

Cannabis Conundrum – And Then There Were Three

A brief overview of
the chaos of the
Legal, Black and Grey
Marijuana Markets:
Focus on California,
Canada & Colorado.

Shane Varcoe | 01/01/20 | Cannabis Conundrum Tour

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— Gavin Newsom: Governor, California

THREE CAUTIONARY TALES OF CANNABIS CHAOS: CALIFORNIA, COLORADO & CANADA



THE PROMISES OF PROPAGANDA.

WE HAVE BEEN FED, AD NAUSEUM, THAT CANNABIS IS JUST A PLANT AND RELATIVELY HARMLESS, RIGHT? IF YOU SAY IT LOUD AND LONG ENOUGH, YOU MIGHT BELIEVE IT? WE WERE TOLD BY THE CONSENSUS-MANUFACTURING “#420” ACTIVISTS AND THEIR PROMOTORS, INCLUDING MUCH OF THE MEDIA, THAT IF WE LEGALIZE THIS STUFF *ALL WILL BE WELL, OR AT LEAST MUCH BETTER.*

Much less crime and no more ‘criminalizing’ of misunderstood drug users. Prisons will empty. Supply-reduction costs and policing will plummet, even health and well-being will increase. Taxes and surplus revenue will be raised. Well, so the narrative went.

Yet, this has not materialized, rather a chaotic conundrum has inevitably arisen. All promises have not only failed, but greater harms are being realized to even more in the cannabis legalising communities.

What then, does this cannabis conundrum look like in real time? The following is a mere overview of the emerging issues of the

failing legalisation experiment. It would be worthwhile to examine the present situation through a critical lens of why only in the prosperous and technologically advanced First World West, do we have this obsession with the pursuit of self-harming altered states of sensation? Such states do not add value to our collective ‘happiness’ or community health and well-being, but ultimately only diminish them.

We have chosen to focus prominently on the three main jurisdictions who have ‘lead the way’ in cannabis promotion – California, Canada and Colorado.

CALIFORNIA

The Iconic State of California was the first state in the USA to legalise and subsequently decriminalise the use of marijuana on some level.. Although it is one of the world's largest economies and has the highest population in the USA (thus the greatest potential market for the new cannabis industry), it is failing to actualise any fiscal benefit from this new 'green rush'. So, what is going on?

According to reporters at the New York Times things aren't progressing as hoped.

“It's been a little more than a year since California legalized marijuana — the largest such experiment in the United States — but law enforcement officials say the unlicensed, illegal market is still thriving and in some areas has even expanded.

California's governor, Gavin Newsom, has declared that illegal grows in Northern California “are getting worse, not better” and two months ago redeployed a contingent of National Guard troops stationed on the border with Mexico to go after illegal cannabis farms instead.”

The following is the transcript of the approximate 60 second statement given by the California Governor, Gavin Newsom. The disclosures therein, as blithely navigated as they were in his speech, are quite stunning in their gravity when you consider what is conceded.

“In regards to illegal Cannabis grows, they are getting worse, not better. One of the things I promoted over two years ago, when I got involved with the issue of cannabis policy, was to address the issue as we move from the illegal to a legal market, that we have to hold accountable those that are not participating in the legal market. Particularly those that are continuing to profit of illegal grows now are manifesting they're getting bigger and becoming more stubborn, more acute. They are not just issues for environment, of an environmental concern, but increasingly of fire safety itself. So, there is a direct correlation again between our fire preparedness and our fire safety, in addition to addressing – mitigating ah, the Cartel activity that persists up north..”

It is vital to bring to the fore again, the promises and guarantees that were declared and otherwise posited to the largely uninformed populace, by the pro-drug advocates. Including: that legalizing cannabis would 'stop the illegal market ; 'bring profits away from cartels to taxpayers'; 'reduce crime and the waste of policing dollars on supply control and law/regulation enforcement', to name a few. The New York Times went on to affirm;

“ Stepped-up enforcement comes with a certain measure of irony — legalization was meant to open a new chapter for the state, free from the legacy of heavy policing and incarceration for minor infractions. Instead, there are new calls for a crackdown on illegal selling.. But no other state has an illegal market on the scale of California’s, and those illicit sales are cannibalizing the revenue of licensed businesses and in some cases, experts say, forcing them out of business.”²

Other major news publications who often tacitly supported (and continue to support) the grand progressive change to legalize this psychotropic toxin for recreational use, are also shining a light on the failed predictions of the heavily propagandized industry. They are also trying to locate caveats to lessen, what should be, scathing rebukes and howls for recall of bad policy.

“ One big reason to legalize cannabis is to wrest the market away from criminal enterprises and tax the proceeds. But in Canada and the US states where weed is legal, the illegal market has proven to be a tenacious competitor – and it’s likely to remain so for years. Take California, the largest and most complex of the legal US markets. Here underground sales can be divided into two broad categories: the illegal or “black” market includes everyone growing and manufacturing products for export

out of state, which is always against the law. The so-called “grey market” refers to companies that continue to operate in California even though they either can’t or don’t want to go through the time and expense to acquire licenses.

For licensed businesses trying to follow the rules, California’s grey market presents the bigger problem. Because these companies don’t adhere to the complex regulations covering everything from security to product testing, they can undersell their law-abiding counterparts by up to 50%, according to Bryce Berryessa, the president of the licensed California cannabis company La Vida Verde.

In much of the state, grey-market companies operate in plain sight, and it’s not necessarily clear to customers whether a store is legal or not. Weedmaps, a popular online dispensary locator, doesn’t distinguish between licensed and unlicensed dispensaries – nor do mainstream sites like Google and Yelp. Grey market dispensaries and delivery services also stock counterfeit products, which are packaged to mimic the best-known legal brands.³

Audit and evaluation reports recently published, and might we add, with sublime stealth. One has to conduct a thoroughly exhaustive search to extract this information, as attempts to keep this data from the already uninformed public must be the clear motive for its sequestering.

The following is just some of the key data that reveal staggering overestimations, inadequacies and inefficiencies that haven't saved or made money, but dug an even deeper fiscal hole for the state – a hole that continues to grow.

CALIFORNIA DEPARTMENT OF FINANCE – OFFICE OF STATE AUDITS & EVALUATIONS.

- *Even with a thriving illegal market in California, only 15 enforcement unit staff positions have been filled, though 68 were authorized. “The bureau’s ability to process complaints, perform inspections and investigations and review ... testing laboratories is severely impacted,” auditors wrote.*
- *The three agencies that regulate marijuana need to do a better job communicating. “Enforcement unit staff stated a central contact from the other licensing authorities has not been established,” the report found.*
- *There’s a cash shortage. The primary source of revenue for the agency is from application and license fees. About \$200 million was expected to come in through June 30, 2019, but the bureau has collected only \$2 million as of January 2019.⁴*

BUREAU OF CANNABIS CONTROL: FROM EXECUTIVE SUMMARY

“*With one headquarters office, one field office, and only 75 of the 219 authorized positions filled, the Bureau has been effective in establishing a structural foundation for implementing and monitoring cannabis regulatory activity through its enforcement programs.*

However, the current status and location of personnel is not sustainable to provide effective

and comprehensive oversight of cannabis activities throughout California. Continuing to fill vacant positions and opening additional field offices will enable the Bureau to strengthen its cannabis regulatory and licensing responsibilities.

During fiscal years 2016-17 and 2017-18, cannabis program expenditures totalled \$6,774,577 and \$14,876,055, with revenue received of \$0 and \$1,092,250, respectively. Due to the program’s infancy and initial establishment of its structural foundation, the Bureau has incurred expenditures higher than revenue.

Expenditures of the program will continue to increase with the hiring of additional personnel and field office expansion; however, revenues are projected to increase as the program becomes more established and additional annual licenses are issued. Although fiscal controls are established, to ensure overall costs are accurate, complete, and supported, and to ensure the Cannabis Control Fund’s solvency, the Bureau should strengthen its fiscal management and monitoring activities.

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This new business bonanza of 'bud' was again touted, as the new 'gold rush' for California. Yet in the midst of this lauded boom, the Californian Cannabis Industry sent out a massive 'please help' to the State authorities but why?

“*Now, members of California's cannabis industry are sending an S.O.S. to the state capitol, saying they're struggling to compete against black market operators who don't have to meet stringent regulations or pay taxes and fees. They're urging leaders to make swift regulatory changes or risk the collapse of their emerging industry.*

“The hard truth is that until legislative changes are made, our industry will continue to wither away,” said Michael Steinmetz, CEO of cannabis distributor Flow Kana, which recently joined a growing list of California cannabis firms that have cut their workforces. Following the job cuts, which were first reported by the Sacramento Bee and described as an “epidemic” of layoffs, Steinmetz cobbled together an informal coalition of more than a dozen leading companies and business associations to lobby the state.

Fewer than 40% of California's municipalities have cannabis regulations in place, and only one in four of those allow for regulated retail operations.⁶

If that wasn't enough grief for the sector, in the same month, November 2019, California suspended more than 400 licenses due to failure to comply to new industry regulations.

