

Intelligence MEMOS



From: Rosalie Wyonch
To: Provincial Marijuana regulators
Date: August 24, 2017
Re: **LET'S FOCUS ON THE SUPPLY FOR GETTING HIGH**

Provincial governments are in the midst of developing policy strategies for the distribution and sale of recreational marijuana in time for the federal government's target of July 1, 2018. There is much to be decided: taxation levels, where people will be allowed to smoke, types of retail outlets that will be allowed, and how those retail outlets will get their supply.

The main policy goals of the legalization and regulation of the marijuana market are the protection of public health and the minimization of the black market and its associated criminal activities. For both, it is necessary for governments to facilitate access to regulated product.

Currently, there are hundreds of black market retail store fronts ('dispensaries') and delivery services in Canada competing for both recreational and medical consumers. [A third of samples](#) taken from nine dispensaries in Toronto were found to contain harmful bacteria or mold and would not pass the safety standards set out by Health Canada for licensed growers, who are required to test for these contaminants. Following recalls and failed inspections due to the use of prohibited pesticides, all licensed producers must now also [test for the presence of unauthorized pesticides](#).

The good news is, Canada is ahead of the game by regulating pesticide use and requiring mandatory testing for contaminants before it is sold for recreational consumption. In Colorado last year, [49 percent](#) of cannabis samples tested in response to complaints had residue of unapproved pesticides. Colorado implemented [mandatory testing for pesticides in July, 2016](#), and the failure rate so far this year is 13 percent. Meanwhile, lab tests have found harmful pesticides in [84.3 percent](#) of samples from California, which will not have testing regulations in place until next year.

Ensuring that licensed growers supply uncontaminated product is the first step towards protecting cannabis consumers. To be effective, however, consumers will need safe and convenient access to legal product. This entails functional, regulated distribution networks and retail outlets. Provinces hoping to leverage liquor distribution systems should take note of the recent experience in Nevada, where sales of recreational marijuana began on July 1, with no licensed distributors to ship product from producers to retailers. This logistical problem arose because, for 18 months following legalization, Nevada state law has granted alcohol distributors exclusive rights to licences to distribute recreational marijuana unless "an insufficient number of marijuana distributors will result from this limitation." Thus far, the state does not have any determination of what would be "sufficient" and [Nevada courts have sided with liquor distributors](#) by granting an injunction that protects their exclusive rights to distribution licences. Meanwhile stores are running short as sales boom and there is no shortage of opportunity for the black market to supply Nevada consumers with unregulated, potentially contaminated, product.

To protect public health and compete with the existing black market, provincial governments should focus on making sure regulations and licensing for the retail and distribution of marijuana are in place for the federal target of next July. Dawdling on regulations could result in artificial supply shortages to the benefit of the black market and the detriment of public health and provincial bottom lines.

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