



THE **Cannabis** COUNSELOR
WITH ALEECE BURGIO

Episode 13: New York Hemp Operations, featuring Paal Elfstrum

Speakers: Aleece Burgio, host, and guest Paal Elfstrum, owner of Wheatfield Gardens LLC and Barclay Damon client

[Aleece Burgio] Hey, everyone, this is a Barclay Damon Live broadcast. You're listening to The Cannabis Counselor, and I'm your host, Aleece Burgio. Let's get into it! What's up, everybody? This is Episode 13 of The Cannabis Counselor, and today we're going to be talking with Paal Elfstrum, the owner and operator of Wheatfield Gardens, which is a current hemp operation here in New York State with a large production facility that is looking to transfer over into the adult use space. Stay tuned.

[AB] Hi, Paal. Thanks so much for joining us for The Cannabis Counselor. This is Episode 13, and we're going to be talking today just about hemp infrastructure and transferring over into adult use. How are you today?

[Paal Elfstrum] I'm great. Thanks, Aleece. Thanks for having me on. I really appreciate it.

[AB] For those who are listening, Paal has been a long-standing client of Barclay Damon, and we have really been blessed to find such a really important operator here in Buffalo, New York, for the hemp space. Paal, do you mind telling everybody kind of the operation that you currently have in Niagara Wheatfield?

[PE] Yeah. So we operate a commercial-scale greenhouse here, and initially the facility was built to grow tomatoes and cucumbers. But since I came in and then took it over, we've kind of shifted to more high-value crops. And one of those crops is ... has been industrial hemp and now cannabinoid hemp with the new laws that are in place. But we also grow food here, too. So we're a food-safe facility where we produce lettuces and culinary herbs for the local market here in Western New York.

[AB] How did you get into the hemp space?

[PE] Well, we were ... I've been interested in controlled-environment technology since... controlled-environment agriculture since 2015—it was well before the hemp and cannabis craze we're seeing today. And we were ... my group of investors was interested on the food production side, looking at high-value crops like lettuces, herbs, strawberries, blackberries, things like that. But then it was a pleasant surprise in 2017, when the governor opened up the Industrial Hemp Research Pilot Program to people like me, farmers like us here. So of course, we always look for chances to find high-value crops. And it was kind of just another one of those that had the potential to be a high-value crop. So we took on the challenge and became a research partner. Did some really interesting controlled-environment research on industrial hemp, specifically around the cannabinoid, not the fiber or grain kind that a lot of people think about. But we looked at the CBD, and some of the minor cannabinoids as potential high-value crops.



[AB] That's an interesting component. So obviously, you've probably had some difficulty with the fact that federal regulations and state regulations sometimes just don't overlap. And it's kind of this push and pull for where to turn your head. What ... Have you found that New York's regulations have been a little bit more operator-friendly in the state of New York, or how would you describe your operations?

[PE] Yeah. I think at first I was just shocked that we had applied and we paid our \$500 fee and we got a license. I've heard nightmare stories about people trying to get permits to grow this plant. So I was pleasantly surprised by that. And then we've been working with Ag & Markets [Note: The New York State Department of Agriculture and Markets] for a long time on the food side, and we were proud to be part of the Grown in New York program [Note: New York State Grown & Certified® program], on our food side. So we have a pretty good relationship with Ag & Markets to begin with. And so we didn't really experience too much. But it is a little bit ... now that we've gotten the cannabis law passed, and they kind of put the cannabinoid hemp in with it, it's a little more difficult to get answers. Like, the cannabinoid hemp law passed over a year ago, and we still have yet to be given any concrete guidance on it. So it's really difficult to operate in that market. So we're kind of holding on here. But for the most part Ag & Markets was great to deal with. We had no issues with testing and things like that for the last three years we've been growing hemp.

