



2019

**Recreational Marijuana
Supply and Demand
Legislative Report**

Oregon Liquor Control Commission

January 31, 2019

Executive Summary

There has been and continues to be significant speculation about the amount of marijuana produced and consumed within Oregon's regulated recreational market. The same holds true for legal and illegal cannabis consumption in other states, including those with medical marijuana and adult-use programs. This report seeks to clarify and quantify Oregon's legal marijuana market by using baseline data and applying conventional economic analysis.

The Oregon Liquor Control Commission (OLCC) is required by law to report to the legislature the amount of marijuana produced by Recreational Producers and bought by consumers in Oregon from Recreational Retailers. This report does not include information on the Oregon Medical Marijuana Program (OMMP), personal home grow, or the illegal market.

The Oregon recreational marijuana industry has created a booming consumer market of low prices and increasing demand. The number of applications for licenses to produce recreational marijuana has also continued to exceed expectations. Decreasing consumer prices are a direct result of supply that exceeds demand and have increased market pressure on licensed operators throughout the supply chain. This report provides a snapshot of the Oregon recreational marijuana program, including the supply of marijuana, product flow, inventory on hand, consumer demand, and possible policy options.

Oregonians passed Measure 91 in November of 2014, legalizing adult-use recreational marijuana in Oregon. OLCC is the agency in charge of licensing Recreational Producers, Processors, Wholesalers, and Retailers. Measure 91 established, and subsequent legislation maintained, the philosophy of a free market within the regulated recreational system in order to prioritize early transition away from the illegal market by both producers and consumers. The barriers to entry are lower here than in other states: Oregon does not have a residency requirement for investment or ownership, licensing fees are low, and there are no limits to the amount of licenses one individual or a business can acquire.

Key Findings

- Supply exceeds demand within Oregon's recreational marijuana market.
- Between July 2017 and June 2018, demand represented 50% of supply; the other 50% remained accounted for in recreational licensees' inventory and contained within the recreational system.
- OLCC Recreational Producers harvested more than 2,000 metric tons of wet, untrimmed marijuana in 2018; if all currently pending Producer applications were approved, estimated production would increase to nearly 4,000 metric tons of wet weight.
- As of January 1, 2019, the recreational market has 6.5 years' worth of theoretical supply in licensees' inventory accounted for and contained within Oregon's Cannabis Tracking System.
- An estimated 55% of total statewide marijuana consumption among Oregonians aged 21 or older is procured from OLCC Recreational Retailers. Based on existing levels of production, all consumption of marijuana among Oregon adults could be supplied by the OLCC market.

This report finds that supply in the recreational market is twice the level of current demand. The unpurchased supply remains tracked and contained within the legal, regulated market. This disequilibrium between supply and demand has contributed to growing levels of licensees' inventory. As of January 1, 2019, the recreational market has an estimated 6.5 years' worth of theoretical supply on hand. Even under assumptions of growth in demand caused by more Oregonians consuming more marijuana supply will almost certainly continue to exceed demand at current levels of production.

This report evaluates production and sales within the time period of July 2017 through June 2018, using data from the state's Cannabis Tracking System. Due to the diversity of product mixes sold by Recreational Retailers, this report standardizes all sales to a single unit (milligrams of THC sold) and calculates a "wet weight equivalent" of the amount of marijuana estimated to have been needed to supply that level of demand in the given time period. This "wet weight equivalent" method and the report's findings were validated by external reviewers from the private sector and other state agencies.

Based on the outcome of the data analysis, this report discusses the positive and negative implications of potential policy choices including maintaining the free market status quo and letting the market self-correct towards equilibrium, limiting the maximum producer canopy, increasing license fees, and placing a cap or moratorium on the number of recreational licenses. Due to the nature of the market in which supply already exceeds demand, any policies enacted with the purpose of creating equilibrium in the near-term will inherently have an effect on incumbents within the market.

To obtain a paper copy of this report contact the Oregon Liquor Control Commission's Recreational Marijuana program at marijuana@oregon.gov.

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