1. Working group name:

*Cultivation Working Group*

1. Individual sponsor(s):

*Amanda Connor-Connor & Connor*

*Tessa Rognier-Nevada Department of Agriculture*

1. Describe the recommendation:

*The recommendation is to guide the Nevada Department of Taxation on the issuance of licensing for marijuana establishments during the 18 month period after the Department begins to receive applications. For the Medical Marijuana Establishment (MME) program there were 182 cultivation establishments initially approved. Of the 182, there are currently 87 facilities approved and currently operating, with 91 MME licenses in provisional status. Many of these operating facilities are not utilizing their entire facility footprint due to the high supply of marijuana currently available. We recommend approving retail marijuana cultivation establishment requests to existing Medical Marijuana Establishments at a ratio of 1 to 1, giving approved and provisional MME’s the first opportunity to expand into the new market. With these additional provisional licenses coupled with the potential for expansion by current MME facilities, we believe the supply needed to fulfill the increase in demand the retail program will create can be met for the 18 months, we do not see a need to approve any further cultivation licensees.*

*We recommend that the Department can evaluate new cultivation requests to assure market stability and supply allowing for up to 10% market growth per year. In the attached supply analysis for the Nevada Medical Marijuana Establishment Program, we calculated an estimated 0.1 pounds of marijuana can be grown indoors per square foot of grow room space. Using this type of calculation would help the Department determine facility growth needs to match growth in the medical and retail markets.*

1. Which guiding principle(s) does this recommendation support?

*Guiding Principal 2 - Be responsive to the needs and issues of consumers, non-consumers, local governments and the industry*

1. What provision(s) of Question 2 does this recommendation apply to?

*Section 10- Certification of marijuana establishments*

1. What issue(s) does the recommendation resolve?

*The issue of a balance between the supply of safe marijuana and marijuana products and consumer demand. Creating an oversupply can cause prices to drop thus creating an unsustainable industry for marijuana establishments.*

1. Was there dissent in the group regarding this recommendation? If yes, please provide a summary of the dissenting opinion regarding the recommendation.

*Not known.*

1. What action(s) will be necessary to adopt the recommendation? Will statute, policy, regulations, etc. need to be addressed?

*Department of Taxation policy for granting marijuana establishments should be addressed.*

1. Additional information (cost of implementation, priority according to the recommendations, etc).

*Not known.*

**Supply Analysis for Nevada Medical Marijuana Program**

*Average Square footage of Nevada Medical Marijuana Establishments are 26,000 square feet, with data from 65 facilities. There are three facilities with square footage over 100,000 square feet, five facilities between 50,000-99,999 square feet, and eight facilities with square footage ranging from 30,000-49,999. The majority of facilities are in the range of 29,999 square feet or less. With 30 facilities ranging from 10,000-29,000 and 19 facilities under 10,000 square feet. These figures are the total square footage for the building footprint, not the actual grow room space.*

*I estimate that a typical facility would be dedicating approximately 20% of their square footage to flower rooms with canopy cover, at approximately 5,200 sq. ft. of grow space. I also estimated that on average one square foot would produce approximately 0.10 pounds of marijuana. Using this calculation at the high end would produce an estimate of approximately 145,600 pounds of medical marijuana currently being grown annually in Nevada.*

*Removing the outliers of the three facilities over 100,000 square feet, an average facility would have a middle estimate would produce an average grow space foot print of 4,100 square feet. With this estimate the annual yield in Nevada would be approximately 115,000 pounds.*

*Looking at just the majority of facilities, 57 with square footage ranging from just under 50,000 there would be an average of 3,400 square feet of grow space per facility. This would produce annually a harvest yield of 96,000 pounds.*

*Estimates range from 96,000 to a 145,000 pounds of medical marijuana currently being grown in Nevada per year. I would estimate that at least forty percent of this flower produced is not being sold as bud, but rather is being extracted and made into concentrated oils. That would put the amount of marijuana being sold as bud at the dispensary level into the 58,000-88,000 pound range. Is this supply enough to meet the increase in demand Nevada will see when recreational marijuana become legal?*

*In Colorado, during 2014 the first year of recreational legalization 148,000 pounds of marijuana were sold. Of that total, only 38,660 were sold as recreational marijuana, the remainder of 109,587 pounds were sold through the medical program. With just under 5 million units of edible products sold, 2 million through the medical program and almost 3 million through the retail program. Also sold were 771,000 units of non-edible marijuana products.*

*In Colorado, the medical program in 2015 consumed the majority of products offered for sale. I believe the inverse will be true for Nevada. I believe the retail market will consume the majority of the products of sale during the first year of the dual stream programs.*

*We estimate that the demand for bud Medical Marijuana Program is around 66,000 pounds annually. We also estimate that the new retail program will increase demand by 86,000 pounds. We are estimating 152,000 pounds will be needed to supply the increase demand for the retail marijuana program.*