

Drug Intelligence Bulletin



DRUG ENFORCEMENT ADMINISTRATION
INTELLIGENCE DIVISION

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(U) Into the Weeds: Examining the Growth of Marijuana Dispensaries in the United States

(U) Executive Summary

(U//FOUO/DSEN) The number of traditional marijuana storefront dispensaries is expected to increase in the near future as more states pass “medical marijuana” legislation. However, the long term sustainability of this trend is likely to be influenced by a variety of factors. States such as California and Colorado, which currently have the most sophisticated dispensary-based systems, will be examined by states contemplating the enactment of their own “medical marijuana” laws. The diminished risk of prosecution, whether real or merely perceived, contributes to the increased number of marijuana dispensaries operating in “medical marijuana” states. The long-term fate of the current dispensary model will be highly contingent upon how effectively these states are able to regulate and control each marijuana distribution center and the impact that dispensaries have on their communities. In California, the number of marijuana home delivery services has skyrocketed in lieu of traditional storefront operations. The emergence of underground marijuana home delivery services may presage a shift to even more legally ambiguous methods of dispensing the drug in new “medical marijuana” states.



(U) Storefront Dispensary

Source: DEA Oakland

(U//FOUO/DSEN) The methods of supplying marijuana to distribution centers are likely to evolve over the next several years. While Mexican-source marijuana can be found in many dispensaries, it constitutes a very small percentage of their overall inventories. The City of Oakland¹ contemplated a plan—rejected by voters in the 2010 election—to create large municipally-authorized marijuana growing facilities. The perceived success or failure of plans such as this could potentially impact the volume and source of marijuana available in dispensaries. Similarly, a small but significant minority of dispensaries are linked to criminal organizations, often comprised of foreign nationals, engaging in other types of drug trafficking and/or illegal activities. Future incentives for criminal organizations to enter into the marijuana dispensary ownership business and expand into other forms of illegal activities will likely be influenced by the perceived risks associated with entry into the “medical marijuana” market.

(U) The Evolution of Dispensaries in States with Medical Marijuana Laws

(U//FOUO/DSEN) In states that have legalized marijuana for medical purposes, there is still considerable debate regarding how to best cultivate and/or distribute the drug. In California, the State Department of

¹ (U) See “California: Oakland Votes to Allow Large-Scale Marijuana Farming”, New York Times, Pg. A-14, 28 July 2010.

Health is responsible for administering its Medical Marijuana Program (MMP). This program is a strictly voluntary identification card issuance and registry system for users that imposes responsibilities at both the state and county level. Under this plan, the California Department of Health administers the Medical Marijuana Identification Card Act (MMIC) only, while dispensaries, growing collectives, etc., are monitored through local city or county business ordinances and the regulatory authority lies with the State Attorney General's office.² However, there is no statewide tracking agency in California to account for the growing number of marijuana dispensaries or to monitor compliance with state/county guidelines. According to Drug Enforcement Administration (DEA) sources, there are at least 124 marijuana dispensaries operating in the San Diego region and more than 500 documented storefront dispensaries in Los Angeles.



(U) Storefront Dispensary

Source: DEA San Francisco

(U//FOUO/DSEN) There has been a recent surge in the total number of marijuana dispensaries in Colorado. Open source reporting has verified the presence of at least 700 active dispensaries in the state, although some estimates place this number closer to 1,100. It is highly likely that this surge corresponds with the rapid increase in the number of registered marijuana users. Colorado's Department of Health – which administers the state's medical marijuana program – receives an estimated 750 to 1,000 new user applications daily.

(U//FOUO/DSEN) A similar phenomenon has been experienced in the state of Montana. According to DEA, there were 89 marijuana dispensaries in the Billings, Montana, metropolitan area as of May 2010. This growth in the number of dispensaries prompted Billings City Council officials to place a moratorium on the establishment of new dispensaries and use stricter regulations to shut down 20 of the 89 dispensaries in their city.

