

March 20, 2025

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## **Re: Cannabis Cultivation Tax Rate Memo 2025**

The County of Sonoma has a robust cannabis industry sector, including a large number of cannabis cultivation businesses. As of November 2024, the County reported 66 separate cultivation licenses encompassing over 900,000 square feet. In March of 2017, the County's voters overwhelmingly approved a cannabis (Measure A) that imposed a rate of up to \$38 per square foot of cultivation, or up to 10% of gross receipts. The measure allows the County to adjust the rate and/or to change the tax basis to gross receipts so long as the equivalent rate of the tax does not exceed the maximum allowed by the measure.

As California's cannabis industry has matured, licensed cultivators around the state have struggled with a long list of factors that have made it harder to compete. These factors include continued oversaturation of the cultivation sector, changing consumer preferences, increased consolidation into fewer, larger cultivation businesses, declining wholesale prices and continued sales leakage to the illicit market.

The County of Sonoma has sought to provide tax and regulatory relief for cannabis growers as a way to help stabilize the local industry in a highly competitive market. In 2022 the County engaged the services of HdL Companies to conduct a revenue review of a sample set of cultivators to determine how they would be affected by a potential change in the tax basis. HdL reviewed a sample set of the County's cultivation businesses and used that information to prepare a fiscal analysis exploring the issues and considerations for changing the County's cultivation tax from square footage to gross receipts, including the impact to the businesses, the impacts on County revenues and any necessary administrative changes. The report provided to the County in January 2023 (the 2023 analysis) included recommended tax rates and revenue estimates.

On May 23, 2023 the Board of Supervisors adopted Ordinance 6433 amending the County's Cannabis Business Tax Ordinance to adjust the cultivation tax rates in accordance with the findings of HdL's analysis. Among the changes adopted by the County was a recommendation to apply a single square footage rate for each type of cultivation (indoor, outdoor and mixed-light) regardless of the size of the operation. Previously, the County had applied a range of rates depending upon the size of the operation, with the smallest "Specialty Cottage" operators paying a rate that was less than half the rate for grower with Small and Medium sized licenses.

Following upon HdL's initial report, the County requested that HdL provide an annual update to its tax rate analysis, which would include a discussion of general market trends and wholesale prices to determine how they affect the County's square-footage tax as a percentage of gross receipts. HdL's annual tax rate analysis for 2024 examined cannabis cultivation business information from calendar year 2023 and provided recommendations to adjust the County's tax rates downward from the rates recommended in our initial report for calendar year 2022.

This analysis uses the same methodology as presented in our 2024 report, including the use of weighted averages to accurately capture the range of market prices received for different types of cannabis flower products including premium large bud, small bud “popcorn” and leaf or trim. This report also provides an update on comparable tax rates from around the state, as well as any other pertinent information that may be of interest to the County in considering changes to its cannabis tax rates.

## Current Cannabis Cultivation Tax Rates

Sonoma County’s cannabis tax is described in Chapter 35 of the Sonoma County Code, entitled Cannabis Business Tax Ordinance (the tax ordinance). The tax ordinance allows maximum square footage rates of up to \$10 per square foot of cannabis cultivation area for outdoor cultivation, up to \$22 per square foot for mixed-light cultivation and up to \$38 per square foot for indoor cultivation. The tax was implemented with initial rates of up to \$2 per square foot for outdoor cultivation, up to \$6.50 per square foot for mixed light and up to \$11.25 per square foot for indoor cultivation.

HdL’s 2023 analysis found that the County’s previous rates resulted in an inequitable tax burden depending upon the cultivation type, with outdoor cultivators paying a rate that was effectively more than 10-times higher than the rate paid by indoor or mixed-light cultivators. Our report recommended the County’s square-footage rates should be set to be equivalent to a gross receipts rate of no lower than 1.00% and no higher than 2.50%. Based on our analysis, the County implemented new rates of \$0.75 for outdoor cultivation, \$3.00 for mixed-light, and \$12.50 for indoor cultivation. Our 2024 report recommended a downward adjustment to these rates. This adjustment was fairly slight for outdoor and mixed light cultivation but was much more substantial for indoor cultivation. The history of the County’s cultivation tax rates is shown in Figure 1, below.

