



Forget Canopy Growth (TSX:WEED): Why This Other Company Might Dominate Cannabis Beverages

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) sent shockwaves throughout the industry when it announced it had a deal with huge beverage maker **Constellation Brands** to work on cannabis beverages. And with Constellation increasing its [investment](#) in Canada's top pot stock last year, it looked like the two companies might be a match made in heaven.

However, despite aligning itself with a popular producer of alcoholic drinks, we haven't seen Canopy Growth come out with any big news relating to beverages. While it typically keeps its cards close to its vest, there's another reason why the company might not be big in the beverages segment, and that's because it has too many other things on the go.

Are beverages on the back burner?

With a big focus right now being on the U.S. market, by trying to tap into the hemp market and working a contingent deal with U.S.-based **Acreage Holdings**, beverages might actually be a low priority for the company today. Given the segment isn't expected to be big out of the gate, there are certainly more lucrative options in the short term. That's also why one of its rivals [isn't too concerned](#) about beverages just yet.

Opportunity for another pot stock to shine

Instead, it might prove to be a smaller player jumping into the mix and dominating the scene. I'm talking about **Hexo** ([TSX:HEXO](#)), which has a beverage deal of its own with **Molson Coors Canada**. While it doesn't involve a big investment like the Canopy-Constellation deal, nor is it as close of a partnership, it still gives both companies a jumpstart on their competition.

And while Hexo isn't exactly standing pat either, it is certainly a bit more focused on the beverages segment than Canopy Growth appears to be. In a recent interview with *BNN Bloomberg*, the company's CEO Sebastien St-Louis suggested that it would be ready for edibles with a "full suite of

products” available sometime this year. In addition to beverages, it plans to have vape products and gummies as well.

It’s the first hint we’ve really seen that suggests there has been progress on the beverages front and that the company will have something ready to go. While that’s always been the assumption with companies that have partnered with big beverage makers, it’s not something we’ve seen confirmation of.

Coming up with a good formula that works with consumers and has been tested can be a long process, and so just because a deal is in place with a beer company doesn’t automatically mean that a successful cannabis product will be ready to go. However, in Hexo’s case, it certainly looks like things are going according to plan, and that could give it a big advantage when edibles get legalized in October of this year.

Bottom line

While Canopy Growth and other big industry players focus on other segments of the market, Hexo has an opportunity to stake out an early advantage in beverages and edibles, which will be important if it wants to be on track for the lofty goals it has set out for itself.

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