



COUNTY OF HUMBOLDT

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11/17/2020	1	Board of Supervisors	approved	Pass

To: Board of Supervisors
From: County Administrative Office
Agenda Section: Departmental

SUBJECT:

Project Trellis Cannabis Marketing Initiative and Presentation on the Humboldt County Cannabis Marketing Assessment

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a staff report and presentation on the Project Trellis cannabis marketing initiative and recently completed Humboldt County Cannabis Marketing Assessment; and
2. Direct staff to issue a Request for Proposals (RFP) to encourage Humboldt County based non-profits to develop a program manual and plan for implementation of marketing efforts.

SOURCE OF FUNDING:

1120 Economic Development Fund

DISCUSSION:

Project Trellis Background

On March 12th, 2019, your Board adopted a framework for Project Trellis, the County of Humboldt's Cannabis Micro-Grant, Marketing, and Local Equity Program. This three (3) tier program was developed on the heels of California's legalization of recreational cannabis to provide much needed resources to Humboldt's cannabis businesses who otherwise wouldn't have access to regular business

programs due to federal prohibition on financial support for the cannabis industry.

The Marketing component of Project Trellis was designed, in part, because stakeholders agreed that Humboldt's economic future would be greatly influenced by how local cannabis businesses adapted to changes in the industry. This view is even more relevant today as the county takes steps to effectuate policies which will lead Humboldt County toward post COVID-19 economic recovery.

Humboldt is known internationally for its quality cannabis cultivation. Humboldt's cannabis industry has also been a significant economic driver in the county for decades. When staff conducted its initial public outreach during the creation of Project Trellis it was the cannabis stakeholders who identified that Humboldt County needed to maintain a competitive marketing advantage in order to preserve and grow market share. These same stakeholders advised staff that steps should be taken to promote and maintain Humboldt's grown cannabis as a national and industry brand. The Marketing tier of Project Trellis was created to achieve these aims.

First Marketing Request for Proposals

On September 30th, 2019, the County Administrative Office (CAO) of Economic Development issued an RFP for a Collective Cannabis Branding, Promoting and Marketing Strategy for Humboldt County. Additionally, a Marketing Ad Hoc Committee was formed to review and rank submissions from bidders and to make program recommendations to county staff.

The purpose of the RFP was to acquire proposals from qualified full-service marketing agencies and/or marketing consultants. Responders were encouraged to create and submit a strategy for developing a distinct national and industry "brand" for Humboldt County grown cannabis and to make recommendations for the effective promotion of Humboldt County Cannabis as a unique, high quality product sourced solely in Humboldt County, California. Responders were also encouraged to include recommendations for strategic use of a county stamp program which was a track-and-trace verification and branding program administered by the County of Humboldt Department of Agriculture used to monitor compliance with County and State reporting requirements.

After collecting and reviewing twenty-eight (28) submissions (most of which came from out-of-area agencies) the Marketing Ad Hoc Committee was quick to identify that many of the proposals were not comparable. Though several innovative ideas were tendered under the RFP process it was found that the proposals lacked a common framework and that the scope of services provided to bidders was inadequate. As a result, and because the RFP process behind developing a county-wide cannabis marketing initiative lacked clarity and structure, staff determined that the RFP process was not ready to advance forward. As a result, the RFP process was placed on hold and the Marketing Ad Hoc Committee was dissolved.

Humboldt County Cannabis Marketing Assessment

The suspension of the RFP for a Collective Cannabis Branding, Promoting and Marketing Strategy for Humboldt County caused staff to deliberate on best practices for designing a marketing program that would be suited for success. Additionally, COVID-19 has created a real and pressing need for

comprehensive and data driven planning for policies related to the Humboldt's economic future. It was determined that the creation of a marketing assessment would help guide marketing planning through a strategic framework based in research. The creation of such an assessment mirrors the process employed during the creation of the county's Local Equity Plan (LEP) which was developed using analysis and determinations made in the Humboldt County Cannabis Equity Assessment (CEA).

Upon reaching the above conclusion staff commissioned the Humboldt County Growers Alliance (HCGA) to perform a comprehensive Humboldt County Cannabis Marketing Assessment to be shared with the public, cannabis businesses and other stakeholders. The assessment took over one hundred and twenty (120) days to complete and contains over eighty (80) pages of data related to marketing Humboldt's cannabis industry.

The Marketing Assessment looked at four case studies of regional marketing initiatives (Columbian Coffee, Kona Coffee, Bordeaux Wine, and Napa Valley Wine) to understand both the successes and failures of Geographic Indicators and Regional Brand Identities. The intention is to use these examples to inform the creation of a Humboldt County Cannabis Marketing Campaign.

