



June 13, 2022
The Honorable Anna Caballero
Senate District 12
Capitol Office, 1021 O Street, Suite 7620
Sacramento, CA 95814

RE: SB 1326 (Caballero) Cannabis: interstate agreements: SUPPORT

Dear Senator Caballero,

On behalf of Origins Council, representing nearly 900 licensed small and independent cannabis businesses in six legacy producing regions throughout California, we are writing today in support of SB 1326 (Caballero), which would provide authority for California to establish interstate cannabis commerce agreements with other consenting states.

Just as California's artisanal wine producers enjoy a global reputation that enables their success within national and international markets, we anticipate that California's world-renowned craft cannabis producers will eventually find our primary markets in other states and, ultimately, other countries. Consequently, we expect that some form of interstate and international cannabis commerce will be the cornerstone of California's craft cannabis industry over the coming decades.

While interstate agreements offer opportunity, they also present significant risks which are particularly acute for small-scale producers. As with trade agreements negotiated in any other

context, the specific terms of trade that parties agree upon will be essential, and will be the pivotal factor determining the long-term viability of small-scale craft cannabis production in the face of industry trends towards consolidation.

In light of these opportunities and risks, we appreciate the inclusion of provisions in SB 1326 regarding the details of any interstate agreement. By ensuring interstate protections for appellations and city/county of origin, establishing flexibility in method of transportation, ensuring legislative and stakeholder input into potential compacts, and requiring compacts to include provisions that benefit communities impacted by the War on Drugs, SB 1326 sets a solid foundation for negotiations with other consenting states.

If SB 1326 becomes law, and a subsequent interstate agreement is considered, it will be critical that the intent of these provisions is carried forward into the substance of the agreement itself. Most small farms are not vertically integrated and do not have access to resources such as sales teams and marketing budgets that enable larger operators to compete based on scale. While small operators are well-equipped to compete on the basis of craft and quality, competition on a level playing field will not be possible if market and regulatory structures establish barriers to success for independent operators. As the home to the greatest number of small, legacy, and craft cannabis producers of any U.S. state by a large margin, California is well-equipped to take on a leadership role in this respect.

Specifically, any interstate agreement considered pursuant to SB 1326 should consider the following:

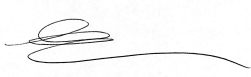
- **Balance of supply and demand** - the Senate committee analysis for SB 1326 notes that one rationale for interstate trade is to “provide a relief valve for the oversupply of cannabis in California.” Any interstate agreement should alleviate, rather than exacerbate, California’s oversupply problem by prioritizing compacts with states where demand exceeds supply.
- **Market access** - most small cannabis producers do not have the financial or logistical ability to vertically integrate into manufacturing, distribution, and retail. As transportation distances increase, the challenge of bringing small-batch products to market is also likely to expand. Any interstate agreement should reduce barriers to market access that disproportionately impede small producers from participation.
- **Regulatory parity** - regulatory restrictions on California cannabis producers frequently exceed comparable regulations in many other states, both in terms of land use and operational requirements. Interstate agreements should consider provisions to ensure the competitiveness of California producers in relation to producers in other states with lower regulatory burdens.
- **Discriminatory regulatory barriers** – some other states have adopted cannabis regulations which may inadvertently discriminate against California-produced products. For example, some other states have adopted microbial standards for cannabis product testing which would effectively exclude outdoor-grown cannabis from legal sale with that

state. California should not enter an interstate agreement with a state that maintains unreasonable trade barriers against California producers.

- **Protection for geographical indications** – SB 1326 includes important protections for geographic indications designations, such as appellations and city/county of origin, which are already protected under California law. However, it is critical that these protections are effectively enforced within any prospective interstate commerce agreement.
- **Stakeholder input** - we appreciate recent amendments to SB 1326 which provide a mechanism for both legislative and public input into the terms of any agreement, and request that stakeholder input be prioritized throughout the process of initiating, negotiating, and finalizing an interstate agreement.

We believe that SB 1326 establishes a foundation to address these issues in more detail in future negotiations, and urge the legislature and administration to keep these considerations at front of mind as discussions on prospective interstate commerce agreements move forward.

Thank you for your consideration,



Genine Coleman
Executive Director
Origins Council



Natalynne DeLapp
Executive Director
Humboldt County Growers Alliance



Oliver Bates
President
Big Sur Farmers Association



Diana Gamzon
Executive Director
Nevada County Cannabis Alliance



Michael Katz
Executive Director
Mendocino Cannabis Alliance



Adrien Keys
President
Trinity County Agricultural Alliance



Joanna Cedar
Board Member & Policy Chair
Sonoma County Growers Alliance