

SUMMARY

BIG WEED

CHRISTIAN HAGESETH WITH JOSEPH D'AGNESE



Summary of “Big Weed” by Christian Hageseth with Joseph D’Agnese

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Learn about an entrepreneur’s high-stakes adventures in the budding legal marijuana business.

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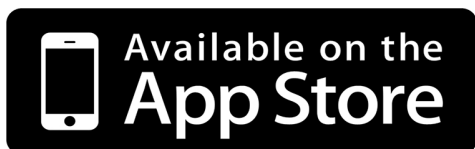


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Introduction

From 1920 to 1933, alcohol was banned in the United States. As the government cracked down on the production and consumption of intoxicating beverages, organized crime began to skyrocket as people tried to supply the demand for alcohol. Finally, the American government recognized that outlawing alcohol simply led to an increase in crime; therefore, Prohibition was repealed and the booze began to flow once again. The legalization of marijuana is like the ending of Prohibition. For example, at the time Christian Hageseth wrote this book, medical marijuana was legal in 25 states and the District of Columbia. This meant that 50 percent of the American population could walk into a state-licensed dispensary (with the proper paperwork), buy some marijuana, go home, and get high without fear of arrest and prosecution. States like Alaska, Colorado, Oregon, and Washington allow the purchase and consumption of recreational marijuana, meaning anyone over the age of 21 can walk into a dispensary and purchase and use marijuana the same way you do with alcohol and tobacco. The times are changing as marijuana is no longer stereotyped as being used only by hippies and stoners. Marijuana is becoming mainstream as people learn to use it responsibly the same way you would enjoy an occasional smoke or drink.

Author Christian Hageseth found himself on the frontlines of this booming marijuana business and aims to tell his story. The story of how he built Green Man Cannabis and turned it into a success. The story of marijuana in the twenty-first century. You'll learn the ups and the downs, the ins and the outs, and the good and the bad. So "sit down, light up a joint, and let me tell you about my world."

Pursuing the Green Rush

Christian Hageseth remembers the first time he encountered legal marijuana like it was yesterday. It was 2009 and he was on the golf course at Red Rocks Country Club with his lawyer and some friends, one of whom was in the legal medical marijuana business. You see, nine years prior, voters in Colorado had voted to approve medical marijuana, but the industry was still confusing and unstable as people believed the law could be overturned at any moment. Anyway, that day on the golf course, Jake the medical marijuana dealer, pulled out a Ziploc bag filled with “plump, sticky buds that were bright green and shot through with fine tendrils of floral color.” As Christian examined the flower, he realized the difference between Jake’s weed and his own street weed was laughable.

Of course, they decided to smoke that spectacular weed at that moment and with just one puff, Christian knew. He said, “I could feel, and taste the difference between the street weed I’d smoked as a kid and the prime stuff lovingly created by someone who knew what he was doing. It was like night and day.” It’s like the difference between a Coors Light on a hot summer’s day and microbrew crafted with the freshest hops by someone who takes the time to brew something they love. It’s the difference between the \$9 bottle of cabernet and the amazing bottle the sommelier brings to your table when you want something special.

Immediately, Christian couldn’t stop thinking about weed. The possibilities. The opportunities. He saw the future of the weed business. So after getting his medical marijuana card, Christian walked into Jake’s dispensary to talk numbers and they were unbelievable. For instance, it cost vendors \$500-800 to grow a pound of legal marijuana. While that sounds like a lot, at the time, they could then sell these same pounds for \$6,400 retail or \$4,000 wholesale. That’s a profit margin of 800 to 1,300 percent! If you know anything about retail, those numbers are good. Really good.

Of course, in 2009, people were still confused and didn't have much experience in dealing with legal marijuana. Even Christian's wife was skeptical, telling him things like, "You have children. You have a family. You need to get a job and bring home a paycheck!" Indeed, there was still a stigma surrounding the marijuana business. In conversations with his neighbor about the business, his neighbor's wife would even say things like, "Don't even think about it." The career seemed risky, I mean, drugs were drugs, right? Was the marijuana business suitable for a white, upper-middle-class guy from Denver?

Getting an Education

Determined to learn more, Christian sought to give himself an education in the business of marijuana. Where did cannabis come from anyway? Well, the history of cannabis can be dated as far back as eight thousand years ago, in places ranging from China to Romania to India, Egypt, and Europe. Even historical figures closer to our time enjoyed the occasional puff of the plant. For instance, researchers found pipes in William Shakespeare's garden in England that show evidence of being used for cannabis, not tobacco.

