



## 2 Stocks to Hold as the Cannabis Sector Gets an Overhaul

### Description

Growing CBD-rich hemp using expertise formerly reserved for veggies has put **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)) very prominently on the map for cannabis investors, especially those looking for a quick return. And those returns have been significant: Village Farms has returned 79% in the past year compared with an industry that, on average, is running at a loss.

Of course, Village Farms could well have staying power, too, but its relatively recent entrance into the legal recreational cannabis space and greenhouse expertise make it a top pick for quick gains.

Talking about staying power ... last week, Village Farms hit the number three spot in the TSX 30, a flagship initiative recognizing the best-performing TSX stocks based on their growth in share price. The market responded by selling shares, however, leading to 13.3% loss over the last five days at the time of writing.

Never mind the momentum traders, though: Village Farms is likely [only just getting started](#). As CEO Michael DeGiglio put it last week, “Now, leveraging more than three decades as a leader in large-scale, precision agriculture, we are adding to our legacy produce business with the biggest opportunity in our history as we pursue outsized, long-term growth potential in the cannabis and CBD markets.”

## The legal marijuana industry could rocket

Cannabis changes in Ontario could stimulate stocks like Village Farms, with two interesting new developments coming at once: the launch of the Ontario Cannabis Policy Council (OCPC), and a proposed change in the way marijuana is distributed in Ontario.

The founding of the OCPC could lead to more retail outlets opening in Ontario, which could drive down the black market and [increase sales of legal cannabis](#). Meanwhile, a switch to a Saskatchewan-style system of individual supply permits would mean that cannabis companies could become more competitive, driving down per-gram prices and essentially operating as regular businesses without the “middle man” of the Ontario Cannabis Retail Corporation.

Adopting a system in which retailers can obtain their own wholesale permits to then supply directly to licensed stores would theoretically free up the industry and allow producers to be more maneuverable and competitive in their business operations.

Retailers such as **HEXO** could benefit from the move, with its brand-driven lifestyle products tailor made for the natural footfall of a brick-and-mortar presence on the high street.

Perhaps best known for its Hydropothecary brand as well as for products such as Elixir and Decarb, HEXO could see a boost from changes in the Ontario cannabis industry. With a positive outlook for 2020, HEXO could be one of the first Canadian cannabis companies to break into profitability. If this happens, the stock will go from strength to strength, with investors falling over themselves to crown the first cannabis king.

## The bottom line

With investors eyeing Cannabis 2.0 with some skepticism, the new round of legalization is likely to be a watershed for the sector. However, there's still shorter-term upside to be squeezed from the sector, while long-term gains are up for grabs once the sector stabilizes.

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2. Investing

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