

To: WSLCB Board and Staff

From: Shawn DeNae Wagenseller
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Re: Comments to board on proposed legislation and education of the plant and current market since the implementation of HB2334 passed in 2018

Date: October 13, 2021

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Thank you WSLCB Board for inviting this written document of my points I began to convey during public testimony today. (I need to speak faster but I can convey my comments better in writing – no way I could get all this into 4 minutes anyway, so THANK YOU! :>)

I am a board member of the newly established WA Sun & Craft Growers Asso and a legacy member of The Cannabis Alliance. I write a column for the nationally distributed Marijuana Venture Magazine. We are legacy growers that served the medical access points prior to I502. I am speaking on behalf of our family company which was the first to voluntarily test our crops for both pesticides and heavy metals.

My family and I are extremely distressed about the proposed legislation that reads to allow in law for processors to import, compound and synthesize **all** minor cannabinoids sourced from outside the closed loop system intended by I502. We all witnessed the unauthorized and undisclosed conversions of CBD oil into THC’s that took place after legislators allowed hemp derived CBD from anywhere into I502 with the passage of HB2334 in early 2018. (Which I and many colleges fiercely objected to and asked the Governor to veto; to no avail.)

Exploitation of this law by ‘innovators’ devastated many business plans of licensees who legally grow bio-mass for the extraction market. It also hurt the bio-mass sales market for those of us that grow useable marijuana crops. While these cheaters exploited the intention of HB2334, they gained market share due to the extremely lower prices of the THCs they were making, and licensed growers suffered. We certainly do not need cheaper THC products to entice youth and invite over-consumption by adults; not to mention the lower taxes collected by undercutting the market with extremely cheap THC products made by synthesis.

We applaud the WSLCB for taking swift action in your policy statement and shedding light that there is no safe harbor for processors to create THC and putting a swift stop to that practice. The portion of the proposed bill that gives WSLCB enforcement over all THC’s is vital and fully supported.

We’ve tried to wrap our heads around why our regulatory agency would also propose to expand importation to all minor cannabinoids; further devastating licensed growers ability to compete. This proposed legislation seems to give processors that safe harbor they now lack to create synthetic THCs (if approved by WSLCB). We do not understand why WSLCB thinks that is a good idea. It also combines hemp and marijuana under the proposed definition of ‘plant Cannabis’ but does not give licensed growers the ability to grow ‘plant Cannabis’ while it does allow processors to work with ‘plant Cannabis’. My only conclusion is WSLCB must have some mis-understanding of the plant and the market. I will attempt to fill in where there may be some gaps in understanding.

Cannabis L Sativa includes male and female plants and encompasses hemp, ruderalis and marijuana – 100’s to 1000’s of varieties (strains) have come from cross-breeding among and between the three. Cannabis grown for cannabinoids is grown in an all-female crop so there are no seeds. An unfertilized female flower will continue to secrete sticky trichomes which hold well over 100 major and minor cannabinoids plus all the terpenes in a natural balance. The consumption of those natural combinations of all those cannabinoids and terpenes has proven not harmful to humans and many have experienced improvement to symptoms of illness with consumption of cannabis since the dawn of mankind. Science now tells us they naturally interact with and balance the endocannabinoid system found in humans and animals.

Hemp grown for industry needs the male plants; they want the seeds. Hemp grown for industry grows 10 feet or more in tight rows outdoor like corn or bamboo. It is planted, tended, harvested and processed differently than female cannabis grown for cannabinoids. Industrial hemp is what the federal lawmakers had in mind when they passed the farm bill in late 2018.

You may have heard that allowing importation of cannabinoids (and terpenes) will not harm the flower market. While flower is king, you must understand that even us growers focused on the ‘usable marijuana’ market were financially harmed by the passage of HB 2334 in 2018. Our business plan depended on a strong aftermarket for our lower grade bio-mass; which **represents nearly 60% of the dry weight** we harvest. We saw a dramatic drop in prices and demand for our bio-mass after the passage of HB2334. Prior to that, our high CBD Harlequin trim demanded the highest of all our strains & had a waiting list; now I can’t find a buyer. Since the importation of CBD (and the subsequent conversions to THC) here is our experience in that once lucrative and dependable closed market:

Year	Trim % of all sales
2017	46.2%
2018	31%
2019	7.1%
2020	7.3%
YTD	6.8%

To be clear, there is **no dearth of cannabinoids** that the licensed canopy already produces! I502 intended a closed loop, highly regulated market. That is what we all planned for, that is what the citizens voted for, that is what we need to protect us from outside influences. I ask for your help!

Licensed growers face many challenges that effect our bottom lines. Here are a few that WSLCB can help us with:

- Help us reverse HB2334 and **not allow ANY cannabinoids** to be imported into the I502 system.
- Allow licensed growers to grow **all plants** that are processed into I502 products; no matter their the content on a dry weight basis.
- Do not allow for synthesized, compounded or otherwise manipulation of the natural balance of cannabinoids and terpenes. We witnessed three expert doctor panels and it was clear there is not enough science to prove safety of
- Allow us to sell our wet waste and roots; they hold value. Currently we must let it putrefy over 72 hours then grinded to be made un-usable.
- Continue strong enforcement of licensed canopy by those that exploit the limits – **BRAVO to enforcement** for their recent action against a few of these cheaters.

- Find a way through rule or law changes to sunset or administratively withdrawn nonactive producer licenses; maybe similar to the ‘use it or lose it’ applied to retailers; including giving leniency to those grow licenses located in banned areas.
- Allow licensed processors to sell <.3% thc products inside and outside the I502 market. We make a very effective <.3%thc topical liniment that works wonders on pain and inflammation, but rule does not allow us to sell it into nor outside I502. I worked with former rules coordinator Joanna Eide extensively on this and it needs revisited.
- Honor the medical marijuana community’s need to trust products in I502 stores and install mandatory agriculturally established farm level testing methods for pesticides, test end use products of concentrates for heavy metals and establish random end-product testing of products available for consumers for both pesticides and heavy metal. We must do better at bringing the medical marijuana users into the regulated system; this is a first step.
- Change the rule that states we must be at 50% of our allowed canopy or be reduced to a lower tier. ***This is vital to our company.*** We could not afford to build out to 5000sf of canopy because manufacturing building codes were applied to us vs agricultural building codes. We currently grow only 2500sf of canopy. Even at this minimal production footprint we have contributed to the WA tax basis significantly over our 5 years of operation and need to advocate for our protection. We would like to feel we are relevant, a good participant and worthy of protection. Figures are rounded:

5 years Sales	Ave Retail Markup	Est. Retail Sales	Tax Revenue for WA
\$5.2 million	X 3.2	\$16.6 million	\$7.8 million

In conclusion:

Please help us licensed growers with sensible changes to both rule and law to ***protect our relevance***. Let’s not go down the road of big ag nor big beer & wine that caused small family business to go nearly extinct before clawing their way over decades to gain relevance with current farm to table or craft designations. I502 put a tight coral around legal cannabis business, we need to tighten it up and protect our current growers that are the backbone of the entire scheme. We ask our regulatory agency to install protections for us legal licensees, especially prior to federal legalization. There is so much more to discuss.

We understand you are under tremendous pressure and working as fast as you can to both understand and sensibly regulate the industry envisioned by I502 supporters.

Thank you and sincerely,
Shawn DeNae and William Wagenseller

