

Honorable Michelle Lujan Grisham  
Governor, State of New Mexico  
State Capitol Building  
490 Old Santa Fe Trail, Suite 400  
Santa Fe, NM 87501

June 27, 2023

Dear Governor Lujan Grisham,

In 2021 when the Legislature passed, and you signed into law, the Cannabis Regulation Act industry celebrated. Both existing operators and those hopeful to be part of the industry welcomed New Mexico's visionary move to address some of the inequity caused by the War on Drugs and to create opportunities for entrepreneurs who sought to enter the regulated cannabis marketplace.

Our shared goal to create a diverse set of owners/entrepreneurs by creating low barriers to enter the market has been met: According to CCD data, 35% of owners are non-white and 45% identify as other than male. Compared to national figures, this is the most diverse group of entrepreneurs who have entered the cannabis industry. This is an incredible accomplishment.

Despite these accomplishments, the regulated cannabis industry in New Mexico is currently experiencing extreme instability. Our industry is competing with a long-established illicit market which is flourishing due to a lack of resources for compliance, enforcement, and established consequences to deter individuals and organizations from participating in illegal cannabis activities. An unfortunate byproduct of the free-market approach that our state took for licensing new operators is a saturation of regulated and illegal cannabis products in New Mexico. These two factors combined are resulting in homegrown small and medium-sized cannabis businesses being forced to close their doors or lay off staff. Our local businesses simply cannot compete with the illicit market and the immense oversupply.

Regulated cannabis business owners operate without the benefit of bankruptcy protection and have a heavier financial burden due to banking restrictions and tax costs unique to cannabis, creating further challenges to economic prosperity. Already limited enforcement resources to address illegal market activities are stretched further as new licensees continue to enter an industry that is already experiencing an unsustainable economic environment for those following the rules.

New Mexico, and New Mexico-born cannabis businesses, cannot wait for natural market equilibrium to be established. The New Mexico Cannabis Chamber of Commerce stood in strong support of including a measure in the Cannabis Regulation Act to allow the Cannabis Control Division to restrict new licenses, especially for the first few years of a regulated marketplace. Lessons from [Oregon](#), [California](#), and [Colorado](#) - states where local businesses shuttered and

were legislatively forced to reduce production - cemented how important this mechanism would've been. Unfortunately, those important few sentences disappeared from the enabling legislation before the Legislature went into special session.

To tackle the illegal market and reduce the number of New Mexico businesses shuttering their doors, the undersigned have reflected on the current marketplace and have three policy suggestions that will provide effective tools to curtail illegal market sales:

- First, we believe the Cannabis Control Division should have a mechanism to both pause new cannabis licensees and provide regulators with a safety valve to turn the application acceptance process back on when the regulated market has stabilized and has proper resources to ensure compliance for all operators.
- Second, we believe the state should commission a market study to determine when the above-mentioned safety valve should be turned back on to ensure ongoing opportunity for entrepreneurs to access the cannabis industry.
- Finally, the State of New Mexico should dedicate significant resources to the compliance and enforcement of licensees and prosecution of illegal actors with the goal of reopening the safety valve.

As of May 2023, thirteen months after legal cannabis sales began, over 1,000 retail licenses have been issued by the Cannabis Control Division. The number of licenses issued has increased by 65% in just the last three months with only a 10% increase in sales within the same timeframe. This is not a sustainable competitive market for cannabis operators, businesses are closing or reducing employee count as a result. Others are selling their products into the illicit market to avoid paying taxes or incurring banking fees. Some are purchasing lower priced products from the illicit market in an effort to stay open. Financial opportunities from an easily accessible illicit market create unique pressure for the regulated cannabis industry. This pressure is exacerbated when supply and demand are unbalanced and will continue to grow if policy is not enacted to create market equilibrium.

TRD notes there are 485 filers registered as cannabis businesses and only 286 monthly filers as of April, a small percentage of licensed operators in New Mexico. This is another sign of desperation as cannabis business operators have a much higher tax liability than other types of businesses due to the IRS tax regulations relating to cannabis sales. The cannabis tax liability is often crippling, particularly in an oversaturated market when operating margins create a challenge in covering the basic day-to-day operating expenses of a cannabis business.

