



3 Things Investors Should Be Watching Now That Canadian Cannabis Is Legal

Description

Cannabis officially became legal for the purpose of recreational consumption on Wednesday.

Now that the long-awaited [“rumours” have officially become “news.”](#) here are three factors that cannabis investors should be following.

Activity in the black market

One of the big questions looming over the cannabis market as legalization approached was about how successful the federal government would be — or wouldn't be — in “snuffing out” the illicit market for the drug.

It's one of the most discussed objectives behind Justin Trudeau's initiative to legalize pot in the first place, so obviously it's a priority for the government.

Prices for the drug when it was launched on Wednesday varied from market to market. Nova Scotia offers “value product” for under \$7 a gram. Meanwhile, the *Huffington Post* reported that the price for an ounce of the stuff in Nunavut would cost tokers \$783.86 — more than double the highest price available anywhere in the American market.

There's no question the government and law enforcement officials will be cracking down hard on illicit supply chains.

However, now that the drug is legal, there have already been serious concerns on the part of many experts as to whether the country's legitimate, licensed producers will be able to meet the increased demand.

Quality of product

Up to now there has been a lack of complete information in the market as to which growers would end up having great product — potentially, product so good that it commands luxury or premium prices — and which others would be left “holding the bag,” so to speak.

For example, **Aphria** (TSX:APH) has been knocked in the past for selling its customers sub-par product.

It's a company most well known among the investment community as running an operation that's already consistently been cash flow positive, but with more and more competitors entering the market, one has to wonder if this could become a major issue for the company, even after paying \$230 million to [acquire Broken Coast Cannabis](#) earlier in the year.

Even **Cronos Group** (TSX:CRON)(NASDAQ:CRON), touted for management's success in securing funding and a string of international deals, and a company that has seen its share price rise by more than 4,000% in a little more than a year, will have its work cut out for it in the coming months to prove to investors that it is more than a roomful of cunning financiers looking to exploit the latest cannabis craze.

Beware the blow back

No, I'm not talking about the risk of some irresponsible smoker exhaling smoke in your face.

The fact is, this is uncharted territory for almost everyone involved.

Cannabis supporters have been more than vocal up to this point about the purported benefits of the drug's medicinal quality, yet there is so much that remains to be seen in terms of how recreational users will conduct themselves while under the influence in public settings, and how businesses and the community will respond.

Although October 17 certainly marked a significant day in Canadian history and a cause for celebration among those who have pushed for a more liberal stance towards responsible cannabis consumption, it could also mark the height of euphoria on the matter — something that investors will certainly want to pay heed (not weed) to.

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