



Without Edible Marijuana Legalized, Will Demand Fall Short of Expectations?

Description

A lot of the talk about cannabis circulates around all the demand that is expected once it becomes legal, but there may be hurdles that curtail that demand. Edible marijuana is a big segment of the potential cannabis industry, and it undoubtedly would make up for a lot of the demand. However, there is still a lot of uncertainty about edible marijuana; how the issues get resolved will be of significant importance to investors looking to buy shares of companies such as **Canopy Growth Corp.** ([TSX:WEED](#)) and **Aurora Cannabis Inc.** ([TSX:ACB](#)).

Edible marijuana is not included in the current bill

Currently, the bill set to legalize cannabis does not include edible products, which could mean that many of the products desired by prospective consumers will not be available. The government has pushed that issue to be determined at a later date but provided no specifics. Gummy bears, cookies, and various other marijuana-laced candies hyped up in Colorado, where those products are legal and readily available.

The demand for edibles could be as high as it is for smoking cannabis

A poll done by Ipsos Public Affairs found that more than a third of Canadians will try to smoke marijuana once it becomes legal to do so, and 29% would buy edible cannabis products. Without edible marijuana being legalized, there could be a lot of unmet demand for cannabis, even amid all of the growers that are popping up. Over half of Canadians aged 18-34 that were polled indicated an interest in trying edibles, and that could be a big concern for the federal government. After all, whether a cookie or brownie contains cannabis would likely not be easily noticeable, and there's the danger of that getting into the hands of underaged users.

Existing challenges already cause issues for demand

We've already seen two provinces outline rules for cannabis, with Ontario and New Brunswick setting expectations of what those provinces plan to do to regulate the sale and distribution of cannabis. The concern for investors should be that Ontario is taking a very restrictive approach to cannabis legislation, and that could have a detrimental impact on demand, especially if other provinces follow

suit. Not only will Ontario's insistence on government-run shops as the exclusive way to purchase cannabis hinder a company like Canopy to set up shop and distribute easily to consumers, but it could be a sign of what is to come for edible marijuana as well.

What this means for investors

Markets don't like uncertainty, and right now the cannabis industry has a lot of it, specifically regarding edibles. It may sound great on paper that the government is legalizing marijuana, but it will be moot if practice sales and distribution of the products are overly restrictive and demand has to be met by the black market. If this happens, then a lot of the expected growth in the industry may not be realized by publicly traded companies. Investors should consider these risks because simply saying that marijuana will be legalized is different than announcing all forms of it will be legal, and that it will be easy to sell and distribute to consumers.

CATEGORY

1. Investing

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2. TSX:WEED (Canopy Growth)

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