



## Get Around Chinese Trade Woes With This Stock

### Description

Canadian agriculture is going through a rough time because of trade concerns with China. That doesn't mean there aren't [opportunities in the agricultural sector](#).

**Nutrien** ([TSX:NTR](#))(NYSE NTR) is a fertilizer company based in Saskatoon. It's the largest producer of potash and the second-largest producer of nitrogen fertilizer in the world. The stock has had a bumpy ride in 2019 coming down from a high of \$76.12 to \$66.94. That said, there are good reasons to take a second look at it.

### On the bleeding edge of innovation

On June 20, 2019, Nutrien announced a partnership with **BASF's** xarvio Digital Farming Solutions to create an open digital ecosystem to gather and action agronomic data. The application xarvio Field Manager provides farmers with disease and pests alerts as well as creates maps of fields. The maps are used to apply the correct amount of water, fertilizer, and other inputs to ensure higher yields.

What's particularly interesting about the BASF-Nutrien collaboration is that it's on the cutting edge of farming. It plays well with the European Union's agricultural directive to support the use of digital technologies in crop management.

### Hydroponics

With the legal marijuana market growing, there is increased use of hydroponic agriculture. Marijuana plants need alkaline potassium during the flowering stage. Without a robust flowering stage, the plant doesn't grow the buds necessary to produce marijuana. The proper regulation of potash improves the fusion of carbohydrates, facilitates the synthesis of amino acids and proteins, and interacts with phosphorous to increase the root system's resistance. All of this combines to create a better product. Potash is key to this rapidly expanding and global industry.

Don't forget the greenhouse industry is Canada's largest agricultural employer. The Canadian

Agricultural Human Resources Council estimates there will be another 7,500 jobs to fill in the sector by 2025.

As the industry flourishes in Canada and worldwide, so too will the demand for potash.

## Pressures on agriculture in India and China

The total acreage of Chinese arable land peaked in 1991 and has been steadily declining since. Food security remains a concern for China. It needs to buy fertilizer to maximize the use of its agricultural production.

Forecasts indicate Chinese demand for potash will increase year on year between 5% and 6%. Knowing this, the Chinese government and Chinese fertilizer companies have sought to develop internal potash resources and acquire them internationally. Chinese investment in foreign farming, forestry, and fishing grew five-fold from 2010 to 2016.

Keep in mind in February 2019, Nutrien entered a binding agreement to acquire Australia's Ruralco for \$334 million. Although Chinese investments in Australian agriculture have slowed, China maintains a strong presence in the Australian agricultural market. Through the Nutrien-Ruralco deal, Nutrien has additional access to Chinese agricultural firms.

In the case of India, a recent study indicated 76% of farmers wanted out of agriculture. The farmers cited low pay, bleak futures, and stress as reasons to leave the sector. That puts a lot of pressure on the Indian agricultural industry to meet the demand for foodstuffs. To compensate, India will need to boost crop yields.

There is currently a race between China and India over which nation can import the most potash. Prices of potash are in the US\$310-US\$330 range with many of the small players unable to fill small orders at US\$310. Competition is tight.

All this to say, the world is poised for an upswing in potash demand.

Nutrien sits on the largest global reserves of potash and has a strong global footprint. It has several direct and indirect ways of interacting with the Chinese agricultural industry. Take a second look at it and see if it complements your other holdings.

### CATEGORY

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