



## Nutrien (TSX:NTR) Surges 8%: Should Investors Buy the Stock Today?

### Description

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) is enjoying a nice rebound after the stock came under pressure over the past month amid worries that a difficult start to the U.S. growing season would hit earnings.

Investors with an eye for [cheap stocks](#) are wondering if this is a good time to add Nutrien to their portfolios.

### Unusual conditions

American farmers faced extremely wet conditions in the first half of 2019 that reduced planting and hit demand growth for crop nutrients. Record rainfall prevented the planting of 10 million acres in the country. As a result, Nutrien's retail division saw a dip in seed and crop protection sales.

In addition, India's monsoon is below normal this year, which is impacting potash demand. Modifications to Chinese import policies could also delay some anticipated 2019 shipments.

The challenging conditions mean Nutrien has reduced its earnings outlook for 2019 from US\$2.80-3.20 per share to US\$2.70-3.00 per share.

On the positive side, strong overall crop nutrients sales volumes — despite the lower planted acreage in the United States — and higher prices helped Nutrien post a better first half than in 2018.

### Why did the stock soar?

Nutrien's results came in better than some analysts anticipated, and the reduced guidance still shows a strong expected gain over 2018 when Nutrien earned US\$2.69 per share.

In addition, Nutrien is forecasting solid U.S. sales through the end of 2019 and into 2020. Farmers that managed to get their fields planted will want to maximize yield in anticipation of higher crop prices due to the low supply. The theme should continue in 2020, thus providing follow-on support for crop-

nutrient demand.

Nutrien says it expects South American growers to boost soybean and corn acreage in the coming months as they attempt to capitalize on the U.S. shortage. This should increase fertilizer sales.

## Upside

Nutrien raised its dividend twice in the past year, and the new guidance should support another increase in early 2020. The current payout provides a [yield](#) of 3%.

At the time of writing, the stock is up more than \$5 per share to \$72. As investors move back into the stock and short-sellers exit positions, it wouldn't be a surprise to see Nutrien revisit the 12-month high around \$76.

## Should you buy?

Nutrien is a market leader in an industry that has strong long-term opportunity for growth as global growers face rising food demand and a reduction in farmland. Crop-nutrient prices appear to have bottomed out after a multi-year downturn, and the company has the potential to generate significant free cash flow on better margins as prices move higher.

If you have some cash sitting on the sidelines, Nutrien should be a solid pick today for a buy-and-hold portfolio.

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### Date

2025/08/20

### Date Created

2019/07/31

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