**Figure 1:**

Sonoma County Cultivation Tax Rates					
	Maximum Rate/SF	Initial Rate/SF	2022 Rate/SF	2023 Rate/SF	2024 Rate/SF
<b>Outdoor Cultivation</b>					
1C - Specialty Cottage	\$10.00	\$1.00	\$0.62	\$0.75	\$0.69
1 - Specialty	\$10.00	\$1.50	\$0.93	\$0.75	\$0.69
2 - Small	\$10.00	\$2.00	\$1.24	\$0.75	\$0.69
3 - Medium	\$10.00	\$2.00	\$1.24	\$0.75	\$0.69
<b>Mixed-Light Cultivation</b>					
1C - Specialty Cottage	\$22.00	\$2.25	\$1.39	\$3.00	\$2.51
1 - Specialty	\$22.00	\$4.50	\$2.78	\$3.00	\$2.51
2 - Small	\$22.00	\$6.50	\$4.02	\$3.00	\$2.51
3 - Medium	\$22.00	\$6.50	\$4.02	\$3.00	\$2.51
<b>Indoor Cultivation</b>					
1C - Specialty Cottage	\$38.00	\$3.75	\$2.32	\$12.50	\$7.58
1 - Specialty	\$38.00	\$7.50	\$4.64	\$12.50	\$7.58
2 - Small	\$38.00	\$11.25	\$6.96	\$12.50	\$7.58
3 - Medium	\$38.00	\$11.25	\$6.96	\$12.50	\$7.58

## Rate Comparison

In Figure 2, below, we have provided a sample of cannabis cultivation tax rates from a number of comparable counties and cities around California. We have selected only cities and counties that have a reasonable number of cultivation licenses issued by the state of California to demonstrate rates that have not been considered prohibitive by the industry. The table shows the maximum rates allowed under each city or county ordinance, the previous rates as reported in our 2024 report, and any changes since then.

Other than Sonoma County, the only other jurisdiction in this sample set to have changed its rates since our previous report is Humboldt County. Humboldt County had suspended its cultivation tax in full for tax years 2023 and 2024, but has since reinstated them at just 10% of their original rates (\$0.10/sf for outdoor, \$0.20/sf for mixed-light and \$0.30/sf for indoor, instead of the original rates of \$1, \$2 or \$3 per square foot, respectively). All other counties and cities listed below have maintained their rates as of yet.

**Figure 2:**

Selected Cannabis Cultivation Tax Rates									
City or County	Maximum Rate			Previous Rates			Current Rates		
	Outdoor	Mixed Light	Indoor	Outdoor	Mixed Light	Indoor	Outdoor	Mixed Light	Indoor
Humboldt County	\$1.00/sf	\$2.00/sf	\$3.00/sf	\$0.00/sf	\$0.00/sf	\$0.00/sf	\$0.10/sf	\$0.20/sf	\$0.30/sf
Monterey County	\$25/sf	\$25/sf	\$25/sf	\$0.71/sf	\$1.46sf	\$2.13/sf	\$0.71/sf	\$1.46sf	\$2.13/sf
Mendocino County	2.50%	2.50%	2.50%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Ventura County	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
City of Sacramento	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
City of Lompoc	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Santa Barbara County	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Yolo County	15.00%	15.00%	15.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Sonoma County	\$10.00/sf	\$22.00/sf	\$38.00/sf	\$0.75/sf	\$3.00/sf	\$12.50/sf	\$0.69/sf	\$2.51/sf	\$7.58/sf

s/f = tax rate per square foot  
% = tax rate as a percentage of gross receipts

## Cultivator Questionnaire

For our analysis, HdL provided a questionnaire which was distributed to the County's cultivators. The questionnaire was identical to the version used for our 2024 analysis and requested all of the following information:

- The total square footage of their operations
- Cultivation type (indoor, outdoor, mixed-light)
- The highest, lowest and average prices received for flower (both large bud and small bud), leaf or trim, and fresh whole plant
- The volume of product sold for each of the above categories

A copy of the questionnaire is included within the appendix of this report.

