



Will Ontario Adopt Private Cannabis Retail?

Description

The [Ontario election](#) ushered in a brand new majority government, one that has promised to pursue pro-business reforms in order to jump start the economy. A change to the corporate tax structure and streamlining processes for builders appears likely. Today, we are going to focus on another policy that could be subject to change: cannabis sales in Ontario.

The Liberal government opted to grant the public-sector control of cannabis sales after the federal government moved to legalize recreational use. The Liquor Control Board of Ontario (LCBO) paid the advertising agency Leo Burnett \$650,000 to brand and market the Ontario Cannabis Store. The result was an unassuming logo with the acronym “OSC” in a circle.

The new premier Doug Ford appeared to entertain the idea of private sales over the course of the campaign, but his language was vague and noncommittal. In April, I’d discussed why the PCs may avoid the issue altogether, as cannabis is still a controversial issue within the party. Currently, there is a [split](#) between more libertarian elements that have pushed for a free-market approach and the social conservatives who are largely opposed to legalization altogether.

Canopy Growth Corp. ([TSX:WEED](#))(NYSE:CGC) and some smaller producers have advocated for parts of the market to remain private once sales and distribution ramp up in late 2018 and the beginning of 2019. **Aurora Cannabis Inc.** ([TSX:ACB](#)) has also been critical of the approach taken in Ontario and Quebec.

“The restrictive approach in Ontario and Quebec isn’t going to be successful in achieving the central objective of legalization, in terms of migrating people’s purchases from the black market over to the legal market,” CCO Cam Battley said recently. “The monopoly approach is wrong-headed. The ecosystem has got to be more varied in order to have a thriving system with the greatest possible public acceptance and sustainability.”

Advocates for private retail have pointed to the fledgling system in Alberta as an early success story.

Aurora Cannabis acquired a 19.99% stake in **Liquor Stores N.A. Ltd.** (TSX:LIQ) back in February. The move will allow Aurora to sell its product in specialty stores across Alberta and British Columbia.

Mack Andrews, the vice president of the Alberta Cannabis Collective, has projected that Alberta will become a leader in Canada's retail cannabis market. Andrew praised Alberta's private model, which he predicts will be able to draw in skilled workers who may have been driven away from a struggling oil and gas industry.

How will cannabis sales shake out with new leadership in Ontario?

In truth, it is very difficult to predict how the PC government will handle this issue. Will Stewart of **Hiku Brands Ltd.**, a Canadian lifestyle brand focused in the medical cannabis industry, predicted that the new government may look to mirror the model in British Columbia. That province opted to allow both government-run and private-run retail outfits.

Investors may not want to hold their breath in anticipation of private sales in Ontario. As mentioned above, the Ontario PCs do not have a whole lot invested politically in the issue, so the party may simply opt for the status quo.

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