



Outlook

Origins Council Comments on 9/15/26 CAC Meeting Agenda

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OC Comments for 9_15_26 DCC CAC Meeting.pdf;

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Good Afternoon DCC Staff and CAC members,

Please see the attached comment letter from Origins Council for this week's CAC meeting.

Many thanks!

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"The health and vitality of the land its wildlife will be determined by the health and vitality of the communities that dwell on that land." - Wallace Stegner

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California Department of Cannabis Control
Cannabis Advisory Committee
2920 Kilgore Road
Rancho Cordova, California 95670

Re: September 15, 2026 Cannabis Advisory Committee Meeting — Item 4, Federal Rescheduling of Marijuana (Cannabis), and Item 6, Payment Issues in the Cannabis Supply Chain

Dear Members of the Cannabis Advisory Committee:

On behalf of Origins Council and our Regional Partner organizations, collectively representing approximately 200 small and independent cannabis businesses in rural legacy-producing counties throughout California, we respectfully submit the following comments regarding two items on the Committee's September 15th, 2026 agenda: Item 4, Federal Rescheduling of Marijuana (Cannabis), and Item 6, Payment Issues in the Cannabis Supply Chain.

We appreciate DCC and the Committee's attention to these issues and the opportunity to provide additional information and perspective. Both have significant implications for the economic viability and market access of California's small and independent cannabis producers. Our comments build upon Origins Council's prior engagement with DCC, the Committee, and state and federal policymakers on these matters.

Agenda Item 4. Federal Rescheduling of Cannabis

Origins Council appreciates the Department's continued attention to federal cannabis rescheduling, and in particular DCC's extensive stakeholder engagement on this rapidly evolving issue. The Department has created meaningful opportunities for licensees, advocates, and other stakeholders to raise questions and identify emerging concerns, including through the Cannabis Advisory Committee. We appreciate that effort and encourage DCC to continue serving as a conduit between California's regulated cannabis community and federal policymakers as implementation develops.

At the Committee's June 4th meeting, OC submitted two sets of comments examining the implications of federal rescheduling for California's small cannabis producers, including our report *Rescheduling as Market Capture: A Call to Action for California Policymakers*. Those comments emphasized that the potential benefits of Schedule III must be evaluated alongside the question of who will actually be able to participate in the emerging federal framework. OC identified substantial concerns regarding the accessibility of DEA registration for small and equity operators, including broad federal discretion over registration, unresolved operational requirements, potential production quotas, treatment of prior cannabis activity and convictions, interaction between medical and adult-use operations, and the costs and legal risks associated with seeking federal registration.

Since that time, our concern has grown regarding the continued lack of clear federal guidance. Many of the questions raised in our June submissions remain fundamental to understanding whether state-licensed operators can realistically participate in the federal framework. The absence of clear, timely guidance is itself consequential: small businesses generally have fewer resources to absorb legal uncertainty, retain specialized counsel, or position themselves early in a changing federal market. OC continues to be particularly concerned that prolonged uncertainty could deepen first-mover advantages for larger, better-capitalized operators and contribute to a two-tiered market in which the benefits of federal legality are not equitably accessible.

Origins Council has continued to engage on these issues beyond California through our participation in the National Craft Cannabis Coalition. Through that partnership, we have been working with congressional offices and national advocacy organizations to elevate concerns regarding small-producer access, DEA registration, federal market structure, and the need for an equitable transition to any federally authorized cannabis framework. We believe continued coordination between state regulators, state-licensed stakeholders, national advocacy organizations, and federal policymakers will be essential as this process moves forward.

Our central concern remains the potential creation of a two-tiered cannabis market in which a limited group of well-resourced operators gains access to the benefits of federal legality while thousands of businesses operating lawfully under California's regulatory framework remain unable to meaningfully participate. As we noted in June, unequal access to federal registration could create substantial first-mover advantages in interstate and international commerce and ultimately undermine California's longstanding commitments to a cannabis market that includes small and equity businesses.