Figure 3, on the next page, compares the participants from our current analysis with those from both our 2023 analysis and our 2024 analysis. In all cases, the number of participants represents a very small sample set compared with the total number of cannabis cultivation businesses in Sonoma County. Our 2023 analysis was based on just 7 participating cultivators, 3 of which cultivate indoors and 4 of which cultivate outdoors. No mixed-light cultivators participated in our

2023 analysis. Our 2024 analysis was based on a sample set of 13 cultivators, including 5 indoor, 7 outdoor and 1 mixed light. Our 2025 analysis similarly included 13 cultivators, including 2 indoor, 10 outdoor and 1 mixed light. Unfortunately, the only mixed-light grower did not include any pricing information, making their input unusable.

**Figure 3:**

Participants by Cultivation Type and Size									
	2023			2024			2025		
Cultivation Type	#	%	Avg. SF	#	%	Avg. SF	#	%	Avg. SF
Indoor	3	43%	12,673	5	38%	1,964	2	17%	1,425
Outdoor	4	57%	23,620	7	54%	16,411	10	83%	28,300
Mixed Light	0	0%	-	1	8%	15,500	0	0%	-

The average size of the participating indoor cultivators for 2025 was slightly smaller than those who participated in our 2024 analysis, while the average size for outdoor growers was significantly larger. The average size for participating indoor cultivators for our 2024 analysis was 1,964 square feet, while the average for 2025 was 1,425. The average size for outdoor cultivators was 16,411 square feet, but increased to 28,300 square feet for 2025.

We note that all three years represent a very small sample set of only around 20% of the County's 50 or so licensed growers. These figures are only indicative of those businesses which self-selected to participate in this analysis by filling out our questionnaire. It should be assumed that those growers who self-select to participate have likely chosen to do so because of the incentive to encourage the County to adjust its rates. As with our previous reports, we have attached the narrative comments provided by the participants in the Appendix, most of which speak to increased operating costs, lower prices, and greater uncertainty about the future.

HdL compiled the high price, low price and average price data reported by the respondents to the questionnaire for each of the product categories (large bud, small bud, leaf/trim and fresh whole plant) and according to the type of cultivation (indoor, outdoor or mixed-light). This data was compared with the similar data from our 2023 and 2024 analyses and is shown in Figure 4, on the next page.

Our 2024 analysis used a modified methodology from our initial report in 2023. This methodology provides weighting to accurately reflect the range of market prices received for a variety of cannabis flower products, including premium large bud, small bud "popcorn" and leaf or trim. Generally, the larger bud flower is able to earn a higher price. Our methodology requests separate pricing information for each of these products and weights it by the volume of each type of product sold. Our 2024 analysis suggested an inclination for growers to overestimate their average prices by emphasizing the top dollar received for large bud. Weighting these different products by volume shows that the true average price for each cultivation type is somewhat lower, which affects the equivalent gross receipts that can be generated per square foot.

