

Testimony for Senate Subcommittee on Cannabis Hearing - October 30, 2023

Presented by Rodney Holcombe, Director of Public Policy at LeafLink (Panel 13)

About LeafLink: LeafLink is a wholesale cannabis marketplace that connects cannabis producers, distributors, and sellers with retailers to simplify the way businesses sell, purchase, and ship regulated cannabis products. We work with over 12,000 operators across 30 markets in the U.S., including New York, where we currently work with over 2 dozen cultivators, retailers, and processors to ensure access to the variety of products New York has to offer. Annually, we process \$4.5B in wholesale cannabis orders through our marketplace.

We want to first commend New York's deliberative approach to creating an equitable industry. We believe an industry that is transparent, choice-filled, efficient, and most of all equitable helps achieve the desired public health, public safety, and economic benefits that legalization can provide.

Specifically, we want to acknowledge the thoughtful ways in which the program was crafted.

- First, with respect to the market itself, NY's unlimited license market will have the ability to scale to meet demand and give access to far more prospective business owners. It also encourages enough product diversity and supply to bring more sales to the regulated market and away from the illicit market.
- Second, with respect to marketplaces - the final regulations require marketplaces, third-party platforms, and aggregators to work with all willing and viable distributors, something that will help ensure that marketplaces offer cannabis operators numerous options to distribute their products. This will certainly have the effect of breeding innovation among distributors.
- And lastly, with respect to distribution - regulations allow distributors to transfer products to other distributors, a move that will help build distribution networks that maximize efficiency, reduce costs for operators, are more environmentally friendly, and lead to faster delivery times to dispensaries across the state.

As we look towards the future of cannabis in New York, I think we can all say with some certainty that NY's burgeoning market has the potential to one day yield impressive returns for operators across the supply chain, for consumers, and for the community alike. In order to make sure this is viable, there are of course areas that should be addressed. This includes the codification of CAURD, the removal of the potency tax, and the development of options for conditional cultivators and processors who've invested in a fleet to distribute products as we await distribution licenses.

- First, CAURD licensees have invested lots of time and money into this process over the course of the last year plus. Unfortunately, legal challenges meant that the vast majority of those retailers were unable to open their stores. As this challenge plays out in Court

and as general applications are being accepted, it is important that we protect the long-term viability of the CAURD license-type.

- Doing so requires codifying CAURD to ensure that existing CAURD retailers, who've had the chance to finally open their doors, are able to remain open should any additional litigation commence. Conditional cultivators and processors have enjoyed the protection of codification, and that same protection must be extended to CAURD. We should also explore ways to reduce future costs for these licensees, many of whom have invested significantly in their businesses before the latest injunction.
- Second, NY is unique in that only this state and CT impose a potency tax. In either case, the tax is hard to compute and makes it more difficult to purchase higher potency products. A flat excise tax to replace this would ease operations for licensees who are working to maintain their businesses in what we've known to be a challenging environment.
- Lastly, the state took the great step to allow for conditional cultivating and processing, something that has helped to jumpstart the market ahead of general licensure. In that time, these operators were expected to either distribute their own products or have another operator distribute those products on their behalf. It's been nearly a year that these businesses have operated as such, and will likely be another 4-8 months before they can realistically sell products to and rely on distributors. At this point, many have invested lots of money into fleets, hiring drivers, etc. to get their product to market. Explicit guidance on exactly what this transition will look like and how much time operators will have to change their distribution practices should be provided as soon as possible to ensure that they are not overburdened too quickly with vastly new practices and so that we don't see disruptions in the supply chain.