



October 9, 2024

Dear Humboldt County Board of Supervisors,

The Southern Humboldt Chamber of Commerce strongly supports the 100% suspension of Measure S cannabis cultivation taxes for the 2025 and 2026 cultivation years.

It is time to normalize cannabis in Humboldt County and support our local cannabis farmers just as we support the rest of our small, local businesses. Cannabis cultivation has long been a cornerstone of the Southern Humboldt economy, but our region faces unprecedented economic challenges today. In the third quarter of 2023, Garberville and Whitethorn had some of the highest foreclosure rates in the country. Local businesses are closing their doors, and the loss of economic activity is being felt across our communities.

The Humboldt cannabis brand was born in Southern Humboldt and nurtured for generations by its residents, who have significantly contributed to the overall economic vitality of the region, including tourism and small businesses. Looking ahead, we envision vibrant downtown streets filled with thriving local businesses, creating an attractive destination for visitors and locals. With a focus on sustainable businesses, agricultural tourism, and renewed economic opportunity, we believe Southern Humboldt has the potential to flourish once again—if we can support our local cannabis farmers through this critical time.

Specifically, we ask the Supervisors to:

- Suspend 100% of Measure S taxes for the 2025 and 2026 cultivation years.
- Normalize cannabis in Humboldt by fully integrating cannabis into the county's overall economic vision.
- Repeal Measure S by placing a referendum on the 2026 ballot for the voters to decide.

While cannabis isn't what it once was, it remains a vital part of Humboldt's economy. According to a January 2024 economic study by Sonoma State, the legal cannabis industry contributed approximately \$669 million in economic activity in 2022 and supported 5,651 jobs in Humboldt County. This includes direct revenues from cannabis businesses and the ripple effects of that spending throughout the local economy, making up about 10% of Humboldt County's overall economic activity.

We urge you to support our local farmers and, by extension, the entire Southern Humboldt community by suspending Measure S and allowing our small businesses to recover and thrive again.

Kind Regards,

A handwritten signature in blue ink that reads "Gvonne Hendrix".

Executive Director, Southern Humboldt Chamber of Commerce

OBO, the SHCOC BOD

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October 17, 2024

Humboldt County Board of Supervisors
825 5th Street
Eureka, CA 95501

Dear Supervisors,

I am writing on behalf of the Board of the Greater Eureka Chamber of Commerce to express our support of suspending Measure S, a tax that is an unfair and significant burden on local cannabis farmers. Our Chamber represents businesses that drive economic growth, job creation, and prosperity in our community. Our members have made it clear that their top priority is attracting and retaining businesses in our region; this includes businesses in the cannabis industry.

As the cannabis market continues to evolve, it is crucial that we normalize cannabis farming in Humboldt and treat these small businesses like any other in our community. While cannabis cultivation was once seen as extraordinarily successful, today the small farmers that remain are struggling just to make ends meet.

By supporting the 100% suspension of Measure S, we can help these farmers regain their footing and give them the opportunity to thrive, realizing our shared vision of a craft cannabis community that Humboldt can be proud of. It's time to fully integrate cannabis farming into the broader business landscape and ensure the success of all local industries.

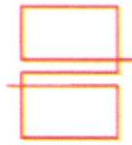
We urge decision makers to consider the significant contributions of the legal cannabis industry to our local economy, job creation, and overall community prosperity. It is in our community's best interest to support and nurture this sector, allowing it to adapt and evolve in anticipation of the eventual lifting of federal prohibition.

Thank you for carefully considering our concerns and work toward promoting a business-friendly environment that supports the continued success of our region.

Regards,

A handwritten signature in black ink, appearing to read "Nancy Olson", is written over a horizontal line.

Nancy Olson
President | CEO



HUMBOLDT COUNTY GROWERS ALLIANCE

Date: November 7, 2024

Dear Supervisors and Staff,

On behalf of Humboldt County Growers Alliance, we are writing to request that your Board move to normalize the cannabis industry in Humboldt by enacting a two-year suspension of the Measure S tax.