(U//FOUO/DSEN) In some states there is a high degree of ambiguity regarding what exactly constitutes a marijuana distribution center. For example, in Michigan there were 7,813 approved "caregiver" registrations. According to the statutory language of the Michigan Medical Marihuana Act, caregiver centers are defined as entities that are designated by qualifying patients to cultivate marijuana on their behalf and to "assist with a patient's medical use of marihuana".³ However reporting indicates that these caregiver centers are more akin to full service marijuana dispensaries. States such as Hawaii and Nevada expressly prohibit the distribution of



(U) Marijuana Dispensary

Source: DEA Spokane

² (U) See, www.cdph.ca.gov

³ (U) See Michigan Department of Community Health (MDCH), Medical Marihuana Act: Administrative Rules 333.101(15).

marijuana other than the transfer from a caregiver to the “qualifying patient”. However, reporting indicates that even in Hawaii there are at least two facilities operating as dispensaries – one “collective” on the Big Island and another located on Maui. Finally, there are some states such as Vermont and Maine that have “medical marijuana” laws but no large scale distribution centers.

(U//FOUO/DSEN) The proliferation of marijuana dispensaries can be attributed not only to the increasing size of the “medical marijuana” user population, but to the dwindling number of federal prosecutions. Since 2005, the Los Angeles United States Attorney’s Office has prosecuted only five marijuana dispensary cases and reportedly has established a minimum prosecution threshold of 200 kilograms of marijuana. Moreover, Denver reporting indicates that grows of less than 200 plants with even a remote connection to medical marijuana are regarded as being extremely unlikely to be prosecuted.

(U) Marijuana Home Delivery Services are on the Rise

(U//FOUO/DSEN) Marijuana delivery services are becoming increasingly common throughout California. The number of marijuana home-delivery services in California reportedly tripled in 2010. The rise of these home delivery services – which frequently advertise on web-based marijuana advocacy sites – correlates with an increase in the number of local ordinances placing restrictions on traditional storefront dispensaries.

(U//FOUO/DSEN) DEA San Francisco reports indicate that the first marijuana delivery service was created in 2007 as a way to circumvent cease-and-desist orders issued to building owners housing a marijuana dispensary in violation of the law. Since then, the number of delivery services has skyrocketed. In June 2010, the *Santa Rosa Press Democrat*⁴ reported that there are more than 750 services that advertise direct delivery of marijuana and several others that have branched out into the delivery of controlled pharmaceuticals to customers in the greater San Francisco metropolitan area.

(U//FOUO/DSEN) The number of marijuana home-delivery services in Los Angeles has also experienced a significant increase in recent months, due to the passage of a new ordinance. Per DEA reporting, this ordinance will force many storefront dispensary services to shut down. Some Los Angeles-area dispensary owners are reportedly moving to other states, most notably Colorado, to establish/reestablish their dispensaries. Thus, the expansion of marijuana home-delivery services may foreshadow a larger trend taking place in California in which these services virtually replace (pre-existing) storefront dispensaries throughout the state. This trend could also occur in San Diego County as a consequence of increased robberies at medical marijuana dispensaries.

(U) Sources of Marijuana Supply

(U//FOUO/DSEN) While the vast majority of marijuana supplied to dispensaries is cultivated within the U.S., there is strong evidence to suggest that some of the marijuana sold in distribution centers is of Mexican origin. In Los Angeles, reporting estimates that less than 30 percent of each dispensary’s inventory is foreign-produced, and less than 10 percent is of Mexican origin. According to DEA reporting, Mexican marijuana is perceived as being a much lower quality product and is therefore considered less desirable to dispensary owners. This perception – whether real or not – may account for the low percentage of Mexican marijuana available for sale at dispensaries.

(U//FOUO/DSEN) In July 2010, the Oakland City Council voted in favor of a plan to allow four facilities to grow an unlimited quantity of marijuana within Oakland’s city limits. Under the provisions of this proposal, the marijuana grown in these facilities would be heavily taxed and used to supply those claiming to use marijuana for medical purposes.

⁴ (U) *Santa Rosa Press Democrat*, 6 June 2010.

(U//FOUO/DSEN) What is advertised as “Mexican” marijuana in dispensaries’ inventories may in fact be domestically cultivated marijuana originating from large outdoor grows. Moreover, there is no indication to suggest that Mexican traffickers in the U.S. are actively involved in supplying dispensaries. While there have been instances in which former cartel associates have become involved in supplying/opening dispensaries, evidence suggests they have only done so in a wholly independent capacity.

(U//FOUO/DSEN) There is strong evidence to suggest that some marijuana dispensaries are supplied by large outdoor domestic grows. For example, reporting from Los Angeles indicates that at the end of each summer, dispensaries often buy large quantities of newly harvested marijuana. Because the market becomes flooded with marijuana just before autumn, dispensary owners know they can purchase outdoor cultivated cannabis at a low price and sell it before the product spoils. San Francisco reporting similarly indicates that dispensary owners were supplied by a variety of sources – both indoor and outdoor – and that sellers were both independent Caucasians and Mexican nationals. However this phenomenon may be centralized to the California region. In Denver, while outdoor grows are generally associated with Mexican nationals, Colorado-based dispensary owners are not known to associate with these individuals or purchase marijuana from them.