It's easy to suggest this is an opportunity for natural economic drivers to create equilibrium through supply and demand. However, New Mexico companies and entrepreneurs are already failing due to unsustainable market conditions combined with a lack of resources to hold both the legal and the illegal market accountable. Cannabis businesses are not eligible for any type of government support. New Mexico cannabis operators, unlike every other business, cannot cross state lines to sell their product. When a cannabis business shutter, everything is lost. The lack of bankruptcy protection, heavier financial burden, a long-established illicit market, and lack of

resources for compliance enforcement create a set of conditions that require immediate regulatory action. New Mexico does not have time to wait - the consequences are too high, especially for the new cannabis businesses that the CRA aimed to carve out space for.

We ask that you recognize the current market challenges of regulated cannabis and act now. Create safety valves to allow regulators to pause issuing licenses and focus on enforcement. Together, the industry and regulators will eradicate the illegal market and continue to build a diverse, regulated cannabis industry in New Mexico.

Sincerely,

The Undersigned

Cc: Superintendent Linda Trujillo

*Colin Hood*

Colin Hood, The Greenery Room



*Lia Conzemius*

Lia Conzemius, La Luz Organics, LLC



*Tony Martinez*

Tony Martinez, Lave Leaf Organics



*Len Goodman*

Len Goodman, Best Daze, Inc.



*David Muscarella*

David Muscarella, Urban Wellness



*Eric Speegle*

Eric Speegle, Verdes Cannabis



*Joshua Hurwitz*

Joshua Hurwitz, Freshh Holdings, LLC



*Robert Jackson*

Robert Jackson, Seven Point Farms



*Aaron O. Brogdon*

Aaron O. Brogdon, Southwest Organic Producers



*Ken Diehl*

Ken Diehl, R. Green Leaf



*Jonathan Thibodeau*

Jonathan Thibodeau, Route420



*Ken Diehl*

Ken Diehl, Everest



*Lou Ward*

Lou Ward, Body Mind ReLeaf



*Brian Herrera*

Brian Herrera, Sticky Pines Farm



*David Robinson*

David Robinson, Body Mind ReLeaf



*Rodney D. Tivis*

Rodney D. Tivis, Boxcar Farms, LLC



*Robin Franklin*

Robin Franklin, Seshat LLC



*Samuel Holdsworth*

Samuel Holdsworth, Gila River Organics



*Deanna Hansen*

Deanna Hansen, Hansen Pharms LLC



*Christina Singleton*

Christina Singleton, Elements Dispensary



*Ben Leitch*

Ben Leitch, Antenna Cannabis



*JJ Holmes*

JJ Holmes, Loving Bud



*Chastin Bravo*  
Chastin Bravo, Dos Hermanas Cannabis Company



*Veronica Saenz*  
Veronica Saenz, Tozi Botanicals LLC



*Walter Scott*  
Walter Scott, ABQ Canna Corp.



*Herman Ortiz*  
Herman Ortiz, High Noon Cannabis Co.



*Brandon May*  
Brandon May, Ten10 Project



*Sophia Lovato*  
Sophia Lovato, Sante Fe Sugar Leaf



*James DiPadua*  
James DiPadua, Flowers and Herb Markets



*Richard M. Strahlem*  
Richard M. Strahlem, Capilla Cannabis



*Richard Argant D.D*  
Richard Argant D.D, Deming Ganja Lounge



*Teresa Hill*  
Teresa Hill, UFO Organics LLC



*Axio Daniels*  
Axiao Daniels, The High Collective



*Lucinda Najjar*  
Lucinda Najjar, Roadrunner Farms

*Daniel Novak*

Daniel Novak, The Bad Company

*Eric McCoy*

Eric McCoy, Rising Roots Organics

*Michael Byrd*

Michael Byrd, Rooster Production LLC

*Andrew Johnson*

Andrew Johnson, Zia Organics, LLC

*Alex Spray-eich*

Alex Spray-eich, Cdp LLC

*Trevor Newburn*

Trevor Newburn, Budder Pros

*Emily Dwyer*

Emily Dwyer, DBs Organics

*Joshua Mascarenas*

Joshua Mascarenas, Thrive Craft Cannabis Co.