Origins Council therefore encourages DCC and the Committee to continue evaluating federal rescheduling not only as a question of federal drug classification, but as a question of market structure and access. Now that the initial federal priority registration period has passed, the Committee also has an opportunity to begin evaluating these concerns against actual experience. To the extent information is available, OC encourages DCC and the Committee to examine how many California licensees sought DEA registration; the size, license type, and geographic distribution of those applicants; what barriers applicants encountered; and whether small and equity operators are participating meaningfully in the federal registration process.

OC also reiterates our request that California use its considerable regulatory and policy leadership to advocate for a transparent, accessible, and minimally discretionary federal framework. In our June comments, we specifically urged California policymakers to seek greater clarity from DEA regarding registration standards and production quotas and to avoid state actions that would confer additional competitive advantages on DEA registrants—including facilitating interstate commerce—unless and until the federal framework is meaningfully accessible to small and equity businesses.

As federal implementation continues to evolve, we encourage DCC to maintain its stakeholder engagement, continue communicating unresolved questions to federal decision-makers, and report regularly to the Committee on developments affecting the accessibility of the federal framework for California licensees.

Agenda Item 6. Payment Issues in the Cannabis Supply Chain

1. Payment Issues in the Cannabis Supply Chain

Origins Council welcomes the Cannabis Advisory Committee's attention to persistent payment problems within California's licensed cannabis supply chain. However, we are deeply concerned that the September 15th agenda identifies representatives of distributor and retailer licensees as presenters intended to inform the Committee's

broader discussion, without comparable representation from cultivators and manufacturers.

A meaningful examination of cannabis supply-chain payment practices must include the businesses that are extending trade credit and carrying unpaid receivables. Cultivators and manufacturers frequently transfer goods downstream before receiving payment and can bear significant financial exposure when payment for those goods is delayed or never received. Retailers and distributors are important participants in this discussion, and their perspectives should be heard. But they cannot substitute for the perspectives of upstream businesses whose products enter the supply chain on terms that may leave those businesses carrying the ultimate financial consequences of downstream nonpayment.

Origins Council's member surveys have documented the severity and persistence of this problem among participating members over multiple years.

- 2023: A survey of OC member businesses found that 66% were owed money by other cannabis businesses. Among businesses carrying outstanding debt, only 16% were confident they would recover all of it, while 46% expected to recover none of their outstanding debt.
- 2024: The problem remained virtually unchanged: 65.7% of respondents reported being owed money by distributors, retailers, or other supply-chain partners. Reported individual outstanding balances ranged from relatively small amounts to tens or hundreds of thousands of dollars, with some respondents reporting \$500,000, \$600,000, \$750,000, and more than \$1 million outstanding. When asked to prioritize establishing legal tools to enforce payment of supply-chain debts, 76% of respondents rated the policy “Very Important” or “Most Important.”
- 2025: Support for legal recourse remained strong. 67% of respondents rated establishing legal tools to enforce payment of supply-chain debts “Very Important” or “Most Important.”
- 2026: The issue remains a significant policy priority. 63% of respondents rated establishing legal tools to enforce payment of supply-chain debts “Very Important” or “Most Important.”

Taken together, these results demonstrate that unpaid supply-chain debt has been a persistent concern among OC members over multiple years. Surveys measuring members' direct experience documented substantial exposure to unpaid trade debt, while successive annual policy surveys have consistently demonstrated strong support for legal mechanisms that provide meaningful recourse for nonpayment.

There is also an important factual question regarding where the financial burden of downstream trade credit ultimately falls. When cannabis moves from a cultivator or manufacturer through a distributor to a retailer on credit, how frequently is the upstream supplier paid before the distributor receives payment from the retailer, and how frequently is payment to the upstream supplier contingent—formally or functionally—upon downstream collection? A distributor may hold the retailer's account receivable while the cultivator or manufacturer nevertheless bears some or all of the economic cost associated with that receivable through delayed payment. These commercial arrangements are not uniform. Payment terms, distribution relationships, allocation of credit risk, and the circumstances surrounding delayed payment can vary significantly across transactions and businesses. Any examination of supply-chain payment practices should therefore preserve the ability of businesses to negotiate terms appropriate to their particular commercial relationships while distinguishing that flexibility from the separate problem of what recourse is available when agreed payment obligations are not honored. Understanding these arrangements—and the perspectives of the upstream businesses participating in them—is essential to determining which businesses are actually financing inventory as it moves through California's cannabis supply chain.

