



Which of These 2 Stocks Has More Headwinds?

Description

Catching a secular trend is a great way to a winning investment. Being on the wrong side of a trend, however, is like a rip current that takes your portfolio out to sea.

It's important to recognize long-term trends. Follow your instincts. Take in what may seem obvious from everyday activities, for example. What do you observe?

Here are two liquids stocks to compare.

Fewer beers getting cracked

Recreational use of marijuana is a secular trend with an upswing. This is one reason — but not the only one — why beer, wine, and spirits consumption has decreased. People are much more health conscience now.

For instance, to assuage binge drinking, the U.K. took a hard line on alcohol: abstain. A 2018 survey shows this secular trend is taking effect. As reported by the BBC, “under-25s [are] turning their backs on alcohol.” The article states that “the proportion of 16 to 24-year-olds who do not drink alcohol has increased from 18% in 2005 to 29% in 2015.”

Beer consumption in Canada is also showing a decline. There was a modest 1% decline in total beer volume from 2016 to 2017. Craft beer was the exception, swinging above its weight class and helping to stabilize the trend.

The Canadian suds industry needs all seven NHL teams to make the playoffs and one of them to take the cup. Now I'd drink to that!

I have nothing against this small-cap “sin stock.” In fact, some of my Fool colleagues think that **Corby Spirit and Wine** (TSX:CSW.B) — operating in the [alcohol market](#) — has been a good buy. Spirits like whiskey are part of this secular decline though.

Less of a headwind for this liquid

Lewis Black is a hilarious comedian. One of his funny bits is on milk alternatives. Listening to Lewis Black talk about the time someone offered him soy milk in his coffee is downright hilarious.

Trends in dairy consumption seem more stable than alcohol. Europe may be consuming less while Latin America is consuming more.

Consider **Saputo** ([TSX:SAP](#)) — Canada's largest [dairy company](#) that trades on the TSX. Since the late 90s the stock has crushed the market and been a multi-bagger. Shareholders are up 287% in one decade! Recently, however, Saputo has underperformed. In theory, this presents a buying opportunity. One reason to hesitate is because revenues have stalled amid the challenges of going global with the business.

Accessing the Argentina dairy market could be a brilliant move by Saputo's management, especially if the secular dairy trend is indeed growing in this part of the world. It's a calculated risk that I believe will pan out.

Takeaway message

Both Corby and Saputo tend to covet price multiples higher than 20 (that's above average for the TSX). For Saputo, the price-to-earnings ratio has come down quite a bit as shares have sold off. If I have to pay up for an investment, then I kind of expect to buy market outperformance, peace of mind, lower volatility, or all of the above. In this comparison, my bet is on milk over booze.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CSW.A (Corby Spirit and Wine Limited)
2. TSX:SAP (Saputo Inc.)

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Date

2025/08/14

Date Created

2019/01/26

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