

Some Oregon pot stores consolidating to weather weak market

ASTORIA (AP) — Signs for Mr. Nice Guy, an ode to the 1998 stoner comedy “Half Baked,” recently began popping up in Astoria, Oregon.

The Daily Astorian reports that the marijuana retailer has merged with a sister company, Hi Cascade, absorbing its location at the foot of the South Slope. Mr. Nice Guy will open another store next month on Bond Street downtown.

The new addition to Astoria’s growing number of marijuana stores is also part of a trend toward consolidation, as many shops try to weather a weak market, sometimes taking on outside investment capital.

Will Wiedenmann, an assistant director of operations with Mr. Nice Guy, said the two companies’ ownership felt they needed to make a universal brand behind Mr. Nice Guy. The company now has 16 locations in Oregon, including former Hi Cascades.

“Strength in numbers is a big thing,” Wiedenmann said.

Five Zero Trees, a Portland-based retailer that recently opened stores in Cannon Beach and Astoria, has six locations on the North Coast and around Portland. Sweet Relief has five locations on the North Coast and inland to Columbia County. Cannabis Nation, with a location in Seaside, has four stores around the state.

Marijuana stores have faced increasingly tight margins since overproduction after the drug was legalized in Oregon led to a sharp decline in prices. Having more places to sell allows retail chains to buy at a larger scale for a lower price, said Beau Whitney, a cannabis economist with New Frontier Data.

“That creates a pricing differential relative to the smaller mom and pops that don’t have the purchasing power,” he said. “To me, this is a natural evolution of the market. It’s starting to increase now lately.”

It seemed like Oregon was reaching saturation when it recorded nearly 600 dispensaries, Whitney said. But the state had focused on getting more licenses and offering lower entry fees to help take consumers away from the illicit market.

“In retrospect, when you think about it, having unlimited licenses in a closed environment ... at some point there was naturally going to be a consolidation in the marketplace,” Whitney said.

State regulators in June placed a moratorium on new licenses until they could work through the backlog of applicants seeking entry into the marijuana industry. That

backlog is exacerbated by companies changing ownership as they take on investors, Whitney said. The process was made easier by the state Legislature in 2016 rolling back requirements that more than half of a marijuana store be owned by an Oregon resident.

Now out-of-state investors can contribute as much as they want to Oregon cannabis businesses, bankrolling new franchises.

“Investors are coming in,” Whitney said. “They see an opportunity. They are seeing a certain level of distress in the market. That distress is allowing them to buy high-value properties at a discount. They see this as an arbitrage opportunity.”

Another reason for the rush of outside capital is that marijuana business owners can’t access traditional financing, such as loans, because of federal

prohibition, Whitney said.

The clearest example of outside investment locally is Hashstoria, a marijuana store in Uniontown. The business is registered to Charles Delvalle from Eugene and Cauty Ventures, an angel investment firm from Florida embracing nontraditional, emergent industries from cannabis to cryptocurrency. Hashstoria’s ownership was not immediately available for comment. On his Instagram profile, Cauty founder Jedd Cauty announced the company would be establishing a second location in Springfield.

Whitney sees smaller shops and growers being squeezed out of the cannabis market as prices continue to stagnate. “Those mom and pop shops that don’t have access to capital, they’re the ones that are going to be priced out of the market first,” he said.

April Smith and her family bought out the previous owners of The Pharmacy, a standalone marijuana store in Astoria, earlier this year. Previously a behavioral health and addiction treatment therapist in Washington state, Smith said she had seen how well cannabidiol, a non-psychoactive compound in cannabis with medical uses, had helped people escape addiction to hard drugs.

The Pharmacy includes a retail shop and a grow operation under a separate company in the basement. The vertical integration from seed to sale allows more tax write-offs under the section of the IRS tax code limiting cannabis producers to business deductions attributable to production activities.

“To be able to be successful, you have to have a way to optimize everything,” Smith said.

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