



Should Nutrien (TSX:NTR) Stock Be on Your RRSP Buy List?

Description

Canadian savers with [contrarian](#) investing styles want to find top stocks at cheap prices to add to their RRSP portfolios.

The market rebound off the March lows eliminated many of the great deals, but commodity stocks remain under pressure and could be attractive contrarian picks. Let's take a look at **Nutrien** ([TSX:NTR](#)) ([NYSE:NTR](#)) to see if the fertilizer giant deserves to be on your buy list right now.

Operations

Nutrien is a global leader in the production of potash. The wholesale operations also produce nitrogen and phosphate. These crop nutrients are used by farmers to boost yields on their land.

Nutrien's retail division provides global growers with seed and crop protection products. In addition, the company continues to ramp up its technology offerings. Strong existing relationships provide a solid base to sell new digital solutions that help farmers manage their businesses.

2020 outlook

In the Q1 2020 report released in early May, Nutrien said it saw steady demand for crop inputs to start the year. The rebound comes as American farmers catch up after a rough 2019. They cut spending the previous year due a very wet start of the season.

In the statement, Nutrien's CEO said COVID-19 had limited direct impact on operations and crop input demand to start 2020.

Retail EBITDA in Q1 came in higher than the same period last year, supported by stronger performances in the American and Australian businesses. Interestingly, the digital platform saw a significant jump in engagement. Nutrien's digital product offerings remain the only national and full-service agriculture e-commerce platform in North America.

The pandemic lockdowns should drive growth in this business unit, as farmers search for more effective and efficient ways to conduct business. Nutrien said total online sales topped \$170 million in the United States in Q1 2020 compared to \$3 million in Q1 2019.

The company expects adjusted net earnings for 2020 to come in at US\$1.50-2.10 per share.

Expenditures for crop inputs in the U.S. should rise 1-3% due to a jump in major-crop acreage compared to last year. Globally, Nutrien anticipates 2020 total potash shipments to be 65-67 million tonnes, a slight reduction previous guidance due to a dip in shipments to Southeast Asia.

Long-term opportunity

Analysts expect world food demand to increase significantly in the next 30 years. Forecasts indicate the planet's population will grow from roughly 7.8 billion in 2020 to 10 billion by 2050.

Expanding middle-class wealth in emerging markets means people have more money to spend on meat. The result is an increase in demand for the food needed to feed the animals people want to eat. This puts added pressure on farmers to increase yields.

At the same time, urban expansion into rural areas consumes arable land.

Rising food demand combined with fewer farms supports the outlook for strong crop nutrient demand in the coming decades.

Should you buy Nutrien?

The stock trades at \$46 per share compared to \$70 at this time last year. The [dividend](#) should be safe and currently provides a 5.5% yield, so investors get paid well to wait for the market to recover.

Trade tensions between the United States and China as well as ongoing diplomatic uncertainty between China and Canada might impact the market and Nutrien in the near term. However, the long-term outlook for Nutrien's products should be robust.

If you have a buy-and-hold strategy, Nutrien deserves to be on your radar today for a self-directed RRSP portfolio.

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