



Sensible policies, safer communities.

---

Representative Tina Liebling, Chair  
Health Policy and Finance Committee  
477 State Office Building  
St. Paul, MN 55155

Re: House File 4387 (Gomez)  
Expansion of and changes to medical cannabis manufacturers

Dear Chair Liebling and members of the Health Policy and Finance Committee,

I write today on behalf of Sensible Change Minnesota, in support of House File 4387. Sensible Change Minnesota is a non-profit that believes our communities are safer when we create sensible drug policies. We are patient and consumer led and run and have spent much of the past several years improving Minnesota's medical cannabis program.

HF4387 is an incredibly important piece of legislation to open Minnesota's medical cannabis market to better serve the state's medical cannabis patients. Currently, there are nearly 32,000 medical cannabis patients in Minnesota, a number expected to double over the next year, and only two, large, vertically integrated companies producing all of the medical cannabis for the state. While Vireo Health (a/k/a Green Goods, Goodness Growth Holdings) and Leafline Labs (a/k/a Green Thumb Industries) have done a mostly sufficient job in supplying medical cannabis to Minnesotans given the circumstances, the prices remain high, access barriers remain, and patients are underserved by the existing duopoly.

We seek slow, measured expansion of this marketplace. By adding two manufacturers by the end of this year, whose products would not reach shelves until late 2023, or even early 2024, we can reach patients who are not currently served geographically, improve the product diversity of the market, and hopefully drive down prices with anticipated marketplace competition. Leaving room for the Commissioner to add additional manufacturers, with a limit of 10, allows for ongoing growth as it is needed, or as operators meeting the appropriate criteria seek to enter the market.

Other states, even those who followed in our footsteps, do not rely on two medical cannabis producers for their state. Except for North Dakota, which currently has fewer than 8,000 patients, and Louisiana, which relies on state-run producers, no state maintains a duopoly. States like Florida, Ohio, and Utah, which followed Minnesota's model, did not create a duopoly. The below chart provides some comparisons between states.

State	Cultivators	Processors	Distribution Centers	Patient Count	Allows Flower
Florida	22			656,370	Yes
Minnesota	2		16*	29,402	Yes
Missouri	62	89	192	218,111	Yes
North Dakota	2		8	7,000^	Yes
Ohio	36	47	131	129,000	Yes
Utah^^	8	13	15	n/a	Yes

As of December 31, 2021

\*Authorized, only 14 currently open

^Estimated based on Q1 2022 reports

^^ Program starts this year

It is understandable that the state's two medical cannabis manufacturers would oppose this change, as they have both lost money, according to their audits, during their time in business. The pieces missing from that narrative are that the companies invested heavily in capital expenses, one used Minnesota as a launching pad to move into other state markets, and both companies were sold, or are in the process of being sold, to large, multistate operators - Green Thumb Industries (Leafline Labs) and Verano Holdings (Vireo Health/Goodness Growth Holdings).

Both Verano and Green Thumb Industries have all but boasted about their acquisitions in Minnesota, because of the existing duopoly structure. The CEO of Green Thumb Industries tweeted on December 9, 2021: "Fact of the week: Colorado and Minnesota have the same population (5.7 million people)," alluding to the potential market size in Minnesota mirroring that of Colorado. The Chief Investment Officer for Verano was heard on Twitter discussing Minnesota as the "silver lining" to their acquisition deal, implying that our market is a big reason this acquisition is valuable for their shareholders.

For reference, Green Thumb Industries holds 21 different companies or brands, and Verano Holdings 18, not counting Vireo Health/Goodness Growth Holdings. According to Marijuana Business Daily, a September 2021 report showed Green Thumb Industries as the second highest earning multi-state operator, and Verano Holdings as the fifth. This is the "big marijuana" we have all been warned about.

The answer is not for the two large companies to get larger to meet the needs of a quickly growing patient count – it is to provide opportunity for Minnesotans to enter the market and provide good jobs and an opportunity to enter a rapidly expanding industry, all while improving patient access and driving down prices.

Respectfully,



Maren Schroeder  
Policy Director, Sensible Change Minnesota

Attached:

- One-page brief
- Written testimony from patients

## HF4387

# Modifying provisions governing medical cannabis manufacturer registration and registration renewal

*Produced by Sensible Change Minnesota*

### What does this bill do, following amendment?

This bill adds at least two new medical cannabis manufacturers, and sets a limit of ten, should the Commissioner of Health determine more companies are necessary to meet patient demand.

