



## 2 Agricultural Stock Picks for 2014

### Description

Coming off of the heels of a record-setting summer that saw total field crop yields jump 35%, Canadian farmers are beginning to look past the snow to the work that will begin in a few short weeks and planning how to spend the revenues from last fall — especially for wheat and canola growers, who saw the largest crops in Canadian history.

So what kind of infrastructure will farmers and corporate farms be looking to spend on, now that there's money in the bank? And what companies can benefit from this extra cash flow?

#### **Vicwest Inc. (TSX: VIC)**

Vicwest stands to benefit perhaps the most in the coming year, due in part to last year's harvest, and projections that this year's harvest could only be 15% lower than last year's record breaker. The reason Vicwest stands to benefit is through its Westseel division, which is responsible for designing and manufacturing crop handling and storage systems.

Farmers who are feeling uneasy of the railways' ability to move last year's harvest could be more inclined to upgrade their silos. A sentiment that is gaining traction now that reports are coming out is that last year's harvest will still be in storage when this year's is collected.

The Westseel division of Vicwest makes up approximately 50% of the company's total earnings, and about half of that is from its agricultural sector. Total revenues for Vicwest came in at \$394 million in 2013, down from \$411 million in 2012 and net income plummeted to a loss of \$5.1 million (-\$0.31 per share), a far cry from 2012's gains of \$11.5 million. The main reasons for some of the losses were an increase in the price of steel and a shorter construction season.

Any additional growth this year from agricultural customers may erase last year's losses, in February Vicwest reported that it was sitting on \$78 million in back orders, up from \$28 million of back orders in February 2012. This mountain of orders combined with another abundant crop projected this year could make this company a deal at \$9.24, as CIBC World Markets currently has a price target of \$11.50.

## Ag Growth International ([TSX:AFN](#))

Unlike Vicwest, AG Growth is a 100% agricultural company that offers a variety of products and services from small farms to elevator/transfer sites . These include grain handling, conditioning, permanent and moveable storage facilities, augers, belt conveyors and livestock infrastructure and solutions.

AG Growth is able to deliver such a complete catalogue of products and service through its many subsidiaries, including Westfield Industries, Hi Roller, Airlanco, and 10 others. To give some market share perspective, AG Growth currently controls about 40% of the North American grain handling equipment market.

This is not a Canada-only company; Canadian sales only attributed to 21% of total sales in 2013. The bulk of AG Growth's revenues comes from the U.S., which accounted for 53% of 2013 total sale, with the majority of the rest coming from Europe and Russia. The company is pushing to enter the Asia Pacific and South American markets in which it has a minimal presence.

Sales for 2013 came in at \$358 million up from \$314 million in 2012; this translated to a net profit of \$22.5 million (\$1.75 per share) up from \$17.1 million (\$1.37 per share in 2012). While excellent crops in Canada can boost the company's bottom line, investors should keep an eye on international trouble that could hurt the company. Potential difficulties such as a continued drought in the southern U.S. or unrest in Ukraine, as it represents the bulk of AG Growth's sales in its European and Russian regions.

### Foolish bottom line

Trust a prairie kid, although there may still be several feet of snow on the ground, temperatures across the prairies are expected to jump into the double-digits this week. The time is fast approaching for farmers to begin their work, and to decide how to upgrade their infrastructure. Even if the 2014 harvest falls a little short of 2013's, it still means that there could be once again more grain than storage, and more grain than can be handled.

Smart investors know when to plant, and when to reap their rewards. In this case, it's best to follow the farmers' timing. "If they plant it, you will earn."

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AFN (Ag Growth International)

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