



Can Canopy Growth Stock Compete in the U.S.?

Description

There's no doubt that **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is one of the best stocks in the cannabis sector. Investors are more excited than ever about Federal U.S. cannabis legalization, buoying all stocks in this sector in recent months. Canopy Growth stock is no exception.

However, some of its peers, namely **Curaleaf Holdings** (TSXV:CURA), are ahead of the curve in this regard. Recently, Canopy made a big move in the United States. But will that be enough to topple the other players in the market? Let's find out.

Steps taken to gain market share in the U.S.

This Smith Falls-based company announced that it would be introducing four new cannabis-infused drinks in the United States. Its Quatreau products will contain 20 grams of CBD oil and will be sold online in four flavours. The company believes that there is ample scope for growth, as Canadians and Americans have almost identical consumer preferences. I believe that this could be a significant opportunity, as cannabis laws are overhauled by the Democrats.

Square and New Frontier Data reports suggest that \$121 billion will be spent on CBD oil between 2020 and 2025 in the United States. Moreover, the predictions indicate that consumers aged between 34 and 44 years will fuel the expenses.

As per Canopy's research, two out of three Americans who are aware of CBD oil cannot name more than one producer. I believe that the highly fragmented market will play out in its favour, as Canopy is a recognized brand with a proven formula.

A promising move, but more work to be done

Canopy has definitely taken a step forward in the right direction. However, when it comes to the U.S. THC market, Curaleaf has a [significant head start](#). Curaleaf's the big dog in a relatively small but booming town. This has been reflected in the sharp 400% increase in the company's stock price since

2020 lows. Additionally, with a Democratic sweep of the House and Senate, I think federal legalization is just a matter of time. Indeed, I'm convinced that there's a great opportunity for Curaleaf to dominate the U.S. cannabis market.

Contrary to most Canadian peers, Curaleaf has built what appears to be an efficient and sustainable vertically integrated business model. It engages in the manufacturing of value-added products, which enhances its margins across the board. Furthermore, it appears this company has a management team that's doing all the right things to promote long-term growth. I like that.

Indeed, I think Canopy will ultimately be playing an expensive game of catch-up to peers like Curaleaf.

Bottom line on Canopy Growth stock

Canopy Growth remains a top player in the cannabis market. However, the stock's growth rate has been sluggish compared to its peers. This might be due to a pervasive belief that U.S.-fixed companies will outperform, whereas Canada-focused companies will lag.

Accordingly, right now, my top pick in the cannabis space is Curaleaf. Canopy's a great company, but I think Curaleaf's growing lead is going to be very hard to overcome.

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TICKERS GLOBAL

1. CNSX:CURA (Curaleaf Holdings, Inc.)
2. NASDAQ:CGC (Canopy Growth)
3. NYSE:XYZ (Block)
4. TSX:WEED (Canopy Growth)

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