“
...and as 2019 comes to a close, California is indeed home to the world's largest cannabis market, totalling close to \$12 billion in estimated sales. But here's the rub: \$8.7 billion of that is changing hands in the illicit market.”

”

“

Poorly devised and seriously under-resourced bureaucracy is the ‘front’ for what is known as the grey market in world of cannabis deployment.”

”

— Dalgarno Institute

“ Bureau of Cannabis Control (BCC) clamped down on 407 marijuana retailers, delivery services, distributors and micro-businesses that failed to comply with mandatory track-and-trace training and credentialing. They are required to meet requirements before resuming business.⁷”

We see here that we not only observe another failure of costly bureaucracy that did not exist until legalisation, but an additional motivator to continue or return to the illicit market operation. A supposedly endangered market.

AND THEN THERE WERE THREE – THE RECENTLY- EMERGED GREY MARKET

As you have gleaned from the previous acknowledgements, all this now leads us to the emerged and robust **Grey Market**, the ‘third column’ in the cannabis market that has different versions and formats, depending on views and interpretations. One version is the outcome, the concoction of failed bureaucracy, legislative loopholes and corrupt and continuing illegal practices, all helping us create *Ring number Three in the Cannabis Chaos Circus*.

When Cannabis was illegal, there was only one market – the ‘Black’ or illicit market, named so for its blatant illegal trading (growing and distributing) of an illegal psychotropic toxin. Around this illegal activity, fuelled only by the demand of selfish, careless and/or broken, self-medicating law breakers was a policing and enforcement mechanism. This, of course, had to be funded. Law and order, the ‘thin blue line’, is necessary for a multitude of reasons. One such reason included the policing of illegal drugs, due to the many harms socially and criminally that they precipitate.

It is important to understand that it is not just the ‘use of an illegal substance’ that invites a police

encounter – firstly it must be detected. It is usually the consequences or outcomes of behaviours and actions that the drug was solely, or partly, responsible for that requires the intervention by the law. It has been established that the consumption of psychotropic toxins influences: thought, behaviour, and actions in a negative manner.

Whilst a ‘crime’ detected – public nuisance, dangerous driving causing injury, disturbing the peace – may not have had malicious intent, it happened only because a substance was used.

Law enforcement is not only expected, it is welcomed in these scenarios, because non-drug users are being impacted by the behaviour of the drug user. We haven’t even discussed, the issue of drug possession or distribution or trafficking: only behavioural outcomes.

One of the utterly false mantras of the pro-drug lobby was that people were incarcerated for simply ‘smoking a joint’. Like all propaganda campaigns, rants get volume, then mantras are formed. From just one review seen here below, we can see how utterly false these claims are. Note that only 92 out of 20,000 people processed for breaking the law by possessing marijuana were incarcerated.

In 2015, 3.4 percent of all state prisoners were in for drug possession and 11.7 percent were in for other drug-related crimes. So, again, only a fraction of prisoners are locked up due to drug prohibition in general, much less marijuana prohibition in particular.

We do have some good data for the federal system. According to the US Sentencing Commission, 92 of nearly 20,000 people – fewer than half a percent – sentenced for drug offenses during fiscal year 2017 were locked up due to simple possession of marijuana. And drug

cases made up less than a third of cases reported by the Sentencing Commission that year. Not all of these people were sentenced to prison; some got probation instead ⁸

Mantras are wielded via well-funded media platforms without question of origin, and before you know it – it is axiomatic. Then follows the utterly uninformed repeated memes that ‘our prisons are filled with poor, misunderstood weed users – not criminals!’ Once we legalise the drug, then the gaols will empty, and enforcement will no longer be needed, and millions of dollars will be saved, well so the narrative progressed.

However, as we’ve seen here, next to none of that was true. Very, very few people are incarcerated simply for using a drug. If they were, it was because they were caught repeatedly using the substance in an environment that was easy to detect – a public space. Again, decision making of drug users is hardly sound. Thus, a repeated law breaker who continues to use a psychotropic toxin, in places that put others at risk, is then locked up for a very short time in an attempt to curb behaviour. (Whether this intervention works or not, is a conversation for another piece; suffice to say that evidence for efficacy travels both ways on this.)

This demographic of incarcerates is but a minute fraction in the statistical context. However, incarceration for conduct undertaken whilst also breaking the law by using an illegal drug, is a different story. The crime of ‘drug use/possession’ is only one of a number of charges that are levied against an offender, but it is the one charge that the pro-drug lobby like to excise from the space to give a false data read on reasons for incarceration.

The new *grey market* has added yet another layer to crime and enforcement dilemma, with the passing of an utterly naive bill for the growth of ‘hemp’. As the following excerpt reveals.

Texas politicians thought they were clear: the bill they overwhelmingly passed allowing the growth and sale of hemp had nothing to do with legalising cannabis.

“This is no slippery slope towards marijuana,” Charles Perry, a Republican state senator who sponsored the bill, said in May, according to The Dallas Morning News.⁹

A slippery slope indeed. Of course, those remarks are always decried by pot protagonists as fear-mongering and conspiratorial. However, ‘sliding’ began very quickly as this news vignette went on to reveal,

“*But since Greg Abbott signed the measure into law in June, county prosecutors around Texas have been dropping some marijuana possession charges and declining to file new ones, saying they do not have the time or the laboratory equipment needed to distinguish between legal hemp and illegal marijuana.*

The accidental leniency represents one of the unintended consequences states may face as they race to cash in on the popularity of products made with or from hemp.. “Everybody is struggling with this.”

In Texas, prosecutors have already dropped scores of possession cases, and they’re not just throwing out misdemeanours. The Travis County district attorney, Margaret Moore, announced this month that she was dismissing 32 felony possession and delivery of marijuana cases because of the law.¹⁰

As can be perceived, this bill not only added to an already shambolic ‘legalized system’ and created a loophole for the unscrupulous drug trafficker (or user) but also created an incredibly wide-open door for harms.

Hemp, by its very nature has virtually no THC in it at all. This, however, does not consider the growing literature of harms other cannabinoids, such as cannabidiol, can cause. Canada had set strict [regulations for Cannabis sativa \(hemp\) seeds](#) 10µg of Δ9-THC per gram of hemp seeds (10 ppm) and recommended other jurisdictions follow suit. So now with the layering of a genuine hemp industry regulation over a ‘medicinal’ market, loopholes abound because the Bureaucracy is ill-equipped: in both human, and fiscal resources to cope with the confusion.¹¹

This is resulting in legitimate breaches of the law going unchecked. Failure to pursue potentially harmful misuses of regulations and the calls for increased regulation and policing – the very things we were assured would all but disappear, once this drug was legalised.

Criminals don’t stop producing or deploying product just because the government is now selling it – they undercut the public market price – they continue to deal outside the regulated market – they still ‘fight’ for territory and market share in illegal fashions. So, we have now doubled the distribution vehicle for psychotropic toxins. We still have illegal enterprises flourishing, that still require law enforcement resources, and our policing budget is supposed to decrease?



CANADA

The following headline realities, which were grossly underreported and marginalised, places Canada as only the second nation (but first 'G8' country) to breach international law. This is only the start of the "Cannabis Conundrum" for Canada.

CANADA'S CANNABIS POLICY MAKES IT AN INTERNATIONAL REBEL ON DRUG TREATIES

“While many Canadians have focused on the supply problems and overly optimistic business projections that have marred Ottawa's marijuana legalization project, it's also left behind some international loose ends that still haven't been tied up.

Not all other countries have accepted Canada's right to forge a new path on cannabis law. And the ending of Canada's 95-year ban on cannabis appears to have accelerated the demise of a worldwide consensus and treaty regime that, for decades, underpinned the global war on drugs.

A year after legalization, Canada remains in flagrant violation of UN drug treaties that it signed — an uncomfortable situation for a country that likes to see itself as a stickler for international laws and treaties.

“The Government of Canada has contributed to weakening the international legal drug control

framework and undermining the rules-based international order,” says the UN's International Narcotics Control Board (INCB).

On Dec. 13, INCB President Cornelis de Joncheere reminded nations that the UN “has repeatedly and publicly spoken out that these (legalization laws) are in violation of the obligations under the conventions.”¹²

Though off to an inauspicious start, positive sentiment is high, and the profit propaganda wheels are frenetically turning

“According to a new study called “The Future of Cannabis in Canada” conducted by Insights West for Resonance Consultancy in partnership with Valens GroWorks, there has been a Canadian-wide increase in Cannabis consumption since legalization and strong future demand for edibles. However, the black and grey market for buying still dominates legal cannabis economy.¹³

Good news! Well, at least from one of the fundamentals of economics. Increase in demand is the key to profitability. Legalisation not only gives permission for people to use, but as a state sanctioned enterprise, a sense of 'okay-ness' comes along with it. Of course, it's an extra bonus for demand sustainability if the product purveyed is addictive. All augurs well for potential profits and the stimulated economy this all helps facilitate. However, before we even get into the deficit side of this economics debate – new or growing costs

in regulation and enforcement, health outcomes, some known, some yet to manifest and potential productivity decline – we are already seeing industry downturn.

