

To the BoS regarding Commercial Cannabis Activities Ordinance

Honorable Supervisors:

I am co-owner of Heartrock Mountain Farm in Potter Valley and holder of two Mendocino County Phase 1 embossed receipts, and two Provisional State licenses for a 10K cultivation and a nursery.

I continue, without any significant disagreement, to endorse MCA's advocacy efforts in support of Phase 1 Legacy farmers, including limitations on Phase 3 expansion.

I also appreciate the sentiments stated in Supervisor McGourty's recent letter to Chair Gjerde regarding Phase 3 expansion.

I believe, and Mendocino County's world-wide reputation confirms, that there is no better cannabis than that grown in living soil, under the sun, from select genetics by loving caretakers, such as that grown throughout Mendocino County on many small farms using sustainable, biodynamic and regenerative methods.

I also believe that, given a level playing field, the commercial grade Investor Cannabis is not my farm's competition. However, the market advantage will likely go to those who have sufficient resources to saturate the market with cheap product and absorb short term losses, making it more difficult for small farms to acquire and maintain marketshare.

I find it a curious situation wherein buyers set minimum purchase lots at levels beyond the production of most MenCo farms. They claim to need increased canopies because they can't find enough product locally and they need to vertically integrate into cultivation to further insure product availability.

In 2020, our farm's best year ever, trim production was just under 500 pounds and flower production was just over 500 pounds. We had a sale lined up for our 2020 trim, but it fell through when our trim production fell just short of their 500 pound minimum.

Expansion advocates make the fallacious argument that the only way the Mendocino cannabis industry can compete in the predicted coming statewide market glut is to grow more.

That is the traditional response of farmers to low prices. Inevitably, the increased farm production further depresses prices.

Some farms go out of business. Others buy up the bankrupt acreage and take on more debt to buy bigger tractors and build larger warehouses. They rely on chemical shortcuts. They mortgage their next crop to finance its planting. Traditional.

That theory of successful farming, such as it is, works as well as it does for corn and soybeans because they can be stored for extended periods of time while waiting for favorable markets, and because their Appropriate Scale system-failure point can be very high. Success at one level of

production can be more-easily scaled up with sufficient capital and labor, than can Craft Cannabis.

Knowing the dedication it takes to produce the best buds, most Craft farmers are concerned that some important things will be lost in any expansion that caters to the demands of Cannabucks investors. They are the overall quality of countywide production and the market value of Made in Mendocino on the label. Although every business needs to make money, when that is the goal rather than the result, one risks losing sight of the objective to grow the top-quality, chemically clean and environmentally friendly cannabis that the world has come to expect.

The investors will make demands in support of the bottom line and corners will be cut.

With limited licensing options and restricted opportunities for Vertical Integration supplementing the bureaucracy's regulatory ineptitude and confusion, Legacy farmers have been successfully kept horizontal under Phase 1, but that has not kept the investor class from stacking the deck against us. They now want to vertically integrate into the portion of our industry that they have been low-balling from the get-go.

A look at some 2019 production and consumption estimates from newfrontierdata.com shows that the problem is not with inadequate production in Mendocino County or in the State of California:

- * In 2019, an estimated 29.8 million pounds of U.S.-grown cannabis will be produced for demand of flower, oils, and other derivative products.
- * California will produce approximately 17.3 million pounds (58%) of U.S. cannabis.
- * Also the largest cannabis-consuming state, California will use an estimated 4.8 million pounds (legal and illicit markets combined).
- * Only 27.7% (1.3 million pounds) of California's cannabis demand will be supplied by the legal market.
- * California will export an estimated 12.7 million pounds.

The third season after expanding to 10K, with some growing pains along the way, Heartrock produced about 500 pounds of flowers. That's equivalent to 2000 pounds to the acre.

Using my farm's production as a reference, here's what these New Frontier estimates mean:

Realizing that it's unlikely that the 1100 Phase 1 Mendo farms could or would expand to 1 acre of canopy and produce 2000 pounds each, if that were to happen their flower production would total 2.2 million pounds, nearly twice the 1.3 million pounds of legal market sales in all of California.

That's just 1100 acres in one county supplying the legal consumption needs of California.

Another unlikely scenario includes a dozen more California counties with 1100 acres each. That's 14,300 acres @ 2000 pounds per acre, which totals 28.6 million pounds, nearly equal to the total USA production.

Adding together the 12.7 mp of illicit exports from California and the total in-state consumption of 4.8 mp totals 17.5 mp. The 28.6 mp production from the 14,300 acres includes 11.1 mp of excess production.

Another scenario has 300 Mendo farms (estimate of the number of actual County-licensed Mendo farms) doing 10 acres each. That's 3000 acres @ 2000 pounds per acre, yielding a combined 6.0 mp. That is 4.5 times more than the California legal market and 1.3 times the total statewide consumption.

Another scenario has 30 farms, each growing 100 acres, plus 300 10K craft farms producing 500 lb each. The 3000 acre yield could be 6.0 mp. Adding to this the 70 acre craft output of 0.15 mp seems statistically irrelevant. Those 30, hundred acre farms could supply all of the 4.8 mp legal and illicit consumption in California without the help of any Mendo Craft Farmers or any other farmers in the State.

It's obvious in the above scenarios that a glut of cannabis is inevitable. When that happens, I'd rather be in possession of top-quality craft cannabis from Mendocino County for sale, grown with love of the weed, and not something mass produced, grown with a love of money.

Respectfully,

Clifford Morford

Sent from my iPhone