

METRC

Chaos to Compliance

Best practices by experienced
operators across the supply chain

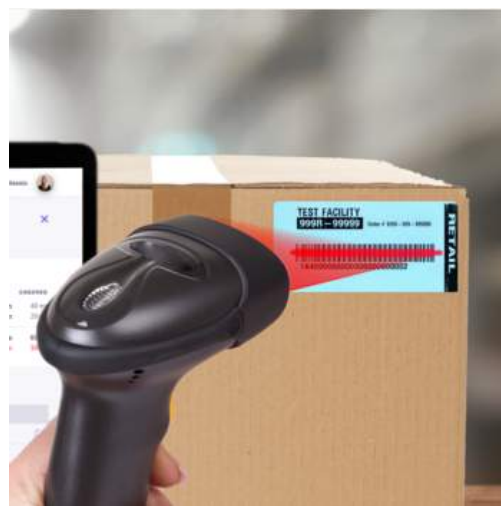
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INTRODUCTION

So, your state regulations are requiring you to report in METRC? Perhaps you have heard about METRC operating in other states, and just even hearing the word METRC is leaving you feeling extremely overwhelmed?! There are plant tags, package tags; some are yellow, some are blue, and they have RFID technology capabilities (whatever that means). Some states include tags in your licensing fees; in other states, each tag can cost up to \$0.45 each! You must be thinking, when do I use them and how many will I need? Do I put them on every plant I grow or SKU I make? I want to follow the regulations and be compliant, but how do I find the answers I need?

We encourage you to stay calm, start early and keep it simple. To help you, we have gathered best practices from experienced cannabis operators across the supply chain to develop a guide that:

- 1) provides a simple overview of what you need to know, plus
- 2) the watch-outs and details you need to be successful with METRC.



PART I: GETTING STARTED

METRC is a track-and-trace system created to gather data about your cannabis operation for regulatory agencies. The purpose of METRC is so that a state's cannabis regulatory agency can have visibility into the inventory at your facility. The first item to know is whether you are working within the Medical or Adult-Use market. METRC makes this part easy by the color of the tags. For the purposes of this article, we will assume you are operating with either a Medical or Adult-Use License, not both.

Traceability within the METRC platform begins with cultivation. Throughout the cultivation process, METRC requires operators to track plant count or plant weight dependent upon the growth phase and type of the plant (clone, vegetative, flowering, harvesting, mothers) and state regulations.

METRC sponsored training, supplemental guides, and third-party solution provider webinars have heavily focused on

track-and-trace compliance for cultivators. In contrast, best practices for manufacturers, processors, and distributors have been secondary and often completely missing from the content. This eBook specifically addresses best practices from processing to distribution, providing operators with proven methods for successfully navigating METRC.

PROCESSING

For processed products, METRC cares about two things. Package Weights and Product Counts. These can be defined differently in each state, so make sure you check your state's regulations but know that you will need to weigh product and count. If your package says that it has twenty pieces that are 5mg of THC each, then the total amount of THC in that package better be 100mg! (Remember that you'll have to tare scales and that packaging has a weight, so you'll need to account for that too).

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DISTRIBUTION

The most important aspect of distribution that METRC focuses on is transfer manifests. Any time you move product or “sell” product (even if you are a cultivator who is “selling” 1kg of flower to your own processing facility for \$0.00), you will need to manifest it out and manifest it in. The product’s weight on the way out needs to be the same as the weight of the product on the way in. Same for product counts. Two different people will also need to perform these processes; the receiving party can and should reject a product if the weight is incorrect or a product count is wrong.

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GETTING STARTED IN METRC

Start early! Start early! Start early! A good rule of thumb for planning time when working with METRC and your inventory is, give it your best guess, then multiply by three. Then, break getting started into three categories:

- 1) Things you can do before you have a license.
- 2) What you can do once you have a facility license and an employee badge number.
- 3) What you can do once you are METRC certified and ready to enter data.