[AB] Yeah. It's super interesting—just for those who are listening for Paal and I, the reason Paal was able to operate in the New York space is because of this research pilot program that happened in the federal level, which gave states the opportunity to test out production and processing within their state for hemp products. And so, New York State, specifically, was a \$500 application fee to do either. But then things started changing up quite a bit. New York was supposed to submit a new state plan to the federal government to continue their hemp plan, but they didn't. And so, there's an expiration date for this research pilot program, which will end on September of this year. And so now, as Paal was saying, things have been switched up. We now have this new Office of Cannabis Management, which we've talked about in previous episodes that's kind of governing hemp, medical marijuana, and anticipated adult use. And so there isn't necessarily that one-on-one connection just yet. Hopefully we will see that as it gets a little bit more vetted out and more people are brought on board, but right now, as a hemp operator, you're probably feeling like a little push and pull between Department of Health, Department of Ag and ... and now this new OCM office, right?

[PE] Yeah. I mean, that's kind of like your phone rings all the time with me calling you, trying to get answers. We really want to start processing and be a resource for the farmers out here, where they can preserve their cannabinoids in oil form; we're trying to get our process facility up and running. But it's very hard when you don't get any concrete direction from the governing body on what's going to be allowed. And I understand the ... this whole confusion about federal ... because I lived it last year when we thought we were going to be in the federal program, I went out, had to get a background check and all of that stuff and apply to that. And then all of a sudden, we find out we're going to be Ag & Markets again. So it's really kind of frustrating, but I get it. They're setting up an entire new office. So this is going to take time. So as much as I want it to happen quickly, I understand that this is going to take time. So trying to be patient, but ...

[AB] Absolutely. So before we get into you transferring possibly over into the adult use space from your hemp operation, let's talk currently, on what it takes to really run a hemp operation. You know, there's a real big emphasis of energy, waste, and water supply when we talk about hemp or marijuana. How has Wheatfield Gardens kind of tackled those three big issues since you have had your license?



[PE] Yeah. So sustainability and energy efficiency has been at the heart of what we've been doing here for years now. We've done several studies with NYSERDA about this issue because it's becoming a real issue across the United States as more states legalize, the energy impact of indoor cultivation is coming to the forefront. I saw some study out of Colorado that said that almost 3% of all the electricity generated went towards the cultivation of cannabis.

[AB] That's crazy.

[PE] It's a real issue. So we try to just do meaningful studies here that can point people in the right direction when they're choosing equipment, whether it's LED lights or their HVAC system, just novel approaches to cultivation that are more sustainable. They use less water, use less energy, and create less waste. So we have a number of initiatives that are going from, you know, composting to onsite energy production, which we're pioneering here at Wheatfield Gardens. We're producing our own electricity on site and then using the by-products that come with that to help the cultivation process with regard to ... a lot of heat is generated with on-site production. So we take that heat, we use it appropriately in the greenhouse. And then we also use the CO2 that comes along with the combustion of natural gas, and we're able to capture it and clean it and then almost sequester it. And it actually is very beneficial to the plants. They grow a lot faster in the presence of CO2. So we're really trying to be the beacon for people to look to ... to say, alright, this is how you can be more efficient in your grow. So I think it's going to be a real issue. And I think there will be a language in the law that addresses this because I know, I'm pretty sure it was in the Massachusetts law, that they had a certain energy requirement that made them look for solutions like this.

[AB] Absolutely. I know there's a few bills that have been entered into through the finance committee just in New York State so far. But I think they're really going to probably wait till the rules and regulations come out to really try and see what I think the best effective solution would be, especially given the fact that New York is such a green state. Right. Like they've created all these New York energy initiatives, and this would be definitely kind of a drop of...a ... explosion, I think in the energy sector, especially given that they're estimated that we would be the second largest cannabis adult use state in the country. Kind of transferring us over into adult use. It's interesting for hemp farmers right now. I know there's a lot of lobbying efforts that have been going on about the fact that nothing in this legislation really gives any preferential treatment to existing hemp operators other than this possible exception or qualification in the social equity component, which is being a "distressed farmer," which I think a hemp farmer could definitely argue that point in 2020, they were definitely distressed. Right? Do you foresee, just based off the groups that you're a part of, more lobbying efforts to kind of argue the point that the hemp infrastructure is already in place, and it'd be very easy to transition into an adult use capacity, given the fact that you're kind of already set up for it?

