



## Why This Could Be a Good Week for Pot Stocks

### Description

When we first heard about Ontario's [plans](#) for how pot will be sold and distributed in the province, there were big concerns that it would be too restrictive and that it would hamper growth. With government-run stores being the only option for consumers, there would be serious limitations to the potential growth for the industry in the country's largest province, which could jeopardize the optimistic growth that many cannabis companies are banking on.

However, with a new Ontario premier in place, that approach looks to be changing. According to *BNN Bloomberg*, the province is expected to make an announcement on July 31 stating that pot will be able to be sold in private stores once legalization takes place in mid-October.

### Why does this matter?

The current model that the province has in place would simply not be conducive for growth, which would result in a lot of consumers going to other provinces, or potentially buying from the black market, where there would be fewer restrictions in place and pot would be easier to access.

If the province made it difficult to purchase pot, it simply would not have likely been successful in achieving the goals set out by legalization, including keeping sales away from the black market and helping to generate a strong source of tax revenue for the province.

By opening up cannabis to private stores, that will also help ensure that there is enough supply in place to meet the surge in demand that is expected once legalization takes place.

The announcement would be welcome news for industry giant **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC), whose headquarters are in Smith Falls, Ontario. Canopy Growth and other companies have been expanding to various parts of the country and around the world, as the opportunities will be limited in Canada, although if this change goes through it will certainly improve prospects for the domestic market.

### Geography could work to be an advantage for the province

One thing Colorado has [experienced](#) as a result of marijuana legalization is that it has generated a lot of traffic into its state with consumers looking to buy pot legally, and the same could happen in Ontario. With some big U.S. cities within a day's drive of Ontario, it could bring a lot of customers from south of the border, from states where recreational pot remains illegal.

### Bottom line

Potential is a lot of the reason behind some of the absurd valuations we've seen in the cannabis industry so far, and with Ontario taking a very restrictive approach to selling pot, I was always skeptical that the growth would truly materialize. However, this development suggests the province could end up facilitating growth instead, and that gives the industry better odds of success.

Investors shouldn't underestimate the significance of this announcement if it happens, because in order for the industry to be successful, barriers need to be minimized. Otherwise, there could have been the very real risk that growth could have fallen short of expectations, which would've been disastrous for pot stocks.

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1. Investing

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