



## Investors Could Milk the Dairy Dispute with Saputo Inc. (TSX:SAP)

### Description

The Canadian dairy industry has a few gems when it comes to investing, and **Saputo Inc.** ([TSX:SAP](#)) is one of the biggest and brightest. A producer, marketer, and distributor of dairy products servicing markets in Canada, Argentina, Australia, and the U.S., Saputo should definitely be on your radar if you want to buy Canadian stocks that will make you money.

Saputo recently made headlines when it joined the debate about dairy supply management. Over-quota tariffs are a hot political issue in Canada. They're popular with the farmers and go some way to manage production and reduce surplus. However, some other markets may consider a competitive disadvantage at play, and this has led to criticism south of the border.

### Don't let bad news curdle investor confidence

Have trade dispute headlines affected Saputo's share price? While shares finished a cent lower the day the story broke, shares have gained 1.71% in the last five days, so it's hard to say. In fact, Saputo seems to be doing quite well, [despite uncertainties regarding NAFTA](#) buffeting investor confidence.

All told, Saputo is looking at a hold to moderate buy signal from some analysts. Saputo does pay a dividend — to the tune of 1.46% and set to rise to 1.52% next year — so there is an opportunity to profit passively by holding long term, though perhaps its real worth as a stock could come from positive breakthroughs in international trade in the post-Brexit, new-NAFTA era.

In terms of value, Saputo is trading 8.53% below its 52-week high, though at \$43.43 it's slightly over its projected future cash flow value of \$39 a share. Its P/E isn't far off the TSX average at 19.9 times earnings, so you're looking at close to market parity where pricing fairness is concerned. So, is Saputo good value? It might be worth looking beyond multiples to see the bigger picture.

### Is there an opportunity following Saputo's beef with Class 7?

Possibly, yes. Going forward, you might expect to see a drop in dairy share prices any time Class 7 hits the news or the U.S. brings up dairy trade disputes and/or imposes additional tariffs. Such news could well create a value opportunity, with the amount of added value dependent on the [potential severity of the impact](#)

At the end of the day, Saputo is well placed to weather even a moderate trade dispute, and therein lies its true worth. Saputo is nicely diversified in terms of markets, with many of its customers beyond North America, and this alone makes it a stock worth eyeing should a value opportunity appear.

### The bottom line

Saputo is a solid stock with a smart acquisitions strategy — it just bought out Shepherd Gourmet Dairy (Ontario) Inc., for instance — and with its broad international customer base, it's well rooted. In fact, its beta of 0.87 shows just how well insulated it is. With a flawless balance sheet and a track record that should be the envy of any Canadian stock, an investor on the TSX should be proud to have Saputo in their portfolio. The only question remaining is when to buy.

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