

## 2022 HCGA Policy Survey: Summary of Results

Date: November 17, 2021

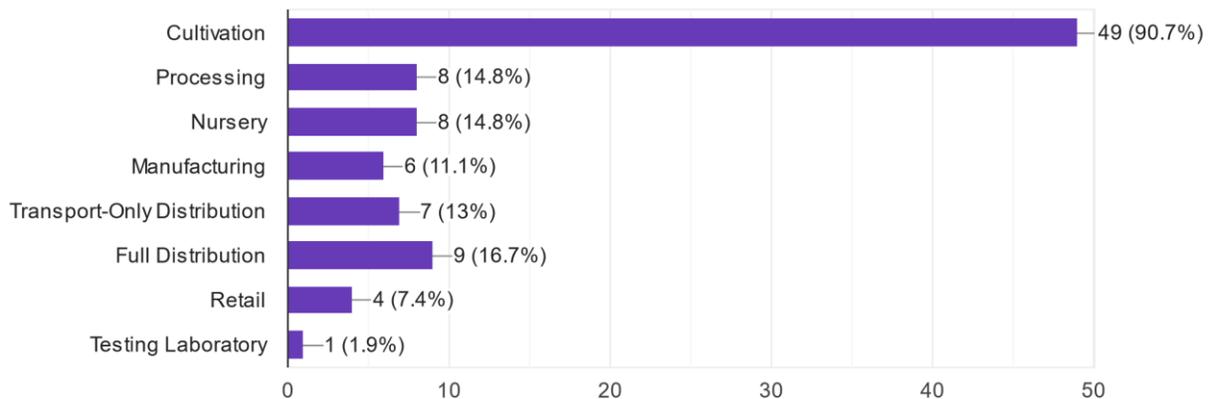
Each fall since 2019, HCGA has conducted an annual policy survey to identify the most urgent challenges facing licensed Humboldt cannabis businesses. This year's policy survey was open between October 26 and November 16, 2021 and received 58 total responses.

### Who Responded to the Survey?

Of the 58 respondents to the survey, a clear majority of survey respondents held cultivation licenses. However, license types were represented from throughout the legal supply chain:

What license type(s) do you hold?

54 responses



Cultivators who responded were relatively evenly distributed by size:

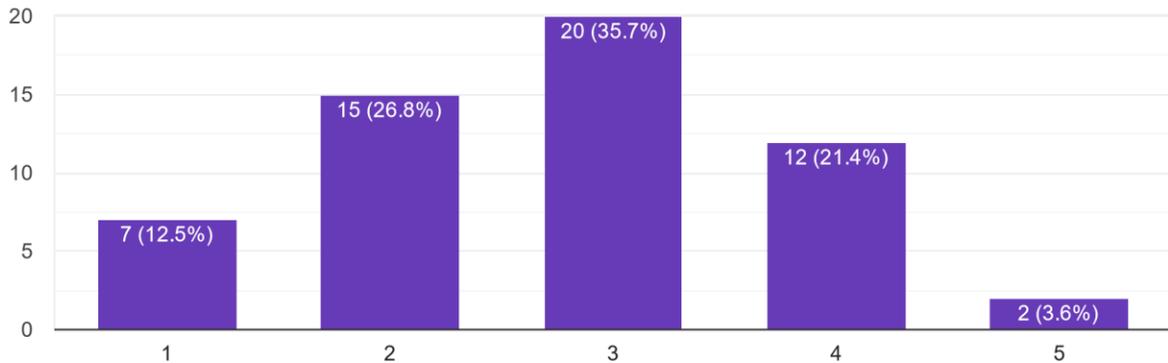
- 16% cultivate less than 5,000 square feet.
- 31% cultivate between 5,000 and 10,000 square feet.
- 14% cultivate between 10,000 and 20,000 square feet.
- 25% cultivate between 20,000 square feet and one acre.
- 14% cultivate more than one acre.

Based on HCGA's previous analysis of state licensing data, these survey responses generally reflect the overall distribution of cultivation license sizes in Humboldt County. The median size among all Humboldt cannabis farms is 10,000 square feet, and the average size of a Humboldt cannabis farm is approximately 22,000 square feet. Similarly, 47% of HCGA survey respondents who are cultivators cultivated under 10,000 square feet of canopy, while 53% cultivated more than 10,000 square feet of canopy.

