# Swedish Match

## Tobacco is brand addictive

Tobacco is brand addictive. I think this applies to addictive uppers generally.

If you offer an alcoholic beer, he is happy. If you offer him vodka, he is happy. If you offer him wine, he is happy. Alcoholics do not care about the form that their alcohol takes.

By contrast smokers are brand sensitive. If they smoke Camels, they want to continue to smoke Camels. They care that the flavour/feel of their brand sometimes changes from market to market.

Rats can be addicted to cocaine by mechanism of taking it – suggesting that uppers more generally can be made brand addictive. There is some brand swapping with tobacco, but relatively little compared to other consumer goods.

This is incredibly good for tobacco companies – and is the key to their super-normal profitability.

## Explaining tobacco margins

Stylised a cigarette is about $1 in Australia. 90 cents is tax. The customer is brand-addicted and it does not matter much to the smoker whether it is $1 or $1.05 but it matters a lot to the tobacco company because that is 10c or 15c.

As taxes have risen this has allowed big-tobacco to raise their margins ex-excise to very high levels –

| EBIT Margin | Company |
|---|---|
| Apple (which is iconically fat margin) | 25% |
| Altria | 51.7% |
| British American Tobacco | 40.0% |
| Swedish Match | 38% (but about 50 percent on Snus and higher on Snus in super-high tax Norway) |
| Gudang Garam | 11.7% |

I put the last one in as a demonstration of pricing power in countries where cigarettes are expensive already because of tax. [There is an open question whether the tax regime changes in Indonesia will increase GGRM's margins.]

A per kilogram of tobacco excise is wildly good for tobacco company margins. Percentage taxes less so. And the method by which alternative delivery mechanisms (vapes, snus) are going to be taxed over time is uncertain and could radically upset some of the things that I am going to say below.

The stylised fact of Altria in the stock market over the past thirty years is that volume has declined about 1 percent per year, but taxes keep going up, margins keep going up and earnings didn't suffer. The stocks traded at a discount (volumes were falling) and the company generally bought back stock at a discount and thus the stock performance was emiraculous.

The problem with this is vaping. Vaping is stealing share and stealing young people in particular and so suddenly volume declines look closer to 5 percent in developed markets than 1 percent – and the virtuous cycle described above looks over.

Tobacco stocks trade at a discount globally because of this at the moment.

## Drug delivery – some stylised facts

Some of this comes from a bar-conversation with a Philip Morris executive. Some comes from a podcast with Bethany McLean and Joe Nocera. But the stylised facts below seem to accord with reality.

In some drugs what really matters is dose. With marijuana what matters is the amount of THC in your blood stream. You will be high with enough, higher with more.

In some drugs what matters is speed of dose. Opiates are the most famous example.

If you have a broken collarbone 10mg of oxycontin will get rid of the (extreme) pain but will not make you high.

If you crush the oxycontin tablet (thus defeating the slow-release mechanism) you will be as high as a kite.

If crushing it no longer does it for you then you can take the powder and smoke it. Lung surface area is very large and absorption is rapid. You will be higher still.

The end game is to inject it.

Alcohol by contrast is a drug you want to absorb slowly as the effects come at different times. The good effect (relaxation, loquaciousness) come quickly. The bad effects (it is a downer) comes slower. If you can slow the uptake you can get the good effects for longer.

Tobacco is a drug for which speed of uptake is desired. Faster is better.

This is why nicotine patches did not kill the cigarette industry. You can get the dose via a nicotine patch – but you cannot get the speed of uptake. Nicotine patches simply do not do it for a smoker. [If they did the cigarette industry would have suffered very badly.]

## Nicotine dosing – some history

One of the hot-button issues for tobacco regulators around the world is nicotine dose. Tobacco companies used to manipulate the nicotine dose in cigarettes to make them more addictive. To many tobacco regulators this is exhibit-A in the mendacity of tobacco companies. Tobacco regulators are rightly-or-wrongly concerned about nicotine doses. High-dose products get them motivated and this is entirely about history.

Europe regulates the dose of nicotine in a cigarette at a lower level than America. This is why American cigarettes are craved (for their buzz).

The history here also makes tobacco executives very reluctant to manipulate dose. Manipulating dose leads to regulatory actions.

## Marijuana delivery – smoking, eating and vaping

If you smoke marijuana it hits you in about 20 seconds – maybe faster. It is very rapid. The effect seems to last about two hours.

