

# MARIJUANA MICROBUSINESSES

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## Class A Microbusiness Update



In its latest new regulatory proposal, the Michigan Marijuana Regulatory Agency (MRA) has established a new class of marijuana micro-business license known as the Class A Marijuana Microbusiness license. The current microbusiness license, as it is controlled by the MRTMA, was intended to help those transition from the caregiver market to grow, process and sell their own products. However, relying solely on your own crop can be a risky venture.

## **CURRENT MICROBUSINESS LICENSEE LIMITATIONS**

The existing Marijuana Microbusiness license limits the size of the microbusiness operation and restricts what licensees are able to do. This is despite the microbusiness license being intended to champion entrepreneurship and allow small businesses to compete with larger competitors, which received a majority of the capital funding that flooded into Michigan upon the legalization of cannabis business licensing.

The idea was that these small business would develop within and [CONNECT MORE](#)

([HTTPS://MARIJUANAMICROBUSINESSES.COM/WHY-YOU-NEED-INTEGRATED-COMMUNICATION-FOR-YOUR-MARIJUANA-](https://marijuanamicrobusinesses.com/why-you-need-integrated-communication-for-your-marijuana-microbusiness/)

[MICROBUSINESS/](https://marijuanamicrobusinesses.com/why-you-need-integrated-communication-for-your-marijuana-microbusiness/)) to their communities while offering unique strains and cannabis products to

consumers. This looks great on paper, but the microbusiness license that was authorized in

Michigan has been overly restrictive and prevented these small businesses from being

competitive in the cannabis industry.

## **150 PLANT CAP**

The initial microbusiness license did allow for small scale caregivers and cultivators to join the licensed cannabis business community; however, these microbusinesses were only able to operate at a plant volume of 150 plants. This may seem like a large number for a small business, but in fact, it is not, and taking into account [STARTUP GROW TIMES](#) ([HTTPS://SCOTTROBERTSLAW.COM/WHEN-IS-A-MARIJUANA-PLANT-A-PLANT-UNDER-MICHIGAN-LAW/](https://scottrobertslaw.com/when-is-a-marijuana-plant-a-plant-under-michigan-law/)), a 150 plant limit often results in microbusiness owners having empty shelves.

Michigan's cannabis industry is growing so rapidly, and shops are popping up so often that even a day of empty shelves in a microbusiness can dismantle the entire business plan and cost the business market share it didn't have to spare.

## **UNABLE TO PURCHASE FROM LICENSED MARIJUANA GROWERS**

To make matters worse for the microbusiness supply chain, the initial license did not allow

Michigan microbusinesses to purchase mature plants or clones from other licensed growers.

This is a common practice among non-microbusiness growers to skip over the startup grow time for plants and keep products stocked and sold.

Restricting microbusinesses from engaging in cross industry purchases with other licensed growers, combined with the low plant cultivation cap, again leads to empty shelves and potentially severe losses for the business.

## **OUTSIDE PROCESSOR PRODUCTS RESTRICTED**

To add to this compounding effect that causes marijuana microbusinesses in Michigan to be constantly concerned about their product stock levels, the initial microbusiness license did not allow the businesses to purchase products from other licensed processors.

The focus of this restriction seemed to be on making sure microbusiness operations stayed in-house and to allow the caregiver community to transition smoothly into the industry. However, having a safety net of being able to purchase certified products from licensed processors when stockpiles run short can be vital for these small businesses. The lack of supply is emphasized for regular microbusinesses because they are only able to accept a one-time transfer from caregivers if they were listed as an applicant during the application process.

## **CLASS A MARIJUANA MICROBUSINESSES**

In its latest proposal of new laws, the MRA has created a new license type called the "Class A Marijuana Microbusiness," which addresses many of [THE HURDLES FACED BY MICROBUSINESS OWNERS](#)

([HTTPS://MARIJUANAMICROBUSINESSES.COM/FIVE-HURDLES-FOR-MICHIGAN-MARIJUANA-MICROBUSINESS-OWNERS-AND-HOW-TO-](https://marijuanamicrobusinesses.com/five-hurdles-for-michigan-marijuana-microbusiness-owners-and-how-to-overcome-them/)

[OVERCOME-THEM/](https://marijuanamicrobusinesses.com/five-hurdles-for-michigan-marijuana-microbusiness-owners-and-how-to-overcome-them/)). The Class A Marijuana Microbusiness license application process is essentially the same as the existing microbusiness license but is geared towards higher levels of production and gross retail sales, resulting in about a \$10,000 increase in the license application fee.

