



MARIJUANA GROWTH IN BRITISH COLUMBIA

Why the Prohibition Cannot be Sustained

by Stephen T. Easton

The cultivation and production of marijuana in British Columbia highlights the problems inherent in the enforcement of laws that are generally ignored by broad sectors of the populace. Some 7.5 percent of all Canadians report they use marijuana currently, and over their lifetimes 23 percent report themselves as having used marijuana at least once.

My paper, [*Marijuana Growth in British Columbia*](#), raises several issues that have the cumulative effect of suggesting that in the long term, the prohibition on marijuana cannot be sustained with the present technology of production and enforcement. To anyone with even a passing acquaintance with modern history, it is apparent that we are reliving the experience of alcohol prohibition of the early years of the twentieth century.

In Canada, and more specifically British Columbia today, as with alcohol nearly a century ago, marijuana is too easily produced and exported to be controlled with the tools available to law enforcement in a free society. The return on investment is sufficiently great so that for each marijuana growing operation demolished, another takes its place.

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For a modest marijuana growing operation of 100 plants, harvest revenue is from 13 kilograms of marijuana sold in pound blocks out the back door valued at \$2,600 per pound. This amounts to slightly less than \$20,000 per harvest. With four

harvests per year, gross revenue is nearly \$80,000. A conservatively high estimate of production cost is about \$25,000. The return on invested money is potentially high: around 55 percent.

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The underlying characterization of the marijuana grow operation is that it functions as a profit-maximizing activity in which the values of

output and costs yield a market equilibrium rate of return.

Such an assumption permits an estimate of the total number of grow-ops. The range of estimates depends upon the value of the crop, the costs of production, the risk-adjusted rate of return to other small businesses, and the likelihood of discovery by the police. For the year 2000, the estimated number of “grow-ops” in British Columbia may be as high as 17,500. Combined with domestic consumption, numbers of this magnitude suggest that exports from British Columbia are worth nearly \$2 billion.





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Why is it that indoor marijuana cultivation and consumption appear to take place more openly in BC than elsewhere in Canada? The most striking difference between BC and the rest of Canada lies in the rate at which offences are settled by charging the offender (or “cleared”). Only 13 percent of possession

offences in BC are cleared by charge. Elsewhere in Canada over 60 percent of possession offences are cleared by charge. In addition, the penalties for conviction appear to be low.


In a sample of Vancouver marijuana growing operations “busted” by the police, most of those who were

convicted received no jail time: 55 percent. Five more percent were sentenced to a single day or less, and another 8 percent received sentences of between one day and 31 days, while still another 8 percent received 60 days. Some 11 percent were sentenced to 90 days. Of those who are repeat offenders, half are reconvicted within the year. Of the 35 percent who were fined, the average fine amounted to less than \$1,200: a small amount considering the size of most marijuana operations. While police resources are spent to destroy nearly 3,000 marijuana growing operations a year, the consequences are relatively small for those convicted.

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Current public policy proposals emphasize decriminalization. Suppose, however, that marijuana were treated like any other product and were to be sold at retail cigarette value rather than in bulk. At current prices, a marijuana cigarette costs about \$1.50 to produce and sells for around \$8.60. Since the consumer currently is willing to pay \$8.60, imagine a tax on marijuana cigarettes equal to the difference between the local production cost and the street price. This would transfer the revenue from the current producers and middle men, many of whom are associated with organized crime, to the government.

Crudely, government would have revenue of about \$7 per cigarette. Using conservative assumptions about Canadian consumption, this comes to revenue of over \$2 billion, and should marijuana be taxed on the same basis for export (leaving aside obvious problems of international diplomacy with the United States), additional revenue could be generated. Further, policing assets currently involved in enforcing marijuana-related statutes could be deployed elsewhere.

What the analysis reveals is how widespread marijuana use is in Canada and how extensive production is in British Columbia. As a consequence, the broader social question becomes less about whether we approve or disapprove of local production, but rather who shall enjoy the spoils. As it stands now, growers and distributors pay some of the costs and reap all of the benefits of the multi-billion dollar marijuana industry, while the non-marijuana-smoking taxpayer sees only costs. 

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