North Carolina Advisory Council on Cannabis
Market and Regulatory Subcommittee
Co-Chairs:
Daniel Hirschman, General Counsel, NC Division of Environmental Quality
Missy Welch, Executive Director, Alcoholic Beverage Control Commission

Meeting Minutes

October 16, 2026, 1:00-3:00pm
Virtual via Teams

Attendees

Council Members Present – Forrest G. Parker, Missy Welch; Pat Oglesby; Gary Sikes; Patrick Brown

Council Members Absent – Rep. John Bell; Sen. Bill Rabon; Daniel Hirschman; Kris Gardner

Staff Members Present – Renee Metz; Kaycee Deen; Charles Mitchell; Anne Doyle

Other Council Members Present: Larry Greenblatt; Anca Grozav

Agenda

I. Welcome, Roll Call, and Ethics Statement
II. Presentation: Regulatory Agency Design
III. Member Discussion on Market Structure
IV. Approval of September Minutes and Next Steps

Purpose

Purpose Statement: The Market Structure and Regulatory Agency Structure Subcommittee will review market structure and regulatory agency structure considerations related to cannabis regulation and develop recommendations on oversight agency structure, licensing and compliance standards, and manufacturing requirements to support a well-regulated, safe, and economically viable cannabis market in North Carolina

Presentation: Regulatory Agency Design (Missy Welch, Renee Metz, and Kaycee Deen)

- The discussion centered on the draft cannabis licensing recommendations
- Open questions for the subcommittee:
    - What retail sales model to recommend.
    - Whether a distribution tier is needed at all.
    - How to structure the production tier (cultivation, manufacturing, possible craft production licenses)
    - Whether direct-to-retail sales would help farmers under a state system
- The state alcohol model is not a direct comparison: the ABC system holds alcohol only briefly and never takes legal title to it

Option 1: independent standalone cabinet-level commission

a. Its own executive director, staff, and funding
b. Commissioners serve staggered terms, with seats reserved for set expertise (e.g., physician, chemist, agriculture, law enforcement).
c. Staff drawn from DHHS, DPS, Revenue, Agriculture, etc.

Option 2: Tied to an existing agency

a. Either a dotted-line relationship for administrative support, or a division within an existing department.
b. Caveat: the host agency's mission would take priority (public safety under DPS, public health under DHHS).

Member Discussion on Market Structure

- Some support for the standalone model, given how fast the industry changes and the heavy, growing regulatory load; other jurisdictions tend to end up with standalone agencies.
- Concern about start-up cost: placing the function in an existing agency first may be more economical while the cost of an independent agency is worked out.
- Members will consider the options ahead of next meeting
- Members discussed a working concept: state-run retail, supplied only by licensed North Carolina producers in size-based tiers, with products selected on merit and sales. Supply volume, diversion, and the legal exposure of state employees remain the main open issues.

State-Run Model v. Alternatives

- Before this meeting, members generally favored a state-run model, even if it does not mirror the ABC three-tier system. No member disagreed.
- Members were intrigued by the model but cautious. Price drives market stability, the state's regulatory resources, how much product leaves the state, and consumer risk; a state system may be better positioned to compete with the illicit market on price.
- Alternatives raised:
    - Private retail, which requires choosing licensees ("picking winners").
    - Open licensing with high barriers to entry (Mississippi-style), letting the market winnow itself.
    - Full state seed-to-sale (similar to a tribal vertical model). Members saw no political support for this, and a member said vertical integration is nearly impossible given the existing unregulated market.
- Staff are researching the legal implications of state employees selling a federally illegal product. A meeting with national legal experts is being set up, and prior Rhode Island research will be reviewed. Possible fixes include a not-for-profit or a New Hampshire–style "for-benefit" operation.

Market Size, Supply, and the Current Hemp Market

- Members said no one knows how much cannabis North Carolina needs; the current market has no permits, traceability, or health and safety standards.
- An estimated 20,000–30,000+ retail locations sell cannabis products; ALE testing found over 90% of samples exceed 0.3% Delta-9 THC.

- A member will gather North Carolina market and polling studies from several years ago, and another has tried estimating demand with AI; they will compare results. Members noted there is no time or budget for a full market study.
- A member estimated 90–95% of premium flower sold in the state comes from out of state, routed through in-state wholesale distributors. Today's market mainly benefits North Carolina retailers, not farmers; regulation could expand opportunity for in-state growers.
- Oversupply concerns: unsold product tends to be diverted to the illicit market, and too many businesses leads to failures. Members cited the post-2018 hemp overgrowth and Oklahoma as cautionary examples.
- Reference points: Virginia plans about 350 retail licenses based on demand known from its medical program; Mississippi's medical program has 364 registered businesses, about 70,000 patients, in-state-only sales, and several failed large cultivation facilities.