“SMITHS FALLS, Ontario — When Canada became the first major industrialized nation to legalize recreational marijuana, visions of billions of dollars in profits inspired growers, retailers and investors, sending the stock market soaring in a so-called green rush.

A year later, the euphoria has vanished.

“No one wants to invest in it now,” said John-Kurt Plinius, a professor of marketing at the Smith School of Business at Queen’s University in Kingston, Ontario.

That is because those who have invested have generally lost money. During the first year after legalization, the value of shares in Canada’s six largest marijuana companies tumbled by an average of 56 percent, according to stock price data.

But nearby in Ottawa, population 1 million, Mimi Lam, a former investment banker, owns one of three legal shops in the national capital.

Strict marketing restrictions mean that passers-by can’t see into her store, Superette. But once customers pass through an I.D. check to prove that they are at least 19, they enter a shop that’s a pastiche of a 1950s diner — if one where marijuana buds sit in displays that would otherwise hold doughnuts and muffins.

Potential customers are still underserved with just 24 legal

marijuana shops for Ontario’s 17.5 million residents. So many are still buying on the black market.

And freed from taxation, the black market is generally cheaper across the country. Surveys by Statistics Canada have found that only 28 percent of cannabis buyers meet all of their marijuana needs through legal sources.¹⁴

In October 2019 Vice News, a clarion voice of support for the pro-pot lobby, reluctantly reported on the commencement of industry struggle and even failure for the reasons mentioned.

“The Canadian weed company that’s going to destroy \$77 million worth of illegal cannabis plants and inventory, is slashing the jobs of a quarter of its workforce. It is the second major cannabis company to announce hundreds of layoffs this week amid a big downturn in the weed industry, a year after recreational pot was legalized.

CannTrust Holdings today announced that it is temporarily cutting 140 positions as it works to comply with Health Canada regulations. The licenced producer is dealing with an illicit weed scandal that forced out its CEO and raised questions about how the legal cannabis industry operates.

The scandal involved illegal grow rooms hidden behind fake walls, which produced at least five metric tons of pot, some of which was exported outside Canada. High-ranking CannTrust employees reportedly knew about the illegal grow op and didn’t stop it.¹⁵

It turns out, and with no surprise, that whilst demand for legal weed is declining, it's the dabbling in 'grey market' of legal producers and the continuing illicit demand of the growing – not vanishing – black market. A combination of corruption, (no surprise in a drug using culture) too strict a regulation regime and the ongoing illicit market are all contributing the Canadian Cannabis Conundrum and some of the increasingly expensive extremes being employed to stop illegal and/or 'grey' dispensaries as the following reports reveal;

“ Legal cannabis can't compete with 'grey market' sales | Vancouver: The RCMP's federal serious and organized crime unit arrested six people and seized nearly 1.2 tonnes of dried cannabis last month during a series of raids that included a licensed medical cannabis facility in Langley..

The searches resulted in the seizure of more than 1,180 kilograms of dried cannabis and about 5,300 cannabis plants from the Langley facility, which was 5,000 more than the facility was licensed to have.¹⁶

There's a new weapon in the city's battle against illegal pot dispensaries: giant cement blocks. It's the latest move to put a stop to illegal dispensaries that have been able to operate thanks in part to a legal loophole in the province's Cannabis Control Act.. "Cannabis is currently legal, and while the illegal sale of cannabis should be prohibited, giving the ability for a family to be expelled from their home because a family member —or worse, a visitor — engages in an illegal activity is unthinkable."¹⁷

REGULATION ENFORCEMENT – POLICING BY ANY OTHER NAME.

Policing and enforcement are not simply confined to a criminal law context. These realities as we have touched on, exist also with not fewer human resources than criminal policing, in a regulated environment, but only additional ones. With this also comes a new set of costs, in both human and material resources needed to be engaged and deployed.

Let's be clear, if there is no regulation, there is no measured accountability and therefore no breaches in conduct, process or unsanctioned activities.

However, once you set up a state-governed industry around a previously illegal psychotropic toxin, you then must ensure the industry, and your citizens, are both protected. It is important to remember that the State has a higher duty of care for the well-being and health of its citizens, and thus they must ensure the industry and the products that it is overseeing are (ironically as this will sound) as safe as possible. Thus, the need for thorough implementation of sound regulation and compliance. The higher the standard of care, the greater the regulation, and consequently, the greater potential of a breach of regulations.

Now comes the veritable army of bureaucracy. Another complete layer of governance and enforcement that *did not exist prior to legalisation*. This new genre of monitoring and enforcement has added to the existing policing mechanism already established and in reality, replicating a significant proportion of existing costs.

So, here we have another conundrum and another broken promise of the pro-drug lobby that costs will be saved, and 'policing' reduced.

This new bureaucracy and associated regulatory procedures with their compliance standards and tax-gathering mechanisms, is being overlaid onto an existing illegal supply chain and market. Furthermore, this has to compete as long as that market stays in play.

So, how does it compete? The illegal purveyors of illicit marijuana do not stop ‘behaving badly’ because a law has been invented that is going to compete with their agenda. The new government-controlled market with its regulations, compliance and tax-gathering processes is going to add to product costs, that is now also being commercially produced by companies who are focused on profit margins. You see where this is going, right?

The illicit market is not weakened by this new mechanism. Instead, in many instances, it is enhanced. The illegal growers don’t have to worry about any ‘safety’ issues, or tax gathering, or product control. Additionally, lower overheads allow for them to undercut the State-sanctioned product.

The State can try drive down pricing or lower taxes, but then what revenue will pay for the new bureaucracy, let alone generate the promised revenue bolstering profits for state coffers – and we haven’t even looked at the yet to be actualized health harms from the growing use of this drug.

“ Legal producers have to ‘start from scratch’ - *When the Cannabis Act passed through Canada’s parliament last year, making it only the second nation in the world to legalise marijuana, Prime Minister Justin Trudeau proclaimed it would “keep the money out of the pockets of organised crime”.*

But one year since the law came into effect, the government’s vow to “completely replace” the illicit trade in cannabis remains unfulfilled.

In fact, despite the rollout of legal marijuana stores and online retailers, the government’s own statistics show that almost half of buyers — people like Dana — get their weed from drug dealers and illicit dispensaries.

According to Michael Armstrong, an associate professor at Brock University’s Goodman School of Business, it comes down to the restrictions around legalisation.

Canada’s version is different to what’s been rolled out in American states like California and Colorado, where the objective was to bring illegal producers out into the open.

“Canada went with a different model, a regulated pharmaceutical model,” Professor Armstrong said. “Health Canada would issue licences to producers, who had to develop growing areas with very high cleanliness standards, lots of monitoring and lots of testing.”

According to Professor Armstrong, there’s “no way” a basement grow-op or even a “relatively well-built” green house would be able to pass the inspection standards.

“So any existing producer who wanted to be part of the legal side would have to start from scratch,” he said. “I’m sure that what most of them decided to do instead was just keep producing for the black market, because it’s still as profitable as ever.”¹⁸

More than a year ago, Canada made recreational cannabis legal. So why are people still buying it on the black market?

When Canada legalised marijuana just over a year ago, it seemed like anyone who was anyone wanted to break into the market. The media nicknamed the frenzy Canada’s “green rush”, as investors like Snoop Dogg and the former head of Toronto’s police force clamoured to get a slice of the multi-billion-dollar-pie. But like the gold rush of the 1850s, the lustre would soon fade, leaving prospectors in the dust..”It didn’t take a rocket scientist to recognise that these stocks were trading on fantasy and not on fundamentals,” says Jonathan Rubin, CEO of New Leaf Data Services.. When the government announced its decision to legalise cannabis, one of its principal reasons was to reduce the black market. But Statistics Canada estimates that about 75% of cannabis users still use illegal cannabis.¹⁹

Criminal activities aren't simply confined to the on-going illicit trade and regulation breaches of the now legal trade and the growing 'Grey Market' phenomenon; they spill over into real and felt harms to community, workplace and families, including drug driving.

Vancouver police say they've busted a pair of illegal cannabis oil facilities, "shutting down a multimillion-dollar drug operation." VPD Const. Steve Addison described the facilities as "very large and sophisticated illegal operations".. "Although cannabis can now be legally purchased from government-regulated and approved retailers, we will not tolerate anyone who tries to cash in by breaking the law and putting the public at risk," he said. ²⁰

Quebec pot arrests behind the wheel up 54% since Legalization. One year after the legalization of recreational use of cannabis in Canada, the black market for the drug — as well as its use behind the wheel — continues to keep Quebec police forces busy.. Offences on the increase. Keeping police busy. More than 670 officers trained in drug use evaluation have been deployed across the province.

In a statement issued Thursday detailing its operations over the past year, the SQ said it had opened 1,409 investigations into the illegal production, supply and distribution of cannabis, which led to 1,458 warrants being executed and charges filed against 1,403 individuals.

