

Synthetic Cannabinoid Impacts

Summarized Immediate Estimated Impacts from December 2019 - April 2021 (Detail in Attachment A):

- \$54,000,000 Farmer losses
- \$11,250,000 Processor losses
- \$14,230.03 to \$113,840.20 DOR losses on Local Sales Tax Rate of .5%-4%
- \$334,999.43 DOR losses B & O Wholesaling Tax Rate of .484%
- **\$1,053,021.87 State Revenue losses on 502 Excise Tax Rate of 37%**

Detail of Estimated Impacts (Fiscal number included in Attachment B)

1. More than 23,803 lbs. of Washington grown marijuana biomass replaced by synthetic cannabinoids by one company alone. This has resulted in an estimated direct loss of \$2,156,639.68 to \$3,774,119 in revenues for our farmers and an estimated direct loss of \$10,438 - \$18,266 in B & O wholesaling tax revenues.
2. 42% decline in the wholesale market rate for Washington grown marijuana biomass since synthetic cannabinoids were introduced. Farmers went from receiving \$0.35 a gram to only \$0.20 a gram.
3. Assuming approximately 750,000 lbs. sold for \$.15 less per gram than they would have, there would be an estimated \$50,962,500 in additional losses to our farmers contributing to an estimated B & O wholesaling tax revenue loss of \$246,658.
4. The revenues lost by farmers have led to a reduction in economic activity at the local level by marijuana producers, particularly in rural communities. This reduced activity has resulted in a decline in state and local sales tax revenues in those communities as well.
5. More than 710,613 grams of cheap synthetic distillate were dumped on our market. This distillate often sold for \$1.50 less per gram than distillate produced with Washington grown marijuana resulting in an estimated loss of \$5,159 in B & O wholesaling tax revenue.
6. 30% decline in the wholesale distillate market rate price. Processors went from receiving \$5.00 a gram to only \$3.50 a gram.
7. Assuming approximately 7.5 million grams of distillate sold for as much as \$1.50 less than they would have, there would be an estimated \$11,250,000 in losses to our processors contributing to an estimated B & O wholesaling tax revenue loss of \$54,450.
8. We estimate that processors selling cartridges containing Washington grown marijuana have lost at least \$3.5 million dollars in wholesale orders and corresponding shelf space to synthetic cannabinoid vape cartridges in our state. If we conservatively estimate that these \$10.00 cartridges would have been \$11.67 had they contained Washington grown marijuana we can estimate local sales tax losses of \$14,230.03 to \$113,840.20 state sales tax losses of \$184,990 and 37% excise tax losses of \$1,053,021.

ATTACHMENT B

1	Synthetic Distillate Sold by one company (grams)	710,613
	Assuming a 7% average yield	
	It would take marijuana biomass (grams)	10,783,198.40
	Grams per pound	/453
	Total marijuana biomass replaced by synthetics by one company (lbs)	23,803.97
	Farmer losses if it had sold for \$.20 a gram	\$2,156,639.68
	DOR losses B & O Wholesaling Tax Rate of .484%	\$10,438.14
	Farmer losses if it had sold for \$.35 a gram	\$3,774,119.44
	DOR losses B & O Wholesaling Tax Rate of .484%	\$18,266.74
2	Market Rate Wholesale Biomass Price Per Gram December 2019	\$0.35
	Market Rate Wholesale Biomass Price Per Gram April 2021	\$0.20
	Difference in Market Rate Price	\$0.15
	% Reduction in Market Rate Price	42.9%
3	Estimated Biomass Sold across whole market from Dec. 2019- April 2021 (pounds)	750,000
	Grams per pound	453
	Estimated Biomass Sold from Dec. 2019- April 2021 (grams)	339,750,000
	Difference in Market Rate Price	\$0.15
	Potential Farmer losses had biomass sold for \$.15 more	\$50,962,500.00
	DOR losses B & O Wholesaling Tax Rate of .484%	\$246,658.50
5	Synthetic Distillate Sold by one company (grams)	710,613
	Market Rate Wholesale Distillate from marijuana biomass price per gram	\$5.00
	Market Rate Wholesale Distillate from synthetic cannabinoids price per gram	\$3.50
	Difference in market rate prices between marijuana biomass distillate & synthetic cannabinoid distillate	\$1.50
	Synthetic Distillate Sold multiplied by difference in market rate price	\$1,065,919.50
	DOR losses B & O Wholesaling Tax Rate of .484%	\$5,159.05
6	Market Rate Wholesale Distillate Price Per Gram December 2019	\$5.00
	Market Rate Wholesale Distillate Price Per Gram April 2021	\$3.50
	Difference in Market Rate Price	\$1.50
	% Reduction in Market Rate Price	30%
7	Estimated Distillate Sold from Dec. 2019- April 2021 (grams)	7,500,000
	Difference in Market Rate Price	\$1.50
	Potential Processor losses had distillate sold for \$1.50	\$11,250,000.00
	DOR losses B & O Wholesaling Tax Rate of .484%	\$54,450.00
8	Synthetic Distillate Sold by one company (grams)	710,613
	Estimate of synthetic cannabinoid distillate that went to vape cartridges rather than edibles or topicals	50%
	Estimate of synthetic cannabinoid distillate sold as vape cartridges(grams)	355,306.50
	Vape Cartridge Wholesale Price	\$9.00
	Estimated value of wholesale orders and corresponding shelf space	\$3,197,758.50
	Retail Markup	3
	Retail Value in synthetic cannabinoid distillate	\$9,593,275.50
	Retail Value if cartridges had sold for \$11.67	\$12,439,280.57
	Difference in retail dollars generated	\$2,846,005.07
	WSLCB losses on Excise Tax Rate of 37%	\$1,053,021.87
	DOR losses on Local Sales Tax Rate of .5%	\$14,230.03
	DOR losses on Local Sales Tax Rate of 4%	\$113,840.20
	DOR losses on State Sales Tax Rate 6.5%	\$184,990.33

Note: The data presented in this report was collected and analyzed by cannabis industry advocates using data provided by Top Shelf Data, a firm that packages the publicly available traceability data for sale to industry stakeholders.

Damages are likely higher than conservative estimates presented here. It would require the work of trained economist to get a more detailed understating of what the market would have looked like had chemically synthesized cannabinoids not been illegally introduced. We consulted briefly with Dr. Keaton Miller of University of Oregon prior to pulling this data together.