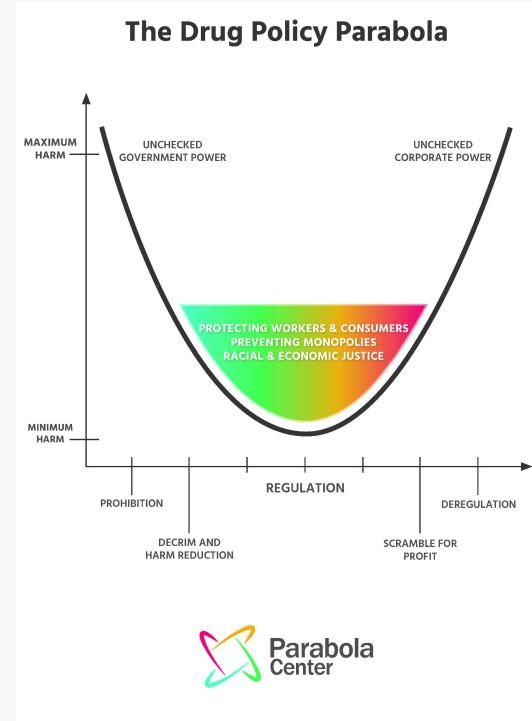




Building a Fair and Competitive Cannabis Market for Vermont

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The Question Before Vermont



What kind of cannabis market does Vermont want to build?

Cannabis legalization creates a new agricultural and retail sector.

Market structure decisions made now will determine:

- Who survives
- How competition functions
- Whether small producers remain viable
- Retail purchasing patterns

Market design determines outcomes.

The Structural Challenge



Small cultivators fail for structural reasons

- Fixed regulatory costs scale poorly
- Wholesale pricing is volatile and downward trending
- No direct access to consumers early in market

Result: They compete in the most competitive segment first

Why Sequencing Matters



Healthy markets differentiate first, commoditize later.

Correct order:

- Direct relationships form
- Brand + quality differentiation
- Then price competition

Common policy order:

- Price competition immediately
- Farms fail
- Only scale survives

Direct Market Access as a Stability Tool



- On-site sales
- Limited delivery
- Events and farm-based retail
- Greater share of retail value

- **Effect:** Stabilizes revenue → Prevents early farm exit → Reduces pressure toward consolidation

Public Health Mechanism



Relationship-based markets change consumer behavior.

Compared to anonymous retail:

- More informed purchasing
- Lower race-to-potency competition
- Reduced illicit substitution

Public health benefit comes from familiarity and transparency, not prohibition.

Vermont's Window



Small isolated markets consolidate quickly.

After interstate commerce:

- Capital flows to lowest cost production regions
- Small isolated markets face rapid consolidation pressures

Only protection small states have:

- local identity + embedded producers
- Those must exist before interstate trade begins.

Guardrails to Preserve Competition and Equity



- **Three guardrails determine Vermont's outcomes:**
 - Early direct-to-consumer pathways (on-farm, events, limited delivery)
 - Sequenced competition (don't force immediate wholesale dependence)
 - Reinvestment into small license viability (training, compliance support, capital access)