Transcript of Interview with Obie Strickler,

Founder and CEO, Grown Rogue

Interview by Aaron Edelheit

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*Lightly edited for readability

Aaron: Obie, thank you so much for joining me. I'm really looking forward to this conversation. I always like when we talk, and I appreciate you coming and giving some of your time.

Obie: Yeah, absolutely, Aaron. Again, always a pleasure talking with you. And I look forward to the discussion tonight. So, thanks for having me and thanks for putting it on.

Aaron: And I finally get because I've written about you and just as a disclosure, I'm an investor in Grown Rogue, I'm a big supporter in what you're doing and anyone who's listening to this, please do your own due diligence. Depend on your own research. But I want people to see just how beautiful that office is that you are in. Because I think it's one of the keys to our conversation, which is just your level of cost consciousness and the cost effectiveness and efficiency. So, you can see that's the growth facility right behind. Show them your show them the doors. Can you move it around to show?

Obie: Grow in the back through the window and we have an open-door policy at Grown Rogue.

Aaron: Because there are no doors.

Obie: No doors. Exactly. Yeah.

Aaron: Yeah. No. So thank you.

Obie: I never going to live that down with you.

Aaron: I know I actually think it's the most amazing. It's straight out of, like, Jeff Bezos, what did he do, doors as tables or something - I forget.

Obie: Doors off the walls and put them on cinder blocks and made.

Aaron: Yeah, yeah, that's right. You don't have - I didn't see cinderblocks. So, you haven't done that.

Obie: I have a real desk. Just no door.

Aaron: Okay, so this goes to the real question. How do you produce such high-quality flower for under $600 a pound?

Obie: Yeah, there's really two pieces to that Aaron. One is the quality; one is the cost. You know, quality is through just religious and really kind of defined genetic sourcing. We're really, really focused on what we put into our planning and what we put into our rooms to ensure that we just grow the highest quality products. And that's just I mean, we meet every couple of weeks, our whole team, from postproduction to sales to cultivation. We talk through what's in the lineup, what's selling, what's not, what's all the different metrics that we track. Potency, flavor, bag appeal, structure, how hot the strain is in the market. And we're just really kind of disciplined and focused on that being a big driver of the products we produce. When it comes to cost, we're just we're super efficient. And I've been asked this question a lot and I think the really the simplest way to get to it is we have a really lean labor approach to the way we produce. I mean, most people can buy dirt and nutrients and bags all at the same price because it's all third party. But we're just really effective in the amount of people we put against our production. Number two is yields. So, we drive really high yields and you put yield against cost and your denominator goes down and your price per pound gets way better. And then thirdly, we don't have a big bloated corporate overhead. And so that $600 number that you talk about is and that's our EBITA breakeven. And I think we're down in the fives or getting close to that at this point. And a big part of that is because we don't have like 30 VP's running around doing things that aren't focused on the products. And I think that's where a lot of companies have different cost structure than us. They have too many people that aren't touching the product, that are pulling big salaries and adding to that overall cost of production.

Aaron: So, I like how you started with the actual product because I think from what I can tell, too much, I hear other companies say “we grow the best flower”, but what I heard differently about what you said is that you're really focused on making sure every single week that you are having the best genetics, the best strain, and that you're really, really listening to the customer. And it sounds like you're also shifting. Like if you see a shift in a week, you're immediately shifting and going, oh, we've got this is what the consumer wants today. Can you talk just a little bit more about how you're doing that? It doesn't sound easy to do.

Obie: It's just a focus on those things you mentioned. It's a focus on understanding the consumer. It's really understanding our products. Right. Flower is unique in that it's not something people want repeated. And so, like distillate cartridges or something like that. Another form factor in cannabis, like, you know, they want the same tropical train wreck every time. It's like going to Starbucks and getting a latte or whatnot. You want that repeatability, that consistency. It's the same here that you'll get in Santa Barbara or New York or Thailand or whatever. Flower is a lot like fashion. And so, you have to constantly be ahead of the curve with where the design and kind of the flavor is going for customers. And that's just through really understanding who our customers are and focusing on that to ensure that we're meeting their needs today. But we're also aware that those needs, and those preferences are shifting and not reacting to that but being prepared and planning for that. And so again, we found that the approach we've taken has been highly successful. That's why we're the number one flower brand in Oregon. We're a top five, top ten in Michigan. And so, what we're doing works and we just keep pushing that envelope like we continue to refine the way we plan and strategize around what that needs to be. And it just keeps getting better and better.

