



2019

CANNABIS
PRODUCTION
IN MONTEREY COUNTY

The 2019 Cannabis Crop Report summarizes commercial cannabis production in Monterey County for the first time. Data revealed a gross production value of nearly \$450 million was cultivated on 86 acres in one year. In addition to our annual Crop Report with over 80 different commodities valued at \$4.4 billion, we are proud to introduce our first Cannabis Crop Report.

Recent History of Legal Cannabis Cultivation

A report of this kind would not be possible without the 2019 California Senate Bill 657. The bill authorizes county agricultural commissioners to report to the Secretary of the California Department of Food and Agriculture (CDFA) on the condition, acreage, production, and value of cannabis in the commissioner's county grown under a cultivation license. This bill was the idea of Monterey County Supervisor Luis Alejo and was sponsored by the County Board of Supervisors. The bill was authored by State Senator Bill Monning.

In 2015, the Monterey County Board of Supervisors adopted an ordinance allowing cannabis cultivators to utilize historic greenhouse space, located mostly south and east of the City of Salinas, to cultivate cannabis. Similarly, the cities of Salinas, Seaside, Gonzales, Greenfield, and King City adopted ordinances allowing for the cultivation of cannabis in greenhouse and indoor facilities, and each have their own regulations and tax structures surrounding cannabis businesses. The vast majority of Cannabis cultivation occurs within the unincorporated areas of Monterey County. This report includes cultivation in incorporated and unincorporated areas.

Monterey County's Cannabis Ordinance limits cultivation to the footprint of buildings on farmland-zoned property, including the neglected greenhouses remnant of a once thriving flower industry. Japanese-Americans established nurseries here in the

1960s because the climate was ideal for greenhouse production. The flower industry peaked in the 2000s, and then declined due to increased competition from South America when U.S. anti-drug policies eliminated import tariffs to help promote their cut flower industry.

Licenses

All Monterey County commercial cannabis cultivators are issued state licenses from the CDFA CalCannabis Licensing Division. Cannabis licenses generally fall within two categories: cultivation and nursery. Cultivation licenses are required to cultivate cannabis in its mature state (flowering plants). A nursery license allows a licensee to produce seeds and cultivate immature plants (vegetative state without flowers).

Monterey County's ordinance allows for commercial indoor cultivation and mixed light cultivation. Indoor cultivation utilizes only artificial light whereas mixed light cultivation combines artificial and natural light to grow cannabis. At the local level, an applicant needs at least two permits to operate in Monterey County. First, the applicant must obtain a Land Use Permit (LUP) from the County of Monterey, which allows a specific property to be used for cannabis business purposes. Second, the applicant must obtain a Monterey County Cannabis Business Permit (CNB), which allows an operator to pass initial screening and background checks and provides the County with square footage production for tax purposes. A licensee may not operate without a valid LUP, CNB and state license, and must be in good standing with the County.

TABLE A	2019 CDFA CalCannabis Cultivation Licensing in Monterey County										
	NURSERY	PROCESSOR	SPECIALTY COTTAGE MIXED LIGHT (2,500 ft ²)	SPECIALTY COTTAGE INDOOR (500 ft ²)	SPECIALTY INDOOR (5,000 ft ²)	SPECIALTY MIXED LIGHT (5,000 ft ²)	SMALL INDOOR (10,000 ft ²)	SMALL MIXED LIGHT (10,000 ft ²)	MEDIUM INDOOR (22,000 ft ²)	MEDIUM MIXED LIGHT (22,000 ft ²)	TOTAL
NO. OF LICENSES ISSUED BY CDFA	43	31	2	2	12	43	9	318	2	8	470
CULTIVATION LICENSED (SQUARE FEET)	Unlimited	—	5,000	1,000	60,000	215,000	90,000	3,180,000	44,000	176,000	3,771,000
CULTIVATION LICENSED (ACRES)	—	—	0.11	0.02	1.38	4.94	2.07	73.00	1.01	4.04	86.57

Review of Table A In 2019, CDFA CalCannabis licensed approximately 3.77 million square feet, or 86.5 acres, of cannabis cultivation area for flowering plants in Monterey County. Eight different license types were issued in Monterey County to produce flowering canopy. License types represent gross production area permitted for cultivation and must not exceed each licensed square footage of flowering canopy. All the licensed square footage was not utilized in production during 2019. Even so, many operations utilized numerous licenses at one location. Throughout the year, there were approximately 70 locations utilizing the 470 licenses issued. Approximately 68% of licenses issued were for Small Mixed Light which reflects the use of numerous greenhouses in the Salinas Valley. Nursery licenses are needed to cultivate vegetative plants, that are not flowering, from seed or clones. Processor licenses are needed for combining post-harvest activities between licenses and cannot cultivate Cannabis.