**Figure 4:**

Change in Prices Received Among Survey Participants; 2023 to 2025													
		Indoor Average				Mixed-Light Average				Outdoor Average			
	Category	2023	2024	2025	Change % YOY	2023	2024	2025	Change % YOY	2023	2024	2025	Change % YOY
1	Flower, Large, High Price	\$1,954	\$1,360	\$750	-44.85%		\$900		N/A	\$400	\$637	\$306	-52.04%
2	Flower, Large, Low Price	\$745	\$470	\$213	-54.79%		\$350		N/A	\$143	\$369	\$178	-51.77%
3	Flower, Large, Avg. Price	\$1,230	\$942	\$556	-40.93%		\$600		N/A	\$308	\$462	\$248	-46.39%
4	Flower, Smalls, High Price		\$520	\$188	-63.94%		\$250		N/A		\$206	\$136	-34.20%
5	Flower, Smalls, Low Price		\$180	\$108	-40.28%		\$100		N/A		\$144	\$89	-37.89%
6	Flower, Smalls, Avg. Price		\$370	\$139	-62.39%		\$150		N/A		\$163	\$111	-31.87%
7	Leaf/Trim High Price	\$40	\$21	\$13	-40.48%		\$35		N/A	\$82	\$17	\$16	-9.13%
8	Leaf/Trim Low Price	\$10	\$5	\$10	100.00%		\$5		N/A	\$29	\$9	\$7	-15.72%
9	Leaf/Trim Avg. Price	\$25	\$11	\$11	-3.51%		\$20		N/A	\$39	\$14	\$10	-26.06%
10	Fresh Whole Plant High Price	\$333			N/A				N/A	\$134		\$84	-37.22%
11	Fresh Whole Plant Low Price	\$288			N/A				N/A	\$49		\$67	36.69%
12	Fresh Whole Plant Avg. Price	\$310			N/A				N/A	\$102		\$76	-25.64%

As can be seen in Figure 4, reported prices for every type of cannabis flower product have decreased since our previous analysis, with the single exception of the lowest reported price for indoor leaf or trim, which increased from \$5 a pound up to \$10 a pound. All other prices decreased, with most prices decreasing by 30% or more. The greatest decrease was for small-bud indoor flower, which decreased by 64%. As noted previously, we did not receive any data for mixed-light cultivation so we are unable to report any increase or decrease. We anticipate that prices for mixed-light cannabis have likely also decreased by a similarly significant percentage, but we have no data specific to Sonoma’s growers to inform this analysis.

Data from the Department of Cannabis Cultivation (DCC) shows that average wholesale prices have declined statewide by greater than 50% since calendar year 2021. However, most of this decline occurred between 2021 and 2022<sup>1</sup>, when prices fell by an average of 44%. From 2022 to 2024, statewide average prices fell by a more modest 16%, for a total decline of 52% from 2021 to 2024. By contrast, data from our survey shows a far greater decline this past year than the year before.

We do not have any data to inform us as to why prices for local growers would have fallen later and by more than average prices statewide. However, we note again here that the data used in this study was provided by those growers who self-selected to participate. It is conceivable that the participating growers may be those who are struggling the most, and so the pricing data they have reported may or may not be indicative of all licensed cannabis growers in the County. It is also conceivable that the smaller size and more remote location of cannabis growers on the North Coast may result in some lag time from statewide market impacts, with larger growers responding more proactively and aggressively to changes. However, this is purely speculative.

<sup>1</sup> To clarify, each of our reports is based on data from the preceding calendar year (e.g.; our 2025 report is based on data from calendar year 2024). Thus, statewide data reported by the DCC for calendar year 2021 would align with the same time period as our 2022 report to the County.

Regardless of the reason for the differences in average price declines statewide and declines reported by participants, we do not anticipate prices increasing in the near future. The same market forces we described in our 2024 report will continue to push prices lower, with some of the largest greenhouse growers continuing to push prices lower in an attempt to increase their market share.

Figure 5, below, shows the cumulative percentage change in prices from our 2023 report to our 2025 report. As can be seen, prices have declined in every category other than the low price for large outdoor flower, which increased by nearly 25%, and the low price for outdoor fresh whole plant, which increased by over 36%. We note that both of these represent the lowest reported prices, meaning that the bottom end of the price range for each of these product categories has come up while the upper end of the price range has come down. The net effect is that the price range appears to have narrowed for both of these product categories. The low price for indoor leaf or trim has rebounded to the same price as 2023. Other than these, prices for all other product categories and cultivation methods have decreased dramatically, from around 20% to over 80%.

