

Why Canopy Growth Corp. (TSX:WEED) Will Not Be Dethroned by Aurora Cannabis Inc. (TSX:ACB)

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) and **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) stock are seen as the top two front runners in the red-hot cannabis market. With less than \$3 billion in market cap separating the two companies, many investors may be inclined to believe that the two bitter rivals will be destined to become like the **Coca-Cola Company** and the **PepsiCo** of the cannabis market after it's had the opportunity to mature and consolidate.

Although Aurora has a lot going for it, most notably it's massive-scale greenhouses, and top-notch medical cannabis talents through its prior acquisitions, I believe Canopy Growth is the only stock that long-term investors should strive to own if they have no desire to speculate or trade in the wild, wild west that is the cannabis market.

Consider taking a longer-term view of where the marijuana market's heading:

Today, demand is overwhelming, and producers are growing like there's no tomorrow. Many non-cannabis users are lining up in front of their local pot shops to purchase some bud to try for the first time.

And as I'm sure you're aware, pot isn't everybody's forté. Pot isn't addicting like tobacco cigarettes, so many first-time users are likely to discontinue their usage after the novelty of legalization begins to wear off.

So, what will be left with? Modest demand for cannabis and a ton of new up-and-coming pot producers that are popping up on the **Canadian Securities Exchange** with less-than-stellar balance sheets, growing all the pot they can in their legalized grow-ops.

Meanwhile, you've got folks growing their own cannabis, forming a black and grey market whereby cannabis is supplied among folks who have nothing to do with the big marijuana companies. This black market's going to fulfill an unknown percentage of overall cannabis demand, and as producers continue to turn on the taps at full capacity, we're going to be hit with a sharp reduction in the price per gram of marijuana.

Simply put, the commoditized environment for weed is pointing to a glut in a few years down the road, as licenses continue to be granted at a faster rate with everybody growing at their full capacity. The only way for a dominant pot player to come out on top? Superior branding.

Canopy is a king among men

Canopy is in a league of its own when it comes to branding. All that's holding back the company from skyrocketing above and beyond its peers are the Canadian regulators and their stringent restrictions on brand promotion.

At some point over the next three years, I think we'll see the federal government ease off, allowing Canopy to flex its muscles with its already well-known portfolio of recreational brands. When this happens, Canopy's Tweed is going to be synonymous with premium weed in the same way Marlboro or Camel is associated with premium cigarettes.

Foolish takeaway

Canopy's the only pot producer with a sizeable investment from an established company, but that's not the only reason you should favour the stock over Aurora or any other up-and-coming marijuana maverick that may show promise.

With a bet on Canopy, you're getting a branding play that'll take off in the future. The same can't be said about any other pot company, however, especially when you consider that Canopy's playing several moves ahead of anybody in the industry.

Stay hungry. Stay Foolish.

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