

Analysis of Existing Public Communications Efforts Regarding CA Cannabis Overproduction

California Proposition 64: Control, Regulate, and Tax Adult Use of Marijuana Act legalized the use of marijuana by adults 21 or over under state law, imposed state taxes on cultivation and sales, allowed for local regulation and taxation, as well as introduced an anticipated tax revenue of over \$1 billion annually. Since this act was implemented, California cannabis cultivators, distributors, and retailers have been vocal regarding the state of the cannabis industry. Whether it be regarding the illicit market or cannabis tax rates, there are leading cannabis companies that continue to detail their business conditions and decisions publicly through press releases and social media. Websites such as Green Market Report, the United Cannabis Business Association, CalMatters, Cannabis Business Times, and Forbes frequently report on the state of the cannabis industry, including quotes from industry leaders and professionals in the world of cannabis cultivation. For example, the most frequent public communications efforts can be witnessed in the Cannabis Business Times through their posting of press releases and commentary regarding the cannabis industry's leaders' business decisions.

On January 26, 2023, the Cannabis Business Times released a press release from Curaleaf Holdings Inc., a publicly traded international provider of cannabis products, as they proactively closed the majority of their operations in California, Colorado, and Oregon. This decision was made to effectively streamline their business operations, while simultaneously deciding to consolidate their cultivation and operating processes to a singular location. Like many other cannabis cultivators and distributors, Curaleaf made a number of business decisions in order to ensure future success and profitability, factors that have been put on the line "as a result of recent legislative decisions, price compression, and lack of enforcement of the illicit market" (Curaleaf Holdings, Inc., 2023). In addition to business decisions, the press releases featured in Cannabis Business Times detail the efforts industry professionals are taking to fight for protections and find solutions for the various problems facing the cannabis industry. An example of this can be seen in a press release published on May 16, 2023, announcing the creation and launch of the "*Financial Stability for California Cannabis (FSCC)*, a new coalition composed of industry stakeholders." This group seeks to bring awareness and offer solutions to the financial issues that threaten the cannabis industry's stability. (FSCC, 2023). Information detailing the reality of the legal cannabis industry's decline can be viewed and read by anyone on the internet who is interested in learning more about the cause-and-effect relationship of the industry's current downturn.

Public websites, such as the ones mentioned above, provide consumers, analysts, or any interested party to hear first-hand about the toll put on cannabis cultivators, distributors, and retailers by the illicit market, various taxes, and a decline in retailers. Public websites also share financial analytics and predictions for the industry, particularly for publicly traded cannabis companies. California's legal cannabis market is the largest in the world, with \$5.38 billion in taxable cannabis sales reported in 2022. (CDTFA, 2023) As a result, many financial analysts have their eyes on the state. The most popular topic receiving commentary from analysts remains the "debt bubble" that the cannabis industry has encountered. Analysts detail the circumstances that have caused this bubble and what this means for the industry as a whole. John Shroyer from the Green Market Report explained that, according to California data and industry experts, the cannabis industry is responsible for a quarter billion in unpaid taxes, with added fees hinting that this total could be even higher. Analysts have pinned the blame on the industry's overall lack of profitability, which has caused many businesses to give up on payments, specifically to vendors. All financial analysts who have provided comments on the industry's performance detail the struggles of being within the industry and the downturn of profitability within the last few years. Information regarding this "debt bubble" and its nearing "pop" has been analyzed on various websites, providing outsiders insight into the cannabis industry's economic reality.

As the tax debts mount and legal sales continue to decrease, analysts make predictions as to what the future of the cannabis industry looks like. Regarding the "debt bubble" in particular, Jerred Kiloh, owner of a licensed cannabis retailer in Los Angeles, California, predicts that the bubble will result in a domino effect of failures, leaving many outstanding debt bills unpaid and even debtors in a bad position. He predicts that this "pop" will not only affect the cannabis industry, but also those who may have no direct hand in the industry, such as investors, debtors, and lawyers. On a more general level, analysts, such as Robert Hoban from Forbes, have reported their predictions for the cannabis industry, with the debt bubble as only one of the many factors affecting the industry. Hoban predicts that the marijuana industry will continue to grow with a greater focus on profitability and soon be faced with the reality of the necessity for partnerships and mergers. Additionally, he suggests the expansion of cannabis brands to "scale nationally to survive through licensing and/or contract manufacturing models." Kiloh and Hoban's predictions are just two of the various predictions that have been made regarding the future state of the industry, all of which are supported by solutions that address the numerous issues faced by both small and large marijuana cultivators, distributors, and retailers.