Aaron: Do you think it helps you that you're just solely focused on producing flower, that you don't have like a bunch of retail and vapes and you're trying to do all this stuff?

Obie: Absolutely. I mean, we had all those we had every product category in the stack when we started. We had distribution, concentrates, cartridges, multiple brands, pre-rolls. They're all over the place. And what we realized is we can't be all things for all people. And what we're really good and mostly what we're really passionate about is high-quality flower production. And so, our team is just bought into that and that's where we focus and we get asked questions like, “you going into processing?”. And the answer is maybe, but like, why? I mean, we've proven that we're the best of what we do in our form factor, our category. It's one of the biggest product categories in every market. I mean, everyone thought flower is going to go away. It's still 50% in most markets, at least 40 by far the biggest in every market. I think California is one of the few states that actually concentrates or cartridges, has a pretty big market share as it relates to flower. But we've got a lot more states we can put our business into before we start getting not distracted, but to broaden our focus into more product categories.

Aaron: Gotcha. Now, Oregon has some of the lowest retail pricing for cannabis in the country. What have you learned about competing in Oregon and specifically when as an investor watching what California and some of these other markets that are now starting to come in their first decline, it's been very helpful just talking to you about what Oregon has experienced and the different waves. And I'm just curious of what you've learned about what Oregon has gone through and about competing in Oregon that might be helpful for people who are starting to see the competitive signs rise in some of the more limited license markets.

Obie: I think it's a couple of things. One, we believe the I mean, again, markets are going to go through their micro kind of movements and pricing and supply demand equilibrates. And there's not a lot of stability inside of that. So, Oregon might even be below what I think is kind of stabilized pricing, but it's much closer than, say, an Illinois, a Florida. And so, we ultimately believe Oregon, Colorado, Washington, California, like these mature markets, that is the future of cannabis pricing. And so, it's taught us that, you know, we've seen the same thing in Michigan over the last couple of years, and we were $4,000/pound when we started there two years ago. And now pricing is really consistent with Oregon. So, it's taught us that we think that's the future of cannabis. And secondarily, it's focused us on costs. Right. When you have $4,000/pound, you don't really care about margin. The margin is so big that you don't really you don't get the disciplines. It's kind of just like, oh, everything is good. Like why worry about it? And so, we didn't have that luxury. We had to worry about costs. And then three, the focus on customer. Like we don't have the luxury of producing a product and just putting it on a shelf. Like if you produce low standard, low quality product in Oregon, it will not sell. That's it. It just won't sell. And so, you have to focus on what customers want. And that's why our attention towards quality is really, really kind of forefront for us. And it's been interesting as I bring on new staff or team members and trying to change the way they think. Like, we don't refer to our product as biomass. But you look at most of the big MSOs and some of the big companies, Canada all the way to the US, like that's the way they describe like that's like corn or wheat. We produce a high-quality flower product. And so, like even all of our reporting, you'll see it's A and B whole flower. Like we don't include trim in our yield estimates. We look at the things that we're making that we give to our customers. And so, it's all those things that kind of add up to you know, give us, I think such a leg up in terms of where the industry is going. Based upon those learnings in Oregon and seeing them replicate through Michigan and being able to establish the same systems and process to get the same level of just quality and profitability and all those things that we bring.

Aaron: Now, you had also described to me that you thought some of these markets that there won't just be one wave, there'll be multiple waves.

Obie: Of course.

Aaron: Can you describe some of that and what we may eventually see in some of these other markets that start when supply catches up to demand, what you may see? Yeah, because there's this idea that you may just have and then it'll rationalize. Everything will be fine; it'll be hunky dory. That's not been the experience in Oregon.

