

## 3 Reasons to Remain Skeptical About Marijuana Stocks

### Description

On September 15, the provincial government of New Brunswick announced that it would create an entirely new Crown corporation to oversee cannabis sales. The province also announced a deal with Oranigram and **Canopy Growth Corp.** ([TSX:WEED](#)) to supply the fledgling market. The supply agreement stretches over two years and will include four million grams of cannabis in the first year, which will have an estimated retail value of \$40 million.

The announcement from the governments of New Brunswick and Ontario seem to indicate that Canadian provinces will be taking an active role across the board in the sale of cannabis. The news has boosted the share price of Canopy, as it climbed 2.82% on September 18. Shares of competitor **Aphria Inc.** (TSX:APH) jumped 5.63% on the same day.

With all of the positive news for producers, there are still some reasons to be cautious when it comes to Canadian cannabis stocks.

### Officials are still asking for delays

Police officials from several provinces have been pressuring the federal government to delay the July 2018 deadline set for legalization of recreational cannabis. Police have said that they still require more time to train officers about new laws and increase the amount on duty to test for impaired driving.

One of the focal points of the federal government push to legalize recreational cannabis has been to clamp down on the black market and defer to law enforcement when it comes to construction of policy. Provincial leaders also hinted at a delay over a month ago, but have since appeared to accept the original deadline. It remains to be seen whether or not pressure from law enforcement may convince the federal government to move the July 2018 marker.

### U.S. representatives are urging caution

Public health officials in Colorado, which, in January 2014, saw the legalization of recreational cannabis, have urged for a delay on availability of edibles in the Canadian market beyond the July 2018 deadline. Edibles do not take effect as quickly as cannabis that is smoked, and thus carries with it the potential for overuse among those who are inexperienced in its use. Canopy announced in July that it had entered a licensing agreement with Isodiol International Inc. to manufacture and distribute its cannabis-infused edible products. Further study and delay on the edible market may be a concern for companies looking to cash in right away.

### Provinces will struggle to keep up with demand

After the Ontario government announced its plans for cannabis sales, some private retailers came criticized the plan. These retailers believe that the plan is inadequate in that it will fail to sink the black market and will not be able to keep up with the surge in demand following legalization.

The Ontario government plans to open 40 stores initially and more when production catches up to demand. This could result in a transition period that could sour investor sentiment as more challenges sprout up for such a new and untested plan.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:WEED (Canopy Growth)

## **PARTNER-FEEDS**

1. Msn
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## **Category**

1. Investing

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