BEFORE YOU HAVE A LICENSE

Go to [Metrc.com](https://metrc.com) and select your state. Next, read the FAQ’s for your state. Then, determine who on your team will become METRC certified. We recommend you designate three people to start, including at least one manager and one support staff. We also recommend that your founders and C-Suite executives model best practices for all staff. As Tucker Cason of WHTC Holdings states, “It is hard to teach an old dog new tricks, and we’ve been a company for two years now, and if your executives at the top don’t do it, no one will do it ...Once you can get them on board, and get them using the right processes, and naming things right, and making those changes, it filters down to your team.”

Check out the METRC YouTube Channel for training videos. The videos give a general insight into how the interface looks. Ensure that your staff has the required equipment to access METRC - a computer, internet access, Firefox, and Chrome web browsers installed.

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ONCE YOU ARE LICENSED AND BADGED

Go to Metrc.com and select your state. Next, have each staff member sign up for training/obtain a login. This procedure requires each staff member to use the facility license number and their unique employee badge number. Next, take the required training course for your state (sometimes offered by METRC, sometimes by the regulatory agency or a contracted third party). Plan two days to take METRC training and pass the required test. It generally takes 2-5 hours of active time, and there may be processing time the system needs to complete your verifications. Note that you will likely not see the training schedule until after you obtain a login, and sometimes these trainings are only offered once or twice a month. Hence why we say start early!

Once you pass the test to become METRC certified, you then can officially access the METRC software. The first thing you need to do once you can access METRC is submit your order for an initial set of plant tags and/or processing tags. Please note, these tags can take up to two weeks to arrive. Therefore, do not have plants/clones/seeds onsite or begin the intake of any materials into your facility without tags on site.

Practice and set up your space accordingly. Make sure you have enough physical space allocated for different processes. Elizabeth LeBarron of Foundation Cannabis recommends, "Don't underestimate the need to do things like go out and buy different color markers, and things to put up on the wall, so you can all be speaking the same language, so you can see those things and make sure that's all really happening." Run a test batch

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all the way through the system. If cultivation, create a clone and use the tag "TRAINING" in the name in order to move this plant all the way through the systems (I do not recommend you use the word "Test" as it may get confused as a testing sample later on). In your cultivation log or the notes section of METRC, make a note that you are running a TRAINING exercise. Write the word "TRAINING" on the actual Metrc tag that you use. Keep these tags in a separate folder where you are housing your compliance logs.

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-Tucker Cason,
WHTC Holdings. LLC

READY TO ESTABLISH BEGINNING INVENTORY

Plan five days to establish your beginning inventory. Start on paper with a simple log where a key piece to understanding your inventory is using a "batch" nomenclature. Cason's best piece of advice, especially if you are starting with old inventory that has to be input, is "to physically separate the batches. You have to see it; you can't just talk about it," For example, "Have a bin per lab test, AKA "bin per batch," and if I've got the same SKU with three bins, I know I've got three lab tests." The physical separation is key to counting and really understanding and internalizing the batch nomenclature. Once every process is separated and each product in its proper location, you can create your simple paper log to match. You can create a series of rows and columns to match your bins and then count and input numbers accordingly. Once you have the numbers on paper, you can cross-check them with your batch nomenclature and then make sure that terminology works in your inventory system. You can then easily input the numbers on paper into METRC.

PART II: METRC BEST PRACTICES ACROSS THE SUPPLY CHAIN

The METRC system is used across the end-to-end supply chain literally from seed to sale. From the first seeds planted to the last consumer retail purchase, all licensed operators use the METRC system to ensure traceability from a single consumer item purchase all the way back to its original source.

INTAKE OF RAW MATERIALS (OR FINISHED GOODS)

The Process

Once a METRC transfer is sent from an operator to you as the recipient, it will show up in your METRC system as an incoming transfer. From there, you will need to receive (or reject) the transfer.

The intake process is fairly simple in terms of receiving a transfer. However, establishing a robust intake process is a critical component to starting with an accurate inventory. Improper intake processes can result in accepting the wrong item, the wrong quantity, or other problematic discrepancies.

Preparing and executing a checklist for cannabis intake is key to running a high-quality operation. The checklist should include items to verify, such as:

Sample METRC Cannabis Intake Checklist

- ☐ License Information
- ☐ Transporter Information
- ☐ Date Arrived
- ☐ Item Names
- ☐ METRC Category
- ☐ Unit Weight
- ☐ Quantity Received
- ☐ Label Review - Product Batch, Lot, Other Regulatory Requirements

Some intake watch-outs from the list above can cost you both time and money if not carefully managed.