This makes the absence of cultivator and manufacturer presenters from the September 15th presentation particularly concerning. The Committee is preparing to examine a longstanding economic problem affecting California's cannabis supply chain without equivalent representation from upstream licensees that can bear significant financial exposure associated with unpaid trade credit. A balanced examination must consider both sides of the credit relationship: who is receiving credit, who is formally extending it, who is ultimately financing it, who is carrying unpaid balances, who ultimately receives the proceeds from retail sales, and where the economic consequences of nonpayment fall.

Origins Council respectfully requests that the Committee provide cultivator and manufacturer licensees—including small independent producers carrying substantial accounts receivable—with an equivalent opportunity to present information, data, and policy recommendations to the Committee through a subsequent dedicated presentation.

2. Legislative History and Origins Council's Engagement

California has now considered the problem of unpaid cannabis trade debt through several successive legislative proposals, each reflecting a different attempt to balance the need for meaningful payment accountability with legitimate concerns regarding due process, contractual flexibility, and administrative feasibility.

AB 766 (Ting, 2023) represented the first comprehensive effort to establish a cannabis-specific credit framework. The bill sought to establish enforceable payment requirements for transactions between cannabis licensees, require reporting of qualifying delinquent payments to DCC, and restrict continued access to credit for delinquent licensees. The measure passed the Assembly Business and Professions Committee on a 17–0 vote before being held in Assembly Appropriations.

The Assembly Appropriations Committee analysis provides important insight into DCC's concerns with the proposed framework. DCC estimated implementation costs of at least \$10.2 million in the first year and \$9.7 million annually thereafter. In developing that estimate, the Department assumed that 40 percent of the then 11,149 active cannabis licenses could be reported for nonpayment and require DCC disciplinary action. The analysis then states:

“DCC states the bill, as written, requires DCC to serve as a contractual arbitrator between licensees and to enforce on those that do not pay their contractual obligations.”

The analysis separately identifies DCC's underlying policy concern:

“DCC notes there is an existing legal system in place for businesses to seek a remedy for contract violations and nonpayment of services, and this bill essentially replicates the functions of the civil court system for contract violations within DCC.”

Assembly Committee on Appropriations, Analysis of AB 766 (Ting), as amended April 12, 2023, hearing April 26, 2023, pp. 1–2. [AB 766 Assembly Appropriations Committee Analysis](#)

These concerns warrant serious consideration. In its engagement on AB 766 and AB 2888, Origins Council likewise raised concerns regarding due process, treatment of good-faith payment disputes, mandatory reporting requirements, and the administrative burden associated with making DCC responsible for resolving contested commercial claims. However, DCC's concern that it should not serve as a “contractual arbitrator” does not resolve the separate question of whether trade credit itself is an appropriate subject of regulation within California's highly regulated cannabis supply chain.

That distinction is critical. Civil courts adjudicate whether particular contractual obligations are legally owed. Regulation of trade credit addresses a different question: the conditions under which licensed businesses operating within a state-created regulatory marketplace may finance transactions between one another, and the

consequences when that financing produces persistent economic dependency or market instability.

AB 2888 (Chen, 2024) revisited the issue in a modified form. Like its predecessor, it sought to establish consequences for overdue cannabis business-to-business payments and contemplated reporting to DCC and progressive regulatory enforcement. The measure again received unanimous approval in the Assembly Business and Professions Committee before being held in Assembly Appropriations. DCC reiterated its view that civil remedies already existed for nonpayment and again projected substantial administrative costs associated with implementing the proposed regulatory framework.

Origins Council consistently supported the objective of creating greater accountability for bad-faith nonpayment while raising concerns about specific mechanisms proposed in both bills. In its comments on AB 766, OC opposed mandatory 30-day terms that could eliminate the ability of businesses to voluntarily negotiate longer payment arrangements and cautioned that such a requirement could have differential impacts on small businesses with limited access to capital. OC also identified concerns regarding mandatory reporting, due process, DCC workload, and the need to distinguish egregious nonpayment from legitimate business disputes or extraordinary circumstances.

