

3 June 2021

To: Mary Shaw – ADM Cannabis, Consumer Protection, and Corporate Policy, PSSG
cc: Fabian Contreras – Policy Manager for Corporate Strategic Services, BCLDB
Leanne Davies, – Manager, Policy & Legislation Liquor & Cannabis Regulation Branch
Sarah Cunningham – Sr Policy Manager, Cannabis Legalization & Regulation Secretariat
Mark Raymond – Executive Director, Extension & Support Services, Ministry of Agriculture
Rajiv Dasanjh – Industry Specialist, Ministry of Agriculture
Richard Toperczer – Regional Manager, Regional Economic Operations Branch, FLNR

Delivered by email

The rollout of cannabis legalization has been a bumpy ride. For small-scale operations, it has been especially fraught with challenges that have made financial viability near impossible. We, the undersigned, are organizations that represent a significant percentage of the BC craft cannabis industry, and we are thankful that the BC government has committed to implementing direct delivery and farm-gate programs for small-scale operations. We believe that these programs are absolutely critical for the craft cannabis industry that BC is known for globally to survive the transition to the legal market. Furthermore, we know that shortening supply chains and removing the requirement for centralized distribution will produce a wide range of co-benefits such as:

- reduced costs to compete effectively with black markets
- improved product quality
- improved product diversity
- promotion of agri-tourism, and
- positive contributions to GHG emissions reduction obligations that all levels of government are striving to meet.

Since farm gate sales and direct delivery are critical to the health of an industry which is a significant contributor to BC's economy, we are providing an outline of elements that we believe are key to the successful implementation of these programs. **Direct delivery and farm-gate sales will only be successful if they are implemented in a manner that truly enables small-scale operations to thrive without bottlenecks and with reasonable operational costs.**

Direct delivery and farm-gate are programs that have the potential to resolve some of the largest barriers that hinder the financial viability of current licensed operators and stop unlicensed operators from making the transition to licit production and applying for a license. It is our goal to help you implement these programs in a manner that reaches their full potential. The remainder of this document covers implementation details upon which we collectively agree.

We recommend the creation of a pilot project for the Direct Delivery program as soon as possible and are eager to assist in the development of such a project. Such a pilot will provide an opportunity to determine what works and what does not, and allow for program refinement and a quicker rollout for the entire province.

Appended to this letter is a suite of recommendations agreed upon by all our organizations as key considerations in the creation of the Farm Gate and Direct Delivery regimes.

Thank you for your consideration.

Sincerely,
 The BC Craft Farmers Co-op, the Craft Cannabis Association of BC, the Association of Canadian Cannabis Retailers, and the Kootenay Cannabis Economic Development Council.



Farm Gate & Direct Delivery Regime Recommendations

All recommendations below assume cannabis products derived from duly licensed operations. Explanatory notes for some items are included below the Table.

	Farm Gate	Direct Delivery
Source	Cultivators and Processors may sell duly packaged products at their farm / production site. (See Note A below.)	Cultivators and Processors may sell duly packaged products directly to retailers without the need for the packaged products to go through BC Liquor Distribution centre.
Choice	Cultivators can sell products from other operators provided that they meet a 50% minimum of their own product.	Cultivators and Processors may negotiate directly with the retailer what products will be carried.
Pricing	The cultivator determines pricing for farm gate sales.	Unequal power relationships between retailers and producers poses a risk of downward pressure on prices paid to producers, as is being seen in Ontario with cannabis and in multiple jurisdictions across a wide range of sectors. Ideally a minimum price would be paid to the producer but it is unclear how this could be determined and enforced. Therefore we urge the government to include this in the stakeholder consultation.

	Farm Gate	Direct Delivery
Product tracking & reporting (see Note B)	Cultivators and Processors will create their own SKUs or other compliant tracking and report solutions that adhere to a provincial standard and that are integrated into the monthly production and sales reporting.	Processors and Retailers will create their own SKUs or other compliant tracking and report solutions that adhere to a provincial standard and that are integrated into the monthly production and sales reporting.
Delivery	Where the cultivator requires a processor to package their product, it can be transported between venues by any security cleared individual.	Cultivators and Processors can deliver products directly to the retailer by any security cleared individual.
Permit (See Note C)	Receiving a permit for farm-gate sales should be streamlined, low-cost, straightforward, and efficient. A permit to sell farm gate for those already holding a Health Canada licence should be provided drawing on paperwork and data that they have already provided to the federal government.	All licensed processors will be allowed in the program, whether they have a Sales Amendment license or not. Cultivators with a permit for farm-gate sales will also be allowed in the direct delivery program.
Insurance (See Note D)	Insurance requirements need to be commensurate with the annual volume of production.	Insurance requirements need to be commensurate with the annual volume of production.
Restrictions	Farm gate sales are restricted to micro producers, Indigenous producers, and small Standards. It will be important for the consultation to include a process to determine the definition of a small standard producer.	Direct Delivery is restricted to micro producers, Indigenous producers, and small Standards. It will be important for the consultation to include a process to determine the definition of a small standard producer, and to consider the distinctions between indoor and outdoors operations. (See Note E) The consultation should also consider processors who solely seek to support craft cannabis cultivators in getting to market.