Incorrect Quantities

You should always fully reject a package sent with the incorrect quantity. For example, if you are a distributor and receive 98 eaches

of Cherry Gummies 10-pk SKU, but there are 100 eaches on the manifest, you should reject this package within the transfer and ask the sender to resend for 98 eaches.

Weight Variances

In the case of flower-based products, there may sometimes be differences in weight on a transfer manifest due to scale differences, calibration, shrinkage loss, moisture, etc. In these cases, you can adjust to receive the amount of product you actually received, as long as the variance is within your state's legal limits. A state's regulations establish acceptable weight variances. Therefore, your internal acceptance checklist should align with the variances established for your state. Accepting inventory with a variance outside of the allowed range may result in penalties due to questionable product diversion.

Incorrect Categories

Incorrect categories should be an automatic rejection. Incorrect categories can have downstream effects prohibiting the transfer of materials or the saleability of a particular SKU.

PROCESSING AND MANUFACTURING

The Process

Once a raw material (e.g., flower or oil) goes through intake into a processing or manufacturing facility, the package (or a portion of the package) can then be used to create a new package of a manufactured cannabis product.

Creating new packages (products) from one or more packages of raw materials is straightforward, but there are certainly costly watch-outs when working in the manufacturing area of METRC.

Production Batch

When creating packages, you will see a checkbox option labeled "Is Production Batch?" The "Is Production Batch" checkbox signifies to METRC (and consequently the state) that the product form is changing and that compliance testing is required for the item in production. This change is important because checking the checkbox essentially breaks the chain for COA test results. To illustrate this further, in the state of

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California bulk flower can be COA tested and subsequently placed into 3.5g jars for sale without requiring a new COA. In this case, when taking the bulk flower package and creating the new package of 3.5g jars, operators should leave the Production Batch box unchecked so that the bulk flower COA is applied to the 3.5g jars and does not trigger a need for product testing.

LABORATORY PRODUCT CERTIFICATE OF ANALYSIS (COA) TESTING

The Process (Sending the Sample)

Once a new production batch package is created and is ready for COA testing, a subpackage from the batch is created for a sample amount (as determined by your state and/or laboratory). The subpackage is sent via a METRC transfer to the laboratory for testing.

The Process (Receiving Test Results)

The test results are uploaded by the lab to METRC with a Pass/Fail status and full test result values.

One point of advice is to establish processes to verify the results uploaded by the lab to METRC align with the results on the COA provided. There have been instances where the lab results were

uploaded into METRC in reverse order, which caused significant delays in releasing the product for sale to retail.

PREPARING INVENTORY FOR TRANSFER

The Process

When sending inventory out of your licensed facility to another licensed facility, you must create a Transfer in METRC. A Transfer

CREATING EXTERNAL TRANSFERS (SENDING INVENTORY TO DISTRIBUTION OR RETAIL)

The Process

When sending inventory out of your licensed facility to another licensed facility, you must create a Transfer in METRC.

PART III: THIRD-PARTY INTEGRATIONS & THE METRC API

Now that you have learned how to use METRC, will you also need to contract with a METRC validated third-party solution provider? The short answer is no; the longer answer is, it might be a good idea. METRC validated third-party solutions are software platforms that integrate with METRC via an API. API stands for Application Programming Interface. APIs enable one product/platform to communicate with another product/platform. In the case of METRC, third-party platforms can serve as the primary data entry for operators while automatically pushing relevant track-and-trace data to METRC. As a result, third-party solutions can not only seamlessly keep your METRC compliance up to date, but many also offer features and capabilities that can provide operational efficiencies.

THIRD-PARTY SOLUTION LANDSCAPE

Posted on the METRC website for each state is a list of METRC validated third-party software providers. Providers on this list have successfully sent test data and registration paperwork to METRC and are authorized to integrate for that state. However, being included on this list does not guarantee a provider's integration is live in the state or fully functional. In fact, it is important to note that all third-party platforms offer different capabilities with respect to their depth and approach to integrating with the METRC API. Before engaging with any third-party solution, ensure you thoroughly understand their METRC integration capabilities.

