



3 Cannabis Companies Have Now Had Their Licenses Suspended by Health Canada This Year

Description

It's getting close to the one-year mark for the cannabis industry, and we've already seen multiple companies run into issues with Health Canada. Earlier this year, we even saw a cannabis company be the first to get its licence [revoked](#).

And yesterday, we learned that **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) would also have its licence to produce and sell both medical and recreational marijuana suspended after a long, drawn-out controversy that involved allegations of fake walls being built and [multiple sites](#) growing cannabis illegally.

In a release issued yesterday, the company confirmed that it would still be able to take on some cannabis activities: "While the suspension remains in effect, CannTrust will be permitted to cultivate and harvest existing lots or batches previously propagated, as well as conducting ancillary activities to those lots, including drying, trimming and milling. During the suspension, CannTrust may not propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis."

The news led to the stock falling more than 14% on Tuesday, closing at \$1.70. Six months ago, the stock was trading at over \$12 as CannTrust shares have gone on to lose more than 85% of their value.

Technically still only a suspension, some investors may be tempted to roll the dice on CannTrust that it will be able to clean up its act and that it will get its licences reinstated. However, at this point, that's the best-case scenario and the company would still have a long way to go in rebuilding its image. The stock is about as risky an investment as there is on the TSX today.

Other producers have gotten in trouble as well

According to *BNN Bloomberg*, Evergreen Medicinal Supply had its licence suspended back in August when there was a surprise inspection done, which found the company to be non-compliant. While specifics were not provided, some of the items that led to the non-compliance finding were a result of

“production practices, record-keeping, inventory control, and adherence to licence controls.” The company has made a response to the regulator’s decision that it hopes will salvage the situation and allow it to keep its licence.

Prior to that, Bonify Holdings Corp had its licences suspended back in February after regulators learned that the company had purchased pot from illegal sources and was selling that to the public, not unlike the allegations involving CannTrust where the company was said to have sourced seeds from the black market.

Bottom line

Health Canada is showing to the public that it is taking steps to ensure compliance in the industry is a priority for companies. That means making some tough decisions along the way.

These are strong messages being sent to both the public and to cannabis producers, that regardless of how big or small your operations are, you’re going to have to play by the same rules. Rushing to produce as much cannabis as possible and cutting corners along the way could come with some significant consequences down the road, and it’s something that cannabis companies are going to be more cognizant of moving forward.

In the end, while these decisions may have devastated companies and investors, it’s important for regulators to ensure the integrity of the industry.

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Author

djagielski

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