

# SHAWANGUNK JOURNAL

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## Cannabis Farmers Face Tough Times

*Three area growers try to adapt to ever-shifting marketplace*

*News By Brian Dentz*



*Three area growers try to adapt to ever-shifting marketplace. Courtesy*

ULSTER COUNTY - New York State's first cannabis dispensary opened almost a year ago with big expectations and an upbeat, festive atmosphere, fueled by the state's

decision to grant permission to more than 200 farms to grow the product and create a legal, regulated and taxed market. The Office of Cannabis Management was expected to allow many dispensaries to sell the in-state product.

Yet by the start of November, there were just 26 licensed dispensaries in the state, far less than anticipated. That means farmers have few outlets to sell their harvest and recoup their costs. As a second cannabis harvest hangs to dry and is being cured on farms across the state, the Cannabis Association of New York estimates that 80 percent of last year's crop is still being stockpiled, unsold by the farms and processors. Some farmers are already going bankrupt.

"Our business plan assumed that there would be 50 dispensaries opened by June or July, but that did not happen," said Gail Hepworth of Hepworth Farms in Milton. "We made investments to be sure we'd be up and running for those dispensaries. Therefore, we have a cash flow problem."

Hepworth and her twin sister, Amy, run Hepworth Farms, a respected

seventh-generation regional powerhouse in organic farming. While Hepworth sells fruits and vegetables from its active 500 acres of farmland to Whole Foods, Fresh Direct, Caldrons, Adams Fairacre Farms and the Park Slope Food Coop, it also invested millions of dollars in cannabis production, including a state-of-the-art processing facility, according to John Lonczak, who heads branding and product development at Hepworth.

“We’re running on fumes, and that creates added stress to a business which is an emerging business model full of stress,” Lonczak said. “My wife asks me, ‘You work on a marijuana farm, why are you stressed?’ It doesn’t make sense.”

The delay in opening a significant number of stores created an economic logjam, with sales stuck at what Hepworth expected a year ago, he said. It’s a labor-intensive crop with regulations, packaging and compliance at every step, adding significantly to costs.

“We’re in a situation right now where we’re in over-production, not

for demand, but for over-production for the number of retail stores that are out there,” he said. “The only thing that needs to be done is to open more dispensaries.”

Hepworth has 65 employees who work exclusively in its cannabis division, according to Gail Hepworth. The farm has one license to grow and has agreements to cultivate four separate acres for four other license holders. It also holds a processing license which the farm uses to make products for 10 different cannabis brands. Hepworth grows cannabis outdoors, using organic methods.

Hepworth, like many in the cannabis industry, has also had a tough time securing loans, because cultivation is still barred on a federal level. Hepworth lost its relationship with a bank that provided much-needed annual agricultural loans.

“There is no reasonable banking for us to launch this industry in New York,” Gail Hepworth said. “This was the most painful financial part of us building our business.”

That may change: The SAFE Banking Act, as it's drafted, would

protect banks and credit unions, as well as depository institutions from being penalized by federal regulators for working with state-licensed cannabis businesses.

### **Supernaturals NY**

Some farmers say they've sought creative solutions. Jens Verhaegh, who runs Supernaturals NY farm in Accord, said he adjusted sales strategies, changed the minimum order requirement sizes and payment terms to help him get his products in a few stores.

Back in December 2022, when the first dispensary opened, Verhaegh said he wasn't prepared to sell due to delays with packing, lab testing turnaround time and other complications, he explained. By February, the farm was finally ready to sell to stores. But because so few dispensaries were open, it couldn't move product. Things started to look bleak and it was hard to make payroll, Verhaegh said.

He'd anticipated a vacuum of product and too many dispensaries in need of it. What he found was the opposite. "We were losing out on opportunities because we had all

these business practices in place," Verhaegh said.

Verhaegh said more formal business practices were put aside and the farm started to operate more with a handshake and through personal relationships. This worked well, he said, especially with Conditional Adult-Use Retail Dispensaries, granted to people hurt by the war on drugs.

