

From: Micheal Graham [<mailto:mgraham@theblackhillsweedshop.com>]
Sent: Thursday, July 27, 2023 10:37 AM
To: Landeen Joel <Joel.Landeen@rcgov.org>
Subject: Dangers of an oversaturated medical cannabis market

To Whom it May Concern;

Thank you for your time and consideration on this matter. I am writing to bring awareness to the dangers of a surplus of cannabis dispensaries. Rapid City issued too many dispensaries, which will lead to a stronger black market and damage our society. Rapid City issued 15 dispensary licenses with the belief that recreational use was going into effect. For comparison, Arizona issued 100 dispensary licenses for a population of 7.3 million. That is one dispensary for every 73,000 residents. Rapid City issued 15 licenses for only 76,000 residents in total that is only 5000 residents per license. With only medical patients allowed to purchase cannabis, the market for dispensaries was severely decreased. In a normal capitalist environment the market would be able to decide which dispensaries succeeded but due to the enormous financial draw of the black market, the dispensaries that would have failed will be driven to the black market simply to stay open. Dispensaries are easily capable of illegally selling cannabis by misreporting product loss and/or misreporting sales. Below are several news articles detailing this exact scenario that has happened in other states.

Recently the South Dakota Health Department ruled against 6 dispensary licenses in Rapid City for renewal. This decision was argued for and supported by the Cannabis Industry of South Dakota (CIASD) due to the risk of fueling the black market and the fraudulent manner in which the majority of these licenses were secured. During the application process, applicants were required to submit letters of intent along with full plans detailing the location's build out and operation. The licenses denied renewal by the SD Health Dept. were awarded to storage lockers with the false promise of constructing and operating out of those locations. In the event Rapid City decides to retain the 6 dispensary licenses, a new lottery will need to be held. This will create an even stronger likelihood of the new dispensary owners failing and/or fueling the black market due to them having to compete with other dispensaries that had years to grow before them.

The South Dakota Health Department ruled to not renew the 6 dispensary licenses, thereby moving the responsibility of issuing the licenses back to Rapid City. It is within Rapid City Council's power to reduce the number of dispensaries from 15 down to the existing 9 dispensaries currently open. For comparison Sioux Falls has almost 3 times the population with only 5 dispensaries. Due to the surrounding municipalities issuing their own dispensary licenses, Rapid City is dependent on only the population residing in Rapid City. The City council still has the ability to reissue the dispensary licenses in the future if needed.

Thank you for your time and I am hopeful after reviewing this information you will reduce the dispensary licenses from 15 down to the existing 9.

Sources:

<https://www.politico.com/magazine/story/2019/07/21/legal-marijuana-black-market-227414/>

<https://iu.pressbooks.pub/perspectives2/chapter/legalization-of-marijuana-and-its-effects-on-licit-and-illicit-markets-in-the-united-states/>

<https://news.yahoo.com/why-hasnt-legal-weed-killed-the-marijuana-black-market-224158722.html>

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