

Testimony for Cannabis Retail Hearing

Thank you, Chairman, and all attending members. This is an honor for me to be able to speak about an industry I have been passionate about for a lifetime and professionally involved with since 2018.

My name is Brian Lane, and I am the Compliance Officer at Nowave, one of the original 17 hemp processors, GMP certified and licensed since 2019. In addition, Nowave is one of the 40 current AUCPs providing products to the legal cannabis market. Our company has never been cultivators, so we have been reliant on establishing relationships with farmers since the inception of the hemp program.

The philosophy of Nowave has been to develop our own unique brands as well as bring to market brands for farmers and state residents both in the CBD and adult-use cannabis markets. Nowave has input biomass from over 20 licensed farmers in the last year and also developed over 10 brands including for farms such as Walk In the Pines, Tap Root Fields, Harvest Farms and Singer Farms just to name a few.

This testimony is specifically to discuss the recently enacted Cannabis Growers Showcase's and how essential they have been to helping farmers and new cannabis brands who lack the marketing capital to compete with more well-established brands from other states.

Nowave has participated in 25 percent of the approved showcases, including two of the most successful events in Rochester and New Paltz. Collectively we have learned many lessons through this process, and I would like to share some of the findings.

But before I make any further points, I want to clarify that Nowave's current position is that the most important action is to get more adult-use licensed dispensaries open to provide opportunities for brands to get to market. This is the most efficient way for brands, and in turn dispensaries, to sell products, through the normal flow of these establishments. Setting up temporary locations with products should only be considered a supplement to getting these license holders a strong footing in their communities.

In addition, Enforcement and closure of all non-licensed retail establishments is the only way to secure a long-term sustainable adult-use licensing model through the entire state. There should be a place for Cannabis Growers Showcases moving forward with some modifications.

Dispensary and CGS sales are negatively impacted by illegal retail establishments daily.

Back to the CGS, here are some of the benefits realized through the CGS events thus far:

One of the unintended benefits of these events, but the most crucial component in my perspective has been the relationship building within license holders which was not as prevalent before these events. The model of combining growers and processors together with existing CUARD holders helped bridge the gap many licensees were having communicating in any capacity.

Farmers/brands have been busy managing operations and preparing future products while current dispensary owners can be overwhelmed, trying to communicate to as many as 200 of these vendors. Email inboxes and voice mails of dispensary owners are regularly overwhelmed as brands try to bring additional skus to the less than 30 open retail licensees. To put it in perspective, there are over 300 varieties of gummies alone available to dispensary owners currently.

One of many examples of a licensed grower benefitting is East End Farms based on Long Island. The owner has come to market with the Harvest brand and has sold 1,314 pre-rolls at four Cannabis Growers Showcase (CGS) events, as well as establishing a market for his Funny gummies. The CGS environment has helped this farm forge relationships with fellow growers and dispensary owners including being added to a pair of additional dispensaries.

As a processor we have also helped forge these relationships organically. In working with the team from Walk in the Pines to establish the Herbal IQ CGS in Rochester I reached out to several licensed growers I knew who needed the opportunity to get flower products in front of consumers. Ananda Farms founder Sarah Stenuf had a product available and joined with Walk in the Pines and the other growers to bring her recently available products. A few weeks after her entry I received a text from her to sum up the positive effects of this program. And yes, I have permission to share it,

“Brian I just wanted to reach out and say thank you! This Rochester CGS has been a blessing. Jason and Mike (from Walk in the Pines) are awesome to work with. This showcase alone has been a saving grace for this farm! I truly appreciate you! Thank you very much.”

Ananda Farms reports most of the revenue it brought in in 2023 was a result of the CGSs directly. The stories are endless. High Falls Canna is selling an average of 11 pounds of finished flower product a week at New Paltz for a total of over 122 pounds. In addition, the High Falls Canna team has been able to educate the state consumers on its operation, CBD products, and adult-use gummies all while funding a 20-person payroll.

The cannabis grower showcases have allowed farmer brands to not only move products that couldn't get into the open licensed dispensaries, but also increase marketing opportunities to educate consumers on their products. The events provide a small return on marketing through sales, to help supplement travel and labor costs the CGS events generate. I want to be clear; these events are not as profitable for any of the license holders as would be had by all parties if we were in sold in legal dispensaries.

Allowing licensees, the opportunity to discuss products with consumers, have them try non-infused samples, smell and see the flower grown by New York state growers have shown success through sales week after week. The New Paltz CGS is a perfect example of this as retail sales exceed \$50,000 each weekend with the group of farmers reporting a healthy mix of new and returning customers over 12 weeks.

Data from one of our partner farmers, Tap Root Fields, has shown having a representative on site talking about products can increase sales by 75% versus when no brand representative was present. A staggering figure which validates the importance of the dispensary management and budtenders at each licensed retail location.

Some of our partner brands have struggled at being able to get a small number of SKUs into the current open dispensaries, especially if they did not have quality smokable flower to supplement their value-added product offerings such as gummies, beverages or vapes.

The restrictive packaging and labeling regulations place a burden on smaller brands with limited marketing reach or capital. Compounding the problem is the out-of-state brands and medical

licensees will be able to funnel capital to their brands which couldn't these brands from establishing themselves within the state. If brands are not allowed to market within dispensaries, out of state brands will control available marketing opportunities like cannabis trade events where there is a significant cost for entry at times.

The final lesson learned for many brands is the reality of the cost of marketing to establish a brand through New York State. It will take much capital and about 18 months to establish a brand, many licensed growers have realized through the CGS events that a regional approach or micro-license might be better suited for their business model.

Part of the responsibility of cannabis brands is to follow up on sales to dispensaries with approved marketing methods to help drive customers to these businesses. The out-of-state brands have a better financial footprint to put into marketing once the calendar year turns.

What should the CGSs be moving forward?

Ensure Cannabis Growers Showcases meet with current adult-use regulations.

Provide a marketing opportunity for less funded brands in a relaxed setting.

Clean up fulfillment regulations.

Should be a supplement to licensed retail locations.

Allow the markup on flower to be 100% like the processor provided products to ensure customers have same experience at CGS and licensed dispensary. This also helps cover marketing costs for the licensee.

If you need any further information or statistics to validate any of this testimony please reach out to myself, Brian Lane at Brian@nowave.com.