NEW YORK STATE | Office of Cannabis Management

2024

NEW YORK STATE OFFICE OF CANNABIS MANAGEMENT MARKET REPORT

cannabis.ny.gov

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Introduction

Pursuant to the Cannabis Law Section 10(24), the Cannabis Control Board (CCB) shall, "two years after the first retail sale pursuant to this chapter, review the impact of licenses issued pursuant to article four of this chapter with substantial market share for any category of licensure, to determine if such licensees are impairing the achievement of the goals of inclusion of social equity licensees, fairness for small businesses and distressed farmers, adequate supplies of cannabis and prevention of dominant marketplace participation in the cannabis industry. The CCB may modify the terms of the licensee's license consistent with the determination and to better achieve those goals."

This Market Report has been prepared by the Office of Cannabis Management (OCM) to provide the CCB with relevant market data from the first two years of adult-use cannabis sales and assist the CCB in fulfilling its obligations under Cannabis Law Section 10(24). OCM is also providing several recommendations for the CCB to consider to better achieve the goals of the Marihuana Regulation and Taxation Act (MRTA) after analyzing and reflecting on the first two years of adult-use sales.

Further, this report describes New York State's (NYS) cannabis market, including the progress of license issuance and operationalization, achievement of social equity licensing goals, fairness for small businesses and distressed farmers, adequate supplies of cannabis, and prevention of marketplace dominance by individual operators. NYS witnessed significant sales growth and a substantial increase in tax revenue generated from licensed cannabis sales, reinforcing the positive impact of a well-regulated cannabis market. While there have been obstacles to overcome in the creation of a new industry, the NYS cannabis market continues to make significant progress toward the goals of the MRTA of creating a regulated cannabis market prioritizing small businesses and social and economic equity.

It will be imperative for the CCB and OCM to continue to analyze and publish cannabis market data to monitor trends in the industry to help make data driven decisions to achieve the goals of the MRTA.

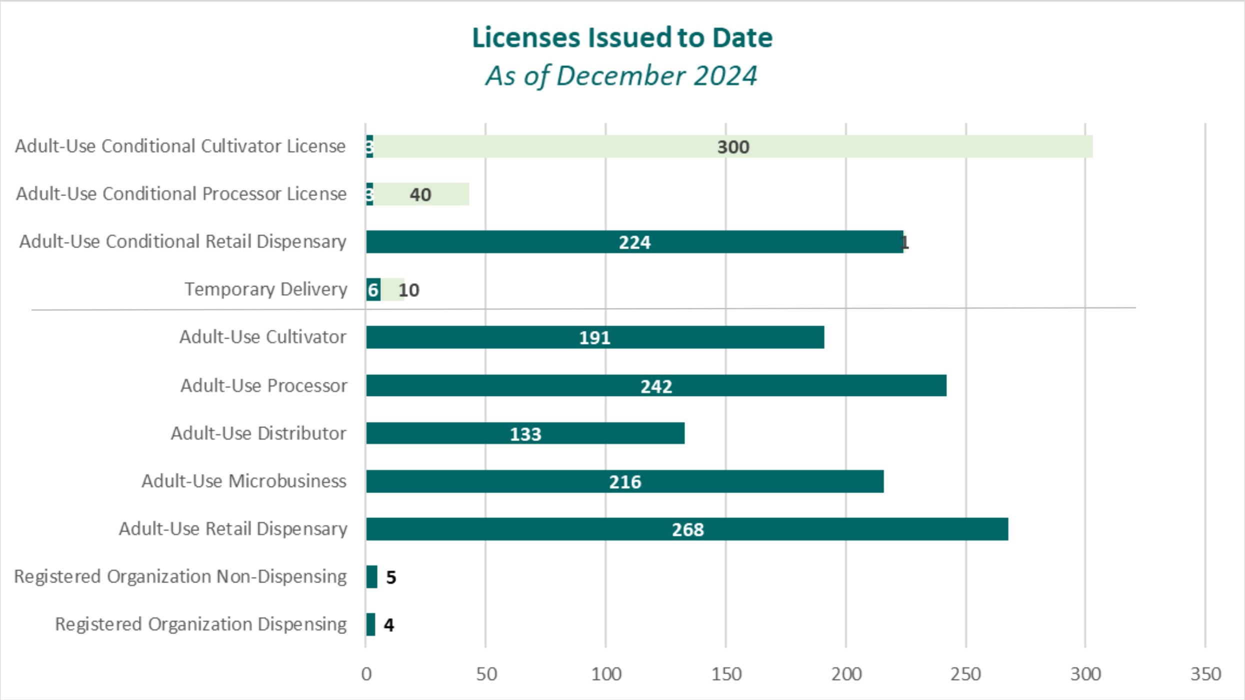
Licensing

The CCB is charged with issuing licenses for businesses to participate in NYS's Medical Cannabis, Cannabinoid Hemp, and Adult Use cannabis programs. Licensing staff at OCM process and review applications to ensure that applicants meet eligibility criteria and that the applications submitted for licensure are complete and accurate.

From the commencement of the program through December 31, 2024, the CCB issued 1,646 licenses across 11 license categories (Figure 1). Conditional licenses were granted to cultivators and retailers throughout 2023 to seed the supply chain but were superseded by the Adult Use licenses in early 2024 following the promulgation of the final adult use regulations. The number of active licenses across the Adult Use license categories has grown dramatically over the course of 2024, with retail dispensary licenses growing fastest and distribution growing slowest.

As the program has matured, many Adult Use Conditional Cultivators (AUCC), Adult Use Conditional Processors (AUCP), and Temporary Delivery (TD) licensees have converted into Microbusinesses or Adult Use Cultivators, Adult Use Processors, and Adult Use Retail dispensaries, respectively in the transition to full licensure. The remaining active AUCC, AUCP, and TD licenses will not be renewed but most of those licensees are expected to transfer to another license type in the coming months.

Figure 1: New YorkState Cannabis Licenses Issued to Date as of Decemeber, 2024



Medical Cannabis Registered Organizations

With only 32 medical cannabis dispensaries operating as of December 31, 2024, access to medical cannabis for patients has been a challenge. The Cannabis Law authorizes the CCB, in coordination with the Chief Equity Officer, to issue additional Registered Organizations (RO) licenses to provide services to unserved and underserved areas of the State. The additional ROs registered must also reflect the demographics of the state, represent communities that have been disproportionately impacted by cannabis prohibition, and be culturally, linguistically, and medically competent to serve unserved and underserved areas of the State. (N.Y. Cannabis Law § 35(9)). In response to this mandate, the CCB opened the Registered Organization application window to the general public on October 31, 2023, for interested entities to apply. This application process represented the first opportunity for those interested to apply for a registration since the original medical cannabis program application window was opened by the State's Department of Health in 2015. The expansion of the Medical Cannabis Program prioritizes patient needs by increasing access to ROs committed to serve them. The application period closed in December 2023.

To further expand medical cannabis access for patients, the Cannabis Law includes a provision that increases the number of dispensing facilities a RO may operate from four to eight, provided that the fifth and sixth dispensing sites are located in medically underserved or unserved areas of the State. ROs have begun applying for and opening these new dispensing locations, providing more access points for patients in medically vulnerable areas of the State.

Registered Organization Participation in the Adult Use Cannabis Market

The Cannabis Law allows existing ROs operating as a strictly medical RO licensed under Cannabis Law Article 3 to apply for authorization to operate as an Adult Use Registered Organization with Dispensing (ROD) or Registered Organization Non-Dispensing (ROND) licensed under Article 4. RODs are eligible to co-locate for Medical and Adult Use sales at up to three of an RO’s dispensaries (co-located dispensaries). Section 123.18 and Section 113.7 of the CCB regulations provide additional requirements for co-located dispensaries and how to apply for additional RODs. OCM began accepting applications on October 4, 2023. ROs must be in good standing with OCM and have four operational medical dispensing sites to apply for a ROD or ROND license. The information that must be submitted to OCM includes but is not limited to: a community impact plan; an energy and environmental plan; and a medical patient prioritization plan. Upon payment of part of the special license fee, RODs were approved to begin Adult Use operations on or after December 29, 2023. As of December 2024, four of the RODs had begun Adult Use operations.

Cannabinoid Hemp Licensing and Permitting

OCM regulates hemp products used or marketed for their cannabinoid content, such as CBD. The hemp regulations require anyone who is processing, manufacturing, or selling cannabinoid hemp to obtain a license or permit from OCM to do so. Cannabinoid hemp farm processor licenses, distributor permits, and retail licenses are renewed annually while processor licenses are renewed every two years. The temporary retail permit is valid for up to three months.

Adult Use Cannabis Licensing

The first general Adult Use cannabis licensing application window in the State opened on October 4, 2023, and closed on December 18, 2023 for Adult Use cultivator, Adult Use processor, Adult Use distributor, Adult Use retail dispensary, and Adult Use microbusiness licenses. Applicants for retail and microbusiness licenses that had secured properties and applied by November 4, 2023, were included in a distinct applicant pool that received expedited review. [1]Application windows for licenses such as nursery, delivery, cooperative or collective, and on-site consumption are anticipated in the future.

During 2024, OCM reviewed applications and made recommendations to the CCB about determinations for licensure; by December 31, 2024, 1,231 Adult Use licenses were issued. To significantly improve license processing, OCM implemented a single point of contact (SPOC) licensing review model in October 2024 that streamlines and centralizes the licensing process. This effort enhanced transparency for stakeholders by providing applicants with a clear point of contact throughout the review and by making official communications more consistent and customer friendly. By consolidating all license review functions under OCM’s licensing team, the

[1] For more information about the adult use application queues, please visit: https://cannabis.ny.gov/system/files/documents/2024/11/post-application-faqs-user-guide-10.25.24.pdf

SPOC model eliminates the previous multi-team system, ensuring applicants have a dedicated examiner to guide them through the process from start to finish.

After the resolution of five-months of litigation, OCM moved forward with continuing the review of Conditional Adult Use Retail Dispensary (CAURD) applications at the end of 2023. OCM received over 900 applications for CAURD licenses, and as of December 31, 2024, 225 had been issued a final license and 351 had been provisionally approved. Of those, 182 CAURD licensees were open for business by the end of December 2024.

Following the general application window, a second application window for AUCC and AUCP licensees to transition to a non-conditional license was open from March 4 to May 3, 2024. All conditional cultivator or processor licensees who submitted their Adult Use license application before the closing of the application window were allowed to continue operations authorized under the conditional license while their application was being reviewed and processed by OCM, provided the licensee was in good standing with OCM. AUCC or AUCP licensees who did not apply to transition to a general Adult Use license and pay the full application fee by the closing window were required to cease all cannabis activity by June 30, 2024.

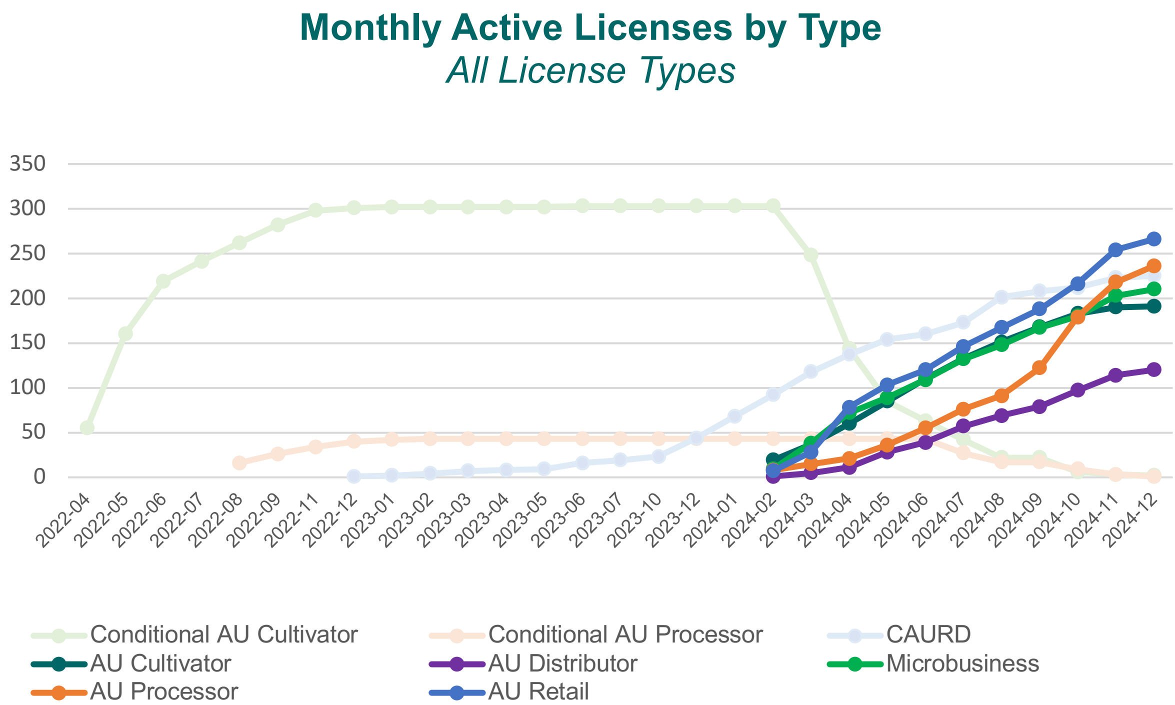
When it came time for AUCCs to apply to transition to full licensure, OCM and the CCB recognized that the AUCCs demonstrated sufficient need for financial assistance. In September 2024, the CCB passed a resolution to waive fees for license amendments, offering significant financial relief to businesses. Additionally, In March 2024, the CCB waived the licensing fees for AUCC and AUCP licensees transitioning to general adult use licenses. The waiver also included an announcement that OCM will be covering the cost of seed-to-sale tags for up to the first $250,000 in tag purchases across licensees. By helping to assist with the initial cost of the tag fees, OCM is reinforcing its commitment to reducing operational and compliance costs for licensees, allowing business owners to focus on growth without the added burden of these expenses.

Additionally, in September 2024, OCM launched the **Legal Online Cannabis Activities Locator (LOCAL) Map**, an innovative tool designed to streamline the cannabis application process and better inform the public.[2]

The LOCAL Map comprises two key features: an Industry-Focused Map tailored for applicants, licensees, and stakeholders that offers advanced capabilities like generating retail location distance reports and navigating multiple data layers to meet regulatory requirements and a Consumer-Focused Dispensary Map that allows New Yorkers to easily locate the nearest legal dispensary, ensuring access to safe, regulated cannabis products across the State. By eliminating the need for costly third-party services, LOCAL empowers applicants and businesses to make informed decisions quickly and at no cost while helping them evaluate potential retail locations, check municipal opt-out statuses, and access critical data to inform their retail siting decisions.

[2] Legal Online Cannabis Activities Locator (LOCAL) Map: https://local.cannabis.ny.gov/

Figure 2: New YorkState Cannabis Monthly Active Licenses By Type as of December, 2024



Social and Economic Equity

Social and economic equity are integral components of NYS's comprehensive cannabis regulatory framework. The goal is to establish a robust program that actively promotes participation in the new industry while ensuring it is representative and equitable.

Among Adult Use licenses, 55% are Social and Economic Equity (SEE) licensees. SEE licensees have the highest representation in Adult Use Retail Dispensaries and Microbusinesses (81% and 58% respectively), while representation in all supply side-only licenses remains below 50%. Adult Use Retail Dispensaries have the highest proportion of Minority-Owned Businesses relative to other license types. Distressed Farmers are not strongly represented on the retail side but are much more prevalent in supply side-only license categories.

The promotion of social and economic equity in the cannabis industry is a central mission of both the CCB and OCM. To ensure an equitable cannabis industry, the CCB and OCM are committed to the following equity pillars:

- Bringing to life an industry that gives small, independent businesses an opportunity to compete.
- Building relationships and trust within the communities most impacted by prohibition through educational and social programs.
- Investing resources including grants, loans, and technical assistance to equip SEE groups with the support needed to thrive in the NYS cannabis market.

- Educating communities about how to engage in the industry in accordance with the laws and regulations.
- Collecting data to develop responsive and adaptive programming that meets the equity needs of industry participants.

Social and Economic Equity Business Licensing

The MRTA established the goal of awarding 50% of all Adult Use licenses to SEE applicants. In support of this effort, the Adult Use license applications include a section assessing eligibility for applicants to be certified as one of the five SEE groups identified in the MRTA. Per the Cannabis Law, SEE groups are considered individuals from communities disproportionately impacted (CDI)s, minority-owned businesses, women-owned businesses, distressed farmers, and service-disabled veterans (Cannabis Law §§2 and 3).

The CCB approved the initial round of non-conditional Adult Use licenses in February 2024, totaling to over 1,500 Adult Use licenses issued by December 2024. Of those Adult Use licenses approved, 54.1% were awarded to SEE eligible applicants, surpassing the MRTA's goal (see below). Adult Use licensing application reviews are ongoing.

Table 1: Adult Use Applications Received and Licenses Issued by Social and Economic Equity Certification Status as of December, 2024

	Applications		Licenses Issued	
	#	%	#	%
SEE Certified	4,995	69.0%	636	54.1%
Non-SEE Certified	2,241	31.0%	539	45.9%
Total	**7,236**	**100.0%**	**1,175**	**100.0%**

Figure 3: SEE Category By License Type, Adult Use Licenses

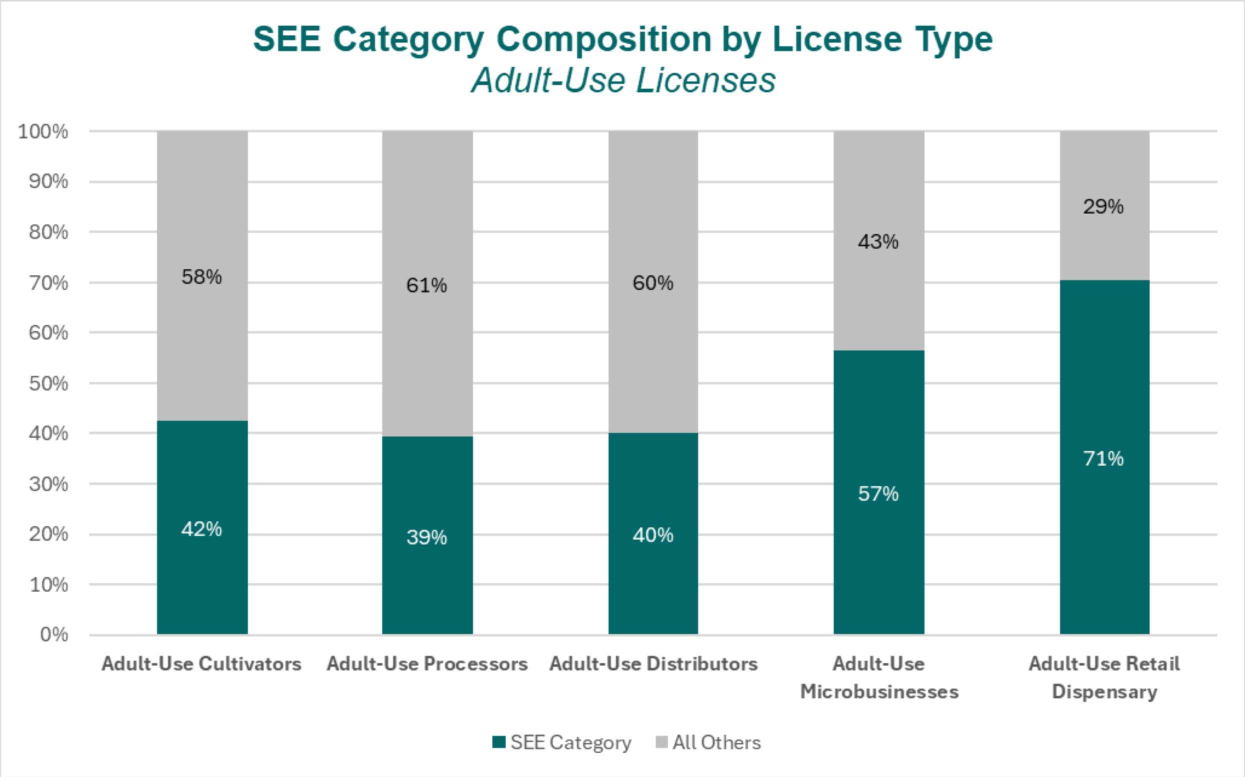
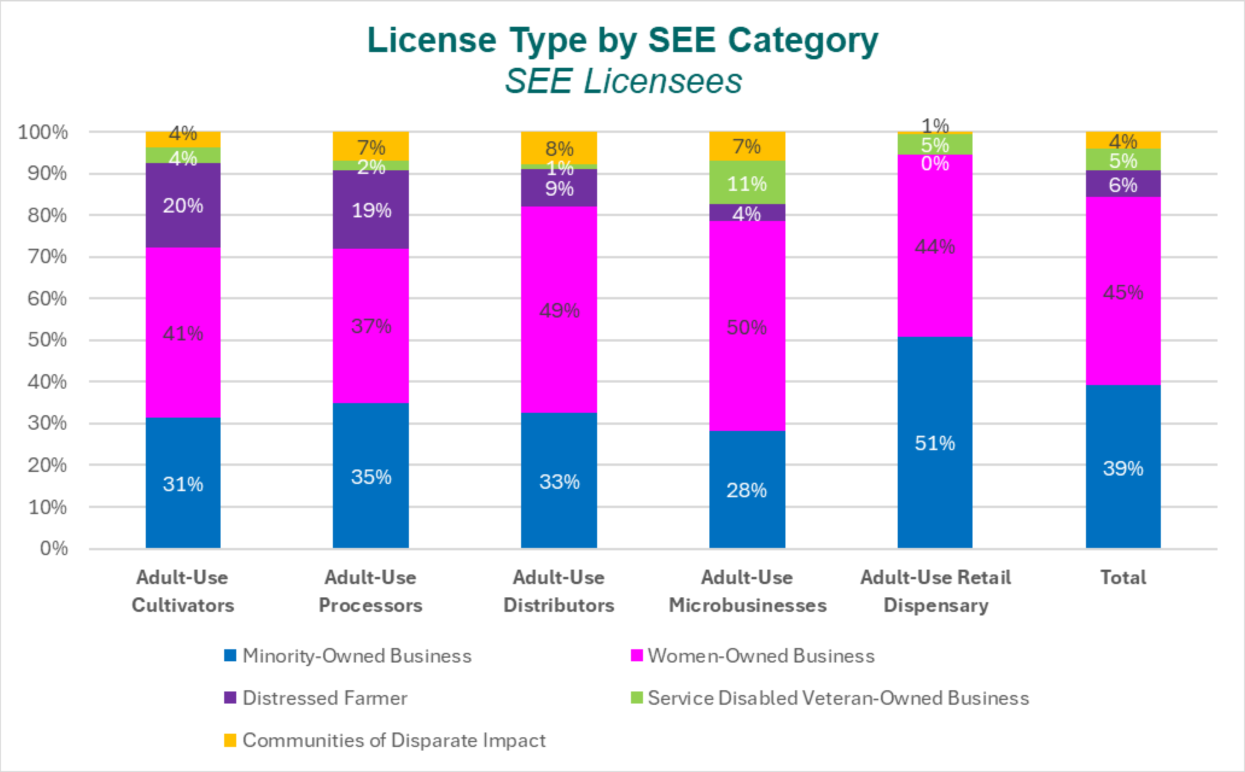


Figure 4: License Type by SEE Categories

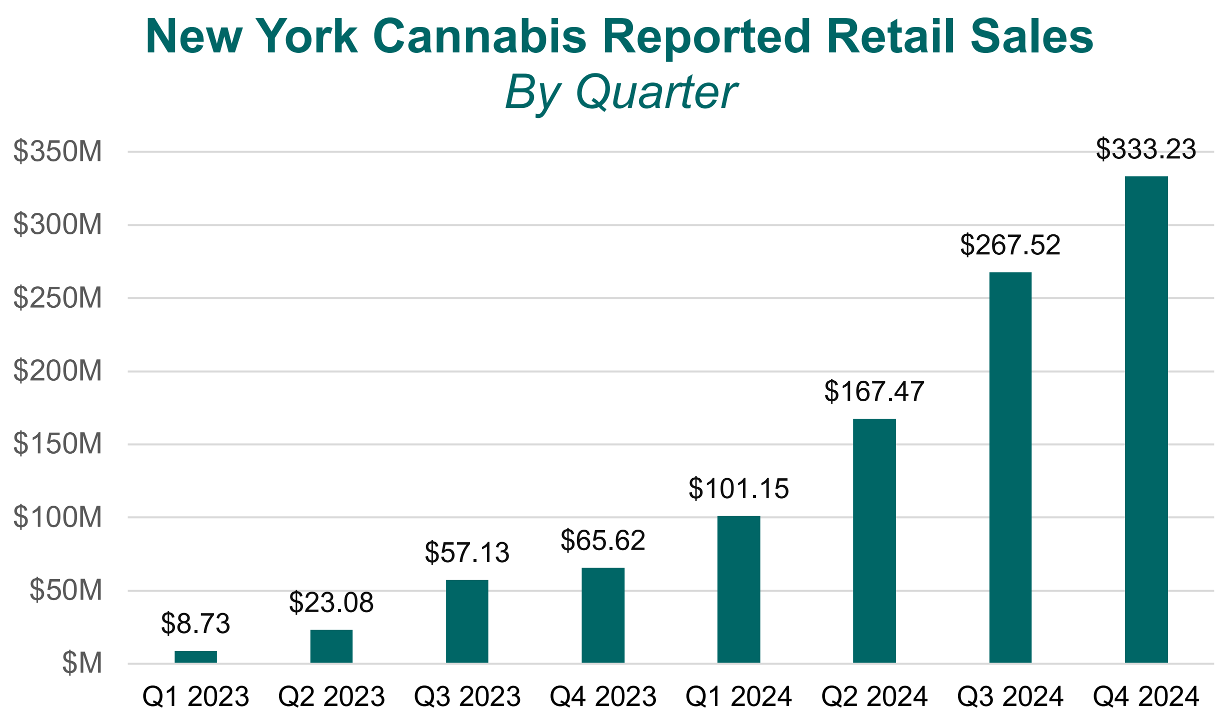


Market Sales and Inventory

Retail Sales

Reported retail sales have been growing steadily over time as new locations open and existing locations mature statewide. **As of December 31, 2024, the program has generated $1.02 billion in reported retail sales from 260 reporting dispensaries[3].** Approximately $869 million of those sales occurred in 2024.

