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Cannabis companies go ‘vertical’ to both grow and sell products



Rick Ringold mingles with friends and customers at the grand opening of Galaxy cannabis dispensary, which he owns with wife Michelle Ringold, in Richton Park, Feb. 15, 2024. (Chris Sweda/Chicago Tribune)



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Michelle and Rick Ringold have built a successful partnership — both in marriage and in cannabis.

Rick is a U.S. Army veteran and construction contractor. His wife, Michelle, runs an accounting firm. It took all their business know-how and a roughly \$9 million investment to win a state license and launch [Galaxy Labs LLC](#), a craft cannabis-growing business.

But they wanted to both grow and sell their products. So they bought a cannabis retail license from a competitor and opened the dispensary last week in a [strip mall in Richton Park](#), drawing crowds to celebrate with a live DJ, food, and a “sesh bus” in which people could smoke.



“We are filled with joy,” Michelle Ringold said. “Our experience really did help us get to the next level and become successful.”

Selling their own product not only controls costs, but helps making connections with other companies. When vendors call to get their products into the Galaxy store, the Ringolds ask to also be stocked in their competitors’ stores.

It took six months from the time they opened their grow lab until their first harvest hit the shelves, but their flower and joints are now in about half of all stores statewide.

Galaxy is believed to be the first vertically integrated Black-owned cannabis company in Illinois. It boasts a state-of-the-art, multitiered electronic growing system that monitors and can control factors like humidity, lighting and carbon dioxide. The Ringolds raised capital from themselves, family, friends and a private lender.

Like all craft growers, they initially were limited by law to 5,000 square feet of growing space, while the 21 originally licensed marijuana corporations can grow up to 210,000 square feet. After complaints that the small size limit was keeping craft growers from getting financing, the Illinois Department of Agriculture recently raised the craft limit to 14,000, but it will take time to get the agency’s approval and build the extra capacity.



David Stupp looks over dried hanging marijuana plants during the first harvest at the Galaxy Labs craft cannabis facility in Richton Park on Nov. 17, 2023. Galaxy Labs is a \$10 million facility located in a strip mall. (Antonio Perez/ Chicago Tribune)

“It’s really a big hindrance,” Rick Ringold said, adding that the size cap on craft growers benefits the big companies by limiting competition. “Every business wants to reach its maximum potential,” he said.

Nevertheless, the Ringolds are following a formula that turned several Chicago-based startups into multistate operators. By growing their own flower, they can develop their own brands. By selling from their own store, they can cut out the middle man, minimizing costs and maximizing profit.

It’s similar to the approach being followed by nuEra, which started in Illinois in 2015 as nuMed, with three medical dispensaries.

NuEra recently bought the rights to the cultivation facility of IESO, which started at the same time by growing medical marijuana with the help of former Illinois Department of Agriculture Director Tom Jennings, but never grew by acquiring retail stores as its competitors did.

The 85,000-square-foot facility is located in downstate Murphysboro, near Carbondale. About half the space grows pot, primarily in greenhouses, with a hydrocarbon extraction lab, a commercial kitchen to make edibles, and a transporter license to take their product statewide.

NuEra CEO Robert Fitzsimmons, a private equity attorney, had pushed for legalizing cannabis in Illinois as far back as 2014, after seeing how it helped a friend deal with cancer.

Based in Chicago, NuEra previously bought what was originally PharmaCann’s cultivation center in Rochelle, which MedMen had controlled after a failed merger. But the nuEra deal came in 2020 just as COVID-19 hit and the value dropped, and nuEra eventually had to trade out of the deal.

One of the key advantages to vertical integration, Fitzsimmons said, is that because marijuana remains illegal on the federal level, retailers are prohibited from federal tax deductions for normal business expenses — but growers generally are not, allowing them to deduct expenses like rent. That’s partly why many cultivators lease their land or facilities.

“If you don’t have tax efficiency, you’ll never be able to scale to constantly produce results for your investors,” Fitzsimmons said. “So we had to be vertically integrated. This was priority for us.”

The company operates six stores in Illinois, with one in Chicago, and three more are on the way, including a DeKalb location set to open on the informal weed holiday of April 20, or 4/20.

NuEra had a management agreement for the IESO facility since 2022, and began improvements aimed at relaunching its brands. Those include

States take different approaches to regulating vertical integration. When Colorado pioneered legal cannabis, it required retailers to grow at least 70% of the product they sold, on the theory that it would promote selling licensed marijuana rather than illicit weed.

Several states, including Oregon, Pennsylvania and Washington, on the other hand, have banned vertical integration. The prohibition is meant to prevent a few growers from dominating the market, and to instead promote specialization, variety of products, and competition.

But Illinois appears to be far beyond that point. Several companies — Cresco Labs, Curaleaf, Green Thumb Industries, PharmaCann and Verano — have used vertical integration to dominate the market, combining cultivation centers and up to 10 dispensaries each, and spreading their business model into states across the country.

Now nuEra and Galaxy Labs are poised to follow that model on a smaller scale. Even though the cannabis industry is endlessly changing, Fitzsimmons relishes the fight.

“This is a meaningful industry,” Fitzsimmons said. “It’s challenging, fun and interesting.”

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