

## Should Cannabis Investors Worry About a Legalization Delay?

### Description

Canadian senators, specifically Conservative party members, appear to be signaling a potential delay in the legalization of recreational cannabis. In early August I'd [discussed](#) whether or not resistance from provincial leaders could delay the target date. The federal government had originally aimed for a July 2018 roll out, but comments from some critics in the Senate are pushing back.

"The House took eight months to study the bill," Conservative Senator Claude Carignan said recently in an interview on the legalization target. "It will probably take the same timeline to do our job properly." This timeframe would see legalization potentially pushed back to the end of 2018.

Conservative party members have said that the bills fail to adequately address taxes, drug testing, police training, and other key issues. On December 11 the Liberals reached a deal with provincial governments over taxes on legal cannabis sales. The provinces will come away with 75% of legal cannabis revenues while also absorbing the bulk of operating expenses. The federal government had originally proposed a 50-50 split in November.

It goes without saying that a delay has the potential to disrupt some business investment that had presupposed the July 2018 legalization date.

**Canopy Growth Corp.** ([TSX:WEED](#)) reached a deal with Newfoundland and Labrador in December to supply cannabis to the province when recreational legalization kicks in. Canopy Growth stock has climbed 117% in 2017 as of close on December 11. I'd [covered](#) Canopy Growth in early November as it was in the midst of its autumn growth spurt at the time.

The deal will see Canopy Growth supply more than 8,000 kilograms per year for two years with the option of a one-year extension. This is the eighth such license that Canopy Growth has acquired in Canada. The company also has supply agreements in Europe as it moves to expand internationally.

The company possesses the largest inventories of any producer in Canada. Leadership has been adamant that provinces will struggle to meet initial demand. Although a delay will no doubt be unwelcome for producers, it will also provide more time to meet the soaring demand that will trigger when legalization is pushed through.

**Aphria Inc.** (TSX:APH) stock rose 4.38% on December 11. Shares have climbed 23% week over week after Aphria announced it would sell medical cannabis through **Shoppers Drug Mart**, which is owned and operated by **Loblaw Companies Ltd.** Aphria will supply products that will be sold online. However, the agreement is subject to government approval for Shoppers to become a licensed supplier.

### Should investors be worried?

Senators will begin debates on Bills C-45 and C-46 towards the end of January. Bill C-45 details the

terms of cannabis sales and legalization, while Bill C-46 covers new laws over impaired driving. Liberal senators will be relying on independents to acquire the necessary votes to meet the deadline if Conservatives choose to slow down the process.

Federal and provincial governments have moved feverishly to reach the July 2018 deadline. Investors should still be confident that the target date will be met as pressure mounts to kick off the New Year. It is unlikely that one party will expend political capital to quash popular legislation with a 2019 federal election looming.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:WEED (Canopy Growth)

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1. Investing

## **Date**

2025/08/21

## **Date Created**

2017/12/13

## **Author**

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