



ESSENTIAL CANNABIS

INSIGHTS

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STATE OF THE NEW YORK CANNABIS MARKET

After a year filled with anticipation and marked by repeated delays, the first adult-use cannabis sale in New York history was conducted on December 29, 2022, at Housing Works Cannabis Co. Housing Works reported strong sales in the final days of 2022, as just two legal retailers were operating in a city of roughly 6 million 21+ adults. New York's adult-use roll-out is limited to social equity applicants for the first three years, which is expected to stunt the first year of legal sales compared to what you might expect from a market of its size.

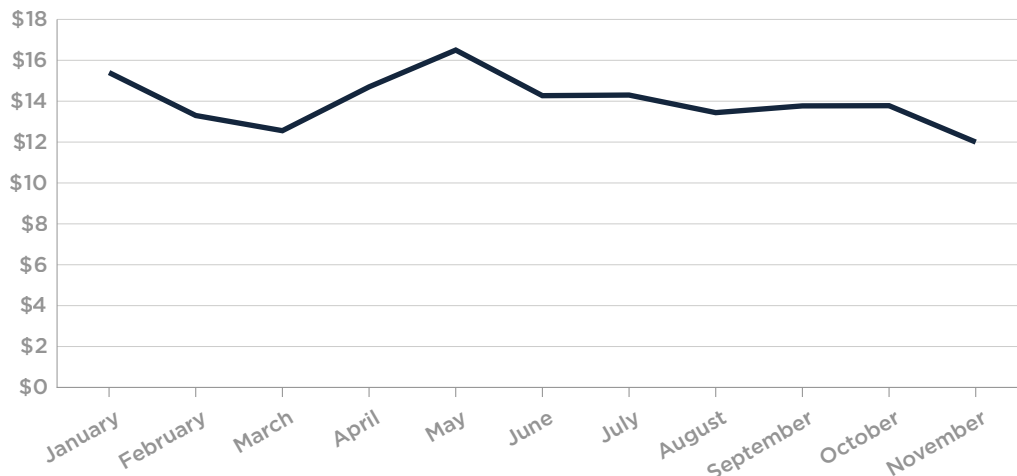
Even with a limited launch, New York is still expected to be the biggest new legal market in 2023, with BDSA predicting that the state will see ~\$1.3 billion in total sales this year. As most of the industry intently watches the nascent New York adult-use market ramp up, it is a good time to check in on the performance of the state's medical channel leading up to the launch of adult-use, unique product and pricing trends that have cropped up in the market, and growth expectations for the total New York market in 2023.

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Where Does New York's Medical Market Stand?

New York's medical program saw slow growth since the launch of sales in 2016, with 2021 sales estimated at ~\$175 million. Medical patients have seen a decline from their peak of ~150,000 in December 2021, to 122,805 in January 2023. New York State tax data show that medical cannabis sales for 2022 peaked in May, when the state saw ~\$17 million in legal sales.

NY 2022 Medical \$ Sales (in Millions)



Source: New York State Tax Data

Home to just 10 licensees operating a total 40 dispensaries, New York’s medical program has some of the most restrictive licensing in the country, which has undoubtedly depressed legal sales. Some good news for the medical channel came on December 20th 2022, with a decision by a state Supreme Court judge forcing the addition of a new medical licensee, Hudson Health Extracts, which will be establishing four new medical dispensaries across the state.

While medical programs can expect to see declines with the addition of adult-use sales, the widespread proliferation of illicit retailers, especially in New York City, likely had a role in deflated sales in the legal medical channel. Should New York officials follow through with their plans to crack down on illicit operators, the medical channel could maintain most of its sales, and even see a slight increase in sales in areas experiencing delayed access to adult-use retail.

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New York Market Product Mix and Pricing Trends

With its highly limited licensing, New York’s medical channel unsurprisingly has a very limited brand landscape. With that said, there are some unique aspects to the product mix in New York’s medical cannabis market.

As with most cannabis markets, inhalable form factors are most popular in New York, with concentrates making up ~38% of dollar sales in December 2022, the largest share of any category. Flower made up the next largest share, with ~34% of total dollar sales, followed by edibles with ~18%, and pre-rolls with ~4%. The sublinguals and topicals categories brought in a negligible share of total sales in New York’s medical channel, ~4% and less than 1%, respectively.

While candy is the dominant edible subcategory, making up ~66% of dollar edible sales in December 2022, the New York edible space also features a strong presence of pills, which made up ~29% of edible dollar sales in December 2022. This is typical for limited medical markets, especially markets like New York which had limits on smokable products and certain edible form factors in the initial years of its medical program. New York already has a strong beverage presence, with the beverage category already making up ~5% of dollar sales in November 2022, comparable to the share of edible sales that beverages make up in more mature markets.

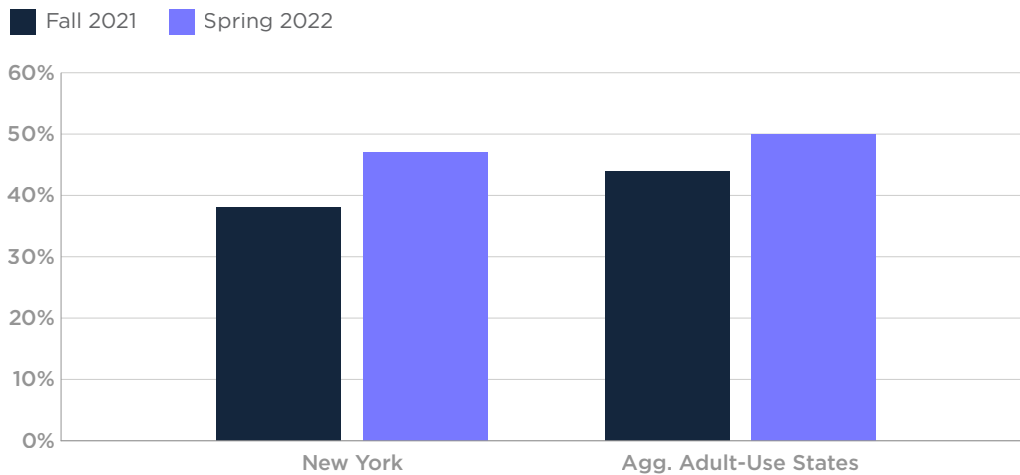
While some may be tempted by the ease of access to adult-use cannabis in neighboring New Jersey, favorable pricing trends may help New York retain its medical consumer base. In December 2022, BDSA Pricing Analysis shows New York’s EQ ARP for flower sitting at just \$8.98/gram compared to \$13.73/gram in New Jersey.

Where is New York’s Market Going in 2023?

New York may have been dealt a rough hand with the licensing and regulatory restraints leading up to the launch of adult-use, but with a 21+ adult population of ~15 million the market is still expected to be the largest single opportunity for 2023. New York has also seen rapid consumer growth, with BDSA Consumer Insights showing that the share of past six-month consumers in New York has grown from ~38% in Fall 2021 to ~44% in Fall 2022, suggesting that consumer interest in cannabis will not be a factor holding back the market at all.

BDSA predicts that despite all the issues leading up to the adult-use sales launch, total legal sales will reach \$1.3 billion in New York in 2023, and grow to ~\$2.7 billion by 2027. This will make New York a Top Five US cannabis market by dollar sales by 2026

NY vs. Adult-Use States Consumer Penetration



Source: BDSA Consumer Insights; Fall 2021–Spring 2022

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