If you eat marijuana it hits you in something between 20 minutes and two hours – the amount of time is indeterminate. And the effect seems to last about 6-8 hours.

The world is replete with stories of people who ate a hash-cookie, it had no effect, so they ate another two and then they hit them. A good example is Maureen Dowd (New York Times columnist) who went to Colorado to report on legal marijuana and ate a 10mg THC square of a laced chocolate bar. A recommended first-time dose for someone eating marijuana is 5mg. It had no effect. So she ate all 16 squares of the chocolate bar and had a very bad day. Her write-up is at the end which I include simply because it is so funny.

If you vape marijuana the outcome is much closer to smoking – but the delivery is slower. It tends to take about five minutes to hit you. Getting liquid THC deposited on your lung tissue just isn't as fast to absorb as getting hot-gaseous THC delivered.

This can be seen if you look at Youtube reviews of people reviewing vaping products. This is typical

https://www.youtube.com/watch?v=3KT2yniBZ1M

In it she takes about three or four minutes to get really high.

## Nicotine vaping – some stylised facts

The vape-pen was invented in the early 1990s. They were used amongst cognoscenti marijuana users as early as 2000. The case was that they were more efficient at delivering your (expensive and illegal) marijuana because none of the THC was burnt. The case for use was efficiency.

They were common enough amongst marijuana smokers by about 2007.

Philip Morris was experimenting with vape-pens in 2006-2007 but they could not make them work. The reason was attitude and regulators. Philip Morris saw the vape-pen as a harm-reduction device and set the dose the same as a cigarette (and at the regulated legal limit).

The vape-pen delivered the nicotine hit too slowly to be attractive for smokers. At best the vape-pen was a somewhat improved version of nicotine patches. But it was not attractive enough to get new smokers or to encourage people to move from combustibles.

Then along comes JUUL. They are Silicon Valley types with no history with the regulators. JUUL simply did not care what the regulatory standard for nicotine in cigarettes was.

JUUL started with a vape device. It was unattractive – so they just added more nicotine. They added in enough quantity to make the front-end of the dose attractive. The nicotine dose wound up being many times a cigarette.

The nicotine itself comes from a contract drug manufacturer in Switzerland called Siegfried. Siegfried do not confirm JUUL as their largest customer – but we had a very sophisticated discussion with them about nicotine refining – and they would not deny that the customer was JUUL.

When Siegfried refined nicotine (from tobacco) they could not remove the flavour entirely and the limit to the dose you could put in a JUUL was the awful taste. JUUL increased dose until the taste was at the limit of acceptable. Then they masked the (awful) flavour with very heavy sweet flavours (eg blueberry vapes).

The flavours were a red-rag to regulators because the regulators saw them (entirely fairly) as a mechanism of addicting children. But JUUL were not doing it for that reason, they were doing it to mask taste. But they did market to adolescents anyway – as this old Instagram advert demonstrates:


As Siegfried has got better at taking the taste out of the nicotine JUUL has been more willing to remove flavours from their product in negotiations with the FDA.

That said – the real trick to JUUL is that it is super-high dose. It needed to be in order to make the front-end of the dose attractive. The high dose causes JUUL regulatory issues even though it has not been demonstrated that JUULs are particularly harmful and they are unambiguously far less harmful than cigarettes.

Here is an article about JUUL trying to increase the front-end hit whilst reducing the nicotine dose to comply with European regulations.

https://tobacco.ucsf.edu/juul-working-sidestep-nicotine-regulation-eu

Worth noting though – you can increase dose (much) further by eating the product and people do for marijuana – but they do not for nicotine because nicotine (unlike marijuana) has a lethal dose. Eating tobacco is not recommended.

## Vapers upping their dose

JUUL is somewhere near the functional upper-end of dose/front-end for a vaping device. JUUL has spent a lot of money trying to perfect the delivery of the front-end of the dose – and Siegfried has helped by trying to remove flavour in the nicotine.

But this is an addictive substance – and people will want to increase their dose. With cigarettes this just means smoking more – but that has functional limits. Even the most acclimatised smoker can't smoke ten packs per day (though they can vape it). Ultimately people want more dose.

