

# Oklahoma's medical cannabis market set for major growth, with business competition fierce

Published December 11, 2018 | By Bart Schaneman

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Oklahoma broke the mold with its new medical marijuana program: The state has no numerical cap on business licenses, and doctors are free to recommend MMJ for any condition they deem appropriate.

The lack of restrictions is attracting hundreds of would-be MJ business owners since the program launched in late August – a situation that is expected to lead to a fiercely competitive market that could generate up to \$250 million in annual sales within a few years.

Over time, however, only the most efficient growers, dispensary operators, extraction businesses and other MMJ companies are expected to survive a shakeout that winnows the licensees' ranks.

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"Some people came on as kind of 'Sooners.' They were quick and maybe started a little too early," said Bud Scott, executive director of cannabis trade group New Health Solutions Oklahoma (NHSO).

MMJ prices also are expected to fluctuate over time.

6,000+ skus • 11 distribution centers



For now, the droves of patients signing up for the program and tight supplies have led to a jump in MMJ prices at dispensaries, with an ounce of flower fetching \$400 or more. By comparison, in Arizona's medical cannabis market, an ounce of flower sells for less than \$200.

Once Oklahoma's program reaches its true potential, however, it could have some of the lowest-priced medical cannabis in the country, industry officials agreed. Retail prices could plunge by more than 50%.

### **Program expected to stay business-friendly**

Looking ahead, industry watchers don't expect Oklahoma to introduce major new restrictions – other than new pesticide testing – as other states have done.

In Oregon, for example, a [glut in recreational cannabis](#) prompted regulators to impose a moratorium on the processing of new license applications.

"Why would you limit licensing? You don't limit licensing on any other business," said Chip Paul, chairman of Oklahomans for Health and a principal author of the MMJ ballot measure, Initiative 778.

As of Dec. 9, 2018, the Oklahoma Medical Marijuana Authority (OMMA) reported more than 2,200 business licenses had been approved, with an approved patient pool of more than 18,600.

The patient count is expected to [grow to around 80,000](#) by the end of next year, according to Paul.



**Oklahoma Medical Marijuana Authority**

@OMMAOK



As of December 9, 25,000 patient, 193 caregiver and 2,525 business applications received. 27,718 total.

18,601 patient, 134 caregiver, 754 dispensary, 1,206 grower and 315 processor licenses approved. 21,010 total.

315 processor licenses approved. 21,010 total.

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The program began Aug. 25 after voters approved the ballot initiative in June.

After three to five years, according to the [Marijuana Business Factbook 2018](#), annual dispensary sales in Oklahoma are expected to total \$150 million-\$250 million.

Another way Oklahoma's cannabis program differs from other states is that the Sooner State's law does not allow municipalities, counties or cities to adopt their own regulations – including zoning restrictions or fees to regulate MMJ businesses.

That fact could allow the program to flourish statewide rather than have it concentrated in cannabis-friendly regions.

### **Growers gaining steam**

There's been no official survey, but Scott estimated there are about 100 dispensaries operating across the state. With more than 700 stores licensed and a growing patient pool, "the supply is definitely not there yet," he said.

The first grow licenses were awarded in September, so cultivators haven't had enough time to ramp up production.

Similarly, there hasn't been enough time or product for processors to develop and create infused products or concentrates. Nearly all the product that's being sold at dispensaries is flower.

The situation has resulted in a growers' market for now, with cultivators fetching \$3,500-\$4,500 for a pound of wholesale flower, according to Paul. An average wholesale pound of medical marijuana in some other markets typically goes for about \$1,500.



Starting in January, Paul expects to see significantly more flower on the market, with prices dropping “substantially” in February and March.

His conservative estimate is that about half of the more than 1,000 licensed growers are currently operational.

Paul predicts the market will plunge to about \$800 a pound for wholesale flower.

He also expects to see retail ounces bottom out at roughly \$150 versus the current \$400 or so.

“That’s a sweet spot for patients and for business owners,” he added. “Growers can live on that, and absolutely patients will thrive on that.”

### **No MMJ conditions list**

Paul is proud the program doesn’t have a specific list of conditions doctors can reference when recommending medical cannabis.

“That is the absolute marquee, principle feature of our law,” he said. “We will absolutely maintain that.”

He sees the lack of conditions as a way to drive physician education about MMJ. Oklahoma doctors must educate themselves about the benefits of medical cannabis if they want to recommend it, he noted.

According to the OMMA website, more than 100 physicians have [voluntarily registered](#) with the regulatory agency to show they’re open to speaking with patients about MMJ and potentially recommending it for treatment.

However, doctors aren’t required to register with the OMMA to recommend medical marijuana.

### **Coming regulations**

As far as the market remaining unrestricted, that may depend on the state's new governor-elect, Republican Kevin Stitt, said Sarah Lee Parrish, a cannabis attorney in Oklahoma City.

Stitt was pro-medical marijuana [while campaigning](#), saying, "if it's going to help a patient, most Oklahomans are for that," according to Oklahoma City TV station KFOR.

The state's MMJ program is currently operating with emergency rules, though the Legislature is [expected to pass](#) permanent regulations in 2019.

New Health Solutions Oklahoma's Scott predicted the Legislature will act in April or May, at which time the state will already have thousands of licensed, operating businesses.

"There's a good chance that the market will stay as it is with the exception of adding pesticide-testing policies," Parrish said.

She also expects to see new safeguards imposed on cultivation facilities, including added rules for security around outdoor grows.

Parrish is ultimately positive about the market.

"Hopefully it'll be a good, happy medium," she said. "Good balance, so that growers can make a living, and at the same time, those who really need a product will be able to afford it."

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