

Cannabis Licensing **Draft Recommendations – FOR DISCUSSION ONLY**

Hybrid NC ABC liquor/Quebec cannabis model:

The state exclusively controls the retail channel while private businesses remain responsible for cultivation, manufacturing/processing, and wholesale distribution.

NC contributes the three-tier regulatory architecture and experience with state-controlled liquor retail; Québec contributes the exclusive cannabis retail channel and the explicit objective of moving consumers into the regulated market. Plus, a protected craft farm pathway.

Three-Tier Cannabis Licensing Structure

	License/Function	Who Operates It	Primary Function
Tier 1: PRODUCE	Cultivation & Manufacturing	Private licensed businesses	Grow, process, manufacture, package and label cannabis products
Tier 2: DISTRIBUTE	Wholesale & Distribution	Licensed independent wholesalers/distributors	Purchase from Tier 1, warehouse, transport and distribute to state retail system
Tier 3: RETAIL	Retail	State-controlled cannabis retail system	Purchase from licensed suppliers and sell to eligible consumers

Tier 1: Cultivation and Manufacturing

Create several cultivation licenses rather than a single commercial cultivation license.

- A. **Craft Farm Cannabis License** (A small-scale license specifically designed for NC farmers and small cannabis businesses.)
- B. **Standard Cultivation License** (For larger commercial cultivation operations.)
- C. **Manufacturing/Processor License** (Purchase cannabis from cultivators.)

Tier 2: Wholesale and Distribution

Option A: Private Wholesale Tier (Private, independently licensed wholesalers compete for business from producers and supply the state retail system.)

Option B: State Cannabis Warehouse (The state operates a central cannabis warehouse, analogous to the NC ABC warehouse, with producers shipping into the state-controlled distribution system.)

Option C: Hybrid Approach (Regulated private wholesale, optional state central warehouse, and state-controlled retail)

Tier 3: Retail

State-Controlled Cannabis Stores: Create a North Carolina Cannabis Control Commission, or assign the retail-control function to an existing state entity, with a separate state cannabis retail corporation/system analogous to Québec's SQDC. The statutory objective: bringing consumers into and keeping them in the legal market without encouraging cannabis consumption.

Option A: Centralized State Retail (State Cannabis Retail Corporation and stores.)

Option B: NC ABC-style Decentralized Control (State Cannabis Commission, local cannabis boards, and stores.)

Important Elements

- Protect the 3-tier system from vertical integration.
- Statewide product approval
- Craft Farm Program.
- State-controlled does not have to mean state-set pricing.
- Use price as an illicit-market-control tool.
- Controlled retail footprint.
- Local government role.
- Transparent, closed-loop financial model.
- Transition from illicit to legal market.

Questions for Discussion:

1. Should NC's cannabis system use a three-tier structure modeled on the state's alcohol system?
2. Should cultivation/manufacturing, wholesale distribution and retail ownership be separated?
3. Should retail cannabis be sold exclusively through state-controlled stores?
4. Should NC use a centralized state warehouse, private licensed wholesalers, or a hybrid?
5. How should the Craft Farm License be structured so small farmers can participate without creating regulatory loopholes?
6. What forms of vertical integration and common ownership should be prohibited?
7. How should the state determine retail prices and adjust them in response to the illicit market?
8. What role should local governments have in determining where state cannabis stores operate?