Since summer of 2021, market conditions affecting Humboldt's cannabis industry have declined dramatically, and over the past year, these conditions have declined even further. In light of these deteriorating market conditions, it's clear to us that the Measure S tax - a special tax applied only to cannabis production, and no other activity in Humboldt - is no longer sustainable.

For any other type of business, we believe this conclusion would not be controversial. No other industry in Humboldt would be expected to thrive under significant local tax applied to only that industry. In competitive industries, businesses that are successful are typically low-margin. Almost ten years into cannabis legalization in California, the cannabis industry is proving to be no different.

While the assumptions of excessive profits that led to Measure S's original passage in 2016 no longer hold true, cannabis remains a cornerstone of Humboldt's local economy. According to a Sonoma State economic study from January 2024 - the first study to quantify legal cannabis businesses' contribution to the North Coast economy - the legal cannabis industry in Humboldt supported about \$669 million in economic activity in 2022 and supported 5,651 jobs in the county due to cannabis revenues and ripple effects of spending those revenues on Humboldt County. This equates to about 10% of overall economic activity in Humboldt supported by cannabis businesses in 2022.

Beyond the current contribution of cannabis to Humboldt's local economy, we also believe there continue to be significant long-term opportunities for craft Humboldt cannabis. Future federal cannabis legalization, interstate commerce, direct-to-consumer sales, tourism development, collective and cooperative marketing efforts, and appellations all have the potential to create fundamental shifts in market conditions that support small Humboldt producers.

Building structures to support a craft market, however, will take time. In comparable industries, such as wine, these processes have taken many decades to unfold. Action by the county now to normalize and stabilize the cannabis industry in Humboldt can help create the time and space necessary to build these long-term structures.

For all of these reasons, we believe that now is the time for the county to recognize the value of cannabis alongside all other industries in Humboldt by choosing to suspend Measure S. Below, we discuss in more detail the reasons why we believe this direction is necessary.

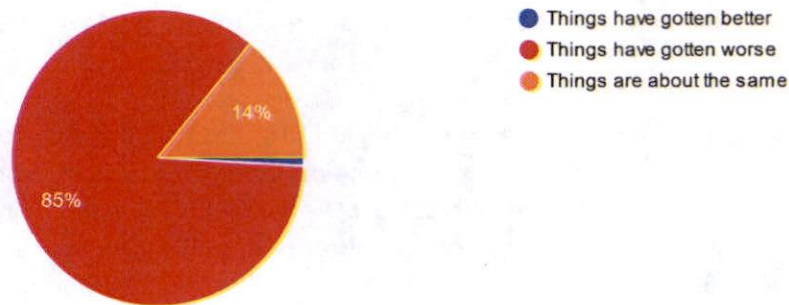
Market Conditions Have Further Declined Since the Last Measure S Suspension

In November 2022, the Board voted to suspend the Measure S tax for two years after hearing public comments from dozens of farmers and community members emphasizing collapsing market conditions, an inability to pay, and spiraling effects on the local economy.

This September, HCGA conducted a survey of local cannabis businesses which received 107 responses. When asked how market conditions have changed since November 2022, 85% of survey respondents reported that market conditions have declined further, while 14% reported that market conditions are about the same. Since November 2022, just one of 107 survey respondents reported that market conditions have improved.

In November 2022, Humboldt's Board of Supervisors voted to suspend 100% of the Measure S tax for two years. How have market conditions changed for you since then?

107 responses



The survey further found that, on average, wholesale market prices have declined from \$400/pound in 2023 to \$350/pound this year. Many farmers are anecdotally reporting that this decrease represents an underestimate of the actual decline in market conditions as farmers complete their full-term harvests in the fall, with a statewide glut of light-dep cannabis harvested in the summer further decreasing demand for full-term flower.

