



Up 378% This Year, How a Cannabis Producer Is Planning to Tap Into the \$22 Billion Global CBD Market

Description

Up until very recently, **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)) was simply one of the largest and longest-operating vertically integrated greenhouse growers in North America, not to mention the only publicly traded greenhouse produce company in Canada.

Yet thanks to the company's recently announced joint venture (JV) project with **Emerald Health Therapeutics**, this small-ish company, which, in 2017, only generated US\$158 million in annual sales, now says it has plans to be Canada's high-quality, low-cost cannabis producer.

With VFF stock already up 378% since the start of the year, it certainly appears as though the market has bought into the story.

Here's what you need to know to get you up to speed on this very interesting investment opportunity.

U.S. Congress passes 2018 Farm Bill to legalize hemp

On December 13, the U.S. Congress passed the [2018 Farm Bill](#), which, among other things, included the Hemp Farming Act 2018, which "federally legalizes hemp and hemp products in the U.S., including extracts, derivatives and cannabinoids, and permanently removes hemp from the U.S. federal Controlled Substances Act (CSA)."

This announcement made significant inroads for not only the U.S. Hemp industry, but also the U.S. cannabidiol (CBD) market.

CBD is a valuable by-product of hemp

CBD has become increasingly popular among consumers seeking to improve their general health and wellness.

According to Brightfield Group, with the full federal legalization of hemp-derived CBD in the U.S., the global hemp CBD market is estimated to grow nearly 40-fold in the next four years to US\$22 billion in 2021, driven to a large degree by what it believes could be “the next major nutraceutical phenomenon.”

Village Farms is poised to move aggressively on the new opportunity

What’s interesting is that Village Farms was a member of the board of the U.S. Hemp Roundtable, which helped to advocate for the passage of the historic bill.

In announcing the news, CEO of Village Farms Michael DeGiglio said, “The full and unambiguous legalization of hemp, and especially hemp-derived CBD products, creates a tremendous global opportunity ... With one of the largest existing greenhouse footprints in the U.S. and a 30-year proven track record as a largescale, low-cost grower of high-value crops, Village Farms has a formidable platform to capitalize on the hemp and CBD opportunity.”

Rapidly expanding its potential greenhouse capacity

Truer words were never spoken, as earlier this week on Monday, Village Farms announced that its Pure Sunfarms JV now has plans to double its targeted annual production to 150,000 kilograms by exercising its option on the JV’s existing 1.1-million-square-foot Delta 2 greenhouse facility.

The Delta 2 facility is a newer, nearly identical “sister” facility immediately adjacent to the 1.1 million square foot Delta 3 greenhouse facility, already one of the largest cannabis production operations in the world, with the addition of Delta 2 expected to double potential production output from 75,000 kilograms to 150,000 kilograms of dried cannabis.

Bottom line

Research published by Cowen and New Frontier Data suggest that the CBD market could account for as much as two-thirds of the U.S. market if and when the country federally legalizes the drug.

Not only does CBD not induce certain psychoactive properties, which may be bothersome or even concerning for some users, the drug is purported to carry the same medicinal and anti-inflammatory benefits as THC, the other “mind-altering” chemical compound commonly found in the cannabis plant.

Amid all the euphoria and hype of the “green rush” that has flooded markets over the past year or so, I for one am still of the opinion that the potential of CBD and CBD-related products may happen to be the proverbial “needle in the haystack” that at least to date has gone [relatively unnoticed](#) within the current market for cannabis stocks.

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Date

2025/08/21

Date Created

2019/04/06

Author

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