

Is the Beverage Market for Cannabis Really All That Big?

Description

Over the past several months, cannabis-infused beverages have fueled a lot of the hype in the marijuana industry, albeit that seems to have fizzled out as pot stocks have dropped significantly.

Canopy Growth Corp ([TSX:WEED](#))(NYSE:CGC) stock was soaring just months earlier when it was announced the cannabis company got a [\\$5 billion investment](#) from **Constellation Brands, Inc.**, which was seen as a big vote of confidence for the industry.

There have been many more rumours than actual deals so far, but many investors are still expecting cannabis beverages to be the next big thing.

But will that really be the case?

Research and data company BDS Analytics recently released its sales data for the first nine months of the year for the cannabis industry, and beverages didn't appear to be all that dominant. It tracked sales in California, Oregon, Colorado, and Arizona.

While the sales data does show significant growth in the edibles market from a year ago, beverages have made up only 5% of the segment's revenues so far this year. Instead, candy, chocolate, tinctures and infused foods made up nearly 90% of all edible sales.

The caveat, of course, is that we're still very early in the game when it comes to cannabis and edibles. Until we see some of the big names actually developing drinks, we won't know the potential growth that this part of the segment can achieve.

However, we could say the same for candy and chocolate, which have been flying off the shelves in markets where they have been legalized.

What does this mean for Canopy Growth investors?

This data is a sobering reminder that as exciting an avenue that beverages may be in the years to come, it's still a long ways off from being realized. It's likely going to take a long time just for companies to develop a drink that tastes good and that consumers will want.

It's still a bit of a novelty, and while Canopy Growth and Constellation are certainly banking on a big boom in that part of the industry, there's no guarantee that it will actually happen. That's problematic for a stock that has been built on expectations for the future rather than what it has achieved thus far.

We already saw Canopy Growth miss expectations significantly in its most recent [earnings report](#), and it might only be the start of more disappointment down the road, especially if cannabis beverages don't take off as expected.

Bottom line

There's been a lot of hype driving cannabis stocks, which has pushed Canopy Growth to obscene levels this year. Investors should be careful not to get caught up in the excitement around beverages, as until we see the numbers that beverage sales are making a big dent in the industry, it'll remain nothing more than hype.

Canopy Growth is a risky stock to invest in, especially if you're hoping for a big sales boost from the beverages market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/25

Date Created

2018/11/27

Author

djagielski

default watermark

default watermark