

Oklahoma medical cannabis businesses prepare for ‘necessary’ rules that will up compliance costs

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Oklahoma medical marijuana companies are on the verge of facing new regulations that will increase compliance costs.

Expanded costs are expected in a wide range of operations, including:

Seed-to-sale tracking and package labeling.

Product testing.

Waste management.

The regulations require MMJ businesses to install inventory tracking systems by late August and devote more resources in general to compliance.

How businesses handle the changes could in part determine which ones survive an expected market shakeout, experts said.

“From the get-go, we were the Wild, Wild West,” Oklahoma cannabis attorney Sarah Lee Parrish said. “I think we still are, but now we’re becoming a little less wild – maybe the Wild West.”

Indeed, the Oklahoma market has developed like no other across the country. For example:

Business license applications were available just 30 days after voters legalized medical cannabis in June 2018, with relatively few restrictions in place in the beginning.

By last fall, Oklahoma had issued 1,100 business licenses, and the market was off and running. The number of business licensees has more than quintupled since.

MMJ sales in the fiercely competitive market are projected to reach \$140 million-\$180 million in 2019, the first full year of market operations, according to the 2019 Marijuana Business Factbook.

The new regulations are the result of the passage last spring of the Oklahoma Medical Marijuana and Patient Protection Act, or the so-called “Unity Bill,” and a number of “trailer bills” dealing with specific issues such as waste management.

The measures include regulations that clarify gray areas and expand on emergency rules put in place after the initiative.

In part, they bring in standard industry practices.

For that reason, Bud Scott, executive director of the Oklahoma Cannabis Industry Association, said he wouldn't call the regulations strict per se, but "straightforward and necessary."

"The industry association supports this because there's so much illegal activity occurring, and we want to support businesses that are doing it right," he said.

Parrish said Oklahoma regulators so far have worked well with licensees, adding they're not playing "gotcha."

She expects that to continue as licensees adjust to the new regulations, but "we're going to see a little more enforcement and a lot more inspections than what we have seen."

In fact, Scott said, businesses already are reporting a "sharp uptick in enforcement activity."

Despite the new regulations, Oklahoma remains business-friendly, Scott said, because of:

- Low license fees.

- No license caps.

- Relatively inexpensive labor and land costs.

Key change: Seed-to-sale tracking

Oklahoma MMJ businesses must have an inventory tracking system in place by Aug. 29.

Tony Sellars, spokesman for the state's medical cannabis program, said the state plans to select a seed-to-sale vendor in early 2020.

"Businesses may use any inventory tracking system of their choosing as long as it meets (the) requirements and is capable of integrating with the state seed-to-sale system when the system becomes operational," Sellars wrote in an email to *Marijuana Business Daily*.

He noted that the state plans to select a vendor able to integrate with a number of different inventory tracking systems "to make this transition as smooth as possible."

Still, Charlie Wilson, chief revenue officer of California-based Green Bits, which supports retailers in 13 states with point-of-sale platforms, noted the transition to a seed-to-sale tracking system always is "pretty profound to license holders."

"It will be the biggest transition" for the Oklahoma MMJ market to date, Wilson predicted.

He said license holders often are most surprised by the additional indirect compliance costs they'll face, such as administrative and personnel.

Danny Baker installed an inventory tracking system before opening his Bison Records Dispensary in the northern Tulsa suburb of Owasso in April.

Baker said a consultant recommended he install a Green Bits point-of-sale and compliance platform.

He said he pretty much uses the system for everything, including sales, inventory tracking and tax recordkeeping.

Baker acknowledged learning the software was a bit intimidating at first, but “by the end of the day I was able to do it.”

Following are some other notable provisions to Oklahoma’s new MMJ regulations, many of which go into effect Aug. 29:

License approval: Regulators will have 90 days instead of 14 to approve or reject business license applications.

Stiffer residency requirements: Two years of residency in Oklahoma immediately preceding license application, or a continuous five years during the preceding 25 years. An individual applicant must meet the residency requirement; an entity must prove 75% of its owners are Oklahoma residents.

Packaging/labeling: Packages must include a universal symbol for THC, the THC content and a statement that the product has been tested for contaminants. The package must be in a child-resistant container, with cartoon characters banned. The label also may not make any health or physical benefit claims.

Testing: Growers and processors must use licensed laboratories to test product batches for pesticides, THC and terpene potency as well as heavy metals before sale, transfer or processing. Edibles processors already are required to obtain a separate food license and test their products.

Waste management: A cannabis business must contract the services of an MMJ waste disposal facility for unused, surplus, returned or out-of-date marijuana and plant debris. The exceptions are roots, stems, stalks and fan leaves.

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