

California sprouts marijuana 'green rush'

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In this May 20, 2009 photo, Tom Romero packs one-eighth-ounce bags of medical marijuana at The Green Door dispensary in San Francisco. Since California became the first state to legalize the drug for medicinal use, the weed that the federal government puts in the same category as heroin and cocaine has become a major economic force. (AP Photo/Jeff Chiu)

(AP) -- A drug deal plays out, California-style: A conservatively dressed courier drives a company-leased Smart Car to an apartment on a weekday afternoon. Erick Alvaro hands over a white paper bag to his 58-year-old customer, who inspects the bag to ensure that everything he ordered over the phone is there.

An eighth-ounce of organic [marijuana](#) buds for treating his seasonal allergies? Check. An eighth of a different pot strain for insomnia? Check. THC-infused lozenges and tea bags? Check and check, with a free herb-laced cookie thrown in as a thank-you gift.

It's a \$102 credit card transaction carried out with the practiced efficiency of a home-delivered pizza - and with just about as much legal scrutiny.

More and more, having premium pot delivered to

your door in California is not a crime. It is a legitimate business.

Marijuana has transformed California. Since the state became the first to legalize the drug for medicinal use, the weed the federal government puts in the same category as heroin and cocaine has become a major economic force.

No longer relegated to the underground, pot in California these days props up local economies, mints millionaires and feeds a thriving industry of startups designed to grow, market and distribute the drug.

Based on the quantity of marijuana authorities seized last year, the crop was worth an estimated \$17 billion or more, dwarfing any other sector of the state's agricultural economy.

Experts say most of that marijuana is still sold as a recreational drug on the black market. But more recently the plant has put down deep financial roots in highly visible, taxpaying businesses:

Stores that sell high-tech marijuana growing equipment. Pot clubs that pay rent and hire workers. Marijuana themed magazines and food products. Chains of for-profit clinics with doctors who specialize in medical marijuana recommendations.

The plant's prominence does not come without costs, say some critics. Marijuana plantations in remote forests cause severe environmental damage. Indoor grow houses in some towns put rentals beyond the reach of students and young families. Rural counties with declining economies cannot attract new businesses because the available work force is caught up in the pot industry. Authorities link the drug to violent crime in otherwise quiet small towns.

"For those of us who are on the front lines. It's not about pot is bad in itself or drugs are bad," said Meredith Lintott, district attorney in Mendocino

County, one of the country's top marijuana-producing regions.

"It's about the negative consequences on children. It's about the negative consequences on the environment."

Still, the sheer scale of the overall pot economy has some lawmakers pushing for broader legalization as a way to shore up the finances of a state that has teetered on the edge of bankruptcy. The state's top tax collector estimates that taxing pot like liquor could bring in more than \$1.3 billion annually.

On Tuesday, Oakland will consider a measure to tax the city's four marijuana dispensaries, which the controller projects will ring up \$17.5 million in sales in 2010. The city faces an \$83 million budget shortfall, and expects the marijuana tax to raise \$300,000.

Advocates point out that making pot legal would create millions if not billions of dollars more in indirect sales - the ingredients used to make edible pot products, advertising, tourism and smoking paraphernalia.

With a recent poll showing more than half of Californians supporting legalization, pot advocates believe they will prevail. And they say other states will follow.

Tim Blake is the proprietor of a 145-acre spiritual retreat center which holds an annual marijuana bud-growing contest in the heart of Northern California's pot-growing country.

Politicians, he says, are "going to see the economic benefits, they're going to see the health benefits and they're going to jump on the bandwagon."

On a property flanked by vineyards, Mendocino County farmer Jim Hill grows marijuana for up to 20 patients, including himself and his wife. He believes passionately in marijuana's purported ability to treat the symptoms of diseases ranging from cancer to Alzheimer's; he says his wife suffers from a serotonin imbalance, and he uses the drug to treat

digestive problems and intestinal cramping.

Hill's plants enjoy careful nurturing in a temperature-controlled greenhouse. On a recent spring day, his college-age son spread bat guano to fertilize two dozen 6-foot-tall plants.

Hill is 45 years old; he says he spent \$10,000 to set up the garden. Patients receive their drugs free in exchange for helping with his crop.

"It's kind of like living on an apple orchard," Hill said. "You don't pay for an apple."