(U) Dispensary Connections to Traditional Criminal and Drug Trafficking Organizations

(U//FOUO/DSEN) A small but significant percentage of marijuana dispensaries engage in other forms of criminal activity, including the trafficking of weapons, other controlled substances, and money laundering. DEA reporting suggests that as many as 30 percent of the dispensaries in the Los Angeles metropolitan area have associations with traditional organized criminal groups – such as gangs. In one such example, a Los Angeles-based dispensary employee supplied a local gang with marijuana from their dispensary. Similarly, Denver reporting indicates that many dispensary owners were former independent illicit marijuana cultivators. According to reporting, more than 20 dispensaries in the Denver area have been opened by Russian nationals seeking to enter into the lucrative marijuana trade.

(U//FOUO/DSEN) DEA intelligence indicates that any Mexican involvement with dispensaries is largely indirect. For example, in some instances Mexican groups involved with the dispensary business have provided supplies, security, etc. However, there is no information to link these groups directly to command-and-control elements of major Mexico-based drug trafficking organizations.

(U//FOUO/DSEN) Dispensary owners primarily specialize in the sale and distribution of marijuana for purported medical purposes. The majority of dispensary owners refrain from distributing other illicit substances due to the heightened risk of prosecution. However a small number of dispensaries/ dispensary owners are facilitating the sale of other narcotics and controlled pharmaceuticals. This trend is most prevalent in the Los Angeles region. For example, in one recent Los Angeles investigation a personal residence had been turned into a combined dispensary and grow house. A large quantity of prescription medicine was later discovered inside the personal residence, including packaging believed to be used for its sale and distribution. In another Los Angeles area case, reports indicated that a dispensary owner was selling psilocybin mushrooms from inside the dispensary. Substantial amounts of psilocybin mushrooms and Ketamine were subsequently discovered in the dispensary owner’s personal residence – situated on the top floor of the dispensary – although it was unclear whether these items were being sold during the ordinary course of business.

(U) Interstate Trafficking

(U//FOUO/DSEN) While the vast majority of marijuana dispensaries are independent in nature, there is evidence to suggest a limited degree of interconnectedness between dispensaries in different states. Recent information indicates that one prominent Nevada-based dispensary owner is linked to a Southern California source of supply. In Colorado, there is significant information indicating that many dispensaries in the state are receiving at least part of their marijuana supply from other states such as California.

(U//FOUO/DSEN) Moreover, there is strong anecdotal information linking marijuana destined for Montana dispensaries to Canadian sources of supply. The interstate sale and transshipment of marijuana – even for purported “medical purposes” – not only violates the Federal Controlled Substances Act but also the guidelines set forth in the recently issued Department of Justice memorandum pertaining to the issue of “medical marijuana.”⁵

(U) Outlook

(U//FOUO/DSEN) Dispensaries will continue to specialize primarily in the sale and distribution of marijuana, and some dispensary owners may branch out into other criminal endeavors. Reporting has already confirmed numerous examples in which dispensary owners or employees have used their storefronts to sell other forms of illegal contraband.

(U//FOUO/DSEN) The future viability of the current dispensary-based model for distributing marijuana will largely depend upon whether additional states enact “medical marijuana” laws, and the extent to which states with preexisting laws in place choose to regulate new or existing dispensaries. The growth of marijuana home-delivery services in California was catalyzed by regulations aimed at controlling the rampant proliferation of traditional dispensaries. Unless significant measures are taken – either through legislation or law enforcement action – the number of home delivery services is likely to increase in the near future. Finally, proposals such as the City of Oakland's plan to create large-scale municipally-authorized growing facilities could threaten the existence of smaller for-profit marijuana dispensaries. If such a plan were carried out and deemed “successful”, this could have a profound impact on marijuana growing operations in other “medical marijuana” states.

⁵ (U) See, U.S. Department of Justice, “Investigations and Prosecutions in States Authorizing the Medical Use of Marijuana”, Office of the Deputy Attorney General, 19 October 2009.

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This report reflects information current as of September 2010. Comments are welcome and may be addressed to DEA's Strategic Intelligence Section at (202) 307-5442. Requests for copies may be emailed to the Intelligence Production Unit, Intelligence Division, DEA Headquarters at IntellProduction@usdoj.gov.