Figure 5: New York Cannabis Reported Retail Sales By Quarter



The Adult Use cannabis market has demonstrated significant growth since the first regulated retail sale in December of 2022. Since that time, reported monthly retail sales have surged from $2.2 million in January 2023 to a peak of $133.3 million in November 2024, leading to a total of over $1 billion in retail sales since the market's launch through the end of December 2024. In calendar year (CY) 2023, cannabis retail market sales in NYS totaled $160 million and have surged to $869.4 million in CY 2024 (Figure 6, Figure 7). Quarter-over-quarter sales revenue show a consistent upward trajectory, with Q3 2024 notably standing out at $267.52 million compared to $23.08 million in Q2 2023, and Q4 sales set a record with sales of $333.23 million.

[3] As of April 20, 2025, there were 363 licensed dispensaries open across New York State.

Figure 6: New York Cannabis Reported Retail Sales By Month

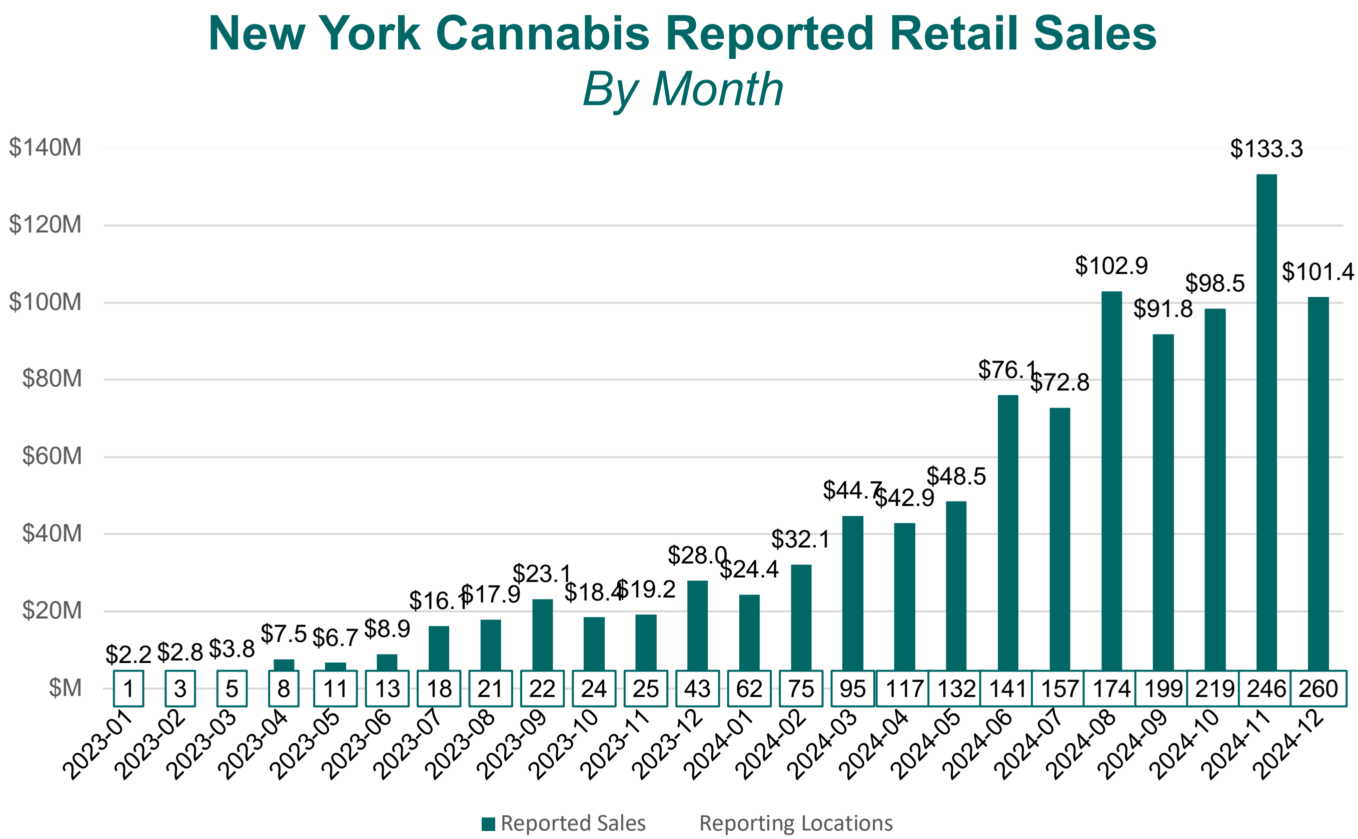
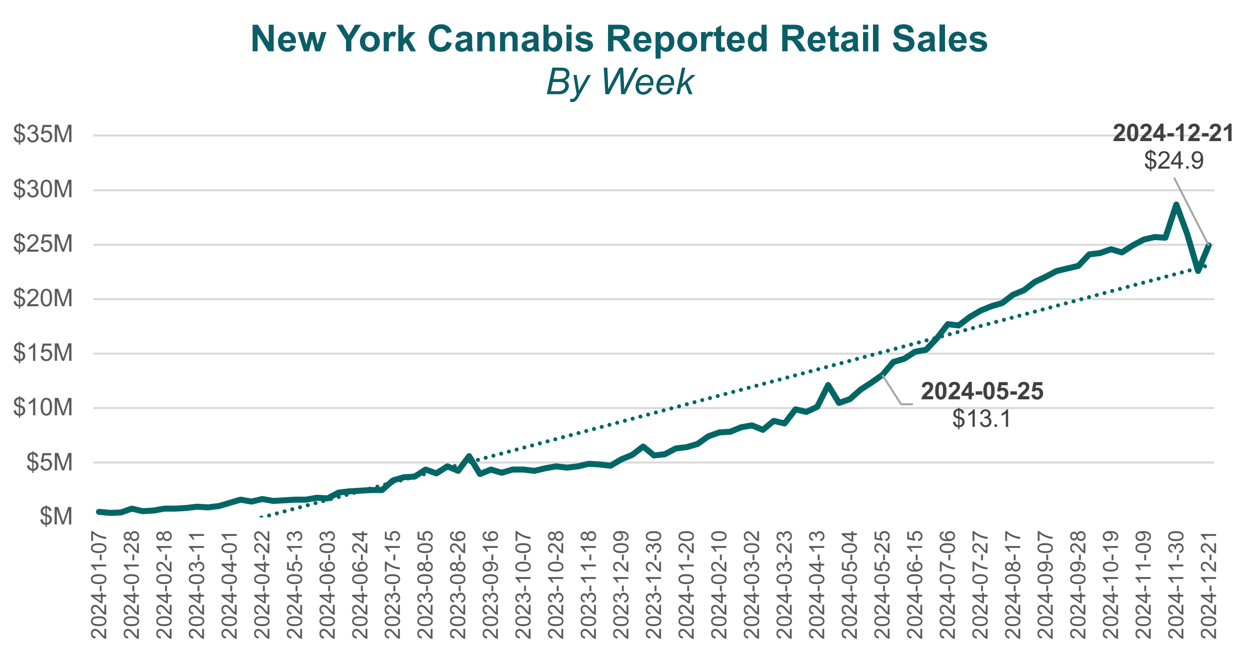


Figure 7: New York Cannabis Reported Retail Sales By Week

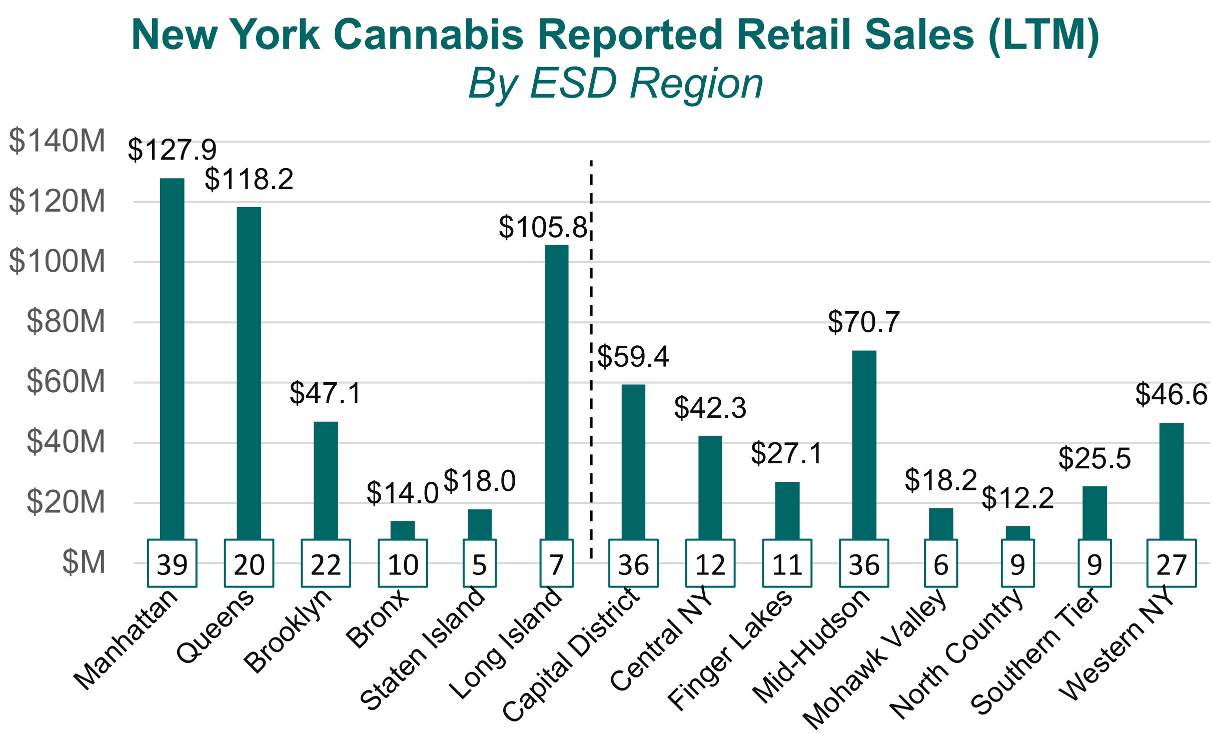


Economic Regions

New York's fourteen Empire State Development (ESD) regions are growing at different rates reflecting increasingly nuanced business and consumer behaviors across the State's diverse geography. Over half (**58%) of reported retail sales come from Downstate Regions (Manhattan, Brooklyn, Bronx, Queens, Staten Island, and Long Island), while 42% come from Upstate Regions (all others) despite more Upstate retail dispensary locations reporting.**

This is largely due to significant share of sales of sales in the most densely populated regions in the State– Manhattan, Queens, and Long Island. This strong performance comes despite the latter two regions having very low store counts relative to their adult population. The Upstate regions with the highest reported sales tend to be those with the most open locations – Mid-Hudson, Capital District, and Western New York.

Figure 8: New York Cannabis Reported Retail Sales (2024) By ESD Region



Wholesale Inventory and Transfers

In November 2024, cultivators reported just under 200,000 pounds of biomass in inventory which is down slightly from a program-high 240,000 pounds in mid-October of that same year. Inventory was elevated in both Fall 2023 and 2024, likely aligning with the conclusion of outdoor cultivator harvests. Processors also reported a spike in inventory in late 2023, reaching around 700,000 pounds. This quickly normalized to more modest levels.

Over time, cultivators report having less of their inventory as dry biomass, instead holding more inventory as fresh or frozen. Processor inventory composition has remained fairly consistent over the life of the program.

In early 2024, cultivators reported higher wholesale activity as they sold their 2023 post-harvest inventory glut. As inventory swelled at the end of 2024, it is reasonable to assume that wholesale activity will be elevated in early 2025 as well. Over the course of 2024, cultivators shifted from transferring most of their biomass to other producers towards distributing directly to retailers. It remains to be seen if this year-end seasonality will persist as more mixed-light and indoor cultivators and microbusinesses launch their operations in the beginning of 2025.

Figure 9: Biomass In Inventory by Type (lbs) – Cultivators

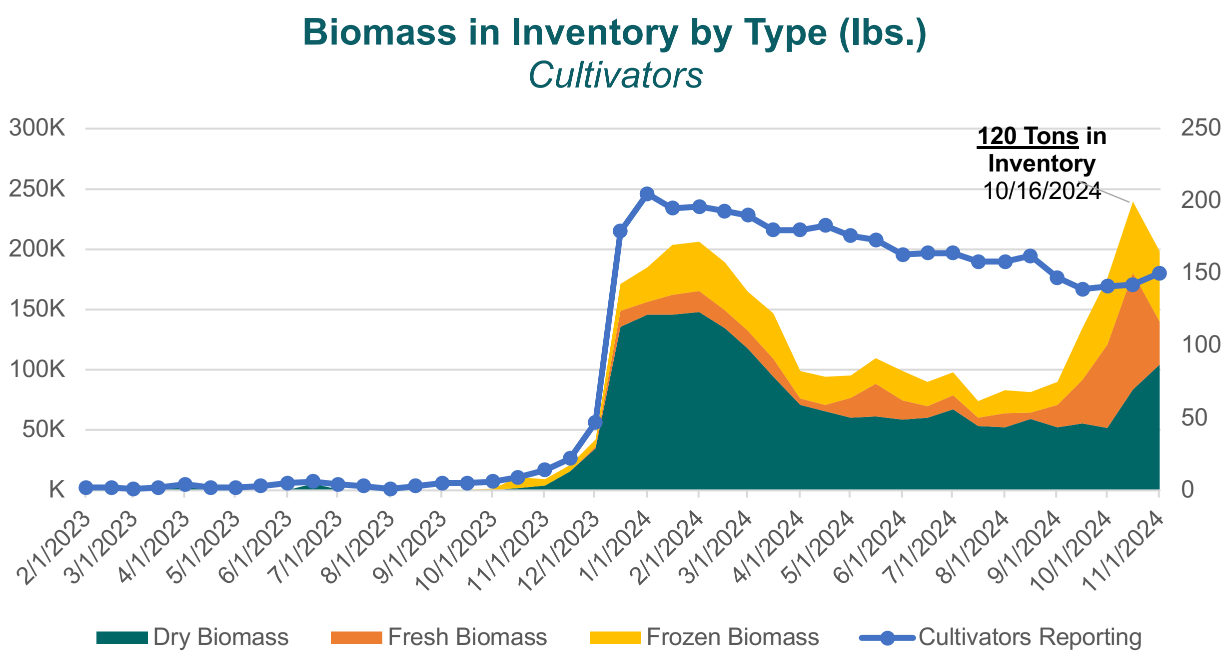


Figure 10: Biomass Transferred by Recipient Type – Cultivators

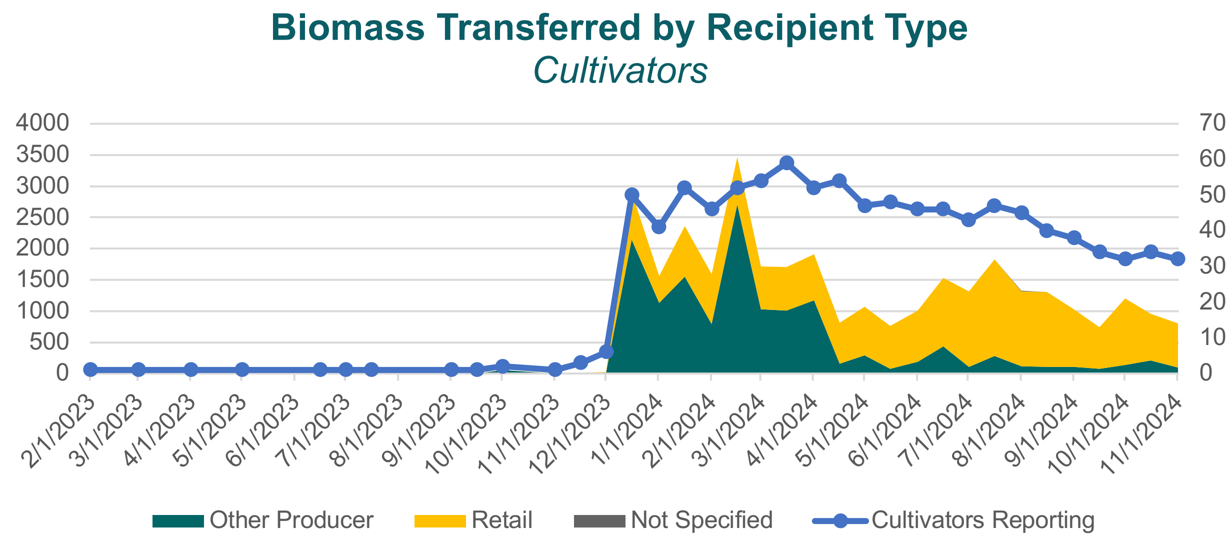
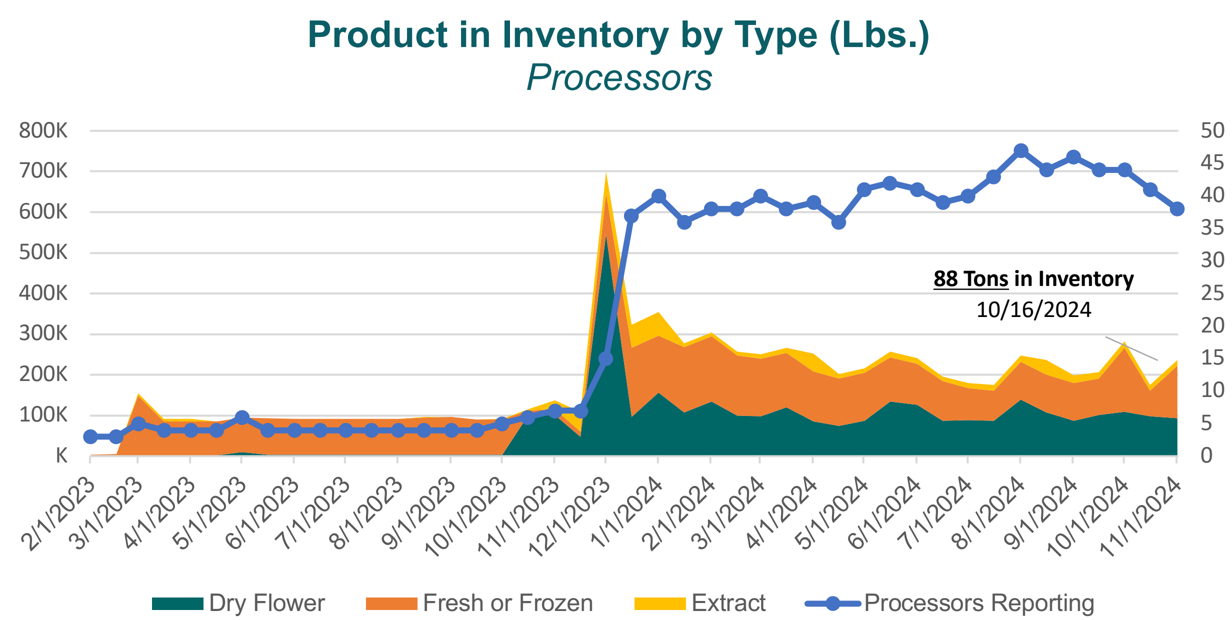


Figure 11: Product in Inventory by Type (lbs) – Processors

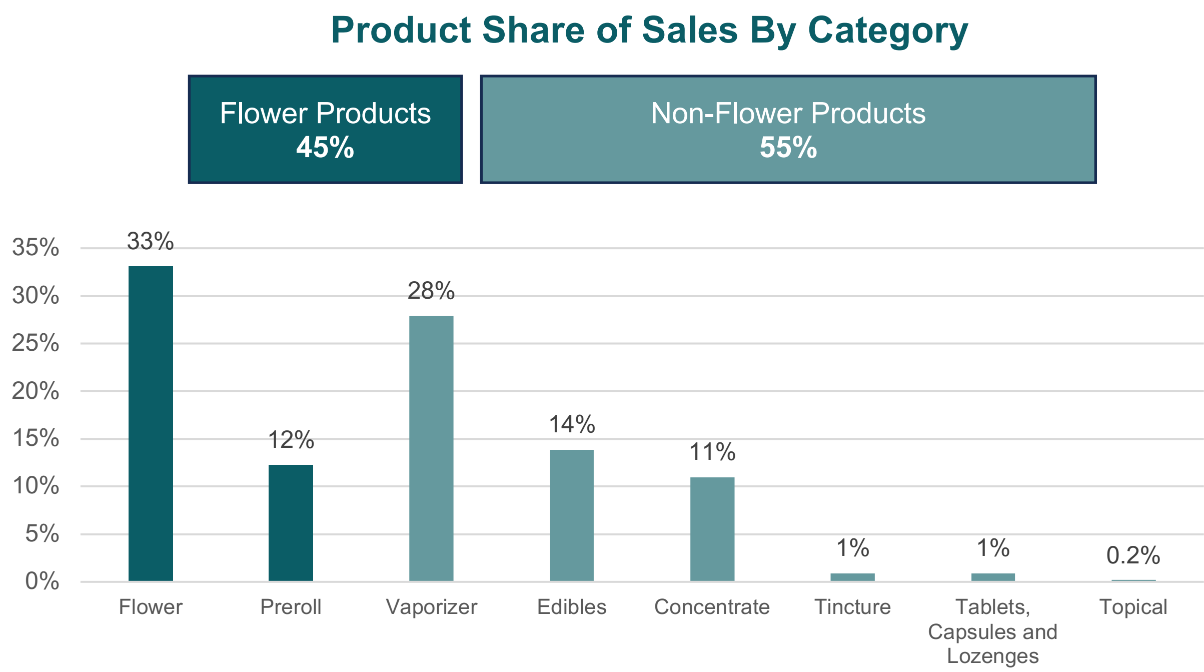


Product Market Share and Pricing

The proportion of sales revenue generated by each product category offers a useful insight into retail sales trends and evolving consumer preferences. Flower products, which include loose smokable flower and prolls, account for less than half of sales (45%). reflecting the strong demand for value-added products, including vaporizers, edibles, and concentrates, has grown. While flower is forecast to remain the dominant product form, the share of value-added products is expected to grow incrementally as industry innovation creates new product forms and manufacturing efficiency lowers product costs.

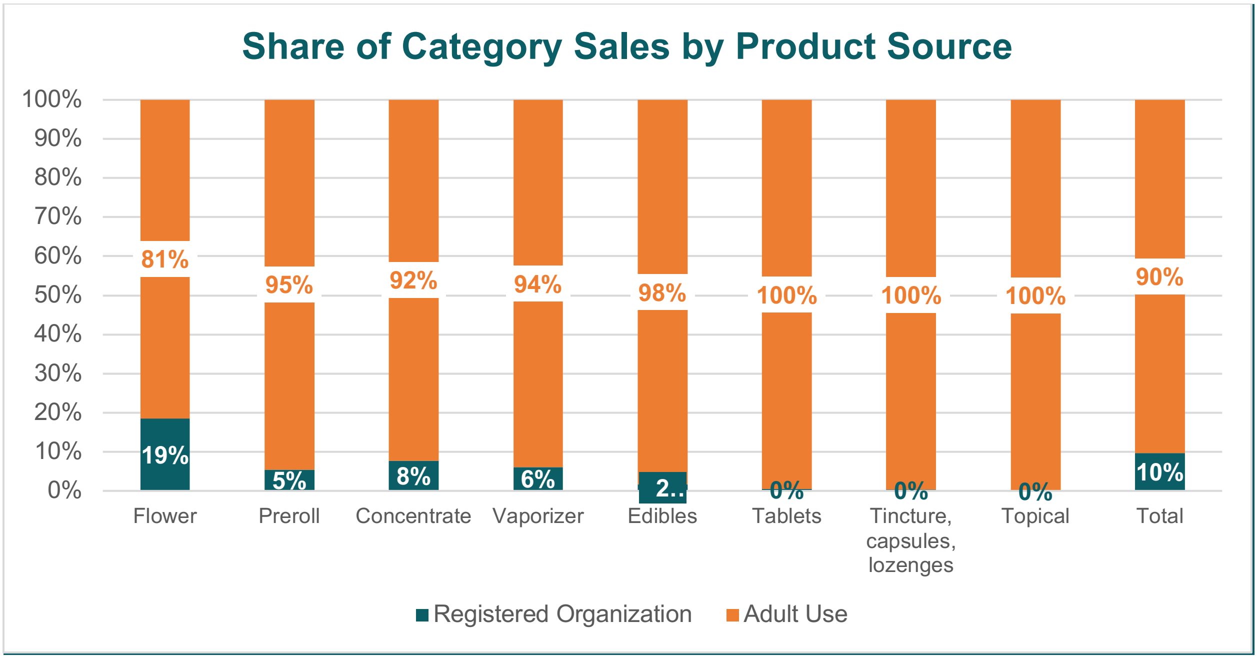
As a result of the seed-to-sale system not yet fully implemented, the product data reported by licensed retailers is not yet standardized, therefore requiring resource intensive transformation to analyze. Activation of the seed-to-sale system and implementation of standardized reporting protocols in the second half of 2025 will enable the OCM to efficiently prepare longitudinal analysis of the retail sales data.

