



Cannabis Investors: Why Edibles Could Struggle

Description

Cannabis investors are excited for beverage companies to make their way into the industry, as that could uncover more growth potential for pot stocks that have already soared over the past few years. However, that excitement needs to be tempered a little, as there are some concerns and risks that make the edibles market riskier and more likely to result in more red tape.

For cannabis that is smoked or in the form of a pill, it's clear that you're consuming something that you need to be careful with. But when it comes to candy, gummy bears, chocolate, and drinks, it becomes a whole lot more difficult to spot the risk, and that's a problem.

Recently, in Vancouver Island, a child consumed cannabis-infused gummy bears and had to be airlifted to hospital. While the child is expected to recover, it's a dangerous reminder of just how badly things can go if cannabis gets into the wrong hands, and with candy, that risk is certainly heightened.

While there will be packaging and labeling on any cannabis products, it may not be enough to curb the risk. Last year, a report showed that France, which has a high rate of cannabis use despite the drug being illegal, saw a troubling trend with the number of children in emergency rooms as a result of ingesting marijuana more than doubling over an 11-year period.

In the U.S., there have also been more cases relating to children accidentally consuming cannabis. And while critics may say this is a parenting issue, you're ultimately talking about products that look like food that kids normally eat in large quantities, and it would be nearly impossible to discern a regular gummy bear from one that is infused with cannabis once it is out of packaging.

Why you shouldn't ignore the risk

Regulators obviously know this risk and are thinking about how to best address it. But that doesn't mean it's a non-issue or that it can be disregarded. Cannabis has become a political tool in this country, and investors shouldn't discount the possibility that if a Conservative government comes into power and puts a lot more red tape in the industry, particularly around edibles, this could slow growth down significantly.

Governance around edibles could have a big impact on a stock like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), which is now heavily involved in beverages after a [big deal](#) announced with **Constellation Brands** which could see the company behind Corona end up becoming a majority shareholder.

The popular cannabis company is banking on significant growth, and edibles, including beverages, will be a big part of that. Any hurdles in the edibles segment could stunt the growth that Canopy Growth could achieve, and that could mean problems for its [expensive stock](#), which is currently built on expectations of high growth.

Bottom line

Although cannabis-infused beverages are driving a lot of the hype in the industry lately, investors need to realize it may not be smooth sailing and that there are real risks here that could derail the industry's astronomical growth prospects.

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