



Safety in Numbers Drives Canopy Growth Corp. Higher

Description

Investors in **Canopy Growth Corp.** (TSX:CGC) and other publicly traded marijuana businesses in both Canada and the U.S. are only too aware of the growth potential of legal cannabis.

It's huge.

U.S. estimates by investment bank Cowen and Company suggest cannabis sales will increase at a compound annual growth rate of 23% over the next decade to US\$50 billion. In Canada, it's estimated that 5.2 million Canadians will consume legalized pot annually by 2021.

As Canada moves towards legalizing the recreational use of marijuana, expected sometime in 2019, the U.S. federal government continues to drag its heels on the subject, despite the fact there are now 28 states with legalized medical marijuana and eight where weed is legal recreationally for those 21 or older.

Jeff Sessions, Donald Trump's nominee for attorney general, is absolutely opposed to marijuana, suggesting in an April 2016 senate hearing that traffic fatalities in some states where marijuana was legal were up by 20%. Data from Colorado's experience, according to FactCheck.org, suggests marijuana-related traffic deaths, hospital visits, and school suspensions have definitely increased since marijuana was legalized for recreational use back in 2012.

However, a new [report](#) released in November by a group of professors at Columbia University, which studied U.S. traffic fatalities between 1985 and 2014 and their relationship to medical marijuana laws, found that on average, states with medical marijuana laws had lower traffic fatality rates than those without.

Furthermore, an earlier study (2013) by professors at three universities, including the University of Colorado at Denver, found that there was an 8-11% reduction in traffic fatalities in the year following the legalization of medical marijuana.

Interestingly, while Jeff Sessions is on record suggesting marijuana use leads to an increase in heroin and cocaine use, the current attorney general Loretta Lynch admitted last September that marijuana is

not a gateway drug, suggesting opioids such as Fentanyl and other painkillers are the real concern for government officials.

So, what does all of this mean for Canopy Growth shareholders? Well, there are many investment funds around the world today that are restricted from investing in tobacco-related businesses.

If the investment managers of these same funds do not face the same restrictions on marijuana-related businesses because statistics show that marijuana use — whether for recreational or medical purposes — is safer than both tobacco and alcohol use, the future demand from institutional investors could be tremendous.

In March, the first annual Institutional Capital & Cannabis Conference will take place in San Jose, California. Here, institutional investors from around the world will gather to learn how to evaluate these businesses relative to other, more traditional stocks and privately run companies.

“We are at a tipping point in this industry,” said MedMen [conference organizer] co-founder and CEO Adam Bierman in the October 24 press release. “Imagine if you had an opportunity to stake your share of the adult beverage industry just before the end of Prohibition. This is our generation’s Prohibition, and we believe wholeheartedly that it is coming to an end.”

Indeed it is — and Canopy Growth is leading the charge.

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