



## Could the CannTrust (TSX:TRST) Scandal Give a New Government an Excuse to Ban Cannabis?

### Description

The conservatives were not in favour of legalizing cannabis, and the opposition government tried to do what it could to stall the legalization movement.

Although it ultimately failed given the struggles we've seen in the industry within the first 12 months of legalization, an argument could be made that the conservatives and other opponents were right: the country wasn't ready for the legalization of marijuana.

It's been a very tumultuous time for the industry, and things don't look to be getting any easier. A possible [license suspension](#) of a big producer like **CannTrust Holdings Inc** (TSX:TRST)(NYSE:CTST) will only make supply issues in the industry worse, and it would likely make a case for stronger controls to be put in place on an industry that already faces a lot of red tape.

With virtually no advertising, plain packaging and many other restrictions, cannabis companies have faced some [significant obstacles](#) right from the start.

And with CannTrust skirting around Health Canada's regulations, it could provide fodder for those still opposing the industry as proof that the industry is not safe and that producers simply can't be trusted.

### Election results could have a big impact on the industry

With a federal election coming later this year, there is a lot of uncertainty for the cannabis industry, especially if there's a change in leadership.

While Conservative leader Andrew Scheer did say back in June that his government would keep cannabis legal, that doesn't mean that there wouldn't be changes made to how it is regulated.

The CannTrust scandal is just one example where we could see more regulations introduced for cannabis producers. How edibles are regulated is another sensitive topic which has been very polarizing in the U.S., as products there have come under fire for being too attractive and appealing to

children.

How the conservative government would regulate edibles and the cannabis industry overall could be very different from the liberal government's approach.

That presents a lot of risk to investors; Canadian cannabis stocks are already at a big disadvantage to their U.S. counterparts in terms of marketing and advertising, and the gap could grow even larger if we see even tighter restrictions being imposed.

Part of the problem is that there's a big unknown for the industry with respect to government. We've seen in the U.S. how big of a role government can play in the industry's growth, and Canadians shouldn't underestimate what a change in leadership could do here.

## Bottom line

Things have become a lot more complicated for the industry in just the past month. The problems relating to CannTrust may have changed how the Conservatives or perhaps even Liberals look at the industry going forward, which could result in a lot more regulations being put into place to protect the public.

The danger is that we could end up with an industry that's even more restricted in its further jeopardizing the ability to stamp out the illicit cannabis market.

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djagielski

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