Licensing the Supply Side

- Proposed structure: state-run retail with a carve-out for permits on the supply side, selling only North Carolina products. Interstate movement should not occur while cannabis is federally illegal.
- Licenses discussed:
    - Craft farm cannabis license (similar to a microbrewery), aimed at hemp farmers.
    - Standard cultivation license, in size tiers with minimums and maximums.
    - Manufacturing / extraction and processing licenses, since many product makers do not grow.
    - Cultivators could hold processing licenses too and acquire more licenses to grow, without creating monopolies.
- Minimum production requirements. Members favored a minimum canopy size, since very small operations cannot sustain a regulated business (compliance, testing, marketing). Figures floated for illustration: 5,000 sq ft entry tier; 10,000–20,000 sq ft next tier. ABC has no minimum production for breweries, wineries, or distilleries, which has caused confusion over who counts as a producer.
- Mississippi fee model (shared in chat): annual fees scale with canopy size, from $2,000 for the smallest grower to $150,000 for the largest.
- A prior legal question: limiting license applicants to North Carolina residents may raise legal issues; limiting products to in-state origin has not been challenged in court.
- Selecting licensees remains a concern. Georgia's competitive ("beauty contest") medical licensing led to litigation and an 8-year delay; auctions were mentioned but may disadvantage small operators.
- Industrial hemp grown for industrial uses should be kept separate from psychoactive cannabis regulation.

Product Selection and Listing

The ABC spirits listing process was discussed as a possible model for deciding which products reach state store shelves.

- How ABC listing works:
    - Applies only to spirits; beer and wine need only label approval.
    - Listing meetings (about quarterly) where brokers trade floor space; poor sellers are delisted to a special-order list (700+ products).
    - Decisions involve the chair, the pricing director, and general managers of high-performing local ABC boards.
    - Warehouse capacity now limits listings; a new warehouse is being pursued with legislators.
- Litigation history: in 11–21 years of staff tenure, no suits over listing or delisting. One lawsuit over a beer label denied as obscene was lost on First Amendment grounds. The commission's statutory authority to delist (Chapter 18B) may be why.
- **Idea:** include statutory language authorizing the new agency to list and delist products, to limit litigation risk.
- Members saw this as a way to pick winners based on sales and merit after producers prove themselves, rather than at licensing.
- Cautions:
    - Cannabis is more perishable than bottled spirits (temperature, drying, decarboxylation), so ABC-style warehousing may not translate.
    - Unlike liquor, delisted cannabis cannot legally be sold in another state, so unsold product may divert to the illicit market; track-and-trace data exists, but enforcement capacity to act on it is limited.
    - Brand familiarity is low for in-state cannabis brands, so selection needs sales data and merit criteria.

Potency and Low-Dose Beverages

- A prior proposal was revisited: low-dose North Carolina products sold like beer and wine, while higher-potency products are sold only in state-run stores.
- A member supported treating only **low-dose THC beverages** separately. They are already sold in bars, restaurants, and convenience stores, sell poorly in dispensaries, and fit the state's craft-beverage culture. All other products over 0.3% Delta-9 THC (edibles, vapes, flower) would be sold only in licensed dispensaries.
- Potency caps were acknowledged but deferred.
- Youth protection: the Youth Protection Subcommittee favors 21+ only entry to stores. Selling beverages in general retail would lose that layer, though bars and restaurants check ID.
- Concern about selling THC and alcohol in the same venues was noted.
- Option raised: the General Assembly could expand the ABC Commission's definition (already expanded to alcohol consumables) to cover intoxicating beverages, so existing beverage distributors could handle THC beverages.

Distribution, Storage, and Testing

- Members leaned against a separate distribution tier for most products: it separates local brands from customers, adds cost, and state warehousing risks degrading product.
- Low-dose beverages may bring the distribution tier back, since wholesalers already supply them and canned beverages are shelf-stable.

- A member insisted health and safety testing happen at the producer before product leaves the site, citing chain-of-custody and tampering risks.

Pricing and Health and Safety

- ABC pricing: for spirits, the supplier sets a base price and a statutory markup yields a uniform retail price statewide. The state does not set beer and wine prices.
- Price comparisons cited: about $45 per eighth in Mississippi's medical market; $45–$60 per eighth at the tribal dispensary; about $140 per ounce at an unlicensed North Carolina hemp shop. Current North Carolina prices leave little margin for regulated operators.
- Members said higher prices are not a public-health problem, and that strict health and safety standards drive cost; weak standards elsewhere would pressure compliant operators to cut corners.
- Product labeling is unreliable: hemp-shop flower is often labeled 35–40% THC, but a member's testing found about 10–20%. Many certificates of analysis are forged or come from unverified labs, and early harvest is used to pass hemp testing.
- Potency shopping is common, including among older consumers; the member cited an average customer age over 52.

Open Questions for Final Meeting

- Is the working concept (state-run retail, North Carolina–only products, tiered cultivation and processing permits, listing-based product selection) the subcommittee's recommendation?
- Should low-dose THC beverages be sold outside state stores, and if so, through a distribution tier or under the ABC Commission's authority?
- What minimum canopy sizes and license tiers should be recommended, and how should licensees be selected?
- How can oversupply and diversion of unsold product be managed?
- Should the oversight body be a standalone commission or start within an existing agency?
- Should potency caps be included, and at what level?

Action Items / Next Steps

- September 18 Minutes Approved
- Review Mississippi's licensing and canopy-based fee structure
- All members: prepare specific recommendations for the October 23 meeting

Adjournment

Meeting concluded at 3:01
Final Meeting Date: Friday, October 23, 2026 from 10:00 to 12:00pm