Enter the vape shops. Vape shops sell vapes that are inferior tasting to JUUL but zip up the dose beyond where JUUL was functionally able or willing to go. The end game is self-filled vapes and pure nicotine liquids where people up their dose themselves. This stuff is dangerous though – a baby died in Victoria recently when the mum turned away and the baby put some of the nicotine fluid in its mouth. Here is a press report:

https://www.kidspot.com.au/news/victorian-baby-dies-after-being-poisoned-by-nicotine-from-ecigarette/news-story/5ebe0240ebb1fb8ee2383c15f65e8678

The mum in this case was using a vape that allowed her to up her dose to what would have been a frightening level in the past.

JUUL is a gateway drug to ever-higher nicotine doses.

## An aside – vaping illnesses

There have been a rash of vaping illnesses lately and probably >20 deaths. There is still some uncertainty about the cause of these – but the most likely culprit is lipid pneumonia and mostly from marijuana vapes.

THC is fat-not-water soluble. That is why there are marijuana cookies but not marijuana tea. The recipes for the cookies tend to require getting THC into butter and then using the butter to make the cookies.

Vape pens in marijuana dissolve the THC in some fat and then vaporise the fat. The working hypothesis is that if you vape enough the fat coats your lungs and reduces their function – eventually giving you pneumonia and killing you. The THC itself is not particularly harmful.

If this hypothesis is true (and I think that is likely) it should not be terminal for the nicotine vaping industry because there are water-soluble versions of nicotine and you can make a non-lipid vape pen. Some of the do-it-yourself vape pens and high dose things in the vape shops are very suspect though as they use fat-soluble nicotine.

That said – the sudden emergence of a lot of vaping related illness is dislodging the vaping market, making it harder to get vape pens marketed. It is upsetting what was itself a very disruptive industry.

There are fears that if vape pens become harder to get people will go back to combustibles (which are likely much worse for you).

But combustibles do not do it for a regular vaper as the dose is too low. Vape addicted users are likely also to look for higher-dose products.

## Dip, snus, chewing tobacco and dose

There is a higher-dose but slower-to-absorb form of tobacco than the highest dose vape – and that is oral tobacco. There are various forms some less attractive than others. The notable forms are chewing tobacco (loved by baseballers for the puff of alertness that it gives when they are trying to hit a nearly-impossible-to-hit ball), dip which is fermented tobacco placed under the lip, and snus which is a modern non-fermented version of the same. Snus is normally steam-pasteurised and a little slower to absorb than dip.

These are very strong indeed, much stronger than cigarettes.

To demonstrate the strength there is a sub-culture on YouTube of teenagers dipping in the US and filming themselves. It takes a few minutes until they vomit. These are squeamish videos. This is one of (many) examples, and the brand of dip (Grizzly) has a reputation for being strong. [For reference Grizzly is owned by Reynolds hence British American Tobacco.]

https://www.youtube.com/watch?v=16PgUdLQqIY

Snus is more pleasant than dip or chewing tobacco because whilst slightly slower to absorb it doesn't produce huge quantities of saliva and does not require continuous spitting.

As a general rule chewing tobacco and dip have been falling in volume (5 percent or so for chewing tobacco, 2-3 percent for dip). Snus has been growing and growing quite for a long time (2-4 percent) in Scandinavia.

All these products cause cancer but the cancer rate is much lower than smoking. As rough guide a heavy smoker is about 30 percent likely to die from it – a heavy dipper is 1-3 percent likely to die from it. [Reliable stats are difficult to find but Sweden has much lower tobacco related mortality than other countries.]

## Modern white snus

There are modern forms of Snus which – whilst refined from tobacco – have removed all the known carcinogens. They come in pouches that are put under the lip and are absorbed through the epithelial tissue. They are faster-acting than old-fashioned snus – but probably not as fast as chewing tobacco. But you get an acceptably fast front-end. And the dose is enormous. These are the highest dose product on the market today.

They also come with a much more modest health warning. This is the health warning on Zyn [the Swedish Match main product] in America:

> *WARNING: This product contains nicotine. Nicotine is an addictive chemical.*

This health warning was put on Zyn before the US tobacco rules changed making it much harder to get a reduced health risk nicotine product up in the US. There is a single-modern Snus competitor with that health warning in the US – which is Lyft. Lyft is a product of British American Tobacco.

