



If Marijuana Will Be Legal in Canada, Why Is Canopy Growth Corp. Expanding to Germany?

Description

In about a year from now, it's expected that recreational marijuana will become legal across Canada. If current legislation is approved, it will make Canada the first industrialized nation in the world to legalize recreational pot use at the federal level.

This has jokers and tokers alike pondering what the future will look like with a relaxed stance towards the drug, not to mention investors who are eagerly awaiting more news on the impending bill that was proposed to parliament by the Liberal Party back in April.

Canopy Growth Corp ([TSX:WEED](#)) is among the favourites for those looking to play the weed angle.

Canopy is Canada's largest marijuana producer with over 400,000 square feet of grow space in its Smith Falls facility, housed in a former **Hershey** chocolate factory.

The company has been aggressively partnering with top names already established within the pot space, including rapper Snoop Dogg with his branded line of products, "Leafs by Snoop," and horticultural company DNA Genetics, which is world renowned as one of the pre-eminent breeders and growers of the plant.

The market has taken notice too; WEED shares are up more than 150% over the past year.

However, lately, investors have seen a seemingly endless number of marijuana start-ups come to market with IPOs.

Perhaps owing to what was becoming a saturated situation, pot stocks have cooled off considerably. WEED shares are off 40% of their February highs, potentially creating a timely buying opportunity for anxious investors.

Meanwhile, management at Canopy continues to forge ahead with plans for international growth, including the recent acquisition of German company MedCann.

The deal will see Canopy's Tweed-branded cannabis products sold in Germany's pharmacies for medicinal purposes.

But why Germany?

The market for medical marijuana is considerably smaller than the estimated market when including recreational smokers.

Germany only considers marijuana for medicinal purposes, while recreational use of the drug is still prohibited.

So, at first glance, it doesn't make a whole lot of sense that Canopy be diversifying out of the Canadian market and making a pivot towards the smaller German medicinal market — until you consider the long-term implications.

Keep in mind that Canopy is Canada's largest marijuana producer and stands to benefit as the leader in the Canadian recreational market because it already has an established footprint as a medicinal supplier in the country.

Not to mention that Germany recently announced plans that will allow licensed producers to grow within the country's borders. This replaces old legislation that required medical marijuana producers to import their cannabis products.

Should Germany eventually follow in the footsteps of its G7 neighbours, Canada and the United States, Canopy would already be ahead of the game.

Should you buy?

There is an inherent speculative element to an investment in the marijuana industry today as there is still so much left to be determined.

Even Canada, which is well ahead of the curve in terms of relaxing controls around the drug, still needs to determine how licences will be awarded, how to facilitate distribution, and how to apply taxation — just to name but a few of the issues.

When beginning to consider the implications of a legal German recreational pot market, the picture becomes even cloudier, so to speak.

But any way you choose to look at it, we do know that the market for marijuana products in five or 10 years from now will be some multiple of what it stands at today.

For the Foolish, there are opportunities that lay in wait.

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