

The cannabis industry is fighting for interstate commerce, but experts say its effects on states could be wildly different. Here's what could happen if it gets the green light.

Andrew Ward 6 hours ago



Legal interstate cannabis commerce won't come until it's approved by the federal government. AP Photo/Matilde Campodonico

Legalizing interstate cannabis commerce has stirred up mixed feelings in the industry as some state governments and officials push for commerce compacts and Congressional approval.

Some experts say interstate commerce would lower costs, increase demand, and benefit areas with "too much flower for the population they have," like Oregon.

But others suggested that it could be a challenging push in regulated, high-population states like Ohio, Illinois, Michigan, and Pennsylvania.

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Legal interstate cannabis commerce won't come to the United States until its Schedule I status is rescheduled or removed entirely from the [Controlled Substances Act](#). But that fact hasn't deterred efforts in recent years to amend the status quo.

In June 2019, Senator Ron Wyden and Representative Earl Blumenauer, both of Oregon, introduced the [State Cannabis Commerce Act of 2019](#), which would protect state markets from federal interference in its interstate dealings. The

bill was introduced after Oregon Governor Kate Brown [signed off on legislation](#) allowing the state to enter into interstate deals with other legal markets with the federal government's approval. The bill hasn't made any progress since its introduction.

A more recent effort came about in late September 2020, when a combined effort aimed at state governors was announced. The [Alliance for Sensible Markets](#) (ASM) is a campaign backed by a range of marijuana advocacy groups and businesses. Notable names supporting the effort include [Flow Kana](#), [The Minority Cannabis Business Alliance](#), and [The Craft Cannabis Alliance](#).

The group offers up a two-step process for establishing interstate commerce in the marijuana markets. The first step includes getting two or more [legal state markets](#) to agree to a commerce compact. From there, the hope is to advance Congressional approval during the 2021 legislative session.

The impact on the American cannabis industry

The ASM and interstate commerce as a whole could change a significant portion of the marijuana industry's landscape.

"Interstate commerce would have many ramifications, including lowering costs because cannabis will no longer need to be grown and extracted in each state, providing an ability for great brands to compete in other markets," said Eric Berlin, a partner at international law firm [Dentons](#).

That said, states could have various responses to interstate cannabis commerce's prospects depending on in-state market performance.

[David C. Holland](#), a New York-based attorney and bar member in New Jersey and Maryland who cofounded two ASM partner groups, the NYC Cannabis Industry Association and [Hudson Valley Cannabis Industry Association](#), said he supports the effort but is concerned over an imbalance in state market production and capabilities.

"Some states have the ready ability to produce beyond their means to meet the demand of extraterritorial markets," Holland said. "Some states, like New York, may, due to logistical and environmental conditions, have a difficult time meeting their demand, much less that of neighboring states," he added.

In 2014, New York state officials [requested federal allowances](#) to import medical cannabis until its market could come online. Holland added that New

York City's reputation as [the largest cannabis consuming city](#) alone makes wholly domestic products unlikely to occur.

Read more: *[Cannabis helped former NBA player Larry Sanders manage his mental health — and now it's part of his business portfolio. He explains how he's investing his time and money in the industry.](#)*

Smoke Wallin, chairman and CEO of Los Angeles-based vertically integrated cannabis brand [Vertical Wellness](#), said that the circumstances in each state would likely dictate if interstate sales would receive approval.

He highlighted contrasting scenarios in two of the country's earliest markets, California, which boasts a competitive market, and Oregon, which has long-suffered from [an oversupply](#). "They have a huge amount of cannabis being grown inside the borders of California," he said. "The [prices are incredibly competitive](#), and the industry would certainly be against shipping across state lines." The belief is that if interstate commerce were approved, then state markets, including supply and revenue, would alter significantly.

He said in [Oregon](#), meanwhile, "people want to do these deals because they have too much flower for the population they have."

Approving interstate cannabis measures is just one hurdle to clear in a series of many.

"If interstate commerce were allowed without federal legalization, importer states will face challenges stimulating production infrastructure and jobs in

their own states," said Teddy Scott, CEO of multistate operator [Ethos Cannabis](#). He forecasted that importer states could also face troubles establishing interstate lab testing standards, among other potential pitfalls.

A market split on the future of interstate commerce

Sources told Business Insider that efforts to advance interstate commerce are appreciated. However, they aren't certain if it will come about anytime soon.

While Berlin commended the ingenuity of the effort, "I cannot foresee Congress approving that sort of compact any time prior to at least decriminalization," he added.

Berlin said that he does expect to see interstate commerce as an inevitability as the market grows. "Depending on developments in federal law and enforcement, trade agreements between or among states may be necessary steps," he added.

Additional sources believe that viable business opportunities will remain in states. However, many states could find success and sustainable opportunities in ancillary markets where businesses don't physically work with the plant.

"I don't think that is a negative, as many could still join the marketplace with craft and micro licenses in cultivation, processing, and distribution," Berlin said.

Read more: *The sweet spot for cannabis business opportunities is somewhere between medical and recreational — experts explain how to find it*

Others aren't so certain of interstate cannabis commerce's inevitability. Wallin said that approving such a measure could be a challenging prospect, particularly in regulated, high-population states like Ohio, Illinois, Michigan, and Pennsylvania.

"The last thing those states want is a rush of product coming from California and Oregon, where there's massive outdoor grows, which would disrupt their very controlled business," he said.

Wallin believes that the current legal circumstances, ongoing marijuana stigma, and the decades-long drug war will prevent interstate commerce for the foreseeable future. Comparing cannabis sales to the ongoing disputes over interstate alcohol shipping, a point of frequent litigation over its limits set on out-of-state retailers, he said, "This is going to be a long-term fight, and it is far from clear that the public will support cross-border cannabis business."

Scott also referred to ongoing alcohol shipping disputes as a sign of a long battle for the cannabis market. "I expect that any interstate commerce with cannabis will follow a similar timeline, and political barriers will continue until the stigma around cannabis becomes less pervasive," he said.

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