

Testimony of Sarene Craft Beer Distributors
Regarding House Bill 5150
An Act Concerning Cannabis and Hemp Regulation
General Law Committee
February 22, 2024

Good afternoon members of the General Law Committee, my name is Joe Grabowski. I am one of the owners of Sarene Craft Beer Distributors, a small craft beer distributor based in Bridgeport, Connecticut. Founded in 2016 we have grown from 3 employees to now 13 full time employees, all of whom are Connecticut residents. I not only am a business owner in Connecticut but I am also a resident. I live in Ridgefield with my wife and I have two young daughters so I absolutely share the sentiment of the committee on ensuring the safety of products with THC and making sure they are safely sold and regulated in the state.

I understand the temptation to lump these products into the adult use market. But I'd like to explain why that will cause unnecessary economic pain for thousands of businesses in this state. There is a better way to keep these products safely on the market as other states have already done to great success and it can be done without limiting consumer choice or negatively impacting an entire industry in this state.

I would like to call your attention to lines 8, 9, & 10 of bill HB5150. This redefines a "High-THC hemp product", changing the maximum amount of THC allowed per container from 5mg down to 0.5mg per container, effectively banning them entirely from the market. Lines 1607-08 would also be problematic if they are not addressed, you will see that mentioned below.

This year, my company is looking at growth despite slumping alcohol sales, largely due to these hemp products. We are actively looking to add staff and infrastructure in 2024 but if this bill is passed, as written, we will have layoffs as our sales will no longer justify current staffing levels. This is not a unique situation to just our business. The alcohol industry as a whole is suffering, many of whom will attest to that here, and some of this is a direct result of the legalization of cannabis in this state.

The overall trend is that alcohol consumption is down. Beer sales last year in 2023 were the lowest they have been in almost 25 years. They have not been this low since 1999 (<https://www.nbcnews.com/news/us-news/beer-drinking-america-falls-lowest-level-generation-rcna131478>).

A recently released analysis last month (<https://cannabis.net/blog/news/the-end-of-big-alcohol-is-coming-cannabis-use-vs.-alcohol-use-is-almost-dead-even-now-in-the-18>) from investment bank TD Cowen cited US Bureau of Economic Analysis data showing that alcohol is "underperforming" in legal marijuana states relative to prohibitionist states. The legalization of marijuana has a direct impact on the

consumption of alcohol and that is going to continue. This means that small/independent businesses such as mine and the thousands of liquor store owners in this state, brewers, restaurants, etc. will all be negatively impacted moving forward and it will cause job losses, business closures, reduced tax revenues for the state, etc.

Additionally the alcohol channel is the perfect place for these low dose hemp beverages to be sold in. As you'll see below there are numerous reasons why these products do not work well in a dispensary and ultimately these low dose beverages are a 1:1 replacement for alcohol, an industry that will need additional revenue as the cannabis rollout continues.

Consumers are choosing to consume cannabis or THC and this would be limiting that choice. As HB5150 currently reads these products would be completely eliminated from not only the market outside dispensaries but in the dispensary channel as well. These hemp-derived THC beverages would be classified as "cannabis" and fall under all of the laws and regulations that the current adult-use market has. That would require the entire process from seed to sale to be conducted within Connecticut even if the end product was derived from hemp. There are currently no adult-use marijuana manufacturers producing beverages in the state. In legalized cannabis markets, low dose THC beverages through the dispensary channel account for approximately 1% of sales, building infrastructure that is extremely expensive to support 1% of the market does not make financial sense and is why many brands, such as some that we represent, have pivoted from making products for the dispensaries to products for the hemp market. I want to make the point extremely clear that this bill will remove ALL these products from the Connecticut market and severely limit consumer choice.

With the elimination of these beverages from the market that will not eliminate the consumer demand. Since these products are federally legal, consumers will still be able to purchase them, and possess them legally. They will be able to purchase them online or in neighboring states. This will have the direct opposite effect of protecting the consumers of Connecticut and will circumvent revenue for businesses in the state as well as tax revenue for the state itself. There is common sense legislation that can be enacted and has already been enacted in other states.

