



The Business of Cannabis Overview. 101- Supply Chain

Presented by Detroit Cannabis Project



Agenda

- License Vs Non Licensed
- Supply chain overview
- Different license types
- Risks
- Going Forward
- Summary



Plant Touching vs Non Plant Touching

There are many avenues to enter the cannabis industry, either with a license or without one.

Plant Touching (you NEED a license, please note licenses vary by state)

1. Cultivation
2. Processing
3. Retail
4. Transportation/ Distribution
5. Lab Testing
6. Delivery (not every state has this license type)
7. Microbusiness (not every state has this license type)

Non Plant Touching (no license required)

Ancillary services such as:

1. Marketing
2. Accounting
3. Cannabis Law
4. Architects
5. Cannabis Real estate
6. Education
7. The sky's the limit!



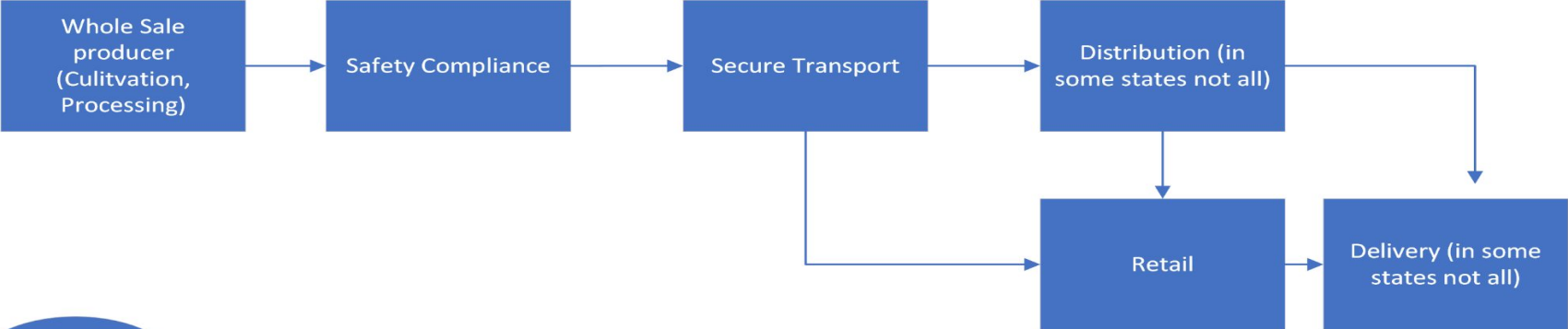
Plant Touching Supply Chain

There are many avenues to enter the LICENSED cannabis industry.

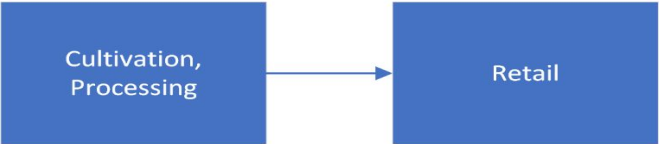
Plant Touching (you NEED a license, please note licenses vary by state)

1. Cultivation
2. Processing
3. Retail
4. Secure Transporter
5. Safety Compliance
6. Microbusiness & Class A
7. Event Organizer
8. Consumption Lounge

Commerical



Microbusiness





Cultivation

- Growing Cannabis Flower.
- Craft Grower- Usually less than 30,000/50,000 sq ft. Class A-C
- Large Scale- Usually more than 100,000 sq ft. Excess Grower.
- Supplies directly to dispensaries and processors/manufactures.
- Can be fully “vertical”.
- Start up cost including equipment are on average around \$300/sq ft.



Processing

- Turns raw Cannabis flower into products like (edibles, oils, topicals etc).
- Can be fully vertical, however if not vertical has to purchase flower from a cultivator.
- Processing facilities can range from 1000 - 10,000 + sq ft.
- Processing capabilities can range from very simple to highly specialized.
 - Simple- Packaging, pre rolls, gummies
 - Specialized (usually a chemistry background is needed)- Concentrates, sugar batter, live resin.
- Sales products to Retailers.
- Equipment costs can vary depending on speciality.



Retail

- Also known as Dispensaries.
- Retail store fronts, B2C.
- Retail can be fully vertically and supply their own inventory.
- If they are not fully vertical, they HAVE to buy licensed flower and products from cultivators and processors.
- Licensing is very competitive as these license types tend to be limited.
- Start up costs can range from \$300k-5M.
- Very saturated in certain markets.



Secure Transporter

- Can not be fully vertical.
- Can not be a cultivator, processor or be a retailer.
- Startup costs are usually more reasonable.
- Responsible for transporting Cannabis products and cash.
- Should have temperature control storage capabilities where states allow.



Safety Compliance

- Can not be fully vertical.
- Can not be a retailer, cultivator, or processor.
- High start up cost.
- Limited amount of labs, presents huge opportunities for more operators to enter the market.



Microbusiness, Events & Consumption Lounge

- Lower startup cost. Lower barrier to entry.
- *Microbusiness*- Are fully vertical. Retail, cultivate and process. Can not purchase products from other cultivators or processors. Class A microbusiness can purchase processing products.
- *Events* - There are many types of event licenses, some have consumption restrictions. Most of the time if you don't have retail license you can NOT sale Cannabis products at the event.
 - Each event you have to submit a temporary event application 90 days prior to the event
- *Designated Consumption Lounge* - You can not sale Cannabis.



