



Washington State Liquor and Cannabis Board

To: David Postman, Board Chair
Ollie Garrett, Board Member
Jim Vollendroff, Board Member

From: Kathy Hoffman, Policy and Rules Manager

Date: July 20, 2022

Copy: Rick Garza, Agency Director
Toni Hood, Deputy Director
Justin Nordhorn, Policy and External Affairs Director
Becky Smith, Licensing and Regulation Director
Chandra Brady, Director of Enforcement and Education

Subject: Request for approval to rescind Board Interim Policy (BIP) 04-2016 concerning allowing transfers of wet flowers from producers to processors

In early 2016, the Board became aware that cannabis producer licensees preferred to harvest and send plants to a processor for drying, curing and trimming into lots. However, rule did not allow this transaction. Specifically, WAC 314-55-075(1) provides that “A cannabis producer license allows the licensee to produce, harvest, trim, dry, cure, and package cannabis into lots for wholesale to processors.” WAC 314-55-010(20) defines “lot” as either flower from one or more cannabis plants of the same strain, and a single lot of flower cannot weigh more than five pounds; or the trim, leaves, or other plant matter from one or more cannabis plants, and a single lot of trim, leaves, or other plant matter cannot weigh more than fifteen pounds.

This rule resulted certain cannabis producers being unable to cost-effectively transfer freshly harvested wet plants to processors for processing into lots. This was problematic for outdoor producer-only licensees who harvest large quantities of cannabis once per year (generally September to November) since these businesses were designed to grow, rather than process cannabis. Allowing producers to wholesale harvested wet flower to processors prior to packaging into lots directly addressed the issue.

The policy went into effect on August 24, 2016, and was designed to end on the date rules became effective to implement the policy. Although this rule section was opened twice since that time for narrowly scoped rulemaking (legislative implementation in 2017 and tier 1 expansion in 2019), the rule has not been updated. For these reasons, this policy is still necessary until more broadly scoped rulemaking concerning WAC 314-55-075 is considered.

If the Board approves rescission of BIP 04-2016, the agency will file Policy Statement PS22-03 with the Code Reviser, send notice to stakeholders, and remove BIP 04-2016 from the LCB website.

The Board approves/disapproves the rescission of BIP 04-2016.

Approve Disapprove



David Postman, Chair

7.20.2022

Date

Approve Disapprove



Ollie Garrett, Board Member

7.20.2022

Date

Approve Disapprove



Jim Vollendroff, Board Member

7.20.2022

Date



Liquor and Cannabis Board Revised Interim Policy BIP-04-2016

Subject: **Allowing Transfers of Wet Flower from Producers to Processors**

Effective Date: August 24, 2016

Ending Date: Upon adoption of rules to implement this policy.

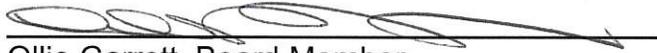
Approved:



Jane Rushford, Chair



Ruthann Kurose, Board Member



Ollie Garrett, Board Member

Purpose:

This Interim Policy is to address an issue in rule that will be addressed in current open rulemaking for technical and housekeeping changes. “Producers-only” locations want to harvest marijuana plants and transfer the wet material to licensed processors without packaging the marijuana into lots. A technicality in current rule prohibits licensees with only a producer privilege (meaning that they do not also hold a processor license) from harvesting marijuana plants and transferring the wet material to licensed processors without packaging the marijuana into lots.

Many “producer-only” licensees would prefer to harvest their plants and send them to a processor for drying, curing, and trimming into lots. However, rule does not allow this transaction due to a clause in WAC 314-55-075(1) that requires producers to package marijuana into lots for wholesale to processors. See WAC 314-55-705(1): “A marijuana producer license allows the licensee to produce, harvest, trim, dry, cure, and package marijuana into lots for sale at wholesale to marijuana processor licensees and to other marijuana producer licensees.” Rule defines “lots” as flower from the same strain not to exceed five pounds. See WAC 314-55-010(16). The only option for producers in rule is to package items into lots before wholesaling the lots to processors. This means that producers cannot harvest plants and transfer them to processors for further processing into lots, so producers have been unable to cost-effectively transfer freshly harvested wet plants to processors for processing into lots. This issue is most problematic for outdoor producer-only licensees who harvest large quantities of marijuana once per year from September to November. Many outdoor growing operations are set for growing marijuana, not for processing it into lots. Removing this technicality and allowing

producers to wholesale harvested wet flower to processors prior to packaging into lots will directly address this issue.

We currently allow transfers of wet flower within a UBI (intra-UBI) between separate producer-processor hybrid locations since it is not considered a wholesale. This allows producers to transfer wet flower within a UBI to their processor, and allow the processor within that UBI to complete the cure stage. This interim policy opens that allowance to transfers between UBIs (inter-UBI) so “producer-only” locations may harvest wet flower and wholesale to a processor for further drying, curing, and lotting.

Policy Statement

In addition to the provisions of WAC 314-55-075(1) allowing a marijuana producer licensee to produce, harvest, trim, dry, cure, and package marijuana into lots for sale at wholesale to marijuana processor licensees and to other marijuana producer licensees, marijuana producers may wholesale and transfer wet flower to licensed processor locations without packaging into lots.