



2 Canadian Cannabis Stocks That Will Benefit Most From Legalization in the U.S.

Description

Cannabis stocks have had a rough year with little upside catalysts — that is, up until this week.

The sector has been under increased pressure, as many companies try to turn a profit, and the industry struggles with a number of headwinds.

Political uncertainty in many provinces is making it difficult for these companies to operate, and the black market has been more resilient than many pundits expected.

A few years ago, investors couldn't get enough of these stocks. Today, funds have dried up in the sector, and many companies have shifted to save money.

Aurora Cannabis even announced last week that it's putting off completion of two of its facilities that are under construction to conserve roughly \$110 million in cash.

On top of that, as we are in tax-loss selling season, many of these stocks have been sold off even further, with **Canopy Growth** down more than 70% from its highs this year at the start of this week.

That was until the U.S. House passed a bill that sets the stage for federal legalization. This could be the catalyst [pot stocks](#) needed, as the sector then rebounded more than 20% the following couple of days when using **Horizons Marijuana Life Sciences ETF** as a gauge for the industry.

Federal legalization in the U.S. would be huge for the industry, and two stocks that are best positioned for that are **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)) and **Neptune Wellness Solutions** ([TSX:NEPT](#))(NASDAQ:NEPT).

Village Farms International

Village Farms is an interesting cannabis stock. It was originally a company that operated greenhouses, producing various vegetables. When the cannabis industry began to boom, naturally, its greenhouses were a perfect fit, and the company transitioned to become one of the top licensed producers in

Canada.

It still operates greenhouses in the U.S., however, where it's still producing high-quality vegetables. These greenhouses will be key for Village Farms when cannabis is finally fully legalized in the States, as they will act as a turnkey facility for it to once again transition to cannabis cultivation, giving it a major first-mover advantage.

The greenhouses, which are located in Texas, one of the best growing climates in America, have 5.7 million square feet of capacity and are fully state-of-the-art facilities.

Village Farms is an extremely well-run company, with years of cultivation experience and greenhouse growing data to help it make the best growing decisions.

It was already one of the top cannabis stocks before the news this week, but now that our neighbours to the south are that much closer to full federal legalization, it's definitely a stock you'll want to consider.

Neptune Wellness Solutions

Neptune is a cannabis stock focused on the extraction, purification, and formulation of cannabinoids as well as plant-based solutions for the health and wellness sector.

It's a leading company for edibles and extracts and has already signed deals with many large licensed producers in Canada such as Canopy Growth.

Currently, the company has a fully automated, large-scale extraction facility that processes cannabis in Canada as well as a hemp processing facility in North Carolina that it recently acquired.

The Canadian facility will soon have 1.5 million kg of capacity to process cannabis as well as an in-house quality control centre and R&D lab.

The facility in the U.S., which currently processes hemp, can be retrofitted rather quickly to accommodate cannabis, which is what puts Neptune in such an optimal position for when cannabis is finally legalized federally.

The extraction business is the future of cannabis, and with tonnes of research being done, the possibilities seem endless.

Bottom line

The entire sector is bound to be positively impacted when the U.S. finally legalizes cannabis federally, but these two stocks are already well positioned to take advantage.

With turnkey operations in the States already, the infrastructure is in place for the day that it's legalized, to give these two companies the first-mover advantage.

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2. OTC:NEPT.F (Neptune Wellness Solutions)
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