Ignore Talk of Trade Wars and Global Unease and Buy This Stock

Description

Trade talks, trade wars, and geopolitical events are all making investors nervous at the moment. But the truth is that there is always something in the news meant to scare us, so as investors we need to decide whether the information is a great enough threat to our investments that we should bow out of the market and invest in safe assets like GICs and bonds, or whether we should continue to be invested in the stock market no matter what the circumstances.

Besides, there are investment options that may be profitable no matter the political climate. After all, not all of our needs and wants decrease when we are hit with a major recession or some other economic downturn. I can't think of anything more basic than the need to eat, so companies that are operating in the area of food production may just be worthwhile investments over the long term.

Over time, demand for food and agricultural products can only increase. According to the United Nations, the Earth's population is projected to grow to 8.5 billion by 2030 from the current population is around 7.3 billion. Those are a lot of mouths to feed. Companies like **Nutrien Ltd**. (TSX:NTR)(NYSE:NTR), the combined entity of the former Potash Corp. and Agrium Inc., stand to benefit from the trend.

The merged organization is commodity heavy, receiving approximately 65% of its EBITDA from its commodity business, but it is also one of the largest players in the sector. It also retains Agrium's retail business — a business that is still growing and currently provides about 35% of EBITDA. That is enough to create meaningful diversification away from being a pure commodity play.

The combined entity is forecasted to perform quite well, with the company expected to increase its reported EBITDA by around 30-35% from 2017 to 2018. Much of this is due to projected potash and nitrogen usage, which the company expects to increase by 2-3% per year until at least 2022. Even if commodity prices are volatile, increased usage is relatively predictable given expected population growth. The company expects this to translate into commodity demand growth of approximately 2% per year — a fact that bodes well for future earnings growth.

Nutrien's retail business is also expected to grow significantly over the next few years. With the company expecting to open new retail locations around the world and commodity demand steadily growing, Nutrien expects to grow EBITDA from these locations by 50-140 million per year. All this information adds up to a healthy, long-term hold.

Of course, we have heard all this hype before. In the 2000s, shares of Potash Corp. were driven extremely high because of the same expectations of population growth expounded upon in this article. As many Potash Corp. investors discovered, the expectation of high demand is not the same as actual demand, and the shares fell significantly from their highs. That being said, the current situation appears far less bubbly, and increasing population demand is a very real phenomenon that should help Nutrien deliver returns in the years to come.

Nutrien should be a part of any Canadian investor's dividend portfolio. This is a long-term play on population growth, so the company should be around for quite some time, no matter the current political climate. The combined entity, although it is still early, appears to be a success, so owning this company as a long-term hold should pay off for investors.

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