

Breaking Down Ontario's Expected Laws for Cannabis: What it Means for Investors

Description

Marijuana legalization is expected to happen in July, and despite challenges, the federal government has refused to waver from that deadline. The federal government has left a lot of the logistics and laws for the distribution and sales of cannabis to the individual provinces to sort out. Ontario has recently made strides in clearing up some ambiguity with the announcement that it will open as many as 80 government stores by July 2019.

Let's take a look at some of the big items from the announcement and see how each will impact the industry.

Cannabis will still be illegal in public places

The province announced that the use of cannabis will be restricted to private residences and will remain illegal in automobiles, workplaces, and any other public spaces. These laws are similar to what is currently in effect for alcohol but more imposing than cigarette usage, which is allowable in many locations.

Pot shops will remain illegal and will be shut down

Ontario has many pot shops, and more will undoubtedly pop up, but the shops may not stay around. Not being able to set up a permanent establishment where a pot business can sell its products will make it more challenging for consumers to find a company's products and learn about the different items that are available.

This leads us back to the challenge with advertising and how a brand like **Canopy Growth Corp.** ([TSX:WEED](#)) will be able to differentiate itself from a competitor like **Aurora Cannabis Inc.** ([TSX:ACB](#)). Pot shops offered a way for growers to uniquely identify with consumers and build some sort of connection and loyalty. I'm skeptical about how many consumers would go to a government store to purchase cannabis versus how many would just continue to buy illegally from a grower that runs an illegal shop.

However, the province did say it would create an outlet for consumers to purchase cannabis online, so that may offer some opportunity for brand differentiation, but how an online portal to purchase cannabis will work is still a question.

Edible marijuana cannot be purchased

Consumers looking to buy pot-laced candy or cookies will be out of luck, as those items are still technically illegal and won't be available in government stores.

Rules apply only to Ontario

Since the federal government has allowed each province to set up its own rules for selling and distributing marijuana, the rules that apply to Ontario may be very different from the rules that will be applicable in other provinces. For instance, there is a belief that B.C. will allow pot shops to be legal, and that the province will not make efforts to shut those operations down.

What does this mean for investors?

The big challenge in Ontario will be for companies to be able to grow sales without having an establishment that consumers can go to purchase product. If consumers are not already familiar with a brand, it may be difficult for a company like Canopy to attract those novice customers or first-time buyers, and that will certainly hinder the company's ability to grow sales and increase its customer base.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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Author

djagielski

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