



March 3, 2022

The Honorable Delores Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401-1991

RE: Senate Bill 628 – Medical Cannabis – Grower License – Number and Licensed Processors – Letter of Information

Dear Chair Kelley and Committee Members:

The Maryland Medical Cannabis Commission (the Commission) is submitting this letter of information for Senate Bill (SB) 628 – Medical Cannabis – Grower License – Number and Licensed Processors. SB 628 increases the cap for medical cannabis grower licenses from 22 to 42. This bill also authorizes a licensed processor to apply for a grower license under separate specified criteria.

There are currently 18 licensed processors in Maryland, with an additional eight (8) pre-approved processors that are likely to become licensed during the next several months. Note that the bill specifies that any licensed processor who becomes a licensed grower under the bill is subject to the licensed grower requirements under Health-General Article §13-3306, which will include the one grower license limitation and will subject the processor's grower license to the 42-grower licensing cap. Three (3) out of 18 licensed processors do not own or control a grower license and seven (7) out of eight (8) pre-approved processors do not own or control a grower license. Therefore, there are 10 processors in Maryland that will potentially be eligible to apply for a grower license. While the Commission is unable to predict the number of processors that will apply for the grower license, the Commission anticipates that it is likely that all 10 eligible processors will apply for the new license. Applying for a grower license will be attractive to a processor because it will give them a more sizable share of the medical cannabis market and also enable them to obtain medical cannabis in a manner that is more cost effective and provides for more reliable access to the medical cannabis.

The Commission envisions two separate application and evaluation processes for the grower licenses available under this bill – one application process open to any interested applicant that will be competitively scored and the other available only to licensed processors based upon criteria specified in SB 628. The bill details the factors that the licensed processor must address in its grower

application. SB 628 strongly infers that the processor's grower application will not be competitively scored but rather that if specified factors are met - such as adequate capital, a security plan, and standard operating procedures for cultivation – the processor will qualify for a grower license. The absence of competitive scoring will likely spark further interest by licensed processors to obtain a grower license under the bill.

Multiple bill provisions encourage small, minority and women-owned businesses to apply for the grower licenses and require the Commission to conduct outreach to this demographic in order to facilitate increased diversity in the medical cannabis market. The bill language also encourages the creation of licensed growers that are small businesses by stating that any applicant who becomes licensed as a grower through the application process available to any applicant may operate in a facility that does not exceed 10,000 square feet, and the licensed processors who obtain a grower license may operate in a facility that does not exceed 25,000 square feet.

That being said, this bill may place the six licensed growers that do not own or control a processor license, and who are primarily small, independent businesses, at a significant competitive disadvantage. Pursuant to SB 628, each of their direct competitors will either currently possess or be able to secure a grower license. This could result in the independent growers who do not own or control a processor license facing substantial challenges in converting their cannabis biomass into processed medical cannabis finished products. In other words, the licensing framework created by SB 628, which seeks to facilitate the licensing of medical cannabis growers that are small and diverse, may make it more difficult for existing small-, minority-, and women-owned growers to succeed. Moreover, expanding licensing opportunities for growers, without likewise expanding licensing opportunities for processors and dispensaries, and assessing patient need, will result in uncertain impacts on product availability and pricing.

I hope this information is useful. If you would like to discuss this further, please contact me at (410) 487-8069 or william.tilburg@maryland.gov.

Sincerely,



William Tilburg, JD, MPH
Executive Director
Maryland Medical Cannabis Commission

cc: Members of the Senate Finance Committee

This position does not necessarily reflect the position of the Maryland Department of Health or the Office of the Governor.