OC carried these concerns forward in its comments on AB 2888, requesting that reporting of overdue invoices remain discretionary and that any enforcement framework provide flexibility for good-faith reasons for nonpayment, including defective or nonconforming goods, theft, operational disruptions, or negotiated payment plans. These concerns remain relevant. A functional system must preserve parties' ability to negotiate reasonable commercial terms, protect due process, and avoid imposing disproportionate administrative burdens on small businesses or DCC.

In 2025, stakeholders developed a proposed Cannabis Payment Protection Act, which was circulated as a legislative proposal but was not ultimately introduced as legislation. The proposal represented a significant shift in policy design from AB 766 and AB 2888. Rather than requiring DCC to determine whether an invoice was valid or delinquent, it required a creditor to first obtain a court order or civil judgment for nonpayment. Only after that judicial determination remained unresolved for at least 30 days could the creditor submit the matter to DCC, at which point license suspension would become mandatory until compliance with the judgment. In this respect, the 2025 proposal substantially addressed DCC's earlier "contractual arbitrator" concern by placing adjudication of the underlying debt entirely with the courts, while retaining a regulatory consequence only after the debt had been judicially established.

3. Trade Credit as an Appropriate Subject of Regulatory Oversight

This progression illustrates an important distinction that should inform the Committee's current discussion. The question of whether DCC should adjudicate disputed invoices is not the same as the question of whether trade credit within California's regulated cannabis market is an appropriate subject of state regulation.

Importantly, the relevance of California's alcohol credit laws to cannabis is not a new comparison being raised by the Origins Council. The Assembly Appropriations Committee's analysis of AB 766 expressly recognized that the bill's credit requirements were "loosely based on California 'tied-house' restrictions on alcohol manufacturers." California's existing regulation of trade credit within the alcoholic beverage industry was therefore already part of the legislative framework through which cannabis credit law was considered in 2023.

California's longstanding regulation of alcoholic beverage credit makes this distinction particularly clear. Business and Professions Code section 25509 regulates the terms under which winegrowers, wholesalers, manufacturers, and other alcohol suppliers may extend credit to retailers. The law does not merely provide a private civil remedy after nonpayment. It establishes substantive rules governing the credit relationship itself. If payment is not received within the statutory period, continued sales on credit are restricted; payments must be applied to the oldest outstanding balance; and additional statutory consequences attach to continued delinquency. California has continued to regulate this relationship rather than retreat from it: beginning in 2026, state law further requires most retailer-to-wholesaler alcoholic beverage payments to occur electronically within 30 days of delivery.

Most significantly, this regulatory framework is not an incidental feature of alcohol law. Section 25509 is contained within California's tied-house restrictions, and the Legislature has expressly found that regulation of trade credit is necessary to prevent financial or business obligations between licensed tiers arising from excessive extensions of credit. The statute directs that permissible credit be treated as a limited exception to the broader prohibition on tied financial interests.

The historical power dynamics that gave rise to alcohol tied-house laws are not identical to those operating in California cannabis today. In alcohol, the traditional concern was that an upstream supplier could use favorable credit to exert economic influence over a retailer. In today's cannabis market, the imbalance frequently operates in the opposite direction. Cultivators and manufacturers transfer product downstream, retailers ultimately convert that product into consumer revenue, and upstream businesses may carry the resulting accounts receivable for extended periods while remaining dependent upon downstream licensees for access to market.

That dependency must be understood in the context of the unusually constrained market access available to California cannabis producers. DCC reports only 4.27 cannabis retail licenses per 100,000 residents as of February 2026, while 56% of California cities and counties prohibit cannabis retail businesses altogether. By comparison, California has more than 28,000 licenses in the two principal off-sale alcoholic beverage retail categories alone. Although the licensing systems are not directly equivalent, the comparison illustrates the substantially greater density of lawful retail outlets through which alcoholic beverage producers can reach California consumers. California's alcoholic beverage regulatory framework also provides producer-level pathways for direct sales to consumers, although those privileges vary by license type. Cannabis cultivators have no comparable general privilege to bypass downstream retail channels and sell directly to consumers, nor can California cannabis producers redirect product into interstate commerce.