**Figure 5:**

Percentage Change in Prices; 2023 to 2025				
	Category	Indoor	Mixed-Light	Outdoor
1	Flower, Large, High Price	-61.61%	N/A	-23.61%
2	Flower, Large, Low Price	-71.48%	N/A	+24.76%
3	Flower, Large, Avg. Price	-54.76%	N/A	-19.42%
4	Flower, Smalls, High Price	-63.94%	N/A	-34.20%
5	Flower, Smalls, Low Price	-40.28%	N/A	-37.89%
6	Flower, Smalls, Avg. Price	-62.39%	N/A	-31.87%
7	Leaf/Trim High Price	-68.75%	N/A	-80.87%
8	Leaf/Trim Low Price	0.00%	N/A	-74.03%
9	Leaf/Trim Avg. Price	-56.00%	N/A	-74.22%
10	Fresh Whole Plant High Price	N/A	N/A	-37.22%
11	Fresh Whole Plant Low Price	N/A	N/A	+36.69%
12	Fresh Whole Plant Avg. Price	N/A	N/A	-25.64%

Determining the overall average price for each cultivation type must reflect the full range of prices for all saleable product and the relative volume of product sold at each price point. Determining the tax rate based only on the highest price received would give a falsely-inflated estimate of the gross receipts for these growers, leading to higher square-footage tax rates.

To appropriately account for the range of prices received for large bud, small bud and leaf/trim, we have adjusted each of these based upon the percentage of the overall product yield represented by each subcategory. The average price per-pound for each subcategory is multiplied by the volume produced, in pounds. The total value of all subcategories is added together and then divided by the total volume in pounds to produce the volume-weighted average price. This methodology was developed partly in response to input from respondents to our 2023 questionnaire, as well as to information gathered from cultivators elsewhere in California.

Figure 6, below, shows the weighted average price for all saleable cannabis by cultivation type. The weighted average price for all outdoor cannabis products has declined by over 48% this year, from \$277/lb down to \$143/lb. The weighted average price for all indoor cannabis products has declined even more precipitously, from \$606/lb down to \$240/lb, a decrease of over 60%.

**Figure 6:**

Weighted Averages			
	2024	2025	% Decline
Outdoor	\$277 /lb	\$143 /lb	48.25%
Mixed-Light	\$335 /lb	\$153 /lb	54.36%
Indoor	\$606 /lb	\$240 /lb	60.47%
2025 price shown for mixed-light derived using the average percent decline of the prices for outdoor and indoor			

Due to the lack of pricing data from participating mixed-light cultivators, this table calculates an estimated current average price per pound for mixed-light cannabis by finding the midpoint in the percentage of price decline for outdoor and indoor cannabis (54.36%). Applying this percentage to the previous weighted average price of \$335/lb brings the current price down to \$153/lb. This figure assumes that price for mixed light cannabis tracks somewhat logically with the other cultivation types, which seems reasonable, but it must be noted that this is purely speculative as we have no data from participating growers to corroborate this assumption.

## Tax Rate Scenarios

Using these weighted averages based on the actual reported pricing and volume from participating cultivators within the County, we can construct the applicable square footage tax rates to approximate a range of equivalent gross receipts rates: a tax of X dollars per square foot will produce a set tax liability based on the total square footage being taxed, regardless of the value of the product or the total gross receipts being generated from that square footage. As the gross receipts go down, the amount paid represents a greater portion of those receipts, so the equivalent rate as a percentage of gross receipts goes up. The grower must pay the same amount of tax from a smaller amount of earnings.

Using the same square-footage-to-gross-receipts conversion methodology from our previous analyses, we can estimate the equivalent percentage of gross receipts for a range of square footage tax rates. Figure 7, on the next page, shows the equivalent gross receipts rate if the County were to keep the square footage tax rates the same as for the previous year. These tax rates were set to approximate 2.5% of gross receipts based upon pricing data from our 2024 analysis.

