

CULTIVATING COMMUNITY

A CRAFT CANNABIS RETAIL CO-OPERATIVE PROPOSAL

THE CHALLENGE

With the legalization of cannabis in Canada came the corporatization of cannabis. Many “legacy market” growers and advocates have been excluded from taking part in the very industry that they helped to legitimize and have now been reduced to “consumers” who are subject to marketing activity within a regulatory framework that favours corporate interests. This corporate mentality of “profit at all cost” is counter to the integrity and community-minded values of the legacy cannabis subculture that are based on respect for the entheogenic and healing properties of the cannabis plant.

In the retail cannabis space, independent stores are currently under threat by franchises who are using predatory pricing tactics, strategically operating at a loss in order to put them out of business. Operating on extremely low profit margins, these companies supplement in-store losses with back-end avenues of revenue generation through data subscription programs with licensed producers. Similar issues are happening on the cultivation side. Craft micro-cultivators are becoming insolvent under the burden of excessive government taxation and regulation, while large publicly traded Licensed Producers, who have bankrolls in the hundreds of millions, are consistently selling their cannabis at loss in an attempt to dominate the market.

Corporate retailers and growers with deep pockets can afford to wait until their competitors die before they need to turn a profit. Smaller craft cannabis producers and independent retailers cannot.

THE OPPORTUNITY

While corporate growers and cannabis retail franchises are focused on establishing themselves on the “cheapest price” model, craft growers and independent retailers are more focused on quality. We believe that true value is based on offering quality products at a fair price while providing superior customer service. Independent stores are known for their creative, welcoming atmosphere. They understand the importance of hiring and training knowledgeable staff who are passionate about getting to know their customers, learning their preferences and needs, and providing a high level of education, especially when it comes to CBD and wellness products. They are active members of their business communities, supporting the overall health of their local economies. It is these community-oriented values that set independent stores apart from the competition.

In order to survive in the current corporate landscape, like-minded independent retailers need to unite under a common goal of preserving the integrity and values of the legacy cannabis community. This will help us to have a stronger voice to advocate for ourselves and will allow us to share resources in order to take advantage of some of the cost overhead savings that are enjoyed by larger franchises.

We believe that the cooperative model is an ideal business structure to unite independent retailers as it allows the business to operate under a community-oriented social economy structure, which is more aligned with the values of the legacy cannabis industry, rather than a strictly profit-driven one. The cooperative model emphasizes community by allowing everyone involved- from investors to producers to workers to consumers- to share in the decision-making process and participate in the financial success of the business. Uniting independent stores under a cooperative model will also provide an ideal outlet of distribution for craft growers who are growing the highest quality cannabis products on the market, but are generally overlooked by corporate franchises that need to operate on volume to generate revenue.

CULTIVATING COMMUNITY - COOPERATIVE vs CORPORATE BUSINESS MODEL

The essence of the corporate business structure is to maximize shareholder return. Corporations allocate both governance rights and profits based upon the amount of capital invested in the business—the more capital, the more control. Operating on a shareholder-centric model has led companies to prioritise profit at all cost and this way of thinking has been blamed for some of the worst excesses in corporate behaviour. Side effects of this model include inequality, poverty, environmental destruction, and human rights violations.

In a social economy model people gather together to pursue economic activities with a view to meeting social as well as economic needs. The goal of a cooperative business is to profitably to meet the needs of its members and provide a sense of community within the local economy. These needs may be economic (e.g. making a fair wage), non-economic (e.g. contributing to a healthy environment), or some combination of these. Cooperatives are differentiated from other business models in three ways: member ownership, member control, and member benefit. They provide a more equitable form of economy that allows multi-stakeholders, including investors, workers, producers, consumers and community members, to ALL have input into the business and also share in the economic rewards.

Cooperatives exist not so much in response to the complete lack of availability of a particular good or service in the marketplace, but rather a rejection of the quality of an important good or service as it is presented in a conventional investor-driven or government-controlled marketplace. Early cooperatives focused on correcting blatant market failures (e.g. bringing electricity to rural Alberta communities when it would not have been profitable for corporations to do so). We see the corporatization and over taxation of cannabis in Canada as a current market failure that is driving craft growers and independent retailers out of business because they can't compete against predatory pricing tactics and deep pockets of the large-scale growers and franchises.

There are early examples of cooperatives in the cannabis space, including:

- **Co-op Cannabis** retail stores, which operate under the greater umbrella of the Calgary Co-op grocery stores.
- **BC Craft Farmers Co-op** which unites craft growers and independent retailer members who work together to cultivate positive change for BC's world-renowned cannabis industry through federal and provincial advocacy, networking and events, community partnerships, price negotiation and shared purchasing power.
- **The Weed Pool Cannabis Cooperative** in Saskatchewan is a growing collective of proudly independent cannabis retailers that came together to support one another and have better buying power in the ever-growing cannabis industry.

Because each province has its own regulatory framework, we believe that introducing the cooperative model into the cannabis space in Alberta will be crucial in helping unite like-minded independent retail stores who are facing similar challenges in the industry. A cooperative structure will help us to have a stronger voice to advocate for ourselves and will allow us to share resources in order to take advantage of some of the cost overhead savings that are enjoyed by larger franchises. It will also create an ideal distribution outlet for high quality craft cannabis producers.

If you are interested in attending an info session and potentially being part of developing a retail cannabis cooperative in Alberta, please reach out to Danielle or Kenta to join the mailing list at:

Enlightened Herb Cannabis
306 Government Road
Diamond Valley, AB T0L 0H0
(403) 607-8553
enlightenedherb@gmail.com
www.enlightenedherb.ca

Collage Cannabis
1907 20 Ave NW
Calgary, AB T2M 1H6
(403) 453-1916
collagecannabis@gmail.com
www.collagecannabis.ca/