



Is Agrium Inc. in Your Portfolio?

Description

Agrium Inc. (TSX:AGU)(NYSE:AGU) is one the largest producers of agricultural products and services, spanning both retail and wholesale segments. Agrium serves seven countries on five different continents with over 15,000 employees and half a million growers. The three crop nutrients the company focuses on are potash, phosphate, and nitrogen.

Let's take a look at some reasons why you should be investing in Agrium.

Agrium is a great stock to diversify your portfolio

Investors are constantly told to diversify their investments into different industries. Agrium represents a unique investment opportunity that is not only slated for lucrative growth, but is situated in an industry that is often overlooked by investors in lieu of shiny tech companies or big oil companies.

There are only a handful of companies to select from in the fertilizer industry, and Agrium not only represents a sound selection, but is also heavily diversified.

Most fertilizer companies focus on one or two types of fertilizers. Agrium adopted a more balanced view and provides all three forms of fertilizers. This gives Agrium an advantage over competitors, so in the event that one type of fertilizer drops in price (such as when potash dropped from \$900/ton to \$300/ ton), there is limited exposure to Agrium's bottom line.

Agrium has growth prospects now and in the future

Agrium is in an advantageous position because it is the largest direct-to-grower distribution network in the world. With the global population rising rapidly, there is and will continue to be a massive need to grow enough food to cover existing and future populations.

As the size of the market expands, so too must the resources. Agrium has on occasion acquired smaller independent producers, who make up approximately 30% of the market. Given Agrium's size and financial clout in the market, this is a seamless way for the company to expand relatively quickly.

The agricultural products that Agrium sells are primarily sold during the fall season around harvest time, when farmers stock up and prepare for the next year's crops. This seasonality factor increases the company's revenues and stock price during that time.

Agrium's results speak for themselves

Agrium currently trades at just over \$129. The stock is currently hovering between the 52-week high of \$146.51, and the low of \$106.68. Over the course of the past three months the stock has been relatively flat, up only 1.23%. Extending this out to show year-to-date performance, the stock is up an impressive 17.39%

Agrium pays a quarterly dividend of \$1.17 per share, which works out to a respectable yield of 3.63%. Revenue for the company has steadily risen over the years, despite the decrease in prices in the commodity market. Both dividends and earnings have risen over the years, and there is no reason that both should not continue to increase. Consensus among analysts put this figure at approximately 11% of growth per year, making Agrium a great option for investors.

In my opinion, Agrium is a sound investment for those investors looking to diversify their portfolio with a company that has solid financials, an impressive history of raising dividends, and revenue that will grow over the next few years.

CATEGORY

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