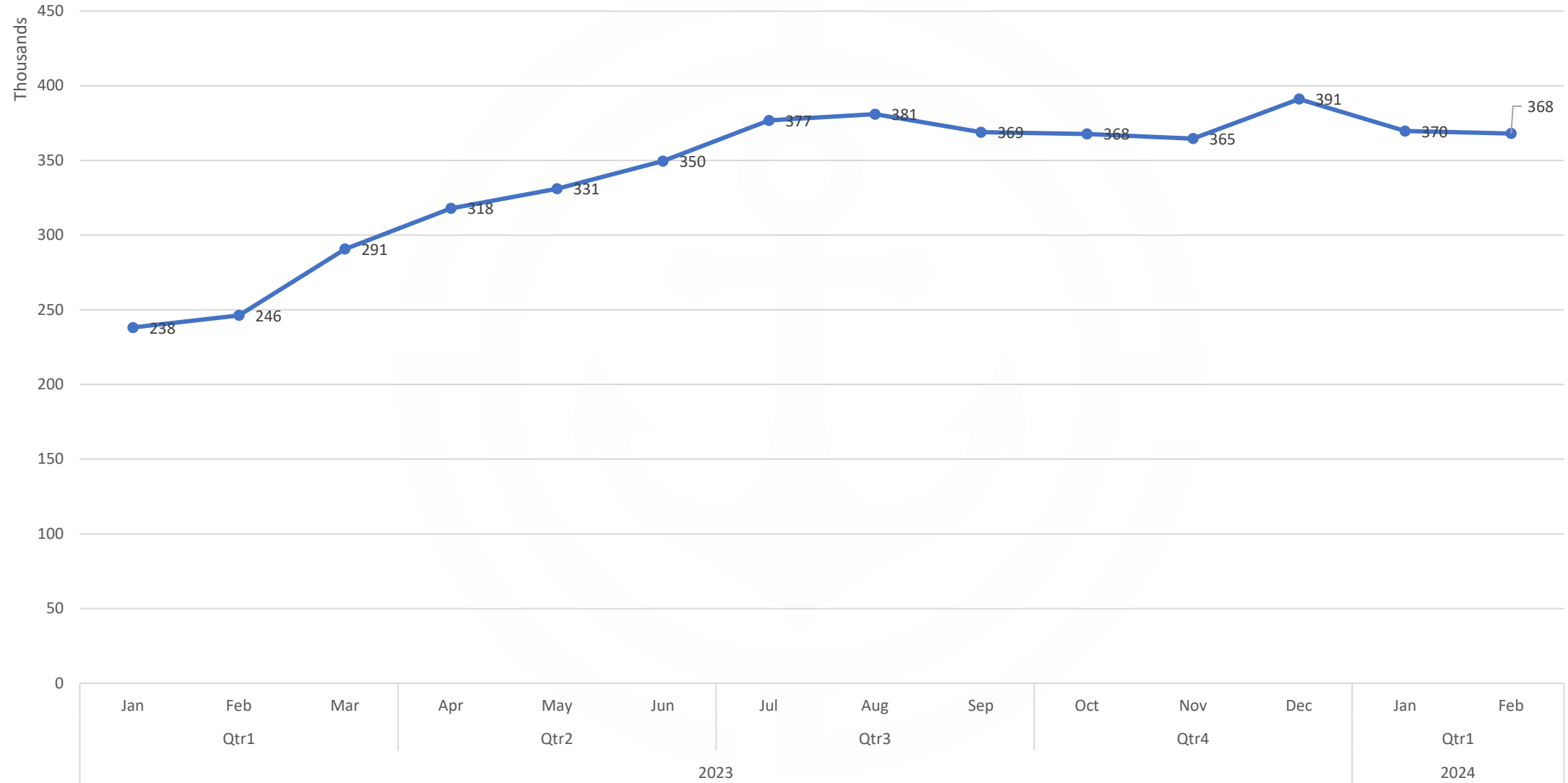
Sales Data from 2020-November 2022 was based on surcharge payments reported by Compassion Center to the Office of Management & Budget

In December of 2022, Adult Use Sales and Industry use of METRC as seed-to-sale reporting software began.

