

Statistics Canada Says Marijuana Prices Dropping Ahead of Legalization

Description

A recent Statistics Canada report highlighting where marijuana prices in Canada are heading shows a downward trend in marijuana prices in this pre-legalization environment, adding to the complexity of how various Canadian provinces decide to [price and retail](#) the green commodity. The annual change in marijuana prices was -7.7% (\$7.43 per gram in 2017 compared to \$8.43 per gram in 2015, when the Trudeau government began exploring this legalization process).

As the survey data appears to have some issues given the biases of the responders and the illegality of this commodity, having some sort of baseline to operate from is certainly a good thing for regulators.

As early as September of 2017, according to a number of sources, the Province of Ontario was considering pricing legalized pot at \$10 per gram. The province also announced that it was expecting to receive upwards of \$100 million in tax revenue from marijuana based on a number of [assumptions](#), which appear to be changing.

While some consideration will be given to the type of marijuana product sold, THC levels, and quality/branding, many analysts believe a \$10 price point for legal pot may prove to be a death sentence and that the black market will continue to thrive amid this environment. Legal marijuana producers such as **Aurora Cannabis Inc.** ([TSX:ACB](#)) currently expecting to see large increases in the amount of recreational marijuana usage may indeed be disappointed by the price point by various provinces. At double-digit levels per gram, individual black market growers and those with medical licenses will have a significant enough incentive to keep growing and selling to friends.

As such, I find significant issues with the projections made by the Canadian government about the growth rate of marijuana consumption domestically. As I've stated before, most of the consumption by daily users will continue to take place by those with the ability to purchase medical marijuana currently.

Bottom line

For truly recreational users (those who want to get high occasionally), a supply and demand relationship is perhaps more important than it is for daily users currently consuming marijuana. Given the laws of supply and demand, at some point, recreational users are likely to opt for other stimulants for a good time, leaving the government and its best laid plans hanging out to dry.

Stay Foolish, my friends.

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