So where did the origins of American marijuana prohibition take root? As late as the late nineteenth century, cannabis was widely grown and used medicinally. In fact, cannabis was once prescribed with about the same frequency as aspirin. By 1913, however, Americans had started to pass laws against the substance in states like Colorado, Nevada, Texas, and California. Newspapers released stories about this "new" drug that Mexicans smoked - a weed that drove Mexicans insane, gave them "superhuman strength" and turned them into "bloodthirsty murderers." They even called this new drug "marihuana" to make it sound foreign and dangerous. From there, the lies and deception only grew as the media launched campaigns to "educate" Americans about the dangers of marijuana that were rooted in racism and fear.

Then came the 1960s and marijuana became classified as a Schedule I drug alongside heroin and LSD. "Schedule I drugs theoretically have no redeeming medical value and a high potential for abuse. This classification still stands today." However, law-abiding teens (or white teens) were still getting busted for marijuana, so Congress felt compelled to investigate the true impact of the drug. In 1972, Congress announced that "The drug wasn't addictive, or a gateway drug, or an instigator of violence. If anything, it mellowed people out and caused them to relax."

Even today, marijuana is the world's most popular illicit drug, but beyond marijuana, the use of heavier drugs declines rapidly. For example, about 40

percent of Americans have tried marijuana; meanwhile, only 15 percent of Americans have tried cocaine and even fewer have tried crack or heroin. In other words, if marijuana is a gateway drug, then so are caffeine, alcohol, and tobacco. “The real issue probably has something to do with how often marijuana users hang out with street dealers of hard illicit drugs.”

Christian was immersing himself in the world of marijuana, and he wanted to continue learning more. Now, however, he wanted to learn about the business side. Throughout his research, he learned that many people were cannabis lovers first and business people second. This meant that many entrepreneurs believed the key to selling marijuana was simply a storefront with a bunch of glass jars full of weed, the rest would take care of itself. This, however, is not the case. So how do you make a successful marijuana company?

The Struggles of Growing

The problem that many small businesses in the cannabis industry have is that they had the enthusiasm and expertise on the product, but they lacked the vision to see what the industry would become in the long term.

Christian, however, was determined to create America's newest consumer product. Everything from the packaging, the marketing, and even the public's perception would all impact the success of the business.

Christian understood that the key to success in the marijuana business was growing the marijuana, he had a vision in which he would control every aspect including the supply and quality of the marijuana, the packaging, branding, and even point-of-sale marketing. Unfortunately, everyone was still worried that the federal government would one day grow tired of the legal marijuana business and just shut everyone down, arrest them, and hit them all with federal charges. But Christian and his investor decided to look at the bright side, and soon, after a simple \$125,000 loan, they were in the business of drug dealing.

Considering growing the marijuana itself was going to be the key to success, Christian sought to find the best grower in a market full of oddballs, skeptics, and criminals. After countless failed phone calls and interviews, Christian finally found his grower in Adam, who grew up in California with hippie parents who grew their own weed every summer. Growing marijuana, however, can be a tricky business. First, the plant likes the full sun and thrives in temperatures between 77 and 85 degrees Fahrenheit. And while it does well in humid environments, it begins to suffer when humidity climbs above 55 percent.

For this reason, growing indoors is the most logical solution for many growers. In greenhouses, human caretakers can control every aspect of the plant's life, from seed to harvest. Soon, Christian would find out just how much equipment and money he needed to grow good bud. First, you must install powerful lamps that deliver 3,500 foot-candles of light. However,

you need more than just light, you need heat. Too much heat, though, can be detrimental as the plants begin to release moisture from the opening in their leaves called stomata. Therefore, you install air conditions that suck even more power. In other words, growing uses an incredible amount of energy!

Christian and his grower had to come up with a plan that would make the process quicker and easier. By making a “mother” plant and then using the cuttings from that plant, Christian then dipped each cutting in a rooting hormone and stuck it in a place where it would grow. Each cutting would sprout roots and eventually grow into healthy clones of the mother plant. In other words, clones saved time! During their first harvest, Christian became mesmerized by the process, he watched as they breathed life into these beautiful plants and inspected their every move. And after weeks of patience, it was finally time to share their product with potential buyers.

