



## My Top Pot Stock Pick Is up 144% So Far in 2019: Time to Sell or Buy More?

### Description

Back in December, I highlighted why **Village Farms International** (TSX:VFF) was [my top marijuana stock pick in 2019](#).

The stock has outperformed even my wildest expectations, and the year is only approximately 15% over. As of closing on February 20, shares have skyrocketed up 144%, increasing from a low of just over \$4 each to \$11.44.

Needless to say, that's a massive move in just a short period of time. Investors who got into the stock in January are feeling exceptionally lucky today.

What does the future hold for Village Farms? Will shares continue to soar or will they plummet back down to earth? Let's take a closer look at each possible scenario.

### The bull case

Village Farms has been busy of late.

So far in February, it has announced a plan to convert an additional 825,000 square feet of vegetable production space into growing marijuana as well as a plan to get its product into the online Ontario cannabis store. Other provinces — which are all hurting for supply — will surely follow.

The company also announced it would be listing its shares on the NASDAQ, which will further add to its appeal for investors in the United States. Shares will begin trading on the NASDAQ today, February 21.

Village Farms is also benefiting from a resurgence in interest in Canada's pot sector. The last three months of 2018 saw just about every pot stock decline significantly before the whole sector rebounded in 2019.

And remember, the company is still well positioned to be a powerhouse in the marijuana industry. It still

has approximately 1.5 million square feet of greenhouse space in Canada it can convert into pot production. It already has a bunch of plant experts on staff, which makes entering the market easier. And it has 5.7 million square feet of greenhouse space in the United States that serves as a free option on marijuana being legalized in that country.

## The bear case

The biggest thing that scares me about Village Farms is the stock has simply gone up too far too fast. A pullback is common after such a move.

Investors must remember cannabis is rapidly becoming a commodity product. Village Farms appears to be well positioned in such a market — since it has already spent the capital to get its operations up and running — but we really don't know where prices will end up after more capacity is added to the market. Most analysts predict prices will be lower than they are today, which ultimately is bad news for everyone's profitability.

There are also certain operational risks. What if a harvest isn't as good as expectations? Perhaps plants get destroyed for some reason. Even a crummy quarter could send shares cratering. We've also seen what investors exiting the sector will do to the stock price. Something like that could easily happen again.

Natural disaster risk is also present. Long-term Village Farms investors might remember some of the company's assets in Texas being destroyed by a nasty hail storm. Insurance paid for a new facility, but the company lost out on the opportunity to grow crops while the new greenhouse was being built.

## Should you buy today?

I still think Village Farms is the best way to play marijuana growth in Canada. The company has great facilities, already trained staff, and the stock's valuation isn't nearly as crazy as some of its competitors'.

But at the same time, I'd caution against buying today. The stock is due to pull back a little. I'd wait for a lower price before putting my cash to work.

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nelsonpsmith

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