Obie: No, this is the second, I think we've come out of the bottom of what we would consider the second, I know people call it the extinction events or whatnot. I think that's a little bit overly dramatic or so to speak. But it's like we went through a really, really difficult price regime in like 2018, 2019. I mean, it was just painful, and prices compressed, competition heated up and then you came out of that, and as price recovered, mostly due to less supply in the marketplace, you know, you get a year or two of really strong pricing. It didn't rebound to pre 2018 levels, but it definitely came back up. And what happens when the pricing comes back up is everyone goes, oh, that's right, cannabis has great margins again, I'm going to jump back into the business. And then you get another oversupply, and the price comes back down, not as far as it did in 2018. And so, what you're seeing is just this I call it the pendulum. It moves and eventually it's going to stabilize into more of a traditional like microbrew or other kind of stabilized CPG industry. But like, I think California is going through its first real pain point. But, you know, you and I were trading some stuff on, they've lost a bunch of square footage over the last year. I think they're down 14 million square feet of total cultivation capacity, which seems like a big number.

Aaron: At 14.7 now.

Obie: 14.7. Good. But there's still 60, 70 million square feet of capacity.

Aaron: Yeah. So more of that more of that capacity has to come out before the market's really rational. Yes, I completely agree.

Obie: People are going to turn it on once prices go up. They're going to turn it on, which is why, and there's so much literature and research from really smart people way smarter than me. It's why cost of production so important.

Aaron: Yes, we were trading texts about this and about that where I was reading you Warren Buffett and Charlie Munger talking about how you have two copper producers, one that's producing at a $1.50 and another at $2.50. And what Warren Buffett and Charlie Munger say is they are not in the same industry because when copper is at $2, that one company is out of business and you come from mining, so you probably have a great appreciation for how important it is for what your costs are to get it out of the ground. Right?

Obie: I listen to that podcast, and it was fantastic. That and you can't change the way people think. Not having a 12 year or 50 year or even five year plan like be nimble in terms of how you address or evaluate opportunities. But that's I mean, cost is, we think and based upon all of our public review of publicly available information, we're the most efficient indoor producer in the US. That's an inherent advantage. And so, we talk about that, like as we're going through Oregon pain and we've had people be like, well, what happens if it goes lower? We say, well, economic theory will break. If it goes below our cost of production, it means the industry doesn't work. Because no one will be in business. And unless we think cannabis is not a viable business long term, that's never going to happen.

Aaron: Yes.

Obie: That's what sells up for that. We just we feel it's a really, really strong competitive advantage and we're happy to have already established that as we go forward as the industry continues to mature.

Aaron: And so, you mentioned this, that you think that Oregon is kind of coming out, it's your first market. Can you just talk about where you where you think Oregon is in the cycle? I know we have talked and there's a bunch of supply that came off again. It seems like prices are firming. Can you just talk about just the inventory supply demand equation as you see it right now in Oregon?

Obie: Yeah, most states have some outdoor capacity. Oregon, California, kind of the West Coast is more, I think, subject to kind of the outdoor pressure that it puts on it. So, in the summer of '21, we had some exterior factors that were impacting just the industry as a whole across the US. Right. There was a tremendous amount of illegal hemp production that was happening. And by hemp production I mean hemp disguised as marijuana and it put a bunch of pressure on the industry. So, prices started coming down, demand started coming down just because there was so much more supply into early '22 outdoor in Oregon, there was like zero demand for it. Like no one wanted it. It was like the industry just like collapsed, went away, like prices were super low, indoor pricing came down, but demand was still high. And I think the reason for that is because when you grow AAA, high-quality product, there's really never an oversupply because very few people do that. And so, when you have a super high-quality product and I mean everyone says they grow the best weed, I get that I used to hate even talking about that as a differentiator for us. But, you know, people, you know, if you grow good weed or not, right? And so, like high-quality, AAA, there's never been an oversupply problem because there's just not that much of it. And what we saw through 2022 was really poor demand for outdoor. But strong demand for indoor not pricing where we want, but strong demand like selling out like we're carrying less than a week's worth of inventory in Oregon for our indoor production. Like we're selling as fast as we make it. As the year went through, towards the very end, we start to see a little bit more demand for outdoor. And by demand, I mean people actually want to buy it. Prices were still really bad, but there was at least demand for it. And then fast forward to late '22 to early '23, prices are up 50, 100% in outdoor again, 50 or 100% from a very low number. So, it's still not like where I want them to be, but they're up and the incoming demand is as strong as we've seen again, where we've actually had to increase our trimming team and we hand trim everything right, goes back to some of our quality perspective to satisfy that demand that's coming in. Indoor has been stable. We're seeing not a whole lot of price improvement, but what we found over the years is that price follows demand. And so, the same thing when you see prices go down, what happens is demand starts to shrink. And the only way to maintain your sales is to lower that price because people are like, oh, we're not willing to pay that much. And what we're seeing now is this demand spike where we're keeping very low inventories and pricing will follow that because what happens is you still have supply in the marketplace. They're still just like a bulge of product. And when the demand comes back, people start being like, oh, great, I can finally liquidate, which means there's enough material to hit that demand. People start clearing out their backlog. But a lot of people didn't resupply. Indoor yields and harvests have gone down over the year in Oregon. Outdoors, gone down. We're hearing the same thing in California you've been talking about like the inventory levels are diminishing or being depleted and they're not being refilled at the same rate that's coming.