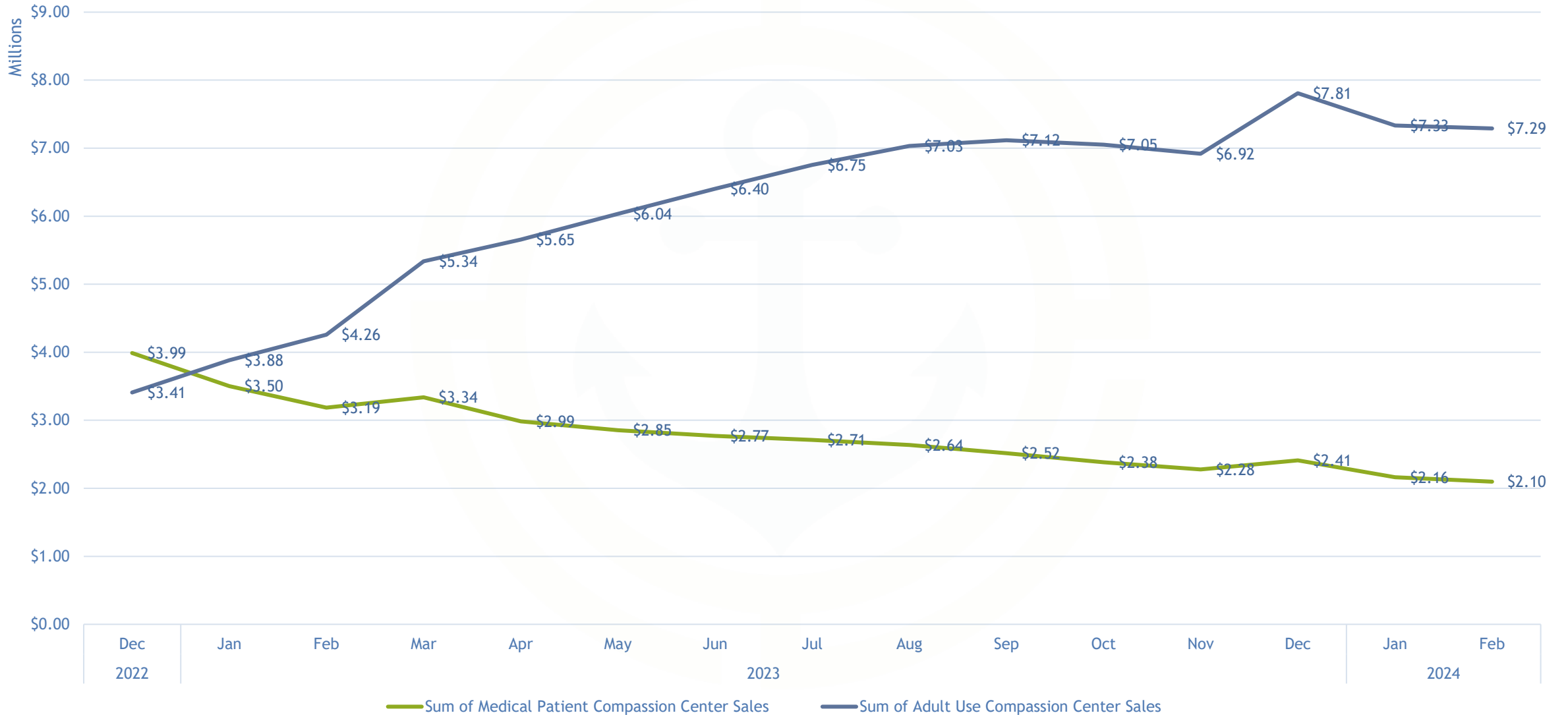
Total Retail Sales (Future)