The US has started again to award reduced risk health warnings (though with the current FDA you sense this is reluctant). Swedish Match got one for their old-style Snus last week. Their "General" brand earned the first post-re-regulation reduced health warning:

> *[General] puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis [than smoking].*

Given that the FDA is now (again) giving reduced health warnings you can guess that within the next few years another new modern Snus (or four) will be marketed at a lower health warning.

## The Swedish Match thesis

Snus is growing in Scandinavia (at the expense of cigarettes). Swedish Match is losing share because it has a >90 percent share in old products and a 50% share in new products and the market is shifting to new products. That said this is growing 2-3 or so percent in Sweden.

But the real driver is Zyn in North America which is now probably a third the size of Swedish Match's Scandinavia Snus business. But this is growing so rapidly that it is hard to model. Growth reported last quarter was 141 percent vs the same quarter last year and this growth appears to be accelerating. **The reason for this growth is the massive disruption caused by vaping combined with being only one of two low-risk warning modern Snus on the market. Zyn is the end-game for the vaping craze for reasons discussed above.**

There is an offset – and quite a nasty one. Swedish Match's US business is mostly cheap cigars many of which are flavoured and chewing tobacco. We should say a little about each of these.

### Chewing tobacco

This goes backwards forever as far as I can tell. There are no redeeming features, its fans are old and Zyn is better in every way.

### Cheap cigars

Swedish Match is the second biggest cigar maker in the world – and this is mostly cheap cigars in the USA. The volume is about 1.7 billion sticks per annum.

Do not think about these like the cigars rich men smoke with whisky. They are mostly $1 each sold individually or in pairs in gas stations. They are often flavoured. Here is a particularly offensive variety – note "cherry blast" flavour and two for 99c.


These skew young and African American.

The FDA has suddenly got strident on this. Flavoured cigarettes (with menthol as an exception) are banned in the US. Flavoured cigars not so. The FDA may ban them if there is evidence that they are preferentially a gateway for under-age people to take up smoking.

The evidence on this is thin – because cigars are rougher than cigarettes to smoke – and so it is hard to argue that young people will prefer even flavoured cigars to menthol cigarettes to take up smoking. That said the FDA has announced an intention to ban flavours in cigars.

The privately held flavoured tobacco companies are challenging the FDA to produce the data and so far the regulation has not come into effect. It may never do so – because the FDA announced the intention without ever publishing the data they are relying on. They may well lose in court in which case this will not affect Swedish Match at all.

Swedish match have never disclosed what proportion of their cigars are flavoured so it is hard to tell how much effect there will be.

Moreover if flavours are banned will people migrate to unflavoured? We do not know.

Finally – it should be noted that a very large number of the flavoured cigars are used for making blunts. A blunt is a cigar with the tobacco taken out and marijuana put in. They make very regular joints and they are the preferred way for African Americans to smoke marijuana. There are hundreds of videos on YouTube demonstrating how to make a blunt and in about half the cases the cigar used is a Swedish Match flavoured brand. That market will move entirely to non-flavoured.

The whole cigar segment is much lower margin than Snus. The product's selling point is that it is cheap.

## Swedish Match and cigarettes

Swedish match is the only major tobacco company in the world that does not sell cigarettes.

This makes it nearly immune to the loss of volume that vaping is causing. This alone means it should trade at a much higher multiple than big tobacco.

