

State of the New York Cannabis Market

Caleb McMillan

What is the state of the New York [cannabis](#) market?

Earlier this week, the Office of Cannabis Management (OCM) [approved regulations](#) to boost the New York cannabis market.

When New York first legalized cannabis in 2021, analysts expected a \$4 billion market. Two years later, they're generating a measly \$12 million with only 20 legal stores.

Compared to neighboring states, it's clear the New York cannabis market is underperforming.

But now the rules have changed. Regulators are now allowing multi-state operators to apply for adult-use retail licenses. Small and medium businesses feel like they've been thrown under the bus. And they're not wrong to feel this way.

CLN caught up with Naturae co-founder [Nicolas Guarino](#) to discuss the state of the New York cannabis market.

Is this licensee expansion good news or bad? What is the current state of the New York cannabis market?

State of the New York Cannabis Market. What Changed?

"With how late we're into 2023, and how much product is sitting in storage and ready to go to stores and ready to go to market," says Nick, "I really think it was kind of the only option that the OCM had left in front of them."

Indeed, multi-state operators have been litigating against New York. This regulatory change to open licensing to all applicants may end the lawsuits.

"Generally, I think it's going to be good news to be able to get New York to the potential that it has," says Nick. But it's not without its harm.

Nick fears New York may end up like California, where "the large publicly funded companies were able to mess with canopy size [and] increase their production massively, thereby making it impossible for small and medium guys."

"A similar story is playing out here in New York," says Nick, where the OCM's bureaucracy has created uncertainty in the market. And "that large MSOs immediately took advantage of the chaos," says Nick.

So, does this rule change add to the chaos? "This is what they wanted and this is the result," says Nick. The New York cannabis market will get a shot in the arm at others' expense.

When New York legalized, authorities said they'd prioritize applicants impacted by cannabis [prohibition](#) and applicants who were minorities, female, or disabled veterans.

This process has been anything but speedy.

“We were supposed to have 150 of those stores open by June,” says Nick.

And that would have been a big boost to the New York Market Social Equity program in general for the market. That didn't occur that way, and by June, we actually only had roughly ten storefronts open. And with only ten storefronts open in June, a majority of the crop on the production side that was produced was still in storage. A lot of people are really struggling with the bottleneck of the retail side.

Nick adds that applicants received good news this summer. Still, everything the OCM is doing is outside the original law and mandates. New York's cannabis market is “vulnerable to lawsuits,” says Nick.

That said, there's a sense that applicants will be able to reapply and open up their stores by the end of November.

The structure that they [OCM] put forward was vulnerable; it didn't work. It was a failure due to a lack of funding and very bad timing... and now this is the only fix that they can give, which is just opening up the entire market.

Many of New York's cannabis entrepreneurs have invested hundreds of thousands (even millions) of dollars into their businesses. Opening up licensing to all gives them a chance to recuperate.

But doesn't this throw the original social equity applicants under the bus? Aren't they justified in feeling betrayed by the OCM?

“Yes, absolutely,” says Nick. He hopes the OCM will waive application fees and allow for reapplication so these operators “can get back on track.”

“Otherwise there's just going to be a number of additional lawsuits coming directly from from those licensees,” says Nick.

Thought behind New York Cannabis Market

The idea behind New York's cannabis market was to provide a level playing field for all applicants. “There would be a chance for small and medium businesses,” says Nick.

Retail and production licensing would be separate. There wouldn't be a massive consolidation of big business like what happened in California. At least, that was the idea.

New York's planned cannabis market would provide opportunities “for small and medium businesses to establish themselves,” says Nick.

But the result was a slow bureaucratic roll-out that didn't undermine illegal markets. It instead created conditions where people invested millions into storefronts that couldn't legally open. It also incentivized litigation against the state.

So, in the end, the OCM decided to open the floodgates. Nick expects this decision to accelerate the maturity of the New York market by three years.

But, he adds, at the expense of small and medium businesses.

“We'll see how much as the plays out, but it's going to be a very competitive market within 12 months. So, in a sense, it sounds like small businesses possibly have been thrown under the bus here. Like in every tier of the supply chain. From the retail card licensees through to any of the producers and cultivators.”

How consolidated will the New York cannabis market get?

“We’ll just have to wait and see,” says Nick.