



How Has Legalization Worked Out for This Market Leader So Far?

Description

Earlier this month, Canada made history as legalization ushered in a new era for recreational users. The new era also brought forth a nearly infinite number of business opportunities, ranging from international and domestic distribution and supply agreements to [healthcare](#) and research into new products such as oils, edibles, and beverages.

One equally interesting point from the unfolding legalization effort was that within a few days of the October 17 date, many distribution points are reporting that their inventories are nearly depleted.

While the initial reaction to this might be to load up on shares of **Canopy Growth Corp** ([TSX:WEED](#)) (NYSE:CGC) and its competitors as they struggle to meet the incredible demand, there is something else to consider: licensing.

In Ontario, government-run stores saw an incredible 100,000 orders in the first day. In neighbouring Quebec, both in-store and online orders hit 140,000 during the first week, with several stores even closing due to the heightened demand and lack of supply.

Not everyone can sell cannabis. Would-be retailers require a license from Health Canada that is incredibly time-consuming to acquire. To fulfill the licensing requirements, a company must first receive a separate cultivation license, produce two full crops, have those crops tested, conduct an audit over its sales system, and then submit the sales license.

The entire process can take upwards of a year to complete. Health Canada has 132 licensed producers and a large backlog of others seeking to become licensed.

In other words, unless you were an early adopter, you're likely sitting out from this early run.

Canopy was first out of the gate. Few investors might realize that Canopy had already shipped out a million orders in the years leading up to legalization. With the largest supply and production facilities on hand, the company can easily expect to ship out that same amount in the first month.

Incredibly, Canopy's supply is already accounting for over one-third of the entire Canadian supply

commitment.

What happens when the honeymoon is over?

That's the big question that a lot of investors aren't asking just yet. There's no denying the fact that cannabis stocks are going to rise over time, but given the explosive growth we've seen over the past two months and the spike in demand since legalization, we can only assume that both demand and the volatility around the stocks will also steady out.

As for Canopy, in addition to its massive supply agreements on the domestic front, the company also has a growing distributor network that reaches into other areas such as Europe. This is one area that poses a significant opportunity for growth that is not overly reactive, such as the current state in Canada.

That's also not even mentioning the immense production space that Canopy has, which eclipses its peers.

In my opinion, Canopy remains a great [long-term investment](#), but the key point for investors is long term. The segment is still new and very volatile.

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