Aaron: Yeah, that's exactly right. One of the California producers told me last week he's like, I'm selling it faster than I'm growing it.

Obie: Yep.

Aaron: And I think that that dynamic is starting to affect all of the Western markets. And it's going to be really interesting to watch how this plays out, because to your point, I think for a company like yourself, it's profitable, but we're not back to where people can really make money. And so, you need and now we have higher interest rates, our higher capital costs. There's not as much capital just flowing around. You're going to need continued price recovery in some of these Western markets or you're just not going to have, it's just it's economics 101, supply and demand. You just need more you need a higher price to encourage more supply. And from what I could tell.

Obie: We're selling out those surplus supplies like I talked about. We have less than a week's worth of indoor inventory coming into May, June time frame. I think we have two months’ worth of inventory.

Aaron: Oh, wow.

Obie: So, we're able to sell through not only all of that inventory, but we never stop production. So, we're still doing 1,000 pounds a month. So, we're able to deplete, you know, the buildup plus what we're producing every month to get to this number that's super low. And so, I'd be hard pressed to think that we don't see start seeing a pretty strong price return over the next 3 to 4 months.

Aaron: That's great. Now, you entered Michigan in 2020 and you spent about 3.5 million dollars in capital expenditures from what I can tell to enter the state. And now you're like a top five top, ten flower producer. Free cash flow positive in the state from your operations. And all I read about Michigan, is pain and suffering and people howling about how terrible this state is. And maybe it just goes back to the same question I already asked you, but like how! I thought it was super expensive to build a bunch of operations and to enter a state. And, you know, in two years you make it look so easy. Yeah, I just – how?!

Obie: It’s always easy from the outside looking in, but.

Aaron: Yeah, yeah, that's right. That's right.

Obie: You know, a lot of really dedicated hard work from our team. But, you know, we, we talked about OpEx and cost of production earlier. The other thing we're really, really good at is the way we deploy our capital. And so, you're right, actually, I was just going through some exercises last week. I think our total capital spend in Michigan right now is like just under four. It's like 3.9. But that translates to it's like $230, $250, a square foot of flowering bench space, which is how we really determine what our yield estimates will be out of the facilities that we operate in. And so, we just didn't need $20, $30, $50 million to build a business there. We were super thoughtful. My partner over there has the same culture of just, you know, don't build a race car to put someone like me in to drive it, build something that fits kind of where the markets are at today and where the talents are today. And then we just we literally replicated our Oregon system. And so all the learnings we took from Oregon over the last three years to build the business we established here, we just plopped over there. Genetics, process, post-harvest. I mean, everything we do was replicated and that's why we're so excited to be quite honest, because we spent a lot of time building the business that we think is now super scalable, especially as the competitive markets or the historically uncompetitive markets on the East Coast become more competitive. But you have these operators there that aren't willing to, aren't capable of existing in a competitive environment yet. And so, we've proven that we can take our model from one state to another. And now the question is, can we do that not just in Michigan, but in three or four more states, five states, ten states? Like, can we replicate that? And that's what we're going to get into.

Aaron: And you're not trying to be the biggest you're not trying to just open a giant facility and blast it out. And from what I can tell, you, start small and then you start growing and testing it out. And this is exactly what you did in Michigan, is you kind of taking baby steps, right?

