



## Canopy Growth Corp.: What Happens if Canada Gets Cold Feet?

### Description

Canada's federal government is considering a plan to legalize the sale of recreational marijuana.

At the moment, only medical use of the drug is permitted, and **Canopy Growth Corp.** (TSX:CGC) is the market leader in the space.

The medical marijuana segment has limited growth opportunities, especially where the product is subsidized by the government or healthcare systems. We saw this recently with a decision by Veteran Affairs to reduce medical marijuana reimbursements.

As such, the pot of gold for investors is the estimated \$10 billion Canadian recreational market.

The federal government set up a task force this summer to investigate how Canada might go about legalizing recreational marijuana sales with an initial report due at the end of November.

According to plans outlined earlier this year, the government is hoping to have legislation ready for the spring of 2017.

If the stars align the way Canopy investors hope, Canadians will be able to purchase marijuana in a legal market sometime in early 2018.

Things might very well roll along as planned, and that would certainly work out for Canopy and its investors.

However, buying the stock at today's nosebleed levels appears very risky given the fact that any speed bump in the legalization process is sure to knock the snot out of Canopy's stock price.

### What could go wrong?

The Liberals have to be careful with this issue.

Ottawa, of all places, is currently a battleground between angry residents and illegal pot dispensaries.

Public opposition to the pop-up shops in local communities recently forced the police, who really don't want to deal with the situation, to raid and shut down several stores.

These aren't little cannabis stands on the side of the road; they are actual retail outlets set up in commercial buildings. The legality of the businesses is not the issue that is upsetting residents; they simply don't want marijuana shops in their communities.

If local groups across the country feel the same way, this issue could quickly become a hot potato for Liberal MPs, and it's unlikely the government is willing to risk its hold on power to appease pot smokers.

## **Opioid crisis**

The government currently has another drug issue to contend with, and this one might kill the whole cannabis legalization process.

What's going on?

Federal health minister Jane Philpott is under attack from several provinces for not responding adequately to the current fentanyl crisis that is killing Canadians across the country.

While there is a huge difference between the opioid epidemic and cannabis use, the lines could easily get blurred in the eyes of the general public.

It wouldn't be a stretch to see voters start asking themselves why the government is pushing the legalization of one drug at a time when the country is at its wits end trying to stop the spread of another.

## **Should you buy Canopy?**

Canopy now has a market capitalization north of \$1 billion, which is a lofty valuation for a company with just \$8.5 million in quarterly revenue and no profits.

Given the potential for pushback on the legalization process, I would look elsewhere for investment opportunities.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:WEED (Canopy Growth)

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1. Investing

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aswalker

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