[PE] Yeah. I mean, a lot of us hemp growers have been growing the "cousin" of the adult use cannabis plant for years now, so we have an expertise in it. Yeah. And with the CBD market being what it is in the pandemic, there's plenty of distress to go around to the 500 farmers out here. Yeah. I just think that in other states, and it remains to be seen whether or not this crop can be ... whether or not adult use cannabis can be grown truly outdoors, like it is in California. I know there's no outdoor growing in Massachusetts, we just have a different climate here. So I think it's going to be very difficult for outdoor growers to pass the testing requirements that are going to be required. I think a lot of microbial and mycotoxin testing, like they have in California, really puts you at a great risk unless your ... that's why most people do it in controlled environments.



[AB] Yeah. The humidity...

[PE] The expertise ... some of the best growers I've ever met my life are the hemp growers in New York State. So the expertise is there. It's just a matter of you have a lot of things out of your control when you're farming truly outdoors. I'm anxious to see what happens, but it's a very risky proposition, in my opinion.

[AB] I agree. I also think our humidity and just moisture is just really not conducive for outdoor growing. Now, if you don't necessarily qualify for social equity applicant, how do you intend to bring social equity principles to your business to kind of go along with the lines and the mission of the bill, which is for an inclusive process for those in communities who have been disproportionately impacted. What is Wheatfield Gardens doing to kind of move that momentum and your operation that way?

[PE] Yeah. I mean, that's been our ... our investor group is kind of really looking at this from not just an ability to make a profit type of thing. We really have several bottom lines that we look to, social equity, along with the sustainability, that I talked about earlier are two of our main goals, besides being a profitable entity. And we've been doing it for years already, but we really work with our community to try and create jobs for these ... that are good-paying, year-round jobs for these communities that have been affected by one thing or another that they're disadvantaged. So several of our employees are from East Buffalo, which is exactly ground zero for these kind of communities—have been the citizens of these communities have been persecuted for possessing a plant. I mean, it's just so ridiculous. So what we envision here is to be this kind of social equity incubator that we can teach people the skills that it takes to cultivate cannabis. And then these people can take these skills and form their own micro business, where they take these skills of cultivating and then find a place in East Buffalo somewhere that has good electrical power and a good possible site to have a small grow. And then they're equipped to start the business, and then they can take what they learn here and really leverage it to be their own kind of success stories. So that's what I'm most excited about is the opportunity to be this kind of incubator for entrepreneurs. Because the bill is just so well-written when it comes to that, where they're going to provide not only these opportunities in kind of either mentoring or incubator program, but also the capital it's going to take to start these businesses. So it's going to be amazing. And I just want to be a part of it because my passion is around education. We work with Cornell, we do a ton of work with their controlled environment agriculture school. And then we also—just locally here with the Niagara County Community College—we've been hosting ... right now we have three interns from the Horticulture program at NCCC that are learning the skills of controlled-environment agricultural both on the food side, and then also on the cannabis side, these are going to be the jobs of the future. These are going to be the six-figure jobs that we can keep here in Western New York when we have these ... this workforce that is dedicated to cultivating medicine and food to the highest levels. So I'm really excited about that. That's what I'm really passionate about.



[AB] Yeah. That's so interesting to say that about keeping jobs in the area, which we're really bringing in production and processing, because, you know ... I've talked actually, just with different localities recently and we've had a similar discussion, which is, the retail stores are going to be great, right? It's going to get the product to consumer. But in terms of this \$3.5 billion generation of revenue for the state, that's going to come from jobs; that's going to come from an expansion of the economy. And you see that very much so in the production and the processing side of things, because the amount of employees it takes to get these facilities up and running are much more significant than, say, the retail stores. And so our bill allows for such that you can't opt out of a production or processing facility in your locality. You can really only opt out of a retail or an on-site consumption lounge. And so that right there is going to be a really nice opportunity for people to bring more wealth to their locality with new jobs and new opportunities, and hopefully a nice boost there. But, Paal, thanks so much for hopping on. Everyone, you've been listening to Episode 13. Thank you, Paal Elfstrum. And we will check back soon. Thanks so much.

[PE] Thank you. Take care.

[AB] Bye, Paal. The Cannabis Counselor Podcast is available on YouTube, LinkedIn, Apple Podcast, Spotify, and Google Play, like, follow, share and continue to listen! Thanks.