Obie: We build to the demand. I think this is where so many companies get screwed up. And a great example is we purchased the facility in Oregon, the second indoor facility from Acreage Holdings who could not compete in the state. East Coast operator. At one point, I think they were the biggest operator in the US. They got the deal with Canopy Growth, like very well respected, but they're going through pain recently because they're having a hard time operating. But the funny story is Grown Rogue and Acreage both started building their indoor facilities almost the exact same time in like 2017. Yet we turned on our first room eight months after we started construction and began producing product, learning systems, creating cash flow. I think it took them until July of 19, so two years later to turn on their bigger facility. And that's a problem like you need to understand the market, right? And you need to understand volume and how do you get that much product to be absorbed. And so, we like a very phased approach in how we build out into a new market and starting from 0 to 1000 pounds a month is that's not a trivial lift for your sales team.

Aaron: Yeah.

Obie: So, you go from none to 100 to 300 to 600 to 1000 over the course of a couple of years. That's very practical and it ensures that you actually have demand for your product. I don't know how many companies I talked to that want to build a $5 million setup for like pre-rolls before they sold a single pre-roll. And so, I tell my team all the time, like, it may be more expensive for us today. It may be a little bit kind of janky or whatnot. But like, let's prove market demand and then I guarantee we will make it efficient. And so that's what we do.

Aaron: And so, let's shift the conversation. We're seeing a lot of MSOs retrench. A lot of them shut down, shuttered capacity. We just got an announcement that Curaleaf is shutting down stuff everywhere, including in Oregon and Massachusetts and California. And so, it feels like we're entering in this, I've called it kind of like a nuclear winter where, you know, capital costs are high, there's no capital available. You have to retrench to become free cash flow positive. It seems like there's a lot of opportunity for a company like Grown Rogue to come in and maybe take over some of this capacity. But I want to ask kind of a different question is you have a bunch of MSOs out there, both public and private, that are frankly just really struggling. And I know we talked about your approach of entering in judiciously, but what. I kind of had two different questions. The first one is like I see some of them like radically starting to cut costs, which is a great sign they need to do it. But I'm not sure you can just cut costs and get to where you need to be. And so, I have a question just on the cutting of costs. But then my second question is. You know, what are they going to run into as they try to? Well, let's just go with this question first. Like, what are they going to run into if they're just like, oh, okay. Because there's this belief from some of us, oh, they will just cut costs, cut CapEx, and then we'll free cash flow and everything will be okay. I'm just curious of your thoughts on that.

Obie: I mean, I don't know enough about the inner workings of what their cost cutting measures would do to spur that. But I mean. I don't know, Colorado or California, but they can't be any worse than Oregon. And we produce, a blended average with Oregon and Michigan, and Michigan's just as tough as those states, a 30% EBITA margin. So, if you brought up Curaleaf, if Curaleaf could cut costs to make their operations profitable, why wouldn't they have done that in those states? And so, I think a lot of the big company model. It needs high prices to be successful like for a couple of reasons. One, cannabis consumers really don't want corporate weed. Right. That's not.

Aaron: And you don't think of Grown Rogue as corporate weed?

Obie: Not even close. And that's one of the things we actually talk about consistently with our team, about the right scale and size and how do we ensure that we have products that people want. And again, we're the number one producer in Oregon. We still only have like probably 5% of the market. Right. There's fragmentation through necessity like, and you could see this change, right? I mean, this is some of the big companies work where you take the big conglomerates, they buy up the little guys, they try and maintain their brand and their independence. And that could happen, which, I mean, maybe Grown Rogue would want to do that. But if someone came in and offers us a huge multiple and where we're at today, like maybe that's great for us because they need brands like ours to be successful. What happens in cannabis right now is that they try and establish their own culture into those companies, and it kills them. And so that doesn't really work yet. It needs to get a little more advanced, I think, in the industry before that's going to be successful. But I don't know what they're going to do. I mean, I've looked at companies I've been looking at a lot in Massachusetts lately, and it's painful over there. I mean, like cost of production at $2,000 a pound, facilities that could satisfy 30% of the total market, yet there's 50 of them. And so, I think a lot, I mean, I can go on and on about this topic and I know I'm trying to be concise but look at the top five MSOs. Four out of the five, Curaleaf is the one outlier there because they're not like a Illinois or Florida company. You know, I think they've got some of their own challenges with the way they're structured. But Verano, Cresco and GTI are all in Illinois, which has some of the best pricing in the US. It probably covers their entire financial. Because you're still getting $3,500 pounds with limited retail, limited access, like you funnel all that demand through a very small kind of bottleneck. Then you got Trulieve in Florida. But look at the other markets they're operating in, like, where's the success come there? Do people want their products? And so, it's going to be interesting how they're going to adapt to the competitive landscape.