Also I'd like to clarify what I am talking about here - the products in question that would be banned here are not marijuana or cannabis. These products come from hemp, an important distinction as the federal government recognizes hemp as **FEDERALLY LEGAL** and can be sold in the same manner such as another cannabinoid, CBD. These products are not "High-THC", as this bill tries to reclassify them. These products are **FEDERALLY LEGAL LOW DOSE THC PRODUCTS**. To put these products in perspective, the #1 selling product in dispensaries are pre-rolled joints. Those joints typically contain anywhere between 150-200mg of THC. Those joints have been made legal by this legislature and this state and are now sold for any adult to enjoy if they are 21 or older, in fact you can get them delivered to your doorstep if you so choose.

The products we are selling contain between 2 & 5mg of THC in each container/can. We are talking 1/30th the amount of THC in a 5mg THC beverage as compared to a pre-roll. It's 1/75th the amount of THC in a 2mg drink. An individual would have to consume 30 cans of a 5mg beverage to equal the amount of THC in a joint. That's almost 3 gallons of liquid! That is how low a dose these products contain.

I have also heard language suggesting that "THC is THC" - while that's true molecularly, in practice not so much. Consuming 100% alcohol is extremely dangerous and can kill you, 5% is an average beer. That's 1/20th the strength. These products are 1/30th the THC of a joint (which can't kill you). With the introduction of HB6699 last year the legislature was able to rein in these higher dose products from the market at large and put a very sensible cap per container on products that contained higher THC levels (anything above 5mg. As I mentioned, this is a federally legal product as well, so we have a low dose, legal product already at 5MG. We agree that the bill from last year can be improved but the cap of 5mg THC per container is not where change needs to be made.

Here is what we would propose:

1. Put this through alcohol wholesale/retail channels - we trust alcohol retailers to be our gatekeepers for minorly intoxicating alcoholic products (and not just trust, they can lose their license if they violate), it should be the same here.
2. Make these 1MG-5MG THC products 21+ and require age-verification prior to sale
3. Product safety - we advocate for testing that is in line with the current adult-use market and requiring that manufacturers, retailers, and wholesalers register with the state in the same manner that breweries or wineries do for alcohol. Require label registrations and test results to be uploaded to the state just as alcohol products do
4. Taxes - tax these products at the same rate as adult-use marijuana, and ensure compliance/enforcement. Liquor control and drug control have both been to my warehouse in the past few months and have already done a great job of enforcing what is currently in the law. There is already an enforcement/ compliance bureau in place and these tax dollars can help strengthen it

This would mean as the bill is currently written we would ask the following to be amended or changed in addition to the above regulations:

1. Amend Lines 9 through 10 as follows to preserve the current 5mg of THC per container limit on Manufacturer Hemp Products that may be sold outside of the cannabis dispensary channel:
"...five milligram on a per container basis for any manufacturer hemp product..."
2. In the event the Committee revises lines 6 through 10 of H.B. 5150 to revert back to Conn. Gen. Stat. §21a-240(63) as currently in effect (i.e., defining High-THC Hemp Products as having a total THC that exceeds one (1) milligram per serving or five (5) milligrams per container), then also removing lines 1607-08 which would, in conjunction with Conn. Gen. Stat. § 21a-240(63) as currently in effect, otherwise have the same effect of eliminating Connecticut's low-potency cannabinoid hemp beverage market by

limiting all Manufacturer Hemp Products to only 1mg of THC per container.

In summary, we have a very different product than that available in adult use stores, and we have an alcohol industry that's affected by the sale of the adult use products and that trend is only going to get worse. Let's talk about how we do this safely, and within an already existing industry that benefits everyone here in the state of Connecticut. We, as an industry, are aligned with all your concerns and not only hear them, but embrace them and moving forward with common sense legislation that is being proposed here today will not only benefit the consumers and businesses of Connecticut, but also the state itself as a whole with more jobs, revenue for more small businesses in the state, and tax revenue that the state can use as well. This is a unique scenario in politics where everyone can be happy and get a win and no one is left out.