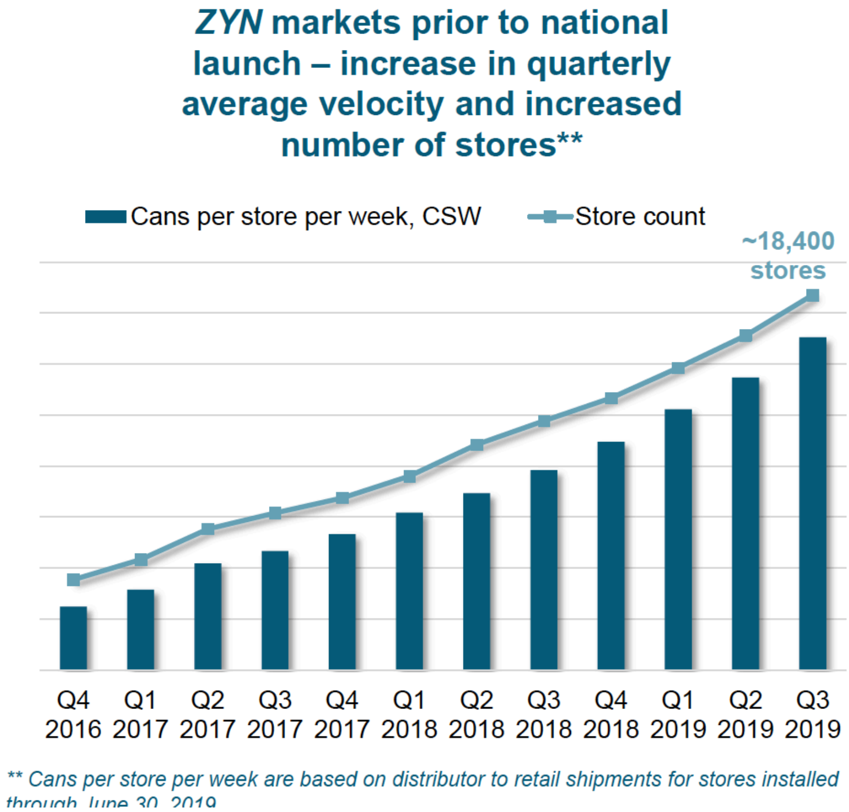
## Some numbers

Here are flavoured Zyns 3 and 6mg nicotine. They have not disclosed how much of each dose they sell.


The production cost of Zyn (particularly capital cost) is considerably higher than traditional Snus or cigarettes. Zyn started with a slow-roll-out which was cash-flow negative at first (especially given plant building). They have ramped up plant building as their small pilot plants have filled capacity very fast.

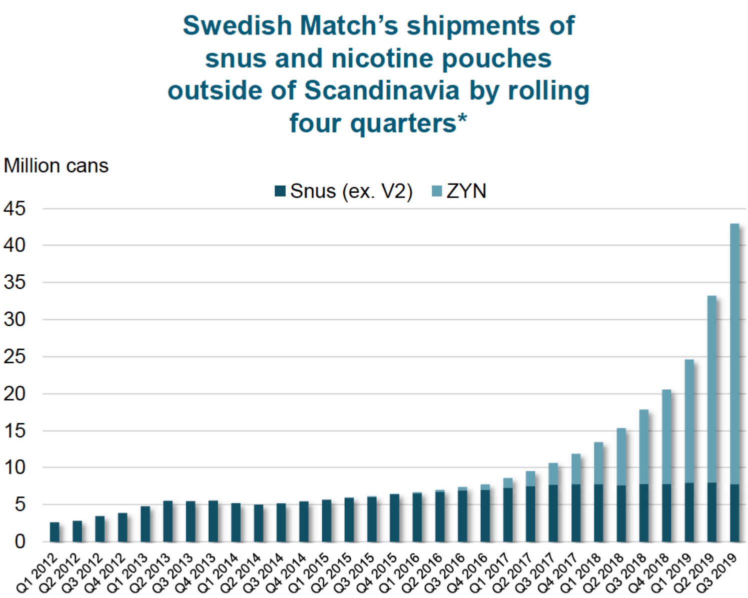
The product was originally introduced in only a part of the US (the West). We talked to some Swedish people who lived in New York and they found it very hard to obtain Zyn (and they wanted it badly because getting the buzz was a social weekend recreation). The national rollout only began in the second quarter of this year. The CEO is suggesting though that this rollout is tracking better than the Western region.

Here are some slides which show how well this is going – note number of stores Zyn is in and the sales per store.




We do not have a scale on this graph and we do not know whether the bottom of the graph is zero but we think it is by comparing to the published numbers.

The growth is very rapid. There is another graph they give which is sales by rolling four quarters. Doing it by rolling four quarters makes sense if you want to remove seasonality (there is a little) but suppresses the apparent growth.



The quarterly results from the last quarter (being the first quarter of the national rollout) does however make the volume look understated.

Here it is in the quarterly results – by number of cans of Snus sold.

**Swedish Match shipment volumes**

| *Millions of cans* | July-September 2019 | July-September 2018 | Chg % | January-September 2019 | January-September 2018 | Chg % | Full year 2018 |
|---|---|---|---|---|---|---|---|
| Snus and nicotine pouches, Scandinavia[1)] | 68.5 | 66.9 | 2 | 197.3 | 193.8 | 2 | 263.4 |
| Moist snuff, US | 31.2 | 31.7 | -1 | 93.6 | 96.7 | -3 | 126.3 |
| Snus and nicotine pouches, outside Scandinavia[1)] | 15.9 | 6.6 | 142 | 40.2 | 17.5 | 130 | 25.2 |

1) Includes snus volumes for Gotlandssnus from acquisition date, August 22, 2018.