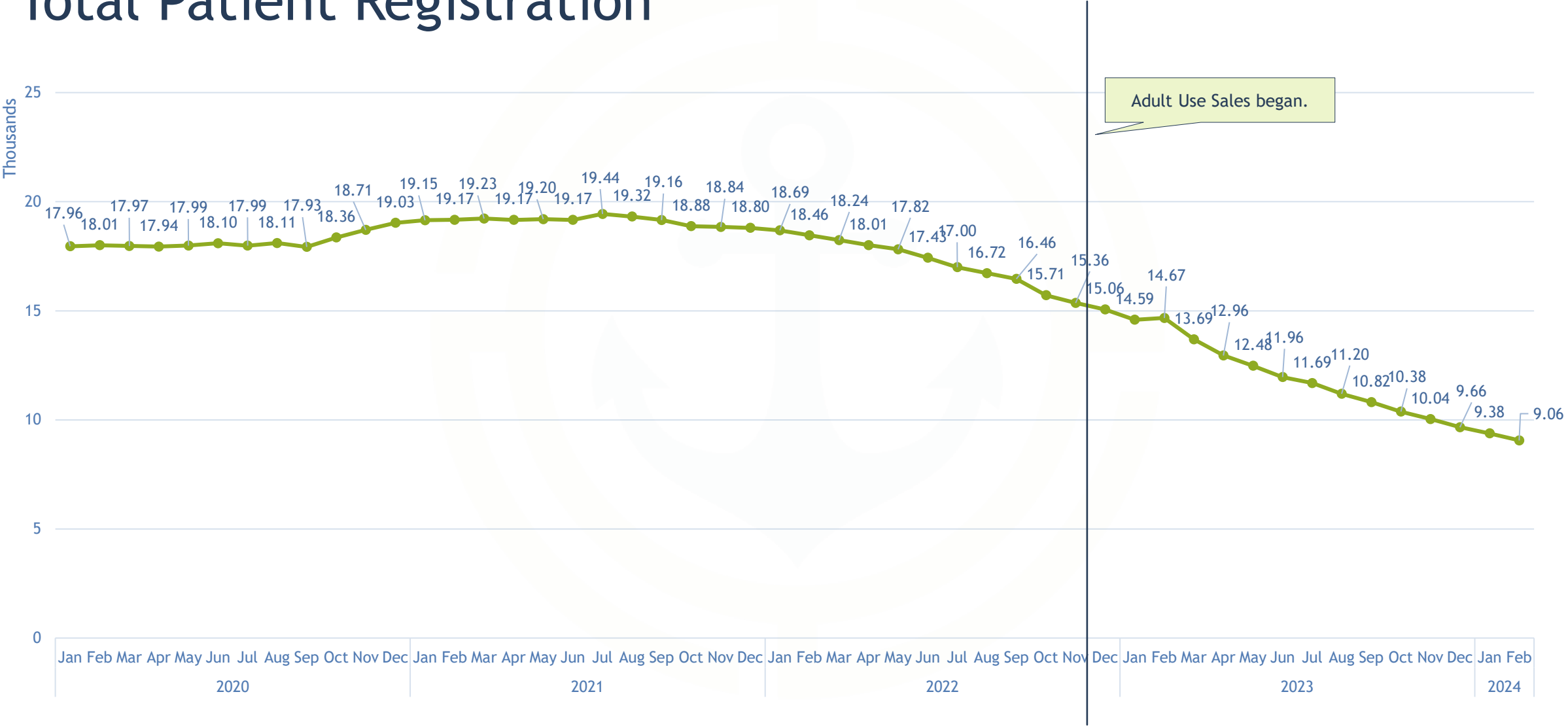
Count of Sales Transactions



Retail Sales divided