



Here's an Underrated Food Stock Poised to Grow

Description

Earlier this week, I'd mentioned several [impressive food investments](#) that not only provide healthy dividends but also trade at discounted rates. Part of the appeal of food stocks stems from the delicate balance between providing us with something we need to survive, while offering a way for us to express our preferences and draw satisfaction from those preferences.

To put it another way, we need food to survive, so we buy food. We also take enjoyment from prepping and consuming food. It's not unlike a utility investment, but you actually get satisfaction from selecting your source, paying for it, and consuming it.

That makes a compelling case for investing in food stocks.

Maple Leaf Foods ([TSX:MFI](#)) is an interesting pick for investors contemplating a food investment, and not just because of the points I mentioned above.

For those unaware of the sheer breadth of Maple Leaf Foods, the company is one of the largest poultry and pork product manufacturers in Canada. The company's products are released under a variety of different brands that are popular with consumers, such as the company's namesake.

It's not just meat either — in recent years, Maple Leaf has expanded its operation to include plant-based foods that appeal to vegetarians, such as the acquisition of U.S.-based Lightlife Foods, which started appearing on grocery shelves this summer.

It's all part of a growing need in the marketplace to cater to the changing needs of consumers, which extend beyond what type of meat (or plant-based food) is in the packaging.

The new Maple Leaf

One change that consumers have likely seen recently is Maple Leaf's new packaging. Maple Leaf announced a massive re-branding effort earlier this year that will impact all of its products over the next year; efforts call for increased transparency to consumers while maximizing the sustainability of operations.

All products are being reformulated to be free of preservatives, colours, sweeteners, and chemicals, and packaging is being redesigned to be both sustainable and simple. Gone are the hidden fine print labels and complicated ingredient lists, which are being replaced with larger, easy-to-read ingredients.

It's an ambitious and admirable approach that will appeal to both younger generations that are concerned with the ingredients in their food and protecting the environment, as well as older consumers looking for more simple ingredients that are better for their health.

What about results?

In the most recent quarter, Maple Leaf posted \$909.2 million in sales, down 1.8% over the \$925.9 million reported in the same quarter last year. Net sales also experienced a pullback in the quarter, coming in at \$34.9 million, or \$0.28 per share, compared with the \$37.3 million, or \$0.29 per share, reported in the same quarter last year.

Much of that drop can be attributed to the adoption of the IFRS15 reporting standard, and once adjusting for that change, sales were actually up by 1.1% in the quarter.

Should you invest?

Food investments are constantly bypassed by investors, despite their incredible potential. This factor alone should make an intriguing investment like Maple Leaf a viable candidate to diversify your portfolio.

Investors still on the fence should also take into consideration the quarterly dividend that Maple Leaf offers, which pays a respectable 1.66% that has seen annual or better increases stemming back several years. While that may not be enough to entice [income-seeking investors](#), it does help.

When you factor in the growth potential that is likely to come from the company's brilliant re-branding and the growing dividend, you have a compelling investment option that is a worthy inclusion to any portfolio or TFSA.

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