



The U.S.-China Trade War Could Boost These 2 Canadian Stocks

Description

The presidential memorandum signed by Donald Trump on March 22 targeted over \$50 billion worth of Chinese goods. The threat of a trade war shook markets and resulted in a global rout that lasted until the end of last week. [U.S. indexes rebounded](#) on March 26, but the threat of retaliatory measures from China remains.

Reports indicate that China is mulling 15% tariffs on U.S. wine and other products, and a 25% tariff on pork products and recycled aluminum. The tariffs would open up markets to European and possibly Canadian producers going forward. Today we'll look at two Canadian companies that could move into the massive Chinese market as trade tensions heat up.

Maple Leaf Foods Inc.

Maple Leaf Foods Inc. ([TSX:MFI](#)) is a Mississauga-based producer of food products. Maple Leaf stock has dropped 13.3% in 2018 as of close on March 26. Shares are down 2.8% year over year. The stock also offers a quarterly dividend of \$0.13 per share, thereby representing a 1.4% dividend yield.

In 2017, China consumed approximately 74 million tonnes of pork, beef, and poultry. Over half of that is pork consumption, demand for which has flattened somewhat in recent years, but remains very high. Like its counterparts in Europe and North America, China has pushed for more nutritional balance that advocates for a reduction in fat, salt, and sugar consumption. However, analysts expect pork demand to increase into the 2020s.

Maple Leaf posted total sales of \$3.52 billion in 2017, which represented a 5.7% increase from 2016. Adjusted EBITDA rose 11% to \$381.1 million. Growth in the U.S. and its plant protein segment was actually offset by lower numbers in its pork processing. If tariffs are implemented, we will see intense competition from European producers, but Maple Leaf could find an opening for more growth in the world's largest pork market.

Andrew Peller Ltd.

Andrew Peller Ltd. ([TSX:ADW.A](#)) is a Grimsby-based producer, bottler, and marketer of wine and

wine-related products. Andrew Peller stock has climbed 17.8% in 2018 thus far and has soared 66% year over year. Wine has become the [most preferred alcoholic beverage among millennials](#), now the largest demographic in the United States and Canada.

Wine consumption trends also show great promise in China. According to Vinexpo, one of the largest exhibitions for wine and spirit professionals, the wine market size in China is expected to reach \$23 billion in sales revenue by 2021. This represents a compound annual growth rate (CAGR) of 30%. Just as in North America, this trend has been powered by the changing consumer habits of younger demographics, who have turned away from spirits and hard liquor. If these growth projections are accurate, China will grow to be the second-largest wine consumer in the world behind the U.S.

In its fiscal 2018 third-quarter results, Andrew Peller saw adjusted EBITDA jump 27.5% year over year and sales rise 10.1% from the prior year. California wine makers have pleaded with U.S. officials to resolve the dispute or else risk weakening producers south of the border. If the tariffs are implemented, Andrew Peller could take advantage.

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2. TSX:MFI (Maple Leaf Foods Inc.)

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