You will note that Snus in Scandinavia is growing (in can volume) by about 2 percent. [Revenue growth is more because of the premiumisation with up-market newer products.]

But the standout is the 142 percent growth [from previous corresponding quarter] in Snus and nicotine pouches outside Scandinavia. That is of course Zyn.

So here is the question: how many Scandinavias are we going to wind up at? Does something growing 142 percent but which is currently about a sixth of the original business wind up as big as the original business or bigger or three times as big?

There are 16 million people in Norway and Sweden (by far the bulk of the Scandinavian snus market). America is 20x as big. This could wind up enormous. But you can't really tell except that it is accelerating very fast.

## Profitability

We have been told (years ago but it makes sense) that Norway is an all-premium snus market. This is driven by the very high level of taxes.

So my guess is that Norway is higher profit than the US – but Zyn is pitched as a premium product.

Here is the profitability of the snus business.

**Key data**

| *MSEK* | July-September 2019 | July-September 2018 | Chg % | January-September 2019 | January-September 2018 | Chg % | Full year 2018 |
|---|---|---|---|---|---|---|---|
| Sales | 1,935 | 1,601 | 21 | 5,327 | 4,495 | 19 | 6,127 |
| Operating profit | 940 | 752 | 25 | 2,491 | 2,066 | 21 | 2,791 |
| Operating margin, % | 48.6 | 47.0 | | 46.8 | 46.0 | | 45.6 |
| EBITDA | 1,020 | 810 | 26 | 2,712 | 2,230 | 22 | 3,025 |
| EBITDA margin, % | 52.7 | 50.6 | | 50.9 | 49.6 | | 49.4 |

We have EBITDA of a billion SEK. Note the margin is rising suggesting higher profitability in Zyn (which is the growing bit). [Zyn is capital intensive relatively so I am not sure it is rising on an EBIT basis.]

Anyway – it does not seem unreasonable that the profitability doubles – if not triples.

That said the sales growth this quarter is flattered by currency. It is not really >20 percent even with Zyn in the US growing 140 percent.

### Non snus business

Here is the profitability of the non- snus tobacco products.

**Key data**

| *MSEK* | July-September 2019 | 2018 | Chg % | January-September 2019 | 2018 | Chg % | Full year 2018 |
|---|---|---|---|---|---|---|---|
| Sales | 1,496 | 1,384 | 8 | 4,320 | 4,007 | 8 | 5,240 |
| Operating profit | 579 | 519 | 11 | 1,675 | 1,501 | 12 | 1,956 |
| Operating margin, % | 38.7 | 37.5 | | 38.8 | 37.4 | | 37.3 |
| EBITDA | 612 | 539 | 13 | 1,774 | 1,566 | 13 | 2,046 |
| EBITDA margin, % | 40.9 | 39.0 | | 41.1 | 39.1 | | 39.0 |

This could be seriously challenged on a regulatory basis – but if it half went away – which seems a bad case – then it will be swamped by Zyn growth if Zyn growth goes for a few years.

### Lights/distribution

There is a lights business (matches, lighters) and a distribution business. These add up to relatively little.

## Modelling profitability

Last quarter it made 7 SEK per share (which is their record). Part of the growth was currency (there is a lot of USD business and the SEK was weak). But you buy the stock in weak SEK too.

It appears to be on run-rate for about 28 SEK per year (at this exchange rate).

If the Zyn business gets to be as large as the rest of the snus business you can probably add 50 percent to the operating profit. I think this is a given (but much more is profitable). That would make it a 43 SEK a year – which is a little over 10x earnings.

Clearly it could be much better than that. They also buy-back shares with the excess cash flow – and that would take it to the high single digits PE.

The overwhelming question is where do they take Zyn to. I do not see any way to model it that gets you round the explosive current growth rate.

### Flags in other countries

Importantly they just won a case against the European tobacco regulator which allows them to market Zyn in other European countries. The least restrictive new country is Switzerland. But they are planting the flag over Europe. This is upside. Do not know how this plays out – but would like some thoughts if you have them.