However, the long awaited Class A license differs from regular microbusinesses in the following ways:

1. Cultivation of up to 300 mature marijuana plants, increased from 150 plants;
2. Purchasing/obtaining mature plants from other licensed growers; and
3. The ability to utilize an outside processor.

## **300 PLANT CAP**

This increase amounts to twice the level of cultivation that is allowed under the regular microbusiness license. Increasing the plant count to 300 allows for larger product stockpiles and insulates the risk of the business owners experiencing crop failures and selling completely out of product as a result. The limit increase will allow class A microbusinesses to operate at a more competitive level compared to the growing number of large-scale cannabis companies that are already beginning to dominate the industry.

## **MATURE PLANT PURCHASES FROM LICENSED GROWERS**

Allowing this new class of microbusinesses to purchase mature plants from growers is another defense these businesses have against potential supply chain breakdowns. This expansion to the licensee privileges will benefit numerous organizations in the industry, as these microbusinesses will have a way to mitigate stock shortages and growers will gain a whole new sales base from them.

## **UTILIZATION OF OUTSIDE LICENSED PROCESSORS**

Additionally, allowing the use of outside LICENSED PROCESSORS ([HTTPS://SCOTTRBERTSLAW.COM/WHAT-CAN-YOU-DO-WITH-AN-MMFLA-PROCESSORS-LICENSE/](https://scottrobertslaw.com/what-can-you-do-with-an-mmfla-processors-license/)) will help the business owner broaden their product line and potentially save on initial costs for processing equipment, which can be incredibly expensive, depending on the type of products the business plans to produce.

Again, the MRA is seemingly beginning to recognize the disadvantage they put microbusiness licensees at with its initial license restrictions. The Class A Microbusiness License will allow the businesses to purchase marijuana concentrate and other marijuana products from licensed processors, thereby nearly eliminating the potential that a microbusiness would sell out of product or have a limited variety of marijuana products. There is a limitation that mature cannabis plants cannot be purchased by Class A Microbusinesses from licensed processors, but finished products are fully available for Class A Microbusinesses to purchase and then sell. A caveat to this privilege is the fact that Class A Microbusinesses will not be able to perform their own marijuana processing, restricting those products to being produced by those with a processor's license – which a Class A Microbusiness licensee may attain in addition to its Class A Microbusiness.

## **CAREGIVER HOMAGE**

After creating the one-time transfer RULES FOR CAREGIVERS ([HTTPS://SCOTTRBERTSLAW.COM/MEDICAL-MARIJUANA-HEALTHCARE/MICHIGAN-MEDICAL-MARIJUANA-ACT-MMMA/](https://scottrobertslaw.com/medical-marijuana-healthcare/michigan-medical-marijuana-act-mmma/)) to any of the grower license classes and regular microbusiness license, the MRA has demonstrated its recognition of how the agency essentially shut-out licensed caregivers from the growing cannabis industry in Michigan.

To fix this issue, the proposed rules will allow class A microbusiness licensees to purchase mature plants from licensed caregivers, as well as any individual or patient grower over 21. This will allow caregivers to have a more legitimate and concrete outlet for their product in the legal cannabis industry.

## **LOOKING AHEAD**

This latest MRA rule proposal was introduced in July of 2021 and should become part of the published ruleset by this fall of 2022. This means that persons interested in the status of the Class A Microbusiness license should stay tuned in for more information, but the rules are likely to pass unchanged from their current form.

The impending changes represent a recognition from the MRA that the Michigan microbusiness has been overburdened with the limitations of the regular license. Establishing a Class A Microbusiness license and granting it the larger scaled privileges it needs to stay competitive with the other cannabis businesses is the exact leveling of the playing field for small businesses that the microbusiness was meant for.

If you are a microbusiness owner eager to increase the scale of your operation to compete in the industry or are simply interested in obtaining a Class A Microbusiness license, you should contact the legal experts of SCOTT ROBERTS LAW FIRM ([HTTPS://SCOTTRBERTSLAW.COM/CONTACT-US/](https://scottrobertslaw.com/contact-us/)) to determine exactly how to do it.