



## Canopy Growth Corp. Could Crash Over Use of Banned Pesticides

### Description

**Canopy Growth Corp.** ([TSX:WEED](#)) has been the go-to stock for many speculative investors over its astronomical growth potential. Many pundits believe that marijuana stocks are in a bubble and are uninvestable at current levels. Some even compared today's marijuana stocks to the tech stocks of 1999. There's no question that Canopy had a huge run and there's a ton of potential, but could a scandal over the use of banned pesticides send the company crashing as hard as **Valeant Pharmaceuticals Intl Inc.**?

Over a \$1 million worth of cannabis has been destroyed over fears that the cannabis has been tainted by the use of banned pesticides. Recently acquired Mettrum Ltd. stated that it wrote off \$800,000 of costs owing to a series of recalls over the use of a banned pesticides. The staff at Mettrum feared detection from authorities, so they hid the pesticides in the office's ceiling tiles.

There's no question that the use of banned pesticides has been a growing concern over the past few months, but trying to cover up the fact that you're using a carcinogenic substance on marijuana is taking it to a whole new level of corruption. Mettrum has also played down the problem by telling clients the pesticides were approved for use on fruit and were completely safe to use.

These are indeed shady business practices. Mettrum is now owned by Canopy, but are they really responsible for such practices?

Health Canada administers random tests, so there's no real way of seeing how much dry cannabis is actually tainted. Going forward, it may be required that all marijuana producers must properly test their product to hold their licenses. Health Canada has a zero-tolerance policy for banned pesticides, and we could see more regulations introduced in the near future.

Canopy could be headed for a correction over the short to medium term, as there is a real possibility that more negative headlines will drag the stock into the abyss. There's also the possibility of having even more cannabis destroyed, which will be a huge blow to earnings.

It's too early to tell what the fate of Canopy and other marijuana stocks will be after these concerning events. But one thing is for certain: the stakes have been raised, and the risks associated with an

investment are even larger than before. Although Canopy has great long-term prospects, I would take profits off the table, as excessive optimism could be replaced by pessimism in a hurry.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

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1. Investing

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