



Nutrien Ltd (TSX:NTR) Is Riding the Biggest Growth Story of the Century

Description

Identifying century-long trends is a great way to spot undervalued stocks with long-term compounding potential. What if I told you that one Canadian company is poised to directly benefit from this century's biggest growth story?

No, it's not a tech stock. But as you'll see, it has a fair amount of proprietary tech fueling its share price. Meet **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)).

More people means more food

In the year 1700, the average human on earth consumed around 1,650 calories per day. Over the next 300 years, the average calories consumed per person on a daily basis grew consistently, surpassing 2,800 calories in 2010. In developed countries like the U.S., Italy, and France, the average person now consumes more than 3,300 calories per day.

What does this have to do with Nutrien?

Nutrien is the largest provider of crop inputs and services in the world. In a nutshell, the company helps farmers grow more food. In a world with ever-rising populations, that's good news for Nutrien.

Importantly, there are still large swaths of the earth's population that lag the most developed nations. For example, the average Chinese citizen consumes 30% less calories per day than the average American, even though the average calorie consumption per person has doubled in China in less than 50 years. In areas like the Caribbean and Africa, calorie consumption is 50% lower than in North America.

So, Nutrien actually has two strong growth drivers going for it: rising populations and the narrowing of the calorie gap between various continents and sub-regions.

Sustainability is the newest tailwind

The world's population will hit 10 billion by 2050. Farmers will need to increase food output, despite increasingly limited arable land. Recently, there's also a growing pressure to minimize environmental impacts along the way. This poses a new challenge for growers, but a great opportunity for Nutrien.

On February 5, Nutrien agreed to purchase Actagro for \$340 million. Actagro specializes in "environmentally sustainable soil and plant health products and technologies." Its portfolio includes roughly 30 specialty products that boost crop productivity and profitability, all while reducing the impact on the environment.

Over the next two years alone, Nutrien expects this acquisition to boost EBITDA by \$55 million. The real value, however, is in the long-term potential.

With its scale, Nutrien is one of the only companies that can provide growers with vertically integrated solutions. The company can deliver products and services in every major growing region of the world. It has a growing list of proprietary product offerings that it controls. Plus, Nutrien's integrated credit and finance business helps acquire and retain new customers in a way that smaller firms can't match.

Stick with Nutrien for decades

Take a look at Nutrien's stock price over the last few decades, and you'll notice one thing: volatility. Sudden 100% gains and 50% drops have been the norm for the company, but this can be expected of any company with a large exposure to unpredictable commodity prices.

Long term, however, underlying demand for its products continues to grow nearly every year. This growth won't stop until the global population peaks, which isn't expected to happen until at least 2050.

Despite all the volatility, if you had bought shares 15 years ago and never checked the price, you'd be happy to learn that your investment has grown by nearly 400%, healthily outpacing the TSX average. Volatility will continue to be the norm, but if you're a long-term investor, Nutrien stock should continue to deliver market-beating returns.

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