



CANNABIS
DISTRIBUTION
ASSOCIATION

June 18, 2018

Senator Richard Pan
California State Senate
State Capitol, Room 5114
Sacramento, CA 95814

RE: SB 311 (Pan) – Cannabis Distribution-to-Distribution Policy: SUPPORT

Dear Senator Pan:

The **Cannabis Distribution Association** (CDA) is pleased to sponsor your SB 311 – a bill that clarifies licensed cannabis distributors can transfer tested cannabis and cannabis products between distribution licensees and premises in order to meet the demands of the regulated marketplace.

CDA consists of over 40 members currently operating or preparing for licensure. Our organization's mission is to serve as a resource to individuals and businesses seeking to provide safe, reliable, and effective distribution and transportation services to California's cannabis producers, testing facilities, and retailers. CDA's objective is to serve as a resource to regulators and policymakers to help guide distribution and transportation best practices to ensure safe and effective delivery of licensed, tested, and properly taxed medical and adult-use cannabis goods.

The cannabis supply chain depends on multiple points of distribution to efficiently bring goods to market. A network of distribution allows for centralized distribution hubs to aggregate cannabis and cannabis products from individual cultivators and manufacturers in the surrounding region and convert those goods to market-ready for other distribution partners to take finished retail-ready goods to the final point of sale. Each consecutive distributor in the supply chain is responsible for ensuring that the finished goods it obtains from another distributor has a corresponding Certificate of Analysis from the testing laboratory, matching the unique identifier on each package to that of the Certified batch, and additionally verifying that all packaging and labeling are compliant.

Many distributors specialize in downstream sales and transportation to retail, and will only purchase retail-ready goods that are pre-verified by another distributor. Similarly, some distributors are strictly in the business of providing the last-mile transportation to retailers, on behalf of operators who do not



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have the physical infrastructure for multiple distribution hubs to reach retailers in specific regions of California. Other distributors strictly provide storage services, where distributors may temporarily store their products until that product has a buyer and needs to be transported to the final destination.

Cultivators and manufacturers who also hold a distribution license may not always be able to sell through all their inventory directly to retailers, and need the flexibility of selling their finished, tested goods to other third-party distributors. Leveraging a network of distributors to reach across the state helps to support small cannabis operators who cannot afford or lack the infrastructure for multiple distribution hubs throughout California. These partnerships allow distributors to specialize in critical supply chain functions necessary for an efficient marketplace.

Without the ability to move products freely through a network of distributors, there will be significant bottlenecks in supply reaching the retail market and significant hardship for licensed producers. Without this clarification in statute applied this year, the Bureau of Cannabis Control would be in a position to potentially enforce with penalties against licensed distributors who need to transfer products in order to satisfy regulated market demands. Clarification prior to January 1, 2019 would prevent an unnecessary enforcement burden on the Bureau.

Once again, CDA thanks you for your leadership on SB 311 and certainly looks forward to helping move the measure through the legislative process.

Sincerely,

Lauren Fraser
Executive Director
Cannabis Distribution Association

cc: Elissa Ouchida, Legislative Aide, Office of Senator Richard Pan