*Barbara Crawford*

Barbara Crawford, Southwest Cannabis

*Nick Spoor*

Nick Spoor, Chadcor Holdings NM LLC

*Mitchell Martinez*

Mitchell Martinez, Mother Meds

*Karanpreet Sangha*

Karanpreet Sangha, Tnb Grow LLC

*Jaci Serrano*

Jaci Serrano, JKC Enterprises LLC

*Matt Kopelman*

Matt Kopelman, Score 420

*Clinton Greathouse*

Clinton Greathouse, Pecos Valley Production

*John Serrano*

John Serrano, Serrano Springs LLC

*Marcellus Davis*

Marcellus Davis, Davis Ranch and Gardens

*Jeff Thompson*

Jeff Thompson, Doughdy LLC

*Leonard Salgado*

Leonard Salgado, Santa Cruz Holdings, LLC

*Steven Hogue*

Steven Hogue, High Plains Organics

*Matthew Groff Chadwick*

Matthew Groff-Chadwick, Chadcor Holdings NM, LLC

*Holman*

Holman, Cannabi12

*Marvin Albright*

Marvin Albright, Beans and Buds LLC

*Janet Miller*

Janet Miller, 4.21 Acres LLC

*Elizabeth Derby*

Elizabeth Derby, E&S Holdings LLC dba Oui'd Cannabis

*Carson Beard*

Carson Beard, TNM Holdings LLC

*Patsy Melton*

Patsy Melton, Seven Clover

*Erik Briones*

Erik Briones, Minerva Canna

*Angelina Torres*

Angelina Torres, TNA Farms

*Sharon Sibbald*

Sharon Sibbald, Las Perlas Verdes LLC

*Steven Bierlein*

Steven Bierlein, Las Perlas Verdes

*Patti Rios*

Patti Rios, Leaf & Flower LLC

*Mike Chadima*

Mike Chadima, Cannyall

*Seth Gardenswartz*

Seth Gardenswartz, Black Garden Law

*Bill Chavez*

Bill Chavez, Private Citizen

*Aaron Hansen*

Aaron Hansen, Hansen Pharms LLC

*Marshall McGinley*

Marshall McGinley, NM Cannabis Cowboy

*Dan Noah*

Dan Noah, Red Gorilla Greens

*Brently Levesque*

Brently Levesque, Sandia Botanicals

*Eric A. Robinson*

Eric A. Robinson, Stoned Café

*Harsh Tayal*

Harsh Tayal, Ganjaki Gardens

*Mike Sandoval*

Mike Sandoval, Lifted A Fine Cannabis Boutique

*Michael R. Hicklin*

Michael R. Hicklin, Puff on 66

*Kerry Mackey*

Kerry Mackey, Mindscape

*Indy White*

Indy White, Purlife

*Jaime Falcon*

Jaime Falcon, Falcon Pharms

*Long Duong*

Long Duong, Truforia LLC

*Ali Jubelirer*

Ali Jubelirer, Dynamic Jack

*Neal Wright*

Neal Wright, Cannabis 1

*Leslie Butcher*

Leslie Butcher, Hi Extracts

*Jeff Roth*

Jeff Roth, Nebro, LLC

*Jackie Ashley*

Jackie Ashley, Grandma's Pot Shop

*Richard Abeyta*

Richard Abeyta, Get Lit NM

*Kevin Wallace*

Kevin Wallace, Enchantment Growth Co.

*Taylor A. Mayhew*

Taylor A. Mayhew, Mayhews Homegrown Cannabis

*Monique Ostermann*

Monique Ostermann, Sandia Botanicals

*Dan Ransom*

Dan Ransom, Rocky Mountain Utopia, LLC

*Tresa Ransom*

Tresa Ransom, Rocky Mountain Utopic, LL