



RRSP Investors: Is Nutrien (TSX:NTR) Stock a Buy on the Pullback?

Description

Canadian savers are searching for top-quality stocks to add to their self-directed [RRSP](#) portfolios.

The best stocks to own tend to be industry leaders that have reliable dividends and long-term demand growth for their products or services. Ideally, we want to buy these stocks when they are somewhat out of favour, maximizing upside while locking in an attractive dividend yield.

Let's take a look at **Nutrien** ([TSX:NTR](#)) ([NYSE:NTR](#)) to see if it might be an interesting pick for an buy-and hold RRSP portfolio right now.

Market growth

Nutrien is the planet's largest producer of potash. It is also a leading player in the supply of nitrogen and phosphate. These three products are key crop nutrients used by farmers around the globe to improve crop yields on their land.

Two factors point to robust demand for Nutrien's products over the coming decades.

First, the global population is expected to increase from a current level of roughly 7.7 billion to as high as 10 billion by 2050. This is a substantial increase in the number of mouths to feed. The type of food people want to eat is also putting pressure on farmers. Despite the recent plant-based burger fad, people around the world are increasingly acquiring a taste for meat. This is primarily driven by rising incomes in developing countries. In order to meet the demand, farmers have to grow more food to feed the animals as well as the people.

While food demand is rising, the land available to grow it continues to disappear. The expansion of cities is gobbling up important farmland, and that will put added pressure on growers to get more out of less space. Crop nutrients will play a role in helping them solve that problem.

Facilities

Nutrien was created at the start of 2018 through the merger of Potash Corp. and Agrium. Each company completed multi-year capital programs to upgrade their facilities before the merger, so investors shouldn't have to worry about large investments competing for cash flow that can be used for distributions.

Earnings

Nutrien earned US\$2.69 per share in 2018 and had provided guidance that should see 2019 meet or beat that target. One potential speed bump could be the recent decision to temporarily shut down some production to address a slowdown in sales in the back end of this year.

The United States had a late start to the growing season due to record wet conditions. India had the opposite problem, with reduced monsoon rains. In addition, China has delayed some purchases, possibly as a result of ongoing political and trade disputes.

Overall, these are short-term issues, and management expects demand to catch up next year.

Nutrien also has a retail division that sells seed and crop protection products. Investment in digital solutions that are designed to help farmers manage all aspects of their businesses in a more efficient manner is another area of revenue growth.

Dividends

Nutrien raised the [dividend](#) twice in the past year, so the board and management team appear to be comfortable with the revenue and cash flow outlook. The current quarterly payout of US\$0.45 provides an annualized yield of 3.6%.

Should you buy Nutrien?

The stock trades at \$65 per share compared to the 12-month high around \$75. The company is making good money at existing prices that are just starting to recover after a multi-year slump. As demand increases, prices should move higher, and Nutrien has the potential to be a cash flow machine.

If you are searching for a stock to buy and sit on for two or three decades, Nutrien deserves to be on your RRSP radar.

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