Based on the aforementioned case studies, the Humboldt County Marketing Assessment identified eight findings, and from those findings, thirty recommendations. These recommendations include ways to build a strong organizational structure, ensure equitable participation, protect collective intellectual property, build strong market partnerships, and recommendations for other marketing activities. The recommendations also included guidance for quality control and grading standards, centralized data collection, research and development (R&D), education, public policy controls and promotion of environmental sustainability.

A summary of the eight findings and thirty recommendations are listed below. Staff have also made the full Humboldt County Marketing Assessment available online at www.gohumco.com or by contacting the CAO's office of Economic Development by phone at 707-445-7745 or via email at gohumco@co.humboldt.ca.us.

Findings

1. Strong organizational and institutional structures are critical to Geographical Indicators [GI's] that seek to promote regional products over many decades. Most commonly, resilient and successful GIs are managed in collaboration between industry and government.
2. Equitable participation requires decision-making structures that can balance the management of a regional brand identity with the specific priorities of stakeholders such as appellations, cooperatives, independent brands, and distributors. Successfully integrating these stakeholders is an essential aspect of creating an equitable GI.
3. Intellectual Property [IP] protection and anti-fraud activities are critical to GI viability. Successful IP protection strategies involve several components, including: advocating for public policy that protects collective regional brands, attaining protection as a certification mark or protected geographical indication, enforcing the mark domestically, and enforcing

the mark internationally.

4. Collective regional marketing can take a wide variety of forms, including industry-facing marketing, direct consumer advertising, strategic partnerships, media partnerships, and tourism. Among these approaches, strong market partnerships are the most common foundation of successful GI strategies.
5. Quality control efforts are often critical to GI strategies and associated marketing programs. Quality control strategies have several potential components, including: implementation of grading and classification systems, research and education to improve quality, and legal requirements for minimum quality standards.
6. GIs can conduct other important centralized projects including data collection, R&D, and farmer education.
7. GIs can play an important role in supporting environmental sustainability by emphasizing the relationship between the land and production, promoting environmentally friendly practices, and incentivizing adoption of voluntary standards and practices. However, GIs should be cautious about investing heavily in specific environmental certifications without confidence that the certification can be widely adopted and marketed to consumers.
8. GIs are often heavily involved in public policy issues. Public policy dynamics affect marketing strategies as well as the overall viability of producing regions.

Recommendations

1. Humboldt's cannabis marketing program should be built on a strong institutional foundation that prioritizes long-term strategic vision over short-term sales.
2. Collaboration between industry and government should be the foundation of Humboldt's cannabis marketing program.
3. A marketing program will benefit from strong ties to community organizations beyond industry and government.
4. The organizational and decision-making structure that determines marketing efforts should be representative of, and accountable to, the Humboldt cannabis industry.
5. The organization that receives Humboldt County marketing funds should be held accountable to public oversight. Specifically, we recommend establishing a single county committee tasked with review for all tax-funded county-wide promotional efforts.
6. Humboldt manufacturers, distributors, and retailers should contribute proportionally to collective marketing efforts.

7. Marketing efforts should build close relationships with appellations and cooperatives as they develop.
8. Messaging should be developed with substantial community input and reflect community values.
9. Consider adopting a county-wide stamp program, including a certification mark, once this resource becomes available.
10. IP for the Humboldt County cannabis marketing program should be held by local government.
11. A Humboldt cannabis marketing organization should have capacity to develop and enforce an IP strategy, including registration of marks, enforcement against fraudulent uses, and integration with IP-related public policy issues.
12. Marketing efforts should prioritize building relationships with distributors and retailers in major urban markets.
13. Marketing efforts should prioritize building relationships with equity businesses.
14. Marketing efforts should work to influence market dynamics, not only to maximize sales within existing market dynamics.
15. Programmatic marketing efforts should carefully consider prioritization of resources.
16. Marketing efforts should promote Humboldt and its sub-regions through a lens of terroir.
17. Incorporate public relations and media coverage into countywide marketing efforts.
18. Marketing efforts should promote emergent cannabis tourism and coordinate with existing tourism promotion programs on joint content marketing efforts.
19. Track the development of cannabis grading standards over time, and consider promotional efforts related to the development and implementation of standards.
20. Consider conducting agricultural and consumer research on cannabis quality and grading standards.
21. Over a long-term horizon, consider the adoption of minimum quality standards or quality-based classification for cannabis labeled with the Humboldt name. Any potential minimum standards should be based around thorough stakeholder-driven process and a high degree of substantiated industry consensus.
22. Collaborate with appellations on the marketing of appellation quality control standards, and other appellation-related programs.