	Farm Gate	Direct Delivery
Public access	Sales room need not be a dedicated space but can be a multi-purpose and suitable space that does not place an undue financial burden on the cultivator. For example, a portion of a facility that does not require security clearance to enter should be usable for farm-gate sales. (See Note F below)	N / A
Product Interactions	Open jar / packaging is an option for farm gate vendors, enabling the visitor to see and smell the cannabis. Additionally, having the ability to sample cannabis in an outdoor space is critical to the success of farm-gate and canna-tourism. These products will be tracked and part of monthly reporting by the cultivator.	A cultivator or processor should be able to send unpackaged flower to a retailer for open jar marketing purposes for reduced or no cost. The current open jar policies that enable customers to see and smell cannabis at a retailer is insufficient, as the retailer must purchase and open individual packages of cannabis as their source product. This product will be tracked and part of monthly reporting by the cultivator / processor / retailer.
Promotion	Cultivators can participate in farm / food guides, post signage on the road and their property.	A cultivator or processor should be able to send samples of their cannabis products to a retailer. A retailer needs to be informed prior to making a decision on what to carry at their store.
Events	Temporary consumption permits are available for age-restricted events (like beer gardens). Options for permit include multiple days, reoccurring, annual, & seasonal. Consumption that takes the form of smoking will be restricted to outdoor venues.	Retail cannabis buyers need to be able to connect with cultivators and the range of product offerings in order to acquire suitable products for their retail offerings. Cannabis Expos that provide the opportunity for cultivators and processors to promote their products directly to buyers will need temporary consumption permits.
Agri-tourism	Develop and implement a “Canna-tourism” regime that includes promotion and the ability for visitors to sample products. Stakeholder consultations will be necessary to determine if there will need to be different requirements applied to rural versus urban venues.	N / A

	Farm Gate	Direct Delivery
Security	Security at Health Canada approved facilities is sufficient for a farmgate program. Measures will be put in place to ensure that youth do not enter the premises. Product inventory and sales will be fully monitored and reported. See Note F below for additional details.	N / A

Notes to the Table

Note A:

Prior to legalization, consumers were able to purchase cannabis from bulk containers at retailers. With legalization, packaging requirements have resulted in a high volume of plastic waste relative to product volume. We urge the provincial government to advocate for a reduction in plastic packaging requirements as a contribution to our Paris Climate Agreement obligations. This can include a return to bulk options and reduced packaging at the retail level. Further, we ask that the provincial government advocate for the ability of cultivators to package their own dried flower.

Note B:

The necessity to apply for an SKU from the province for all products, no matter how small the batch, can hold up the ability to sell the product and result in loss of quality as it ages beyond its optimal shelf life. By enabling the seller of the product to create their own SKU, while adhering to a provincial standard for cannabis products, the province will streamline its cannabis oversight and allow for more efficient and timely sales of an agricultural product. This applies to both the cultivator undertaking farm gate sales and to the processor selling products to retailers via direct delivery.

Note C:

We applaud the provincial government’s commitment to enabling farm gate sales and direct delivery to retailers. It is vital in the determination of how this will be implemented that the end goal of increasing opportunities for small businesses to thrive is not lost. Where possible farm gate and direct delivery should be permitted with minimum additional requirements, given the exhaustive and costly vetting and approval processes that have been undertaken to obtain a Health Canada licence.

Note D: Insurance fees are an ever-increasing component of most sectors' cost of doing business. However, they must not be so out of proportion as to unfairly burden the enterprise. For example, under no circumstance would a small cultivator ever require a \$10 million limit for product recall. When considering product recall and product liability insurance requirements, we encourage the province to ensure that they are commensurate with both the level of actual risk and the annual volume of cannabis produced. We encourage consideration of a separate insurance standard for both craft cultivators and processors as well as farm to consumer models of distribution.

Note E:

Outdoor cannabis sells for a much lower price and takes less work to grow. Therefore, this needs to be considered in any determination of the limits for the size of a facility to be considered craft/small scale. Any regime needs to reflect and accommodate the substantially different business models and financial realities of outdoor and indoor operations.

Note F:

For example, a licensed cultivator typically has an office and washroom as soon as you enter the building. No cannabis is present here, so the public can enter into this part of the building to purchase cannabis. It would require a security-cleared personnel to be on-site to enter into the second phase of the facility (where cannabis is present) to walk into the secured storage vault to access packaged products designated for retail sales. A key fob door could monitor the access with a specific code for the personnel. A camera within the secured storage could mitigate risks associated with diversion.