Batch Tracking Economic Impact

Background

In the wake of I-502's enactment, the WSLCB established traceability rules for cannabis businesses. Drawing confidence from the Cole Memorandum's promise, the state believed that robust regulatory measures would mitigate federal intervention. Informed by the Memo, the concept of traceability emerged: by mandating a “seed-to-sale” tracking system, it aimed to forestall diversion and bolster public safety. This commitment is unequivocally echoed in WAC 314-55-083(4), which states, “To prevent diversion and to promote public safety, cannabis licensees must track cannabis from seed to sale.” Subsequent provisions detailed the essential components believed necessary at the time to uphold the integrity of the "seed-to-sale" system.

However, the operational intricacies of this system, despite their good intentions, have inadvertently complicated the process. This has neither been advantageous for the industry nor for the WSLCB, introducing undue complexities and financial burdens without tangible benefits. This supplementary note to my original rule proposal outlines the reasons why transitioning to batch tracking of plants emerges as a more practical alternative.

Initial Implementation

To establish a traceability system, the WSLCB collaborated with a vendor tasked with devising a software solution in accordance with WAC's guidelines. However, specific interpretations of the WAC, intended to ensure meticulous tracking, inadvertently added complexities. These granular requirements, although designed with precision in mind, imposed impractical and unwarranted challenges on licensees.

A significant aspect of these challenges was the interpretation of plant tracking. The vendor's reading of WAC 314-55-083(4f) dictated that each plant, upon reaching eight inches, should be tracked individually. The phrase 'tracked individually' was translated in the code to mean assigning a unique barcode to each plant. This approach, while thorough, posed considerable operational and compliance hurdles.

Distinguished from other inventory by its unique data structure, plants added unnecessary complexity to the database design. This led to an elaborate workflow: beginning with batch tracking for seeds and clones, transitioning to individual tracking for plants, and reverting back to batch tracking for inventory derived from these plants. Such intricacies not only added complexities but also escalated costs, especially when considering the sheer volume of unique plants a single licensee might oversee annually.

Within the current CCRS framework, the mandate for unique plant barcodes persists and producers continue to be unduly burdened by this paradigm. A shift towards a less granular, batch-oriented approach for plant tracking would be more efficient and be aligned with all other cannabis inventory tracking. The ultimate goal remains clear: effective seed-to-sale tracking. But achieving this shouldn't mandate individual barcoding for every seed or plant, especially when a batch tracking system can deliver the same result.

Cost-Benefit Analysis of Batch Tracking

Purpose of Individual Plant Tracking
At its inception, the rationale behind individual plant tracking might have revolved around two core objectives:

1. **Preventing Diversion:** Tracking plants individually doesn't offer any significant advantage over batch tracking. If a plant were to be diverted with its traceability tag, the source can be identified irrespective of whether it bears a unique barcode or belongs to a batch.
2. **Promoting Public Safety:** One could argue that tracking individual plants would aid in tracing back products with pesticide-related issues. However, this perspective lacks substance, given that pesticides are typically applied to batches of plants, not individual ones. Moreover, since plants are harvested in batches, any distinctive value of an individual plant's barcode is lost upon harvest. If a safety concern arises, identifying the problematic plant within the batch becomes impossible.

Thus, the added value of individual plant barcoding compared to batch tracking is virtually non-existent.

Cost Implications of Batch Tracking
Switching to batch tracking offers evident cost benefits:

1. **Simplified Database Structure:** By adopting batch tracking, the WSLCB could simplify the CCRS database by eliminating tables like Plant, PlantTransfer, and PlantDestruction.
2. **Reduction in Query Complexity:** With a simpler database structure, the intricacy of database queries would be drastically reduced, making it easier for analysts to trace inventory from seed to sale.
3. **Future Cost-Efficiencies:** With the WSLCB's Systems Modernization Project on the horizon, a batch-oriented approach would align with more cost-effective and modern

database management approaches. These cost savings will be captured irrespective of whether CCRS is retained or a new vendor is brought onboard.

4. **Reduction in Tagging Costs:** For a producer harvesting 50,000 plants annually, tagging each plant costs up to $10,000 ($0.20 per plant; based on 30 seconds of labor at $25/hr).
5. **Streamlined Nursery Sales Process:** Unique barcodes necessitate individual transfers and acceptances for each plant. This creates a burden for nurseries wishing to sell "ready to flower" plants (RTFs). The sale transfer process, taking about a minute per plant, translates to an added cost of approximately $0.40 each. For every 10,000 RTFs, this saves around $4,000.
6. **Boost Industry Prosperity:** Lowering these considerable costs across the board would significantly bolster the industry's prosperity.

In conclusion, with negligible benefits from individual plant tracking and clear cost advantages of batch tracking, it's prudent to consider rulemaking for a transition towards a batch tracking system. This move would serve both the industry and the WSLCB's supervisory objectives more effectively.