Figure 12: Product Share of Sales by Category



Adult-Use products sold under the brands of RO's account for 10% of sales, but the share of sales varies widely across product categories. Within the Adult Use market, the RO's have their largest share in the flower (19%), concentrates (8%), and vaporizers (6%) and preroll (5%) categories.

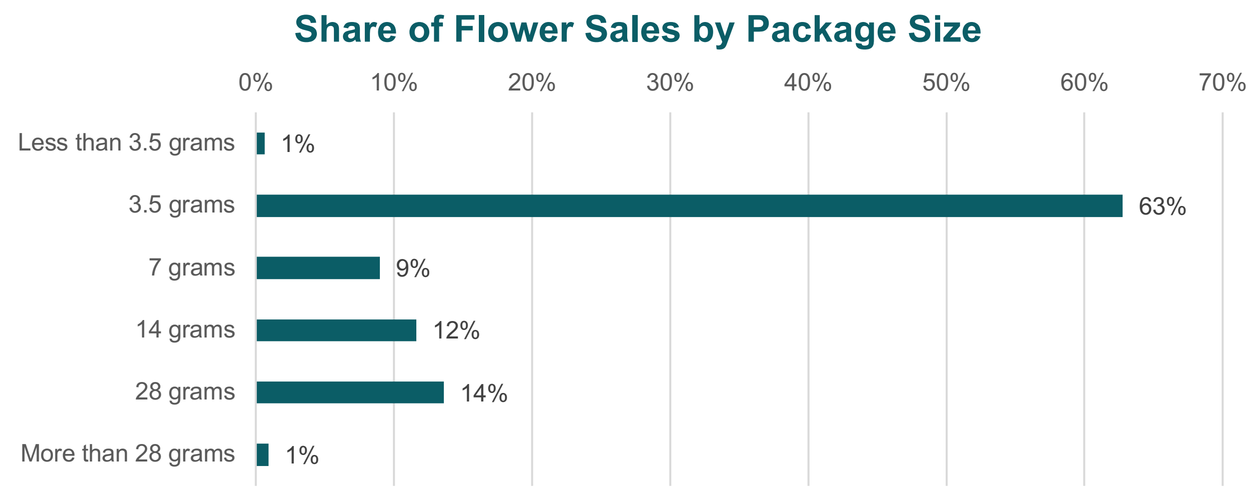
Figure 13: Share of Category Sales by Product Source



Flower Category

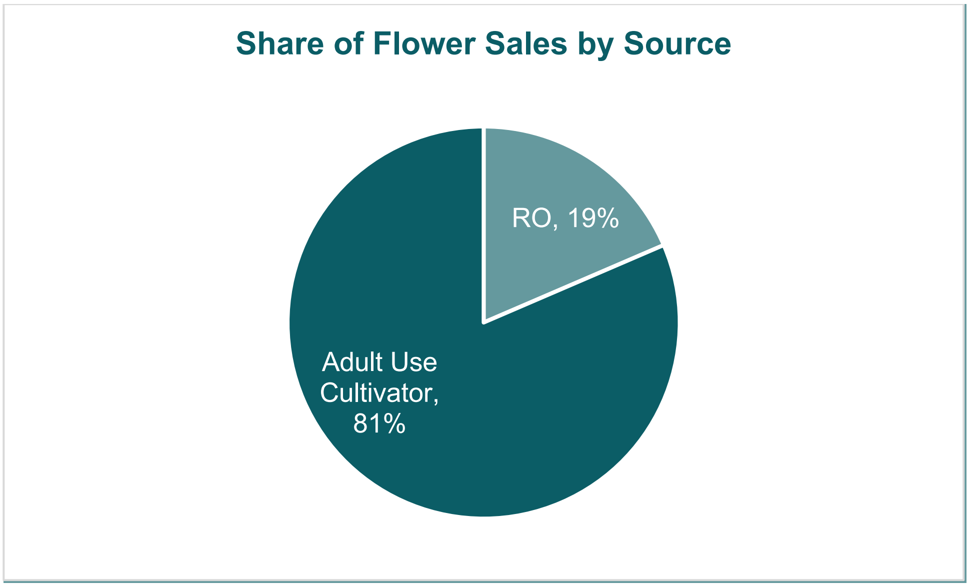
Within the flower category, nearly two-thirds of sales (63%) are 3.5-gram packages (one-eighth oz.), with the 28 grams (one ounce) packages being the second-best sellers at 14% of sales.

Figure 14: Product Share of Flower Sales by Package Size



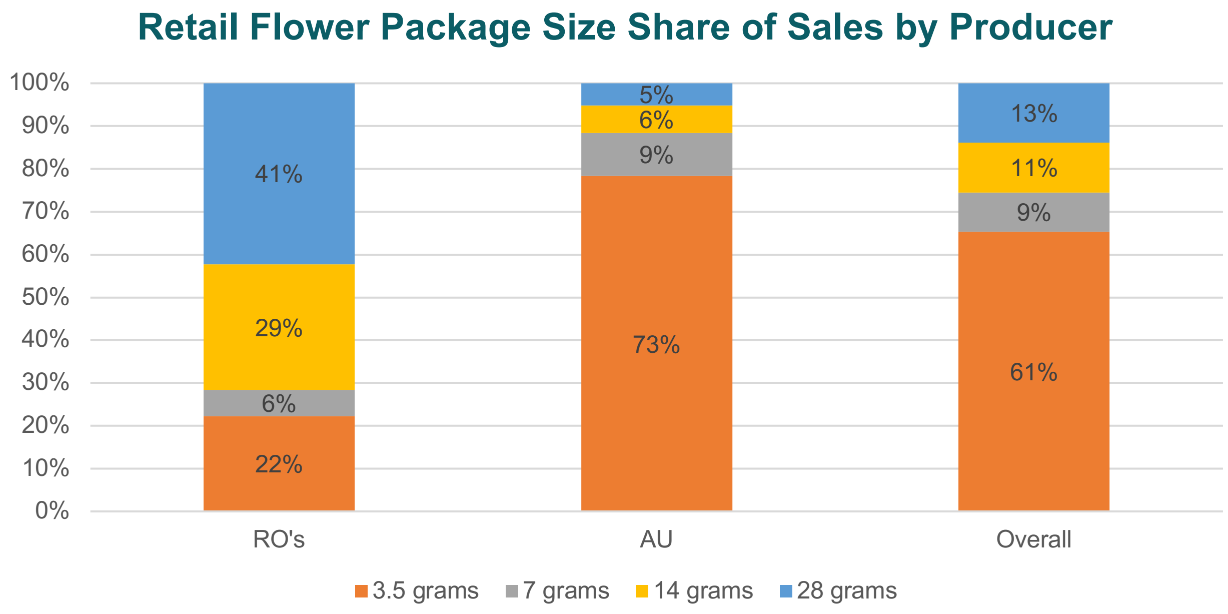
Brands owned by RO's account for nearly one-quarter (23%) of flower sales. The first RO entered the Adult Use market in December 2023, and to date, six are selling their brands into Adult Use retail stores. The RO's are permitted to grow up to 100,000 square feet of indoor canopy, the largest canopy allowance of all cultivation licenses (though currently none are producing close to their maximum permitted canopy allowance). Additionally, the RO's were the first cultivators to have fully indoor grown cannabis available in the Adult Use market.

Figure 15: Share of Flower Sales by Source



The RO's are selling significantly more product in larger package sizes than Adult Use growers, with packages 14 grams or larger accounting for 70% of RO flower sales compared to 11% of Adult Use brand sales, and 28-gram packages accounting for 41% of RO sales compared to 5% of Adult Use product sales.

Figure 16: Retail Flower Package Size Share of Sales by Producer



The higher sales of larger RO package sizes are driven in part by the lower average prices of RO ounces. The average RO ounce is significantly cheaper than an Adult Use ounce ($186 vs. $211). Average RO prices for 7 gram and 14-gram packages are a little higher than Adult Use packages at $81 vs $66, and $119 vs. $102 respectively. However, average prices for 3.5 grams are almost equal ($45 vs $44).

Table 2: Average Price Per Package Size and Sales Source

	Average Price		
Package Size	**RO**	**AU**	**Overall**
3.5 grams	$45	$44	$44
7 grams	$81	$66	$69
14 grams	$119	$102	$112
28 grams	$186	$211	$196
Average Price per Package	$91	$52	$60

Preroll Category

The diversity of preroll options has increased significantly over the last year, with brands offering more options for both the number of prerolls in a package and the sizes of the prerolls within packages. While single prerolls still capture the largest share of sales (33%), packages with five or more prerolls account for 60% of sales. Most single prerolls are one gram (80%) with 0.5-gram prerolls accounting for 15% of sales.

Figure 17: Preroll Share of Sales (Prerolls by Package)

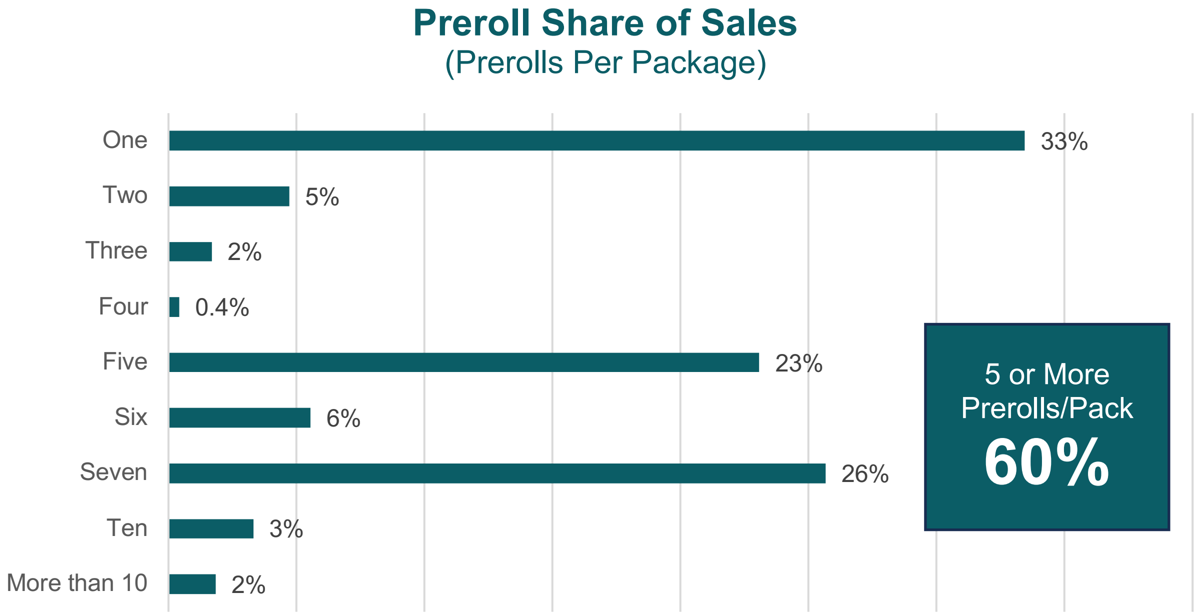
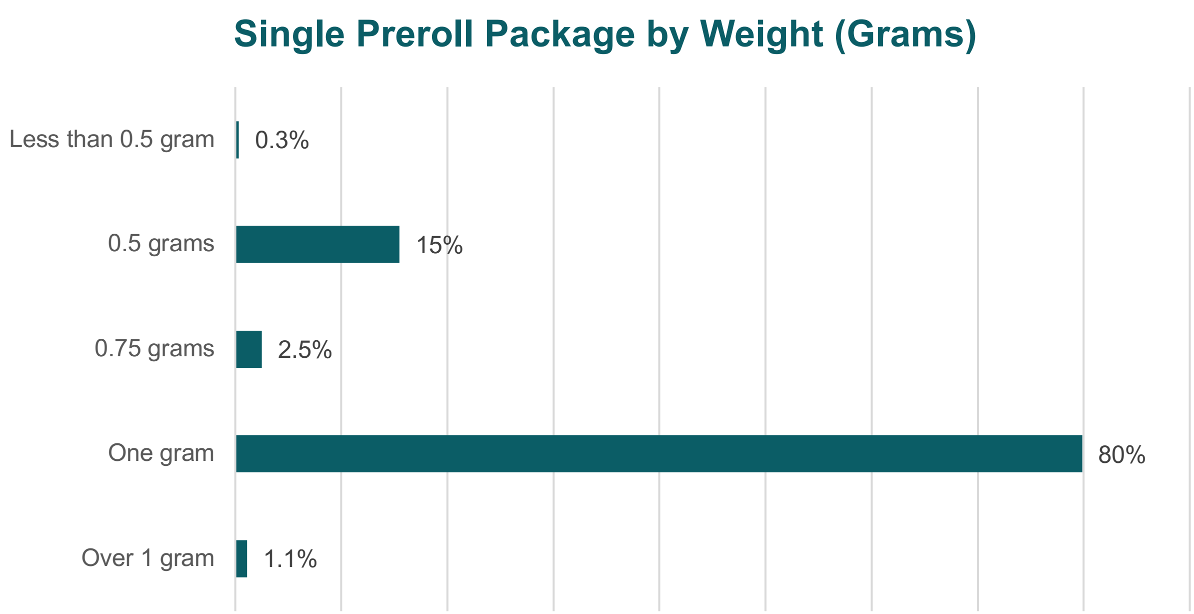


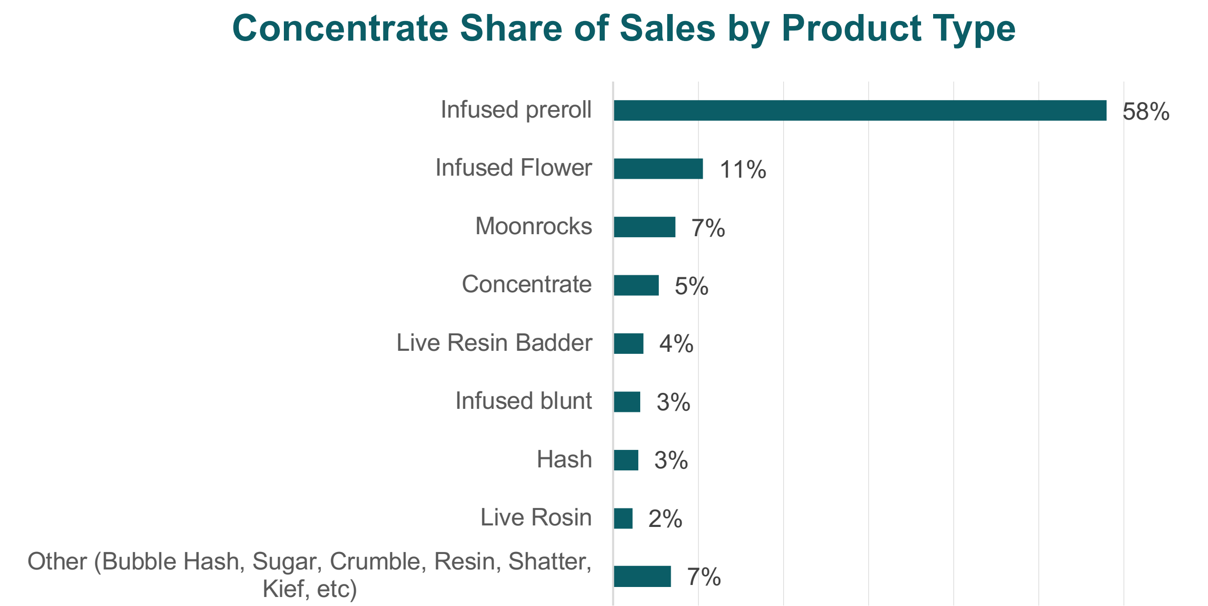
Figure 18: Single Preroll Package by Weight (Grams)



Concentrate Category

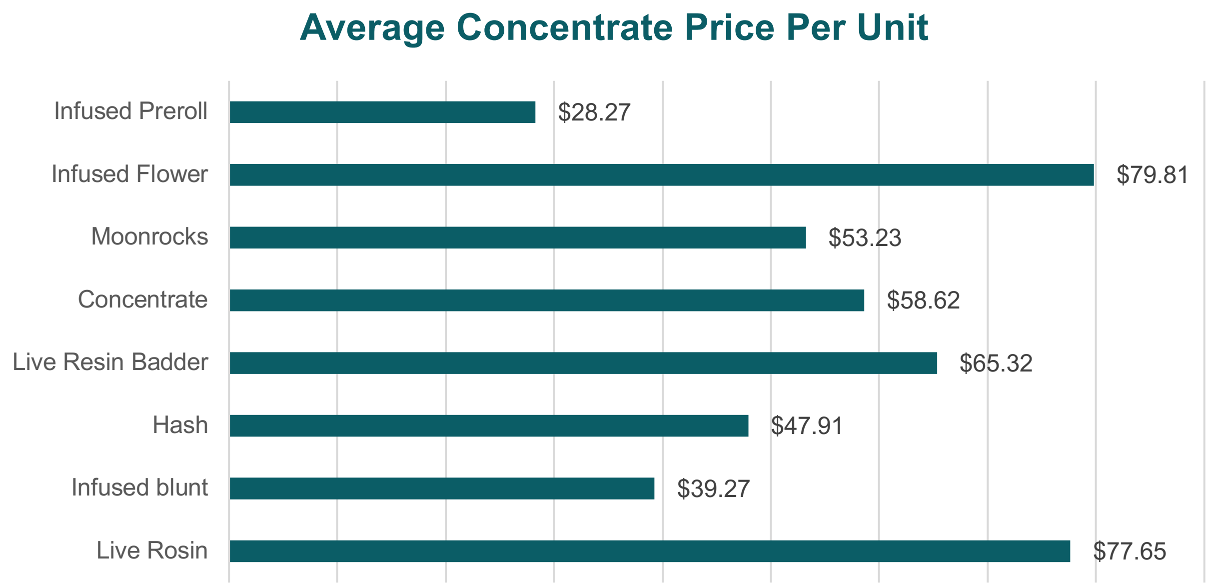
Infused prerolls, which are made with ground flower infused with a concentrate (including hash, kief, wax, or other oil concentrates), account for more than half of concentrate sales (58%). Additionally, concentrate-infused flower products, which include infused prerolls, infused flower, and moonrocks, account for three-quarters (76%) of concentrate sales.

Figure 19: Concentrate Share of Sales by Product Type



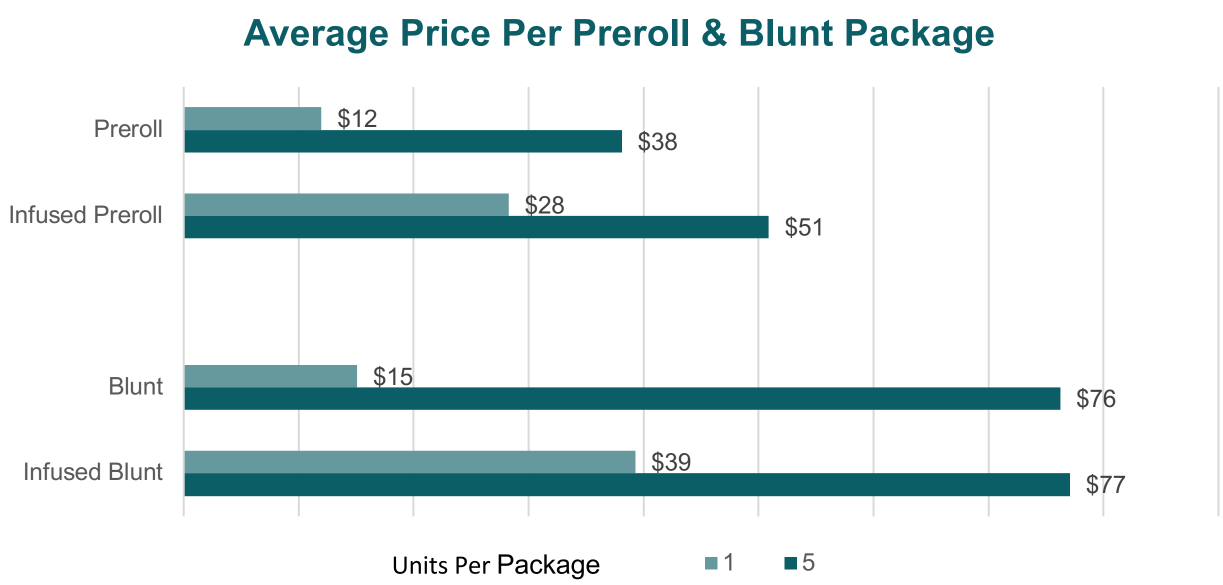
Concentrate prices vary widely by form factor. Infused flower and live rosin packages have the highest average price point at $80 and $78, respectively, while infused prerolls and infused blunts have the lowest average prices ($28 and $39, respectively).

Figure 20: Average Concentrate Price Per Unit



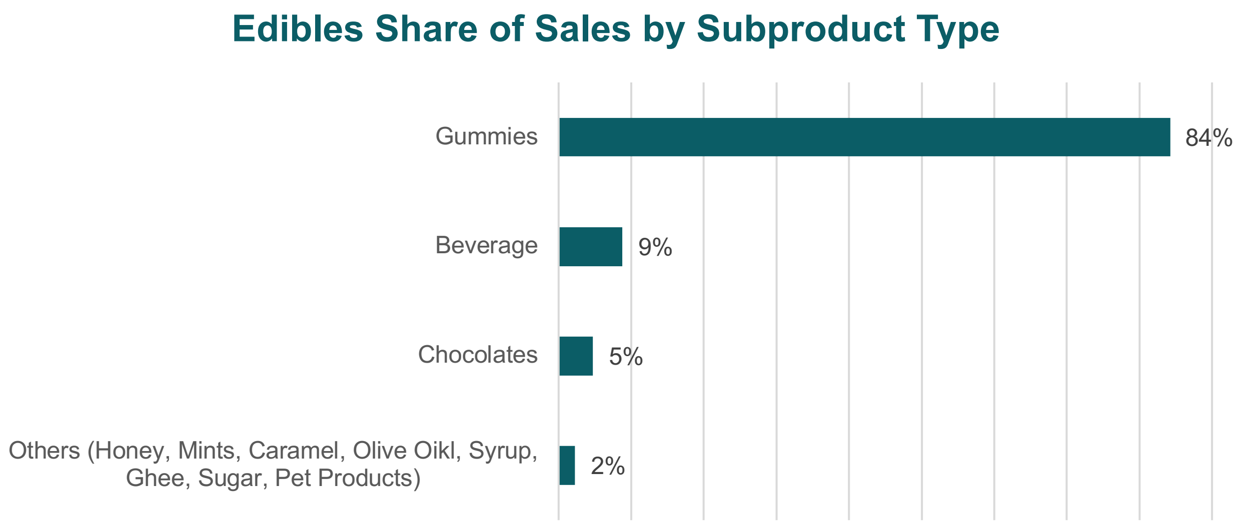
On average, infused prerolls and infused blunts are more than twice the cost of uninfused prerolls of similar size.

Figure 21: Average Price Per Preroll and Blunt Package



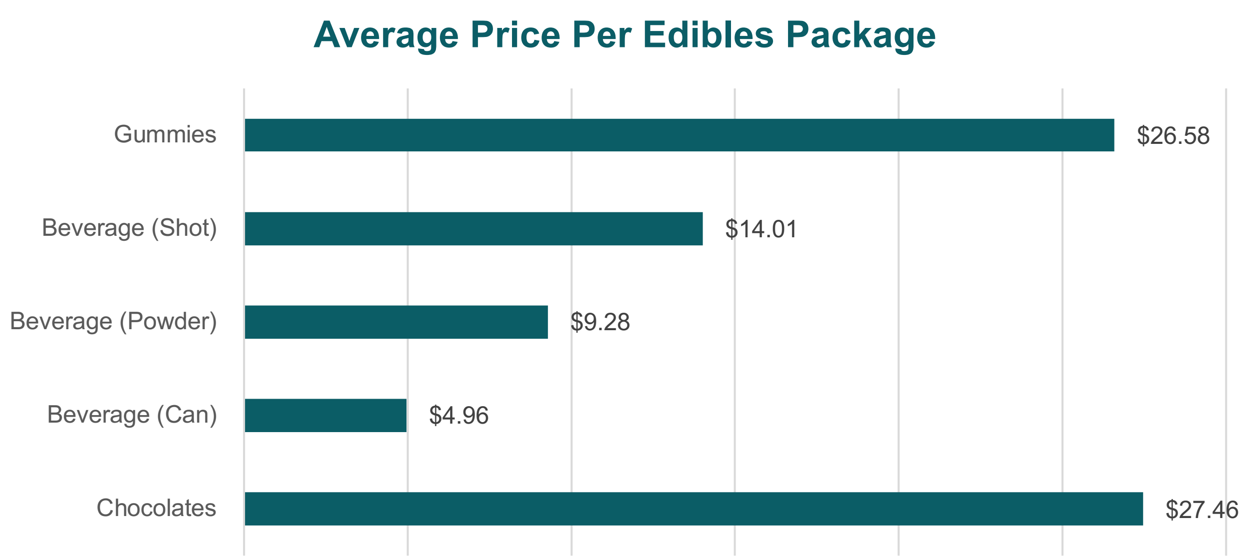
Edibles Category
Gummies dominate the edibles category, accounting for 84% of edible sales.