DEA
BULLETIN

(b)(7)(A)

(U) GrowBots: Self-Contained Portable Marijuana Grow Houses

(U) This DEA Bulletin is based on preliminary reporting and may be subject to updating as additional information becomes available.

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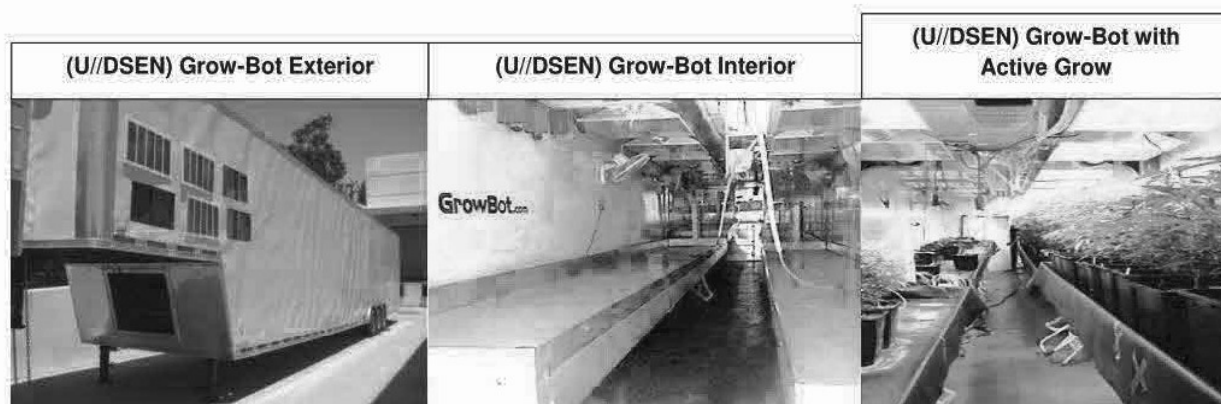
(U) Event

(U//DSEN) During April 2013, the (b)(7)(A) Field Division executed 11 Federal search warrants issued by the (b)(7)(A). (b)(7)(A) These warrants resulted in the seizure and dismantling of eight clandestine indoor marijuana cultivation operations being run out of commercial warehouses and one residence. Seized were over 1,300 marijuana plants, approximately 200 pounds of processed marijuana packaged for sale, one vehicle, and \$27,000 USC. In June 2013, an additional search warrant was executed at the residence of a suspected marijuana source of supply in (b)(7)(A) DEA seized a stand-alone trailer, known as the "GrowBot-5300" next to the suspect's residence. The GrowBot-5300 trailer contained 108 marijuana plants. An additional 30 pounds of marijuana packaged for sale were found in the residence.

(U) Significance

(U) The GrowBot trailer was built specifically to clandestinely cultivate marijuana. The GrowBot-5300 is portable, camouflages the illicit activity within and is easily available for purchase via the internet.

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Source: DEA Reporting

(U) Details

(U//LES) The GrowBot-5300 is a mobile, all-in-one plug and grow hydroponic production system complete with integrated lighting, air conditioning, electrical distribution - power management, irrigation and feeding system, fire suppression system, and a security system controlled from smart phones. The GrowBot-5300 model is 53 feet long, 12' tall and 8'6" wide. The price tag of a basic GrowBot-5300 starts at \$79,900. Potential customers may order trailers customized to their specific needs at www.growbot.com, www.hydrobotanical.com and www.supercloset.com. The websites emphasize the importance of establishing "mother rooms," "clone rooms" and ensures customers that the trailer provides privacy and prevents outsiders from knowing what is being cultivated inside. Per the website www.hydrobotanical.com: "Our newly upgraded, professional carbon filter muffles the sound from the fan and takes away unwanted odors, leaving no trace of what is going on inside of your cabinet evident from the outside. Our overall airflow is up to 3X stronger than other systems. ALL of the air is exhausted through the filter and not leaking out elsewhere."

(U) Additionally, businesses which sell Grow Trailers, such as the GrowBot-5300, often offer smaller options for their customers such as self-contained Grow Boxes. These are small enough to be operated within a very small space (i.e., a closet) and are sometimes referred to as "Stealth Grow Cabinets."

(U) This product was prepared by the DEA (b)(7)(A) Field Division. Comments and questions may be addressed to the Chief, Analysis and Production Section at DEAIntelPublications@usdoj.gov.