



What Could You Buy With 150 Metric Tons of Weed?

Description

Given the average Canadian prices for cannabis total \$10 a gram (according to one of the most recent StatsCan surveys), you could buy a small village (or one Vancouver mansion) with this amount of weed.

As it turns out, 150 metric tons of cannabis is approximately how much Canadian producers have stored away for a rainy day.

That's a lot of the green stuff, and despite what you may otherwise hear in the media about shortages and stores not being able to source product – really, it really boils down to layers of government inefficiency that have been injected into an industry thriving on its own via private dispensaries for more than a decade — dispensaries which in many cases are now illegal and must yield to the insurmountable force of the Canadian government.

The reality is that there is a [massive surplus](#) of cannabis in Canada.

BMO Capital Markets analysts have attempted to quantify this amount, and came up with the 150,000 kilogram number as of the end of the first quarter this year. That number was up from a mere 101,000 kilograms at the first day of legalization, in October of 2018, a time when most producers such as **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) were building up supply for that eventual demand cliff which never materialized.

There is a demand problem in weed that few want to talk about in the Canadian media, as it may hurt the share prices of companies that employ Canadian workers, but the reality remains that Canadian cannabis companies are vastly inefficient and most will be eaten up by global players within the next five to 10 years.

I'm of the minority of investors who are concerned with [valuations](#) in the Canadian cannabis sector, and encourage any and all conservative long-term investors to avoid the hype and stick to value, no matter how difficult it may be in the near-term; I truly believe we're nearing a tipping point where value investing will once again be rewarded by the market, and risk-seeking, aggressive investing in penny stocks and companies with nothing to stand on will be avoided by the plague.

For now, such companies are thriving, much to the applause of novice investors who have never seen a recession and don't know what it means to be truly under water.

Bottom line

You remember the \$10 a gram price I quoted initially in my article? This stands in the face of illegal black market weed that's currently being sold at an average price of \$6.40 a gram, by the same survey respondents. Go figure.

Stay Foolish, my friends.

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Date

2025/07/01

Date Created

2019/07/21

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