**Market Conditions**

Members were asked about their level of confidence in their success in the regulated market. This year, on a scale of 1 to 5, the average response was 2.77. This was a significant drop from previous years. In Fall 2020, the average response was 3.42/5, and in Fall 2019, the average response was 3.34/5.

Overall, how confident do you feel in your business' ability to succeed in the regulated market?  
56 responses



Members were also asked an open-ended question about their most significant challenges in the regulated market. Overwhelmingly, respondents identified collapsing market prices and overproduction as their biggest challenges, with overtaxation coming in a strong second. The below table includes all responses that were mentioned multiple times.

<b>Open-ended: “What are the most significant regulatory or market challenges that you're facing?”</b>	<b># of Responses</b>
Market collapse/overproduction/low prices	38
Overtaxation/cultivation tax	20
No direct-to-consumer sales options	4
Illicit market	4
Overregulation	4
Making sales	4
Struggles with Planning Department	3
Not enough retail	3
B2B relationships	3
Consumer education	2
Distribution model/relations with distributors	2

**Statewide Policy Priorities**

Based on previous surveys and issues identified by membership, HCGA identified nineteen policy areas of interest to Humboldt licensees. Members had an opportunity to rank the

importance of these issues from 1 (not important/oppose) to 5 (very important/should be urgently addressed).

<b>“How would you rate the importance of each of these state-level policy issues?”</b>	<b>Average Rating</b>	<b>Rank</b>
Eliminate state cultivation tax	4.60	1
Increase amount of legal retail in California	4.25	2
Prevent incorporation of high-THC hemp into the cannabis supply chain	4.09	3
Address overproduction by limiting new cultivation licenses	4.07	4
Producer sales at cannabis events	3.88	T-5
Open East Coast to interstate commerce	3.88	T-5
Protect the Emerald Triangle name	3.82	7
Allow cultivators to sell and share genetics	3.67	8
Increase access to banking	3.58	9
Access to additional grant opportunities	3.46	10
Allow on-farm retail sales	3.43	11
Reduce plastic in packaging	3.36	12
Streamline access to transport licenses	3.28	13
Decrease the size of the illicit market	3.21	14
Improve track-and-trace	3.20	15
Increase access to processing	3.16	16
Increase access to capital	3.09	17
Establish policy to support/incentivize cooperatives	3.04	18
Address enforcement of CDFW/Water Board regulations	3.00	19

Elimination of the state cultivation tax was overwhelmingly identified as the top priority by survey respondents. Increasing legal retail access, preventing inversion of high-THC hemp into the cannabis supply chain, addressing overproduction, producer sales at cannabis events, and interstate commerce also received high scores.

The survey also included an open-ended question on which policy issues HCGA should most prioritize in 2022. Again, tax reform emerged as the top priority, with overproduction and direct-to-consumer sales also ranking highly. Countywide marketing and branding also emerged as a top priority in these open-ended responses.

<b>Open-ended: “Overall, what policy issues do you think HCGA should most prioritize in 2022?”</b>	<b># of Responses</b>
Taxes/cultivation tax	20
Moratorium or cap on cultivation licenses	11
Countywide marketing/branding	6

Direct-to-consumer sales	6
Representation of Humboldt brands at retail	3
On-farm processing	2
Cooperatives	2
Overregulation	2

### **County-Level Priorities**

Members were asked for their top priorities at the county level in 2022. Countywide marketing and branding emerged as a clear top priority, with on-farm processing, tax reductions, and Planning Department fees also ranking highly.

