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## Number of medical marijuana entrepreneurs higher than anticipated

By Janelle Stecklein CNHI State Reporter Sep 1, 2018



OKLAHOMA CITY —The vast number of Oklahomans applying to become medical marijuana entrepreneurs is stunning some industry insiders, raising concerns that state officials could soon be fighting the largest black market in the country.

“We’re on pace right now to out-license Colorado (commercially),” said Bud Scott, executive director of the medical marijuana trade group New Health Solutions Oklahoma.

With few emergency rules governing business regulations — and still no legislative action — experts say the State Department of Health, which is overseeing implementation, really has little authority to control or limit the number of commercial marijuana businesses. Unlike other states, Oklahoma officials are allowing outdoor commercial grows. They’re not limiting the number of commercial licenses, the number of plants or the square footage of a grow facility.

About a week after it started accepting medical marijuana licensing applications, the state is already deluged with more than 1,100 commercial applications from Oklahomans wanting to open dispensaries, grow marijuana or process it, according to the state Department of Health statistics.

“It was definitely more than we anticipated,” Scott said. “Just the sheer level of interest and the fact that you can apply for unlimited numbers of licenses, I think there are a lot of people who are submitting five to 25 licensing applications.”

In comparison, only about 2,200 patients and caregivers have applied for licenses to legally use cannabis, according to the health department.

Tony Sellars, a health department spokesman, said officials haven’t yet been able to tabulate where most businesses plan to open. While they’ve already approved 844 patient licenses, officials had only processed about 45 of the 1,100 business applications as of Friday morning.

Of the commercial applicants, nearly 560 Oklahomans want to grow marijuana. That number tops both Washington and Oregon, which have full-blown recreational markets, Scott said.

“It’s a really interesting scenario that we’re opening up like a recreational market,” he said.

Scott said production estimates indicate that even if the state had half as many growers, it would still be producing more cannabis than Oklahoma can handle.

“We are structuring ourselves to become the largest black market producer of cannabis in the country,” he said. “Because what’s going to happen to all this product?”

Even though Oklahoma voters legalized medical cannabis in June, the drug remains illegal under federal law. A controlled substance, it cannot be transported across state lines.

Chip Paul, who co-authored the legalization ballot initiative and plans to apply for two business licenses of his own, said he believes Oklahoma’s market can support 1,000 operating cannabis businesses — when patient licensing numbers top 100,000.

“I’m shocked that it’s that high right now,” he said. “I’m shocked at the amount of grow licenses. That’s crazy.”

Paul said oversaturation will likely kill many small businesses, but he said crafters of the ballot initiative wanted to let the “free market” determine the business climate. The state doesn’t regulate the number of donut shops in a town, so it shouldn’t regulate cannabis shop numbers either, he said.

“Again there’s good and bad about it. It does let in everybody, but you better understand the risks because people will be building really good ‘donut shops,’” Paul said. “People are going to need to be educated and sophisticated about it to understand that if they are planning to take the plunge that it’s not easy. It’s not a get-rich-quick thing.”

And with the sheer number of applicants, Paul said he expects there will be “a little bit of a glut.”

That could be good for patients and drive prices down, he said.

But for businesses expecting marijuana to sell wholesale for \$2,000 a pound, the saturation won’t be a good thing. He expects said the actual wholesale price to be closer to \$800 a pound.

Sarah Lee Gossett Parrish, an Oklahoma City attorney and member of the Oklahoma Cannabis Trade Association, said she’s not surprised about the high commercial interest.

The state's current system allows "the little guy" without massive amounts of money to enter the market. Oklahoma's \$2,500 licensing fee is significantly lower than other states, she said.

Parrish said she's had people call her seeking legal advice. Some people want to open larger operations, while others plan on small, limited grows. Some growers are also looking to breed plants that are targeted toward certain medical conditions like autism and epilepsy, which would limit that marketplace.

Some also plan to grow, process and operate a dispensary, while others just want to run a dispensary and will need growers and processors for sustainability, she said.

Ultimately, Parrish said capitalism will take over and only those commercial entities that are able to operate at certain price points will survive.

"I think it will all shake out," she said. "Right now, I think it's an unknown adventure."

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