



MID
ATLANTIC
GROWERS
ASSOCIATION

MODULE No. 4

Home Grow, Part 2

December 15, 2022

In Support of a Recreational Home Grow Segment – Part 2: Resolving some key industry challenges.

As the Cannabis industry evolves, some very visible challenges are emerging:

- Recent lawsuits that challenge residency requirements and have the potential to upend entire state programs.
- Continued operation of a thriving illicit market, driven by punishingly high taxes and a ban on home grow in federal housing.
- An issue is emerging as we get closer to SAFE banking or some similar regulatory framework: the simple fact is that the finance industry has a long history of racism. How does this square with the social equity discussions presently taking place across the industry?

In an earlier paper, Home Grow, I described a model called The Collective (<https://midatlanticgrowersassociation.com/links/>). Briefly, a collective is a place where you can go to grow your own cannabis. Resembling a rose nursery or a Christmas tree farm, a resident will be able to go there, either buy the supplies they need and do the work themselves or sign over their six plants and return in a few months to pick up the product.

Structured properly and supported by proper legislation, an industry that includes collectives will address all three challenges described above. The remainder of this paper describes why this is so and how it might work.

The Residency Requirement

Every state that allows home grow requires that the grower be a resident. You cannot just go somewhere and grow it. Even if you have a vacation home in the state, you cannot grow. It must be your primary residence. This could change but at the time of this writing,

you must be a resident to grow cannabis. This same requirement could be applied to the collective, and particularly the right to sign over your six plants for growing- that is, the "receiving organization" would be required to satisfy some sort of local licensing or local ownership requirement. This would prevent out of state corporations from controlling this particular sector.

The illicit market, high taxes and the ban on home grow In Federal housing

The collective will have more of an effect on the local dealer, i.e., the illicit market, than it will on the bricks-and-mortar channel, whether owned by corporations or by entrepreneurs. There are two main reasons for this- high taxes and the high prices they drive; and the ban on Home Grow in Federal housing. This forces residents, of which there are roughly half a million (of all ages) in New York City, into an expensive high-tax retail environment or, to an illicit market which is steadily being re-criminalized.

The Collective will address both issues: high taxes by allowing home growers to avoid the retail system entirely; and the ban on growing in Federal housing by providing a legal place to grow. Also, individual landlords in high rise buildings can and do ban smoking of all types. They will also ban growing and many commercial activities on their premises. The collective is again one solution that will be effective.

Emerging Issue- Banking and Racism

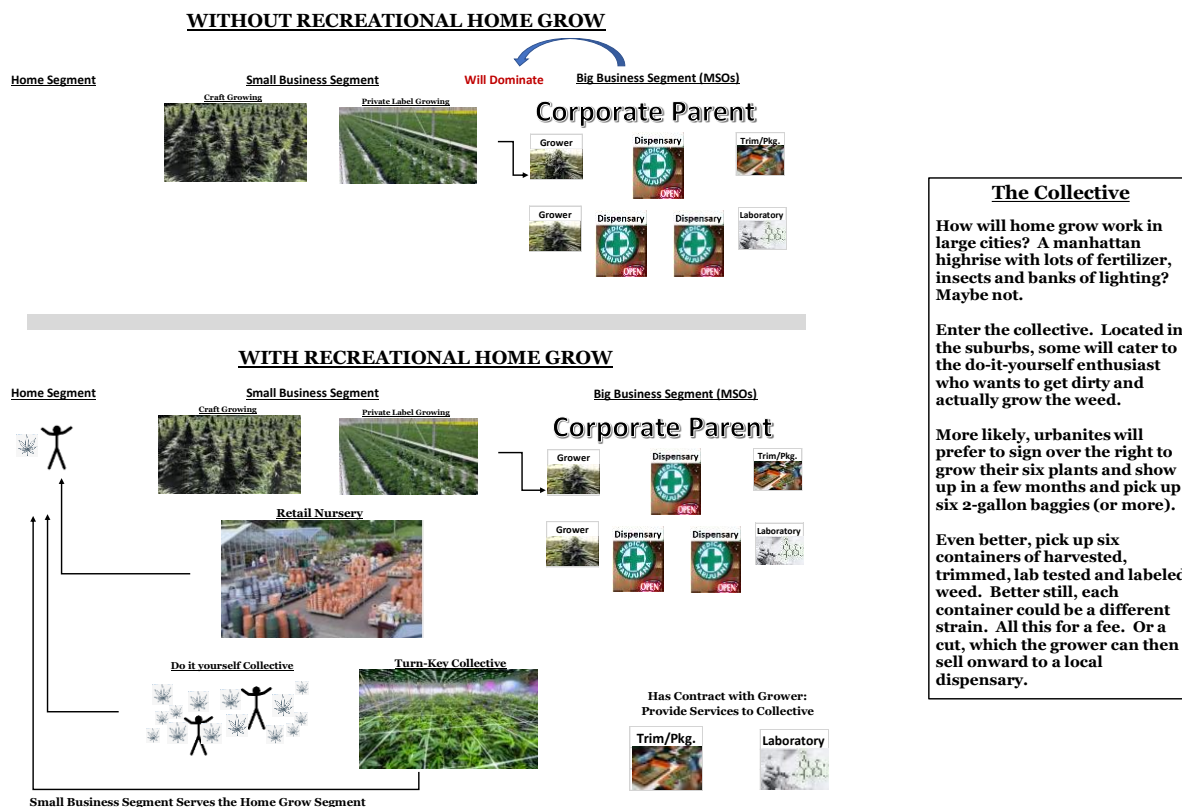
It is widely known that all aspects of the financial industry have suffered from severe and persistent racism, and at every level (*The White Wall, Emily Flitter, Simon & Schuster-2022*). Yet we are clamoring for this industry to enter the cannabis industry. How will this square with a vibrant social equity discussion?

More specifically, how will things go when we allow social equity applicants into the industry, then allow the banks in, and then the banks won't provide financing to the minority applicants? The collective will not eliminate racism, but it will offer an alternative to those who continue to be shut out of the financial sector.

Specifically, collectives could be funded through state grant programs if and when the traditional banking industry acts in its traditional manner. And when the industry experiences periodic downturns, the collectives can be shielded from the aggressive actions of these same banks.

A graphic illustrating the more robust small business segment enabled by home grow appears below. It has been reproduced from Home Grow- Part 1.

WITH A RECREATIONAL HOME GROW SEGMENT, THE SMALL BUSINESS SEGMENT WILL ALSO THRIVE



Downloads for all papers by the Mid Atlantic Growers Association, including the home grow graphic, can be found at MidAtlanticGrowersAssociation.com.

In Summary

A recreational home grow segment- specifically the collective, will help to address three problems in the cannabis industry: The growing backlash over residency requirements: the continued prosperity of the illicit market due in part to high taxation of the legalized industry and the ban on growing in Federal housing; and racism brought to the industry by the banking industry once it receives legislative approval, or at least cover, to enter the cannabis industry.

Regulators should allow home grow, specifically the collective model, and enable it and support it through legislation.