For small producers in rural producing regions, these market-access constraints are compounded by geography. Reaching California's limited retail market depends not only on securing retail placement, but also on maintaining relationships with distributors willing and able to serve remote producing regions and move relatively small volumes of product to dispersed retail accounts. The loss of a willing distribution partner can therefore mean losing access to multiple downstream markets at once. In a market characterized by limited retail access, no comparable general direct-to-consumer pathway, no access to interstate commerce, and—in many rural producing regions—limited distribution options, simply walking away from a delinquent commercial relationship may carry substantial consequences for continued market access.

These conditions are directly relevant to the economic dependency that trade credit can create. An upstream supplier may have the contractual right to stop extending terms or doing business with a delinquent account while facing powerful economic reasons not to exercise that right, particularly where payment for previously transferred product remains outstanding or continued market access depends upon scarce downstream relationships. Continued extension of credit under these circumstances should not automatically be understood as evidence of equal bargaining power or a freely chosen financing relationship. The direction of the leverage may be different from the historical concern underlying alcohol tied-house law, but the regulatory principle is not: trade credit can create financial dependency between licensed tiers and affect their ability to remain economically independent.

The practical consequence is that unpaid trade credit can function as a form of involuntary working-capital financing. A downstream business may receive inventory, convert that inventory into consumer revenue, and retain the proceeds while an upstream supplier continues carrying the financial exposure associated with delayed

payment. For a small producer with limited liquidity and limited access to conventional financing, this is not simply a delayed account payable on the other side of the transaction; it is capital removed from the producer's business and retained downstream, potentially for months or permanently.

This is also not an ordinary commercial marketplace. The State determines who may cultivate, manufacture, distribute, transport, and sell cannabis; regulates the movement of goods between licensees; requires records of commercial transfers and sales; and prescribes the lawful channels through which regulated cannabis commerce occurs. Where government has created and actively regulates the structure through which commerce must occur, it is difficult to maintain that the financing relationships generated within that structure are categorically outside the appropriate scope of regulatory policy.

Civil litigation remains an appropriate mechanism for determining whether a disputed contractual debt is legally owed. OC does not suggest that DCC should become a substitute civil court, and our prior comments on AB 766 and AB 2888 expressly identified the need for due process, flexibility for legitimate disputes, and avoidance of unnecessary bureaucracy. But reliance on civil litigation alone addresses only the enforcement of individual debts after they have arisen. It does not answer the separate regulatory question of whether and under what conditions licensed businesses should be permitted to finance ongoing commercial activity through trade credit extended by other participants in a tightly controlled supply chain.

California's alcohol framework demonstrates that these functions can be distinguished. The State can leave adjudication of contested contractual claims to the courts while separately regulating the terms and consequences of trade credit as part of its oversight of a licensed marketplace.

Origins Council therefore encourages the Committee to approach the September 15th discussion without presuming that supply-chain nonpayment is exclusively a private contractual matter or that DCC involvement necessarily requires the Department to adjudicate individual debts. The legislative record since 2023 demonstrates legitimate concerns regarding how such a system should be designed. Those implementation concerns should inform future policy design; they should not be conflated with the separate question of whether trade credit within the licensed cannabis supply chain is an appropriate subject of regulatory oversight. California's longstanding regulation of alcohol trade credit demonstrates that it is.

California has already determined, in another highly regulated licensed marketplace, that financial relationships between legally prescribed tiers can affect licensee independence, competition, and market stability sufficiently to warrant regulation. The historical direction of the power imbalance may be different in cannabis, but the

underlying regulatory principle remains directly relevant. The Committee should examine cannabis trade credit through that broader lens—and ensure that cultivators and manufacturers experiencing the upstream financial consequences of these credit relationships have an equal voice in determining how the problem is understood.

Thank you for your consideration,



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