Figure 22: Edible Share of Sales by Subproduct Type



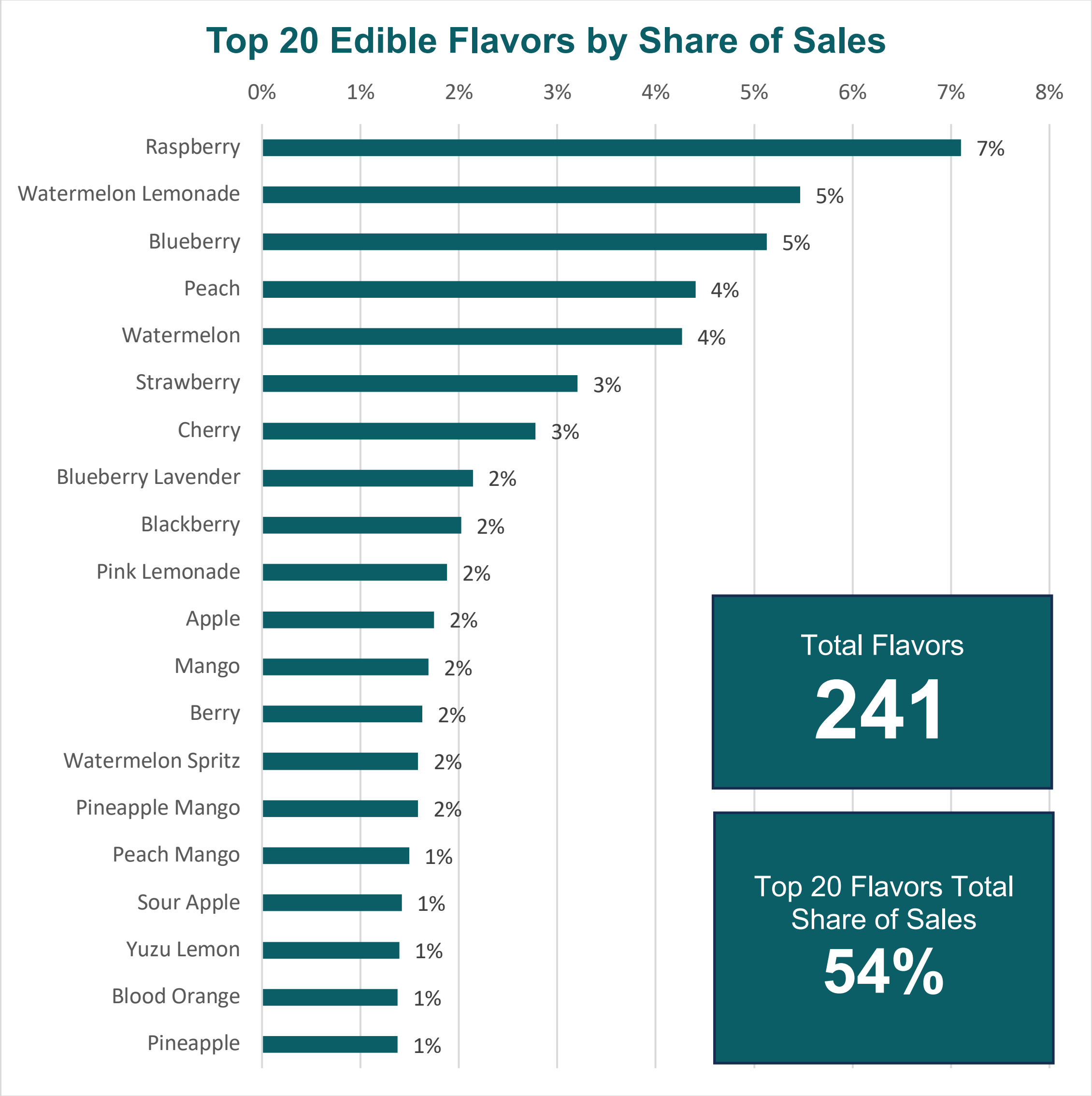
Gummies and chocolates are significantly higher priced than other edibles forms, averaging $27 per unit, while beverage cans and powders have the lowest average prices at $5 and $9, respectively. This can be partly explained as a single beverage can is only allowed to contain up to 10 mg of THC, while package of gummies or chocolates can contain up to 100 mg of THC.

Figure 23: Average Price Per Edibles Package



The flavor profiles of edible products have diversified significantly over the past year. Based on available data, there are over 240 distinct edible flavor profiles now sold in New York. Five of the top 10 selling profiles are berry-based flavors, including raspberry, blueberry, strawberry and blackberry. The most common flavor profiles are driving the majority of sales, with the top 20 flavors accounting for more than half of all edible sales (54%).

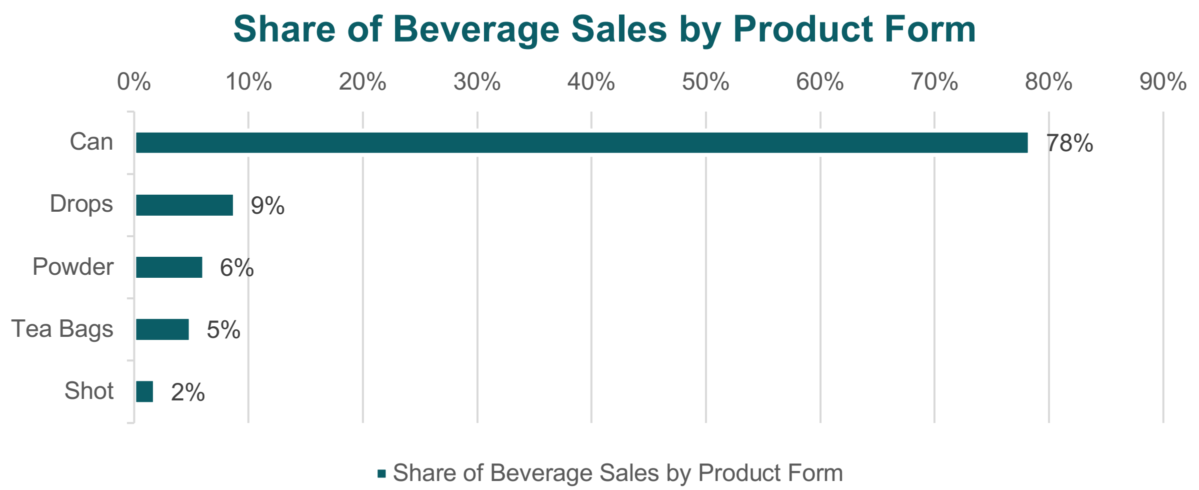
Figure 23: Top 20 Edible Flavors by Share of Sales



Beverage Category

Beverages are a fast-growing category and now account for one-tenth (9%) of edibles sales. Over three-quarters of beverages are sold in cans (78%), while drops, powders, tea bags and shots each make up 9% or less of beverage sales.

Figure 24: Share of Beverage Sales by Product Form



Vaporizer Category

Over one-third of vaporizer sales are disposable products, with one-gram packages comprising the majority of sales (69%). Half-gram vaporizers account for one-fifth of sales (20%).

Figure 25: Share of Sales by Vaporizer Type

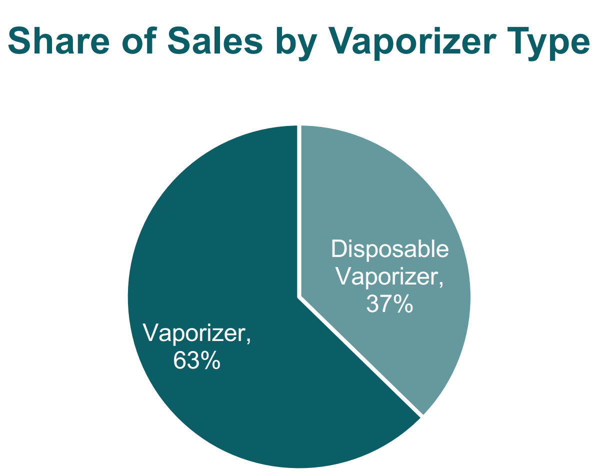
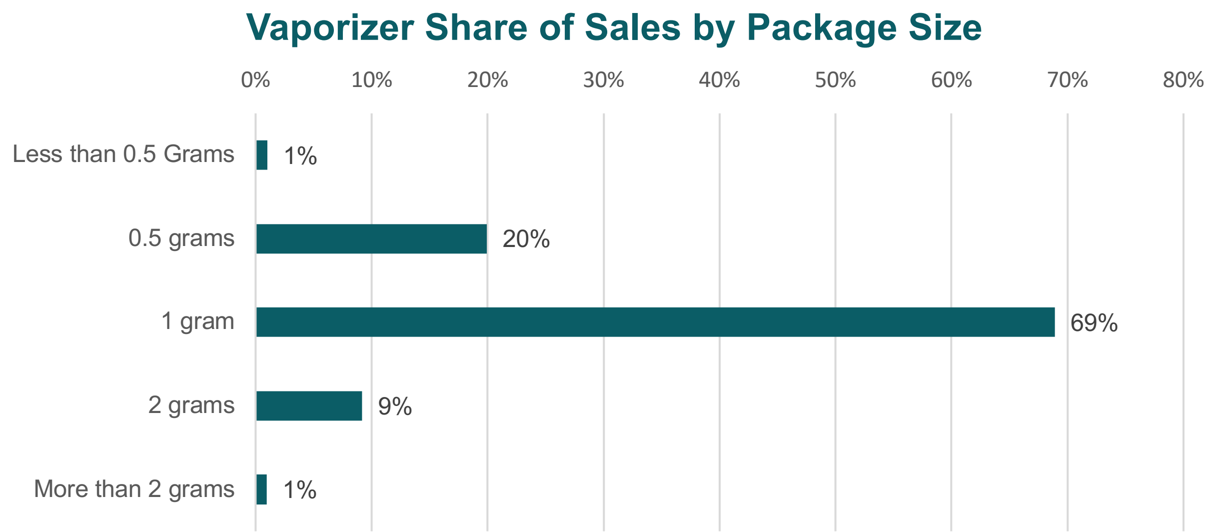
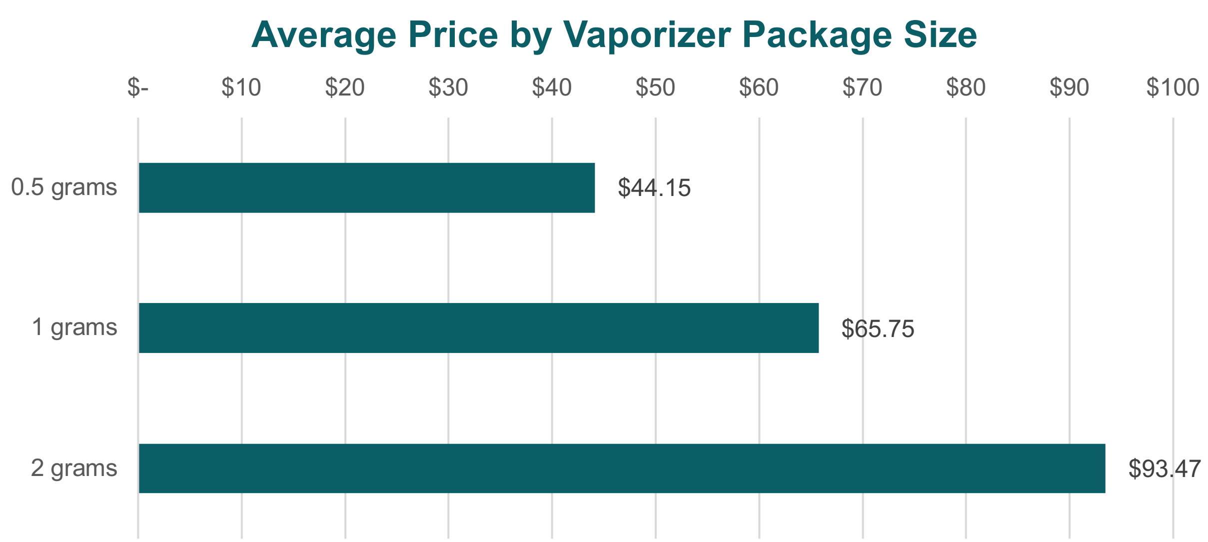


Figure 26: Vaporizer Share of Sales by Package Size



On average, one-gram vaporizers cost 49% more than half-gram vaporizers ($66 vs $44) while two-gram vaporizers are 42% more expensive than one-gram vaporizers ($93 vs $66).\

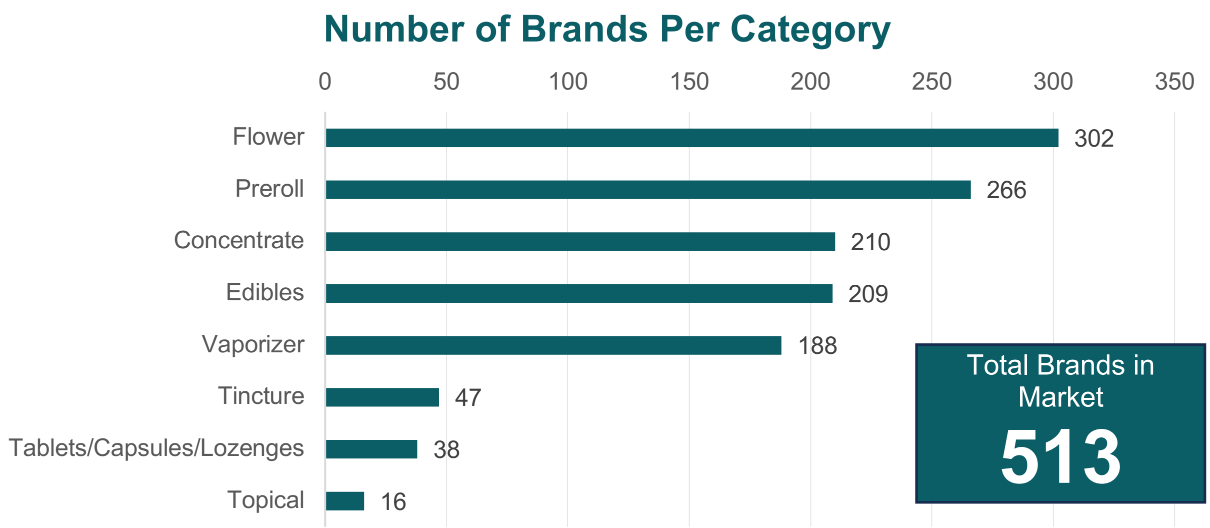
Figure 27: Average Price by Vaporizer Package Size



Brands

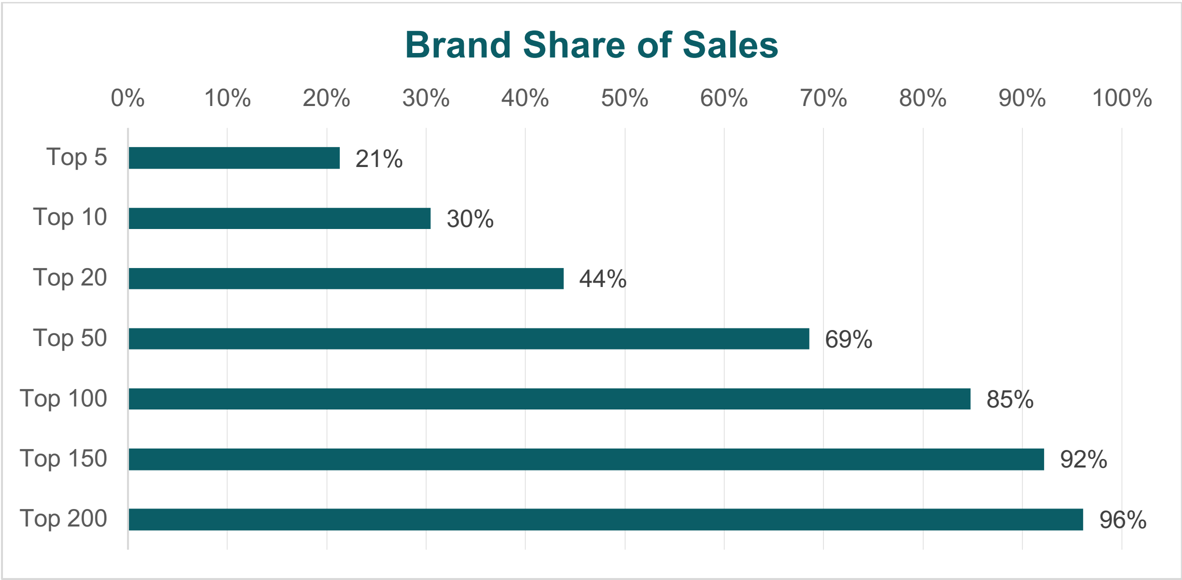
There are over 500 cannabis brands currently sold in New York. The number of brands selling products in each major category varies widely. Flower and prerolls are the most competitive categories, with 302 and 226 products, respectively, while tinctures (47), tablets (38) and topicals (16) are the least crowded.

Figure 28: Number of Brands Per Category



The top 5 selling brands account for 21% of sales while the top 20 brands account for nearly half of all sales (46%). The top 200 brands account for almost all sales.

Figure 29: Brand Share of Sales



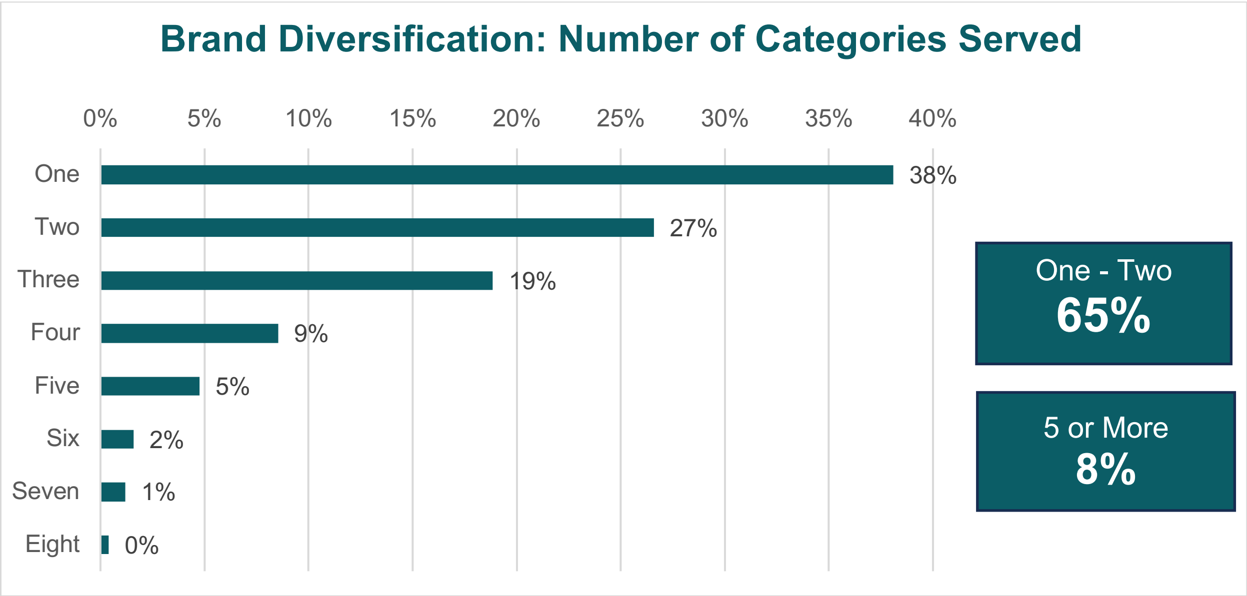
Below are the top 150 brands in New York based on overall share of sales[4].

1. Dank
2. Ayrloom
3. Jaunty
4. Off Hours
5. MFNY
6. Rove
7. Rolling Green
8. Nanticoke
9. Florist Farms
10. Leal
11. Matter
12. Camino
13. LivWell
14. Hudson Cannabis
15. Stiiizy
16. Mfused
17. Revert
18. Hashtag Honey
19. Find
20. Electraleaf
21. Cannabals
22. Ruby Farms
23. Wyld
24. Back Home Cannabis
25. Fernway
26. Eureka
27. The Plug Pack
28. To The Moon
29. Grön
30. Heady Tree
31. Untitled
32. Heavy Hitters
33. Rythm
34. Ghost
35. NY Honey
36. Jetpacks
37. Magnitude
38. Hepworth
39. Left Coast
40. Brass Knuckles
41. Flowerhouse
42. Veterans Choice Creations
43. Canna Cure Farms
44. Puff
45. 1906
46. Platinum Reserve
47. Grassroots
48. Packs
49. Holiday
50. Runtz
51. Pax
52. House Of Sacci
53. Olio
54. Bloom
55. Botanist
56. Lost Farm
57. Eaton Botanicals
58. Supernaturals NY
59. Dealer
60. High Falls Canna
61. Select
62. 7 Seaz
63. High Peaks
64. Flav
65. Bodega Boyz
66. #Hash
67. Generic AF
68. Smokiez
69. Cru
70. Bison Botanics
71. A Walk in The Pines
72. Dogwalkers
73. Zizzle
74. Gypsy Weed
75. Jetty
76. Umamii
77. Ithaca Organics
78. Splash
79. Dr Jekyll And Mr High
80. Doobie Labs
81. Rec Roots
82. Toast
83. Vireo
84. Smoke
85. Sapphire
86. Dime Industries
87. Aeterna
88. Animal House
89. Pura
90. Headspace
91. Wana
92. Live
93. Alchemy Pure
94. Superfire
95. Lobo
96. Honest Pharm Co.
97. Miss Grass
98. Turn
99. Super Dope
100. Glenna & Co
101. Jenny's
102. Ready 2 Roll
103. Blotter
104. King's Road
105. P3
106. Her Highness
107. Old Pal
108. Empire Cannabis
109. Cheech And Chong
110. Snobby Dankins
111. Bannerman's Batch
112. The Dabber Hashery
113. Moonys Zooties
114. Head & Heal
115. High Garden
116. Aster
117. Tyson 2.0
118. OMO Labs
119. CAM
120. NY Finca
121. Level
122. Charlie Fox
123. Theory Wellness
124. Animal
125. OHHO
126. Blox
127. Gage Farms
128. Harney Brothers
129. Weekenders
130. California Honey
131. Soft Power Sweets
132. Snoozy
133. Kiva
134. Greenside
135. Golden Garden
136. Cookies
137. Tarot Tokes
138. Florette
139. FLWR City
140. Harvest
141. Gezoont
142. Drew Martin
143. Kushy Punch
144. MyHi
145. Luci
146. Silly Nice
147. CM Spencer
148. Token Heights
149. Koa
150. The Green Lady

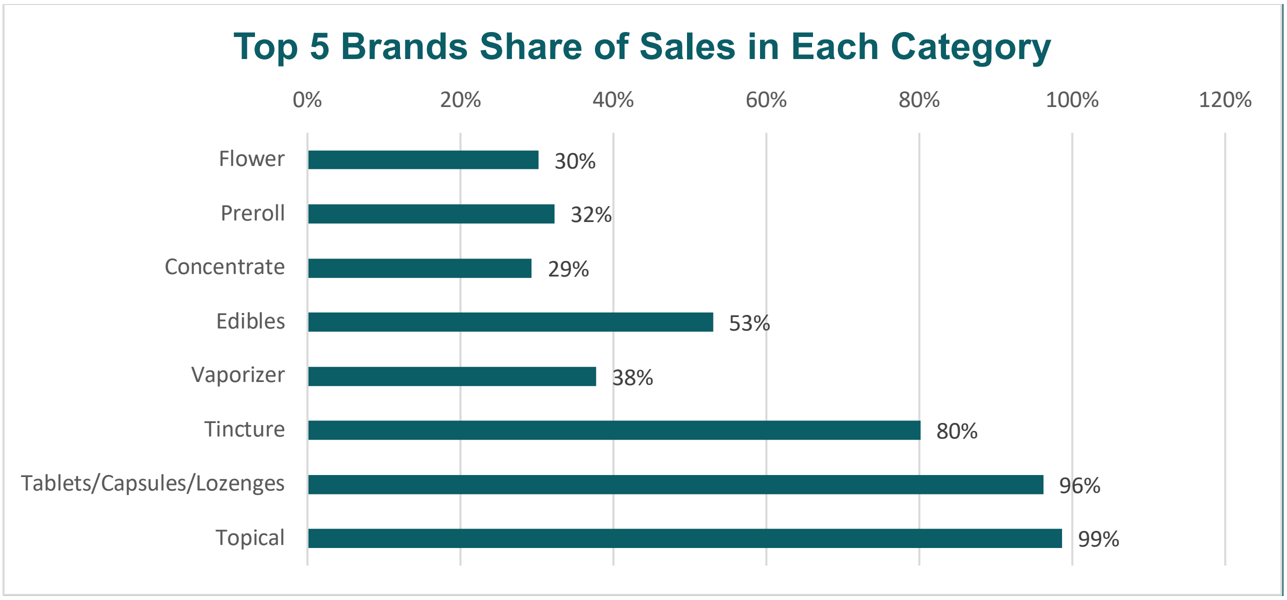
[4] The brand share of sales data is based on sales reports submitted by licensed retailers to the Office on the week of February 9, 2025, the most current detailed brand data available. The Office will provide more comprehensive brand share sales trends following implementation of the seed-to-sale system.

Two-thirds of brands (67%) only offer products in either one (43%) or two (24%) categories. Only 7% of brands carry products in five or more categories indicating most brands are specializing in narrow product categories. However, brands may begin to expand into new product forms as the market matures and consumer preferences for legal products become more established.

Figure 30: Brand Diversification – Number of Categories Sold



The share of the top-selling brands varies widely across product categories. In product categories where the most brands are represented, the top five brands account for roughly one-third of sales. However, in product categories with lower brand concentration, the share of the top sellers is significantly higher. The top five edibles brands account for 53% of sales, with even greater concentration among the top five topical brands (99% of topical sales), the top five tablet brands (96% of tablet sales), and the top five tincture brands (80% of tincture sales). The saturation of the smaller categories may be a reflection of market immaturity as early entrants focused initially on the best-selling categories, but over time, perhaps more brands will focus on more niche products.