With three pounds of weed in Ziploc bags with names like Dutch Treat, Lemon Skunk, Northern Lights, and Chronic, Christian was smiling from ear to ear as he prepared to share his first harvest with the world! However, they made mistakes. They hadn’t dried the buds long enough or trimmed them tightly enough. As a result, buyers weren’t interested in buying. In fact, buyers weren’t interested in his second or third harvests either. It wasn’t until Christian decided to go even bigger that he found the balance that worked.

Playing With Cash

After a complete overhaul and another loan of \$500,000, Christian's harvest was on the up and up. He fired their grower Adam and hired Brandon and Kim, who were working on strains of marijuana like Skunkberry that would eventually bring their company recognition and praise. Of course, there was still a major problem in the marijuana business that would prove to be even more difficult: bank accounts.

While the legal marijuana business is certainly just as legal as any other business, marijuana is still illegal in many U.S. states and is not recognized federally as a legal drug. So regardless of whether a bank is headquartered in a weed-friendly state or not, it is a federal institution. This means that banks must "play ball" with the federal government, and growing and selling marijuana is still a federal crime. In other words, banks don't want to do business with drug dealers, it's too risky. So what does this mean for business? It means that everything must be paid for in cold hard cash.

Imagine paying your cable bill, gas, and electric bills in cash. While it certainly can be done, there's an easier way, right? It becomes a waste of time as you sit in line, get money orders, and the process quickly becomes tedious. Now imagine you are paying your bills in cash that amounts to tens of thousands of dollars. Welcome to the marijuana business. Christian had to learn how to run a million-dollar company in an all-cash position, and while it's difficult, it is possible. However, the process of simply paying your federal taxes, something that must be done electronically, has required a certain kind of ingenuity that is just a little illegal. For example, each time they pay their federal taxes, they are technically laundering money. As of yet, however, no law enforcement agency has interfered.

This also means that doing business is simply dangerous. It's no secret that marijuana businesses are cash-only, which is why most cannabis firms have hired bodyguards and armored trucks to safely move their cash between various safes hidden throughout the city. They install cameras, alarm

systems, and pricey security systems. It's relatively risky, but the other downside is that cash is simply "a pain in the ass." Picture criminals like Walter White from Breaking Bad and Scarface's Tony Montana who set up illegal drug-dealing businesses and launder the cash through legitimate businesses. Well, because of the laws set up in the United States, Christian commits two federal crimes each and every day. He grows and sells marijuana and "launders" the money by passing that cash to employees, contractors, and landlords.

Christian is not a criminal, but the law forces him and other legitimate marijuana businesses to behave like them.

A Big Change Leads to a Big Idea

As Christian began to grow as a distributor, his clients began struggling to pay him for his product. In a world of start-up businesses and a constant stream of expenses, taxes, and new regulations, it wasn't a surprise when a lot of these businesses were coming up short on cash. Soon, however, Colorado decided that all marijuana businesses should be "vertically integrated," meaning if you grew marijuana, then you must sell it as well. Or, on the other hand, if you ran a dispensary, then you had to sell the product you had grown yourself. The reason for this decision made sense: It allowed state regulators to track the buds from seed to sale. This new law, however, is like telling Exxon that they can no longer sell gasoline to the local gas stations around the corner. Instead, these gas stations have to set up their own oil platforms in the North Sea!

Christian's business was not in the position to just open up a dispensary, so now what? It was time to form business partnerships with existing retail operations. While some of the partnerships didn't work out, two partnerships worked out beautifully. He grew the product, brought it to them on a regular basis, collected his fee, and they sold it to a rapidly growing clientele. However, Christian knew that he needed to move forward, he needed to grow. And that meant having a retail presence.

He worked out a deal in which he acquired the two dispensaries owned by the partners and rebranded them under the Green Man Cannabis name. From there, Green Man began to blossom as Christian and his group of "ganjapreneurs" put their passion behind their business and aimed to become bigger, stronger, and more passionate than ever. With new growers, Green Man was thriving but Christian was still plagued with the same thought: There must be a better way! Why are we spending thousands of dollars to recreate what the sun already gives us? Why do our plants have to be hidden behind concrete barriers? They were legal now, it was time to come out of the closet.

