

My name is Amy Lems. I reside in Norwich, VT. In Windsor County.

I am a

Medical cannabis patient

Former Tier 2 Cannabis Manufacturer

Vermont Growers Association Board member and Legislative Committee member

Member of the Vermont Cannabis Equity Coalition or VCEC.

I am here today to support the legislative changes recommended by the Vermont Cannabis Equity Coalition for bill H.321.

The first recommendation is for **Industry and community reinvestment.**

Appropriate \$1M of the cannabis excise tax revenue annually for the Cannabis Business Development Fund.

- Include Tier 1 producers as well as a robust technical and business support program.
- Also, Direct 25% of the cannabis excise tax revenue to the Land Access and Opportunity Board (LAOB) for community reinvestment programs.

Second recommendation is to **Treat outdoor cannabis like farming.**

The recommendation calls for

- Continuing to list aspects of agricultural status for outdoor cultivation into Vermont law.
- Strike the municipal cultivation districts and setbacks for outdoor cultivation from Act 166 (2024).

VCEC recommends **Product registration and employment identification card reform & striking the harvest and trim license proposal.**

- Allow for biennial product registration and employee identification cards
- Allow employees to work for multiple businesses.

VCEC recommends **Complete & Cost-Free cannabis expungement.**

- The expungement of any and all cannabis-related charges, cost-free and without the need for an individual to petition the courts for the clearing of their records.

VCEC recommends **Public consumption wherever Lit Tobacco is allowed.**

- Current consumption laws in Vermont are inherently inequitable, in effect allowing only people who own their own **private land or residences** to consume cannabis **legally**.
- Otherwise it prohibits consumption in public places.

VCEC recommends **Positioning the administration of eligible conditions and oversight of the Medical Cannabis Program under the CCB by re-establishing the Symptom Relief Oversight Committee**.

- This Committee will facilitate the necessary input and expertise from patients, caregivers and medical professionals being heard and included by regulators AND make recommendations to the General Assembly on changes to eligible conditions.
- **As a medical patient**, I would like to see **many improvements** made to the Medical Cannabis Program. Most importantly, education. An annual (minimum) eight-hour continuing education course funded by the cannabis excise tax, offered to all employees, not just those serving **Medical Use Endorsement** patients.

VCEC further recommends **Striking the retail siting rules language in Section 4, which is in the bill to create the effect of a two-year moratorium for new retail licenses**.

- Under Act 166 (2024) the CCB developed administrative rules with industry input as a mechanism to determine if towns like Burlington need another retailer.

VCEC's last recommendation is for a **Direct sales event permit**.

- Allowing licensed cultivators, propagators, manufacturers, and retailers to perform **regulated direct sales** to consumers at temporary events with **rules to be made public by the CCB**, not beholden to retail opt-in.

As a former Tier 2 manufacturer, I can speak explicitly to the need for **Direct to Consumer Sales**. It is the primary reason I declined renewing my manufacturing license last November. After 2 years in the industry with \$100k in revenue each year, yet zero profit, I concluded my business was unable to be profitable in the current market structure. At present, the **only option** to get products to market is to sell them at the wholesale price to a retailer or wholesaler. This gives retailers total **control over what products come to market and what price the consumer pays**.

Our current market structure allows retailers to profiteer off small cultivators and manufacturers by overinflating the retail prices of products to maximize their own profit. As a manufacturer, I sell a product to a retailer for \$10 (\$5 of which is my cost to produce) then the retailer sets the retail price which is normally \$20, making their profit margin on that unit \$10. Yet, several retailers chose to overinflate the retail price of my products to \$25, \$30 or even \$35, making their profit margin \$15, \$20 and \$25 per unit instead of \$10. Those higher prices slow sales, which hurts the craft producer, but are highly profitable for the retailer who has no downside in this situation. Small operators can't enforce intended retail pricing because if they try, retailers can simply refuse to carry their products.

Retailers are also **allowed to directly compete with the brands they sell**. They have products "white labeled" for them by a large/Tier 3 manufacturer then sell them as their **store brand** alongside the other craft cannabis brands on their shelves. Some retailers purposefully sell their store brand products at a lower cost thereby undercutting the independent cannabis brands they sell at their stores. This is a win-win for retail stores as it increases both their profit margin and their brand awareness in the market. Wholesalers are also allowed to purchase white label products, put their brand name on it, and sell it side by side with the brands they are representing. **These are direct conflicts of interest that allow the retailer and wholesaler to compete directly with the brands they sell/represent.**

At this point in the market, most retailers now order from a wholesaler because of the cost and convenience in doing so. Instead of ordering directly from each cultivator and manufacturer, retailers can place a single order with a wholesaler for dozens of different brands and products. It means one order, one delivery, and one check instead of ordering from dozens of brands, each needing separate delivery time, receiving/inventory, and payment. The time and labor savings is substantial for the retailer who buys through a wholesaler.

There are also **very few wholesalers** in Vermont and they limit the number of products they carry from each cultivator or manufacturer. In my case, the wholesaler's product limit was 10, yet my company made 48 products. How do I get the rest of my products that have been researched, developed, tested, and registered to market? **I don't, because no other way currently exists.** These small businesses can't afford the one-size-fits-all retail license that currently exists in Vermont. They are simply asking for a reasonable way to get their products to market when no other avenue exists.

Despite the oversaturation of retail stores in specific pockets of the state, the rest of the state remains a cannabis desert. Many small towns simply do not want to opt-in, for various reasons. Add to that, in VT the mean population of our towns is about 2000 people. The demographics don't support the expensive one-size-fits-all retail license. Yet, there are plenty of consumers, both adult-use and medical, in these small cannabis-desert towns that would like access to legal, regulated Vermont cannabis products. Until a scale-realistic retail license is made available, these communities go largely unserved. Direct to consumer sales can both bridge that gap and provide VT craft cannabis producers an alternate and viable way to get their products to market. **Direct-to-consumer sales is the lifeline small producers in the Vermont Cannabis Industry need to survive.** It benefits the craft cannabis producers by allowing them a way to get all of their products to market while also benefiting the customers by offering them **all of the possible cannabis products available at their intended retail prices.**

**Thank you for your time and attention.**

With gratitude,

Amy Lems