3 Commodity Stocks I’d Buy If I Had $25,000

Description

The long-term picture for commodities in general is a no-brainer. We live in a world with finite resources and our population continues to grow. Some commodities, however, are better positioned than others to profit from this simple fact, and therefore so are the stocks of the companies that produce those commodities.

Here are three companies that not only operate in a sector with long-term potential, but also have financial and operational characteristics that make them especially well-positioned to see their stock values grow. If I were to put $100,000 in a portfolio focused on long-term growth, these are three commodity companies that I would buy.

1. Canadian Natural Resources

Canadian Natural Resources (TSX: CNQ)(NYSE: CNQ) is Canada’s largest independent oil and gas producer. Whether or not Canada’s oil is “dirty”, there is a long-term case for it. Simply put, the oil is coming out of the ground and will continue to do so because there is a market for it. Until we are all driving electric cars or bikes and avoiding purchases of all petroleum-related products, our demand for oil will grow. Even better, Canada is one of the very few politically stable countries that is a major oil producer.

While there are dozens of Canadian oil companies, Canadian Natural Resources is widely recognized as the low-cost producer of heavy oil. The company holds long-life low-decline assets and consistently increases its dividend payments — two very important characteristics for a growth stock.

2. Yamana Gold

Even though gold is currently in a bit of a rut, and will likely face strong headwinds in the near term as the U.S. Central Bank continues to unwind its bond-buying program and will eventually hike interest rates, the long-term outlook for gold is robust. Simply put, no matter what is happening with the economic cycle, there will always be a demand for the metal.

Investors will pour their money into the commodity when geopolitical tensions rise, when interest rates get too high, or when interest rates get too low. The drivers are plentiful. Historically, gold prices right now are high, but they have pulled back considerably from their recent peak. While many miners scrambled to advance operations no matter what the cost was during gold's recent heyday, these companies are now paying the price with high debt and lower revenue.

However, this is not the case for **Yamana Gold** (TSX: YRI)(NYSE: AUY). Yamana's recent results show that the company's operating costs are declining, while the company's debt burden is manageable. Even better, the company recently jointly acquired a low-cost gold asset, the Canadian Malartic mine, through its acquisition of Osiko Mining with **Agnico Eagle Mines** (TSX: AEM)(NYSE: AEM), which will help keep its status as a low-cost gold producer true for years to come.

3. PotashCorp

I am not that positive on **PotashCorp's** (TSX: POT)(NYSE: POT) near-term outlook, but I am very bullish on the company over the long term. The case for PotashCorp is very simple. People need to eat, and with more mouths to feed and less arable land to grow crops, there will be an overwhelming need for farmers to increase crop yields. The best way to accomplish that is to use fertilizer.

While there are other fertilizer producers out there, I believe PotashCorp's large exposure to its namesake crop nutrient, potash, makes it stand out from the rest. Potash mines are very costly to develop, there are very few high-quality assets in the world, and the lead time to develop an asset is especially long. PotashCorp's ownership of high-quality, developed assets positions the company to benefit from the demand for fertilizer more than its competition.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:YRI (Yamana Gold)

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