



Why the U.S. Market Stands to Be a Massive Catalyst for Cannabis Stocks

Description

In December, the United States Congress agreed to pass into motion the *Agriculture Improvement Act of 2018*, otherwise known as “The Farm Bill.”

Among other initiatives, the Farm Bill reintroduced legislation to legalize commercial hemp production for the first time since 1937.

And while Cannabidiol or CBD, currently remains a Schedule 1 drug, the new Farm bill does open the door to allow farmers in the U.S. to cultivate and harvest CBD from their hemp crops under certain exceptions, providing the proper procedures and regulations are followed.

It's the best news for cannabis stocks in months

For the most part, prices in cannabis stocks have cooled in recent months, perhaps not ironically, coming at almost the same time as the official start date of legal recreational cannabis on October 17 in Canada.

Another classic case of “buy the rumour, sell the news.”

While some have suggested that the reason that Canada's listed pot stocks have hit a standstill recently is that revenues in the new industry have still yet to materialize, I'd take issue with that claim and point out that most of us knew well in advance that the creation of proper supply chains, distribution networks and changing consumer preferences was bound to take some time.

When you consider that taken together, the market capitalization of Canada's three largest licensed marijuana producers, **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGG), **Aurora Cannabis Inc** and **Cronos Group Inc** currently values them at somewhere close to 5 times total industry sales, things start to look a bit saturated — and that's putting it mildly.

That's why the U.S. market is so important — and interesting

But when you consider the opportunity that would present itself if the U.S. were to continue liberalizing its federal policies for the drug, things begin to get really interesting again.

Not only is the estimated market for cannabis products in the United States vastly larger than that of Canada, but a move to liberalize government policies on the drug would almost undoubtedly pave the way for rapid changes toward pot around the globe.

Because the United States is such key hub for international financial markets, decriminalizing cannabis in the U.S. would not only pave the way for the creation of a new domestic agri-industry, but would also allow banks and financial institutions to handle cash earned from cannabis operations — something that they are currently vehemently restricted from being allowed to do.

Foolish bottom line

Canada's move as the first G7 nation to legalize pot for recreational use was certainly a bold one. Meanwhile, if the U.S. were to follow suit, it could mark a decided sea change in the way the drug is viewed internationally.

Just last week, Canopy Growth [announced a deal](#) that would see it buy U.S.-based Acreage Holdings Inc. — valued at US\$3.4 billion — in a deal that would vastly expand Canopy's operations south of the border.

That deal is still conditional on cannabis becoming legalized at the federal level in the United States, but it would appear that Canopy is seeing an opportunity there. Perhaps Foolish readers ought to be considering the same thing.

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