Christian estimated that if they transitioned to a natural system, they could cut the cost from \$850 per pound of marijuana to \$350 per pound, nearly a 60 percent decrease in cost! This meant charging customers less than other dispensaries while still hitting the same profit margin. Sure, it was a gamble. But if they could get it right, they could revolutionize the industry. Even more, Christian planned to continue revolutionizing by creating a marijuana lifestyle brand. If you think this is crazy, then think about this. Every year, millions of people visit wineries and breweries all over the world. They take a tour, they hear brewers talk about their work, they visit a gift shop, and they provide samples of their product. It allows the public to become educated about the wine or beer industry. So why couldn't they do the same with marijuana?

Thus began the building of The Cannabis Ranch.

The Future of the Cannabis Industry

Throughout the years, Green Man continued to thrive and grow. They won Cannabis Cup awards for some of their best strains of bud and people were beginning to recognize the brand. Additionally, in 2014 Colorado voted to make marijuana recreational. Since the implementation of recreational marijuana, the overall attitude toward the plant has changed drastically. For instance, when a neighbor complained about a strange smell emanating from the home of Christian's friend, the cops immediately arrived. At the home, cops found two young men growing more than 170 plants on the premises. Under the new recreational marijuana laws, they were only permitted to grow six plants and Denver does not allow more than a total of twelve plants in any home. So what do you think happened? The cops simply confiscated all but twelve plants and issued the men a ticket for a few hundred dollars. That was it.

Additionally, another friend of Christian's accidentally went through security at the Denver airport with marijuana in his carryon. When asked what he had in his bag, his friend apologized and said, "I have some marijuana in a big tube of toothpaste in there." And the response? The security confiscated the toothpaste and sent him on his way. Just ten years ago, both of these scenarios would've ruined lives and could've been met with aggression and violence. What a difference a decade makes. Can you imagine what the next decade will look like?

As marijuana becomes the norm, cities and states will welcome marijuana companies on their own terms, meaning the industry will experience corporatization. In other words, starting a business and obtaining a license will only become more expensive. This is already happening in places like Aurora, Colorado where you must demonstrate access to more than \$400,000 in liquid assets just to apply for a license to sell or grow. Back in 2000, you could begin a successful business with a mere \$10,000.

Next, marijuana brands are going to want to establish recognition across state lines. As people begin to indulge in the brands and strains they enjoy, they are going to want to experience that same quality product, pricing, and service anywhere they go. For instance, when Green Man experienced a robbery in which some of their product was stolen, they were forced to buy some wholesale buds to meet dispensary demands. The result? Customers knew they had changed their product and even complained about it! This means brand loyalty will rise and one day you'll be buying Green Man Skunkberry in places like Las Vegas.

Additionally, today's marijuana is nearly eight times as potent as what was smoked at Woodstock. This means marijuana dosing will soon become standardized. Companies will not want to create stronger marijuana, instead, they'll be serving consistent doses so consumers know exactly how much they should consume. For instance, consumers know that 1 ounce of spirits, 5 ounces of wine, and 12 ounces of beer all have approximately the same intoxicating effect. Therefore, similar standards will be created for marijuana dosing. Finally, marijuana must become legal on the federal level... and it will.

Marijuana legislation isn't a priority for federal lawmakers; however, both Congress and the White House appear to be watching which way voters swing on the issue and how state legalization efforts impact voter resistance. Essentially, we are simply waiting for the tipping point at which the lure of tax money, the demands of sick patients, and the evidence of successful recreational rollouts will become too overwhelming to ignore. This will also mean banking and tax laws must, and will, change as well. When enough billion-dollar private equity firms and large corporations are investing in marijuana, Congress won't be able to ignore the industry any longer.

Final Summary

Since the implementation of medical marijuana in 2000, the cannabis industry has grown and flourished. What once began as a shady business has now turned into a billion-industry attracting some of the largest corporations. The public's perception of marijuana is ever-changing, and soon, the White House and Congress will be unable to ignore the demand for both medicinal and recreational marijuana all around the country. Since the time of writing *Big Weed*, medical marijuana has been legal in twenty-five states as well as the District of Columbia. These numbers will continue to grow, and by 2020, we could see at least ten to fifteen states make the leap to recreational marijuana. As the industry becomes a serious business opportunity benefiting both the state who dips into the cash as they like and the business owner who creates jobs, partnerships, and success, people are now viewing marijuana as a legal business versus a street drug that will lead to insanity and murder. At the end of the day, the legalization of weed means providing a safe space for people to purchase and consume marijuana, and as we grow and educate society, marijuana will one day be viewed the same as today's alcohol and tobacco.



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