



1 Big Problem for the Cannabis Industry

Description

In order for the cannabis industry to be successful in Canada, Ontario is one place it's going to have to do well. And so far, that hasn't been the case.

It's been a roller-coaster ride for the industry, to say the least. Supply issues have limited the number of stores that have been up and running throughout the country, and Ontario didn't have private retailers open for business until April. Things could have definitely gone a lot better than they have. And without a significant improvement happening soon, it could put into jeopardy the growth expectations that cannabis producers are expecting, especially with edibles being right around the corner.

Ontario posts \$42 million loss

Cannabis was supposed to help provinces add money, not burn it. However, last fiscal year, Ontario's cannabis business lost \$42 million, and it collected a little over half the excise taxes that it expected. Like many licensed producers in the industry, the province has struggled to keep up with soaring expenses. Although it's not a big concern yet, especially with the industry still in its very early stages in the province, the lack of profitability is something that could weigh heavily on the industry going forward.

In order for the industry to be successful in Canada, it's going to need for prices to remain as low as possible to keep the black market away. However, if it still proves challenging for Ontario or other provinces to post a profit from cannabis, that could create a big problem for the industry. Taxes can always be changed, and if the government isn't feeling it is making as much as it was hoping for, rates could go up, and that could make the Canadian market's already high prices that much less appealing to consumers.

The one positive sign for the Ontario market is that although it has been off to a very slow start, it has just about caught up to Alberta in terms of sales. At \$121 million as of the most recent data from Stats Canada, Ontario is only a few million behind the \$124 million in sales that Alberta has generated since legalization.

Takeaway for investors

Canopy Growth was once very optimistic for the cannabis industry in Canada, hoping to have hundreds of stores in Ontario. However, as rules and red tape started to hamper the industry's growth potential, we've started to see companies like Canopy Growth look to the U.S. in the hopes of maximizing their opportunities. Even though marijuana remains illegal there, the hemp market has created a way for Canadian producers to legally enter the cannabis industry south of the border.

Unfortunately, it's not nearly as lucrative as selling marijuana is, and even though Canopy Growth has gotten [creative](#) in trying to find ways to tap into the U.S. market, investors have started to turn bearish on it and other Canadian pot stocks. With [losses continuing to mount](#) for companies, and the industry relying on the hopes that the edibles market will be huge in Canada, investors may simply find better opportunities investing in U.S. pot stocks for the time being.

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