



Should You Buy These 3 High-Profile Canadian Food Stocks?

Description

If there's an economic baseline for the world, feeding 7.5 billion people is probably it. Gold, energy, oil, infrastructure — they're all solid defensive areas to invest your money if you want to keep it safe, steadily grow it, or both. But food tops all of them in terms of universal necessity.

Unfortunately, for financial advisors as well as humanitarians, food security is becoming harder and harder to maintain. The opportunity as an investor? Put your money in smart new ideas for feeding the world. Let's look at a few Canadian stocks that might fit the bill.

SunOpta Inc. ([TSX:SOY](#)) is well positioned to benefit from [changes in international soybean trade](#). Once China applies its proposed tariff on U.S. soybeans — due to come into effect July 6 — Chinese companies are likely to begin casting around for alternative suppliers to cut costs. This is only going to add to SunOpta's expected annual growth in earnings of 103.4%.

You may be paying more than its intrinsic value, but explosive growth forecasts like that are catnip to investors looking around for big capital gains. China's rebalancing of the soybean industry may be enough to overlook a mixed balance sheet.

Nutrien Ltd. ([TSX:NTR](#))([NYSE:NTR](#)) is technically a materials stock, but because it is so closely aligned with the food and beverages industry, you're kind of getting a two-for-one by buying this stock. Okay, that's not exactly a mutual fund level of diversification, but it's still a plus.

An expected 34.8% annual growth in earnings makes Nutrien a [high-quality, high-growth stock](#) that capital gains investors should take note of. While its 12-month return on equity was lower than the average for the market, and its fundamentals currently confirm overvaluation, Nutrien has the potential to catch up to — and surpass — its sector.

Saputo Inc. ([TSX:SAP](#)) is a big deal in Canadian dairy producing, marketing, and distribution. Its operations span Canada, Argentina, Australia, and the U.S. Having recently snapped up Shepherd Gourmet Dairy (Ontario) Inc., it's a stock to consider if you like your companies hungry. One of the best things about Saputo is how stable its share price is, with a beta of 0.87. Its broad geographical diversification is its other great strength.

Saputo beats the other two stocks here on fundamentals, too, and its return on equity trounces its sector's average. It's a dividend payer as well, offering shareholders a yield of 1.47%.

The bottom line

Nutrien is one to watch for a dip, though investors with some understanding of food security may want to buy it speculatively in the event of world food shortages. War, famine, natural disasters — all can drive food prices through the roof. And all are, to some extent, inevitable. Events like these would make Nutrien's current overvaluation look negligible.

For less pessimistic investors, or more risk-averse ones, at least, go for the more fairly valued Saputo and/or SunOpta. Alternatively, consider all three for a triple-whammy of great Canadian food stocks. SunOpta is particularly attractive, not only because of its opportunity to benefit from China's tariff on U.S. soybeans, but also for its large share in the growing market for organic and non-GMO food solutions, value-added grains, and fruit-based specialist products.

CATEGORY

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2. TSX:NTR (Nutrien)
3. TSX:SAP (Saputo Inc.)
4. TSX:SOY (SunOpta Inc.)

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Date

2025/08/25

Date Created

2018/07/06

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