



In Support of a Recreational Home Grow Segment

It is vitally important as individual states roll out their adult use cannabis programs that individuals, whether “patients” or “consumers”, be allowed to cultivate and grow their own plants.

Simply stated, and as the graphic below describes, without a Recreational Home Grow segment the industry will be structured narrowly, with “Big Business” generally dominating small business with no real way out, other than regulation. You do not want to depend on regulation to survive.

With a recreational home grow segment, a vibrant small business segment will develop to serve the home grow segment, in addition to growing for their own account. It is this segment that will form the basis of a successful cannabis industry.

In support of the home grow segment, the small business segment will develop:

Retail nursery operations, much as we see all over the suburbs serving home gardeners. This segment will be tailored for the needs of Cannabis growers and should be allowed to sell seeds, seedlings and even plant breeding services in addition to pots, tools and soil.

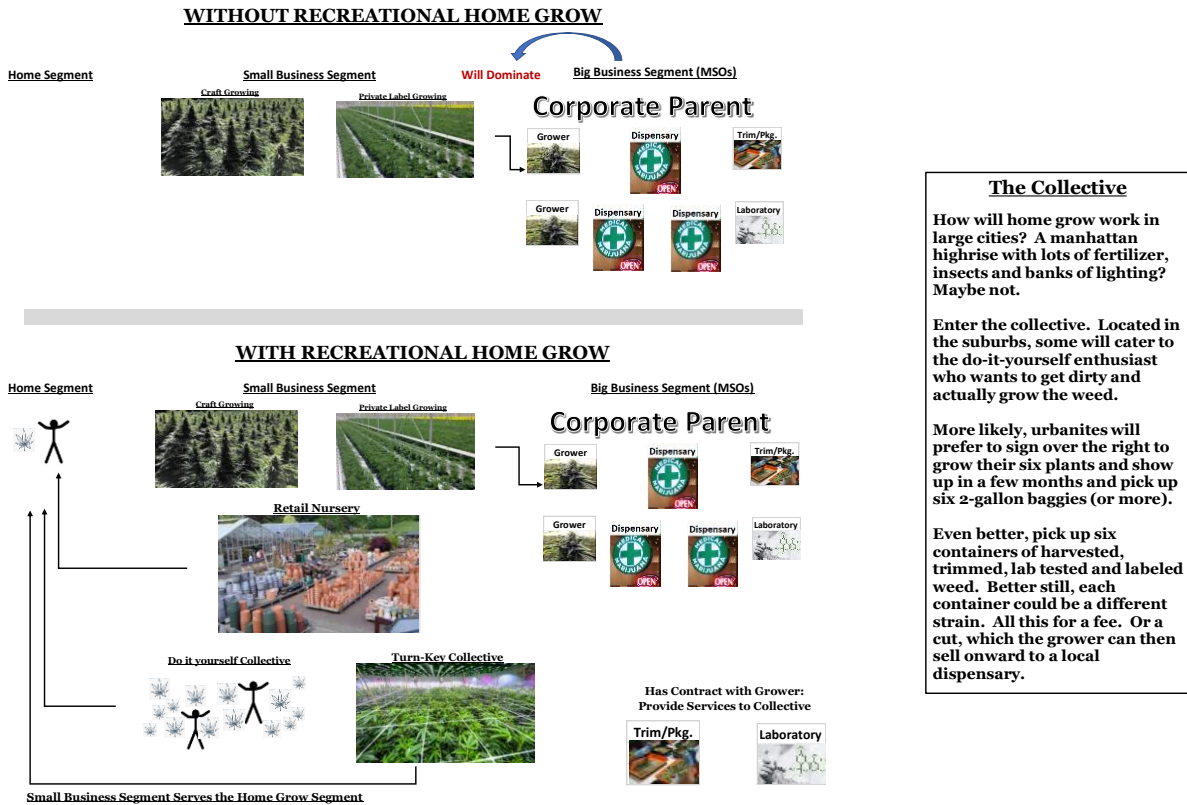
Collectives, both the do-it-yourself variety, where the customer wants to get dirty and actually grow the Cannabis, and the turn-key variety, where you sign over your right to grow six or so plants and receive the end product after a few months. No work for you. (Think about it- will Manhattan high rises be good places for home grow operations to thrive?).