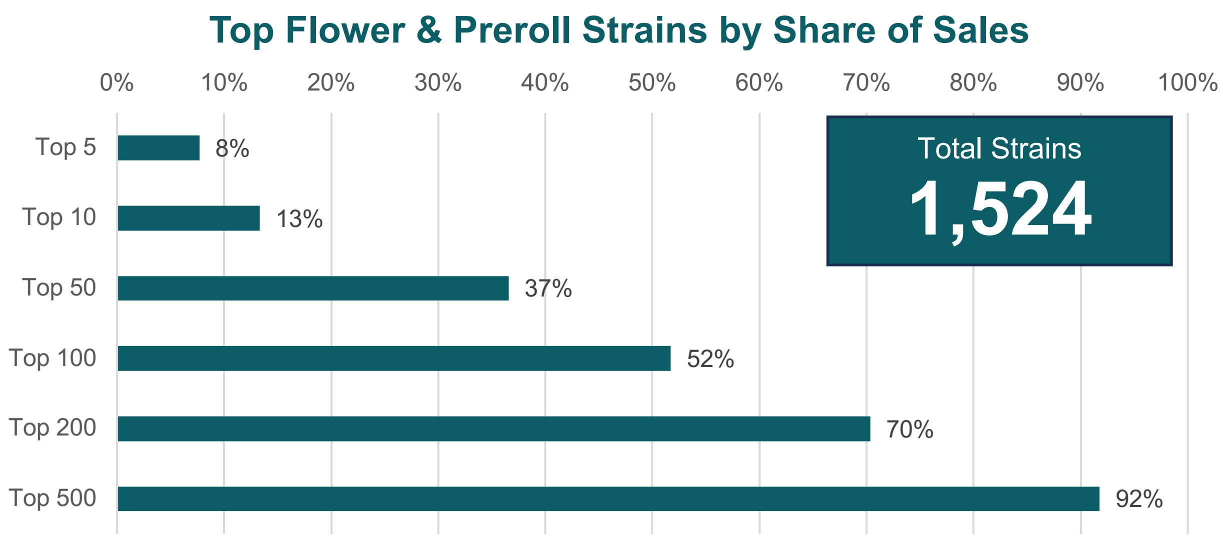


Top 5 Brands Share of Sales in Each Category
0%
20%
40%
60%
80%
100%
120%
Flower
30%
Preroll
32%
Concentrate
29%
Edibles
53%
Vaporizer
38%
Tincture
80%
Tablets/Capsules/Lozenges
96%
Topical
99%

Strains

The diversity of genetics in the market has increased significantly during 2024, with over 1,500 strains now offered across the flower and preroll categories. Notably, strain sales are highly fragmented with no strain commanding more than approximately 2% of sales. However, the top sellers account for the majority of sales. The top 100 strains (or less than 10% of available strains) account for half sales (52%) while the top 500 strains (one-third of the market) account for 92% of sales.

Figure 31: Top Flower and Preroll Strains by Share of Sales



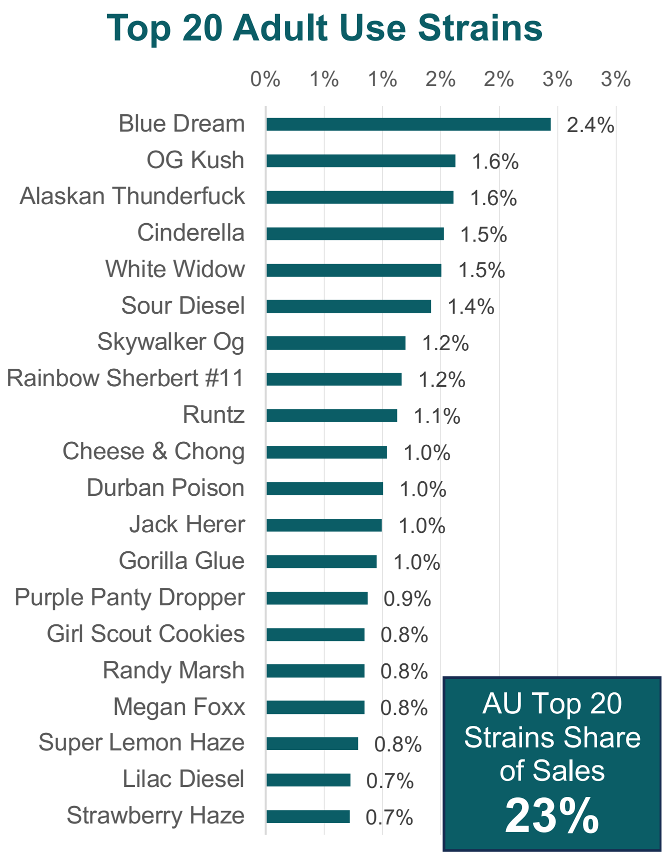
Genetic diversity in the market is forecast to increase significantly as cultivators create new genetic variants that are suited for the unique cultivation environments in New York, and that reflect the evolving tastes of New York's nascent legal market.

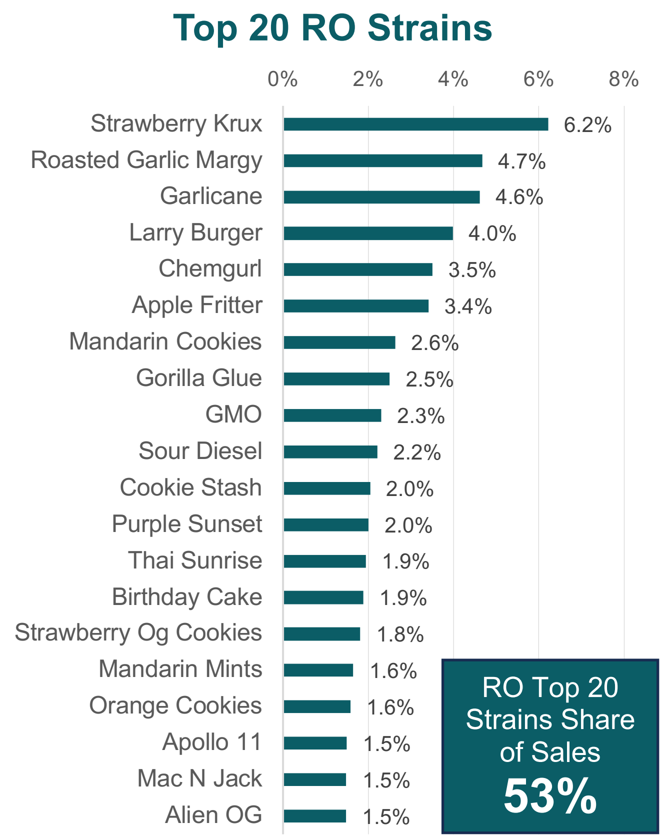
Table 3: Top 50 Strains by Share of Sales

Top 50 Strains by Share of Sales						
1	Blue Dream	2.20%		26	Mandarin Cookies	0.61%
2	Sour Diesel	1.56%		27	Alien OG	0.60%
3	OG Kush	1.32%		28	Lilac Diesel	0.59%
4	Alaskan Thunderfuck	1.31%		29	Strawberry Haze	0.59%
5	White Widow	1.29%		30	Wedding Cake	0.55%
6	Cinderella	1.24%		31	Private Party	0.54%
7	Gorilla Glue	1.24%		32	Jack Diesel	0.49%
8	Strawberry Krux	1.18%		33	Purple Sunset	0.49%
9	Apple Fritter	0.99%		34	Farmer's Blend	0.49%
10	Skywalker OG	0.98%		35	Papaya Cake	0.48%
11	Garlicane	0.97%		36	Northern Lights	0.46%
12	Rainbow Sherbert #11	0.96%		37	Afghani	0.45%
13	Runtz	0.92%		38	Hella Jelly	0.45%
14	Roasted Garlic Margy	0.91%		39	Grape Ape	0.43%
15	Cheese & Chong	0.85%		40	Blueberry Muffin	0.43%
16	Jack Herer	0.82%		41	Garlic Budder	0.42%
17	Durban Poison	0.82%		42	Grand Daddy Purple	0.41%
18	Larry Burger	0.75%		43	Blue Lobster	0.40%
19	Girl Scout Cookies	0.73%		44	Grape Gas	0.39%
20	Purple Panty Dropper	0.71%		45	Acapulco Gold	0.39%
21	Randy Marsh	0.69%		46	Cherry	0.39%
22	Megan Foxx	0.69%		47	Cookie Stash	0.38%
23	Super Lemon Haze	0.65%		48	Silver Haze	0.38%
24	Chemgurl	0.64%		49	Candy Jack	0.38%
25	GMO	0.61%		50	Black Cherry Gelato	0.37%

The top selling RO strains command a significantly higher share of sales than the top selling Adult Use strains, which reflects the smaller number of RO's growing cannabis, and the more limited diversity in the genetics they produce. As such, the top 20 RO strains command over twice the sales of the top selling Adult Use strains (53% vs 23%).

Figure 32: Top 20 Selling Adult Use and RO Strains

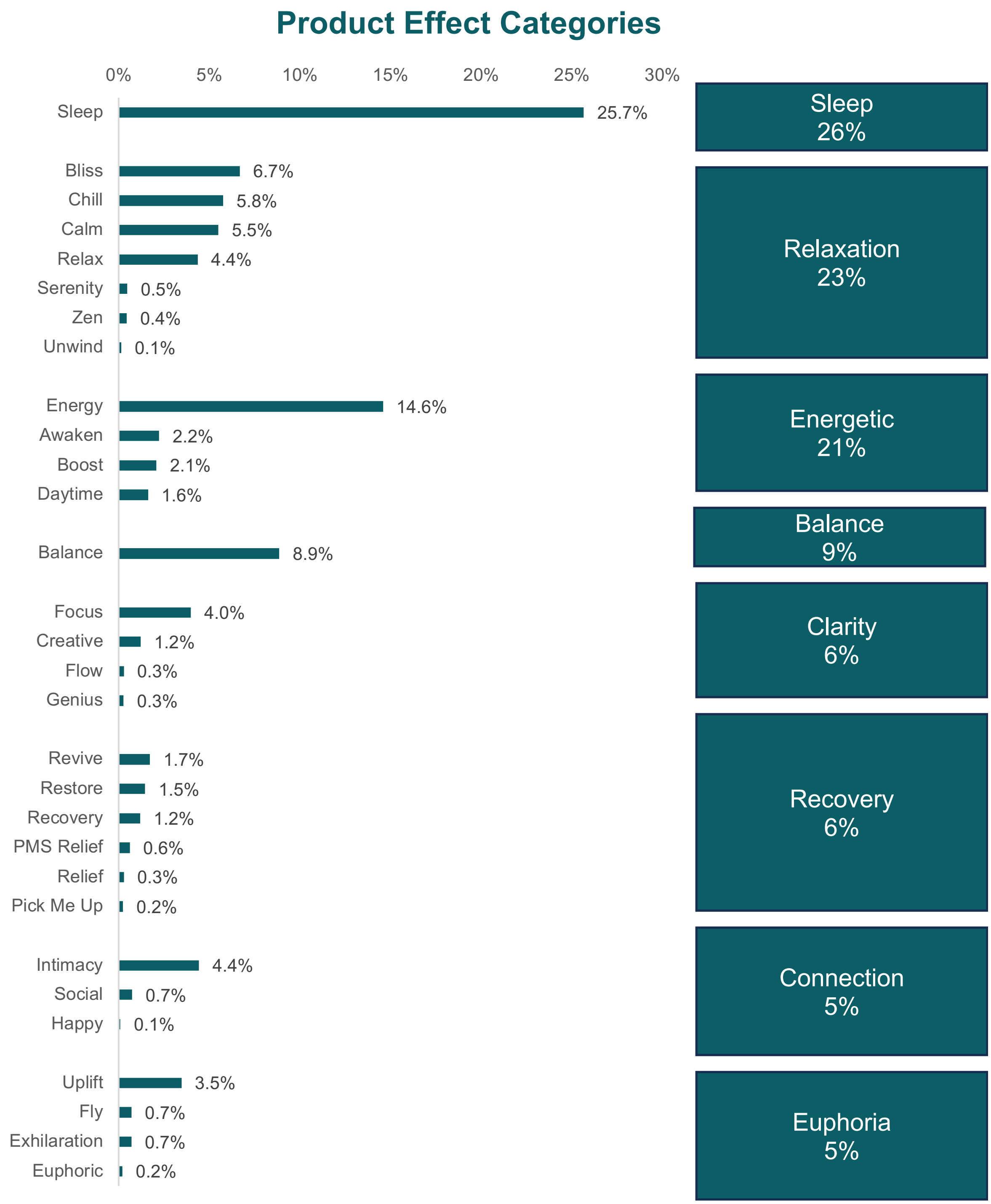




A growing number of cannabis products indicate on the package the type of effect or experience the consumer can expect based on the combination of cannabinoids, terpenes, and other compounds. The indicated effects range widely, from highly energetic and focus enhancing, to calming and sleep inducing. The effect-related descriptors are most common with edible products, where approximately half of the edible products sold (48%) indicate the type of effect the consumer will experience (Figure 33). The experiences were grouped thematically to identify the most popular effects available in New York.

Based on this analysis, sleep and relaxation are the two leading effects promoted in edible products, accounting for approximately half of all sales (49%). Energetic products account for one-third of sales while all other effects, including clarity, recovery, connection, and euphoria, each accounted for less than 10% of sales.

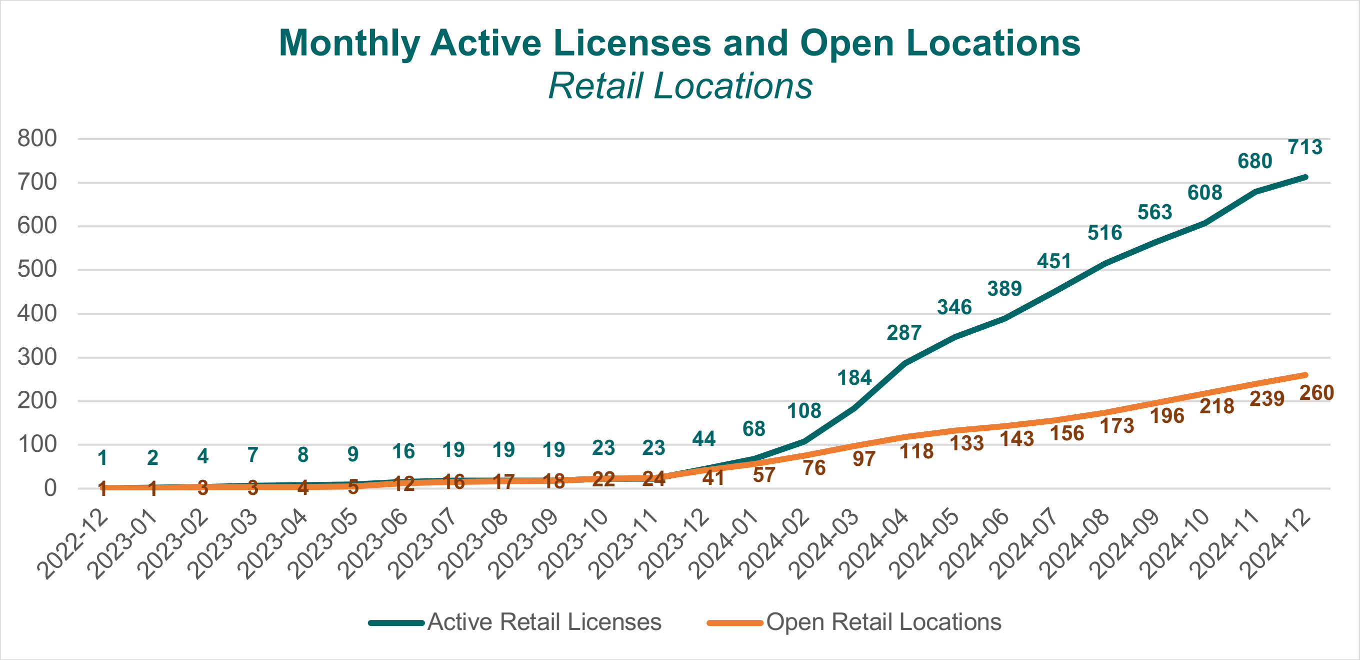
Figure 33: Product Effect Categories



Retail Location Attributes and Performance

As of December 31, 2024, New York has licensed 713 retail dispensaries, 260 of which have opened their doors to the public for adult use sales[5]. More than 50% of these open locations are less than 6 months old. The time between licensure and opening can vary but is often lengthy, which has resulted in a significant delta between the number of licenses granted and the number of open locations in a given month. Presumably the number of open dispensaries will begin to accelerate in the coming months based on increased licensure in late 2024.

Figure 34: Monthly Active Licenses and Open Locations

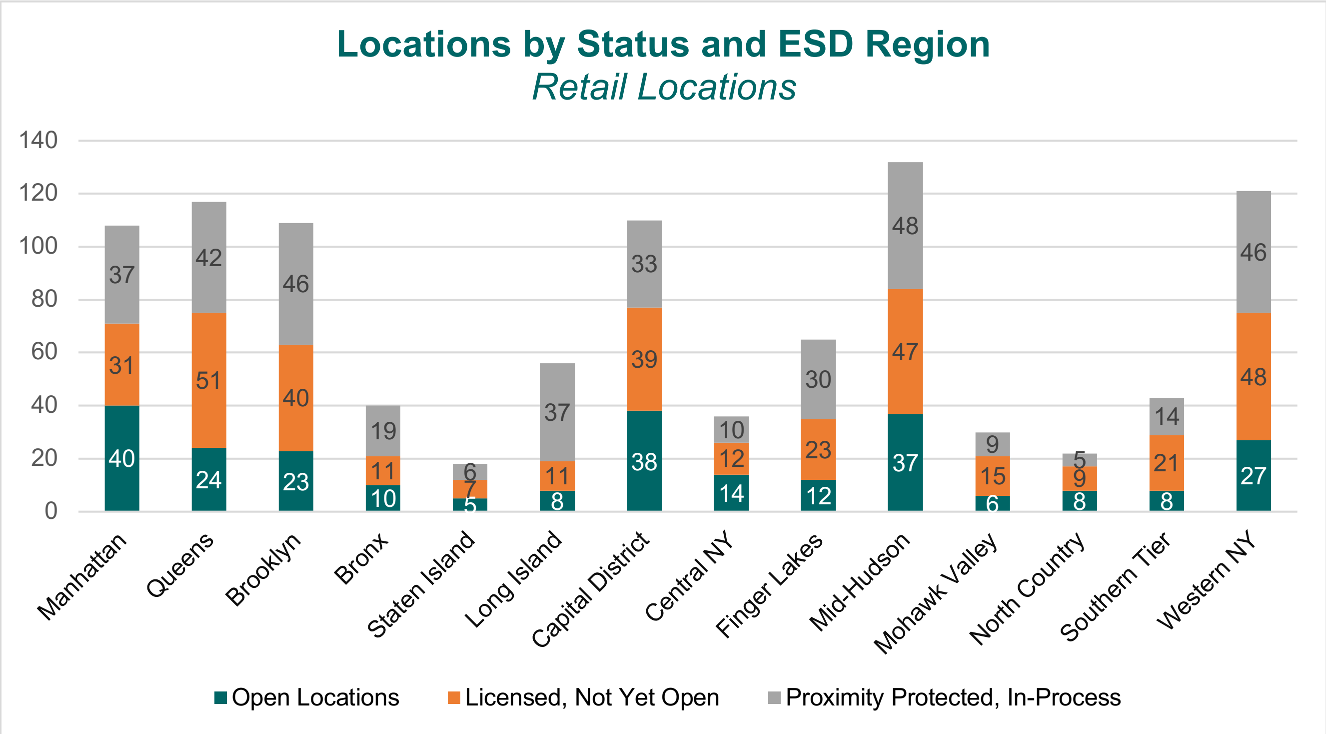


Regional Density

As of December 31, 2024, Upstate New York has 149 open dispensaries serving a population of 8.4 million people, while Downstate New York has 111 open dispensaries serving a population of 11.2 million people. While all ESD Regions are expected to see significant growth in number of dispensaries, many of the qualifying retail locations approved by the Office that are not yet open are in ESD regions that already have the highest retail densities (Manhattan, Capital District, Mid-Hudson, Western NY). Less retail-dense regions like Long Island, Finger Lakes, and Mohawk Valley have significant anticipated location growth relative to their small bases.

[5] As of April 20, 2025, there were 363 licensed dispensaries open across New York State.

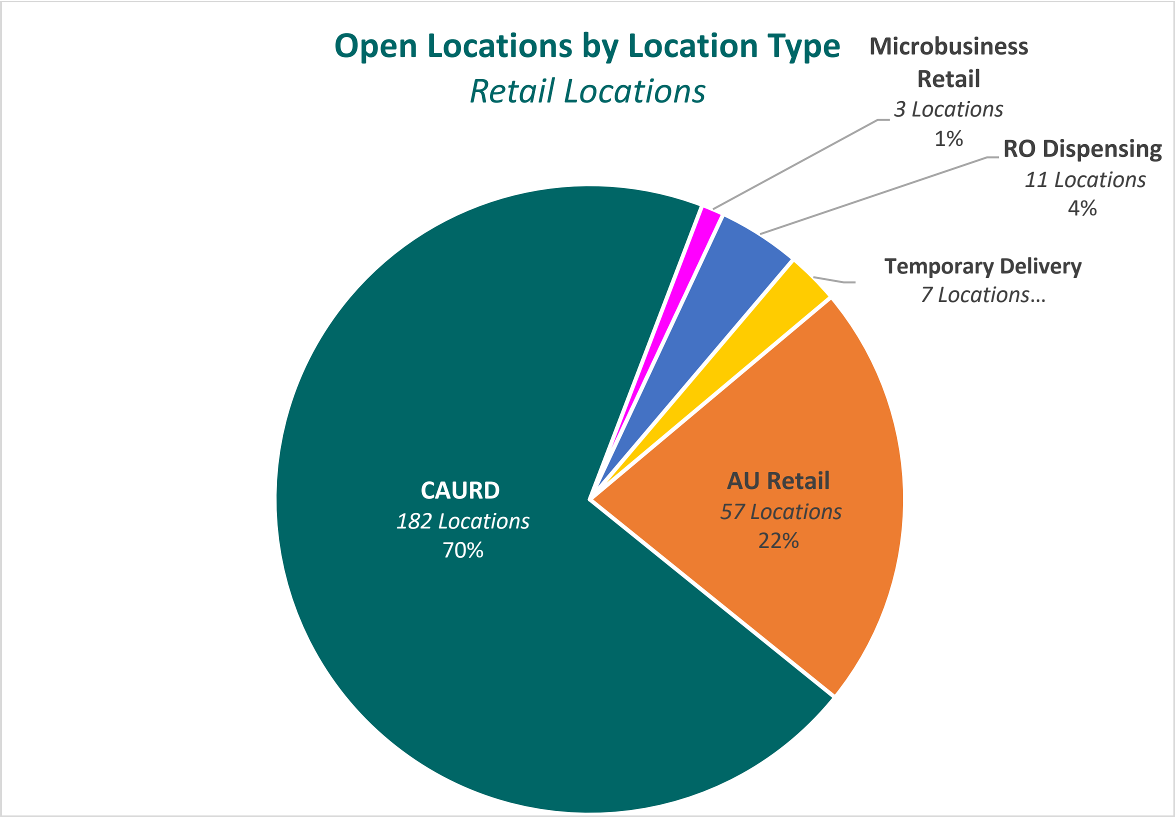
Figure 35: Approved Retail Locations by Status and ESD Region



Open Location Mix

CAURD licensees make up 70% of open locations at the end of 2024, underscoring the critical role that this license has played in building retail consumer access across the state. However, the composition of licensees will change significantly as more general Adult Use applicants receive licenses. ROs currently operate 4% of open retail locations which are responsible for 7% of retail sales.

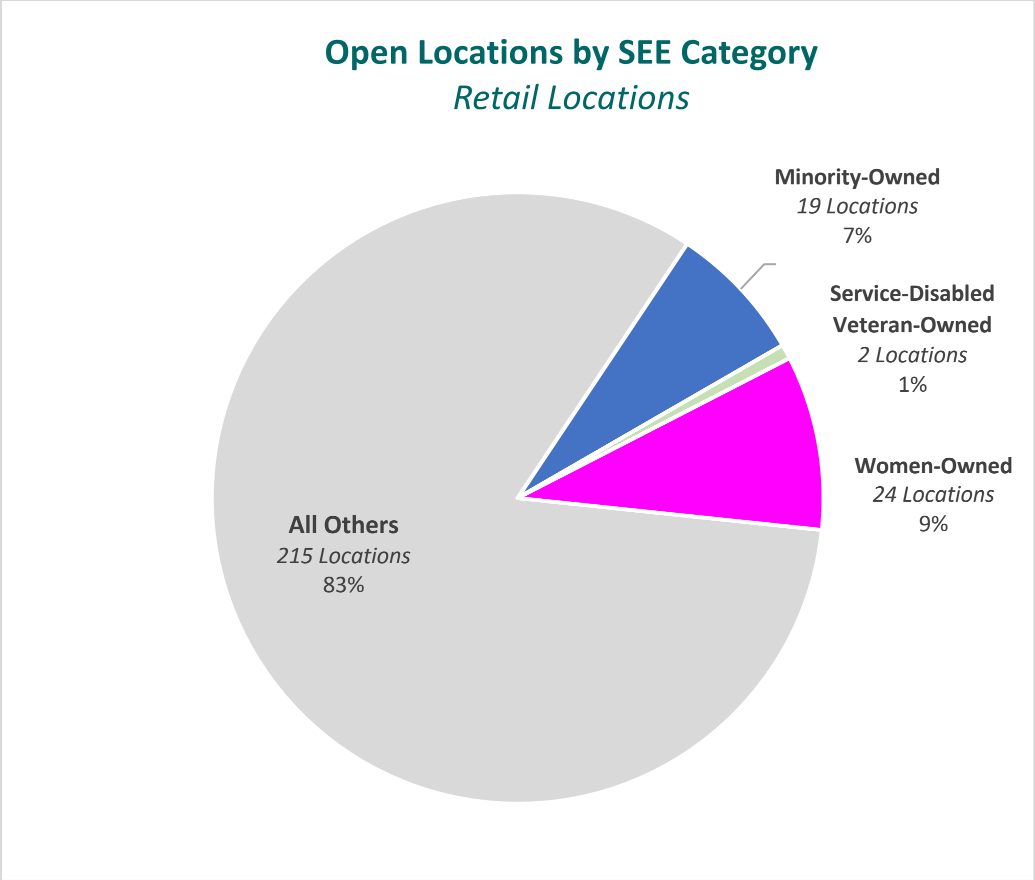
Figure 36: Open Locations by Location Type



SEE licensees account for 17% of open retail locations and over 80% of Adult Use Retail licenses[6]. Women Owned Businesses and Minority Owned Businesses account for almost all open SEE retailers. Other SEE categories are more robustly represented in the licensed-but-not-yet-open population.

