



TFSA Investors: 1 Value Stock to Buy in May 2021

Description

Village Farms International (TSX:VFF)([NASDAQ:VFF](#)) is one of the largest and longest-operating [vertically integrated greenhouse growers](#) in North America and the only publicly traded greenhouse produce company in Canada. The company owns one of the single largest cannabis growing operations in the world, one of the lowest-cost greenhouse producers, and one of the best-selling brands in Canada.

Growth by acquisition

Pure Sunfarms, which was acquired by Village Farms, leverages the company's 30 years of experience as a vertically integrated greenhouse grower for the rapidly developing cannabis opportunity in Canada. Pure Sunfarms is currently one of the largest producers of cannabis in Canada with distributions in five provinces. The company's long-term objective is to be the leading low-cost, high-quality cannabis producer in Canada.

Village Farms produces and distributes fresh, [premium-quality produce](#) to national grocers in the United States and Canada from more than nine million square feet of greenhouses in British Columbia and Texas. The company primarily markets and distributes under the Village Farms brand name to retail supermarkets and dedicated fresh food distribution companies throughout the U.S. and Canada.

Diverse business segments

The company also owns and operates a seven-megawatt (MW) power plant from landfill gas that generates electricity and provides thermal heat, in colder months, to one of the company's adjacent British Columbia greenhouse facilities. Village Farms also sells electricity to British Columbia Hydro.

Recently, Village Farms established a joint venture for multi-state outdoor hemp cultivation and cannabidiol (CBD) extraction, and initiated plans to pursue controlled environment hemp production at the company's Texas greenhouse operations. Internationally, Village Farms evaluates, and targets select, nascent, legal cannabis and CBD opportunities with significant long-term potential. Initially, the

company focused on the Asia-Pacific region through the company's investment in Australia-based Altum International.

Lucrative tomatoes business

Further, the company owns and operates four greenhouse facilities in west Texas totaling 130 acres and one produce greenhouse in Delta, British Columbia totaling 60 acres. The company also represents third-party growers on a sales commission basis, which represents approximately 49% of the company's 2020 gross produce revenues. The company primarily grows tomatoes at Village Farms's own facilities.

Approximately 85% of the company's 2020 produce sales were tomatoes. The company sells produce predominantly to retailers in the U.S. and Canada. For 2020 and 2019, roughly 86% and 84% of the company's sales were in the U.S., respectively, with the top two customers comprising of 27% of produce sales in 2020 and 22% in 2019. Retail direct sales were approximately 76% and 70% of total produce sales for 2020 and 2019, respectively, with the balance to wholesale customers who service small retailers or other markets such as food service.

Significant brand loyalty

Due to the perishable nature of the produce business, pricing is very sensitive to the daily demand versus supply in each produce category, with the company's primary category being tomatoes. Village Farms tries to combat the commoditization of the tomato category by offering unique tomatoes as a means of distinguishing the company to retail customers, but the large tomato varieties are still a predominant part of the company's produce business.

Village Farms's produce business has significant brand loyalty. This should serve long-term shareholders well.

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Date

2025/07/19

Date Created

2021/04/30

Author

nikhilwaterloo

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