There are various third-party software platforms included on METRC's list, so how do you find the solution that is right for you? At a macro level, third-party solutions in the market range from simple METRC data entry platforms to robust enterprise resource planning (ERP) systems. Along with the range in capabilities comes the range in pricing for these solutions. The most simple solutions start at \$299/month to robust ERPs costing more than \$250,000 to get deployed.

Third-party solutions can not only seamlessly keep your METRC compliance up to date, but many also offer features and capabilities that can provide operational efficiencies.

First and foremost, find a solution built for your part of the supply chain. For example, if you are a manufacturer, specifically target third-party solutions built for the specific needs of cannabis manufacturers. You may be thinking, “well, that’s straightforward, but what if you operate across multiple parts of the supply chain?” In this case, it is equally as vital that you target solutions that have been built for your specific needs, even if this means selecting more than one solution for your operation. For example, a company that offers a robust retail point-of-sale solution may not necessarily offer a great cultivation solution (or vice-versa). Given the differences across each part of the supply chain look for solutions that solve your pain point.

executing any good research project, you’ll want to leverage company websites, employee referrals, industry key opinion leaders, and existing customers to formulate your target list for further discovery, demos, and free trials until you find the solution that is right for your operation.

TRUTH ABOUT METRC AND THIRD-PARTY SOLUTIONS

If you’re using a third-party solution, do you EVER have to log into METRC? Yes! The METRC API provides third-party solutions with an API for some (but not all) capabilities offered in METRC. All third-party solution providers access the same METRC API for each state. This means that some activities

Start by generating a list of the essential requirements (keep it simple) that you’re looking for in a solution.

Next, it is crucial to understand the type of solution you need. Are you looking for a simple mobile app-based interface to keep METRC up to date, or a robust ERP with integrated accounting, resource management, etc., or maybe even something in between? Start by generating a list of the essential requirements (keep it simple) that you’re looking for in a solution. Then, like

cannot be done via the METRC API across all third-party solution providers and must be executed via METRC directly. With that said, the bulk of activities required for METRC can be automated via the METRC API, including activities such as creating plant batches, plants, harvests, packages, sub-packages, package adjustments, etc.



The list below is the key items that must be done directly in METRC in most states.

- **Ordering and Receiving Tags.** Ordering and receiving new METRC tags must be done directly via METRC. In addition, most third-party providers require that you register these tags in the third-party system to keep the systems aligned.
- **Receiving Transfers.** Receiving inbound (or rejecting) METRC transfers/manifests from other operators in the supply chain must be done directly in METRC. Once items are adjudicated in METRC, there are various mechanisms in which third-party solutions providers ease the automation for pulling the inventory into those systems.
- **Sending Transfers.** Sending outbound shipments/METRC transfers/manifests to other operators in the supply chain must be done directly in METRC. METRC provides a Transfer Template API to third-party solutions that help create the transfer details in METRC, but the operator must still log in to METRC to fully execute the transfer.

THIRD-PARTY SOLUTION BENEFITS

There is a myriad of benefits in using a third-party solution related to METRC and unrelated to METRC. Many third-party solu-

tions offer benefits that improve data collection and quality and ultimately help grow your bottom line. For example, third-party solutions that offer deep inventory management capabilities can help keep your inventory (cannabis and non-cannabis) aligned. Or, a solution that also captures labor can enable you to track batch-over-batch COGS. The benefits of third-party solutions can go far beyond checking the box of track-and-trace compliance and truly evolve into your organization's core operational infrastructure.

From a METRC perspective, optimization is key with respect to the benefits of third-party solutions. Let's take the distribution vertical, for instance. During distribution to a retailer, an order can contain 15+ SKUs. These multiple SKUs mean that an operator must create 15 packages during the transfer process and then group those 15 packages into a transfer. Third-party solutions have eloquently solved this challenge by incorporating package creation into the warehouse fulfillment process. As each item is scanned when put into the box, third-party solutions can automatically create the 15 packages in METRC and group them into a transfer in METRC in a single workflow. As a result, distributors can find themselves spending 75% less time in METRC with an effective third-party solution.