Risks



Risks in the Supply Chain

1. Confusing Intrastate Distribution Landscape
2. Vertical Integration
3. Seed-to-Sale Software Use
4. Department of Transportation Regulations
5. Banking

1. THEFT!
2. Lack of developed workforce
3. Newer industry, not much training or standard SOP's available.

Summary



Cultivation

Germination – the cannabis plant is germinated, which makes the seed of the plant sprout and the root appear.

Seeding – this is a phase when two embryonic leaves appear from the root pushing away the seed shell in search of light. It requires particular humidity and light as it is the most vulnerable period of the plant life cycle.

Vegetative – at this stage of cultivation, the plant needs a considerable amount of light and nutrition. After 1-2 months, the sex of the plant starts to reveal, which means that time for the next stage has begun.

Pre-flowering – it's a period of 10-14 days after switching the light cycle to 12 hours of darkness. The flowers start to appear where the branches meet the stem.

Flowering – this period varies from around 6 to 22 weeks, depending on the type of plant. It is the phase of flowering itself. The sex of the plant is now clearly revealed. Female and male plants are separated to avoid pollination.

Harvesting – this process varies depending on what the cannabis plant is used for. Hemp grown for fiber is harvested before flowering, while cannabis for smoking or cannabis products need harvesting when 5-15% of trichome color is reddish or brown. Harvesting also includes drying the harvested plant; the plant is wholly dried for 3-7 days in a dark room with a temperature of 65-70°F and 50% humidity.



Processing

Cannabis extracts include liquid cannabis oil and more solid, dabble extracts like shatter (a highly concentrated cannabis extract made by butane extraction). Most forms of extracts can be vaporized, dabbed, or ingested.

Common solvents - alcohol, hydrocarbons, CO₂, water, and ethanol are used in this process.

Non-solvent extraction – is any extraction method without the use of harmful chemicals, solvents, and concentrates. The products made by such extraction methods are popular with medical marijuana users. The solvent-free cannabis products include kief, freeze-dried hash, water hash, bubble hash, hand-rolled hash, solventless shatter, budder, and rosin.

Dry sifting or shaking is a method to produce kief (the tiny glands attached to little hairs called trichomes that cover the cannabis plant. These resin glands are full of cannabinoids and terpenes that make imbibing such a pleasure).

Manufacturers do also take part in packaging bulk flowers into eight jars, turning the flowers and shaking them into pre-rolls, breaking down buds into smalls, tops, mids, and kief.



Testing

Every state has its regulations regarding testing, though they all ensure the quality and safety meet the standards set forth by the government.

Cannabis products are tested in authorized labs by using various methods for it. Testing the products in labs aims to discover any contamination, pesticides, mold, and mildew. The regulatory bodies have issued a list of banned pesticides that must be absent in the composition of cannabis products.

Cannabis testing consists of two stages. **First** is conducted before selling the harvest, when batches are assigned ID tags and logged into a state's cannabis distribution software.

Second, any transformed products modified from the original flower, such as edibles, must undergo another testing post modification using a sample batch. The results will then be attached to a certain batch in the cannabis distribution software.



Transportation

Distributor Transport– means a State recognized licensed entity that conducts the transportation of cannabis products between licensed cultivators, manufacturers, and retailers. They may not transport goods such as immature live plants and seeds.



Retail

Retail is the industry's most transparent stage of the cannabis supply chain. Retailers purchase unbranded or white-labeled finished marijuana products to sell them in their dispensaries. They often design and buy their proprietary packaging for cannabis products to make their brand and compete in the market. For many dispensaries throughout the states, it is more common to take part in white labeling rather than growing, trimming, drying, and producing their own branded line of marijuana.

Can only sell tested products in store.



Execution Steps-*High level*

1. Research your geographic market first. All cities and districts are not the same!
2. Research the regulations & local licensing process. Go to your state's Cannabis regulatory website. THE CRA (Cannabis Regulatory Agency) <https://www.michigan.gov/cra>
3. Start the Phase 1 state licensing process and Social Equity certification (if applicable).
4. Identify which license type/s you are interested in.
5. Build your team.
6. Create a business plan.
7. Submit phase 1 State prequalification. CRA
8. Start the local licensing process. homegrowndetroit.org
9. Acquire green zone real estate.
10. Special Land Use hearing- SLU City of Detroit.
11. Built out. Complete phase 2. Pass final inspections.
12. Open!



Ongoing Resources

Example Cannabis Professional Organizations to look into:

1. National Cannabis Industry Association (NCIA) Social Equity Program
2. State's Industry Cannabis Industry Association (MICIA)
3. National Organization for the Reform of Marijuana Laws (NORML)
4. Minority Cannabis Business Association (MCBA)
5. Minorities for Medical Marijuana (M4MM)
6. MJ Alliance

Build Community!

- Connect with other startup operators
- Connect with ancillary services such as:
 - architects, accountants, attorneys, marketing & security professionals etc.

Questions!!

