



Compliance Tip

November 1, 2022

Topic: Inventory Management of Regulated Marijuana

Applicable Rules: [Colorado Marijuana Rules 5-225\(C\) and 6-220\(C\)](#)

The Colorado Department of Revenue's Marijuana Enforcement Division (MED) is issuing this Compliance Tip to highlight certain regulations, offer information, and provide guidance to Licensees specific to requirements concerning Inventory Management for Regulated Marijuana Cultivation Facilities.

Background: Inventory Management is the method Marijuana Cultivation Facilities must follow to maintain compliance with on-hand inventory limitation regulations. Inventory Management involves regulatory tracking and encouraging responsible production by Licensees to meet the demand for Regulated Marijuana in the state while also mitigating Licensee accumulation of on-hand inventory at a volume that could lead to greater incentives to engage in noncompliant and potentially illicit-market activity.

Summary of [Colorado Marijuana Rules 5-225\(C\) and 6-220\(C\)](#):

The amount of Regulated Marijuana permitted to be in the inventory of a Medical/Retail Marijuana Cultivation facility at any one time is equal to or less than the amount of Regulated Marijuana previously transferred from that cultivation to other Regulated Marijuana Businesses.

- **Timeline to Measure Inventory Transfers:** The timeline used to measure the amount of marijuana transferred from a Cultivation depends on how many harvest seasons the Cultivation reported per year. This approach is intended to address the operational distinctions between indoor and outdoor cultivations.
- **Cultivations with One-Two Harvest Seasons (Typically Outdoor):** For Cultivation Facilities with one or two harvest seasons (typically outdoor cultivations), the on-hand inventory cannot be more than the amount of flower and trim that was transferred out to other Regulated Marijuana Businesses in the previous 720 days (2 years).
- **Cultivations with More Than Two Harvest Seasons (Typically Indoor):** For Cultivation Facilities with more than two harvest seasons (typically indoor cultivations), the on-hand inventory cannot be more than the amount of flower and trim that was transferred out to other Regulated Marijuana Businesses in the previous 180 days (6 months).

Calculating Inventory Allowance:

To calculate the on-hand inventory limit for a license, navigate to the **Reports** section within your [Metrc](#) account. You will need to create both the Packages Inventory and Outgoing Transfers reports.

- Please refer to the *Metrc Reports Guide* in the Support drop-down menu after logging into Metrc for more information on these reports. Once you have pulled these reports, you will total the packaged weight of both reports and compare.
- If the total from the Packages Inventory report is greater than the Transfers report, you could be in violation of the cited MED rules.

Examples of Inventory Management Computation for Regulated Marijuana Cultivations:

Table 1: Cultivations with One or Two Harvest Seasons per Year (Outdoor Cultivations)

License Number	Transfer Weight over Previous 720 Days (2 Years) (Flower and Trim)	On-Hand Package Weight (Flower/Bud)	Inventory Management Computation	Result
403R-00XX1	62 pounds	50 pounds	On-hand inventory is 12 pounds less than what was transferred out	Compliant
403R-00XX2	82 pounds	92 pounds	On-hand inventory is 10 pounds more than what was transferred out	Noncompliant

Table 2: Cultivations with More than Two Harvest Seasons per Year (Indoor Cultivations)

License Number	Transfer Weight over Previous 180 Days (6 Months) (Flower and Trim)	On-Hand Package Weight (Flower/Bud)	Inventory Management Computation	Result
403R-00XX3	24 pounds	22 pounds	On-hand inventory is 2 pounds less than what was transferred out	Compliant
403R-00XX4	100 pounds	125 pounds	On-hand inventory is 25 pounds more than what was transferred out	Noncompliant