<b>Open-ended: “What other county-level issues should HCGA prioritize in 2022?”</b>	<b># of Responses</b>
Countywide marketing/branding	13
On-farm processing	7
Planning department challenges (fees, speed of processing)	5
Reduce taxes	4
Stop/slow new large-scale cultivation	3
Direct-to-consumer sales	2
Networking/events	2
Easier access to building permits	2

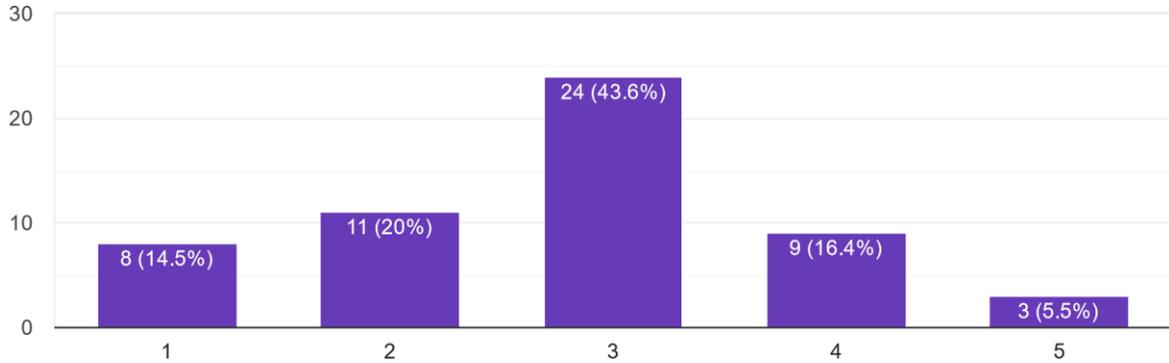
With the county considering potential changes to the Measure S tax, survey respondents were asked what priorities they would have for tax reform. Several priorities were mentioned multiple times, including an overall tax decrease, a tax decrease specifically for small or outdoor farms, and taxing based on production rather than square footage.

<b>Open-ended: “The county is considering a ballot initiative for June 2022 that would restructure the Measure S cannabis tax. What changes to Measure S would you like to see if this initiative moves forward?”</b>	<b># of Responses</b>
Tax should be lower overall	9
Tax should not be a flat amount based on square footage, it should respond to market conditions (for example: tax on percentage of sales, tax per pound produced)	7
Tax should be lower for small cultivators	5
Tax should be lower for outdoor/regenerative farms	3

2021 saw a significant increase in grants to Humboldt cultivators, administered through Project Trellis, the Planning Department, and in some cases state agencies such as CDFW. Members were asked how satisfied they were with the existing administration of grant funding, and gave an average rating of 2.78/5.

How satisfied are you with the current administration of cannabis grant funds (microgrant funds, equity funds, etc.) in the county?

55 responses



Survey respondents gave a range of answers on what changes they would like to see to grant funding programs.

<b>Open-ended: “What changes would you like to see to the administration of cannabis grant funds?”</b>	<b># of Responses</b>
Easier application process	5
More flexibility in what funds can be used for	3
Make a smaller number of larger-value grants	3
Don’t administer grants through the planning department	3
Remove the income limit	3
Release funds more quickly	3
Prioritize quality marketing	2
More industry/farm representation on committee	2
Application process favors bigger/more resourced farms	2

Members were asked if they would support a moratorium on county cannabis permitting, or otherwise changing how the county permits new cannabis farms. Overall, among 56 responses, the significant majority favored some form of county moratorium, but with exceptions for new small farms and/or expansion of existing farms. Eleven responses were opposed to a moratorium, and another ten favored a moratorium with no exceptions.

Notably, several survey respondents independently proposed “opposing a county moratorium without a state moratorium” in the open-ended responses section, although this was not offered as one of the checkbox responses.

<b>“Would you support a countywide moratorium on applications for new cultivation licenses?” [it was possible to check more than one answer, or give an open-ended response]</b>	<b># of Responses</b>
Yes, but allow new farms under 10,000 square feet [checkbox response]	22
Yes, but allow expansion for existing farms [checkbox response]	21
Yes, with no exceptions for expansion or new farms [checkbox response]	10
No, there shouldn't be a moratorium [checkbox response]	8
No, there shouldn't be a county moratorium unless there's also a state moratorium [open-ended response]	3

### **Non-Policy Priorities**

Members were asked for their top priorities for HCGA that were not directly related to state or county policy changes. Collective marketing and branding, and business-to-business events, were mentioned most frequently in these open-ended responses.

<b>Open-ended: “Aside from potential changes to state or county policy, what can HCGA do to best help you succeed in the market?”</b>	<b># of Responses</b>
Collective marketing/Humboldt branding	15
B2B events	10
Education and information sharing	4
Open community/networking events	3