# Don’t Harsh Our Mellow, Dude

**By Maureen Dowd**

- June 3, 2014

The caramel-chocolate flavored candy bar looked so innocent, like the Sky Bars I used to love as a child.

Sitting in my hotel room in Denver, I nibbled off the end and then, when nothing happened, nibbled some more. I figured if I was reporting on the social revolution rocking Colorado in January, the giddy culmination of pot Prohibition, I should try a taste of legal, edible pot from a local shop.

What could go wrong with a bite or two?

Everything, as it turned out.

Not at first. For an hour, I felt nothing. I figured I’d order dinner from room service and return to my more mundane drugs of choice, chardonnay and mediocre-movies-on-demand.

But then I felt a scary shudder go through my body and brain. I barely made it from the desk to the bed, where I lay curled up in a hallucinatory state for the next eight hours. I was thirsty but couldn’t move to get water. Or even turn off the lights. I was panting and paranoid, sure that when the room-service waiter knocked and I didn’t answer, he’d call the police and have me arrested for being unable to handle my candy.

I strained to remember where I was or even what I was wearing, touching my green corduroy jeans and staring at the exposed-brick wall. As my paranoia deepened, I became convinced that I had died and no one was telling me.

It took all night before it began to wear off, distressingly slowly. The next day, a medical consultant at an edibles plant where I was conducting an interview mentioned that candy bars like that are supposed to be cut into 16 pieces for novices; but that recommendation hadn’t been on the label.

I reckoned that the fact that I was not a regular marijuana smoker made me more vulnerable, and that I should have known better. But it turns out, five months in, that some kinks need to be ironed out with the intoxicating open bar at the Mile High Club.

Colorado raked in about $12.6 million the first three months after pot was legalized for adults 21 and over. Pot party planners are dreaming up classy events: the Colorado Symphony just had its first “Classically Cannabis” fund-raiser with joints and Debussy. But the state is also coming to grips with the darker side of unleashing a drug as potent as marijuana on a horde of tourists of all ages and tolerance levels seeking a mellow buzz.

In March, a 19-year-old Wyoming college student jumped off a Denver hotel balcony after eating a pot cookie with 65 milligrams of THC. In April, a Denver man ate pot-infused Karma Kandy and began talking like it was the end of the world, scaring his wife and three kids. Then he retrieved a handgun from a safe and killed his wife while she was on the phone with an emergency dispatcher.

As Jack Healy reported in The Times on Sunday, Colorado hospital officials “are treating growing numbers of children and adults sickened by potent doses of edible marijuana” and neighboring states are seeing more stoned drivers.

“We realized there was a problem because we’re watching everything with the urgency of the first people to regulate in this area,” said Andrew Freedman, the state’s director of marijuana coordination. “There are way too many stories of people not understanding how much they’re eating. With liquor, people understand what they’re getting themselves into. But that doesn’t exist right now for edibles for new users in the market. It would behoove the industry to create a more pleasant experience for people.

“The whole industry was set up for people who smoked frequently. It needs to learn how to educate new users in the market. We have to create a culture of responsibility around edibles, so people know what to expect to feel.”

Gov. John Hickenlooper and the Legislature recently created a task force to come up with packaging that clearly differentiates pot cookies and candy and gummy bears from normal sweets — with an eye toward protecting children — and directed the Department of Revenue to restrict the amount of edibles that can be sold at one time to one person. The governor also signed legislation mandating that there be a stamp on edibles, possibly a marijuana leaf. (Or maybe a stoned skull and bones?)

The state plans to start testing to make sure the weed is spread evenly throughout the product. The task force is discussing having budtenders give better warnings to customers and moving toward demarcating a single-serving size of 10 milligrams. (Industry representatives objected to the expense of wrapping bites of candy individually.)

“My kids put rocks and batteries in their mouths,” said Bob Eschino, the owner of Incredibles, which makes candy and serves up chocolate and strawberry fountains. “If I put a marijuana leaf on a piece of chocolate, they’ll still put it in their mouths.”

He argues that, since pot goodies leave the dispensary in childproof packages, it is the parents’ responsibility to make sure their kids don’t get hold of it.

“Somebody suggested we just make everything look like a gray square so it doesn’t look appealing. Why should the whole industry suffer just because less than 5 percent of people are having problems with the correct dosing?”

Does he sound a little paranoid?