



Canopy Growth (TSX:WEED) Lays Off 500 Workers: Bad News for Weed Stocks?

Description

Canopy Growth's ([TSX:WEED](#))(NYSE:CGC) stock price [lagged behind in March by 5.7%](#). This was followed by the company laying off 500 workers, as it was deemed a “non-essential” business in major provinces of the country.

The layoff was a result of the marijuana giant having to shut down 23 of its stores in Manitoba, Saskatchewan, and Newfoundland and Labrador, along with two of its largest cannabis greenhouses in British Columbia.

According to David Klein, Canopy Growth's chief executive, this was done in order to align “supply and demand” of marijuana.

Industry-wide cutbacks

The legal cannabis industry as a whole is currently facing an oversupply of cannabis ever since the industry was ruled to be non-essential. This disruption in the overall supply chain meant that companies have had to take drastic steps to improve production efficiencies.

Canopy Growth isn't the first Canadian cannabis producer to take such steps. Just last month, **Aurora Cannabis** laid off 500 people, **Tilray** said it would lay off 10% of its workforce, while **Supreme Cannabis** announced a reduction in its workforce by 15%.

Initially, the downsizing announcement by Canopy Growth was to lay off 200 retail workers, but after seeing the continued impact of the virus all over the globe, this figure has increased to 500.

Klein said that while this decision moves the company in a new direction, the decision was not taken lightly and was a result of the rather [fluid policies in effect due to the virus](#).

As the COVID-19 situation came to light, everyone anticipated that there would be losses and demand would decrease. However, nobody knew how bad the situation would actually get. The decision to lay off workers is solely due to the demand for products requiring refined cannabis — such as edibles and

vapes — which has become “lower than anticipated.”

Cash flow is a problem

The market as a whole is being affected gravely by the COVID-19 lockdown, forcing players in the legal cannabis market to adapt accordingly, most of them selling their properties. At the same time, consumers stocked up on legal pot just before the lockdown.

The Ontario Cannabis Store reported more than 4,000 online orders on Sunday, about double of what the retailer experiences on a regular Sunday.

Boutique investment bank for the marijuana industry Ello Capital released a report indicating that Canadian marijuana producers and retailers have a working capital of no more than half a year. Aurora Cannabis was estimated to be at the bottom in that list, having just two months of working capital, followed by Tilray, which had around four months' worth.

Conclusion

The stock market has been a roller coaster recently with the marijuana industry being no exception. Canopy officials have claimed that with the layoffs and other cost-cutting measures, despite the challenging demand-and-supply curve, the company maintains a “very strong” financial position.

While this statement is in doubt, as cannabis retail shops reopen temporarily in Ontario for curbside pickups and deliveries, there is hope that the demand will start to get back to normal soon.

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