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Creso Pharma set for CBD biz with new supply agreement

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CFN Media Group the leading agency and financial media network dedicated to the North American cannabis industry, announces publication of an article discussing Creso Pharma Ltd. and its unique position with near-term production, existing supply agreements, and an established European cannabidiol (CBD) line of products. With its international presence and clean balance sheet, investors may want to keep a close eye on the stock over the coming months.

Canada's cannabis industry is projected to reach C$22.6 billion over the coming years, according to Deloitte analysts, driven by the legalization of adult-use cannabis in October of last year. While many licensed producers have been scaling up their production, the market continues to experience a shortfall in supply that has created an opportunity for investors in companies with near-term production coming online.

Canada's Supply Shortage

Canada legalized adult-use cannabis late last year, but many consumers haven't been able to partake. With persistent supply shortages, the government has been forced to shut down or delay the opening of many retail locations. Quebec's government-owned stores have been closed three days per week; Alberta has stopped issuing new retail licenses; and, Ontario will initially open just 25 stores in the country's most populated region.

Many cannabis executives believe that these supply shortages will persist. Auxly Cannabis Group Inc. CEO Chuck Rifici predicted that it could be at least three years before the market hits equilibrium. These sentiments were echoed by Organigram Holdings Inc. CEO Greg Engel and Valens GroWorks Corp. EVP Everett Knight, who both believe the supply shortage will last a couple of years or more.

These supply shortages are largely due to over optimistic projections from many licensed producers. In addition to failing to deliver, these rosy forecasts have caused a decline in the price of many LP stocks. Investors are concerned that LPs that have over promised on production could fail to meet their production, revenue, and profitability goals, while potentially compromising their relationships with the retail side of the industry.

TerrAscend Agreement

Creso Pharma is uniquely positioned to capitalize on these developments with its near-term production capacity. While many licensed producers have overcommitted, the company has strategically focused on building a diverse global enterprise with a commercial presence in both Canada and around the world. The company is one of just a handful of cannabis companies with existing commercial operations in Europe.

In January, the company signed a three-year supply agreement with TerrAscend Corp. to provide premium cannabis product to help meet the significant consumer demand following legalization in October. Creso Pharma committed to selling 100 kilograms of cannabis flower per month to TerrAscend.

The company recently completed a 24,000 sq. ft., purpose-built, state-of-the-art cultivation facility in Nova Scotia that's capable of producing more than 4,000 kilograms of cannabis per year. In addition to the new supply agreement, the company is in talks with the Nova Scotia Liquor Corp. to receive preferred placement at the government-run store due to its standing as one of just a handful of local producers.