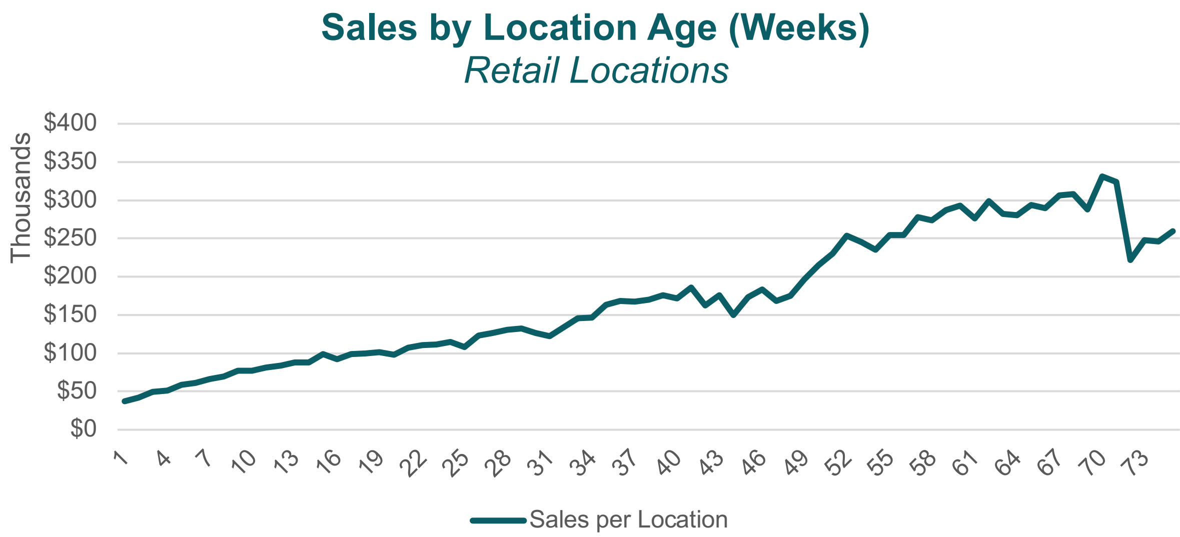
[6] Note CAURD licenses are not technically categorized as SEE licenses, however the CAURD program required all CAURD to be majority owned by an individual who is justice involved.

Figure 37: Open Locations by SEE Category



After new dispensaries open their doors, it takes time to establish a customer base and hone their operations. Revenue has grown steadily week-over-week from a location's first week of operations onward, though that has slowed slightly in recent periods. As legal retail competition intensifies, newer locations still see a prolonged ramping period but start from a lower revenue base and begin to plateau earlier than their more established peers.

Figure 38: Sales by Location Age (Weeks)

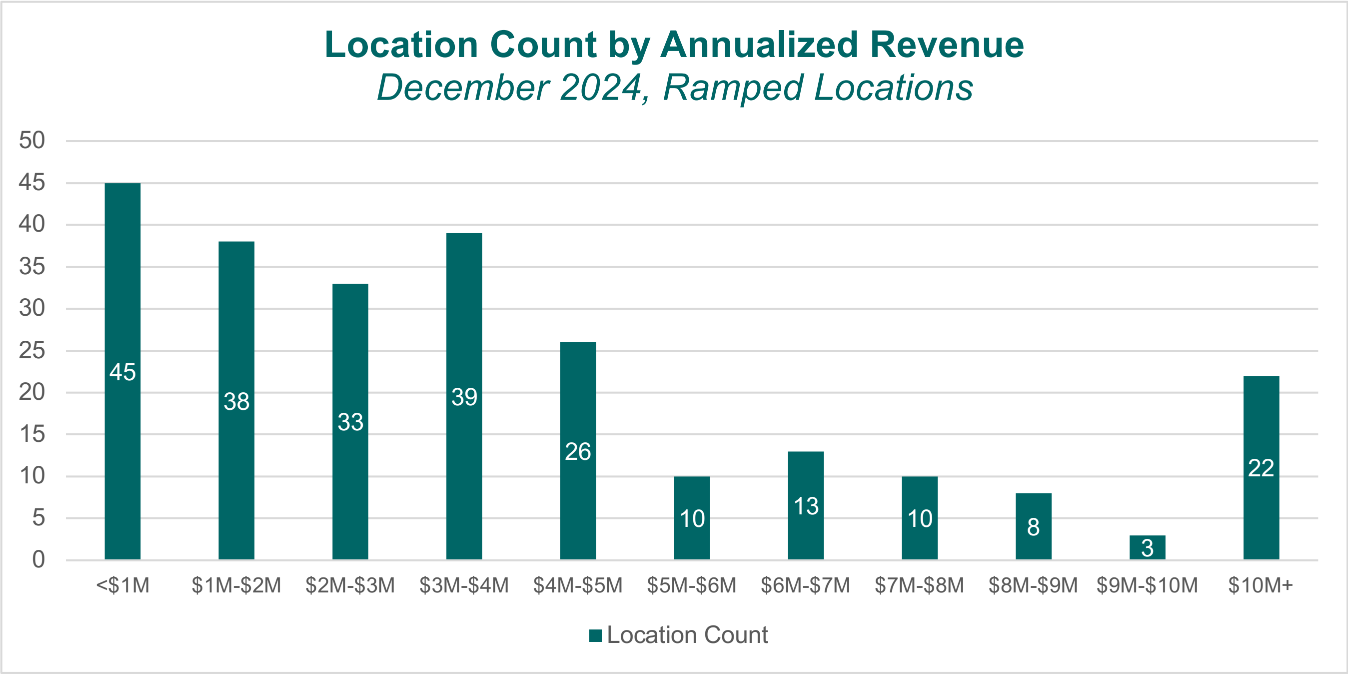


While all cohorts exhibit an initial ramp-up period during their first 2-3 months, Downstate locations have continued to grow while Upstate locations plateau or decline. One potential explanation is that because Downstate enforcement was augmented by the City of New York's efforts, which began in May of 2024, Downstate operators had less illicit competition to contend with than their Upstate counterparts. Another explanation is retail density, with Upstate dispensaries serving approximately 60,000 people per dispensary while Downstate dispensaries serve approximately 112,000 per dispensary, indicating a potentially higher revenue ceiling for Downstate locations at current densities.

Performance and Concentration

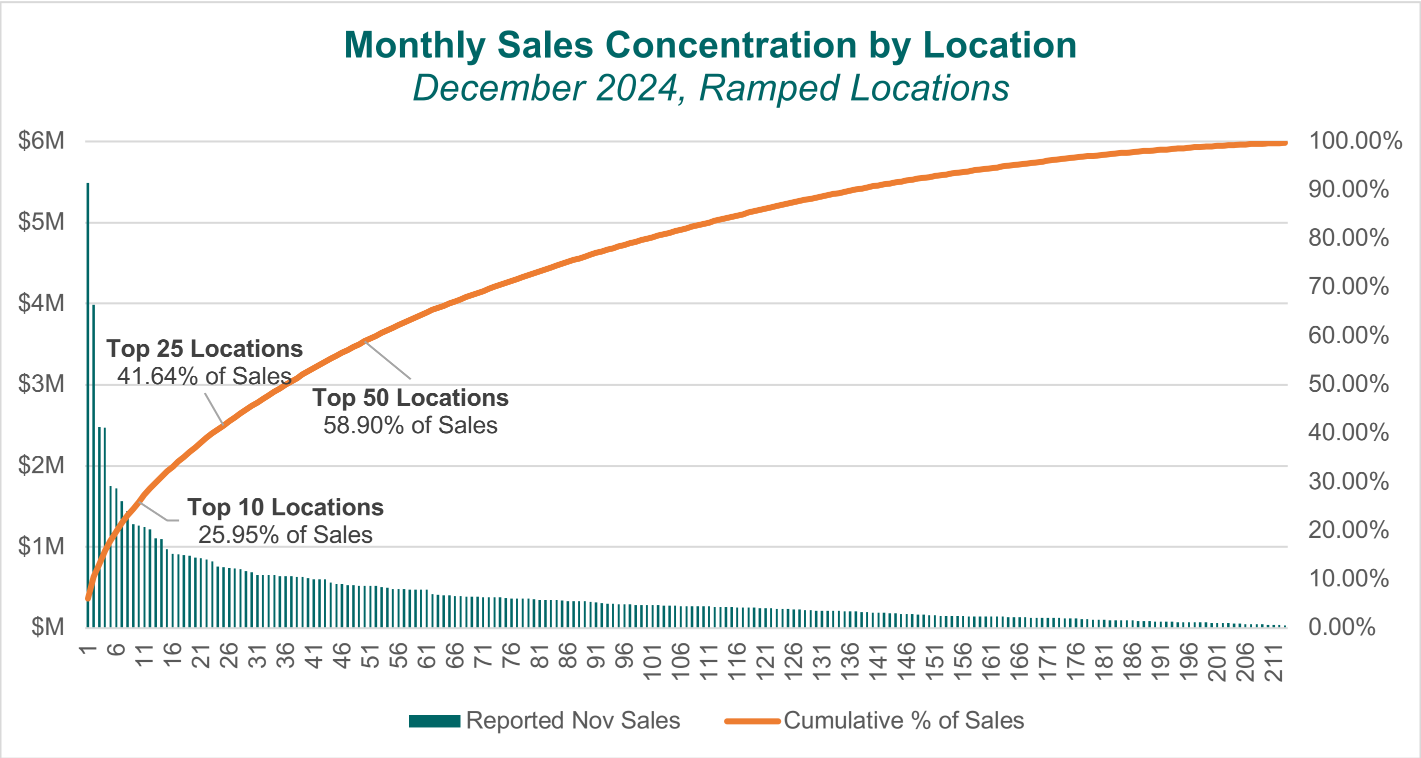
Many locations are struggling to reach economic viability while a few top performers thrive. Over one-third of the locations that have been open for at least two months are operating below a $2 million annual revenue run rate – a level that is likely not sustainable in most regions based on the revenues required to maintain profitability in regions with the highest operating costs. Conversely, about 10% are operating above a $10 million run rate. ROs over-index in higher revenue bands, while SEE licensees over-index in lower revenue bands.

Figure 39: Location Count by Annualized Revenue



Just 10 retail dispensary locations accounted for over 25% of December retail sales with multiple dispensaries generating over $1 million per month. The top 50 retail locations account for 59% of December sales.

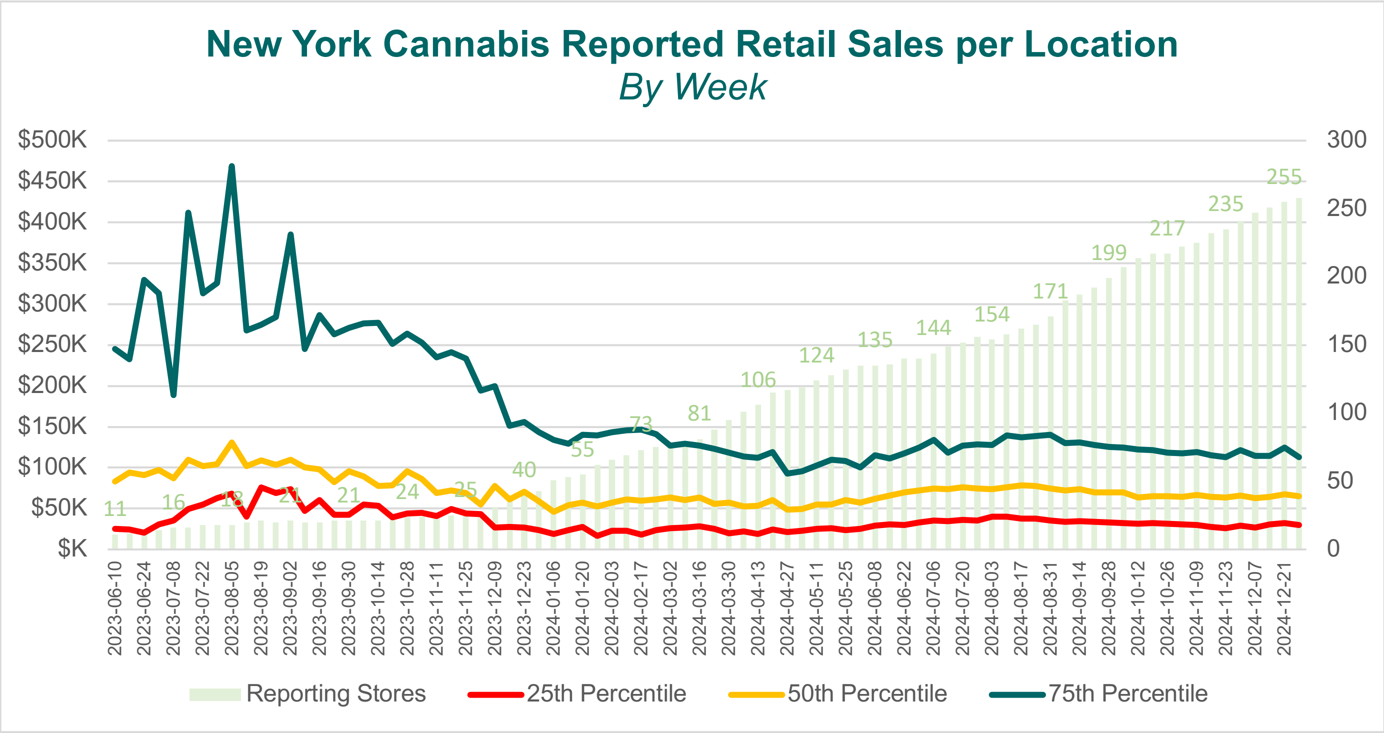
Figure 40: Monthly Sales Concentration by Location



While retail performance is certainly bifurcated, the distribution *has* narrowed over time. In 2023 some early movers with prime locations and limited legal competition were able to establish a foothold in the market and generate significant revenue. As the market has matured and retail density has increased, the proportion of top-performers relative to the rest of the market has decreased, and the significant advantage enjoyed by the first movers has declined slightly.

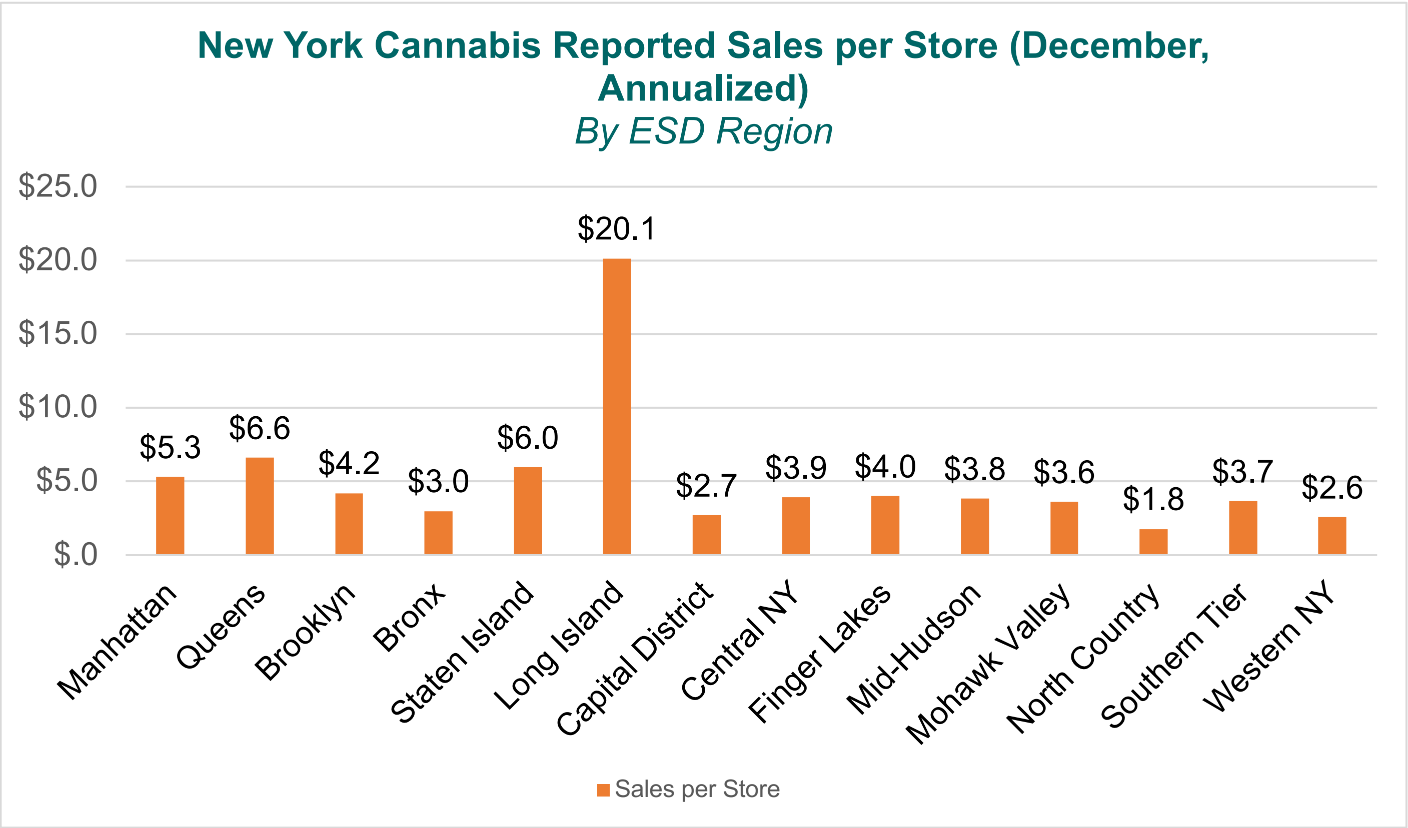
Low- and middle-of-the-pack dispensaries have performed more consistently over the life of the program, indicating that they have been resilient to the increased density thus far. With median revenue per location around $3 million annually, any future compression could impact many retailers' ability to operate profitably in a competitive retail landscape.

Figure 41: New York Cannabis Reported Retail Sales Per Location



Queens and Long Island have the highest average revenue per location, likely due to high population density and relatively few open dispensaries. Bronx, Western NY, and North Country are lagging other regions.

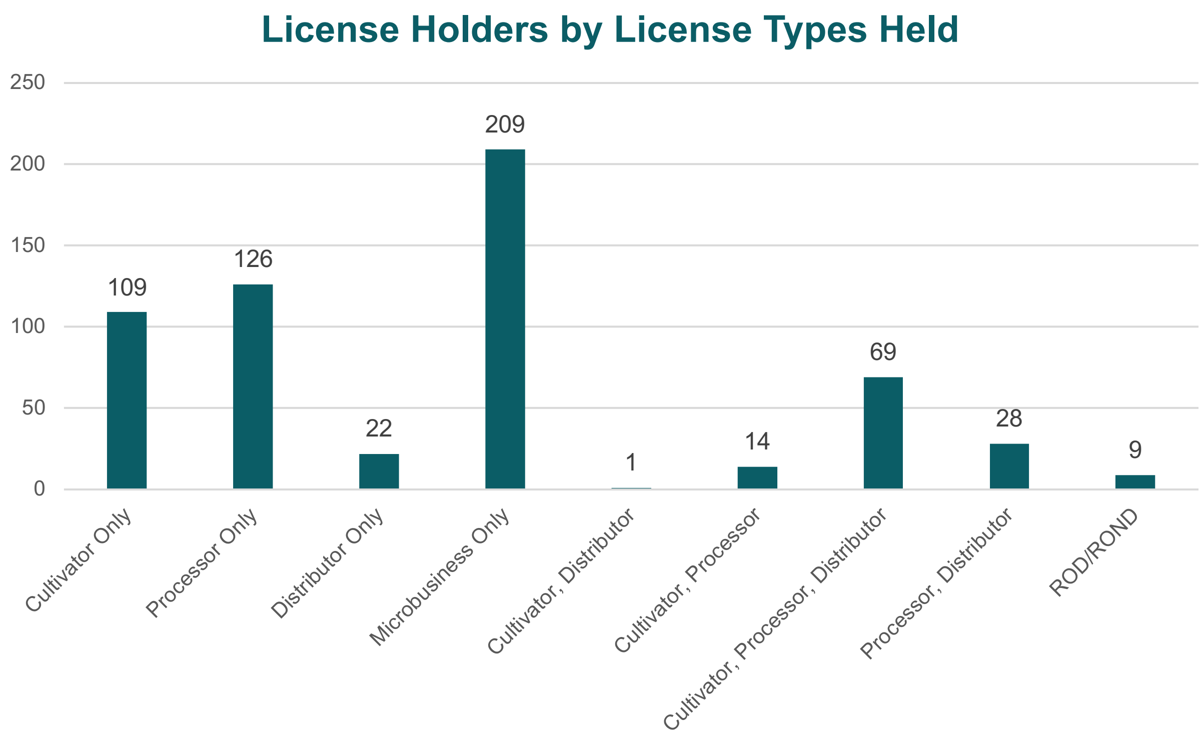
Figure 42: Annualized Reported Revenue Per Location by ESD Region



Producers

The supply side of this market is characterized by many small-scale operations or specialized producers and a handful of larger entities that operate across multiple states. Over one-third (36%) of licensees hold Microbusiness licenses which allow them to vertically integrate but limit their scale. 44% of supply side licensees are permitted to do only one of the supply chain functions (i.e., cultivation, processing, or distribution). The remaining 20% are permitted to perform multiple functions across the supply chain at scale.

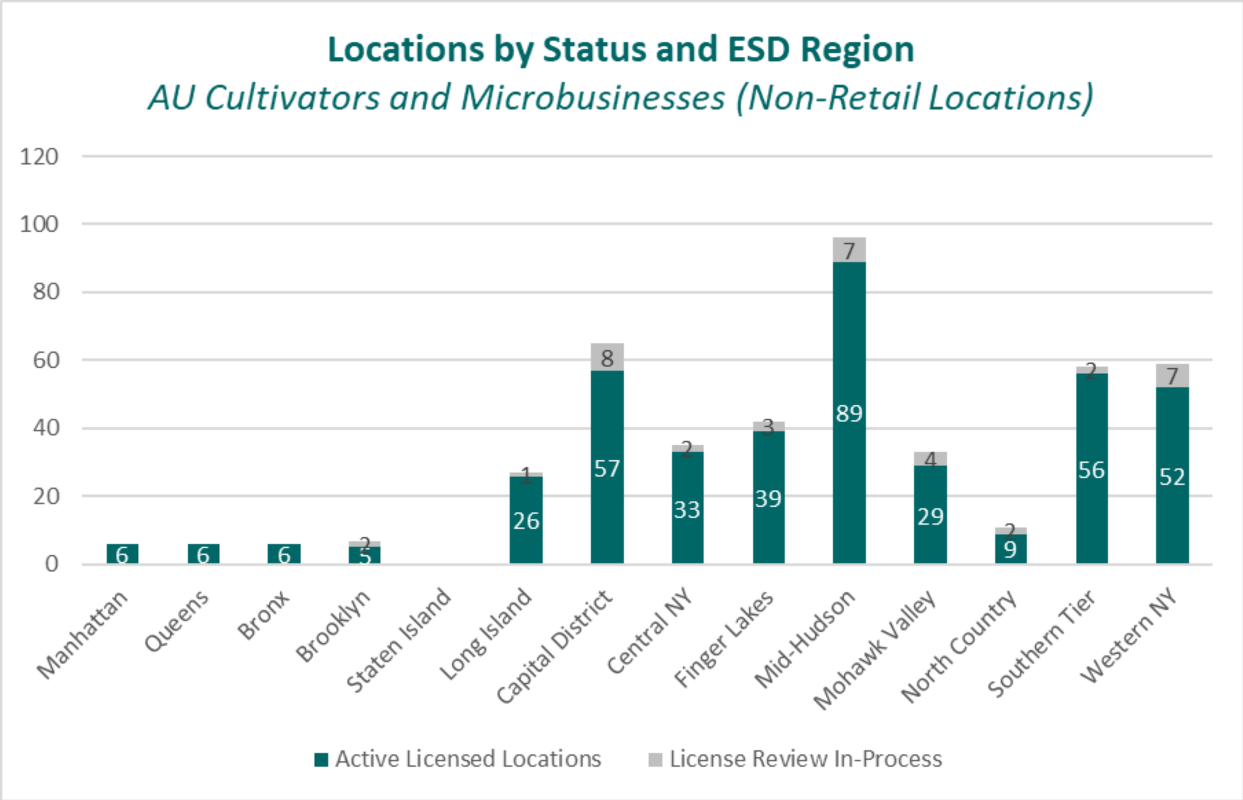
Figure 43: License Holders by License types Held



Cultivators and Microbusinesses

Adult Use Cultivator licenses and Microbusiness licenses have been issued at similar rates. Many of these operators converted from an Adult Use Conditional Cultivator (AUCC) license in early 2024. There is heavy location concentration Upstate, with most situated in the Mid-Hudson region. There are very few locations awaiting licensure relative to active locations.

