



The Biggest Obstacle to Growth in the Cannabis Industry

Description

If you're not concerned by the price of **Aurora Cannabis Inc** ([TSX:ACB](#)) and other pot stocks, then it's likely you're a big believer in the growth prospects for the industry. The problem? An obstacle that could jeopardize everything: the government.

While the government has fulfilled its promise of legalizing marijuana, the way that it's done so has been poorly planned to say the least, which could be a harbinger of things to come.

With different rules at provincial and sometimes even municipal levels, there's a lot of confusion about the potential changes, and how those changes will impact the industry.

Slow turnaround for applications will likely impact supply

B.C., which is expected to be one of the hottest markets for pot, has just one store ready for legalization. For customers who either don't live in or aren't willing to travel to Kamloops to buy cannabis, the only option will be to purchase online, which is clearly not optimal.

In total, the province has received 173 applications, but just 62 have been reviewed and sent to their respective municipalities for further review. That alarmingly slow pace suggests that despite the government's reassurances, there is a real concern that supply will be nowhere near ready.

How long it will take for more stores to be approved is unclear, but it's definitely going to impact the potential for the industry to achieve the sales growth it expects, at least in the short term.

The sad reality is that B.C. is in a better position than Ontario, which isn't even going to have stores up and running [until April of next year](#). Until then, pot shoppers in that province will have to buy from online merchants as well.

Change in government could result in a big change in policy

It wasn't that long ago that Ontario wasn't even considering opening up cannabis to retailers, preferring a more [restrictive](#) approach to selling marijuana. Due to a change in power, however, that has resulted

in a different strategy for pot — one that will also be more conducive to growth.

This underscores just how significant a change in government can be for the industry. With a federal election not too far away, a new leader could try to put more restrictions on cannabis in place that could undermine its growth potential. Changes at the provincial level could also have a big impact.

Bottom line

While Aurora has been able to soar in a world of high-growth expectations, it's been able to do so largely because legalization hadn't yet arrived, without the concerns about whether growth would materialize as expected. Now that legalization is here, investors will be able to start seeing just how strong the results are and how well they match up.

A shortfall could lead to Aurora and other pot stocks witnessing a lot of bearish activity, and so any impediments caused by the government could have a big impact on investors.

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