

From Growing Tomatoes to...Growing Cannabis?

Description

Motley Fool readers can't seem to get enough information about marijuana stocks, but we often talk about the same main players, including **Aphria Inc.** (TSX:APH), **Aurora Cannabis Inc.** ([TSX:ACB](#)), and **Canopy Growth Corp.** ([TSX:WEED](#)). Today, let's look at another smaller, but equally interesting, player in the market.

Village Farms International Inc. (TSX:VFF)

Village Farms is a new player in the cannabis market. The company operates agricultural greenhouse facilities, and for years did just fine growing tomatoes, cucumbers, and peppers. That's nice, but it's not something that makes headlines or gives potential investors the shivers. However, that changed earlier this year with a game-changing partnership.

In June, Village Farms teamed up with **Emerald Health Therapeutics Inc.** to create a large-scale, low-cost cannabis production. As part of the deal, Village Farms is providing a 1.1 million-square-foot greenhouse facility in Delta, B.C. for the project. The new facility will be converted to a medical cannabis-compliant production, with hopes of also moving into the recreational marijuana market. Emerald plans to contribute \$20 million in cash and will have a 50% ownership stake. The two companies estimate they can yield more than 75,000 kg of cannabis per year once it is fully operational.

History of the two companies

Village Farms is known for being a large, reliable grower that excels at low-cost production. Emerald Health has been wholly focused on medical cannabis, so this is not a new product for them. The two companies plan to combine their expertise to make low-cost, high-quality cannabis products. If they get a toehold into the recreational market, they could both do well on the deal.

Village Farms has a market capitalization of \$238 million. It's got a high P/E ratio of 39.27, so earnings aren't cheap. It's one-, three- and five-year total return numbers are all in the triple digits, with the most recent year coming in at 320.69%. Village Farms has been doing well at producing investor returns.

Emerald Health is a larger company with a market cap of \$418 million. The company isn't currently reporting a P/E ratio, but its one-year total return number sits at 207.69%.

Bottom line

There are many players in the marijuana business, and we still don't know exactly what the retail market will look like once legalization goes through in July. If you like the potential of the cannabis market and want to look beyond the biggest players, Village Farms is an intriguing choice.

CATEGORY

1. Investing

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

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