



Why the Future Doesn't Look So Hot for 1 of the TSX's Largest Dividend Stocks

Description

When **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) reported its second-quarter earnings late last month, management tried to put a [positive spin on things](#).

But despite admittedly demonstrating [resiliency](#) during the second quarter, here's why I don't think the future will be quite as bright for NTR looking ahead to the next 12-18 months.

The big issue at hand during the second quarter was that this spring, the United States experienced one of the wettest (and worst) planting seasons in recorded history, which ultimately led to a record 10 million acres in unplanted acreage.

In its official second-quarter press release, NTR management remained upbeat, suggesting that unplanted acreage could likely lead to a supply deficit in the fall, which could help to push crop prices higher and boost farmers revenues.

But what if farmers in South America later this fall were to respond in kind by planting more acreage in their upcoming spring planting season in an effort to exploit this supply deficit and what could be a short-term surge in spot market prices?

If that were to happen, we (and Nutrien) could be left with largely unchanged prices for corn and soybeans, but with lower planted acreage to work with this year — ultimately lower crop receipts for North American farmers — on the aggregate.

But here's where it gets even more interesting...

Lower crop receipts this year would also mean farms and agribusinesses would have less disposable income to work with when planning for next year's 2020 planting season.

Unfortunately, this means that while this spring's planting season was actually the real problem, the chain of events set to unfold may not completely manifest until sometime later next year (or potentially even beyond).

Foolish bottom line

Close to a third of NTR's Canpotex sales come from Latin American markets, so there is at least some chance that if farmers from that region were to rush out to apply excess crop nutrients as part of this year's harvest to stimulate yield and cash in on an anticipated price surge, NTR could get some benefit from it.

But at the end of the day, we're talking about dealing with mother nature, and these types of natural cycles can sometimes take a while before they finally play themselves out. NTR shareholders may want to brace themselves for the worst.

A historically poor spring planting season wasn't good for anyone, despite management's best efforts to spin the news.

This is a company that I would steer clear of for the time being, at least until the forecast starts to improve again.

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