Meanwhile, raids on illegal outdoor cannabis fields were carried out in August and September and saw 37,000 plants seized. Over the past year, the SQ seized 71,500 cannabis

plants, 161 kilograms of cannabis, 15.8 kilograms of cannabis oil and resin, 23,460 units of edible cannabis and \$180,000 in cash. ²¹

Colorado District Attorney: 'Marijuana is gateway drug to homicide'. A Colorado district attorney drew attention this week after he pronounced marijuana to be a "gateway drug to homicide." District Attorney Dan May came at a news conference Tuesday about a large black-market marijuana bust in the state. Thirteen people have been indicted²² (more on Colorado later)

Here we see again, not a decrease in criminal and civil law enforcement and its subsequent costs, but an **increase** in both staff and activity. All this occurring after the legalisation panacea was supposed to **reduce** such costs.



HEALTH AND HARM

The physical and mental health impact of this drug is not only well documented, but the research and monitoring of this 'harmless plant' are growing exponentially. There are already over 40,000 evidence-based research²³ [articles, papers and scientific commentaries on the health harms](#) of the 'new Pot'.

The evidence for physical and particularly mental health harms, is breathtaking in both its breadth and depth, but is anyone listening? Or maybe it can't be heard over the din of pot propaganda? Even USA Today commentator Jayne O'Donnell called this out in her recent article, *The true cost of cannabis: Why don't its illnesses, deaths command media headlines?*

“.. federal “mental health czar” and psychiatrist, Dr. Elinore McCance-Katz, lamenting how little attention the “settled science” on pot and psychosis gets and the huge increase in suicides among young people with marijuana in their systems in Colorado. On Tuesday, the Centers for Disease Control and Prevention said 2,561 people have been hospitalized with vaping-related lung illness and 55 have died. That's one more death and over 50 more hospitalizations from two weeks earlier. CDC says 80% of hospitalized patients who had complete information about their products reported vaping THC; 13% said they vaped just nicotine. ²⁴

You will note consistently, it is the very vulnerable and developmentally susceptible young, who are experiencing the brunt of these toxin harms. The developing brain cannot cope with this manipulated drug. Consequently, the human, let alone financial costs are growing and there is no apparent regard for the future losses from these early harms.

“**Pot, alcohol most common cause of youth substance-use hospitalizations: Canadian Institute of Health Information Report: VANCOUVER** - Marijuana and alcohol were the most common substances leading to hospitalization of youth aged 10 to 24 across the country, says a report that highlights the prevalence of mental-health conditions as contributing factors. About 23,500 people in that age group were hospitalized for harm caused by substance use, amounting to an average of 65 hospitalizations every day between April 2017 and March 2018, says the Canadian Institute for Health Information in a report released in September 2019.²⁵

Overall, cannabis was documented [highest] almost 40 per cent of hospitalizations.. For youth who stayed in hospital for cannabis use, 81 per cent received care for a mental-health issue such as anxiety.. Harvey, director of the institute's population and health initiative, said the data show only the “the tip of the iceberg” because they don't include care in emergency rooms, family doctors' offices, addiction centres.. The report is also based on data collected before cannabis was legalized last October, suggesting the information is a baseline for further research involving youth drug use, Harvey said. “We need to be protecting kids, we need to be educating kids that just because it is legal doesn't mean it's safe,” she said. “I think it can be a bit of a wake-up call for parents and those who are working with youth.”²⁶

Impact on Marijuana Legalisation in Colorado on Adolescent Emergency and Urgent Care admissions: Despite national survey data suggesting no appreciable difference in adolescent marijuana use, our data demonstrate a significant increase in adolescent marijuana-associated emergency department and urgent cares visits in Colorado.²⁷

Well, surprise, surprise! Which drugs are doing the greatest harms? The **legal ones**. Alcohol, Tobacco and now Marijuana. Again, we remind you the reader, that we were told adding Cannabis to the list of **permitted** community harming substances was supposed to make our lives less 'criminal' and more 'healthier'. After all, haven't we been repeatedly bludgeoned with the manufactured mantra that the drug use is really a 'health issue'?

Like Australia, Canada has 'free' health care, but that doesn't mean it is without substantial cost – a cost that someone must pay. [Those costs are only increasing with the addiction of another addictive and health diminishing substance](#) to the government sanctioned drug distribution. ²⁸

So now the **non-drug** using, and clearly healthier, citizens are paying for the government sanctioned self-harm of the drug user. And remember, this is all supposed to be 'progress'!

As we have said and will continue to say, *"You may not be able to arrest your way out of cannabis use, but you can be rest assured you will not 'treat' your way out of it either!"*

We need real solutions, not self-indulging social passes for the recalcitrant hedonist. This includes Demand Reduction and cannabis use exiting Recovery that enlists education, legislation, and the judicial educator, not for punitive exercises, but reforming ones. Such solutions should facilitate remediation processes that change behaviour, not manage the damage of bad choices: Choices that cost everyone else, emotionally, socially, and financially.

As with the anti-Tobacco campaign, we need One Focus, One Message and One Voice in the marketplace – QUIT.

SO, WHAT ABOUT COLORADO – GROUND ZERO?

This Continental US State was the first to fully legalize marijuana for recreational use. The various counties of Colorado had local options not to have marijuana for sale in its areas which meant that the majority (39 of the 64) of these counties said **No** to having dispensaries in their jurisdictions. However, that didn't stem the flow of 'Weed' in now three markets and the growing harms that result.

“ Colorado has become a haven for underground marijuana cultivation, sale and export, prompting questions about how legalization led to some unforeseen consequences.”²⁹

Well, I'm gobsmacked at that last comment 'unforeseen', are they serious? Or, is that just a sloppy journalistic way of trying to feign surprise over a clearly warned about outcome?

This was predicted, but ignored by the Green Rush, cash starved, money grubbing, addiction for profit, or just plain drug using, controllers of policy levers!

As we must again emphasize, 'black market' not only did not subside, it grew, with Cartels actually cashing in on not only home grown cannabis, but even owning and running many legal businesses in the development of the production and distribution of cannabis from a State with such lax laws.

“ **Colorado's Green Rush Lures Polydrug, Poly-criminal Groups from South Florida:** By late 2014, at least one of the three, Felipe Hurtado, had relocated to El Paso County, Colorado, and became involved in a large-scale marijuana production network operated by a Florida-based Cuban drug trafficking organization (DTO).

During its investigation of this DTO, investigators identified dozens of residential marijuana grows operated by Cuban nationals who had relocated from Florida to Colorado for the purpose of producing large quantities of marijuana to sell in out-of-state markets throughout the Midwest and East Coast. The investigation revealed a widespread and sophisticated marijuana production and trafficking network orchestrated by DTO leadership in south Florida. Marijuana shipments from the DTO's indoor grow operations in Colorado were interdicted in various other states. Drug proceeds were laundered through front businesses operated by DTO leaders.

In August 2016, agents and officers of the DEA, the El Paso County Sheriff's Office, the Colorado Springs Police Department, and the Georgia Bureau of Investigations executed multiple search warrants on indoor grow operations associated with the DTO. Over 500 plants, five pounds of processed marijuana, and multiple firearms were seized from three different locations. Felipe Hurtado was arrested at one of the sites on six outstanding felony arrest warrants in Georgia in connection to the cargo theft.

In total throughout the multi-year investigation, eleven individuals were arrested and over 3,200 plants and 230 pounds of processed marijuana were seized, along with almost \$4 million in cash and assets.³⁰

Yet, these new legislated, but loophole-filled and under-implemented regulations, are not stemming the labours of law enforcement, only adding to them. This law-enforcement burden has confirmed the notion that: *'Marijuana is the gateway drug to homicide'* and no doubt contributing to Denver being considered the murder capital of Colorado... "Sixty-seven people died by homicide in Denver in 2018, the highest number recorded since 2004."³¹

The new bureaucracy set up to manage this new 'industry' as intimated, is poorly-run and under-resourced. Moreover, the loopholes are not only causing local problems, but have seen Colorado become one of the largest distribution hubs for illegal cannabis in both US and beyond.