Though marijuana is cultivated throughout California, the most prized crops come from the forested mountains and hidden valleys of Mendocino, Humboldt and Trinity counties - the Emerald Triangle.

The economic impact of so much pot is difficult to gauge. Authorities say the largest grows are run by Mexican drug cartels that simply funnel money from forest-raised crops back into their own bank accounts.

Still, marijuana money from outdoor and indoor plots inevitably flows into local coffers. Marijuana increases residents' retail buying power by about \$58 million countywide, according to a Mendocino County report. The county ranks 48th out of 58 counties in median income but, by counting pot proceeds, could jump as high as 18th.

Businesses benefit from mom-and-pop growers who cultivate pot to supplement their incomes and from marijuana plantation workers who descend on the Emerald Triangle from all over the country for the fall harvest. Pot "trimmers" can earn more than \$40 per hour.

In Ukiah, the county's largest city, business owners say the extra cash is crucial. "I really don't think we would exist without it," says Nicole Martensen, 37, whose wine and garden shop is stocked with bottles from county vintners.

The skunk-like smell of marijuana hangs over the town of about 11,000 during the October harvest, when cash registers brim with \$100 bills.

Sometimes the wads of cash spent in Martensen's shop come dusted with pot.

But Ukiah banker Marty Lombardi says existing businesses cannot compete with pot industry wages for workers. Lombardi's bank does not make loans to anyone suspected of trying to fund a pot operation, but he said most growers do not need them.

"I don't think you or I have any sense for how much money is generated," he said.

Mendocino County Sheriff Tom Allman says medical marijuana operations that follow state and county laws will face no hassles from his department. His deputies left intact 154 marijuana grows they visited last year, he said

"If you're living in the boundaries, I'm not going to mess with you," Allman said.

Which is not to say that there is no legal risk to growing, selling or buying marijuana. Federal laws still apply, and pot dealings not deemed medicinal are considered criminal by the state.

Local, state and federal authorities pulled up 364,000 plants across Mendocino last year. And the state Department of Justice reported more than 16,000 felony arrests and nearly 58,000 misdemeanor arrests for marijuana offenses in 2007 - the highest numbers in a decade.

Sparky Rose sits in the federal prison in Lompoc, serving a 37-month term. Law enforcement officials insist he is one of many sellers who have used the medical marijuana law as a guise for old-time drug dealing. Rose does not disagree, although he would like to think he helped some legitimate pot patients in the process.

A one-time Web designer, he started out in 2001 making \$15 an hour as a "bud tender" working the counter at an Oakland club. Four years later, he was overseeing a dispensary chain with stores in seven cities, 283 employees and sales reaching \$5 million a month.

That's not as much as it seems, he says. Much of

the money went to pay salaries, to purchase equipment and to buy 200 pounds of marijuana each week.

Rose says he was making \$500,000 a year before his 2006 arrest, a sum he considers fair given the chain's volume and the risk he assumed as the company's public face. Before opening a new location, he would meet with local officials and police to get their implicit OK.

"We operated out in the open, and the feds knew who we were and they let us do it for four years, so as time goes on you get this comfortable feeling," he says.

"While I was still in the business, a lot people would ask me, 'I'm thinking about starting a club, what advice do you have?' "And I'd say, 'The biggest warning is sooner or later, you will start to think it's legal.'"

Even people accustomed to buying marijuana over the counter are impressed when they visit the Farmacy, a dispensary-cum-New Age apothecary with three locations in Los Angeles. Decorated in soft beige and staffed by workers in lab coats, the Venice store sells organic toiletries, essential oils and incense along with 25 types of pot stored in glass jars, including strains such as Beverly Bubba and Third Eye.

Anyone can shop there, but to buy the cannabis-infused gelato, olive oil, soft drinks and other "edibles," customers must show a doctor's recommendation, have the information verified by the doctor's office and obtain a patient identification number for future visits.

During a two-hour span, the dozen or so customers who made a purchase all bought pot products and paid the 9.25 percent state sales tax on top of their purchases. The clubs, which are not supposed to turn a profit, call their transactions "donations."

Allen Siegel is 74; he is dying of cancer and wants to try smoking marijuana to ease his pain without knocking him out like prescription drugs do. So his

wife Ina brought him to the Farmacy for his first visit as a legal pot patient.