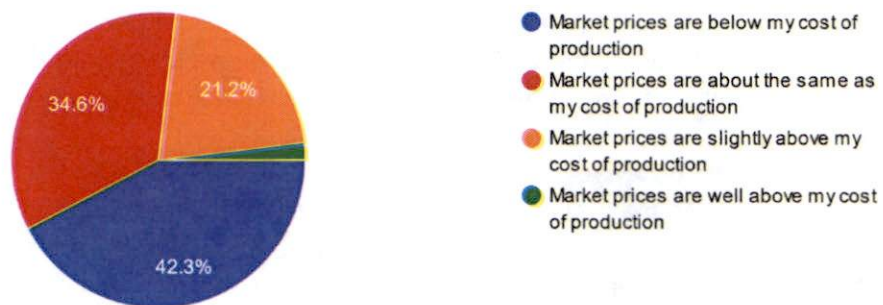
Over the past several years, this decline in market conditions has resulted in significant attrition from the legal market. For several years HCGA has consistently tracked [DCC data](#) on licensed cannabis cultivation in Humboldt and statewide. According to this data, in April of 2021, there were 967 independent state-licensed farms in Humboldt. By December 2022, this total had fallen to 856; today, it has fallen to 665.

Successful Farms are Low-Margin

While overall cannabis market conditions have steeply declined, some local businesses have been able to keep their heads above water. Survey results indicate that market prices are about the same as the cost of production for 35% of businesses, while 21% report that market prices are slightly above the cost of production. 42% report that market prices are below the cost of production, while just 2% report that market prices are well above the cost of production.

How do current market prices compare to your cost of production?

104 responses



These survey results reflect the reality that, when successful (i.e., operating as a viable business), Humboldt cannabis farmers - like most other small businesses in competitive markets - are low-margin. Put simply, cannabis is no longer exceptional, and the assumptions of exceptional profit margin that led to the original imposition of the Measure S tax eight years ago no longer hold.

Just as the county supports other small businesses, it should also provide the same level of support to the cannabis industry. Humboldt's farmers are resilient, but need policies that reflect today's economic realities, not the conditions of eight years ago. Suspending Measure S - a tax which no other local business pays - is the first and most important step towards recognizing this new reality, and equalizing the treatment of cannabis businesses with all other local businesses.

The County's Budget is Not Reliant on Measure S Revenues

Since the collapse of cannabis market conditions in the summer of 2021, Measure S has not constituted a significant portion of the county's budget. In February 2022, the county voted to temporarily decrease the Measure S tax rate to 15% of its maximum total. Since that time, the county has revisited the Measure S tax rate each year, and each year has decided to either fully suspend or substantially reduce the tax for the next 1-2 years.

Between hundreds of cannabis operators leaving the licensed market, a significantly reduced tax rate for those years where the Measure S tax has been applicable, and the inability of many operators to pay even this reduced tax, we understand that actual or expected Measure S revenues no longer constitute a significant proportion of the county's budget.

Instead, the county has been led to take on the administratively costly role of a debt collector for farmers who have not been able to afford the Measure S tax even at reduced rates. At the same time, we understand that the county is no longer including Measure S in its prospective budget estimates.

The Future of Measure S

For the reasons discussed above, we believe a two-year suspension of Measure S is critical when the Board reconsiders the tax this month. However, we also understand that there are longer-term questions regarding the future of Measure S that must be addressed.

As a voter-approved tax, Measure S can be suspended by the Board on a temporary basis, but arguably cannot be permanently eliminated without an additional vote of the people. In today's new era of cannabis farming in Humboldt, we believe it's time for the voters to reconsider this issue through a referendum proposing the repeal of Measure S. If placed on the 2026 ballot, this issue would come before voters ten years following the original vote to approve Measure S.

Thank you for your consideration,

Natalynne DeLapp
Executive Director
Humboldt County Growers Alliance

Ross Gordon
Policy Director
Humboldt County Growers Alliance