



Agrium's Wholesale Business Continues to Struggle

Description

"The advantage of being a global leader across the agricultural products and services value chain was evident again this quarter." With those words, **Agrium** (TSX:AGU)(NYSE:AGU) CEO Charles Magro may have been taking another shot at Jana Partners, an American hedge fund that wanted to break the company up. But at the same time, he did have a point.

The retail division, which is what Jana wanted Agrium to spin off, posted EBITDA of U.S. \$170 million, which is 35% higher than any previous fourth quarter. This came in the face of a short fall planting season and poor nutrient prices. Those same poor nutrient prices were what hurt the wholesale division. Adjusted EBITDA for wholesale came in at U.S. \$234 million, down more than 50% from the previous fourth quarter.

The weak wholesale business was a common theme for the year; wholesale gross profit declined by over 35% from 2012 to 2013. Agrium was not able to overcome these losses, with net income from continuing operations falling by nearly 30% relative to the year before. Despite the glum news, Agrium's results slightly beat analyst estimates, and the shares are up over 2% in response. This is a bit of a welcome reprieve for Agrium's investors, who at one point had seen their shares drop by more than 25% since reaching \$115 in early 2013.

In fact it has not been a good year for anyone exposed to soil nutrients. Shareholders of **Potash Corporation of Saskatchewan** (TSX:POT)(NYSE:POT) have also suffered from declining nutrient prices, with the big event of course being when Russian potash producer Uralkali pulled out of a marketing agreement with the Belarusians. PotashCorp shares fell by more than 20% that day, although they have since recovered most of that fall on hopes that the Russians and Belarusians will restore their agreement.

Foolish bottom line

Longer term investors of Agrium are still doing very well, and for good reason. The company is very well run, has a great footprint – especially in Canadian agriculture – and has benefited from increasing farm incomes in Canada and elsewhere. The stock, which was trading in the low \$50s at one point in 2010, today closed at over \$100. Investors can only hope the next four years will be just as fruitful.

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