by Adult Use and Medical Dec.'22-Present

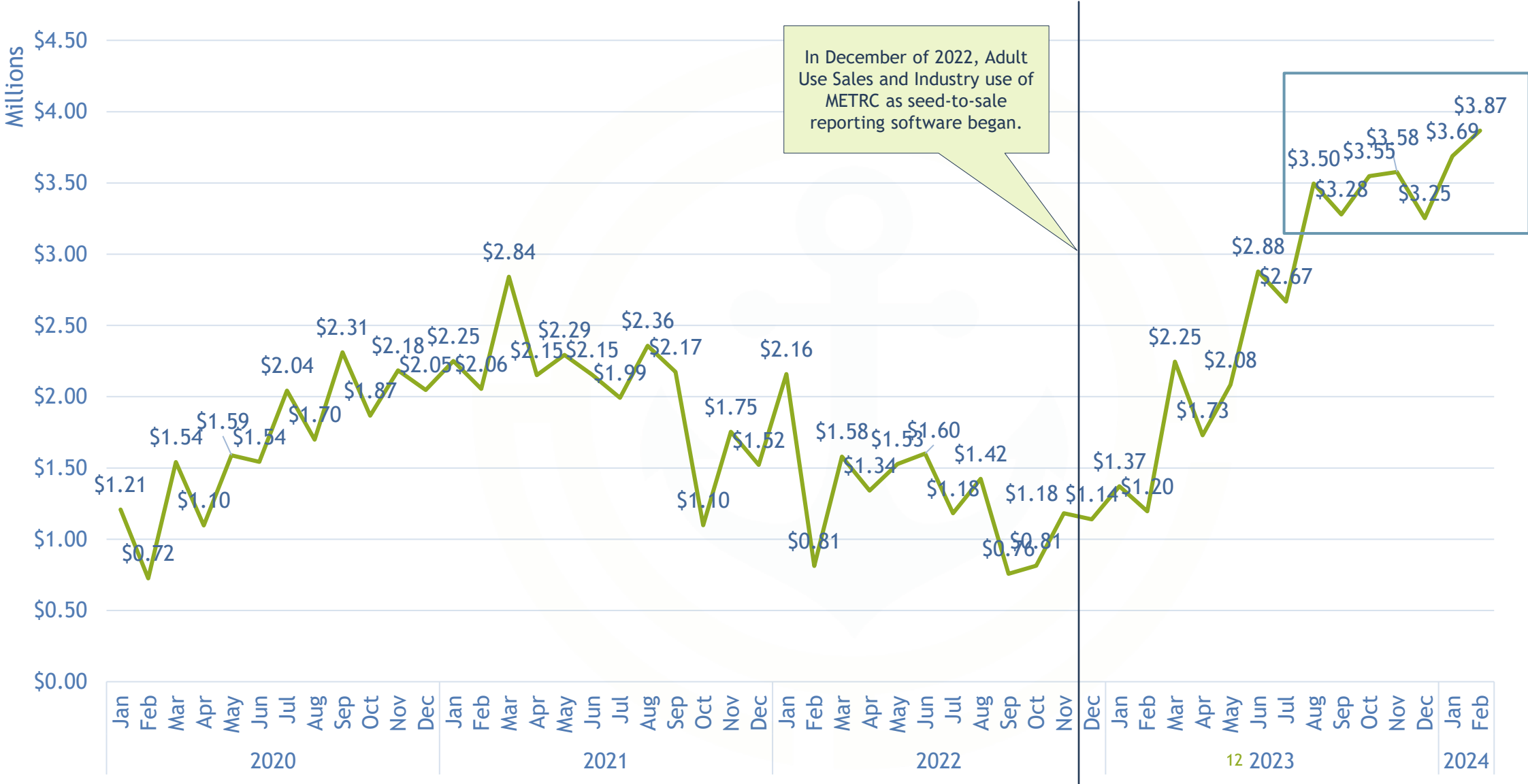


