

A Dangerous Trend That Could Have an Adverse Impact on the Cannabis Industry

Description

Marijuana use will likely soar now that pot is expected to be sold as early as October, which will undoubtedly bring in many new users that have previously never smoked cannabis before. However, there could be some big consequences as a result of this, particular for people who travel south of the border.

Increasingly we're seeing stories about people being banned from entering the U.S. for merely admitting to smoking pot, which is likely only going to increase as we see usage become more widespread. Even if someone lies about smoking pot, if a border guard reviews your cell phone to find pictures or other proof of you using marijuana, that's likely going to be more than enough to prove otherwise.

In an extreme case, *The Globe and Mail* reported a story in which a landlord in Edmonton with property in Colorado was barred simply because one of his tenants was in the cannabis industry; he was therefore technically he was benefiting from the illicit industry. This sets a dangerous precedent for anyone being paid by a marijuana company or in any way profiting from one.

Consumers, investors, and business partners could be deterred

Until the Schedule I drug is legalized federally across the U.S., it's not going to get any easier for Canadians. The big problem for the cannabis industry is that these problems could persuade not only consumers, but also investors and potential partners to stay far away from the emerging industry.

The consequences of dealing with cannabis companies could motivate individuals and other companies to simply avoid the industry altogether, rather than risk being associated with cannabis in any way and face potential repercussions when trying to cross the border.

Takeaways for investors

The U.S. market is a lucrative one for pot, but until it's legal across the country, cannabis companies will want to stay far away. **Aphria Inc.** (TSX:APH) [sold assets](#) in the U.S. not long after the TSX warned of a crackdown on companies with interests in U.S. pot. While the U.S. remains off limits, one way that companies like Aphria have been able to expand is through other international markets, with the latest being South America.

The U.S. is impacting both companies and consumers, and the big question is whether the tough stance that it has taken on those that have anything to do with pot will hurt the industry's growth prospects. Frankly, I'd be surprised if it didn't. With it being less of a hassle simply not to do business or invest in the industry, it's easier if people just avoided cannabis entirely.

While it's not apparent if doing business with Canadian cannabis companies will pose problems, as so

far the cases have seemed to have involved U.S. companies, the problem is that it's a subjective issue and up to the individual border guard. The perceived risk alone could thus be enough to turn people away from the industry.

There are certainly those who recognize the industry's potential, but given how [expensive](#) pot stocks have become, the amount of upside left might be limited. For all the risks involved with pot stocks and the problems that could come from simply investing in the industry, it's not something I'd recommend anyone doing.

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