Figure 44: Locations by Status and ESD Region

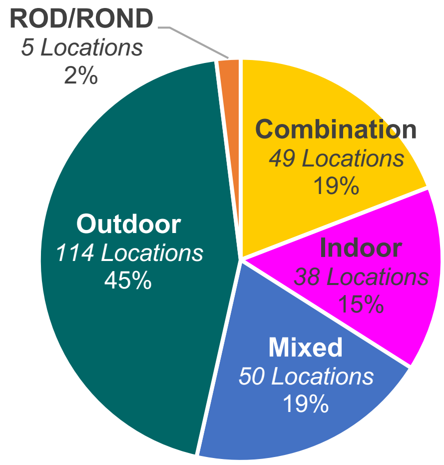


Approximately 45% of active cultivators and microbusinesses are outdoor growers. However, in 2024, OCM licensed a cohort of Adult Use indoor cultivators and indoor-cultivation microbusinesses. Indoor growers now make up 15% of locations, but that is expected to increase as these licensees operationalize. ROs operate just 2% of the Adult Use cultivation facilities by count.

Figure 45: Active Locations by Location Type

Active Locations by Location Type

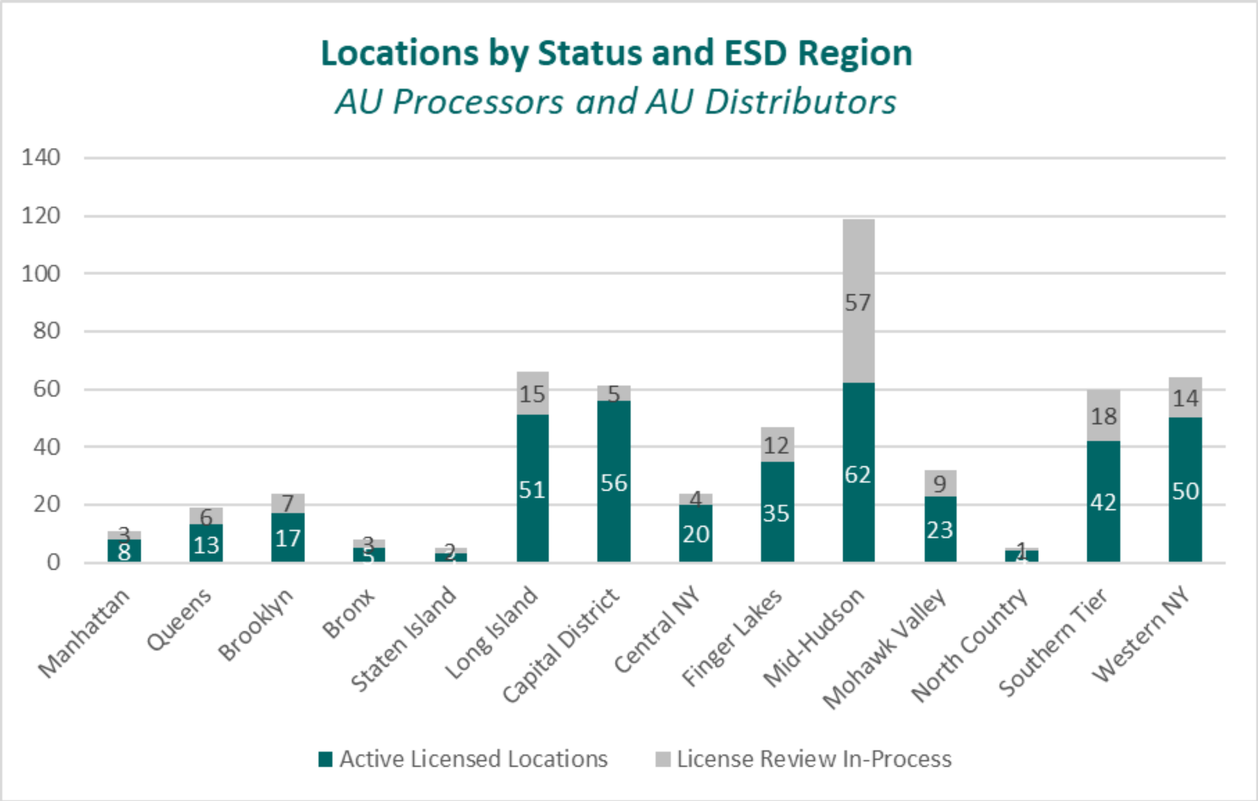
AU Cultivators and Microbusinesses



Processors and Distributors

Adult Use Processor licenses have been issued at a higher rate than Adult Use Distributor licenses, but both have seen an uptick in licensure in recent months. Like growers, there is heavy concentration Upstate, with the most situated in the Mid-Hudson region. Mid-Hudson also has a significant number of applications still in review, which will add to their state-leading total.

Figure 46: Locations by Status and ESD Region

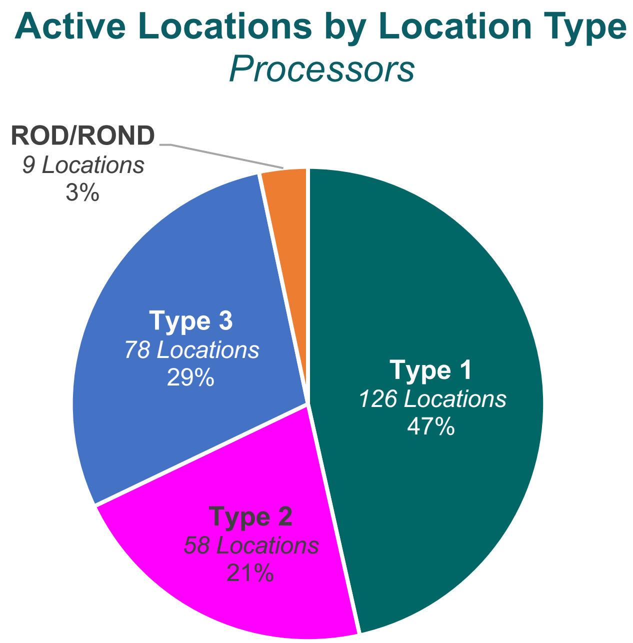


Adult Use Processors can do some or all aspects of processing cannabis products (i.e., extracting, infusing and blending, packaging, labeling, and branding), based on the following types of processor licenses:

- Type 1 Processor: Authorized to engage in all processing activities (Extracting, Infusing and Blending, and Packaging, Labeling and Branding).
- Type 2 Processor: Authorized to engage in Infusing and Blending, Packaging, Labeling and Branding.
- Type 3 Processor: Authorized to engage in Packaging, Labeling and Branding, including for exclusively entering white labeling agreements with Type 1 and Type 2 Processors.

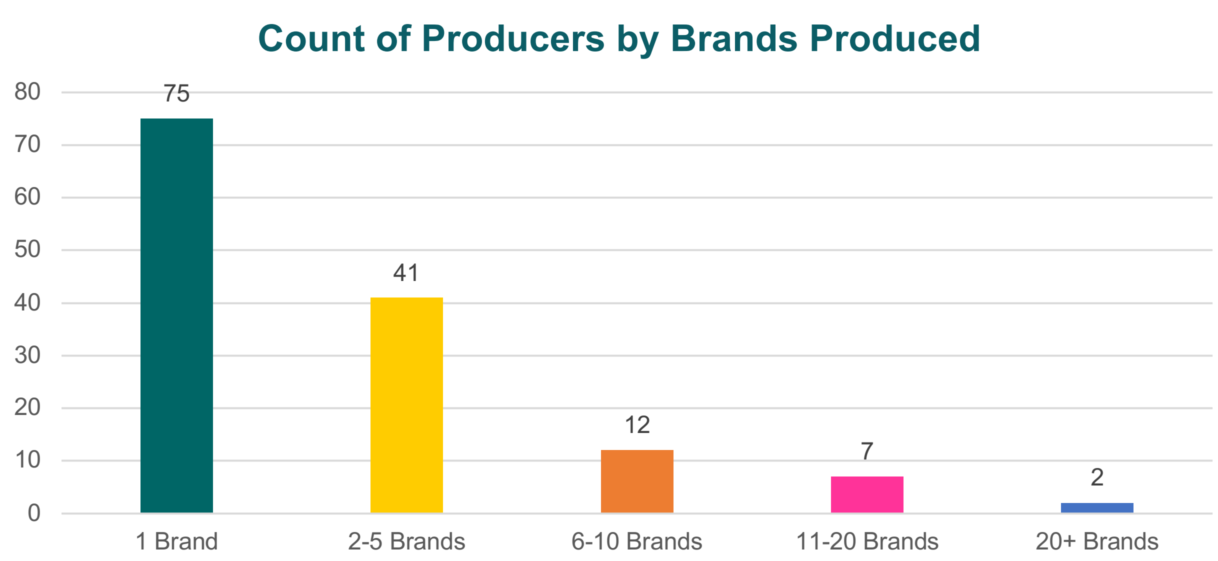
Approximately 47% of processors are Type 1 processors, meaning they can perform all aspects of processing. Recently, more Type 3 licenses, which allow licensees to only package, label, and brand cannabis products, were granted and now make up 29% of processor licenses. ROs operate just 3% of the Adult Use processing facilities by count, but their brands account for over 11% of retail sales.

Figure 47: Active Locations by Location Type



A few very large processors with diverse product lines have a significant share of the market, dwarfing many smaller single brand processors. The 7% of processors that sell more than 10 brands account for 40% of retail sales, while the 55% of processors that sell only one brand account for just 14% of retail sales.

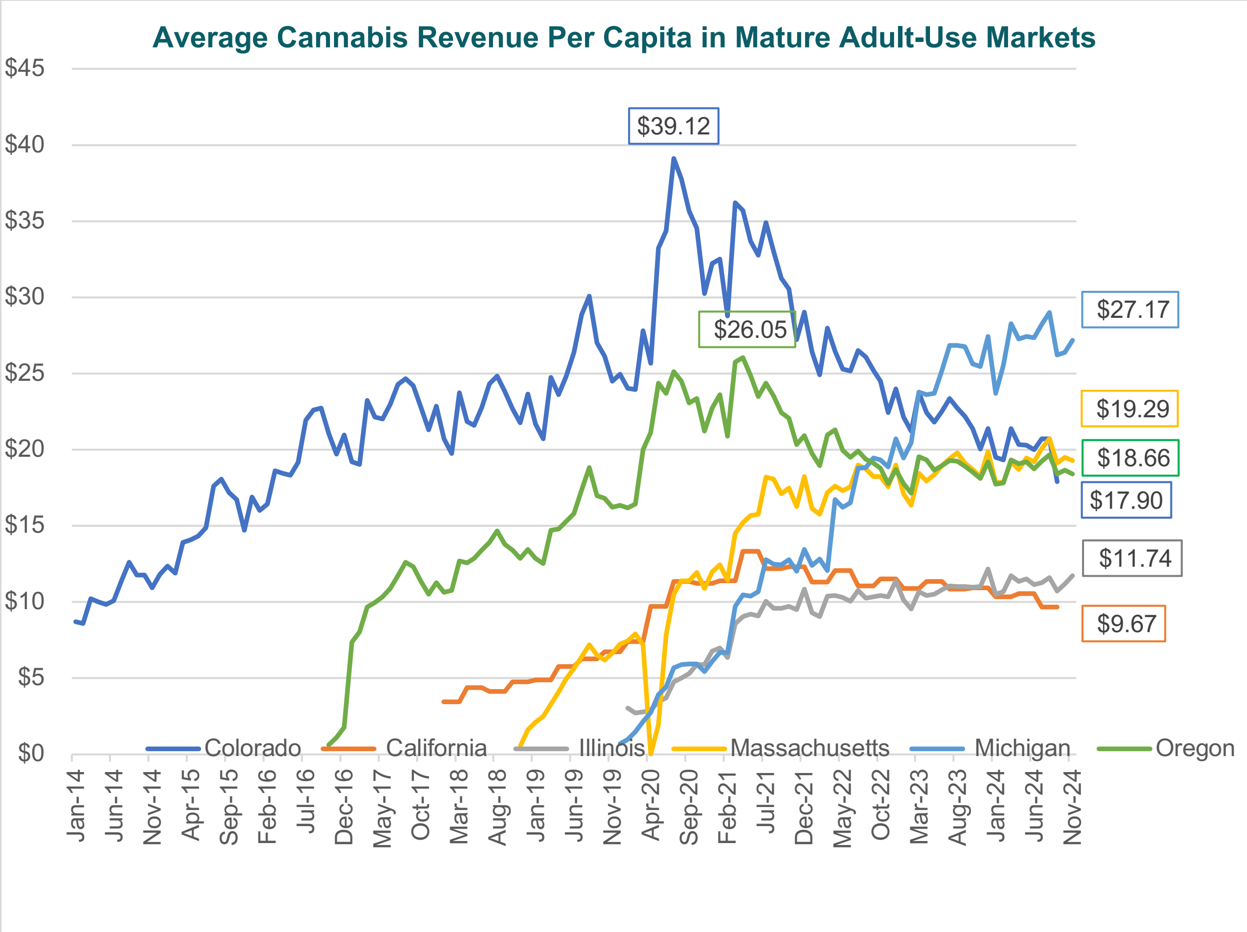
Figure 48: Locations by Status and ESD Region



Cannabis in the National Market

Tracking revenue per capita across legal markets enables comparison of how legal markets grow. Across the six sample markets, all launched below $10 per capita before revenues surged as retail access expanded and consumers transitioned from the illicit to the legal market. However, in five of the six markets, revenues per capita either plateaued (Illinois, Massachusetts) or began to decline (Colorado, California, Oregon) as the markets grew more competitive. Michigan is one exception of the selected markets, as the revenues per capita have continued to grow five years after Adult Use sales launched.

Figure 49: Average Cannabis Revenue Per Capita in Mature Adult Use Markets

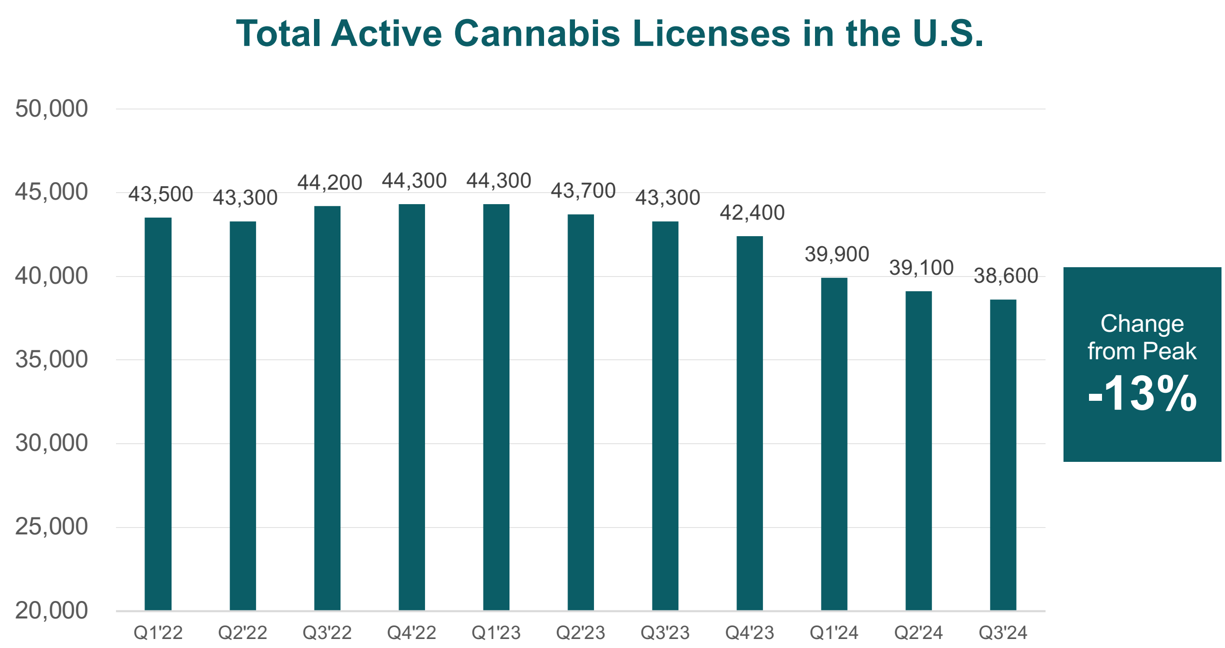


Sources: Colorado Marijuana Enforcement Division, California Department of Cannabis Control, Illinois Cannabis Regulation Oversight Office, Massachusetts Cannabis Control Commission, Michigan Cannabis Regulatory Agency, Oregon Liquor and Cannabis Commission

As noted in the chart above, Colorado and Oregon have seen the most acute declines in average revenues per capita highlighting the impact of intensifying market forces on retail sales within the country's two most mature adult use markets.

The factors influencing cannabis industry sales growth vary widely across markets. However, the trends from the sample markets and other markets observed indicate a consistent pattern of strong early growth followed by slowing then contraction in revenue as competition intensifies and prices decline.

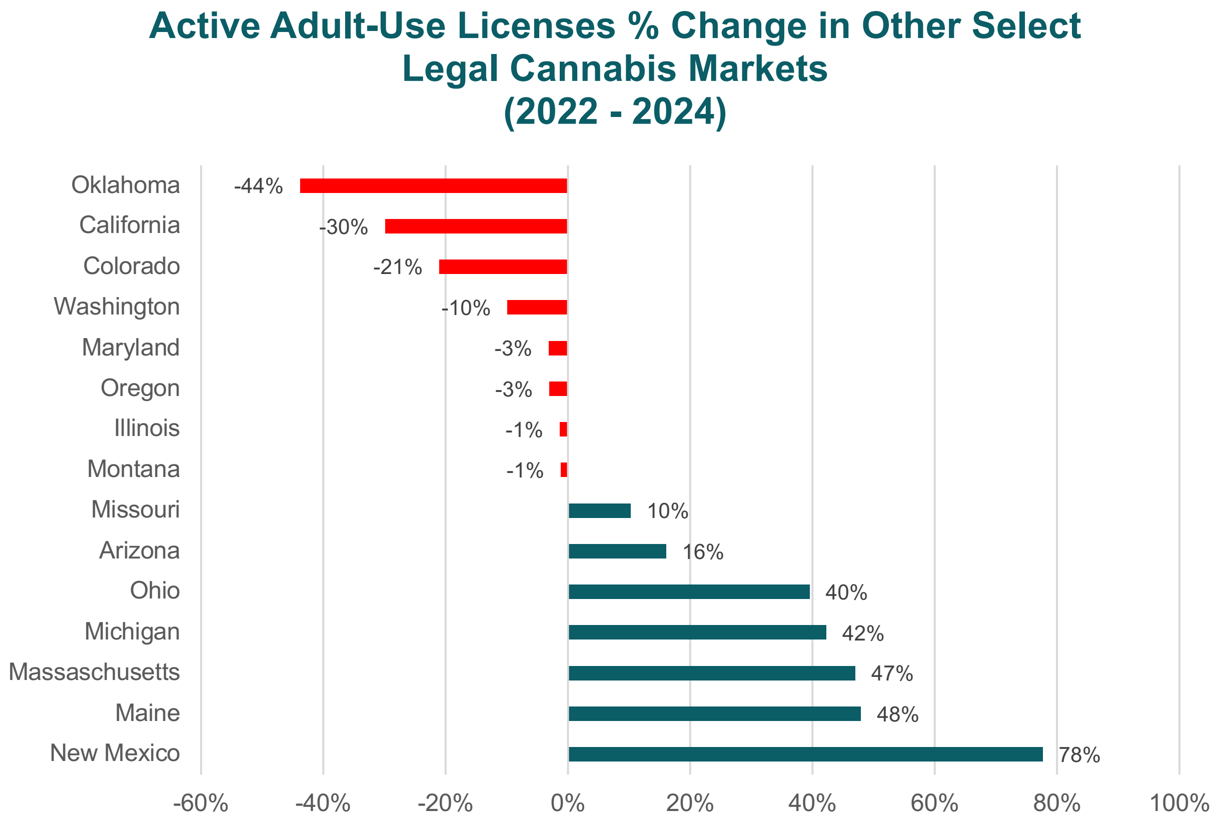
Figure 50: Total Active Cannabis Licenses in the U.S.



Source: CRB Monitor

Nationally, the number of cannabis licenses has declined for seven straight quarters, as the growth of new legal markets has not been outpaced by the decline in operational licenses in mature and saturated markets.

Figure 51: Active Adult Use Licenses % Channge in Select Markets (2022-2024)



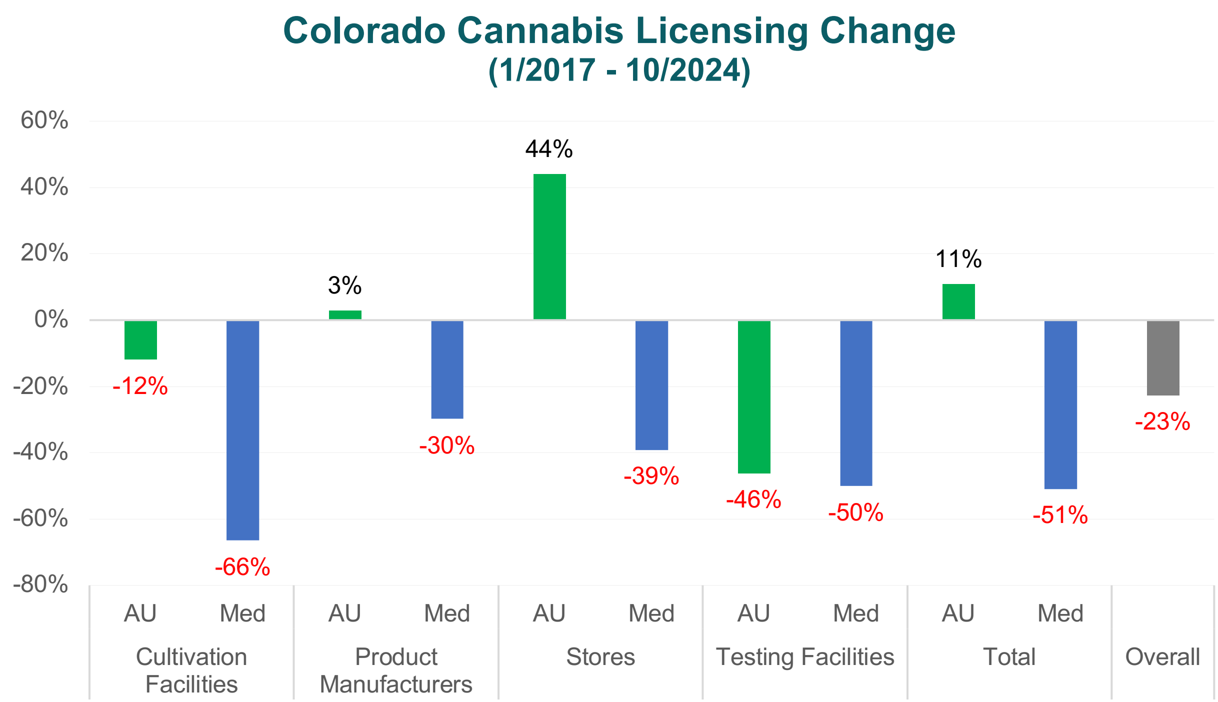
Source: CRB Monitor

Between 2022 and 2024, Oklahoma saw the steepest decline in licenses among established markets, with a 44% decline in cannabis businesses. California (-30%) and Colorado (-21%) also saw steep declines as competitive pressures in those markets, and regulatory changes in licensing practices pushed large numbers of operators out of business or led to the revocation of unused and non-compliant licenses.

Conversely, newer legal markets continued to see strong license growth, with New Mexico growing by 78%, and Maine, Massachusetts, Michigan, and Ohio all growing by nearly 50%.

The decline in cannabis business licenses is strongly correlated to the age and saturation of the legal market. The country's most established cannabis markets, (California, Colorado, Washington, Oregon) all experienced declines in licensing between 2022 and 2024, suggesting that once an Adult Use market reaches a specific point in maturity, competitive intensity, compressed margins, high taxes, limit access to capital, or other market dynamics lead some operators to fail or choose to leave the market without transferring or selling their license.

Figure 52: Colorado Cannabis Licensing Change

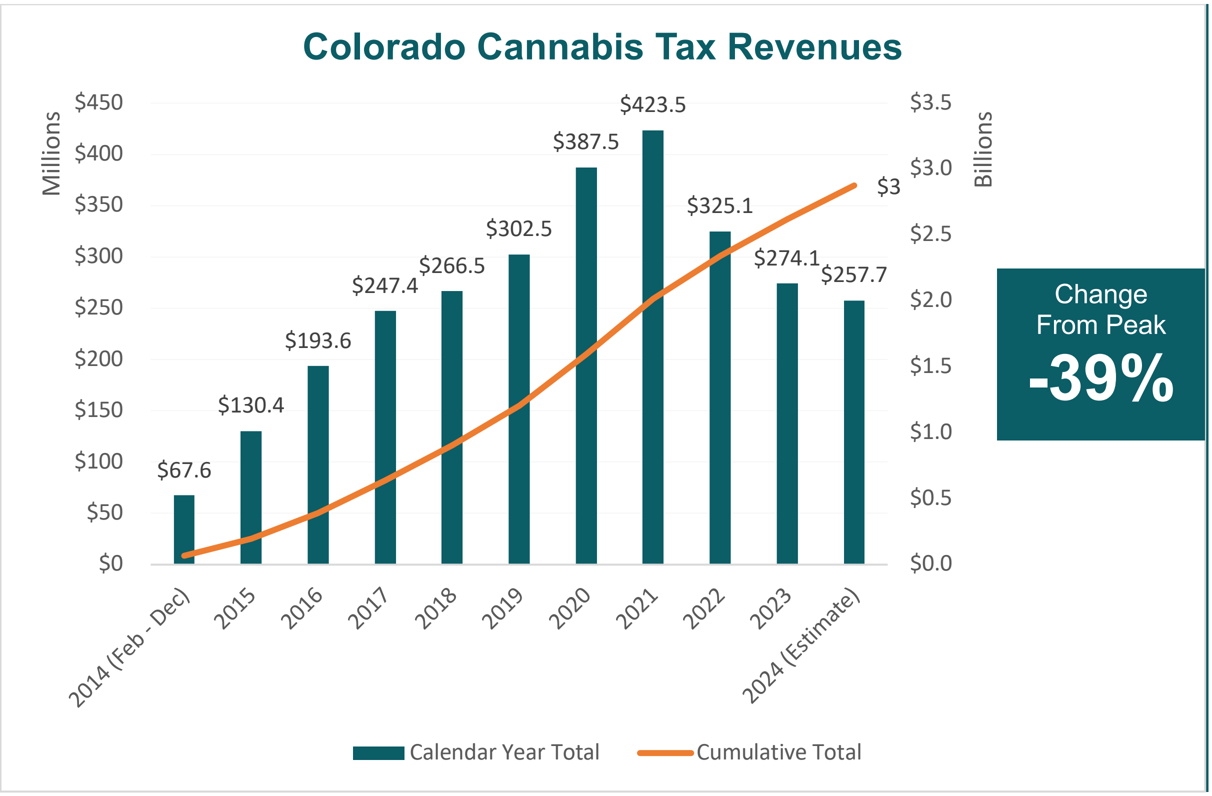


Source: Colorado Marijuana Enforcement Division

As the longest-standing Adult Use market, Colorado offers compelling insights into how legal markets evolve over time. The decline in Colorado's cannabis licenses has not been uniform across license types or between the Adult Use and Medical markets. Overall, the State lost nearly one-quarter of its cannabis license holders between January 2017 and October 2024, with the steepest declines in the Medical market.