Aaron: Okay. So, here's a different way to ask. This is the other part of the question I wanted to ask is, let's just say you were in charge of an MSO, so I just plopped you into and I don't want to you use any names. I don't want to pooh pooh anyone. I have no short positions. I'm not betting against any companies. And we all want the industry to succeed. But I'm just curious, like if I just popped you into, let's just say, “under-performing cannabis Co” or “struggling” - Is it possible to change them? Is it possible to fix some of these? And what would be required? And maybe this is a better question. What would I need to see as an investor? Either what they talk about or what they're doing so that they could get possibly to like a Grown Rogue type of cost efficiency. I'm just curious.

Obie: I think I could take any organization, assuming you had buy in from leadership. A lot of times change is hard. The other thing we've really identified is habits are difficult to change. So sometimes you've got to like, you can't just fix it, you have to revamp it. But assuming you could work through those two things, I'm very confident we could drive our known cost improvements to any organization. The two issues that come that I think are potentially unfixable are, I don't care how efficient or how great our product is like, I don't think we're if you have infrastructure to satisfy 40% of the market like a lot of the MSOs built. Like, sure, I can drive your cost down but the market just is not doesn't want 40% of one person's product. And so, you really can't fix the scale which they built. Now, you could operate a smaller component of that really, really effectively. But that's the way their kind of model was built. Like, oh, we're going to be the biggest, we're going to have 80%. And that's a difficult one to kind of take forward. The other one that we found is we looked at is we can manage labor costs, material costs, supply costs. But so many of these companies have these really, really large either sale leasebacks or other kind of fixed infrastructure costs. And we can't fix that. Like if you did a sale leaseback with IP and you have $1,000,000 a month cost on your facility, we can operate within that and we can drive all the other costs down. But if you're paying $300 a pound in lease costs and I'm paying 30. Like again, going back to the copper.

Aaron: It's a structural cost advantage that you can't. Yeah, no, no, I understand.

Obie: Those are the areas we'll look at and, um. But you know. That's why I think the whole export thing is going to get so interesting. Because I think companies like ours who don't have some of these, we're not as big as everyone. Don't get me wrong, like I would love to have like Florida's truly balance sheet and size. I think I'm awesome, but like, you don't have really any inherent cost problems. Like, our problem is we haven't scaled into enough states, not that we've got a bad balance sheet, or we've got crazy leases, or we've got a lot of really strong attributes. As we think cannabis evolves into where it's going to be, that don't set us with a lot of baggage. Which for our team is pretty damn exciting because we see the shift coming like inbound calls, like opportunities in front of us. We're pretty excited for it.

Aaron: Yeah. And so, I'm glad you said about the export market. I mean, we just got big news and I'm writing a post about this like furiously trying to explain why I think it's such big news about that California's kind of taking the lead and moving on interstate commerce. And it sounds like they're going to try to negotiate interstate commerce pacts, basically say, hey, interstate commerce restrictions are not constitutional. A bunch of things for California and I know Oregon, from what I understand, they've already passed a law, but there might be moving, as well in Washington. Can you tell me about, one of the things I really like about Grown Rogue is I kind of see you as a hybrid or kind of both. Is that you now, you're in two states, so technically you're a MSO now, right? Congratulations. But you have both indoor and outdoor. And I also think about your indoor is that your indoor is so cost competitive that you would also benefit from an interstate commerce model from your indoor and outdoor. And I'm just curious of how you think about in an interstate commerce world, like what does that mean to a Grown Rogue or how do you think about that? And I understand it may be some years off, but I'm just curious of how you think about it.

Obie: I mean, we operate in two of the most price compressed markets in the US. And every market's got its own price structure. So, I talk about this a lot about creating parity. If you want a bottle of really nice Napa Valley wine, it's $100 in California, it's $100 in New York, maybe it's $110, but there's parity there. And so, export for us is going to create pricing parity. And will there be complexity there? Absolutely. But from indoor, like indoor you can produce the same indoor no matter where you are. Right. Power and lights and all that stuff like genetics. Like you can get the same in New York that you get in Oregon. And so that's going to come down to purely a pricing regime, which, again, as we've talked about several times now, we have a competitive cost advantage that goes against almost anyone in the US. And trucking and shipping is not expensive. We did the math. It's like five bucks a pound. Like it's almost an irrelevant number.