Total Patient Registration

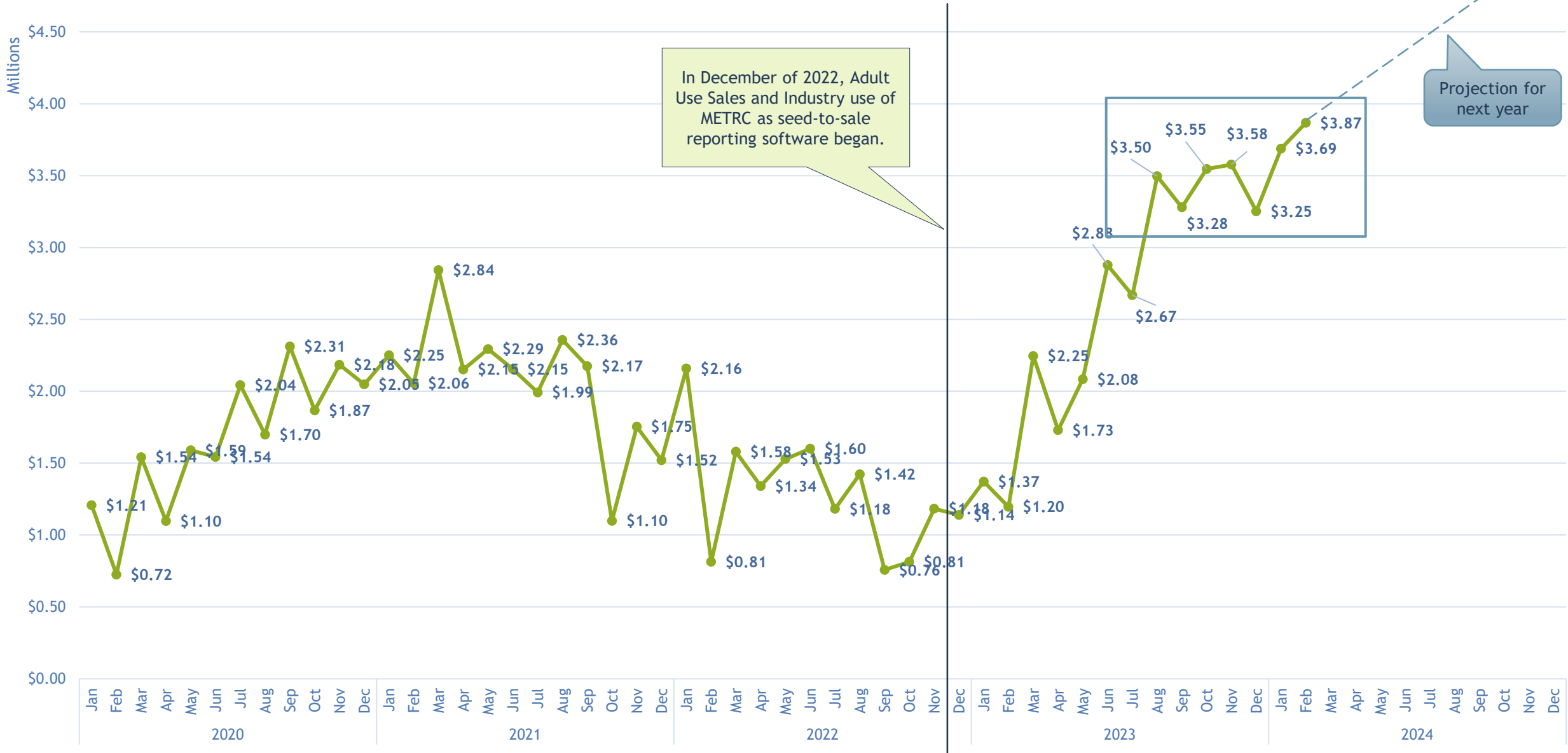


Adult Use Sales began.