“Feds arrest dozens of people, seize millions in property and cash as part of black market marijuana investigation: A two-year investigation into a vast black market marijuana ring has resulted in the largest pot bust in Colorado history, netting 42 arrests and the seizure of 80,000 marijuana plants, more than \$2.2 million, and 25 cars including a Porsche and other luxury cars. Raids on the homes began early Wednesday morning as hundreds of federal, state and local law enforcement agents fanned across the Front Range suburbs to bust illegal grows inside upscale homes and arrest those involved. Agents served search warrants on 247 homes and eight restaurants in the Denver metro area.”³²

Further reporting on this unprecedented event revealed, not only the extent of the investigation, but the reach and influence of this marijuana distribution network aided and abetted by permissive legislations and tardy implementations

“Colorado has become the epicenter of black-market marijuana in the United States,” said Jason Dunn, the U.S. Attorney for the District of Colorado in a press conference Friday. *“We want people to know these grow operations are not occurring in abandoned houses or poorer parts of the metro area. These are happening in middle- and upper-class neighborhoods, [where] many of us live and raise families.”*³³

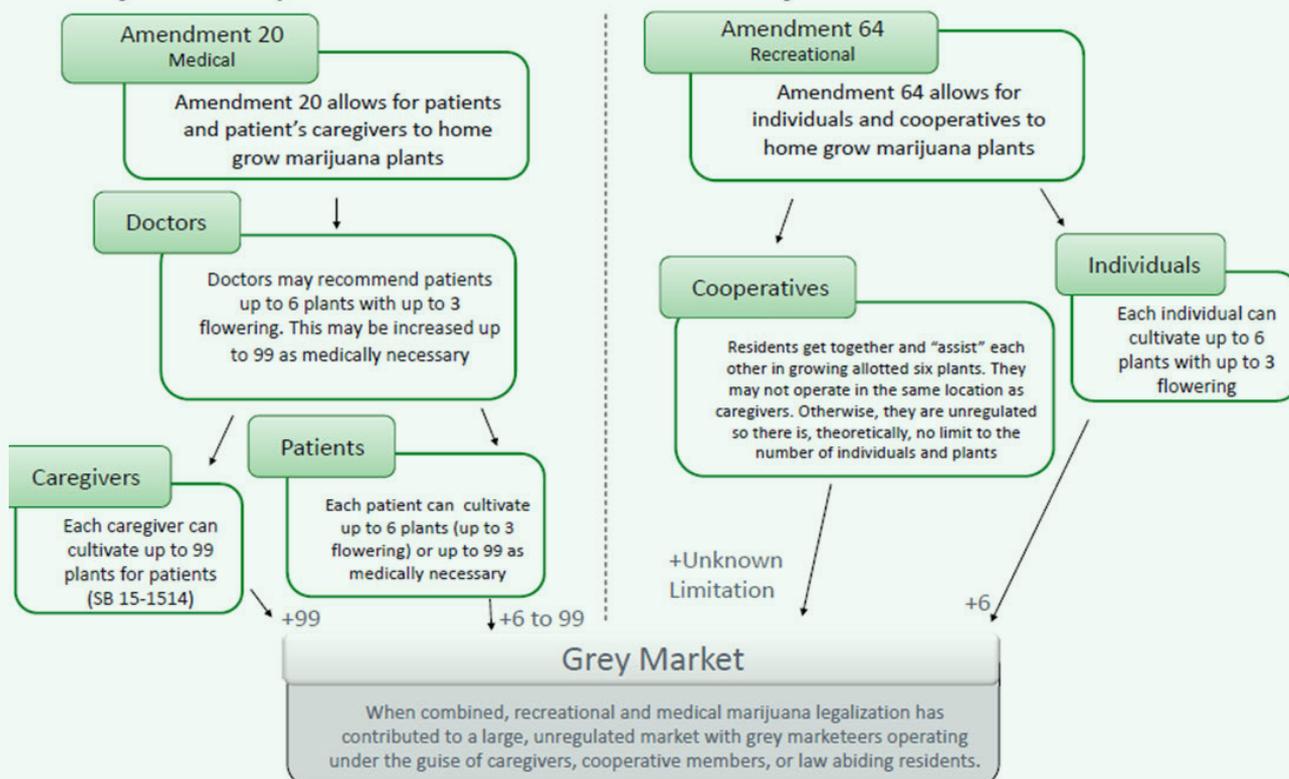
In just this single incident alone at least one - if not two - federal agencies were involved, along with local law enforcement. Following two years of investigation with thousands of person-hours labour, and all in a state where this drug is fully legal for use. These are the very costs that were supposed to vanish with legalisation of this drug, but here we are with the largest drug bust in Colorado history and seeing the State becoming a hub for nationwide deployment. Not only another failed promise of the pro-cannabis lobby, but an escalation in illegal activity and all the associated costs.

The legalisation process continues to drive both grey and black markets with illegal grows supplying anyone looking to buy. The demand for such is not only high but growing. Add to that regulation changes within the legal market that attempt to stem the tide of 'grow your own, and sell the surplus' Coloradans, created another layer of criminalization.



“ **Las Animas County Sheriff: More than 40 illegal grows identified this summer:** Thousands of plants exposed to dangerous pesticide. Sheriff Navarette says investigators have identified more than 40 sites where marijuana is being grown illegally, but are still under investigation. For reference, Colorado laws changed in 2017 in regard to the number of plants someone can grow without a license, state oversight, and taxes due. Previously, the law allowed a limit of 99 plants. The limit is now 12 plants, with violators facing felony charges for marijuana cultivation. ³⁴

Marijuana Grey Market: The Routes to the Grey Market



As the above convoluted chart reveals, yet another interpretation of the third market for cannabis proliferation. This ill-conceived and wilfully naïve experiment has not reduced oversight, enforcement or policing: it has significantly increased it.

“ **The grey market emerged from loopholes in Amendment 20 and Amendment 64 allowing for large amounts of marijuana to be grown and distributed outside the intent of the law.**(page 3)From 2014 to 2016, the number of medical marijuana patients with physician

recommendations for an extended plant count of 50 or more plants increased by 54%. Concurrently, the total number of medical marijuana card holders declined. As of January 2016, there were approximately 8,200 patients with a recommendation for 50 or more marijuana plants.

Much of this marijuana is not being used by legitimate patients, but rather is being cultivated by criminal enterprises and then diverted directly to the grey market in and outside of Colorado. This grey market activity

has been evidenced by numerous reports from local, state, and federal law enforcement.³⁵

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Recent examples of such diversion include:

- *Operation Gas Lamp, 2015* – Local law enforcement officials uncovered a coordinated network of grow houses, containing 45 firearms and \$1 million in assets, with over 1,800 marijuana plants and 100 pounds of harvested marijuana destined for Chicago and Florida.
- *Operation Mountain Grass Cotopaxi, 2015* – Police officers seized 1,002 marijuana plants and 50 pounds of marijuana grown across nine properties with 28 firearms that was intended for shipment to East Coast markets.
- *Steamboat Springs, 2015* – Law enforcement officials uncovered

the remains of a medical marijuana patient in Steamboat Springs who had been violently murdered by a couple for his marijuana plants. The couple was found in possession of 100 pounds of marijuana.

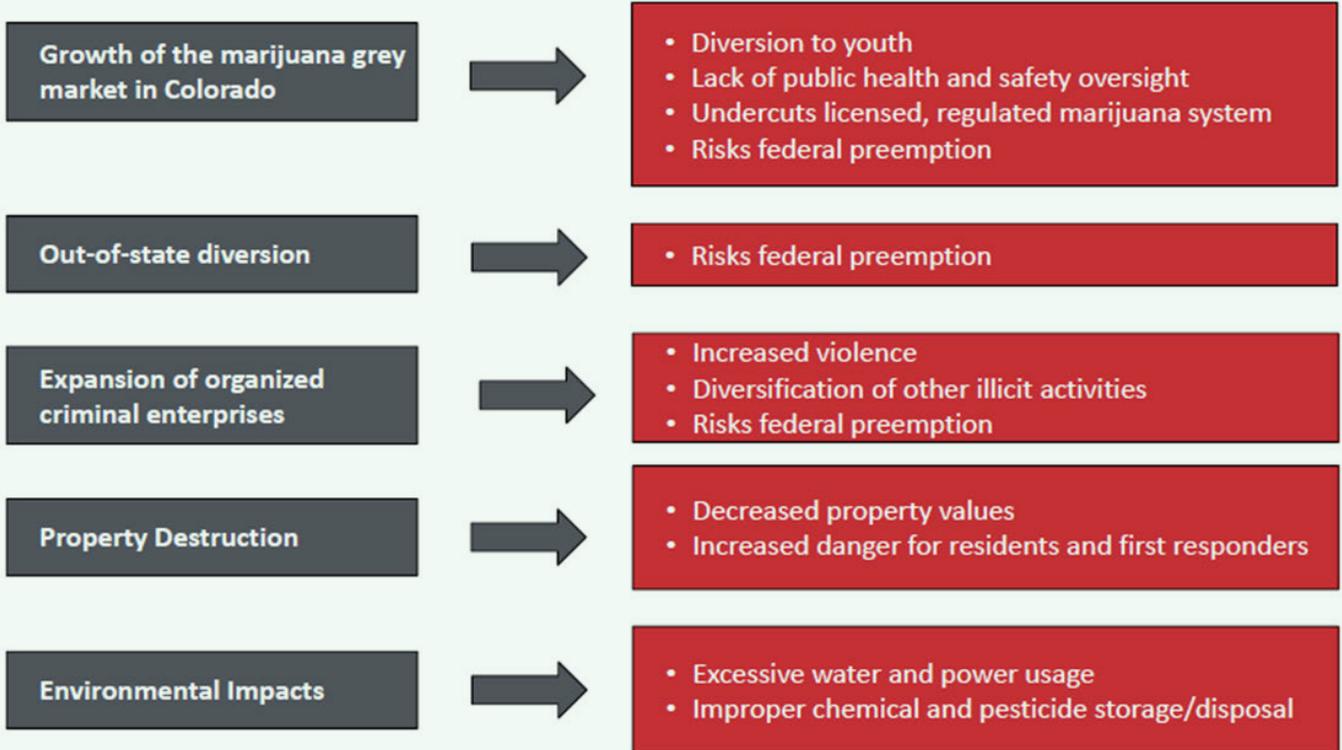
- *U-haul and Tractor Trailer Transporters, 2016* – Police officers arrested two men on multiple occasions for attempting to transport over 150 pounds of marijuana from Colorado to the East Coast. One of the men stated that he had been transporting marijuana from our state for at least four years.
- *Aurora, 2016* - Law enforcement officials received information regarding a marijuana trafficker, who was brokering deals between Colorado based marijuana growers and several different buyers/distributors. The marijuana traffickers were shipping large quantities of marijuana from Colorado to customers located throughout the United States. Based on this information, law enforcement officials executed a search warrant on a residence in Aurora, seizing approximately 8 pounds of marijuana, 4 firearms, a small, active marijuana grow, and grow equipment. A second search warrant was executed at a residence in southern Colorado and seized approximately 22 pounds of marijuana/hashish, \$273,507 cash, 18 firearms, and 3 suppressor/silencers in the premises.