Our original analysis conducted for the County in 2023 recommended that the County’s square footage tax rates should be set to be equivalent to a range of from 1.00% of gross receipts to 2.50%. As can be seen, the equivalent gross receipts rates have increased greatly, from the previous 2.5% to as high as 6.32% for indoor cultivation, 5.47% for mixed light (using the assumed percentage from Figure 6), and 4.83% for outdoor cultivation.

**Figure 8:**

Gross Receipts Equivalents at Current Square Footage Rates								
	A	B	C	D	E	F	G	H
Cultivation Type	Harvest Cycles /Year	Sample Area (sq ft)	Yield @ 1 lb/10 sf /cycle	Price per pound	Gross Receipts	Tax Rate per SF	Total Annual Tax Paid	Tax Rate % Gross Receipts
Indoors	5	10,000	5,000	\$240	\$1,200,000	\$7.58	\$75,800	6.32%
Mixed Light	3	10,000	3,000	\$153	\$459,000	\$2.51	\$25,100	5.47%
Outdoors	1	10,000	1,000	\$143	\$143,000	\$0.69	\$6,900	4.83%

Figures 8, 9 and 10 (below and on the next page) provide 3 sets of square footage rates to approximate the desired range of equivalent gross receipts rates of 1.00%, 1.25% and 2.50%. The County’s current rates are \$0.69/sf for outdoor, \$2.51/sf for mixed-light and \$7.58/sf for indoor cultivation. To approximate an equivalent gross receipts rate of 2.50%, the County would need to adjust these square footage rates downward significantly to \$3.00/sf for indoor cultivation, \$1.53/sf for mixed-light, and \$0.36/sf for outdoor cultivation.

As noted earlier, the rate for mixed-light cultivation shown here is based on an assumed average market price of \$153 per pound, as discussed previously and shown in Figure 6. While this price is based on reasonable assumptions, we again note that we did not have actual data because none of the participating cultivators provided pricing and volume information for mixed-light. As an alternative, the County could choose to leave this price unchanged and instead rely upon last year’s analysis as the most current data available. However, we do not believe that average prices for mixed-light cannabis have gone unchanged. Assuming the County wishes to adjust the tax rates for mixed-light cultivation to be in line with the rates for indoor and outdoor, then the County may wish to consider the three tax rate scenarios provided below.

**Figure 8:**

Square Footage Equivalents for 1.00% Gross Receipts Rate								
	A	B	C	D	E	F	G	H
Cultivation Type	Harvest Cycles /Year	Sample Area (sq ft)	Yield @ 1 lb/10 sf /cycle	Price per pound	Gross Receipts	Tax Rate % Gross Receipts	Total Annual Tax Paid	Tax Rate per SF
Indoors	5	10,000	5,000	\$240	\$1,200,000	1.00%	\$12,000	\$1.20
Mixed Light	3	10,000	3,000	\$153	\$459,000	1.00%	\$4,590	\$0.46
Outdoors	1	10,000	1,000	\$143	\$143,000	1.00%	\$1,430	\$0.14

Figure 9:

Square Footage Equivalents for 1.25% Gross Receipts Rate								
	A	B	C	D	E	F	G	H
Cultivation Type	Harvest Cycles /Year	Sample Area (sq ft)	Yield @ 1 lb/10 sf /cycle	Price per pound	Gross Receipts	Tax Rate % Gross Receipts	Total Annual Tax Paid	Tax Rate per SF
Indoors	5	10,000	5,000	\$240	\$1,200,000	1.25%	\$15,000	\$1.50
Mixed Light	3	10,000	3,000	\$153	\$459,000	1.25%	\$5,738	\$0.57
Outdoors	1	10,000	1,000	\$143	\$143,000	1.25%	\$1,788	\$0.18

