

## **Written Testimony for the Record — S.278**

### **Submitted by Christina Lillie — Small Cultivator & Small Business Owner In Support of VCEC Directives**

Thank you for the opportunity to submit written testimony on S.278. My name is Christina Lillie, and I am a small cultivator and small business owner in Vermont's cannabis industry. I am submitting this testimony in support of S.278 and in alignment with the directives and recommendations put forward by the Vermont Cannabis Equity Coalition (VCEC), whose work reflects the realities and needs of small operators across the state.

#### **Overview**

Small cultivators like myself entered this industry with the intention of contributing to Vermont's agricultural economy, producing high-quality craft cannabis, and operating in a way that reflects Vermont values: sustainability, transparency, and community-based business. However, the current market structure places small cultivators at a significant disadvantage, and the data emerging from the first years of the regulated market makes this clear.

S.278 provides practical, targeted tools that would allow small cultivators to remain viable. Direct-to-consumer sales and delivery are essential components of that solution.

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#### **1. Pricing Pressure and Market Instability**

Wholesale cannabis prices in Vermont have dropped sharply since the market opened.

While exact numbers vary by region and retailer, many small cultivators have seen:

- **Wholesale flower prices fall by 30–50%**
  - since the first year of adult-use sales
- **Retail margins increase,**
  - while cultivator margins shrink
- **Inconsistent purchasing patterns**
  - primarily because retailers are fully integrated and trading shelf space
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For a small cultivator, a 40% price drop is not an inconvenience — it is the difference between staying operational and shutting down. Unlike larger operators, small farms cannot offset falling prices with volume, vertical integration, or diversified product lines.

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#### **2. Regulatory Costs Disproportionately Impact Small Farms**

Small cultivators carry the same regulatory and compliance requirements as operators many times our size. These include:

- Licensing fees
- Mandatory testing costs
- Track-and-trace compliance
- Security requirements
- Packaging and labeling rules
- Insurance and administrative overhead

For a small cultivator, these fixed costs represent a **much larger percentage of total revenue**. When wholesale prices fall but regulatory costs remain fixed, the financial strain becomes unsustainable.

This is why I support the VCEC directives, which consistently highlight the need for regulatory structures that scale appropriately with business size and do not unintentionally push small operators out of the market.

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### 3. Market Access and Distribution Bottlenecks

Even when retailers want to support small cultivators, the current system creates bottlenecks:

- Retailers often prioritize larger suppliers who can offer consistent volume
- Small batches may sit in queues for weeks before being reviewed or purchased
- Transportation and distribution costs cut further into already thin margins
- Delays in getting product to market reduce freshness and value

For small cultivators, **cash flow depends on timely sales**. A 4–6 week delay in wholesale purchasing can destabilize an entire season's budget.

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### 4. Why Direct-to-Consumer Sales and Delivery Are Essential

Direct-to-consumer sales and delivery — as outlined in S.278 and supported by VCEC — are not special privileges. They are standard agricultural practices that already exist for:

- Small vegetable farms
- Maple producers
- Breweries and cideries
- CSAs and farmstands

Allowing small cultivators to sell directly to consumers would:

- Provide
- **stable revenue**
- not dependent on wholesale volatility
- Allow cultivators to
- **retain a sustainable margin**
- Reduce distribution delays
- Strengthen relationships with consumers who want to support local, sun-grown cannabis
- Increase transparency and traceability
- Support rural access, especially for consumers far from retail stores

Delivery is especially important in a rural state like Vermont, where many residents live 30–60 minutes from the nearest dispensary.

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### 5. Preserving Vermont's Craft Cannabis Identity

Vermont's cannabis market was envisioned as a craft-driven, small-farm-friendly system. Without structural adjustments like those in S.278, the market will continue to consolidate around larger operators with more capital and more vertical control.

Small cultivators contribute:

- Diverse genetics

- Sustainable, low-impact growing practices
- Local economic activity
- High-quality, hand-crafted flower
- A decentralized, community-based market structure

Losing small cultivators means losing the very identity that makes Vermont cannabis unique.

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### **Closing**

I support S.278 because it provides realistic, workable tools that align with the needs of small cultivators and the directives of the Vermont Cannabis Equity Coalition.

Direct-to-consumer sales and delivery are essential for the survival of small farms, and they bring Vermont's cannabis industry into alignment with the way other small agricultural producers already operate.

Thank you for your time and for your commitment to understanding the economic and operational realities faced by small cultivators. I appreciate the opportunity to share my perspective.