"You go in there and they have so many choices," she says.

California's "green rush" was spurred by a voter-approved law 13 years ago that authorized patients with a doctor's recommendation to possess and cultivate marijuana for personal use. Although a dozen other states have adopted similar laws, California is the only one where privately owned pot shops have flourished.

Los Angeles County alone has at least 400 pot dispensaries and delivery services, nearly twice as many outlets as Amsterdam, the Netherlands capital whose coffee shops have for decades been synonymous with free-market marijuana.

Promoted as a way to shield people with AIDS, cancer and anorexia who use marijuana from prosecution, the 1996 Compassionate Use Act also permitted limited possession for "any other illness for which marijuana provides relief."

The broad language opened the door to doctors willing to recommend pot for nearly any ailment. In a survey of nearly 2,500 patients, longtime Berkeley medical marijuana advocate Dr. Tod Mikuriya found that more than three-quarters of the patients used the drug for pain relief or mental health issues.

Dispensaries began selling marijuana, although they were risking federal charges. Some operators have become less fearful since U.S. Attorney General Eric Holder said this year that the Justice Department would not target pot operations following state laws, reducing the risk of random federal raids that existed under the Bush administration.

California's pot dispensaries now have more in common with a corner grocery than a speakeasy. They advertise freely, offering discount coupons and daily specials.

Justin Hartfield, a 25-year-old Web designer and business student, founded WeedMaps.com, where

pot clubs and doctors who write medi-pot recommendations list their services and users post reviews. Hartfield says the site has brought in nearly \$250,000 in its first year.

Hartfield exhibited at THC Expo, a two-day trade show at the Los Angeles Convention Center that attracted an estimated 35,000 attendees in June. There was hydroponic gardening equipment and bong vendors and bikini-clad models wearing leis made of fake marijuana leaves.

Like just about everyone else connected to the cannabis trade, Hartfield has a letter from a doctor that entitles him to buy medical marijuana from a dispensary. But he sees no point in pretending he is treating anything more than his taste for smoking weed.

"It is a joke. It's a legal way for me to get what I used to get on the street," he said.

He recalls telling the doctor who provided the referral that he suffered from insomnia and anxiety, though neither was true. As he signed the paperwork, the doctor "congratulated me like I was getting my degree from Harvard."

What would happen if marijuana was legal - not just for medical uses, but for all uses?

Assemblyman Tom Ammiano, D-San Francisco, wants to tax and regulate all pot as it does alcohol. State Board of Equalization chairwoman Betty Yee, a supporter, projects the law would generate \$990 million annually through a \$50-per-ounce fee for retailers and \$349 million in sales taxes. (The state now collects \$18 million each year in taxes on [medical marijuana](#).)

The state would not start collecting taxes on marijuana under Ammiano's bill until the federal government lifts its restrictions on the drug.

That's not enough for pro-pot activists who want Californians to vote next year on a proposal that would allow adults to legally possess up to one ounce of pot and allow cities to sell and tax the

drug.

"Local governments are malnourished and in need of revenue badly," said Aaron Smith, state policy director for the Marijuana Policy Project, which advocates legalization. "There's this multibillion-dollar industry that's the elephant in the room that they're not able to tap into."

Lintott, the Mendocino prosecutor, is not convinced that legalization would put an end to the underworld's marijuana operations. She argues that big-time growers would never bother filing tax returns. "Legalizing it isn't going to touch the big money," she says.

But others predict the black-market business model would fall apart.

Large-scale agri-businesses in California's Central Valley would dominate legal marijuana production as they already do bulk wine grapes, advocates argue. Pot prices would fall dramatically, forcing growers to abandon costly clandestine operations that authorities say trash the land and steal scarce water.

And legalization, supporters insist, would save state and local governments billions on police, court and prison costs.

But others survey California in 2009 and say the cannabis future is now. Richard Lee has parlayed a pair of Oakland dispensaries into a mini-empire that includes a marijuana lifestyle magazine and a three-campus marijuana trade school. Oaksterdam University's main campus is a prominent fixture in revitalized downtown Oakland.

All without legalization.

"It's like here's reality, and here's the law," Lee says. "The culture has gone so far beyond the law, people have gotten used to being able to get quality product. They are not going to go back."

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