



Should You Buy Aurora Cannabis Inc (TSX:ACB) or Village Farms International Inc (TSX:VFF)?

Description

As the cannabis industry matures, a growing number of options are available to investors. The differences between each cannabis stock are important to note, however.

Some companies are focused on domestic growth while others are tapping international opportunities. Some growers are focused on organic marijuana production, while competitors are exploring cannabis-infused beverages. Even if the industry continues to grow, choosing the right stocks will prove critical.

Two of the most popular cannabis stocks today are **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB) and **Village Farms International Inc** (TSX:VFF)([NASDAQ:VFF](#)). While both are growing marijuana, there are plenty of reasons to buy one stock and not the other.

Should you buy Aurora or Village Farms' stock?

David or Goliath?

With a market value exceeding \$12 billion, Aurora is a heavyweight in the cannabis industry. Since 2016, shares have risen by nearly 3,000%. With more than \$50 million in revenue last quarter, Aurora is also one of the more mature players in the game.

Previously, I've [compared](#) Aurora with other niche players like **Green Organic Dutchman Holdings** (TSX:TGOD). The biggest takeaway is that Aurora stock remains your best bet at tapping international cannabis markets. Smaller players like Green Organic Dutchman and Village Farms simply don't have the scale to match.

Notably, the Canadian cannabis market is already two-thirds penetrated, making Aurora's international presence a huge value. It's already the biggest marijuana producer in the world, with sales in more than 20 countries. That scale has made Aurora the leading provider of medical marijuana in both Europe and Latin America.

“The U.S. alone has ample space to double or triple its market size over the next few years,” I wrote in February. “Adding in growth from every country in Europe, Asia, and beyond only magnifies this opportunity.”

If you want to maintain exposure to growing global demand for cannabis, Aurora shares are hard to beat. Village Farms, meanwhile, provides a much more focused opportunity.

Stick with David

In the past, I’ve argued that Village Farms could be the next **Cronos Group Inc**, which has a 1,000% higher valuation. Shares are up 40% since that [call](#), but if Village Farms can execute, there could be years of upside to go.

In the coming months, Village Farms should achieve one million square feet of cannabis production capacity. That should help fuel run-rate output of 75,000 kilograms by the end of this year. That’s an impressive feat for a company that focused on growing fruits and vegetables for more than a decade.

It’s this type of pivot that’s driven such positive expectations for the stock. As a deluge of cannabis growers enter production and flood the market with supply, there will be only two ways to win: sell value-add cannabis or become a low cost leader.

Companies like Green Organic Dutchman are taking the first approach, betting that organic cannabis can fetch a healthy premium and keep competitive pressures at bay. Village Farms has taken the latter approach.

The company’s long history of growing plants has given it a big advantage in the nascent cannabis industry: experience. With massive greenhouses already in place across North America, Village Farms has been able to convert its expert growing staff into cannabis connoisseurs nearly overnight. While competitors scramble to build facilities and train staff, Village Farms was able to hit the ground running immediately.

Management anticipates getting long-term production costs under \$1 per gram. The company’s proven history of execution makes this claim believable. If Village Farm’s can pull it off, it would become the clear cost leader in the industry.

With a market valuation under \$1 billion, I’m willing to bet that there’s more upside in Village Farms shares than the \$12 billion behemoth Aurora Cannabis.

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rvanzo

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