Which Is the Better Buy Today: Maple Leaf Foods Inc. (TSX:MFI) or Saputo Inc. (TSX:SAP)?

Description

Heading into 2019, Canadians were bracing themselves for higher prices at grocery stores and restaurants. Food purchased from restaurants rose 4.5% from the prior year in January 2019. The price of fresh vegetables surged an astonishing 13.2% from January 2018 to start the year off.

The annual Food Price Report compiled by Dalhousie University and the University of Guelph projected that food prices would rise between 1.5% and 3.5% in 2019. Vegetables would lead the price increase, while meat and seafood prices were forecast to drop.

Today we are going to look at two food stocks that are worth considering for your RRSP. Both boast a wide economic moat and offer steady income. Which is the better buy right now? Let's find out.

Maple Leaf Foods (TSX:MFI)

Maple Leaf is a Mississauga-based packaged-meats company. Shares have been relatively stagnant in 2019, only up 0.26% as of close on March 11. Maple Leaf had a strong start to the year ahead of its Q4 earnings release, but back in late January I'd warned investors that shares were overpriced.

Maple Leaf released its fourth-quarter and full-year results for 2018 on February 28. Sales rose 2% year-over-year in Q4. but were down 0.8% for the full-year to $3.49 billion. Net earnings plunged 38.2% year-over-year to $101.3 million and adjusted EBITDA dropped 9.6% to $344.3 million.

The core business posted sales growth in prepared meats, sustainable meats, and plant protein. However, this was offset by softening fresh market prices. Net earnings were weighed down by some of these factors and by restructuring costs of $46.2 million. Broader headwinds will continue to provide challenges for Maple Leaf in the coming year, but the company still forecasts adjusted EBITDA margin between 14-16% within five years.

Maple Leaf did hike its dividend by 11.5% to $0.015 per share, which represents a modest 1.9% yield.

Maple Leaf stock is entering more favourable price territory and boasts an RSI of 34 as of this writing. Investors should monitor the stock and consider snagging it should its dividend yield climbs above 2%.

Saputo (TSX:SAP)

Saputo is a Montreal-based dairy processor and cheese producer. Shares of Saputo have climbed 13.9% in 2019 so far. The stock is up 10% year over year.

Back in early December I'd recommended snagging Saputo. The stock would dip into deep oversold territory later that month, but it has still been a solid hold over the past three months. Saputo released its fiscal 2019 third-quarter results on February 7.

Saputo reported a $342 million profit in Q3, up from $337 million in the prior year. Revenue also rose to $3.58 billion compared to $3.02 billion in Q3 fiscal 2018. Management warned that the company is facing several headwinds going forward. These include a decline in milk consumption in favour of plant-based proteins, higher warehousing and logistical costs, and potential volatile stemming from ongoing trade wars.

Saputo last paid out a quarterly dividend of $0.165 per share, which represents a 1.4% yield. The company has achieved dividend growth for 19 consecutive years. Still, Saputo is a pricey pick right now. The stock boasts an RSI of 77, which puts it in overbought territory. Investors should wait for a more attractive entry point if they are feeling seduced by Saputo's wide moat and history of dividend growth.

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