



Canopy Growth Corp. Secures a Supply Deal With Another Province

Description

The province of Newfoundland and Labrador has reached an agreement with **Canopy Growth Corp.** ([TSX:WEED](#)), which will see the pot producer supply the province with as much as 8,000 kilograms of pot a year.

The initial term of the agreement is for two years and could be extended for a third year. However, this is not an exclusive deal, and the province could still purchase supply from other producers.

Not only will Canopy supply the province with pot, but it is also making plans to invest \$40 million in a facility in Newfoundland which will employ 145 people. Currently, the province has no facilities that are licensed for growing pot.

Retail stores part of the agreement

Canopy will also be permitted to open four retail outlets in the province. While we've seen other provinces, namely Ontario, opt for more restrictive models, Newfoundland is more open to allowing retailers sell pot, and that is great news for Canopy and other cannabis companies.

If the retail model works in Newfoundland, it could open the door for Ontario and other provinces that are against it to reconsider the idea. It will not only create significant revenue for pot producers, but provinces will benefit from the increase in tax revenue.

Canopy continues its incredible growth

The company continues to expand its reach, and it's not the first such deal that Canopy has made. Back in September, Canopy reached a deal to be one of the main suppliers for [New Brunswick](#).

By no means do these deals guarantee any exclusivity or prevent the provinces from using other suppliers, but it does guarantee a certain level of demand for Canopy's products. In addition, it adds credibility to Canopy and will make it easier for the company to get more deals, perhaps with other provinces as well.

The arms race in the cannabis industry has begun, with **Aphria Inc.** (TSX:APH) recently securing [a deal with Shoppers Drug Mart](#) and **Aurora Cannabis Inc.**, seeking out acquisition targets. The big cannabis stocks are securing their positions in the industry ahead of next summer, when marijuana is expected to be legalized.

With more entrants to the industry, it is shaping up to be a very fragmented market, and market share will be hard to come by for producers that haven't already secured agreements.

Does this news make Canopy a buy?

Canopy is continuously looking for new agreements to secure its place in the industry as the preferred supplier of pot. Investors that are bogged down by whether or not a company is profitable or not might be a bit short sighted and not be able to see what Canopy is looking to accomplish.

Unfortunately, in the early growth stages, it will be difficult for companies like Canopy to turn profits. However, in the long term, investors that exhibit some patience could see significant rewards. The stock has tremendous upside and is a definite buy for its excellent growth opportunities.

CATEGORY

1. Investing

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1. TSX:ACB (Aurora Cannabis)
2. TSX:WEED (Canopy Growth)

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