



Senate Bill 221 - Cannabis – Wholesaler License – Establishment
Senate Finance Committee
January 30, 2025

Thank you for the opportunity to present the concerns of the Maryland Wholesale Cannabis Trade Association (CANMD) regarding Senate Bill 221 – Cannabis – Wholesaler License – Establishment. CANMD represents the majority of cannabis processors and growers licensed in Maryland and has consistently worked with the General Assembly to ensure the development of a well-regulated, equitable, and sustainable cannabis market.

Section 12 of the Cannabis Reform Act of 2023 (Chapter 255 of the Acts of 2023) directed the Maryland Cannabis Administration to complete a study on wholesale cannabis licenses. In June 2024 the Administration released the “*Maryland Cannabis Wholesale Licensing Assessment*” (“Report”); that report contemplated the pros and cons of creating the category of licenses. On balance, CANMD believes that the license would be redundant and add costs to the system. We respectfully oppose Senate Bill 221 for the following four reasons:

Lack of Clear Rationale for a New License Category and Additional Costs

Maryland has debated the structure of a cannabis industry for at least the past eight years. The Cannabis Reform Act of 2023 established a comprehensive framework for the cannabis market, including sufficient license categories to support market operations. This new category would introduce unnecessary complexity, disrupt current systems, and ultimately increase costs for consumers.

Adding a wholesaler license into an established market is unnecessary. This is particularly true when existing licensees of various types already have established procedures to carry out the functions outlined for a wholesaler. As the Report acknowledges (pages 7-8), Maryland currently allows micro-dispensaries to maintain a storage facility; incubators are permitted to secure and store products; secure transportation companies can be registered with MCA and transport product between licensees; and current operators efficiently transfer their own products to other licensees.

Throughout the Report, it is acknowledged that introducing a wholesaler license will likely increase the cost of cannabis products. Wholesale businesses are “cost-intensive” and adding another party to the distribution process logically leads to a higher price as entities at all levels seek to profit. The Report also discussed the possibility of eventually setting a tax on wholesale sales. As the Report notes (page 7) imposing such a tax (or adding cost to product in any manner) leads to the cost being “often passed down to retailers which then pass them to consumers, eliminating the cost elasticity of demand that is crucial [to] not push consumers out of the legal, regulated market and into other substitution markets.” Placing additional costs in the system is directly contrary to the General Assembly’s 2023 conscious efforts to set a reasonable tax that would draw consumers from the illicit market and towards safe, regulated products.

Federal Legalization and Premature State Action

The Report discusses an alternative action to passing Senate Bill 221 this year. In a couple of instances, the Report states that there is currently “no market **necessity**” or a “**need** for the [wholesaler license] to alleviate supply and demand”. The Report notes a “second pathway” may be “waiting until a national market emerges” (page 9). It makes sense to evaluate Maryland’s licensing structure – and many other aspects of the law – if federal law and policy changes.

If this license category is a necessary response to federal action, it would be prudent to include a “sunrise” provision—ensuring it only takes effect when federal legalization or rescheduling occurs. Enacting the license prematurely would impose unnecessary costs on consumers and create confusion and logistical inefficiencies without providing tangible benefits.

Contradictions Within the Bill

If the intent is to prepare for a federal market, provisions in the bill seem to conflict with its stated purpose. Specifically, on page 6, lines 21-22, the bill prohibits wholesalers from importing or exporting cannabis across state lines. This restriction renders the license ineffective in addressing the challenges of federal legalization, where interstate commerce would be a key consideration as noted in the Report.

Exclusion of Existing Licensees and Redundant Functions

Senate Bill 221 not only proposes the creation of 15 wholesaler licenses (it is worth noting that the Report assumes 8-13 licenses would be appropriate for Maryland’s market (page 3)) and explicitly prohibits existing cannabis licensees from holding these licenses. This exclusion creates an artificial barrier that disadvantages existing stakeholders without any clear benefit to the broader market or consumers.

Finally, we are still awaiting the arrival of many applicants that were granted a license through the process established in the Cannabis Reform Act. Maryland’s record of adding licenses on top of licenses instead of waiting to see the impact of earlier changes is not very good. We should not repeatedly make the same mistakes.

CANMD is committed to working collaboratively with the Maryland Cannabis Administration and this committee to enhance and strengthen Maryland’s cannabis industry. However, we view Senate Bill 221 as premature and unnecessary. Creating a new license category for functions already being effectively managed introduces unwarranted complexity, increases costs for consumers, and fails to meaningfully prepare for federal legalization.

Thank you for your time and consideration. CANMD stands ready to assist in developing thoughtful policies that support a thriving and equitable cannabis market in Maryland.

We respectfully urge the committee to oppose Senate Bill 221 as currently drafted.

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