



Could This Lesser-Known Pot Stock Become the Next Aurora (TSX:ACB)?

Description

Over the past few years, we have witnessed several new cannabis companies prop up. The growth of the legal weed industry allowed a lot of companies to get a piece of the action. Leading up to cannabis legalization in Canada last year, things changed in the legal marijuana landscape. New doors opened, and it seemed like everything was looking up.

A lot of significant cannabis companies grew phenomenally. **Aurora Cannabis** ([TSX:ACB](#)) (NYSE:ACB) was a stock that grew like wildfire. The [immense growth potential](#) of Aurora attracted a lot of investors. Still, there was a lot of argument against the substance and structure that the weed stock offered. In the aftermath of weed legalization, the sector saw a huge change.

An industrial decline

Aurora, like other major pot companies, could not deliver on the promising outlook it presented to investors. The company did show fantastic growth in terms of stock value but had little to offer in terms of profitability. Even if everything went according to plan, the fact is that pot companies were trading at ridiculous valuations across the board.

The bottom falling out for an industry-wide decline was inevitable. Over the last 12 months, the Canadian Marijuana Index has lost over 60% of its value. Plenty of investors feel inclined to believe that the best years of weed stocks are behind us. I do not think that is necessarily the case. The demand for recreational marijuana certainly exists.

There are too many companies operating in the industry — both legal and illegal. The black market has the upper hand due to the lack of regulations, taxes, accountability, and other obstacles. That being said, I feel that there still are highly successful prospects in the legal pot industry. Case in point: **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)).

A pot industry with a great year

A 14-day RSI of 22.27 shows that it is likely Village Farms is an oversold stock, and it could be due for a bounce in the short term. Village Farms was not immune to the industry-wide decline for pot stocks. Still, it is one of the few companies that show signs of life in a critically wounded sector.

What makes Village Farms stand out is that it is one of the few cannabis companies that had a great year. At the time of writing, Village Farm stocks are trading for \$9.85 per share. Despite a significant decline, with most pot companies dropping more than 50% from valuations last year, VFF is up 73.72% from this time last year.

A prominent reason to differentiate VFF from its peers is that the company did not start as a pot company at all. Village Farms is one of North America's largest producers of premium-quality organic produce like tomatoes and cucumbers. The greenhouse growers have mastered the art of vertically integrated hydroponics.

Making the shift from vegetables to something greener was a matter of changing conditions in the facilities that VFF already has. The company has leveraged its expertise as a greenhouse grower to become a well-respected player in the burgeoning [marijuana industry](#).

Bad governance is a huge issue for pot companies in the stock market. Another advantage for VFF is that the company was listed on the TSX back in 2006. VFF knows better than to get caught up in scandals and poor governance, thanks to its experience.

Foolish takeaway

The question still stands: Is VFF the next Aurora Cannabis? I say no. Village Farms has the potential to become a significant player in the legal weed industry. And — dare I say it? — VFF could become even be better than ACB ever was. VFF is a trustworthy company, it is a TSX veteran, and it is not a pure-play cannabis company.

It was one of the few pot companies to do well over the last year, so I feel inclined to believe that Village Farms can have a bright future. If you are interested in marijuana stocks, you should consider looking closely at VFF.

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