



## This Weed Stock Gives Me Hope for the Marijuana Industry

### Description

Just under a year ago, the Canadian government announced its decision to legalize adult-use marijuana sales. Canada legalized the sale of cannabis dry flowers the move, opening the door for the legal cannabis industry.

The industry focused primarily on the profitability of medicinal marijuana in the past, but recreational marijuana provided the companies with a much broader customer base to leverage.

In anticipation of marijuana legalization on October 17, 2018, several publicly traded weed company stocks soared. Investors went all-in, expecting substantial returns.

The legalization did make the weed industry much more successful, but that did not necessarily mean higher profitability for the companies in the weed industry.

### Are pot stocks another dot-com bubble?

Share prices dropped in the last several months for most major pot stocks. Subsequently, the overall weed industry is not performing well. If you'd invested in pot stocks before legalization, you might have expected exponential growth after legalization.

The general performance of the industry, contrary to expectations, might have caused you to worry.

I won't lie; this drastic under performance caught me off guard as well. Many investors might see this decline in the cannabis industry as a sign that pot stocks are just another dot-com bubble.

I don't like how the overall pot industry is doing right now, but I feel strongly inclined to disagree with that line of thinking.

### Cannabis 2.0 and a promising candidate

The second wave of cannabis legalization is expected to take place next month. On October 17, 2019,

a year after the initial legalization, the new policy will come into effect. Dubbed Cannabis 2.0, this announcement will see the legalization for the sale of cannabis derivatives.

I know that investors might not feel inclined to flock towards pot stocks like they did last year. The months following last year's legalization made so many wary of pot stocks.

I feel that amid such a dismal state of affairs, there is still hope for the industry. **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)) is one of the [most prominent companies](#) to consider right now. For me, the company presents a ray of shining light ahead of Cannabis 2.0.

The market for cannabis derivatives is possibly a more promising prospect than just dry flowers. The sale of cannabis-derived products across the board offers larger profit margins for cannabis producers across the industry.

Village Farms is the only company that has managed to turn a profit despite the overall performance of the industry.

Village Farms is a vertically integrated greenhouse producer of fresh vegetables. The company has state-of-the-art greenhouse facilities in both Canada and the United States.

With most of the facilities in the U.S., Village Farms has an [advantage over competitors](#). The legalization of recreational marijuana country-wide is just a matter of time for our neighbors in the south.

As the legalization takes place, I believe that Village Farms is well positioned to have an advantage over other producers. The facilities used by the company to grow fresh vegetables can quickly cultivate cannabis, rather than creating infrastructure from scratch.

## Foolish takeaway

Weed stocks are the most volatile asset class in the stock market. I can't make any guarantees about what the future holds, but Village Farms does present a better picture for the weed industry, in my opinion.

At the time of writing, Village Farms' share prices stand at \$13.83. The P/E ratio at 43.79 might not make it look like the stock is undervalued right now.

I feel that this could be the perfect time to buy Village Farm stocks. Village Farms is a healthy company and is profitable right now, so the stock has all the potential to explode in the coming few months.

## CATEGORY

1. Cannabis Stocks
2. Investing

## TICKERS GLOBAL

1. NASDAQ:VFF (Village Farms International, Inc.)

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