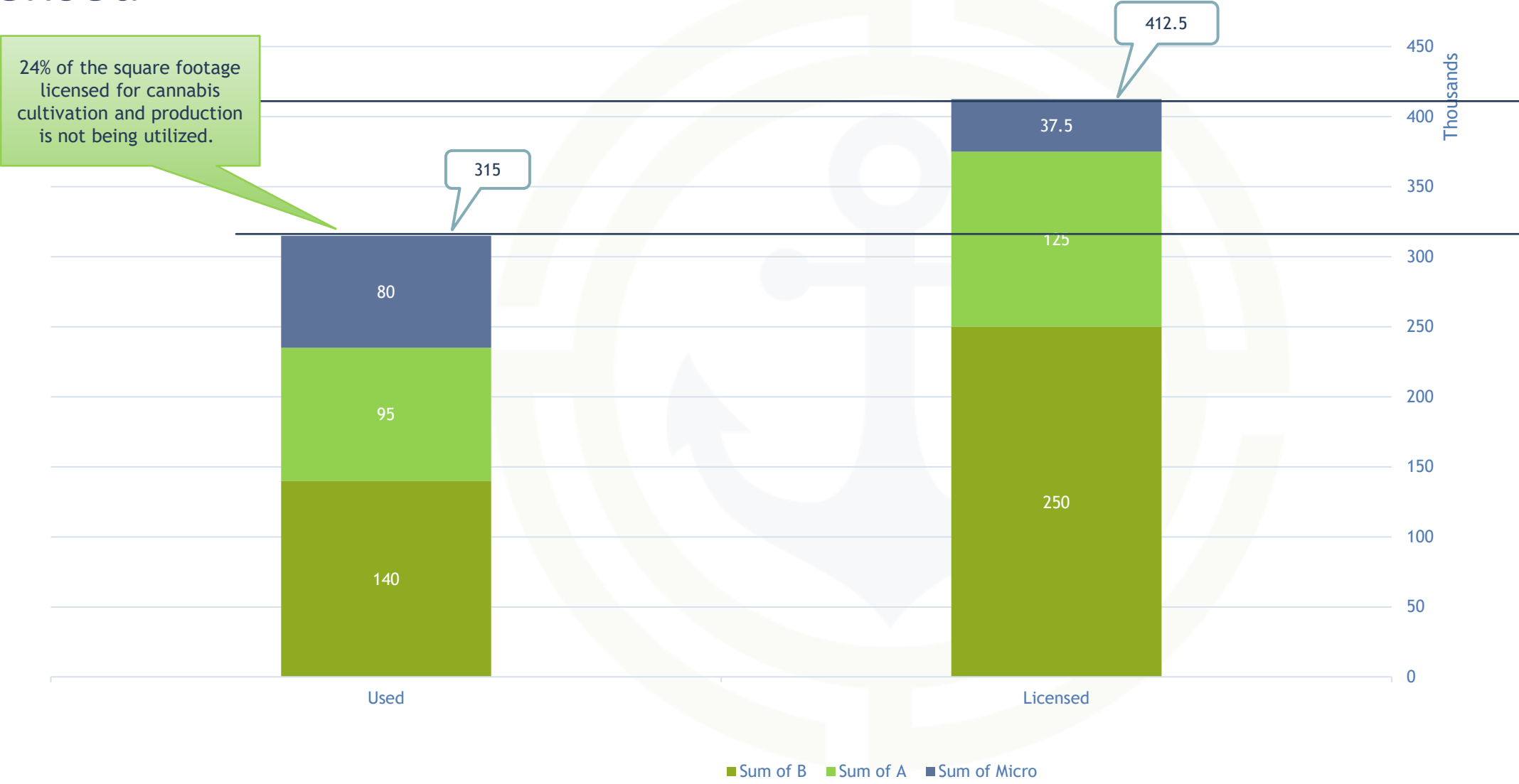
Cultivator to Compassion Center Wholesale



Cultivator to Compassion Center Wholesale (Future)



Facility Size Square Footage Used vs Facility Size Square Footage Licensed



* Used Canopy Space is based on OCR estimates, annual renewal submissions, and on-site inspections

