

New York Investigates Brands Accused of Selling Illegally Sourced Weed

 [nytimes.com/2025/04/07/nyregion/new-york-weed-marijuana-investigations.html](https://www.nytimes.com/2025/04/07/nyregion/new-york-weed-marijuana-investigations.html)

Ashley Southall

April 7, 2025



New York State regulators are investigating some of America’s biggest cannabis companies after receiving complaints that they have been selling marijuana to New York dispensaries that comes from unauthorized sources or is grown out of state, an illegal practice that has been called the industry’s open secret.

Since February, the Office of Cannabis Management, which oversees the cultivation and sale of marijuana in New York, has been investigating whether several companies, including Stiiizy, the nation’s best-selling brand, are laundering weed through a processor on Long Island, according to two people with knowledge of the matter.

The investigation entered a new phase on Monday when inspectors from the agency conducted surprise audits at the factories of the processor, Omnium Canna, which makes products for the brands included in the state inquiry.

The inspectors, some wearing jackets with “compliance” written in bright blue letters on the back, visited two of Omnium’s facilities in a brick office complex that also houses a dance studio and an entertainment equipment company. They carried clipboards as they went between two entrances separated by a parking lot.



State inspectors gathered at Omnium Canna's headquarters on Monday as part of an investigation. Credit...Johnny Milano for The New York Times

It is a federal crime to transport marijuana across state lines, so legal weed has to be grown and sold in the same state through licensed businesses. But it is widely known in the cannabis industry that some companies cut costs by sourcing weed from states where it is cheaper or by buying from unlicensed growers.

The strategy, known as “inversion,” undercuts promises that legalization offers consumers a safe supply of cannabis products that can be traced back to local farms. Instead, New York consumers may have been sold products that have not been as rigorously tested for safety, while licensed growers have been left with a glut of weed that they can't sell in the state's billion-dollar market.

It is unclear how widespread inversion is in New York. But law enforcement authorities frequently intercept shipments of weed destined for the state.

The investigation signals a shift in priorities for the Office of Cannabis Management, which has long been accused by license holders, particularly growers, of ignoring misconduct as regulators focused on setting up the recreational market. The state inquiry, unfolding two weeks before the unofficial cannabis holiday known as 4/20, is likely to reverberate across an industry in which inversion is believed to have gone largely unchecked.

The Office of Cannabis Management did not respond on Monday to requests for comment. Inspectors leaving Omnium in an S.U.V. with government license plates referred questions to the agency's press office.

Stiiizy, a Los Angeles-based company whose name comes from a portmanteau of "style" and "ease," officially launched in New York in February. Best known for its pre-rolls and vapes, Stiiizy is the best-selling cannabis brand in the United States, according to Headset and BDSA, data firms that track sales in the industry.

The other brands under investigation include Waahoo, Grön, Mfused, To the Moon and Turn, according to the people familiar with the matter. Violations of New York regulations could result in the companies' being banned from New York or facing more scrutiny in other states. Waahoo is Omnium's house brand.

Stiiizy, Omnium and Grön issued separate statements to The New York Times calling the accusations baseless and asserting that the inspection was no more than a routine audit.

James Kim, the chief executive of Stiiizy, said the company began working with Omnium in October.

"At no point have we sourced cannabis from out of state or engaged in practices that violate New York's cannabis regulations," he said.

Drew Tybus, a spokesman for Grön, denied that the company, which is known for its edibles, was facing any investigation.

"We are not under investigation in any state in which we operate or where our products are manufactured and sold, and refute any claims or references to the contrary," he said.

The other companies did not respond to requests for comment.

Since October, the brands have prepared a total of 1.2 million items, including vapes, pre-rolls and edibles, for sale in New York, where they have a combined retail value of \$47 million, according to publicly available batch records and retail prices. Sales of the items accounted for more than \$5 out of every \$100 that consumers spent in March at licensed retailers throughout the state, according to data from Headset.

To make their products in New York, out-of-state brands must obtain their own licenses or work with local farmers and manufacturers. The brands supply product formulas and packaging, while local businesses provide the labor and raw materials like flower and concentrates.

Regulators are investigating whether, in this case, the brands' products were made with weed transported from other states to the warehouses owned by Omnium, according to the two people familiar with the matter. The company, which is based in Hauppauge, N.Y., faces

the loss of its license if violations are found.

At the office park on Monday, people at nearby businesses said either that they had not known the cannabis facilities were there or that they didn't mind. The smell of marijuana was noticeable at Interactive Entertainment Group, next door to Omnium. Alvin Chamorro, the company's director of operations, said he had not seen anything to make him suspect that his neighbors were doing anything unlawful.

"They're good neighbors," he said. "I don't hear anything from them and they don't hear anything from me."

Industry insiders say that inversion has become pervasive as companies are pinched between state and federal laws that make selling weed difficult and expensive. So far, 24 states have legalized marijuana for use by adults. Some have adopted tracking programs to account for all of their legal weed, but have had limited success, and New York has been slow to roll out such a system.

Jennifer Gilbert Jenkins, an agricultural scientist and a former member of the New York cannabis agency's oversight board, said that a big part of the problem is that the Office of Cannabis Management has not been transparent.

"Everybody knows it's going on, but nobody's being held accountable for it," she said. She added: "If the office wants there to be confidence in the state market, then they need to come out and show that they're on top of it. And that's not the case."

The investigation is based partly on a 2,185-page whistle-blower report that describes unusually large batches of edibles and vapes made with liquid concentrates that require equipment and ingredients that are scarce on the legal market in New York.

Before cannabis products can be sent to dispensaries, they must be tested by state-licensed labs for toxic levels of heavy metals, mold, pesticides and solvents. The results are recorded and are posted on brand websites and on product packaging. The report, obtained by The New York Times, lays out inconsistencies between lab reports and product labels that, under state rules, could be grounds for a quarantine or recall.

Stiiizy has long faced accusations of maintaining a foothold in the illegal market. Its products have been available for years at unlicensed shops and among delivery services that existed before legalization.

Mr. Kim, the company's chief executive, said Stiiizy's success had made the brand a target for counterfeiters, which he hoped to displace with authentic and safe products. But experts say companies make little effort to keep their products off the illicit market because it boosts their revenues and builds brand recognition.

Growers losing out on sales have long complained about inversion to regulators.

The Cannabis Farmers Alliance, a nonprofit representing about 175 New York cannabis growers, filed a lawsuit last year seeking to force the state to disclose what it knew about the scope of the problem. The lawsuit was dismissed; the group is appealing.

The group estimates that between 50 and 70 percent of the weed sold at licensed dispensaries in New York has illicit origins, according to Joseph Calderone, its president and co-founder. Part of the problem, he said, is that the state has failed to institute an electronic tracking system that would make the illegal products easier to spot.

“If ‘track and trace’ were in place, and if inversion was not in place, I think all of us would be thriving and there would be demand for our product,” he said.

Christine Sampson and Natalie Chandler contributed reporting. Alain Delaquérière contributed research.

0 words

By clicking the submit button, you agree that you have read, understand and accept the [Reader Submission Terms](#) in relation to all of the content and other information you send to us (“Your Content”). If you do not accept these terms, do not submit any content. Of note:

- Your Content must not be false, defamatory, misleading or hateful, or infringe any copyright or any other third-party rights or otherwise be unlawful.
- We may use the contact details that you provide to verify your identity and answers to the questionnaire, as well as to contact you for further information on this story and future stories.