23. As appropriate, consider using Measure S funds - such as microgrant funds - to support cooperatively-owned processing and distribution.
24. Humboldt cannabis marketing program should integrate public policy expertise on issues including: how policy dynamics will affect the California market, how policy dynamics will affect the availability and nature of interstate markets, development of an IP protection strategy, and policy and compliance considerations related to legal restrictions on cannabis marketing.
25. Marketing efforts should consider the potential impact of programmatic marketing activities on state, local, and international cannabis policy developments.
26. Consider conducting research on consumer trends, quality control, agricultural practices, etc. and making this research available to all Humboldt cannabis businesses.
27. A Humboldt cannabis marketing organization should make relevant educational materials available to all Humboldt cannabis businesses.
28. Marketing efforts should promote existing baselines for environmental sustainability in Humboldt, including sun-grown production methods, stringent environmental regulation through multiple state and local agencies, and the prohibition on the use of pesticides.
29. Marketing efforts should collaborate with appellation regions to promote cannabis grown with higher voluntary environmental standards, including regenerative and permaculture methods.
30. Marketing efforts should consider promoting additional environmental certifications only if such certification standards are sound, can be adequately promoted to consumers, and will be widely adopted by producers.

Solicitation of Community Input and Public Feedback

After the Humboldt County Marketing Assessment was created staff reached out to Humboldt's cannabis community for feedback through a variety of platforms. Feedback was requested and the assessment was shared through an online survey, two virtual (Zoom) town hall discussions, two KMUD interviews, press releases, and articles in multiple news outlets (Lost Coast Outpost, Times-Standard, and Redheaded Blackbelt). Feedback was also requested, and the assessment was shared via email blasts to interim and final Cannabis Cultivation Permit holders, cannabis industry and trade associations, elected officials, Humboldt's Prosperity Network (a group of Economic Development professionals in Humboldt County), outside partner agencies, and others.

Community feedback was collected and documented by staff. The public comment deadline was extended by two weeks due to fires throughout the county. Correspondence concerning the assessment

was received in a variety of forms which included email communication, phone messages, posts in chat rooms and message boards (online), and through responses to the online survey.

Economic Development Staff received fourteen (14) survey responses and seventeen (17) email responses for a total of thirty-one (31) written responses. Staff also received more than ten (10) phone calls and took feedback from two (2) public town hall meetings which were conducted online via Zoom.

Of the fourteen (14) survey responses, thirteen (13) supported the recommendations of the Marketing Assessment and support a Marketing Program. One (1) agreed with the Marketing Assessment, but did not support the marketing program, due to concerns that current cultivators are not Humboldt County residents and thus are not invested in our local communities.

Of the seventeen (17) responses received via email, fourteen (14) supported the recommendations of the Marketing Assessment. Two (2) did not directly address the Marketing Assessment but provided ideas and opinions regarding marketing components (such as creating a logo- which is, in fact in line with one of the recommendations of the Marketing Assessment). One (1) felt that the Marketing Assessment was not a good use of money and commented that taxes and fees should be lowered.

Out of all written responses received twenty-seven (27) of thirty-one (31) expressed support for the recommendations of the Marketing Assessment. Responses via phone and at the two (2) public (virtual) Town Halls were a similar breakdown.

The most common responses indicated that transparency and accountability were major concerns of the community. A strong interest/need for community involvement from farmers, stakeholders and industry professionals in the decision-making process, including selecting the group that will create the marketing plan, and in the creation of the marketing plan.

Therefore, based on the findings and recommendations of the Humboldt County Marketing Assessment, and in consideration of public feedback received, staff recommends that your Board direct staff to abandon the former RFP process and to issue a new RFP for the Collective Cannabis Branding, Promoting and Marketing Strategy for Humboldt County which uses the Humboldt County Marketing Assessment as the RFP framework and that said RFP be directed toward Humboldt County based non-profit organizations who include members from, or collaborate with, Humboldt's cannabis business community and whose organizations mission or purpose includes providing services to the cannabis community and/or marketing Humboldt county products.

FINANCIAL IMPACT:

Project Trellis is funded through the county's cannabis excise tax via a 10% allocation of Measure S funding. On today's consent calendar (File ID 20-1293) is a Proposed Project Trellis spending plan for FY 2020-21, recommending allocations of \$1.19 million as follows:

- \$119,000: 10% Administrative Oversight
- \$1,071,000: Project Trellis initiatives.

- \$214,000: 20% Marketing Initiative
- \$696,150: 65% Micro (Business) Grant Initiative
- \$160,650: 15% Equity Budget

If approved by your Board, this proposed spending plan would allow for \$214,000 in marketing expenditures to take place in FY 2020-21.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by supporting business, workforce development and creation of private-sector jobs .

OTHER AGENCY INVOLVEMENT:

N/A

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion

ATTACHMENTS:

1. Summary and Resources - Humboldt Cannabis Marketing Assessment
2. HCGA Presentation

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1

Meeting of: March 12th 2019

File No.: N/A