Figure 10:

Square Footage Equivalents for 2.50% Gross Receipts Rate								
	A	B	C	D	E	F	G	H
Cultivation Type	Harvest Cycles /Year	Sample Area (sq ft)	Yield @ 1 lb/10 sf /cycle	Price per pound	Gross Receipts	Tax Rate % Gross Receipts	Total Annual Tax Paid	Tax Rate per SF
Indoors	5	10,000	5,000	\$240	\$1,200,000	2.50%	\$30,000	\$3.00
Mixed Light	3	10,000	3,000	\$153	\$459,000	2.50%	\$11,475	\$1.15
Outdoors	1	10,000	1,000	\$143	\$143,000	2.50%	\$3,575	\$0.36

## Appendix:

### Cultivator Questionnaire

#### Sonoma County Cannabis Cultivation Questionnaire

The County of Sonoma is requesting your participation in this questionnaire to help inform possible revisions to the County's cannabis cultivation tax to ensure the rates are reasonable, equitable and competitive with common rates within the Northern California region and around the state. Your participation is voluntary but is greatly appreciated. All information will be aggregated and anonymized to ensure confidentiality for your business.

#### General Business Information

Business Name	<input type="text"/>		
Contact Name	<input type="text"/>		
Contact Phone Number	<input type="text"/>		
Total Licensed Square Footage	<input type="text"/>		
Cultivation Type	<b>Outdoor</b>	<b>Mixed-Light</b>	<b>Outdoor</b>
Total square footage of flowering canopy per type	<input type="text"/>	<input type="text"/>	<input type="text"/>

#### Pricing Information

Please provide the highest, lowest and average wholesale price per pound received during calendar year 2024 for each of the categories listed below.

	<b>High</b>	<b>Low</b>	<b>Average</b>
Flower (large bud)	<input type="text"/>	<input type="text"/>	<input type="text"/>
Flower (smalls or popcorn)	<input type="text"/>	<input type="text"/>	<input type="text"/>
Leaf or trim	<input type="text"/>	<input type="text"/>	<input type="text"/>
Fresh whole plant	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Volume Information**

Please provide the volume of product sold (in pounds) during calendar year 2024 for each of the categories below.

Flower (large bud)	<input type="text"/>
Flower (smalls or popcorn)	<input type="text"/>
Leaf or trim	<input type="text"/>
Fresh whole plant	<input type="text"/>

**Additional Comments**

We greatly appreciate any additional comments you can provide to help us understand your business, current industry trends, market conditions or any other information you believe may be relevant for our analysis.

## Narrative Comments from Questionnaire Participants

Market conditions. are still tough. Fixed costs (licenses/permits/dry facility access, inputs, etc) have gone up tremendously, yet the price of cannabis is still quite low. Cannabis taxes should be eliminated in order to keep the cannabis farmers that we have here in Sonoma.

Unfortunately market 2024 conditions continued to fall to lowest wholesale prices we have seen yet. Talking to many other operators and farms all agree the current wholesale pricing and tax pressure both local and State are unsustainable. Many plan to turn the lights off and close doors.

All agree Cultivation tax in Sonoma County should be completely eliminated to allow for industry recovery and sustainability.

Stating unfair tax effect compared to other agricultural farming industries here in Sonoma County.

"The market has been particularly rough going into EOY 2024. The numbers that we are sharing are the top of the market and most parties are going to be 25% lower than our numbers - we have focused so much effort on building a brand and that has been the saving grace for our business. Further, the AR is super extended for most parties, we have been lucky to more often than not get paid but many are not in that position. In 2022, we saw over \$90k in unpaid AR, in 2023, we saw \$40k in unpaid AR, and it looks like we'll be paid for all sales in 2024, though several payments are beyond 180 days of aging. The cultivators are serving as the banks for a lot of parties within the supply chain.

