

No Brainer: Buy and Hold Marijuana Stocks

Description

We're less than a year away from the Canadian government legalizing marijuana; the provinces have held internal debates about how legalization should work. Limits for legal possession, distribution, pricing, and accessibility will all be left to the provinces. Some provinces, like Ontario, have created online surveys for citizens to chime in. In Manitoba, the city of Winnipeg held a town hall for citizens to express themselves and question what legal marijuana will ultimately look like.

There was some concern that provincial pushback could delay marijuana legalization, but the Federal government appears confident that the July 2018 deadline will be met. Although marijuana stocks have proven volatile in 2017, the promise of enormous growth in the industry makes them an extremely attractive long-term play.

Huge sales in Colorado and Washington

In 2017, marijuana retailers in Colorado reported a sales increase of 25.7% from 2016. Retailers reported over \$750 million in sales at the June halfway point, also accumulating over \$100 million in tax revenue for the state. This makes it 13 straight months of sales of more than \$100 million in the state.

Dispensaries in Washington State have sold more than \$1 billion in recreational marijuana since legalization in 2014. In June, the state saw \$86.7 million in sales generating \$20 million in tax revenue. This was double the amount seen in the same period in 2015.

Washington and Colorado boast a combined population of a little under 13 million. The sales seen in both states and the rate of increase demonstrates the potential that recreational marijuana has as a multi-billion-dollar industry.

Consumer advocates are making their move in Canada

Adam Greenblatt of **Canopy Growth Corp.** ([TSX:WEED](#)) said in a recent interview that brand image is going to be important for the industry and will be a large part of the ongoing debate. Marijuana usage is popular among youth, and this is one of the chief concerns of government heading into legalization. Companies will take great care in marketing the product to avoid controversy.

Consumer advocates for marijuana have also stressed the need for adequate pricing from the government to avoid black market competition. The temptation of greater tax revenue could balloon prices and drive customers back into the arms of illegitimate dealers who are unlicensed.

The future is bright

Whatever the kinks that need to be worked out in the short and medium term, it is clear from the results in Colorado and Washington that marijuana will burst onto the scene as an incredibly lucrative industry. **Aphria Inc.** (TSX:APH) released financial results recently that demonstrated impressively low

production costs compared to competitors. This is while Canopy has instead put an emphasis on large capacity to prepare for the incredible demand in the summer of 2018.

Although investors will have to contend with short-term volatility, both of these companies are well positioned to be big winners in a multi-billion-dollar industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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