Numerous other grey market cases have been and continue to be documented out of Colorado.³⁶

The Office of the Coloradoan Governors Report went on to candidly disclose these shocking failings, and even call out the 'grey market', but a new Governor was elected and Jarid Polis, a very pro-cannabis activist, now controls the levers of

power and policy. Not only has reporting of this nature vanished, other concerning issues are going unaddressed, or worse – **You can discover more at the Cannabis Conundrum Tour.**

Colorado's communities are being negatively impacted by the growth of the grey market and consequent illicit activities



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As we conclude this far-from-exhaustive overview of the utter chaos and working failure of the legalisation of Cannabis for recreational and so called 'medicinal' use, we have included in the appendices graphs representing the harms being done in Colorado since legalisation.

ECONOMIC, LEGAL AND SOCIAL COSTS OF LEGALIZED MARIJUANA

However, before we do that, we want to introduce you to not only an excerpt from a university research paper on the fiscal issue, but just a sneak peek into the emerging litigious issues only starting to emerge. Then, we finish with I think a poignant reminder of what we have been saying throughout this document, that propaganda, not evidence and best practice science are driving this new 'Reefer Madness'.

In November of 2018, the Centennial Institute at the Colorado Christian University commissioned a study to understand the impacts of marijuana legalization in Colorado. More specifically, the study aimed to understand the price that is being paid by Coloradans in order to mitigate the consequences of commercial marijuana. Some of the researcher's findings include:

- *"For every dollar gained in tax revenue, Coloradans spent approximately \$4.50 to mitigate the effects of legalization."*
- *"Costs related to the healthcare system and from high school drop-outs are the largest cost contributors."*
- *"Yearly cost-estimates for marijuana users: \$2,200 for heavy users, \$1,250 for moderate users, \$650 for light users."*

- *“The estimated costs of DUIs (Driving Under Influence) for people who tested positive for marijuana only in 2016 approaches \$25 million.”*
- *“In 2016, the marijuana industry was responsible for approximately 393,053 pounds of CO2 emissions.”³⁸*

Then, as intimated, there are the class actions and lawsuits already commencing and that will inevitably increase.

Let us make a distinction, we are not even discussing the class actions that are still formulating, ones that are challenging both [false claims around cannabis products](#), some reported by [University of Southern California](#), or the [Food & Drug Administrations repeated warnings](#) to both companies and consumers regarding this pot potential propaganda, or legal actions to come seeking damages for the inevitable, but not yet fully realized physical, social and mental harms, of this now state sanctioned psychotropic toxin.

No, the lawsuits at this point being filed are all about the ‘potholes’ in the proposed pot profit as this very latest article further reveals.

“ *Each producer is accused of misleading investors or failing to disclose certain problems with their businesses. Some of Canada’s biggest cannabis producers are facing proposed class-action lawsuits in the United States after investors were hit with steep financial losses in the stock market.*

At least nine U.S. law firms are pursuing cases against Canopy Growth, Aurora Cannabis and Hexo Corp. in American courts.

Although the allegations vary, each pot producer is accused of misleading investors or failing to disclose certain problems with their businesses. When those problems became publicly

known, the lawsuits claim, share prices plunged and investors were stuck with losses.

Hexo, based in Gatineau, Que., is accused of failing to tell investors that it was inflating its revenue figures through a process called channel-stuffing, which involves sending retailers more products than they are able to sell. A court filing alleges Hexo didn’t tell investors its reported cannabis inventory was misstated and that it was growing pot in an Ontario facility not properly licensed by Health Canada..

But by October, the company withdrew that commitment after projecting its net revenue for 2019 would hit between \$46.5 million and \$48.5 million. It blamed a slow rollout of retail stores across Canada, a delay in government approvals for edibles and vapes and early signs of falling prices. Two weeks later, Hexo announced 200 layoffs..”All told, Hexo has lost hundreds of millions of dollars in market capitalization as a result of these disclosures,” the complaint says. “As a result of defendants’ wrongful acts and omissions, and the precipitous decline in the market value of the company’s securities, plaintiff and other class members have suffered significant losses and damages.”

Edmonton-based Aurora Cannabis is facing claims the company exaggerated or over-estimated the demand for its pot and produced too much, leading to oversupply. In November, Aurora said it was halting or deferring construction at production facilities in Denmark and Medicine Hat, Alta. It also reported

disappointing financial results, including a 24 per cent drop in quarterly net revenues.

During that period, Aurora's shares plunged by 75 per cent on the New York Stock Exchange, from \$7.51 per share to \$1.90.

Canopy Growth, Canada's largest pot producer, is facing allegations it exaggerated or overestimated the potential market for its products in Canadian retail stores, leading to inventory write-offs and restructuring charges.

One class-action complaint says the Smiths Falls, Ont.-based company issued press releases leading up to legalization that it was expanding its production capacity to meet

projections of growing demand for cannabis in Canada and around the world.

"As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Canopy securities was artificially inflated," the complaint states.

Lawsuits could drag on: Kathrein, whose law firm is seeking the class actions, said the cases will start to move ahead after deadlines to select lead plaintiffs elapse, starting Monday. Ultimately, he believes the cases will likely be collapsed into one proposed class action for each of the three companies. ³⁹



CONCLUSION

It is clear from the mounting evidence emerging that these already failing experiments in drug and social policy are creating more, not less harm to our communities.

We have gone from one illegal market, and though troublesome, messy and poorly managed, it was clear. Now we have three chaotic markets, with the illegal cannabis market continuing virtually unabated.

Illegality set boundaries and though many ignore them, non-ambiguous lines were drawn, and a citizen understood clear parameters. Permission only opens those boundaries because the state sends a message that these products – in this case psychotropic toxins – are endorsed as, well ‘not that bad’. As we here at the Dalgarno Institute have always argued, the laws of consumption take effect; *accessibility, acceptability and availability, all increase consumption.*

Demand reduction remains our biggest potential and yes, biggest struggle. When a culture transacts only in the pleasure pain nexus, then what is best practice is jettisoned.

I’ll repeat again the earlier declaration, *‘We may not be able to arrest our way out of the drug problem, but we most certainly will not be able to treat our way out either.’*

Reader, rest assured the ‘ambulance’ model of health reparation is not a ‘stitch in time’, but no more than a series of tatters creating mop ups that is not merely fiscally irresponsible in their costs, but a pernicious passive assault on the health, life, potential and future of an entire generation. A generation who are being led to believe, they can, *‘do it coz it feels good and we’ll fix it later*

with ‘science’ – the next growing mantra in the propaganda war on our children.

This is not best-practice healthcare – Far, far from it!

I want to close with an excerpt from Barbara Kays article, ‘Pot’s legal. But we may come to regret that,’ where she also quotes a section from Steven Malanga’s in-depth article, *“The Marijuana Delusion.”*

“Here you will find debunked the blithe claim, still received as gospel by progressives and libertarians, that pot is virtually harmless and even therapeutic.

