



My Bold 10-Year Predictions About Marijuana Stocks

Description

I think you will agree with me when I say that 2019 was a horrible year for cannabis stocks. Leading the downward trend for the entire legal weed sector was **Aurora Cannabis Inc.** ([TSX:ACB](#))(NYSE:ACB), plunging more than 80% from its all-time high to hit record lows by the end of the year. A lot of other established brands in the cannabis landscape followed ACB in the same period.

The industry has suffered massive price corrections in the short time it has been around. 2019, however, seemed to be what you might call a bubble that finally burst. With the rollout of Cannabis 2.0 products also proving slow to produce results, it looks like the industry's situation might not be getting better any time soon.

I am going to discuss the situation in the marijuana industry to give you an overview of this industry's most pertinent problems. Additionally, I am going to talk about what I feel might happen in the industry's landscape in the coming decade.

Factors affecting the industry

Several factors worked together to lead to the marijuana industry's decline last year. During the first half of 2019, there was a massive struggle for retailers to meet the demands of consumers. There were not enough retailers to provide an adequate amount of weed to recreational users, who were delighted by the newly legalized status of marijuana in the country.

The leading pot suppliers like Aurora, **Canopy Growth**, and **Aphria** found it challenging to keep up with the demands. The change in narrative for marijuana producers was drastic.

Legal producers have to deal with a plethora of regulatory restrictions and quality assurance measures before supplying the product to the market. Keeping up with the regulations brought up the cost of the final product reaching the customers. Illegal producers do not have to care about meeting strict quality control measures, and they provided consumers with cheaper products. The result was a massive oversupply issue for the legal weed sector.

Additionally, investors had to face further disappointment from the top producers not reaching growth expectations. Issues like the [CannTrust scandal](#) and regulatory problems did not help improve the situation either.

Prediction for the 2020s

I think the competition from illegal growers is one of the primary concerns for the industry right now. Right now, the price of pot per gram is considerably higher for the licensed producer compared to illegal marijuana in the market. A lot of pot smokers prefer buying cheaper products.

Regulators and producers need to make more of an effort to incentivize cannabis users. Producers need to either reduce the price of the product or give consumers more reasons to prefer the licensed product over black market marijuana. The likes of Aurora need to drive down margins to capture the market.

I think that it will primarily be a battle between Aurora and other significant producers against the black-market sellers. Aurora has plenty of issues to deal with that might [send its stock price below \\$1](#) in the short term. However, I see Aurora as a significant entity in helping the industry rise from the rubble of the 2019 industry-wide decline.

Foolish takeaway

The ship continues to sink as I write this, but I think the industry can become enormous in the 2020s.

If ACB and other major marijuana producers can gain control of the market and start turning a profit, the entire industry can rise to stratospheric heights. The rollout of Cannabis 2.0 products may be slow, but it can offer the marijuana industry that vital edge over black-market producers and help propel the industry.

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