



3 Agriculture Stocks to Watch This Spring

Description

NAFTA negotiations reportedly extended into the weekend, as [leaders are pushing for a deal](#). On Friday, Canada and Mexico said that positive progress had been made. It appears that negotiations may be entering the final stretch. Moises Kalach, a senior representative for the Mexican private sector at the talks, said that a deal was likely “a couple weeks away” on Friday.

Auto content has been a big sticking point over the course of negotiations, but investors should not sleep on other industries that will no doubt be altered as leaders push for “modernization.” The United States has pushed back against Canadian assertions that it also subsidizes its dairy and agricultural industries. When negotiations opened last year, one of the early demands from the U.S. delegation involved scrapping the [supply-management system](#) in Canada.

The U.S. is reportedly pushing for more access to Canadian markets, while Canadian leadership has dug its heels in. The agricultural manufacturing industry has also grown anxious as negotiations continue. Nigel Jones, the director with the Agricultural Manufacturers of Canada (AMC), has said that uncertainty forced a “pause in terms of investment decisions.”

The hope is that the agricultural industry and investors at large will be granted more clarity in the coming weeks, as a deal appears to be close between the three sides. In the meantime, let's look at three stocks in the agricultural industry to monitor.

AGT Food and Ingredients Inc. ([TSX:AGT](#)) is a Regina-based company engaged in the sourcing and processing of pulse specialty crops for export domestic markets. Shares have dropped 18.4% in 2018 as of close on April 20 and are down 44.6% year over year. In the summer of 2017, AGT CEO Murad Al-Katib predicted that NAFTA would be resolved rather than scrapped due to the ties between North American economies.

The company has suffered somewhat in recent years. In 2017, the Indian government started to sell its large stockpile of pulses, which flooded the global marketplace. Last year, AGT reported adjusted EBITDA of \$15.6 million compared to \$10.1 million in the prior year. It also offers a quarterly dividend of \$0.15 per share, representing a 3.6% dividend yield.

SunOpta Inc. ([TSX:SOY](#)) is a leading provider of organic and non-GMO consumer food and ingredients in Canada and the United States. Some of its clients include **Loblaw Companies Ltd.**, **McDonald's Corporation**, and others. Shares have dropped 10.3% in 2018 but are up 1% year over year. Revenues and adjusted EBITDA were down marginally from 2016 to 2017, but SunOpta is an attractive speculative buy considering the growth of the organic food market.

Saputo Inc. ([TSX:SAP](#)) is a Montreal-based dairy company. It recently won approval for a \$1 billion takeover of Australia's largest dairy processor, Murray Goulburn Co-operative. The Canadian supply-management system has provided Saputo with security in domestic markets, but the company has actually embraced the concept of scrapping it, as it looks to expand to international markets. In the third quarter of fiscal 2018, Saputo saw revenues increase 1.9% to \$3.02 billion. The stock also offers a dividend of \$0.16 per share, representing a 1.1% dividend yield.

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