Malanga points as well to the National Academy of Medicine’s (NAM) exhaustive, 487-page 2017 report, The Health Effects of Cannabis and Cabannabinoids. Former head of the Centers for Disease Control, Thomas Frieden, tweet-summarized the report’s conclusions: “way too little known; potential benefits unproven, some serious harms definite, many serious risks possible.” [emphasis added] Malanga says the NAM report was virtually disregarded, because the media prefers the “harmless” narrative.⁴⁰

Shane Varcoe – Executive Director

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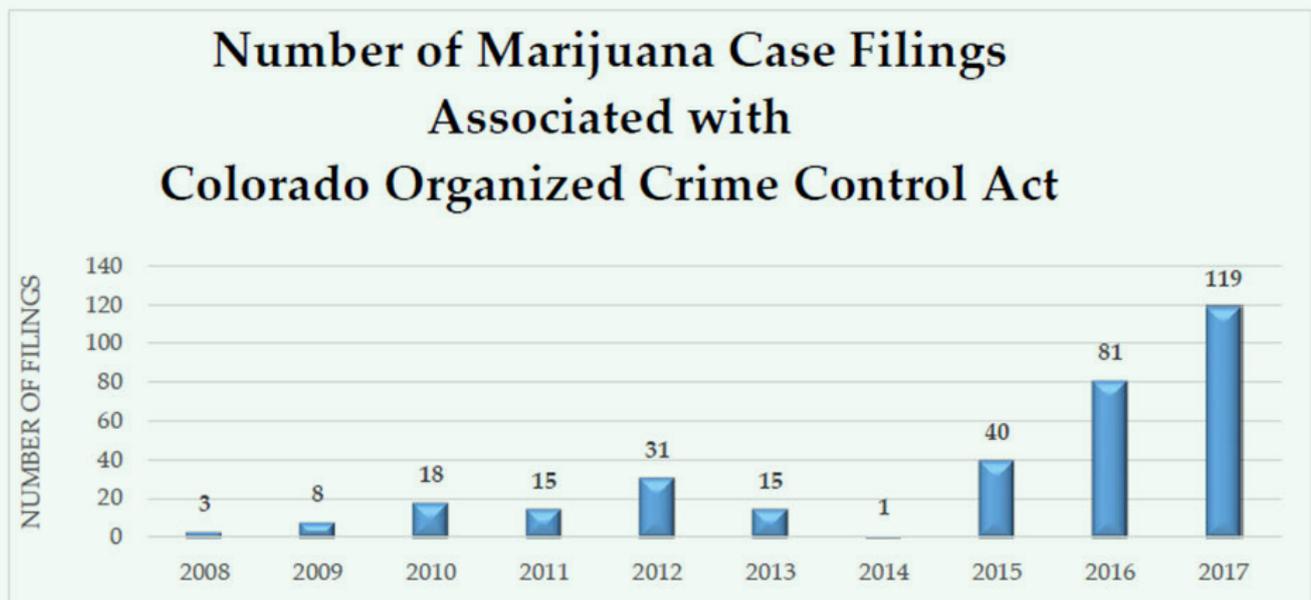
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APPENDICES

They say 'a picture paints a thousand words' and indeed the following graphs taken from the Rocky Mountain High Intensity Drug Trafficking Area (HIDTA) Report; The Legalization of Marijuana in Colorado: The Impact ([Volume 6, September 2019](#)) gives us a potent snapshot of the current state of play regarding the issues around Black Market operations, Grey Market issues and legal market failings. Again, the three-market circus in operating to the detriment to not only all the citizens of Colorado, but far beyond. Young people will continue to be the greatest and ongoing casualties of this addiction for profit experiment.

Colorado Organized Crime Control Act Filings

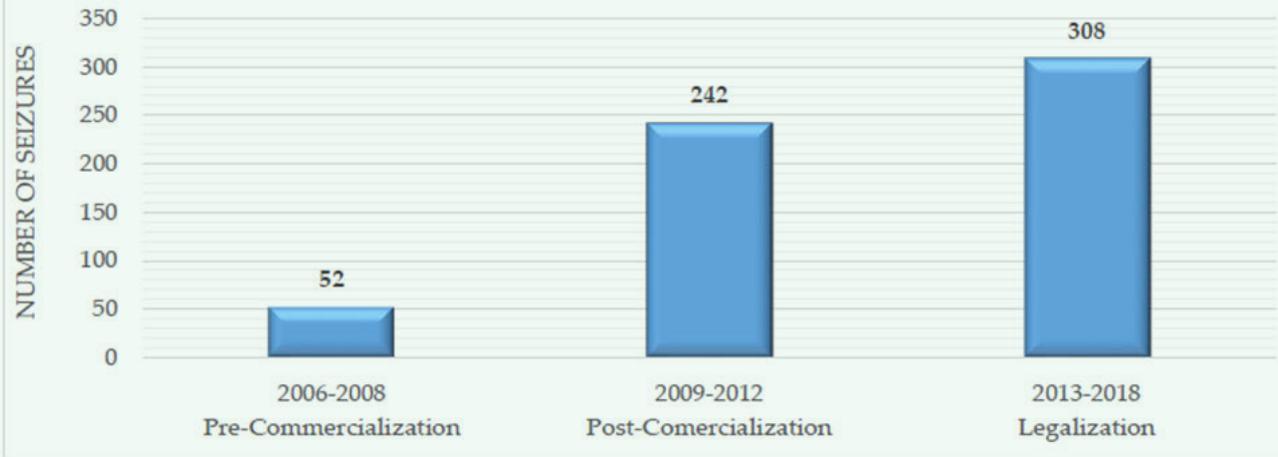


SOURCE: Colorado Department of Public Safety, Division of Criminal Justice, Office of Research and Statistics

- ❖ Colorado Organized Crime Control Act (COCCA) filings are conspiracy cases in which there is potential for a larger sentence than other types of drug filings.

Rocky Mountain HIDTA Strategic Intelligence Unit, September 2019, The Legalisation Of Marijuana In Colorado: The Impact, Volume 6. Page 52 <https://rmhidta.org/files/D2DF/FINAL-Volume6.pdf>

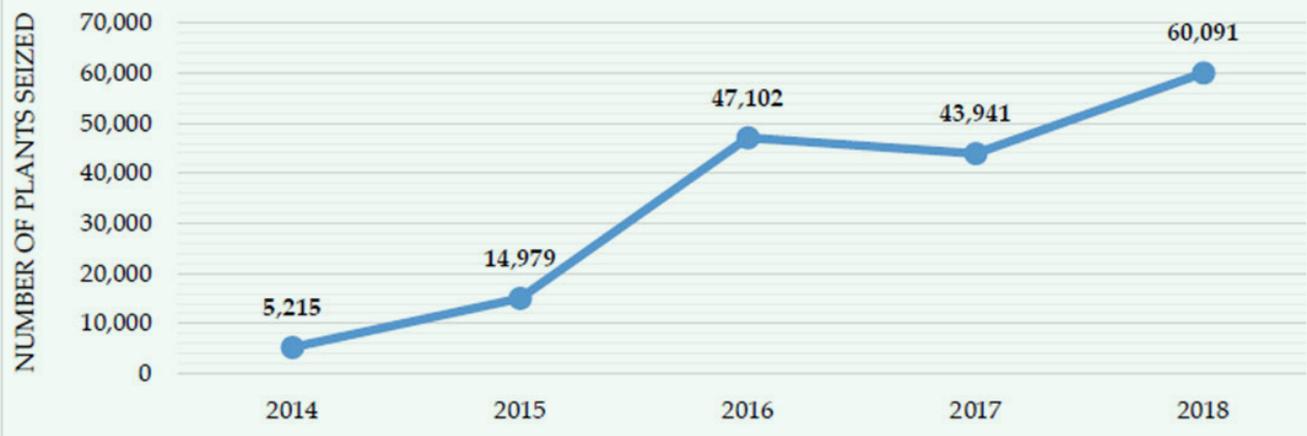
Average Number of Colorado Marijuana Interdiction Seizures



SOURCE: El Paso Intelligence Center, National Seizure System, as of July 2019

Rocky Mountain HIDTA Strategic Intelligence Unit, September 2019, The Legalisation Of Marijuana In Colorado: The Impact, Volume 6. Page 53 <https://rmhidta.org/files/D2DF/FINAL-Volume6.pdf>

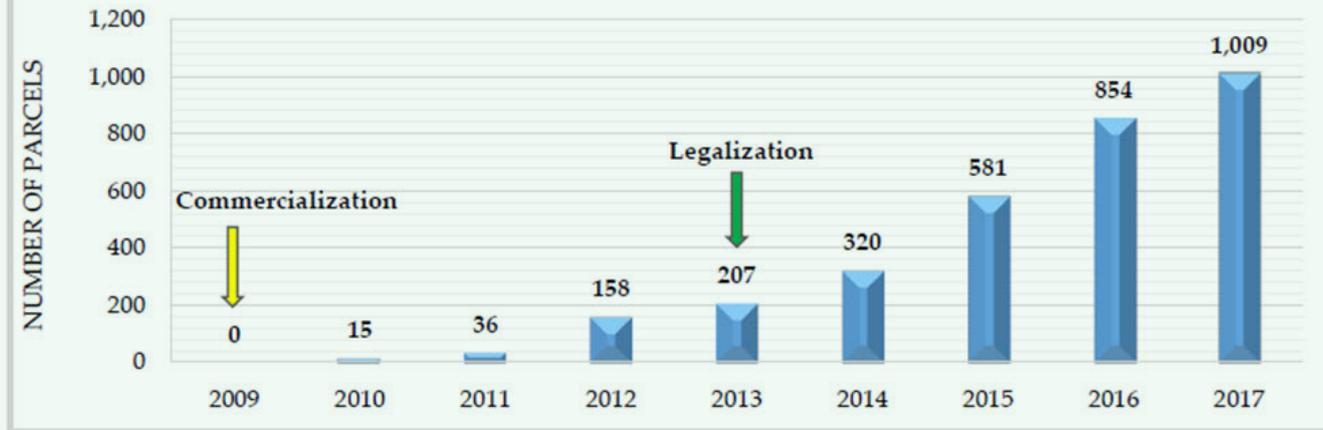
RMHIDTA Colorado Task Forces: Marijuana Investigative Plant Seizures



