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As More States Legalize Marijuana, Investors And Marketers Line Up

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Quietly on election night, overshadowed by the epic battle between blue and red, the map of America grew greener. Voters in four states — California, Massachusetts, Nevada and Maine — chose to legalize recreational marijuana.

About 60 percent of Americans now live in a state where cannabis is legal or soon to be legal in some form.

The smell of money is in the air. The marijuana market has some unique characteristics that make it attractive to investors. The big draw comes down to basic math: The growing legal market for marijuana is around \$7 billion.

That's big, but dwarfed by the overall \$50 billion U.S. market, most of which remains illegal. So as legalization gains steam, the black market shrinks and legitimate investors and businesses stand to monetize tens of billions of dollars.

The growing scale of the marijuana industry has made it more professionalized, more corporate. In [Colorado](#), where recreational marijuana became legal in 2014, there's consolidation — mergers and acquisitions among operators.

There's an array of products beyond smokable cannabis. [Edibles](#), capsules, gels, lip balm, even THC-infused "personal lubricants." There are products marketed to sore-jointed baby-boomers, products for people with chronic diseases, edibles curated specially for vegans.

While the marijuana business is gaining traction in the corporate world, there also are signs of excessive exuberance. "I think this industry at this point is very similar to what I saw in technology and the Internet in 1998 and 1999," said Kennedy of Privateer Holdings. Those were the years right before the dot-com crash.

Kennedy says marijuana investors should be careful. Alan Brochstein of 420 Investor goes even further. He says watch out for scams.

He says there were only a handful of publicly traded marijuana stocks when he started following them in 2013. "Now I'm tracking 400 companies in North America ... purported marijuana companies." Many are financial mysteries, says Brochstein, since they are not registered with the Securities and Exchange Commission and are not required to be. "They just keep popping up. Most of them are not legitimate."

But Brochstein believes there's no turning back in terms of public support for legalization. And he dismissed the possibility that the industry could be derailed by research showing harmful effects from long-term marijuana use.

He says. "I think it's much easier to deal with cannabis in a regulated world than a black market. I don't see that as a deterrent for the progress of the industry."

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