



Prediction: Here's How Canada's Pot Market Will Look 10 Years From Now

Description

Marijuana has now been legal in Canada for an entire week, with [things mostly going as expected](#). Users and curious onlookers have packed into retail stores, while thousands of others have crashed websites ordering their cannabis online. Some folks got their pot without issue, while many others are still waiting for their supply from overwhelmed government agencies.

There's an old saying in the stock market that investors should "buy the rumour and sell the news." Investors did exactly that with Canada's largest pot stocks, sending shares reeling. Since peaking at just under \$74 on October 15, two days before legalization, **Canopy Growth** ([TSX:WEED](#)) (NYSE:CGC) shares have fallen \$20 each. That's a 27% drop in just a week and a half.

Much has been said about what we can expect out of the marijuana market over the next year or two, but hardly anyone tries to identify what it'll look like a decade from now. The latter is much more important, since expectations for the next year are already priced into most marijuana stocks.

Let's take a closer look at what things might look like in 2028.

Canopy Growth no longer dominates

Canopy Growth bulls see a future where the most dominant player commands a premium market share. Customers will choose one of Canopy's brands and stick with it for years, much like cigarette smokers.

Obviously, that kind of sticky revenue is valuable. I'm just not sure it'll ever happen.

Dominating on the retail side is going to be a massive challenge. Cigarette producers spent billions marketing to consumers before their marketing efforts were significantly handicapped by government regulations. Pot producers have to deal with similar regulations from day one. This makes a big challenge almost insurmountable.

I predict a market that will be flooded with all sorts of extra supply. The race will be on to convince retail stores to carry these new products. Prices will be cut, either directly or by enticing stores with volume

bonuses.

Bears say marijuana is ultimately a commodity business. If that's the case, a producer marketing a premium product is going to be in for a rough time.

No one retailer dominates

Many investors envision a world where one pot retailer dominates much of Canada.

Alcanna (TSX:CLIQ), which currently operates 174 liquor stores in Alberta and a further 33 in B.C., certainly wants that crown. There are a lot of similarities selling alcohol and cannabis. Alcanna has the experience dealing with the regulatory issues, too. And it identified the opportunity early, putting significant resources to work. There were 14 cannabis stores open in Alberta on October 17. Alcanna owned five. That's a great start.

But at the same time, it's obvious the retail side of cannabis is going to attract some big players. Canada's major grocers already sell liquor. It isn't much of a stretch for them to expand into cannabis. Heck, **Wal-Mart** is even considering entering the sector. You don't want to compete against Wal-Mart.

There will also be hundreds of mom-and-pop retail cannabis shops. I'm hardly bullish on these folks succeeding over the long term, but they will exist, and they will annoy the likes of Alcanna.

Other uses for cannabis

I believe cannabis-infused drinks and foods will expand marijuana to customers not interested in smoking the drug. This will allow already-established food and drink producers a way to leverage their existing brands into this sexy new sector.

Molson Coors Canada ([TSX:TPX.B](#))([NYSE:TAP](#)) has already started down this path. Back in August, it announced a deal with Quebec-based **HEXO** to create non-alcoholic cannabis-infused drinks. The joint venture plans to have the drinks ready to go when Canada okays these types of products, which should be sometime next year.

The bottom line

In a decade, I believe investors who focused on buying companies making cannabis-infused products will be the big winners. They're much more likely to be able to charge a premium price than cannabis producers or retailers, and they'll enjoy great brand loyalty. That's what you should be looking for in an investment, not hype.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:TAP (Molson Coors Beverage Company)
3. TSX:TPX.B (Molson Coors Canada Inc.)
4. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/06

Date Created

2018/10/24

Author

nelsonpsmith

default watermark

default watermark