SOURCE: Rocky Mountain HIDTA Performance Management Process (PMP) Data

Rocky Mountain HIDTA Strategic Intelligence Unit, September 2019, The Legalisation Of Marijuana In Colorado: The Impact, Volume 6. Page 51 <https://rmhidta.org/files/D2DF/FINAL-Volume6.pdf>

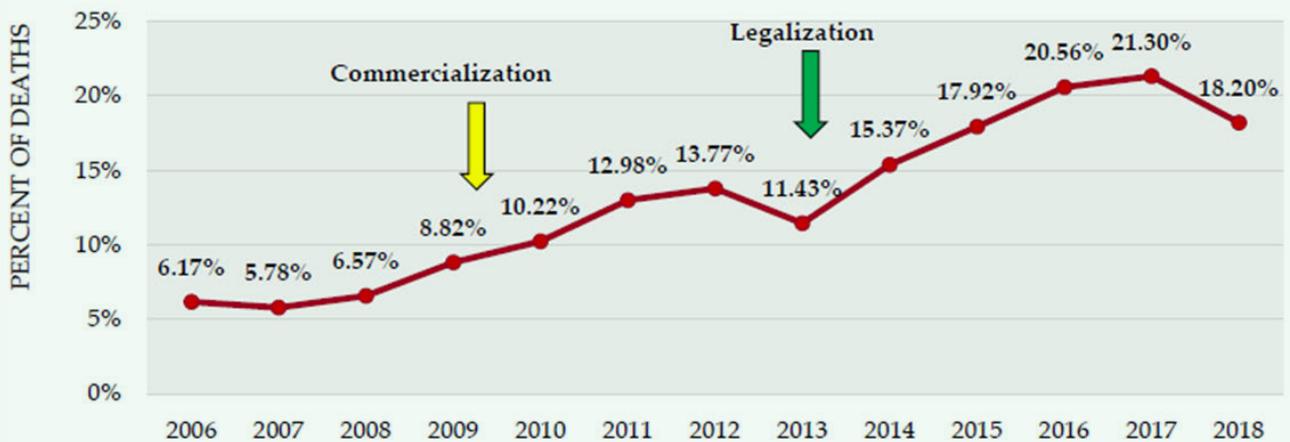
Parcels Containing Marijuana from Colorado, Mailed to Another State



Source: United States Postal Inspection Service, Prohibited Mailing of Narcotics

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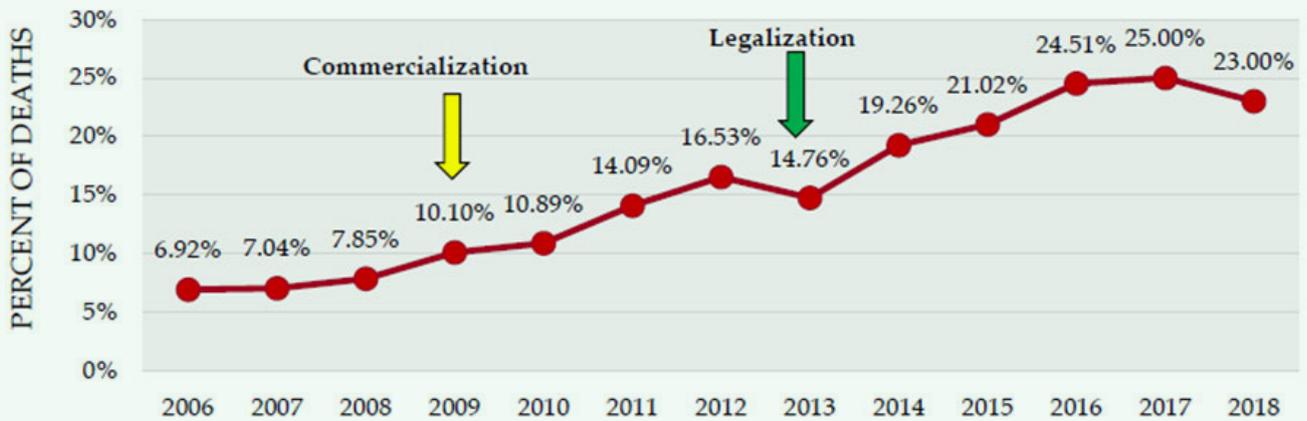
Percent of All Traffic Deaths That Were Marijuana-Related when a Driver Tested Positive for Marijuana



SOURCE: National Highway Traffic Safety Administration, Fatality Analysis Reporting System (FARS), 2006-2011 and Colorado Department of Transportation 2012-2018

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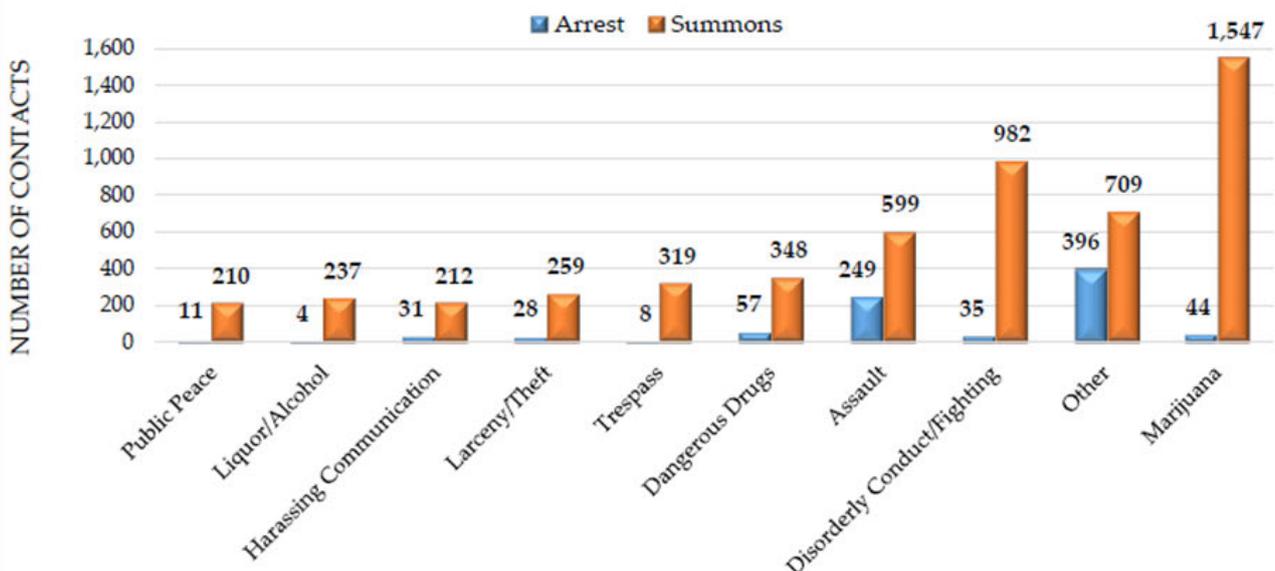
Percent of All Traffic Deaths That Were Marijuana-Related when an Operator Tested Positive for Marijuana



SOURCE: National Highway Traffic Safety Administration, Fatality Analysis Reporting System (FARS), 2006-2011 and Colorado Department of Transportation 2012-2018

Marijuana in Schools

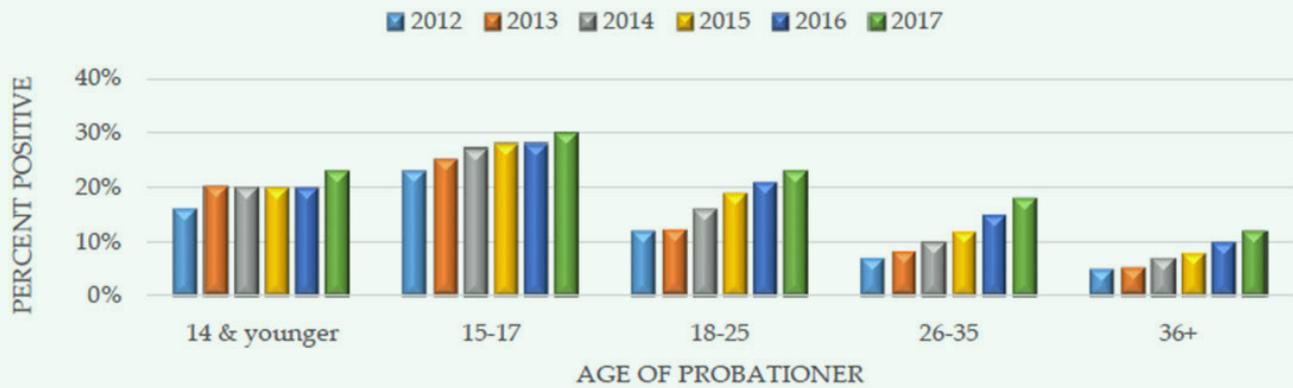
Law Enforcement Contacts With Students 2016 - 2017 School Year



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Probationer Marijuana Use

Probationer Drug Testing Results, Positive 3 or More Times for THC



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“

Do it coz it feels good and we'll fix it later with 'science' – the next growing mantra in the propaganda war on our children.

”

— Dalgarno Institute



Coalition of Alcohol and Drug Educators

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