Relative to what Sonoma can do: open up more canopy to the existing licensed parties in the county, build a path towards canna-tourism, continue the local ordinance alignment with state standards in order to smooth the process of submitting an annual license with the state, and support local retailers namely those seeking to open in new and unsaturated regions."

I am writing to you not only as a small business owner but as a proud military veteran and lifelong supporter of our local community. Over the past 5 years, I have worked tirelessly to build a compliant, licensed cannabis business in Sonoma County. However, the barriers we've encountered have been insurmountable, driven by inequitable policies, excessive taxation, and an apparent lack of accountability within the County's cannabis enforcement framework.

Our story is not unique, yet it underscores a critical issue: Sonoma County's cannabis policies are suffocating the very small businesses the County initially invited into the legal market.

### The Challenges We've Faced

#### 1. Exorbitant Licensing and Regulatory Fees:

Despite operating within compliance, we've been subject to recurring fees for licensing, planning, and permits, even when no actual services or oversight were provided. These costs

seem to perpetuate an administrative cycle of delays, with changes at the County level often leaving us back at square one.

## 2. Unjust Taxation Policies:

As a legal cannabis business, we've paid taxes on stolen products—even with a police report substantiating the theft. This is unheard of in other industries and highlights a glaring flaw in the County's tax structure.

## 3. Fines Despite Evidence of Compliance:

We were assessed a fine for an alleged violation that we later proved we did not commit. Despite this, the County upheld the fine, further depleting our resources and eroding trust in the system.

## 4. Lack of Support from Leadership:

We have repeatedly sought help from County Supervisors, only to have our concerns dismissed or ignored. The silence from our elected officials has been deafening, leaving small businesses like ours to navigate these challenges alone.

## The Broader Impact

Sonoma County's approach to cannabis taxation and enforcement is driving compliant businesses out of operation, pushing more activity into the illicit market the legal industry was designed to eliminate. Rather than fostering growth, the County's policies have created an unsustainable environment where operators cannot compete or survive.

This is not just our struggle—it's a systemic issue affecting many other cannabis businesses in Sonoma County. The result is lost jobs, reduced economic activity, and diminished tax revenue, all while the illicit market thrives.

## What Needs to Change

We urge the County to reconsider its approach to the cannabis industry and take the following steps:

### 1. Reform the Tax Structure:

Taxes should be assessed based on net revenue, not canopy size, and certainly not on stolen inventory. This would provide relief to struggling businesses and encourage compliance. County should have a pay to play mentality the better we do the County benefits but if we do poorly then County does the same

### 2. Streamline Licensing and Regulatory Processes:

Eliminate redundant fees and ensure accountability within the County's cannabis departments. Operators should not bear the cost of inefficiency or employee turnover.

### 3. Engage with Operators:

Open a dialogue with local cannabis businesses to understand their challenges and identify practical solutions. Transparency and collaboration are key to creating a thriving industry.

## A Call for Action

Supervisors, we entered this industry with the hope of building a legal, sustainable business that contributes to the community and supports Sonoma County's goals. Instead, we find ourselves fighting an uphill battle against a system that seems designed to fail us.

We need your leadership now more than ever. I urge you to address these inequities and advocate for policies that support—not hinder—the businesses working to operate legally and responsibly in Sonoma County.

Thank you for your time and consideration. I welcome the opportunity to discuss these matters further and provide additional insight into our experience.

As a small farmer these rates are unequitable and don't account for all situations. Please consider moving to a gross receipts tax as is the case with the current manufacturing tax. Due to crop loss and delays with remodeling, the tax was closer to 8.5% of gross receipts than the 2.5% tax rate that it is intended to be close to. Further adding to costs, if I am lower than my exact permitted canopy I also have to pay the county quarterly to come out and measure to verify.

Its a constant struggle to stay afloat and pay all the bills. Also getting people to pay on time if ever is another battle. This location is tricky because it's small and we have to compete against the big guys with most of the fees being the same.