



Cannabis Investors: Could Public Pressure Delay Legalization?

Description

A recent poll conducted by the Angus Reid Institute found that nearly half of Canadians want to see the government push back the deadline for cannabis.

Marijuana legalization is expected to take place July of next year, but there are still many issues that need to be sorted out before then, and provinces need to finalize their plans for how pot will be sold and distributed.

Many polled are also against an excise tax

In the poll, 38% of respondents stated there should be no excise tax at all or that it is too high. This could be a troubling sentiment for investors, because if marijuana is priced too high as a result of taxes, [demand could go to the black market](#).

The problem for investors is that it is hard to quantify how much demand might be impacted and at what price point consumers will opt for the black market.

A company like **Aphria Inc.** (TSX:APH) that focuses on low-cost production might be the best option for consumers looking for affordable pot, but if the black market is able to offer a lower price, then it may not matter.

The other variable to consider is whether pot users will even want to [buy from corporations and government-owned stores](#).

Could pot legalization be delayed?

Quebec has already asked the federal government to delay legalization, and if the public supports that position, then that might open the door for the possibility for the date being pushed back to 2019. However, politically, the Liberal government seems intent on making the 2018 date a reality and has given no indication that it is interested in delaying it.

If we see more provinces raise the issue, or if some big issues are still outstanding prior to legalization

day, then we might see the federal government change its stance, but unless that happens, then the date is likely to stay intact.

Should investors be concerned?

There is an element of risk involved in pot legalization that investors should not ignore. With legalization fewer than seven months away, there is still a lot of work left that needs to happen. Although the government is very focused on ensuring that legalization takes place, investors shouldn't assume that the date is a given.

Should you invest in marijuana stocks?

Although there is a risk that legalization could be delayed, in the short term, pot stocks could still offer investors some strong returns. Shares of **Canopy Growth Corp.** ([TSX:WEED](#)) continue to be fuelled by hype and expectations of future growth.

The danger for investors is that the stocks are sensitive to any news, and that could mean volatility in price. In the short term, cannabis stocks could provide significant returns for investors. However, I would have concerns over the long term as to whether or not growth expectations will be realized.

In a new industry, we are dealing with many variables and uncertainties that make pot stocks not suitable for risk-averse investors. However, for people that are willing to take on some risk, cannabis stocks could generate significant returns.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

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