



5 Reasons Why Shares in Nutrien Ltd. Will Take Off in 2018

Description

On January 2, **Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)) officially announced it had completed the merger of two Canadian agricultural giants, Potash Corp. and Agrium, to form what is now the world's single largest crop nutrient company.

Prior to deal closing, [shares in both companies had already been taking off](#) in anticipation of the force the new company would pose in the global agricultural market.

Here are five reasons why you can expect great things from Nutrien in 2018:

Demand is growing for agricultural products and services

The world's population is growing at an accelerating pace, particularly in emerging markets, which are also seeing a rise in the middle-class population.

These two factors alone create a huge demand on the global food supply chain, which only has a finite amount of arable land on which to grow and harvest crops.

Nutrien's crop nutrients offer the perfect solution to improve yields — a vital solution that will help the agricultural industry meet this oncoming demand.

The newly formed company now owns the leading agricultural retail network

Nutrien's retail channel is the largest provider of direct-to-grower crop solutions in the world. The company's global scale and reach provides it a distinct cost advantage in terms of procuring supplies at discounts to competitors as well as logistical efficiencies in managing its supply chain that are difficult for others to match.

Nutrien now holds the size advantage

The newly formed company now holds the claim of being the largest producer of potash in the world, producing up to 25% of global potash capacity.

And in combining Potash Corp.'s mining assets with Agrium's retail network, the company is enviably positioned to take advantage of synergistic opportunities as larger, more vertically integrated company.

The company owns a diverse portfolio of assets with many sources of growth

Nutrien now has many runways of growth ahead of it.

It sees opportunity for organic expansion in the retail business along with plans to expand production at its potash mines.

Moreover, the integration of the two businesses is expected to generate significant efficiencies in logistics and marketing and up to \$500 million in savings annually.

A recovery in commodity prices could pave the way for future dividend increases

The \$500 million that Nutrien expects to generate in operational savings in 2018 is expected to help generate excess cash flow for the newly formed company well above its required maintenance capex, meaning it will have within its means the capacity to increase its dividend going forward.

And if [commodity prices are to continue on their current uptrend](#), that outlook will only improve.

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