Aaron: Yeah, yeah. I've done the math, too.

Obie: It's a non-factor. And so, you take our indoor competitive advantage of cost, and we can't wait till we can exploit that. But simultaneously, like we do exist in the Emerald Triangle. And outdoor gets a little bit of a bad rap because you can grow it anywhere, just not very well. But I've been to a lot of the East Coast states. Our high-quality outdoor product competes with the majority of the indoor kind of big facility MSO product. It's just as good. And so, we see that as a really low cost production when export occurs, that is going to really create kind of that mid or lower premium, that lower tier product that is going to compete. So, you take our super high quality indoor, it sits on the top shelf. And right now, that would be backed up by lower quality indoor. Right, but we can put our outdoor in there which will compete with those products.

Aaron: Gotcha.

Obie: That's where we think exports are going to be really exciting for us.

Aaron: And you can expand that as well, right?

Obie: What do you mean?

Aaron: You can expand your outdoor from what you produce right now.

Obie: Yeah, we've got we did seven or 8,000 pounds of outdoor this year. We've got some developments on that front that will probably, it's not like confidential or anything, but we've got the options to a new farm that would allow us to get up to 15 or 20,000 square feet or sorry, 15 to 20,000 pounds a year based upon the way it's set up. And so our ability to scale outdoor production is like, it's not simple, but very, very effective. It's an agricultural area we live in. We have investments from two of the largest agricultural groups in the Valley, one of which came from Steve Lightman, who is the former president of Harry and David. Everyone knows Harry and David. Yes, and Harry and David here for five or six years. Him and his wife, Meghan made an investment in us a couple of years ago, really thinking about export and the beauty of what we're doing here locally that would drive stimulus and economic opportunity across the US. But all the infrastructure is already here. Farmland, all the housing for packaging and drying and kind of just because it's all pairs and then all the logistics for shipping and we've got good rail right on the I-5, so good trucking access. I think that's one of the Oregon and Humboldt kind of Southern Oregon and Humboldt compete for who grows the best of that type of production. And one of the things we've talked about a lot is our logistical advantage. I don't know if you've ever tried to get to Arcata.

Aaron: But I have not.

Obie: It’s not, I mean, you got to get from San Francisco, it's like. I mean, it's just tough.

Aaron: Yeah.

Obie: But Southern Oregon, high quality product, really easy to ship and distribute.

Aaron: And I know that we talked about we may not have touched this earlier that you were talking about that Oregon, I think, put a moratorium on new licenses. So, the people that are coming out maybe or not, that while you should have a price like if there’s suddenly interstate commerce, maybe it changes. But right now there's no new licenses. If I wanted to be like, oh, I want to compete with you, Obie, I'm going to open my own farm, I would have to buy an existing license. I couldn't just open a new license. Is that correct?

Obie: That's exactly right. The moratorium, I think, was for two years. It just got extended again. And I'm actually, we haven't pushed this yet politically, but we've had early discussions like we'd be in support of a moratorium for ten years. Like we think there's enough licenses in Oregon, even with export. I mean, worst case is it creates more value for the existing licenses in terms of repurchase or selling, which is good for some of the folks that are like, I can't compete with a Grown Rogue on a cost or a distribution, but someone else wants to. And now I can sell it for instead of a couple hundred grand, maybe I can get a million bucks for my license or something like that. And so, I would be in big support of a full moratorium or a more permanent moratorium for a much longer time frame.

Aaron: Gotcha. Now, shifting to your stock, one of the hard things is your stock is very illiquid. I know insiders own quite a bit of stock, but do you have plans to kind of address the kind of low volume or liquidity so that if investors did want to invest in you, it wasn't as painful as it is now?