Sales per Square Foot

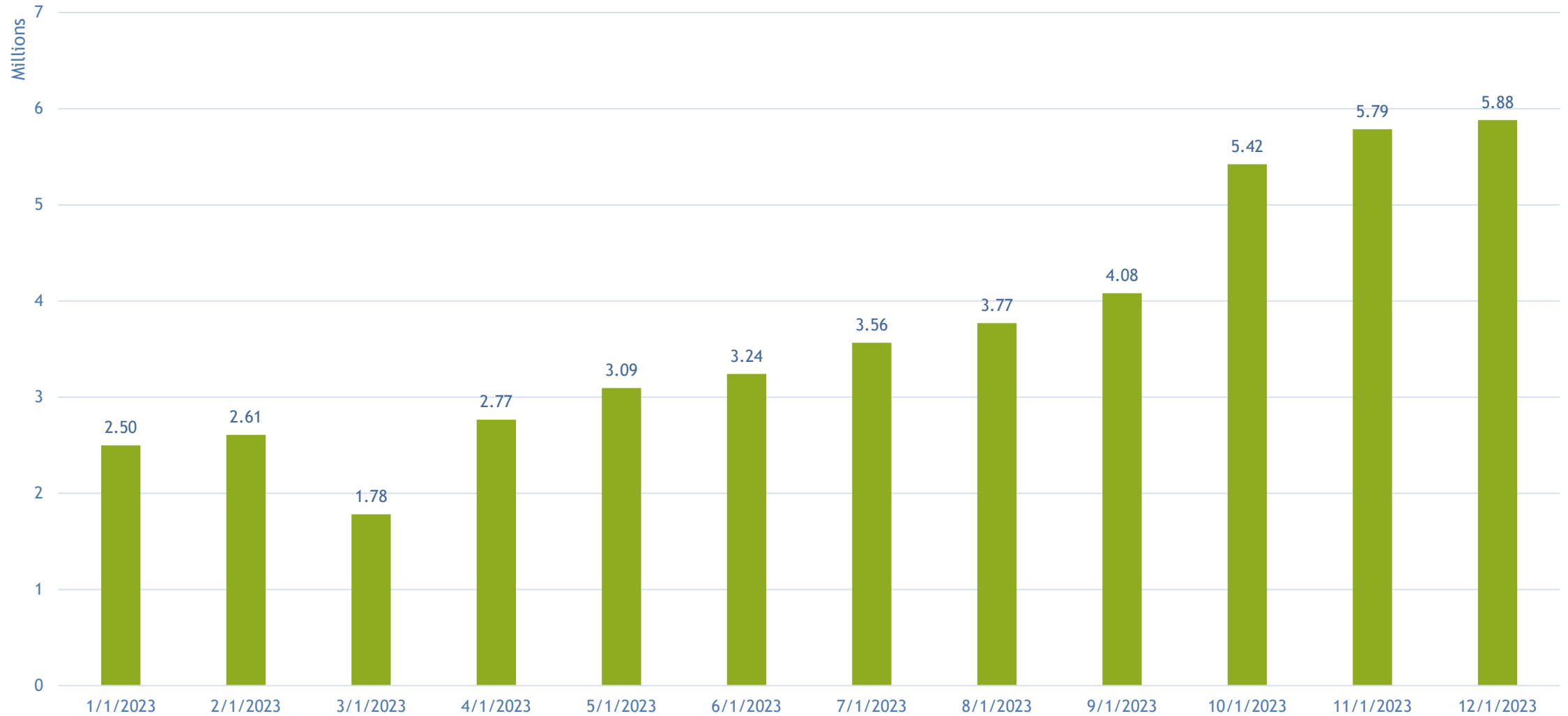
Retail Sales per Square Foot of Facility Size

Year	Canopy	Retail Sales (Total)	Retail Sales per Sq Ft
2020	385,000	\$79,932,175	\$207.62
2021	430,000	\$87,066,575	\$202.48
2022	455,000	\$69,231,439	\$152.16
2023	425,000	\$107,816,615	\$253.69

