



## Canopy Growth Corp.: Here Comes the Crash?

### Description

In my [previous piece](#) on **Canopy Growth Corp.** ([TSX:WEED](#)), I mentioned that the stock could crash over Mettrum's use of banned pesticides. The stock is down 13.6% since my sell recommendation last month, and it looks like it could be headed off a cliff as we learn more about the scandal.

The management team at Canopy should have done their due diligence before acquiring Mettrum. Mettrum had been using banned pesticides and tried to cover it up. But it's been exposed now, and there could be some real pain ahead for Mettrum's parent, Canopy.

Over \$1 million worth of cannabis was destroyed because of the use of tainted pesticides. That's a lot of lost profit, but that's the least of Canopy's problems at this point. Canopy's reputation has been hurt badly, which is a big shame considering cannabis isn't even legal across Canada yet. Sure, the demand for the drug is high now, but just wait until it becomes legalized nationwide. I feel that Canopy may be giving up market share to competitors very early in the game.

To make matters worse, Canopy is also facing a class-action lawsuit over the tainted cannabis scandal. Mettrum was found to be selling marijuana containing myclobutanil, which is a pesticide that can lead to major health problems. It is expected that Canopy will be providing refunds on the tainted cannabis it sold as well as paying additional damages to any consumers who may have been harmed by the use of the tainted marijuana.

Canopy CEO Bruce Linton stated that there were "numerous process and personnel changes" and there will be "infrastructure modifications." He then said, "a recall like this will never happen again." Mettrum CEO Michael Haines is indeed gone, and more changes will be on the way, but I still don't think Canopy can be trusted after a scandal like this.

The staff at Mettrum knew what they were doing was wrong, and that's why they made the effort to hide the banned pesticides in the ceiling tiles of the offices. When Canopy made the acquisition, it's likely that the management team knew about the use of banned pesticides at Mettrum, but they didn't seem to care or they wanted to cover it up. I don't know about you, but I wouldn't trust a management team like this because where there's smoke, there's usually fire.

There's still plenty of upside in the marijuana space over the long term, but I would recommend **Aphria Inc.** (TSXV:APH) over Canopy going forward.

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1. Investing

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1. TSX:WEED (Canopy Growth)

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1. Investing

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