



## Why Marijuana Edibles Could Be Another Big Disappointment for the Industry

### Description

The edible marijuana market is launching in December, but it may not result in the boom that many are hoping or expecting for. Health Canada unveiled its plans for edibles and like its first launch of cannabis products, there will be some significant restrictions for cannabis companies.

Not only will advertising remain very limited, but it will create inefficiencies for companies that already make food products, as they'll need a separate facility for cannabis edibles to avoid cross-contamination. Despite the concerns about restrictions on the industry, Bill Blair, who is responsible for the cannabis policy, said. "It's not the government's intention to promote the use of this drug, but rather to make it legally available in a well-regulated manner to reduce the social and health harms often associated with cannabis use."

However, the danger is that by being so restrictive, it gives the black market a lot more power by providing consumers with more attractive and flexible options. One of the goals of marijuana legalization was to shift cannabis sales away from the underground. With cannabis prices already much more expensive and the difficulty of advertising and reaching consumers, it puts companies like **Hexo Corp** ([TSX:HEXO](#)) at a big disadvantage in relation to their U.S. counterparts.

While Hexo landed a [deal](#) with **Molson Coors Canada**, and although it will help the cannabis company develop infused beverages, it won't be able to take advantage of its partner's brand. Under the regulations, a cannabis product can't be associated with an alcohol product. It negates one of the biggest potential benefits that cannabis companies had by linking up with successful beer makers: selling products with their popular logos.

Restrictive packing requirements means that Hexo won't be able to have a co-branded product with Molson that can utilize the company's image. It's a big disadvantage for the company, especially when you look south of the border to states that have permitted cannabis where regulations are much looser, and companies can have a lot of freedom when it comes to advertising and marketing their products.

It's no surprise that the industry has been doing so well there. With a much smaller population and more restrictions, the Canadian market looks much less appealing in comparison to its U.S.

counterpart.

## What this means for investors

From an investment standpoint, this tells me that even though Hexo may be one of the top cannabis companies in Canada, the [better buy might be in the U.S.](#), where there's definitely a lot more growth potential for marijuana. The rollout of cannabis in Canada hasn't been smooth, to say the least, and with many restrictions in place on edibles, it's not going to get any better anytime soon.

These restrictions come with a liberal government in place that was strongly in favour of legalizing cannabis. We could see the industry throttled even further should conservatives get into power and try to impose even more requirements on companies.

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