



Cannabis Investors: Let's Dive Into the Numbers

Description

StatsCan has continued to publish data on cannabis usage in Canada in an attempt to be as transparent as possible with Canadians, investors, and aficionados, about just how big the market for pot is in the Great White North.

Black market continues to thrive

According to the most recent report put out by StatsCan, 84% of Canadians continue to consume pot from the [black market](#) for non-medical purposes.

That's right, currently only 16% of sales of recreational pot can be attributed to legal, tax-paying channels.

This poses a huge problem for various levels of government in Canada, which have promised Canadians that increased tax revenue from legalization will offset any concerns that may have arisen from the legalization of pot.

Of course, we're still in the early days of legalization, and Canadian pot users may be hard-pressed to let go of the relationship they've had with their dealer for years (or decades). And hey, if the government run stores are out of product, what's a daily user to do, eh?

Sharing economy is a real thing

Here's a friendly thing to do – pass the joint. According to recent data from StatsCan, approximately 65% of all cannabis users did not spend any money on the drug in the most recent quarter.

The problem is, for the Canadian government and cannabis investors everywhere, a sharing economy for weed is not conducive to increasing revenue. A sharing economy in which a few folks purchase large amounts of weed and share with friends who consume casually has resulted in potentially increasing usage numbers. This may in turn may have skewed government revenue projections, which brings me to my next point.

Can we trust the data?

The interesting thing about how the majority of information on cannabis demand is currently being collected is the means of collecting data, namely, surveys. Differentiating between black market purchases and legal sales is a very difficult thing for the government to do; it is an important task, nonetheless, given the fact that black market sales take tax revenue directly away from the provincial and federal governments, who now have increased expenses to police these legal substances.

Estimating the size of the black market through the use of surveys can provide questionable data.

Some in the cannabis industry may suggest that the numbers are artificially low, because respondents won't be willing to admit they're using black market product due to the illegality of such behaviour.

On the other hand, some cynical folks might suggest that responses are artificially high, supported by a selection bias in which respondents who choose to respond to a survey about cannabis usage are more likely to be users than those who choose not to participate.

Bottom line

It remains my opinion that it is far too early to base an investment in a Canadian cannabis producer such as **Cronos Group Inc.** ([TSX:CRON](#))([NYSE:CRON](#)) on [demand or pricing calculations](#) and try to make the numbers work via backward deduction, as the industry is still in its infancy, and we don't know what we don't know.

Stay Foolish, my friends.

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