Only Adult Use retail licenses grew significantly over that period, with Adult Use cultivation facilities declining 12% and testing facilities declining by nearly half (46%).

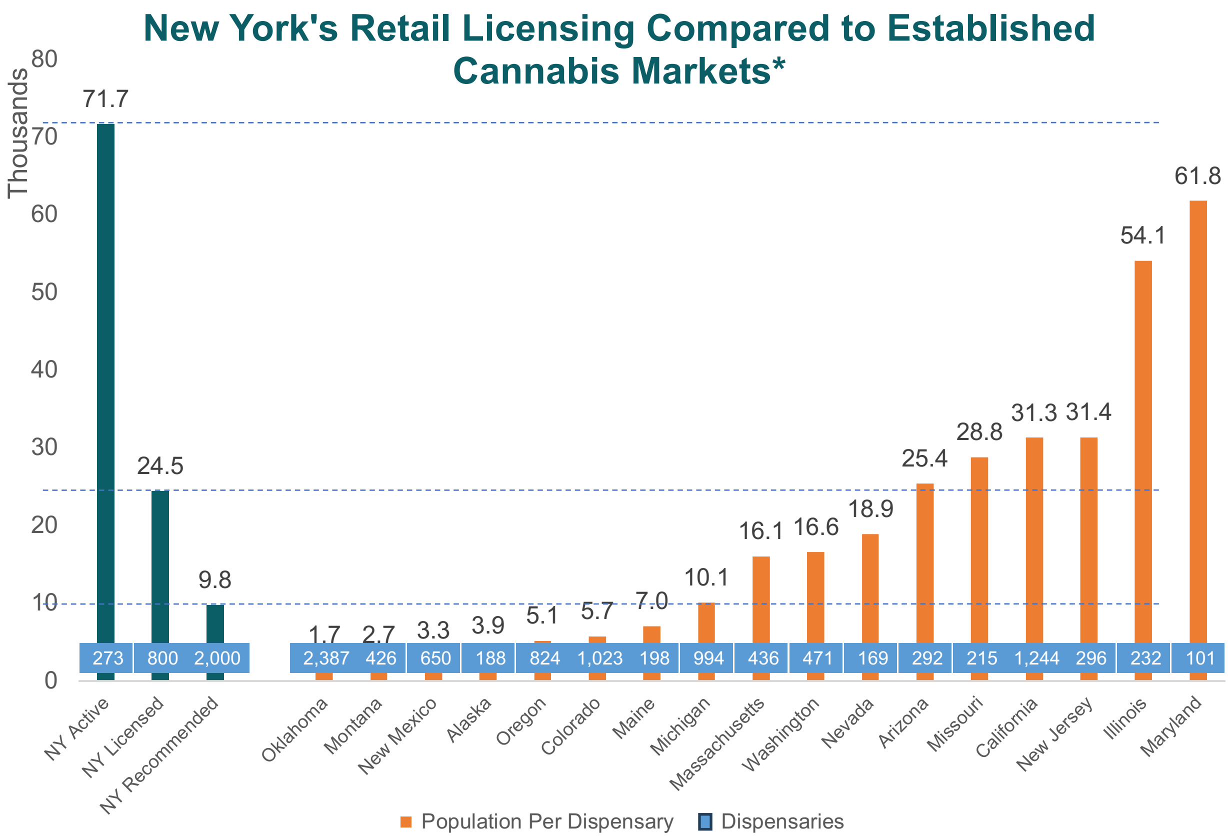
Figure 53: Colorado Cannabis Tax Revenues



Sources: Colorado Marijuana Enforcement Division

Colorado's cannabis tax revenues have also declined as the market has matured. After strong growth over the first seven years following legalization, revenues peaked in 2021 at $423 million, before declining by 39% to $258 million (estimated) in 2024. The decline in tax revenues in Colorado highlight the need for careful planning for cannabis tax revenue spending, as the strong early growth in revenues may not be sustained at peak levels into the long term.

Figure 54: New York's Retail Licensing Compared to Established Cannabis Markets

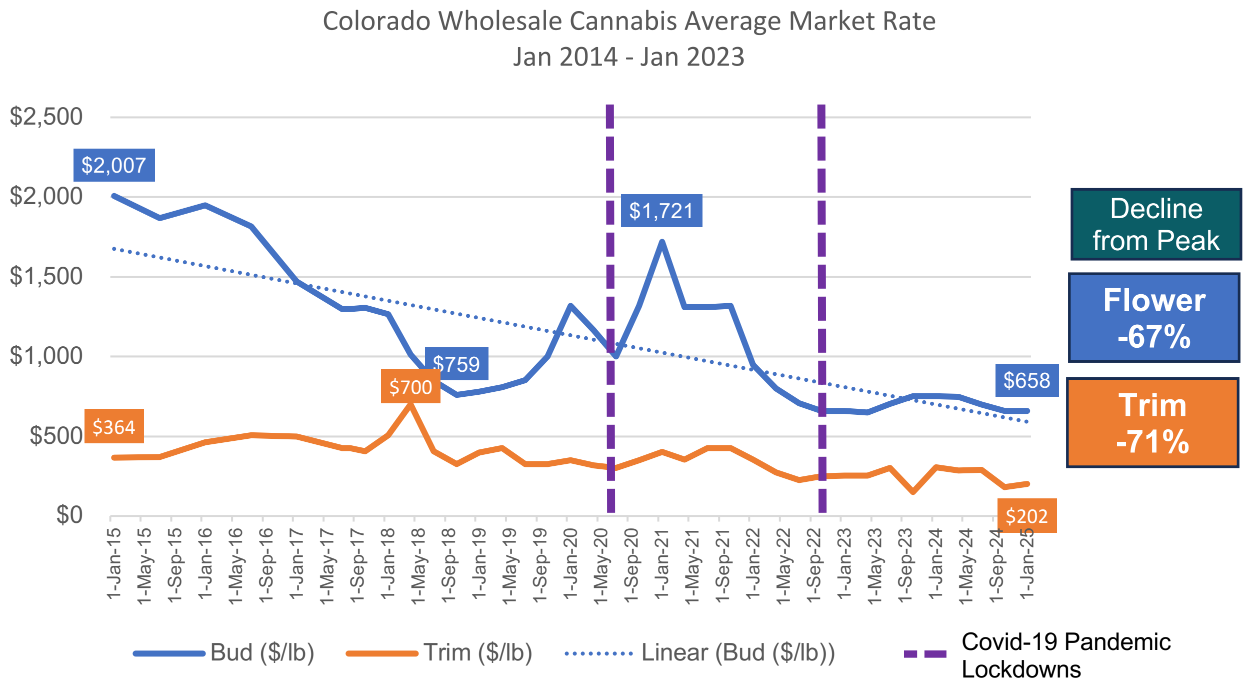


Sources: CRB Monitor, U.S. Census Bureau, OCM Analysis
**Comparative state data as of Dec 1, 2024. NYS Active license data as of Dec 31, 2024.*

Population per dispensary offers a useful benchmark to compare retail density in New York to other legal markets nationally. With 260 open at the end of December 2024, New York has the highest population per dispensary among major Adult Use markets, with nearly 72,000 residents per store. However, if New York were to achieve 2,000 operational retailers, its retail density would increase to approximately 10,000 residents per store, in a ratio similar to Colorado (6,000/store), Maine (7,000/store), Michigan (10,000/store) and Massachusetts (16,000/store).

Wholesale and retail prices have fallen sharply in maturing Adult Use markets across the U.S. In Colorado, the average market rate for a pound of cannabis has fallen by two-thirds (67%) from a peak of over $2,000 per pound in January 2015 to less than $658 in Q4 2024, while the price of trim has fallen 71% from a peak of $700 per pound in Q1 2018 to approximately $200 per pound.

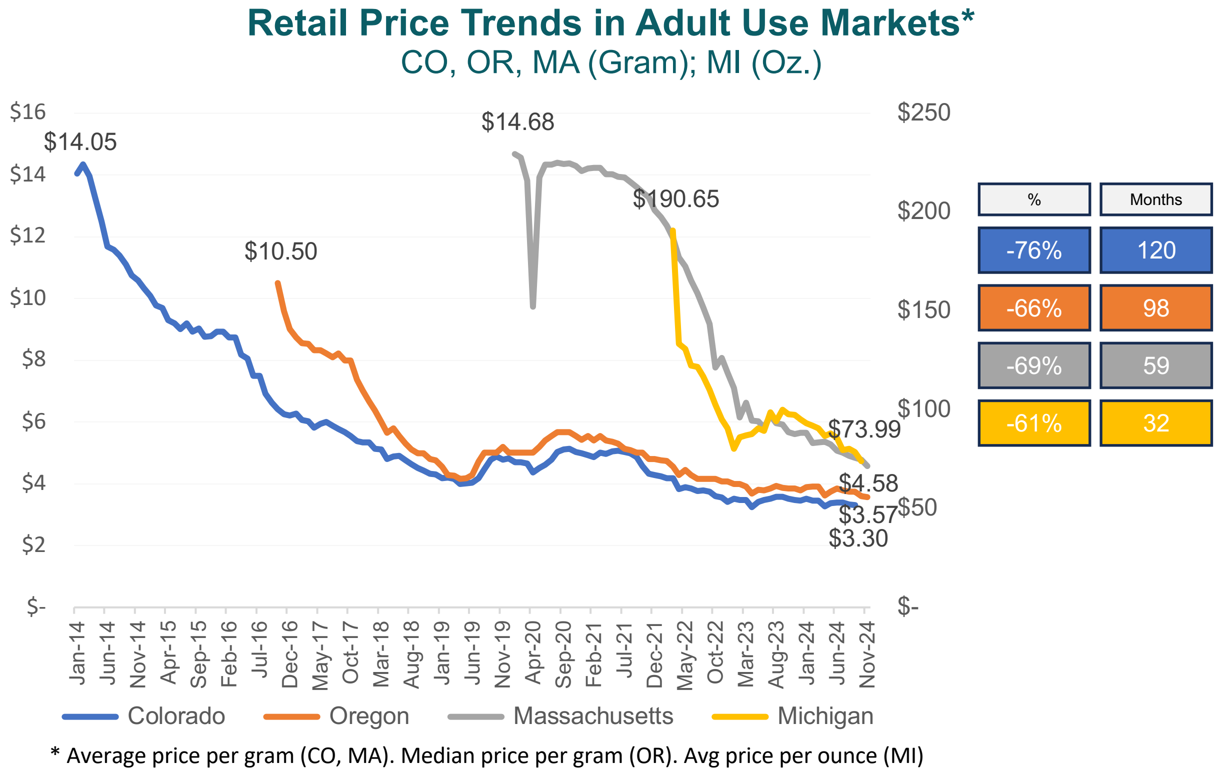
Figure 55: Colorado Wholesale Cannabis Average Market Rate, January 2014-January 2023



Sources: Colorado Marijuana Enforcement Division

Similarly, average retail prices have fallen steeply across sample mature markets. The average price of a gram has fallen by more than two-thirds in Colorado, Oregon, and Massachusetts, while the average price of an ounce in Michigan has fallen by 61%. Notably, while the degree to which prices have compressed have been similar across the four markets, with all experiencing compression of 60% to 75%, the timeframe within which the compression happened varied widely based on local market dynamics. It took 10 years (or 120 months) for the price of a gram in Colorado to fall 76% whereas it took half that time (59 months) for the price of a gram in Massachusetts to fall 69%.

Figure 56: Retail Price Trends in Adult Use Markets



The rate of price compression is significantly influenced by each market's licensing strategy, the balance between product supply and retail sell-through, and the competitiveness of the illicit market, among other factors. As such, while it remains too early to predict how quickly similar price compression might happen in New York, producers should anticipate and prepare for increasing price-based competition as the market grows more crowded, production becomes more efficient, and competition for consumer's share of wallet intensifies.

Conclusions & Recommendations

1. **New York is leading the nation in social and economic equity (SEE) licensing.** New York's Cannabis Law establishes a goal of 50% of licenses being awarded to social and economic equity applicants, which include women- and minority-owned businesses, service-disabled veterans, distressed farmers, and people from communities disproportionately impacted by cannabis prohibition enforcement. As of December 2024, over 55% of Adult Use licenses are SEE, including the majority of dispensary (81%) and microbusiness (58%) licenses. The legislative mandate to ensure robust SEE participation, and the proactive steps taken by the CCB and OCM to build programs supporting SEE businesses have yielded the most socioeconomically diverse licensee base in the country and seeded a cannabis industry that mirrors the rich diversity of New York's communities.

2. **With many more licenses to issue, it remains too early to assess the final distribution and market share of New York's licensees.** New York's Cannabis Law directs the CCB to "review the impact of licenses issued… with substantial market share for any category of licensure to determine if such licensees are impairing the achievement of the goals of inclusion of social equity licensees, fairness for small businesses and distressed farmers, adequate supplies of cannabis and prevention of dominant marketplace participation in the cannabis industry." The CCB continues to issue licenses to applicants across the supply chain with hundreds more licenses still to be issued, and many newly licensed businesses yet to operationalize. As such, it remains too early to determine the final demographic composition of the market pending conclusion of the current licensing round, or predict the distribution of market share, particularly for new license types like the microbusinesses, which require a long lead time to operationalize and get their product to market. However, OCM is closely monitoring and will continue to report on the early concentration in the supply side where the top 5 brands in each of the eight product categories account for one-third or more of each product category's revenue.

3. **Ensuring sustainable growth of a diverse and equitable market will require effective enforcement of ownership rules and trade practices.** The early composition of New York's market has exceeded the Cannabis Law's lofty targets for market diversity. However, maintaining industry diversity in the long-term will require close monitoring of the market and proactive enforcement of the State's ownership and true party of interest (TPI) regulations. This includes protecting the legislatively mandated two-tier framework that segregates ownership of supplier and retail licenses, monitoring for activities that might create undue influence on licensees and building the infrastructure to enable licensees to seamlessly report changes to their business structures. OCM's newly established Trade Practice Bureau will be instrumental in proactively targeting illicit practices that run afoul of the Cannabis Law and regulations. Additionally, OCM will continue to develop and invest in training and mentorship courses, cannabis business incubator programs, and other initiatives to equip all licensees with the tools to ensure they can grow businesses that can compete sustainably as the market matures.

4. **Consumer access to legal cannabis is growing quickly as the pace of new dispensary openings accelerates.** With nearly 300 dispensaries open at the close of

2024, up from 26 at the end of 2023, OCM opened nearly one dispensary every business day of the year. This pace of new retail doors opening is expected to continue for the foreseeable future as OCM continues to issue new retail licenses and as provisionally licensed businesses begin to secure and operationalize their retail dispensary locations.

5. **Cannabis retail density varies widely across ESD regions, with population density and municipal regulations significantly impacting retail siting.** Among the Empire State Development regions, Upstate, Mid-Hudson, Western New York, and the Capital District have the highest number of retail stores, with over 100 locations either licensed or awaiting licensure that meet the State's distancing requirements from schools, houses of worship, public youth facilities, and other licensed dispensaries. In Downstate New York, Queens, Manhattan, and Brooklyn each also have over 100 proximity protected locations. Conversely, North Country, Mohawk Valley, and Central New York in Upstate New York, and Staten Island and Bronx in Downstate New York have the lowest count of retail stores with less than 40 locations receiving proximity protection. Several factors, including regional population density and demographics, municipal zoning rules for cannabis businesses, commercial real estate availability, and cost have contributed to the regional variance in retail density.

   On Long Island, which has one of the highest regional populations but less than 60 proposed dispensary locations, municipal zoning rules have made it challenging for retailers to find locations that meet the State's distance requirements from schools, houses of worship and other dispensaries, while also complying with municipal zoning rules for cannabis businesses especially where many municipalities opted out of allowing dispensaries in their communities. As such, the number of licensees seeking locations in Long Island continues to be higher than the available qualifying locations. Furthermore, the limited retail competition and large population base on Long Island has resulted in the region's few operational retailers outperforming most retailers in the State. OCM will continue to work closely with municipalities across the State to highlight the economic opportunities and ensure municipal rules for cannabis businesses are consistent with rules for other businesses in New York's economy. OCM will also be closely monitoring if municipalities begin to reverse any opt-outs and begin to allow cannabis dispensaries to operate in their jurisdictions as near-by municipalities receive cannabis tax revenue for allowing retail sales. Local cannabis tax revenue is not earmarked for any specific spending category and can be used by the local municipality as it determines.

6. **Product diversity is expanding quickly as producers increase manufacturing capacity and new brands enter the market.** There are over 500 brands now supplying the market across all product categories with most brands (65%) only offering products in one or two categories. Flower and prerolls are the two most crowded product categories, with 302 and 266 brands respectively, while fewer than 50 brands offer products in the tincture, tablets, and topicals categories, respectively.

7. **Leading brands are commanding a growing share of sales.** Even as product diversity has increased, leading brands are commanding a growing share of sales. In four top-selling categories (flower, prerolls, vaporizers, and concentrates), the top 5 brands are driving one-third of sales. For edibles, the top 5 brands of 209 edibles brands have 53% of sales and the top 10 have 71% of sales. The top 5 brand concentration is even higher

for tinctures (80%), tablets (96%) and topicals (99%). OCM is working to understand all the factors that may be influencing brand concentration, including pricing tactics, distributor reach, marketing and branding strategies, and evolving consumer preferences, to better inform producer and retailer decisions about which products to offer.

8. **Significant consumer education is needed to orient consumers to the legal market's products.** Most of New York's legal cannabis demand will come from consumers transitioning from the illicit market to the regulated market, not from new consumers who began using cannabis after it was legalized. The legal market is still in its early stages of growth, having captured less than one-fifth of the estimated total addressable demand in the State. Many consumers are unfamiliar with the products and brands they are encountering in the regulated market and rely on their experiences in the illicit market to inform their product purchases. Consumer education can therefore play a critical role in informing customer purchase decisions and enabling consumers to better understand the effects and experiences associated with regulated products.

   With over 1,000 strains now offered, and many different product forms, the fast-growing diversity in the market underscores the opportunity for consumer education. A growing proportion of the strains offered were either not available in the State pre-legalization or have been newly bred specifically for New York's production climate, which means consumers are unlikely to be familiar with the genetics or their effects. Sativa, indica, and hybrid are commonly used to provide a baseline reference for the consumer experience, with sativa indicating an energetic effect, indica indicating a sedative or relaxing effect, and hybrid falling between the two. However, these labels fail to capture the increasingly nuanced effects produced by new and novel genetics. Providing information that can help consumers better predict their experience will be key to reducing barriers to adoption and to enabling new entrants to challenge established and familiar products on the market.

9. **RO's growing share of Adult Use sales signals an increasingly competitive market for flower.** RO brands account for 10% of all product sales and nearly one-quarter of Adult Use flower sales (19%). The RO's growing share of market reflects their ability to supply indoor-grown cannabis, as the only operational cultivators currently permitted to grow cannabis indoors at the close of 2024, and the aggressive pricing strategies the ROs are leveraging to compete for retail shelf space. However, in 2024 OCM licensed 50 Adult Use indoor cultivators, and dozens of indoor-cultivation microbusinesses, with those licensees beginning to operationalize their licenses in 2025, thereby significantly increasing the supply of cannabis grow in controlled environments. As more newly licensed indoor cultivators come online, OCM will continue to closely monitor and report on production and sell-through levels to ensure licensees have data to inform future production, sell-through, and pricing decisions as the market grows.

10. **Authorizing adult use cultivator licensees to transition to indoor cultivation facilities will address the limited availability of indoor grown flower and increase supply chain stability.** The Office recommends permitting all adult use cultivators, not just the Registered Organizations and cultivators licensed during the general application window, to grow in indoor facilities if they choose. This will ensure that all cultivators can grow in the environments best suited for their business models and address the market

imbalance created by having only a limited number of growers authorized to grow indoors. Recognizing that the transition of some growers to indoor facilities may potentially increase the energy footprint of the cultivation sector, the Office will continue to closely track energy use through tools like PowerScore, identify best practices used by the most energy efficient growers, and use regulations and incentives to steer indoor and mixed-light producers toward optimized energy efficiency. A CCB resolution would be required for this recommendation to be implemented.

11. **Regulate the use of price as a competitive differentiator.** Pricing data from other mature cannabis markets shows acute price compression occurring within 5 years following the launch of Adult Use sales. In some markets, the prices of flower product have declined over 60%, driven by factors including increased cultivation capacity, improved production efficiency, and intensifying retail competition driven by new stores coming online. During the early stages of market growth, aggressive pricing strategies are often used to capture market share by selling deeply discounted products to undercut the competition. OCM will closely monitor and report on pricing trends in the market to provide visibility into how pricing strategies are evolving as the market grows. Additionally, OCM will be publishing revised rules on the use of wholesale and retail discounts in 2025 as part of amendments to the Packaging, Labeling, Marketing, and Advertising regulations[7]. Currently, the advertising of discounting for cannabis products is prohibited across the supply chain. The amended discounting rules are intended to afford licensees some flexibility to adjust their pricing based on prevailing market conditions, while limiting the types of discounts and deals that fuel price-based competition.

12. **Continued enforcement against the illicit market is critical to building a healthy regulated market.** In 2024, OCM made significant strides in targeting New York's illicit market, leveraging newly granted powers to padlock over 1,500 unlicensed storefronts, seize illicit products, and fine the owners and operators of the unlicensed businesses. The proliferation of illicit storefronts has created several challenges for New York's legal industry. The illicit sellers are not bound to the laws or regulations governing the legal market, resulting in non-compliant, untested product from unknown sources being sold to consumers. The unlicensed stores engage in marketing and advertising activities that do not comply with State rules, including selling and marketing cannabis products to minors. Out-of-state brands carried by the unlicensed stores are able to build brand awareness before they enter the legal market, giving them a significant competitive advantage over newly launched brands that only operate in the legal market, further sowing confusion among consumers as to which businesses are legal. Additionally, illicit storefronts often occupy valuable real estate further exacerbating the challenges licensees face in finding qualifying retail properties. The illicit market poses a significant risk to public health and to the growth of the legal market, and OCM remains committed to aggressively investigating and padlocking unlicensed cannabis businesses in the state and penalizing those responsible for operating those businesses.

13. **Changes in federal policy will shape the next chapter of legal market growth, but finalization of new federal rules could still be years away.** Following extensive review

[7] The CCB voted to put out for public comment at the 3/20/25 Board meeting the revised Packaging, Labeling, Marketing and Advertising regulations.

of clinical and public health data, the federal Department of Health and Human Services (HHS) recommended to the Drug Enforcement Administration that cannabis be rescheduled under the Controlled Substances Act. HHS recommended moving cannabis from Schedule I, where it currently sits among the most dangerous drugs, to Schedule III, which includes drugs that are considered to have a lower risk of abuse than Schedule I & II drugs, and which have an accepted therapeutic use. The DEA had indicated that it would consider rescheduling cannabis in 2025, however the start of the hearings process has been delayed by procedural challenges.

The rescheduling of cannabis would represent one of the most consequential changes to U.S. drug policy in a generation. The shift to Schedule III would address some of the restrictions that have constricted the growth of the legal market, including eliminating the industry's punitive taxation under IRS Code 280E, which prevents cannabis businesses from deducting many of the ordinary and necessary business expenses that are permitted in other industries. The move to Schedule III would eliminate this higher tax burden for cannabis businesses thereby freeing up capital and increasing business profitability. Rescheduling may also lower the resistance among banks to offer cannabis businesses comprehensive financial services, which would reduce the premium rates the cannabis industry pays due to its almost exclusive reliance on private capital to fund business growth and operations. The move to Schedule III may also open to door to the inclusion of medical cannabis in health insurance plans, which would increase patient access, and may drive more aggressive investment into research of the plant's therapeutic applications. Rescheduling could also pave the way for interstate commerce permitting the transportation and sale of cannabis across State lines, ending the geofenced, state-specific framework the legal industry has operated under for two decades.

The rescheduling process will likely take years to finalize as the proposed rules navigate the federal review process and the likely legal challenges that will follow. However, OCM is working to better understand the full potential implications of federal reform, and to prepare the market for changes that may be necessary under a new federal regime. Where appropriate, OCM will also continue to offer federal policymakers New York's assessment of how current and proposed federal rules impact the operations and outlook of New York's legal market.