Cannabis Tax Rate & Revenue

In 2018, the cannabis industry and Monterey County worked collaboratively to reduce taxes. Greenhouse cultivators in Monterey County are now taxed \$5 per square foot annually, and indoor cultivators are taxed \$8 per square foot annually. Nurseries are taxed at \$1 per square foot annually. Cities within the County have varying tax rates. The State of California also levies taxes on cultivation, which are currently \$9.65 per ounce of dry flower, \$2.87 per ounce of dry trim and \$1.35 per ounce of fresh cannabis plant.

The result of lower cannabis tax rates allowed the industry to invest more into its growth and infrastructure. The result has been increased permitted cultivation square footage from 1.42 million in 2018 to 3.94 million in 2020. The annual tax revenue to the County has increased from \$5.5 million in 2017-2018 fiscal year, to \$14.8 million in 2018-2019, and is expected to increase to \$16.0 million in 2019-2020.

TABLE B		Production Volumes by Type			
LICENSED PRODUCTION METHOD	ESTIMATED PRODUCTION AREA (SQUARE FEET)	NURSERY PRODUCTS (EA)	DRIED FLOWER (LB)	TRIM (LB)	SEED (LB)
NURSERY	1,052,800	1,442,000	—	—	—
INDOOR	115,500	—	46,000	22,600	—
MIXED LIGHT	3,048,600	—	408,000	201,000	—
TOTAL	4,216,900	1,442,000	454,000	223,600	—

Review of Table B Monterey County cannabis production methods can be generalized into three groups: Nursery, Indoor and Mixed Light. Nursery products include clones/transplants, small potted plants (teens) and plants grown to produce clones (mothers). Indoor cultivation uses only artificial light and Mixed Light uses artificial and natural light, both production methods produce flowering plants. Total production area, including nursery production, was an estimated 4.21 million square feet for incorporated and unincorporated areas during 2019 in Monterey County. Estimated production of nursery products was 1.44 million immature plants. Indoor and mixed light dried flower production was estimated at 454,000 pounds, and trim (small pieces of flower and leaves containing cannabinoids) production was estimated at 223,600 pounds. No data was available for cannabis seed production.

TABLE C		Value Range of Products	
PRODUCT	VALUE: HIGH	VALUE: LOW	
NURSERY CLONES	\$5 each	\$3 each	
NURSERY TEENS	\$13 each	\$10 each	
NURSERY MOTHERS	\$50 each	\$35 each	
FLOWER (MIXED LIGHT)	\$950 lb	\$650 lb	
FLOWER (INDOOR)	\$1,700 lb	\$1,000 lb	
TRIM	\$150 lb	\$80 lb	
SEED	\$2 seed	\$1 seed	

Review of Table C Product values vary substantially and are influenced by strain, market demand, production method, volume, THC concentration, smell, and more. Estimated value data was summarized from Monterey County cultivator surveys, Monterey County Cannabis Industry Association, Coastal Growers Association, and sales data from University of California research. The product value reported here is determined when sold by the cultivator, whether to another cultivator, manufacturer, or distributor. Values reported do not reflect additional production costs as it may be further processed, packaged, or sold directly at retail.

TABLE D		Overall Production Value	
PRODUCT	PRODUCTION	UNIT	VALUE
NURSERY PRODUCTS	1,442,000	Each	\$11,536,000
FLOWER (MIXED LIGHT)	408,000	Pound	\$334,667,000
FLOWER (INDOOR)	46,000	Pound	\$78,203,000
TRIM	223,600	Pound	\$25,282,000
SEED	—	Each	—
TOTAL			\$449,688,000

Review of Table D Total production value for cannabis cultivation during 2019 was calculated at nearly \$450 million. The value is summarized and averaged from products sold and is a gross production value. Capital expenditures, labor, profits, fees, taxes, and other overhead costs are not reflected in this total and it does not represent the net profit of the industry, or any individual cultivator.



The annual Monterey County Crop Report is published with over 80 commodities and over \$4.4 billion in gross production value. The addition of the 2019 Monterey County Cannabis Crop Report marks a historic moment for cannabis production and California's cannabis industry.

The report was produced with the help of various sources and agencies.

We would like to thank Aaron Johnson of the Coastal Growers Association, Joey Espinoza of the Monterey County NORML, and Bob Roach of the Monterey County Cannabis Industry Association for their support in the production of our inaugural Cannabis Crop Report.



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In accordance with the California Business and Professions Code section 26069.5, the County Agricultural Commissioner may report on cannabis production in their County. The data presented here reflects only gross production values and does not represent the costs associated with taxes, labor, planting, irrigation, harvesting, transportation, distribution or regulatory compliance. It does not reflect the profit or loss experienced by an individual business, or by the cannabis industry. As the first Cannabis Crop Report of Monterey County, values and production are summarized estimates from data collected from numerous sources.