



## Fertilize Your Portfolio With This 1 Stock

### Description

Boy, the global commodities business has not been friendly to investors in recent years!

For investors in companies that produce fertilizer products like **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), oversupply from global potash markets have sent prices lower, as demand for said products remains relatively muted.

I'll be the first to admit that the current supply/demand relationship seen in this space is mind boggling, given the increased obvious need for food as the global population continues to grow, particularly in the developing world, which is becoming a bigger piece of the overall market in terms of fertilizer sales.

That said, Nutrien is an example of consolidation in the industry (a marriage of two of the largest North American players at the time — Potash Corp. and Agrium Inc.), and I expect further consolidation to take place in the years to come.

The fertilizer business is still somewhat fragmented and does not yet have the characteristics of a true oligopoly, but I do believe that this is the direction in which the sector is heading.

Furthermore, trade issues have weighed on companies like Nutrien that really rely on strong global supply chains to get their products to foreign markets, with other overhangs like the Coronavirus and resulting waning demand from China (a key market) sending the company's stock price down approximately 20% year over year at writing.

With a new trade agreement on the way between the U.S. and China and other trade deals on the horizon, North American commodities producers like Nutrien do have some light at the end of the tunnel — and the outlook is more positive than negative, in my view.

As far the global perspective, particularly China, I'd recommend investors wait until the dust is settled with respect to the coronavirus, as there may be more near-term downside on this front.

From a fundamentals perspective, Nutrien is a great free cash flow generator, with very good margins (due in large part to its retail exposure thanks to its Agrium acquisition), and has greatly improved its

overall balance sheet in recent years, making Nutrien the main option for investors in this space.

The company is less cyclical in nature than many other commodity producers out there, with an excellent long-term future, in my view.

Nutrien is a very long-term buy and hold, and any investors considering a position ought to know that near-term downside potential does exist related to specific demand-related concerns out of China.

Again, however, I'd recommend waiting for these concerns to abate before establishing a full position or nibbling on the way down.

Stay Foolish, my friends.

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1. Investing

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1. NYSE:NTR (Nutrien)
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## Date

2025/07/06

## Date Created

2020/03/05

## Author

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