This legislation creates additional factors for consideration of which companies to register, by adding: inclusion of minorities, women, individuals with disabilities, or military veterans in leadership or beneficial ownership; expansion of service to underserved markets; beneficial ownership by Minnesota residents; and promotion of development in low-income areas. Additionally, the commissioner is provided the authority to create additional factors necessary to protect patient health and ensure public safety. A requirement for a background study for officers, directors, or controlling persons is added for registration and renewal, barring those with financial misconduct or felony-controlled substance on their records. Finally, a requirement for a labor-peace bargaining agreement at registration or renewal is included.

Financially, the legislation allows for a refund of one-half of the \$20,000 application fee if an applicant is not selected.

### Why do we need this legislation?

With rapidly growing patient numbers following the addition of raw cannabis flower to the medical cannabis program, it is time to open the market to new companies. We have carefully crafted this legislation with Representative Gomez, to include factors that promote opportunities for Minnesotans, especially those who are minorities, disabled, women, or veterans.

The current structure is also problematic because if one company goes out of business, or doesn't qualify for re-registration, Minnesota is down to one producer for the entire state, operating only eight patient centers.

### What about the two current manufacturers?

Vireo Health (a/k/a Goodness Growth Holdings, d/b/a Green Goods) and Leafline Labs were both acquired by giant multi-state operators in late 2021 and early 2022. While both companies have lost money over the past seven years, according to their financial audits, investments in capital and the current Minnesota market restrictions make their losses "whole" following sale.

Even with this legislation, both companies will operate for more than one-year, with a growing patient count, as a duopoly – fully profiting off the sale of medical cannabis products to Minnesota's patients.

### Are there other issues to be aware of?

Yes. The two existing companies have demonstrated flaws in the system during the rollout of flower. Long waits for pharmacist consultations, restrictive purchase limits, distance to the limited number of patient centers, lack of variety in the market, and the cost of medical cannabis all demonstrate the weaknesses of the existing system. It is unknown whether we will see a shortage that causes product to be completely sold out, but with the current limitations, a supply issue is apparent.

I'm a medical cannabis user and very grateful for its many benefits. Cannabis helps me with the pain I feel that I have sustained in a motor vehicle accident. The medication works where the opiates my doctor prescribes me do not. The opiates have addictive qualities and lower my quality of life. Cannabis allows me to feel how I felt before my accident. The biggest drawback however is the distance I have to travel to procure my medication, the closest dispensary being over 70 miles away. With gas prices on the rise, I am afraid I may not be able to afford my medicine. This costs me precious time away from my family. The trip also leaves me in pain from having to sit in the car so long. I am only allowed to purchase 10.5 grams of flower, my preferred medicine despite having to drive such a distance. We need more medicine dispensary locations in Minnesota. Thank you for your time and consideration for HF4387.

Logan Harris

I am in my 30's with stage 3 spinal decay, scoliosis, sciatica, digestion issues, etc. There have been very few days of my adult life that I've felt full physical relief from symptoms. The days that I recall have been during visits to legal recreational states. Because of this I was able to enjoy a nice Colorado hike pain free. Returning home from those vacations after a 14 hour drive to a state with cannabinoid restrictions is disheartening. At times I supplement with herbal remedies for relief that cause me digestion problems. Not having adequate access to my medicine has caused me to look for relief in many herbal remedies. Where I live is nearly two hours from a dispensary in my state and has been a discouraging factor when considering maintaining my enrollment in the medical cannabis program in the state. The distance and cost are very restricting and the addition of more locations would help medical users like me. HF 4387 is a step in the right direction to improve access for patients like me, thank you.

Cody Tessmer

Having to travel to Bloomington to pick up my prescription is a major inconvenience. It's over an hour away from where I live. Working a full time job I almost have to take a day off of work just to pick up my already expensive medication. With gas prices rising and the 500+ dollars I've already spent to be enrolled in the medical cannabis program it's beginning to become easier on my everyday life to not even pick up my medication. HF4387 would make obtaining my medicine so much easier, thank you for your consideration

Devin Mahon