

Despite low demand, medical marijuana companies in Illinois are growing

August 17 2018, by Ally Marotti, Chicago Tribune

In a well-lit room in a nondescript building in Joliet, Ill., racks of marijuana plants are stacked, row after row.

The plants are young but pungent, and sway to the breeze of fans and the overhead humidifiers that regulate the room. Breaking through the hum is the noise of construction. Cresco Labs is expanding its Joliet cultivation facility, more than doubling the amount of cannabis it can grow and process.

The Chicago-based company is preparing for growth of the state's pot industry, and it is not alone.

Despite years of lower-than-expected demand in Illinois' [medical cannabis](#) pilot program, growers around the state are expanding. They're expecting more Illinois residents to gain access to the drug, be it through the continued approval of patient applications, a bill sitting on Gov. Bruce Rauner's desk that would give people who qualify for prescription opioids access to medical cannabis, or the election of a more weed-friendly governor.

Some are hedging, keeping their plans on paper until the future takes better shape. Others are all in, buying more acreage, constructing new buildings and adding workers.

"It's a time where you don't want to be behind," said Ross Morreale, co-founder of Ataraxia, an Illinois-based medical cannabis company that is

outfitting more of its 53,000-square-foot cultivation facility in downstate Albion to grow more plants. "We want to be as much ahead of it as we can, because you don't know when it's going to happen."

In Illinois, residents must have their doctors certify that they have at least one of 41 qualifying medical conditions, including AIDS and cancer, to be eligible for medical cannabis. Pain is not one of them.

The opioid bill sitting on Rauner's desk would allow medical marijuana to be used in place of prescription painkillers. If the bill becomes law, through Rauner's signature or with an override if he vetoes it, a boost in demand is certain. The state's prescription monitoring program tracked 1.5 million opioid prescriptions in the first quarter of 2017, according to Illinois Department of Public Health data. That equates to more than one opioid prescription for every 8.5 Illinois residents.

The bill also would eliminate requirements for patients who use marijuana to get fingerprints and criminal background checks. Those specifications have long drawn the ire of patients, growers and dispensaries, who say the rules have caused program applicants to wait months for bureaucratic approval, or be denied access to the drug based on decades-old criminal convictions.

"Getting rid of that for all types of patients is huge," said Charlie Bachtell, CEO and co-founder of Cresco, which operates three cultivation facilities in the state.

He pointed to Pennsylvania as an example of the growth Illinois could experience if the bill becomes law. Pennsylvania, which has roughly the same population as Illinois, legalized medical marijuana in April 2016, and product became available in February. In that state, fingerprints and background checks are not required for patients, and severe, chronic pain is a qualifying condition. Pennsylvania has approved 52,000

patients.

In Illinois, where marijuana dispensaries started opening almost three years ago, more than 42,000 people are enrolled in the medical cannabis program.

Rauner has until Aug. 28 to act on the opioid bill. The governor's spokeswoman, Elizabeth Tomev, said in an email that "the legislature has sent about 600 bills to the Governor's desk. We're reviewing them and will comment at the appropriate time."

Uncertainties remain on how changes to the program would be implemented if the bill becomes law. Some companies are waiting for clarity.

Cresco, for example, has additional acreage available, but any expansion is still in the planning phase. The current construction at Cresco's facilities—in addition to Joliet, it's expanding within its Lincoln facility, too—is to keep up with demand from the program's current participants, and the ones who could be added in the coming months. The state added nearly 2,400 patients to the program last month.

"You want to be prepared," Bachtell said. "You've got to be thinking nine to 12 months out to make sure you've got capacity and product available."

Cresco Labs medical marijuana cultivation facility expansion

Boosting the space for plants also requires investment in processing. In Joliet, Cresco bought more equipment for industrial packaging and is building a kitchen four times larger than the space its kitchen and

packaging team work in now.

The need for that additional space is evident. On a recent afternoon, two employees wrapped fruit chew edibles piled high on industrial drying racks. The colorful candy operation occupied most of a small room, while racks of weed-infused chocolate bars cooled in a room nearby.

The number of Illinois workers in the industry is on the rise, too, both to support operations here and expansions into other states.

Cresco employs about 145 people in Illinois, up from fewer than 60 in January. It took over an additional floor at its headquarters building. Another Chicago-based cannabis company, Green Thumb Industries, or GTI, has increased its number of workers in the state by nearly 50 percent since January, and now employs more than 160 people.

The scaling of GTI's business in Illinois is fueled by \$67 million it raised through its listing on a Canadian stock exchange in June. The company raised an additional \$61.6 million in a financing deal that closed earlier this month.

GTI operates growing facilities in Rock Island and Oglesby, Ill. At the Rock Island facility, it is adding square footage to grow more plants, increasing its processing capabilities and investing in technology and automation.

"We're putting material dollars into Rock Island today ahead of what's coming in the program," said Ben Kovler, founder and chairman of GTI.

With the governor's election in November, operators see the potential to attract the general consumer, not just the patient—depending on the outcome. Rauner has said legalizing pot for recreational use would be a mistake. Democratic contender J.B. Pritzker, however, has said he would

work to legalize recreational marijuana in Illinois.

PharmaCann, which operates cultivation centers in Dwight and Hillcrest, has plans to expand here—as it has in other states—but is waiting to see what happens with the opioid bill, said Jeremy Unruh, its director of public and regulatory policy.

Regardless of that outcome, on the federal level marijuana remains illegal, a reality that has kept some of the more ambitious expansion plans in check.

Financing remains an issue as well. The main bank serving Illinois [medical marijuana](#) companies, Bank of Springfield, pulled out of the industry last spring, leaving operators with few options other than dealing in cash. The decision was tied to the reversal of an Obama-era policy that discouraged prosecution of those operating under state marijuana laws.

Still, some cannabis companies—and investors—are betting on the industry. GTI's debut on the Canadian Securities Exchange in Canada and a \$1 billion valuation showed investors how a nationally operational marijuana company could be valued.

"What has changed is that the capital markets are finally embracing the industry," said Mark de Souza, CEO of Revolution Enterprises, which owns cultivation centers in the downstate Illinois towns of Delavan and Barry.

Revolution's two huge facilities together were operating at only 28 percent capacity in January. Now, Revolution is preparing the Delavan facility to operate at full capacity, and expansion at Barry will follow. The company bought an additional 70 acres near Delavan, and has plans to vastly increase its growing capabilities. Construction on 20,000 square

feet of additional processing space is already in the works.

©2018 Chicago Tribune

Distributed by Tribune Content Agency, LLC.

Citation: Despite low demand, medical marijuana companies in Illinois are growing (2018, August 17) retrieved 7 May 2024 from <https://medicalxpress.com/news/2018-08-demand-medical-marijuana-companies-illinois.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.