Are These Food Stocks a Safe Choice for Your RRSP?

Description

Earlier this week, I'd discussed rising prices at restaurants in 2019. The Canada Food Price Report detailed its projections for price increases heading into this year, and vegetables led the way. The report projected an increase between 4% and 6% for produce this year. Overall, the total food price forecast was projected in a range between 1.5% and 3.5%.

Canadian stocks have started off hot in 2019, but looming economic headwinds should have investors considering a defensive strategy for the remainder of the year. This may be prudent for those re-configuring their retirement portfolios to start the year. Are food stocks a viable option for investors seeking stability?

Today, we are going to look at three stocks to consider in late January.

Maple Leaf Foods (TSX:MFI)

Maple Leaf stock has climbed 6.8% in 2019 as of close on January 23. Shares are still down 17% year over year. Maple Leaf stock has been in a rut since reaching all-time highs in late 2017. Meats are expected to experience a price decline between 1% and 3% in 2019 according to the CFPR.

The company is expected to release its fourth-quarter and full-year results for 2018 in February. In the third quarter, Maple Leaf reported a 29.3% decline in net earnings to $26.6 million. Earnings were negatively impacted by adverse market conditions and volatility in hog prices. In the year-to-date period, Maple Leaf reported sales of $2.60 billion, which were down 1.7% from 2017.

Maple Leaf stock boasted an RSI of 63 as of close on January 23. This indicates that the stock is veering close to overbought territory right now. Uncertain market conditions and a modest dividend yield make Maple Leaf an unappealing addition today.

High Liner Foods (TSX:HLF)

High Liner stock has dropped 3.4% in 2019 so far and shares are down 45% year over year. Seafood prices are projected to move at a range between 0% to a decline of 2% this year. This is the first time in a decade that prices in meat and seafood have experienced a decline.

High Liner has targeted reforms to its core business, which it highlighted in its third-quarter report. Shares were hit hard by a recall back in 2017. Demand for seafood remains high, but High Liner will experience challenges as it pursues an organizational realignment. The stock does offer an attractive 7.8% yield, but in Q3 the board announced that it had commenced a review of its capital structure. High Liner's dividend may be at risk going forward.

Saputo (TSX:SAP)

Saputo stock has dropped 1.2% in 2019 as of close on January 23. Shares are down 9.9% year over year. Dairy is projected to experience an anticipated price increase in the range of 0-2% in 2019. Back in early December, I'd discussed why Saputo was worth consideration due to its impressive history of dividend growth.

Saputo is expected to release its fiscal 2019 third-quarter results on February 7. For the first six months of fiscal 2019, Saputo reported revenues of $6.68 billion compared to $5.77 billion in the prior year. Saputo stock had an RSI of 39 as of close on January 23, which puts it firmly in neutral territory in late January.

Although Saputo has a long history of dividend growth, it only boasts a 1.6% yield with a dividend of $0.165 per share.

As it stands, there are simply better options on the TSX than the three we have focused on today. Only Saputo can be said to be a suitable target for an RRSP when taking its wide economic moat and history of dividend growth into account.

CATEGORY

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2. TSX:MFI (Maple Leaf Foods Inc.)
3. TSX:SAP (Saputo Inc.)

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