Defensive Investors: Consider This 1 Company for the Long Term

Description

Among the industries most investors consider to be ultra-defensive, or those that can withstand (and perhaps turn increased profits in) a market downturn is the mass market food industry. The providers of key food ingredients to quick-service restaurants, grocery retailers, or fast-food outlets are interesting plays to consider for investors worried about the potential for a market correction or downturn in the quarters or years to come.

One such interesting name traded on the TSX is **SunOpta Inc.** (TSX:SOY)(NASDAQ:STKL). This company provides a range of non-GMO and organic food ingredients to large-scale customers across North America. Among the company's largest customers are **Loblaw Companies Ltd.**, **McDonald's Corporation**, and **Costco Wholesale Corporation**.

SunOpta has recently put in place a value-creation plan to improve the company's base of operations, one which the market has widely considered to be poorly managed with significant room for improvement in the strategic long-term scope of how SunOpta creates value for its key customers.

Over the years, SunOpta has engaged in an acquisition-fueled growth strategy to bring on new vendors able to service the needs of their large corporate clients and in doing so has broadened the reach of SunOpta substantially while further enhancing the company's vertical integration and profit-taking ability across the value chain. That being said, a number of analysts have pointed to the fact that the recent board review of the strategic direction of the business is indicative of the inability of management to effectively and profitably integrate many of these acquisitions — something investors are hoping the new management team appointed by the board as a part of the strategic review will be able to do.

The new management team, led by CEO David J. Colo, brings a wealth of experience in the food industry to SunOpta's team — experience which has been matched by aggressive targets and improved compensation packages intended to push the company forward in the quarters to come. The aggressive targets include cost-improvement initiatives, which are expected to result in an improvement of the company's profit margin by 40% by continuing to grow U.S. organic and non-GMO sales, and revenues, which currently account for a very small percentage of the overall business, despite becoming a larger part of the overall health trends seen in the U.S. market.

Bottom line

SunOpta is an interesting company to consider as a long-term play in the North American food supply chain. SunOpta is one of the few food manufacturers/suppliers that has made a concerted and very public effort to focus on the “health conscious” end of the value chain for some of the largest food companies in North America, with the potential to capture a larger percentage of a growing market in North America and globally.

Stay Foolish, my friends.

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