Verhaegh, who got to know the area while rock climbing in the Gunks, started farming in New Paltz in 2008, worked on organic farms in the area and then bought a farm in Accord in 2015. where he grew medicinal and culinary herbs.

He now grows cannabis outdoors in the sun, uses local compost, grazing sheep and employs praying mantises, ladybugs and marigold flowers for insect control. Verhaegh and his wife work on the farm, which has one license, along with five employees.

The first crop, from 2022, has just about sold out, he said.

“It’s going to be almost a smooth transition from last year’s crop to this year’s crop,” he said. “Keeping it low-cost, staying flexible and not investing too much” is part of his formula. “It’s easy to get carried away, especially when it’s cannabis. It’s supposedly this cash crop.”

Verhaegh is targeting a high-end market, and Supernaturals was selling at seven dispensaries as of late October. “Smaller scale and higher quality,” he said. “Every couple weeks now there is a new dispensary we are able to work with.”

### **Back Home Farm**

For High Falls farmer Will Liebee, part of the solution was to adjust expectations. Liebee, who moved to the area from Asheville, N.C., worked on organic farms in the Kingston area, bought his farm in 2018 and started Back Home Farm, with 42 acres of land to cultivate. At the height of the season, he employs 10 to 15 people, a number that drops to six in colder months. The organic farm sells produce to local and regional restaurants, has a CSA program and sells to the High Falls Food Co-op.

One reason Liebee pursued a cannabis license was to stay diversified. “When you are operating a vegetable farm these days, it’s really important to have yourself diversified and have as many potential revenue streams as you can,” said Liebee, who rented out his home when times were tough.

But it wasn’t clear how to make it economically viable. “It’s a brand-new regulated market, so how to create a sustainable business within the confines of a brand-new market is kind of the puzzle,” he said.

A big challenge is the large upfront investment, as income rolls in only after the harvest is sold.

“We had six months of putting our neck out there, doing the work, abiding by all the state regulations, paying the bills and then there was nowhere to sell,” he said. “It wasn’t easy, that’s for sure,” Liebee said.

Back Hope Farm received a license to grow one acre of cannabis, which he estimates he could have grown 2,000 pounds of product. Instead, after reviewing costs, he decided to

grow just 500 pounds. The calculation paid off, as he's been able to sell all of last year's crop by this fall and is now processing this year's crop. Unlike other farms, he doesn't have back stock which is aging and in danger of degenerating and losing its value.

"It's about learning how this new industry works," he said. "There is a system in place that I now understand how to scale my business to. I see the demand for product and as the supplier, I have to make sure I'm operating the business to meet that demand. "

Leibee, an organic farmer, grows a variety of strains in greenhouses and his farm still grows vegetables as well. He sells cannabis through eight dispensaries and has applied for an Adult-Use Micro Business License, which will allow Back Home Farm to open a dispensary to sell its own cannabis products. If successful, the store, Milkweed, will open in the spring in Accord.

As farmers struggle with a paucity of dispensaries, another option are Cannabis Showcases, a sort of Farmers Markets for marijuana

products that allow farmers to sell directly to the public. They were implemented as a stopgap while there aren't enough licensed dispensaries. The Office of Cannabis Management lists [dozens of showcases](#) throughout the state. Many have been open since August.

Locally, the Kingston showcase at Keegan Ales has just moved inside, to the Catskill Mountain High CBD store in Kingston Plaza, at 308 Plaza Rd. Another, Honey's Cannabis CBD & Accessories in Gardiner, is open at 133 Main Street. Both showcases are open Tuesday–Friday, 3:30-7:30 p.m., Saturdays 12-6:30 p.m. and Sundays 12-5 p.m. All showcases are open through the end of the year, though farmers and local partakers are hoping they'll be extended into the new year.

Ulster County • 1491 words • 1 photo