



Why Now's the Time to Feed Your TFSA With Nutrien (TSX:NTR)

Description

Why does **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) look like a such good bet?

Well, one thing's for certain: people will always need to eat. By 2050, there'll be an estimated two billion extra people to feed. What's more, the amount of land available for crop growing is falling.

As the world's largest potash producer, Nutrien could play a big part in solving this potential crisis.

The long-term case for potash

Potash, as you may know, protects and restores soil fertility. This is increasingly important, because global populations are rising. Meanwhile, arable land is in decline.

Take India as an example. It now has a rising workforce *and* increased urbanization. Cities are expanding into the countryside, potentially reducing the amount of land available for growing crops.

According to the *Food and Agriculture Organization*, arable land per person was 0.38 hectares in 1970. This fell to just 0.23 in 2000. By 2050, it's projected there'll only be 0.15 hectares of arable land per person.

The problem is simple: we need to get more food from less land. And countries like India depend heavily on imports for potash. Over the next few decades, its demand will surely rise.

Why Nutrien looks well equipped to meet this demand

Annually, it produces 25 million tonnes of potash, nitrogen, and phosphate products.

Its potash deposits produce a 73% gross margin per manufactured tonne. What's more, it has the capacity to increase these supplies by another five million tonnes if needed.

Nutrien has other advantages on its side, too.

For instance, it offers 1,850 proprietary agricultural products. This includes patented technologies in crop nutrients, crop protection, and seed. It produces the market's leading controlled-release nitrogen product. These patented technologies offer a strong competitive moat. It should be harder for rival companies to steal market share.

And it's not just a fertilizer company.

Nutrien also provides data analytic software to help farmers make more efficient decisions. I find this particularly appealing, because it offers some protection from changing commodity prices.

Why Nutrien could be good value right now

Over the past year or so, [Nutrien has faced some headwinds](#).

First, there was record rainfall in 2019. This prevented 20 million acres from being planted and fertilized. In Australia, a drought hit wheat yields, reducing supply roughly 20%. All of this had a negative impact on Nutrien's 2019 revenues.

The Indian government has also [cut its potash subsidy to the lowest in 10 years](#). This may cause some short-term problems, because farmers' imports will be more expensive.

To add to this, you have the recent coronavirus market crash, which dragged Nutrien even lower.

However, Nutrien could now offer terrific value for long-term investors.

For starters, it's now trading below its book value. Unlike many dividend stocks, its debts are not excessive. Shareholder equity is more than double Nutrien's long-term liabilities. For this reason, I consider its dividend to be relatively secure.

And that's food for thought when you consider Nutrien now yields almost 5%.

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Date

2025/08/25

Date Created

2020/05/14

Author

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