Ancillary trimming, bulk packaging and lab services, serving the collectives and possibly other local growers. Not only do you receive the end product, it comes professionally

bulk-packaged, labeled for THC and terpene content and certified to be pesticide and pest free. You should be able to say “I’d like 3 of my 6 plants to be strains A, B and C. Turn plant #4 into hash, and turn plants #5 and #6 into concentrate”, or something to that effect.

A graphic illustrating the more robust small business segment appears below:

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



In Which Segment(s) Should You Operate or Invest?

OK, so home grow is allowed in your state. The businesses I described begin to emerge. Where should you operate or invest?

Dispensaries? Not all dispensaries make money. Many lose money. Take a close look at California.

But where should you operate, i.e. which segment? Dispensary? Grower? Lab processor? Packager? Or maybe you shouldn't touch the plant at all. That's where all the headaches are. Tax problems. Security problems. Maybe you should be (or invest in) a design company. Or sell signage. Sell those little glass and plastic containers. Be a lawyer.

Consultant. Carpenter. There is a lot of money being made- and lost- all over the industry. Where do you want to be?

For this, I offer a framework for industry analysis. Nothing I made up, but a review- a very high level overview of some of the more important concepts in analyzing and selecting an industry segment in which to operate.



The Framework:

One of the ten areas discussed is Barriers to Entry. This area will be discussed here by way of example:

In general, high barriers lead to higher profits. This is because low barriers to entry allow too many people in, creating overcapacity which drives down prices and profits. High barriers to entry prevent this from happening.

Of critical importance is the need to hire qualified employees and consultants to do the analyses described in this paper. Give it time and spend the money. Do not try to do this yourself “over lunch”.

Downloads for all papers by the Mid Atlantic Growers Association, including the home grow graphic, can be found at [MidAtlanticGrowersAssociation.com](https://www.MidAtlanticGrowersAssociation.com).

As an entrepreneur, by using these resources you can make an intelligent decision where in the industry to compete, and will be prepared with a strong argument if and when you have an opportunity to speak with regulators. Remember, the well-funded competitors will have access to quality consulting and legal services. They will also have access to these same regulators.

What You Can Do

Believing in a home grow segment and knowing where you want to participate is not enough. The regulatory environment in your home state must allow it and create a supportive environment.

This is where you can become active in local politics as well as being an entrepreneur.

- ~ Attend local and state-level meetings. If a local community says “no” (NIMBY), get them to support a nearby collective. Opposition does not need to be complete and total if people are informed that structural options exist.
- ~ Speak up if the opportunity arises
- ~ Write to your representatives and explain why home grow is important.
- ~ Network with like-minded people.
- ~ Vote. These are long-term issues.

The policies in each state are a little different, and as states ease restrictions, the landscape is constantly changing. Presently, New Jersey, Illinois and Washington State ban home grow.

Those states that allow it permit varying numbers of plants. Further, some states allow home grow for medical but not for recreational use. Connecticut was like this until recently.

Penalties for exceeding these limits can be quite high, including felony classification. Some call it re-criminalization.

There are many organizations that track state developments. The source I prefer is the National Organization for the Reform of Marijuana Laws (NORML). Go to <https://norml.org/laws/>

In Summary

- ~ A recreational home grow segment will unleash a vibrant small business segment. This segment will include businesses such as retail nurseries, collective grow operations and ancillary services such as bulk packaging and lab processing.
- ~ This opens up a range of opportunities for entrepreneurs. Some segments will do well, others will not and this will vary by market. Entrepreneurs must, however, be willing to do the analysis as well as be willing to do the work.
- ~ This is a great topic to discuss with regulators. Be specific. Outline the benefits to the community of a vibrant, successful small business segment, such as increased employment and a more diversified tax base.
- ~ Get involved.