



This Dairy Producer Holds Massive Appeal for Growth-Minded Investors!

Description

One of the things that fascinates me is the intersection of being an investor and a consumer. As a consumer, there is a certain element of brand loyalty that we all exhibit when browsing the shelves at our grocery store. Sometimes that loyalty stems from a perception of superior quality; sometimes it's price; and other times it is just habit.

But how often have you stopped to consider the name behind that popular brand and whether it would make a suitable addition to your portfolio?

Let's take a look at one such company: **Saputo Inc.** ([TSX:SAP](#)).

The first thing that many would-be investors may not realize is that Saputo is big. The company boasts 15,000 employees across U.S., international, and Canadian sectors, taking over 10 billion litres of milk each year and turning it into a variety of different cheeses that are sold in over 40 countries under a myriad of well-known brands.

In Canada, some of the brands Saputo owns include Armstrong, Baxter, Baileys Coffee Creamer, Dairyland, International Delight, and Neilson.

In short, Saputo is one of the 10 largest dairy producers on the planet.

What about all that talk of tariffs on dairy?

While the NAFTA renegotiation talks have cooled down or shifted to the [automotive sector](#) following Mexico's election and President Trump's whirlwind of international meetings with NATO and then Russia, Canada's dairy system remains a point of contention for negotiators on both sides of the border.

Canada's dairy supply-management system limits production to what the Canadian market can consume and imposes limits on what can be imported, which, by extension, results in dairy prices in Canada being much higher than in other countries. The practice isn't exactly welcoming to imports, which make up only 10% of the Canadian dairy market.

American negotiators want that supply-management system torn down, so American dairy farmers can sell their products in Canada; this would also allow a greater portion of Canadian dairy farmers to sell their products in the U.S. market.

The supply-management system keeps prices high in Canada, which helps farmers and limits the waste that is evident in other markets, where there are no limits established.

Saputo has gone on record stating that the supply-management system needs an overhaul, and that Saputo would welcome the competition from foreign dairy farmers domestically and the opportunity to sell its products in a greater capacity in the U.S.

Saputo's incredible growth and dividend

Saputo's already enviable size does not mean that the company isn't continuing to pursue other avenues of growth. The company recently acquired Australian-based Murray Goulburn for a cool \$1.3 billion. The deal will ultimately see Saputo in a commanding position over half of Australia's milk powder market, but, more importantly, the deal will further open the lucrative Chinese market to Saputo.

Murray Goulburn maintains a strong presence in China, with a manufacturing facility that utilizes Australian dairy ingredients.

Beyond those growth prospects, Saputo also offers investors a quarterly dividend that pays an appetizing 1.44% yield that has grown through consecutive annual increases stemming over the past few years.

Should you buy Saputo?

The commanding market share the company has in Canada as well as the established presence Saputo has in the U.S. and international markets make the company a compelling, if not diversified, investment choice. And the aggressive stance towards further expansion and the [respectable dividend](#) that Saputo offers help make the company an intriguing investment opportunity for the long term.

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