

Transitioning from Medical to Adult-Use

Metrc support of a successful implementation
in Maryland and Missouri

Introduction

Seamless market integration

As legal cannabis markets continue to mature, many states with existing medical programs have decided to expand into adult-use. During these transitions, both regulators and licensees face a variety of unique hurdles across the supply chain related to licensing, taxation, labeling, and supply and demand shifts, to name a few. Considering these challenges, the imperative for effective regulatory oversight and streamlined operational management becomes increasingly evident.

Metrc is the only track-and-trace provider to successfully navigate these transitions, providing a proven blueprint in the face of unprecedented industry transformation. Most recently, Metrc worked alongside state agencies in Maryland and Missouri to implement comprehensive and adaptable systems supporting the seamless integration of adult-use markets alongside existing medical frameworks while ensuring both compliance and operational efficiencies were maintained.

Challenges

Adapting to a new industry landscape

When a state transitions from medical to adult-use, stakeholders across the entire cannabis ecosystem must adapt. The regulatory requirements presented by this new market leave existing medical businesses who wish to enter the adult-use sector in a maze of new and differing rules, encompassing licensing, taxation, and product labeling. Discrepancies in program regulations demand a significant overhaul of operational procedures and legal adherence, posing a substantial challenge for companies aiming to adjust while staying compliant.

States face the decision of either maintaining consistency in licensing structures or opting for complete recreation. The implications of this choice reverberate across the industry, impacting the ability of existing and aspiring businesses alike. Further, long term licensing uncertainty in the face of potential regulatory shifts can cause stakeholders to forfeit time and capital, hamper law enforcement efforts, and bolster the illicit market.

Once an adult-use program launches, market forces, such as supply and demand shifts, present further operational challenges. For example, with the advent of adult-use consumers, the demand for cannabis products experiences a considerable upswing. This surge necessitates businesses to enact a rapid and efficient adjustment of their supply chains. Striking a balance between meeting the heightened demand and maintaining compliance with evolving regulations becomes a delicate act, often requiring licensees to make swift and strategic decisions to stay afloat.

The implementation of a new compliance system and its integration with standard operating procedures (SOPs) is an additional hurdle for operators. This learning curve introduces a period of adjustment, during which users must familiarize themselves with the intricacies of new systems and incorporate them into established protocols. The process demands time, resources, and a commitment to continued training.

Metrc supported the Maryland and Missouri markets in transitioning more than **500 licensees** that bolstered a collective **\$10M** in sales upon opening day.

Maryland adult-use

- License transitions: 190 (+38%)
- First day sales: \$4.5M
- First weekend sales: \$10.4M

Missouri adult-use

- License transitions: 402 (+110%)
- First day sales: \$5M+
- First weekend sales: \$12.6M

Paving the way for a successful transition

Adaptive regulatory technology solutions provided by Metrc help guide state agencies through obstacles for a seamless regulatory transition. Track-and-trace tools, which include advanced software and radio-frequency identification (RFID), allow regulators to expedite auditing processes and automate compliance efforts. As licensed operators face novel challenges, Metrc facilitates a configured platform for operators to understand and complete compliance requirements, all while streamlining inventory management and enhancing asset tracking.

As businesses increase production to meet heightened consumer demand, the repository of historical data in Metrc allows operators to increase supply capabilities without starting from scratch. This data-driven approach offers valuable insights, enabling informed decision-making and strategic scaling to align with new market forces.

During market transitions, complex questions require the expertise of educated and experienced staff to consult on licensing and rollout processes. Drawing on successful efforts in Maryland and Missouri, Metrc has demonstrated its capacity to support state agencies and businesses every step of the way.

How market expansion is supported

- Online resources (Metrc Learn, training manuals, user guides)
- Dedicated customer success teams
- In-person and virtual training sessions and events
- Post-transition workshops
- Regular bulletins to communicate the latest updates

Metrc's proactive and engaged strategies have resulted in the establishment of comprehensive and flexible systems, facilitating the smooth integration of adult-use markets. Multiple in-person regulator training sessions, ongoing communication and guidance, and on-demand training through Metrc Learn have ensured continuous support and education, an approach that prioritizes compliance, operational success, and consumer safety.

Results

A thriving adult-use market

Backed by Metrc solutions, the transition from medical to adult-use cannabis in Maryland and Missouri yielded positive outcomes. Missouri's proactive approach led to a strong inaugural month of adult-use sales, outperforming many state's first-month performances. Missouri saw an overall 400% increase in revenue between medical and adult-use within its first month. Regulators and Metrc personnel kept the industry informed throughout the transition, clearing the way for medical license conversions, and allowing operators to keep pace with spiking demand. The number of consumers doubled overnight, creating the opportunity for greater diversification of brands and products.

While expanding access to new consumers, the state's swift and strategic implementation also ensured existing patients did not see their access disrupted with the launch of adult-use sales. The successful rollout also helped generate significant tax revenue for state coffers and equitable programs, numbers that are expected to continue growing. Ultimately, a seamless adult-use launch bolsters public safety, strengthens the legal market, and promotes consumer confidence, maximizing social acceptance for a larger and more educated customer base.



"We did not want to give too much time for the illicit market to really mature and dominate the field. One reason why we made the conscious decision to allow those with medical licenses to transition ... is to get ahead of that, to make sure that our citizens who are choosing to consume are consuming a safe, regulated product."

Antonia Hayes
Maryland State Senator

Source



The success of initiating adult-use programs is vital for fostering sustainable economic growth within state regulated cannabis markets. Establishing transitions on a resilient and adaptable regulatory foundation ensures that governments can protect supply chains, instills market confidence in product safety, and provides licensed operators with an environment conducive to thriving.



Metrc is the most trusted and experienced provider of cannabis regulatory systems in the United States. Our solution combines advanced software, radio-frequency identification (RFID) technology, a dedicated customer-support team, and a secure database to track and trace cannabis from growth, harvest, and processing to testing, transport, and sale. Metrc serves more than 400,000 users, including growers, manufacturers, testing facilities, transport providers, dispensaries, state regulators, and law enforcement officials across 23 states, the District of Columbia and Guam. We are proud to play a leading role in ensuring the safety and security of the nation's legal cannabis market.

Visit metrc.com for more information.