



What Happens to Canadian Marijuana Stocks if Legalization Is Pushed to 2019?

Description

The Federal Government's original marijuana legalization deadline of July 1, 2018, may be pushed by as much as a year thanks to Manitoba's premier, Brian Pallister, who believes that there are important safety issues that need to be dealt with before legalization can happen and that the current deadline is unrealistic. Mr. Pallister also stated that the July 1, 2018, deadline may be causing premiers to "...rush into this, [and that] we're putting tremendous risks at play, we're also putting tremendous costs into the provinces' hands."

When exactly is the legalization deadline going to be?

Justin Trudeau still wants to stick to his original deadline, but I believe he'll respond to the concerns of premiers with the hopes that their questions regarding road safety, taxation, and distribution will be properly addressed in time for the deadline. Precise details on the exact legalization details and date are an even bigger question mark than they were a few months ago. This cloud of uncertainty is likely to fuel even more volatility in marijuana stocks over the next few months.

Nationwide legalization has already suffered many delays in the past, and it appears that premiers had more than enough time to deal with their concerns, especially considering that summer 2017 was supposed to be when the legalization legislation was supposed to be introduced. I believe investors have already taken into consideration that legalization deadlines are extremely tentative, and I don't believe shares of Canadian pot stocks will make any drastic moves if any deadline pushbacks end up happening.

Another legalization delay may not be that bad for producers

On the bright side, if the deadline is pushed back to 2019, many Canadian marijuana producers will have the opportunity to ramp up to be ready for the surge in demand that will arise once legalization happens.

For marijuana producers like **Canopy Growth Corp.** ([TSX:WEED](#)) and **Aphria Inc.** (TSX:APH), it'll be business as usual regardless of what happens with the deadline. I believe the extra time to prepare may be a huge positive for these companies, especially considering the fact that some pundits think

producers will be heavily overwhelmed by demand once the 2018 legalization deadline arrives.

According to Arcview Market Research, recreational marijuana spending is expected to outpace medical marijuana sales for the first time in 2019 based on the original legalization timeline. That's a huge amount of demand, and in Colorado, there are reportedly more marijuana dispensaries than **McDonald's** locations.

Could a potential delay be beneficial to some marijuana producers?

It appears that premiers may not be the only ones who think that the July 1, 2018, deadline is too soon. If legalization is delayed to 2019, then **Aurora Cannabis Inc.** ([TSX:ACB](#)) may be a major winner since the company has extra time to construct and perfect its massive 800,000-square-foot Aurora Sky production facility, which the management team hopes to complete by mid-2018. The extra time will allow Aurora to produce more dried marijuana and may allow Aurora to sell even more product compared to its peers once the pushed back legalization day arrives.

Bottom line

A potential delay in legalization is bad news for short-term traders, but for long-term investors, the news isn't detrimental. It may actually be a plus for some producers.

Marijuana stocks are still risky, but if you've got a stomach for volatility, then you might want to consider picking up shares of Aurora Cannabis, which I believe is the best long-term bet no matter what kind of negative headlines are released over the short term.

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