Obie: Yeah, I mean, so we took a very conscious effort several years ago to really not put a lot of focus on the stock. And I know that sounds bad being a public company, but we said, let's build a good business and then we can get the stock to kind of follow that, which is where we've gone. And so you'll see us being more active in the markets and trying to create more liquidity. But we're also not a trade company. Right. Like, if you want to be involved in Grown Rogue, you've got to have a little bit longer of a time horizon. If you want to get in and get out really quickly, I think it's troubling, but, you know, like volumes been picking up over the last little bit and, you know, most cannabis stocks, you know, part of our challenge is that we're our volume on a day-to-day basis is not terrible, in my opinion. Just our price is so low and you combine that with the volume, so there's not a whole lot of dollars changing hands. But it's on both sides, right? There's not. We're getting more buying support coming in as our story gets out and people take more of an interest. But we also don't have a lot of sellers. Like there's only one large shareholder that I know across the entire group that is actually actively selling.

Aaron: Gotcha.

Obie: No one else

Aaron: No. I like what you said. I mean, to me, Grown Rogue is a long-term investment. And I think if you keep executing and you keep telling the story, you're going to get the shareholder base that you want. And, you know, that's just the plain. I wanted to kind of finish up and ask you a question of like we look out this year, it's the end of January, about to be the beginning of February. What should investors or just observers look for, for Grown Rogue this year? Like, what are you what do you hope to I mean, obviously you keep expanding and kind of growing and you have your existing operations. But what should we look forward to or what are you hoping to accomplish this year?

Obie: We're ripe for the next market. And we're working on several things and several different kind of areas of focus that will establish that. But that's what's next for us. We built the platform in Oregon, we expanded into Michigan. We absorb more infrastructure in Oregon. And in 2022, we just made that the efficient model that we have today. And our goal now in ‘23 is to say, okay, can we take this to another one, two, three, five markets, probably not five in one year, that'd be a lot. I'd say anywhere from 1 to 3 in this year, and that's going to be the goal. And like I said, making some good progress on several fronts with regard to that. And so, stay tuned for more information around those developments. But that's what's next for us, is moving this model into more attractive markets.

Aaron: Okay, just promise me that you won't change your office.

Obie: I've already got people pushing on me to get a different headquarters. Not because they want me to have a fancier office, but, you know, sometimes it gets a little distracting, you know.

Aaron: Not having a door to shut! I would imagine so. Yes. Yes, I agree.

Obie: I mean, it's part of our culture.

Aaron: Obie. Obie. You deserve a room where you can close the doors. I give you permission.

Obie: I am married with three daughters, so I've got a lot of estrogen in my house. And I do have a closing door at my house.

Aaron: Okay, good.

Obie: We get a little peace and quiet every now and again. But it works. It works.

Aaron: Well, I just want to say the last thing. This is the one thing, I wrote about it, too. But anyone who comes and visits you and interacts with any of your top team or walks around your facility and talks to anyone, whether it's the outdoor, whether it's the indoor. I was just shocked at how happy everybody was. Like, it was just rather shocking. Like everyone was really happy and engaged and talked to me and like, just the passion. Like people really believe in what you're doing.

Obie: Thank you.

Aaron: They're not going through the motions, so I really love it. You know, it's very clear that you're a very open company. You're doing something right on the culture side, and that has to affect the quality side.

Obie: Yeah, there's a direct correlation. Even when everyone goes through slumps and good rooms, bad rooms, we always look at the trends and whatnot and trends are amazing. But like when you have a bad harvest, like people know, they're like, you can feel the morale come down. And culture is, it's not everything because there's a lot of pieces that go to it, but it's huge in what we do. And when you have people that are passionate and empowered and excited about their part and the role they play in our business. People are stoked. I mean, they really are like, we talk about this probably at least once a week with kind of what I would call, like our leadership team. Like, I was just on with my one of my most trusted advisors, Adam. You met Adam?

Aaron: Yeah.

Obie: He does finance. And we were talking about, like, management and how people are feeling and Obie, do you check in with them enough? Like even from him who is like, not like a, you know, he's not like someone that's like super touchy feely, but, like, those questions get asked to me. Like, how is the team feeling? Like, are they stoked? And so, something we take really, really important. Because it's I mean, that's the lifeblood of your business is your people and your team. So.

Aaron: Yeah. Well, this has been awesome. Thank you so much. You've gotten me very excited. I'm easily excitable, so it's very easy to do that. And I'm excited to see what is coming this year for Grown Rogue. And thank you so much for just talking to me. I really appreciate.

Obie: It. I appreciate you putting it on. And yeah, can't thank you enough and here's to a great 2023

Aaron: Sounds great.

Obie: Thanks.