Cultivator to CC Sales per Square foot of Facility Size

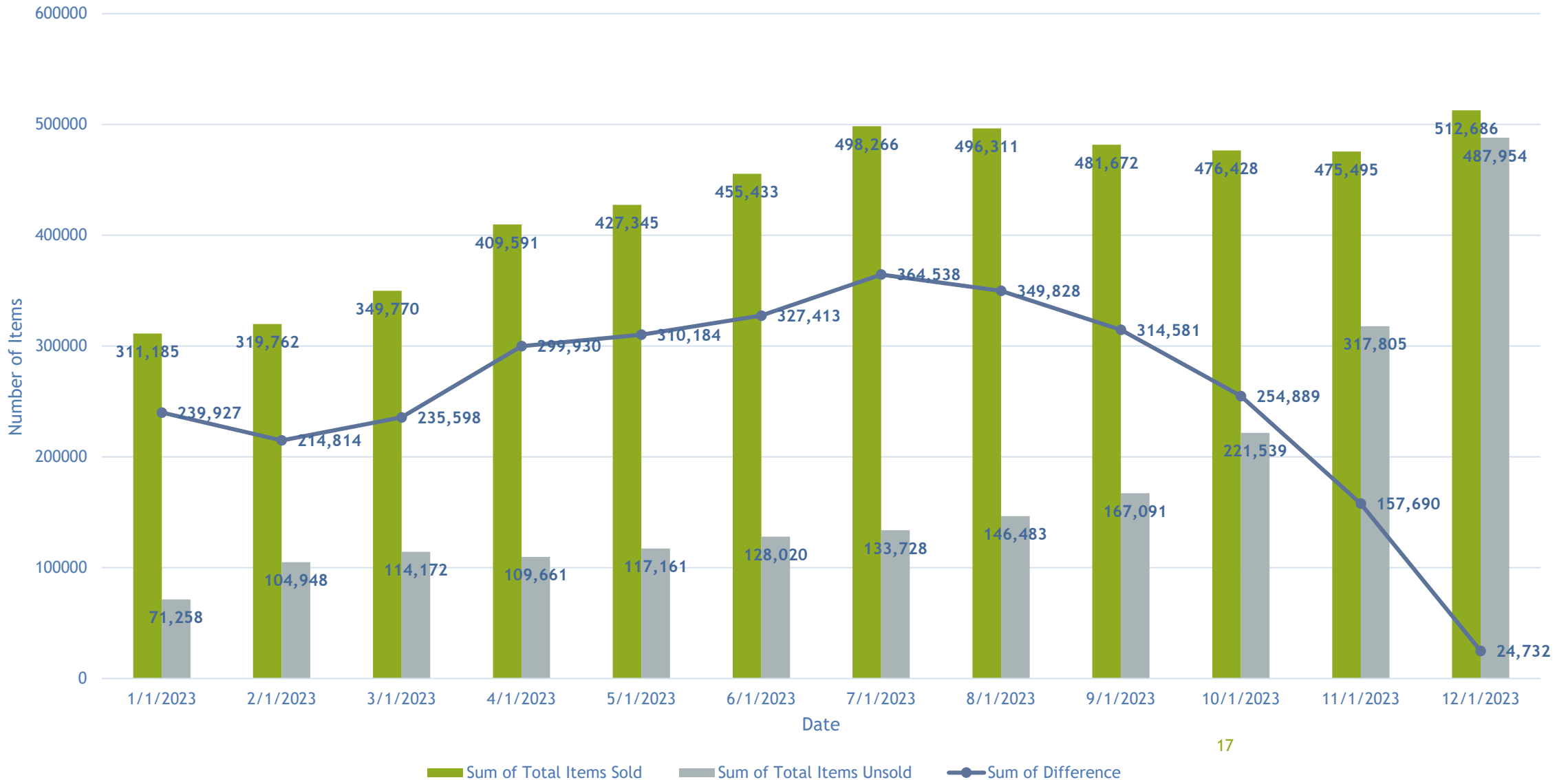
Year	Canopy	Cultivator Sales	Cultivator Sales per Sq Ft
2020	385,000	\$19,856,905	\$51.58
2021	430,000	\$24,643,340	\$57.31
2022	455,000	\$15,520,093	\$34.11
2023	425,000	\$31,324,612	\$73.70

Grams of Bulk Plant Material On Reserve throughout 2023



5.88 million grams = 12,963.18 pounds or 6.48 tons

Comparison Of Sold Final Packed Items v. Final Packed Items On Hand At End Of Month



Conclusions

Existing licensed cultivators are currently and will continue to meet an increased demand for cannabis products based on this assessment

There is 97,500 square feet of licensed facility space that can be leveraged for increased demand from future retail establishments

While total retail sales grew by 24% during 2023, wholesale production increased by 584%.

Increased production rates and remaining bulk/trim flower left in cultivator inventories indicate enough plant material to meet and exceed demand.

It is likely retail sales will continue a steady rate of growth as the industry continues to grow.

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