

**To: House Human Services Committee**

**From: Alexandra Ford, Executive Director of Grassroots Vermont**

**Date: April 7, 2017**

### **Testimony of Alexandra Ford**

Good morning. I am Alex Ford and I am the founder and Executive Director of Grassroots Vermont, which was formerly known as Rutland County Organics. Grassroots is one of the four medical marijuana license holders in Vermont and we operate our cultivation facility and dispensary out of Brandon.

#### **Grassroots VT:**

We are the smallest of the Vermont licensed dispensaries, as each license holder is currently limited to a single dispensary location and Brandon is the most rural of the current licensed dispensaries. At the present time, we have 7 full-time employees and 1 part-time employee. We have only recently approached the break-even point after 3 1/2 years in operation, and that is only true on a pre-tax basis—we still won't reach true breakeven on an after-tax basis until well into 2018, by our calculations. We currently have 510 registered patients.

We were lucky enough to find a financial backer willing to extend credit to us, a difficult proposition for medical license holders given the fact that marijuana is still not legal under federal law. Because of the small number of medical marijuana patients in Vermont, we are not yet able to afford a commercial kitchen, on-site testing, or our own extraction equipment. We do, however, utilize the services of an ISO-certified independent laboratory for testing, to ensure product safety and the integrity of our testing results. We currently carry a substantial amount of debt on our balance sheet, although we are working with our financial partner to restructure that debt.

The basic problem is that the capital investment necessary to build out cultivation and processing facilities require sufficient sales and revenue to justify the investment. That is fundamentally why it is not easy to secure capital investment in a small state like Vermont.

Having just a single dispensary location—and in our state with its small population—means that we cannot achieve the economies of scale that would allow for lower prices. That is the primary reason why the prices of medical marijuana products to patients in Vermont are on the high end of the scale nationally.

Grassroots began the first approved delivery service in Vermont. We believe that providing home delivery is critical for certain medical marijuana patients that cannot for medical reasons travel to our dispensary in Brandon. Some patients also prefer the

convenience and privacy of home delivery. However, it has been our experience that many patients prefer to come in and talk to a patient services representative in person, to learn about what their options are and to talk about what products are likely to provide them with the greatest relief from their qualifying medical conditions and how best to administer those products. Delivery alone is not a complete substitute for having one-to-one consultations in a physical dispensary location.

#### **S.16:**

S.16 represents positive steps in the right direction for the medical marijuana patients of Vermont. The expansion of qualifying medical conditions represents recognition of the benefits of medical marijuana in alleviating symptoms from a wider range of debilitating medical conditions. In addition, the changes that will make it easier and faster for patients to obtain the required doctor's certification in certain circumstances where the three-month waiting period is not appropriate, will be especially helpful to patients in need of timely help in alleviating chronic pain and other symptoms caused by their qualifying medical conditions.

We also believe that the bill's allowing for responsible dispensary advertising to help patients to be better informed about their medical options and product availability and pricing, will bring Vermont's program more in line with how other states handle this issue, to the benefit of our patients who need information to make important decisions about how to deal with their medical needs.

However, we do not agree that Vermont is in need of 4 more license holders. There are only approximately 3,850 registered patients today, and only approximately 3200 of those are registered dispensary patients. The current license holders have more than enough cultivation capacity already to meet all the current demand from the state's small patient population.

What we need in Vermont for a financially stable program is for the current license holders to acquire more patients for the program to keep us viable, not more licensed producers. Why not give the pioneers of the program a chance to become fiscally stable after all we've invested in Vermont's program to get operations off the ground? There is simply no need for additional license holders to meet the foreseeable demand for medical marijuana in Vermont at the present time.

The primary reason that prices for medical marijuana products in Vermont are at the higher end of the national scale is not because there are not enough license holders, its because none of us have enough scale to maximize the efficiency of our growing and processing operations and achieve better economies of scale and therefore lower prices. Limiting each license holder to one dispensary location is guaranteed to perpetuate that problem.

For example, the Massachusetts medical marijuana program allows each license holder to have three separate dispensary locations tied to its one permitted cultivation facility. The intent of that system is to allow each license holder to earn a fairer return on the

substantial capital investment necessary to build out a state-of-the-art cultivation and processing facility. So Massachusetts allows three dispensaries to be opened by each license holder, along with its one cultivation and processing facility.

If we want to encourage the development of the most state-of-the-art cultivation and processing facilities as they are doing in other medical marijuana states in order to provide the best quality products at the lowest prices to the consumer, then we must allow our license holders here in Vermont the opportunity to compete for more patients. Issuing more licenses at the present time will make this problem worse, not better.

But while additional licenses are not needed at this time, now is the time to make changes in order to try to provide our medical marijuana patients with lower prices and a wider range of product selection choices. Geographic monopolies are not the answer if you are looking out for the interests of the patients who are the end consumers of the medical marijuana program. If we allow direct competition between dispensaries in the geographic areas where patients live, our medical marijuana patients will be able to choose the dispensary with the best combination of product selection, product quality, and price.

At a minimum, we would suggest allowing each license holder to open at least three dispensaries in total for each cultivation facility that it operates. By allowing each current license holder to open additional satellite dispensaries in other areas of the state that they choose based on market conditions -- including in direct competition with other dispensaries-- this will result in wider product selection, higher quality products, and lower prices for Vermont's medical marijuana patients.

Thank you very much.