



5 Reasons Investors Should Consider Agrium

Description

Agrium Inc. (TSX: AGU)(NYSE: AGU) is a big player in the agricultural chemicals industry. The company produces, sells, and distributes crop nutrients, crop protection products, seeds, and agronomics. It provides growers with the products required to meet the globe's increasing demand for food. Despite a sharp drop in Q1 2014 profits, the following are five reasons investors should consider Agrium.

1. The need for more food for a growing global population

By 2050, projections indicate the global population will be approximately 9.1 billion. The "High Level Expert Forum – How to Feed the World in 2050" said in a 2009 report that feeding this world population "would require raising overall food production by some 70 percent between 2005/07 and 2050."

Half of the world's basic food needs depend on commercial fertilizer. Agrium has more than 9 million tonnes of nutrient production capacity across all three macro nutrients: nitrogen, potash, and phosphate. The company is the world's fourth largest nitrogen producer.

Potash Corp. of Saskatchewan (TSX: POT)(NYSE: POT) is the world's largest potash producer by capacity. It is also among the largest producers of nitrogen and phosphate. Its fertilizer products assist in increasing crop production globally. The company has access to five lower-cost production facilities in Saskatchewan and one in New Brunswick. In addition, it has strategic investments in four international potash-focused companies.

Intrepid Potash ([NYSE: IPI](#)) is the largest producer of muriate of potash (MOP, or potassium chloride) in the U.S. For Q1 2014, the company's potash sales volume was 242,000 tons. This is up from 185,000 tons in Q1 2013. Potassium is essential to plant formation and growth. Since 2004, Intrepid has supplied, 1.5% of world potash consumption and 8.5% of U.S. consumption each year, on average.

2. Retail operations growth from acquisition

In October 2013, Agrium announced it completed its acquisition of Viterro Inc.'s Canadian and

Australian retail assets for C\$300 million (\$290 million). It acquired approximately 210 farm retail stores across Western Canada. Agrium also acquired 13 Viterra retail locations in Australia.

Consequently, Agrium's retail segment saw 2014 first quarter sales of \$2.2 billion. This represents an increase of 4% versus sales of \$2.1-billion for the same period the year prior. Total gross profit was \$387 million in the first quarter of 2014, versus \$376 million in the same period last year. The sales and gross profit growth was chiefly because of the contribution from the Viterra acquisition and improved results in Australia.

3. Offerings for growers

Farmers need seed varieties that are higher yielding and they need particular seed traits for specific crops. Agrium offers its Dyna-Gro seed. The Dyna-Gro seed division's test plots are used to evaluate thousands of potential hybrids and varieties. Seed traits currently available are corn, cotton, and soybean. Agrium's Dyna-Gro is one of the 10 largest seed companies in the U.S.

4. Expansion and other acquisitions

Agrium's goal is to expand its Vanscoy, Saskatchewan potash facility by one million tonnes. It is working to have this expansion completed in the second half of this year. Upon completion, the expectation is that the project will increase Agrium's production capacity by 50%.

The company is also looking to continue expansion of its proprietary products labels in crop protection, Loveland Products, as well as Dyna-Gro seed.

Agrium also completed 11 smaller acquisitions in 2013. It completed its Utilfertil retail acquisition last year, which opened the door to the Brazilian market for the company.

5. Dividends

For investors, Agrium is an income stock. This week, Agrium's board of directors announced a dividend of \$0.75 U.S. per common share. In 2013, Agrium increased its quarterly dividend by 50%.

The global food crisis and burgeoning populations worldwide means companies like Agrium will be called on to continually innovate with crop nutrients, crop protection products, seeds, and agronomics. Due diligence on what its future initiatives are will provide a clear picture on this company's value to agricultural production.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:IPI (Intrepid Potash, Inc.)

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