

Senate Small Business and Economic Opportunity Committee
Senate Bill 261 - Testimony of Tahira Rehmatullah, Interested Party
December 08, 2021

Chairman Rulli, Vice-Chair Lang, Ranking Member Sykes, and Members of the Senate Small Business and Economic Opportunity Committee, thank you for the opportunity to provide testimony as an interested party to Senate Bill 261. My name is Tahira Rehmatullah and since 2014 I have been in the cannabis industry, working with a range of businesses across the country as well as in Canada and Europe, including single- and multi-state operators and dispensaries. I have no investment or operating interest in Ohio. My testimony is based simply on my industry experience and the strong desire to see my home state's cannabis market thrive for many years to come to benefit its business owners and patients.

By way of background, I was born and raised in a small town in northeast Ohio called Conneaut by Pakistani immigrant parents who still reside there. I am a proud 2005 graduate of The Ohio State University and a 2014 graduate of Yale University's MBA program. My career prior to cannabis was predominantly in finance, having worked at Ernst & Young and Perry Capital in New York City, and then a community development financial institution in Washington DC. I went to business school to create a path for me to merge my experience in the private sector and social mission-oriented work. I discovered cannabis, not because it was a business pursuit, but because my grandfather was diagnosed with stage IV lung cancer in 2013, and my mother, his daughter and primary caretaker, sought alternative remedies to ease his suffering during what became his final months of life. In her research, she kept coming across cannabis, which piqued my interest given all the anecdotal evidence supporting its use in a range of medical situations. What became a passion research project to provide relief to my dying grandfather and hope to my distressed mother led me to my career, which is now going on seven and a half years.

In this industry, I have been on many sides of the table. Starting as an investor with a private equity firm, then a brand builder and operator with the same firm, then a consultant that helped nascent cannabis businesses get to market, then a venture capital investor in ancillary businesses like technology solutions that support the industry's operators, then a cannabis SPAC CFO, and now an investor and advisor on one hand and entrepreneur with a CBD brand on the other. My work has allowed me to engage with markets like California, Washington, Colorado, Massachusetts, Canada, and the UK, amongst others.

The point of me sharing my background is to give a clearer representation of my history and experience starting from when the industry was in its earliest days and precedents did not exist. I am someone who cares deeply about the success of cannabis as a growing industry, the positive impact it can have on patients, and the opportunity for Ohio to be one of the most respected programs in the country.

I applaud the Committee's work on SB 261 as it will streamline business operations, reduce prices for patients making medicine more accessible, and provide clarity in oversight organizations.

One area of concern about the proposed bill is the potential for oversupply that could accompany cultivation expansion decisions. As has been seen in various markets across the country, oversupply becomes a problem when there are too many licenses issued or too much canopy established before understanding supply and demand dynamics in young and growing markets.

As an example, after years of rising cannabis production across California, it has taken its toll on the state's wholesale market, with prices said to be dropping anywhere from 10% to 60% since at least

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mid-June for flower. Many expect the trend to continue for months, if not years, because of the ever-growing amount of cannabis cultivation in California.

In 2019, five years after Oregon legalized adult-use cannabis, its lawmakers were trying to rein in production, fearing the state's large surplus would tempt some licensed businesses to sell their products in the illegal market. To address the glut, Oregon enacted legislation that allowed regulators to stop issuing or limit production licenses when supply exceeded demand.

Granted, both examples are in relation to adult-use markets, which Ohio is not, but the concerns around oversupply are relevant and applicable to any cannabis market.

Without proper oversight, a regulatory agency that has visibility into the supply chain and real-time market data, and the ability to adjust nimbly, a state can be in a situation where it is producing more cannabis than it can consume, leaving products on shelves and wholesalers in difficult positions with very aggressive price declines.

Price compression is extremely important for patients in Ohio as we have observed that a majority of patients and caregivers are dissatisfied with product pricing, but dispensaries too should be looked to in order to make those adjustments, not just the cultivators.

If square footage changes are to be made, I advocate for additional cultivation space to be issued as determined by supply and demand imbalances and through a competitive application process, not in favor of a current subset of license holders. It should also be considered how to develop and support the potential for social equity applicants should a predicate study be completed and support such a program.

I think we can all agree that everyone's intention is to create a fair, competitive, and economically viable market where all cultivators can expand based on patient demand. In order to do that, it should be ensured that supply meets demand as the market evolves.

I thank you again for this opportunity to provide testimony and welcome the chance to further engage with the Committee to assist in producing the strongest bill possible for this great state.