Buy These Food Stocks for Growth Plus Safety

Description

Going on a health kick? You're not alone. It turns out there's something about a pandemic that prompts people into re-examining their health. But it didn't take a public health crisis to turn the alternative protein trend into a mainstream healthy-eating lifestyle. Let's take a look at a few of the ways that investors can capitalize on this growing industry.

Food stocks are a perfect fit for this market

American stock markets have more than their fair share of plant-based food stocks. Investors can choose from names such as **Beyond Meat** to gain access to this growing industry. These U.S. stocks offer a broad mix of pro-veggie consumer staples growth. The **TSX** has fewer meat-free options. Exposure is available, though through less direct routes.

For instance, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) offers exposure via the meat-free options available on its menus. From Tim Hortons to Burger King, the fast food umbrella company has been upping its alternative protein offerings. The drive for alt-meat access was pushing the meat-free trend into the mainstream. But the current focus on personal health could solidify this shift in attitudes.

As vegetables increasingly inch their way onto people's plates, meat could find itself pushed into the margins. The pandemic has already seen a bottleneck in meat develop as processing plants succumbed to a reduction in productivity. Plant-based meats were there to fill the niche. Already on the verge of going mainstream, alt-meat producers could find further favour in a reordered consumer staples space.

Canadian investors seeking access to food-based growth could zero-in on grocery stocks such as **Loblaw Companies**. As households turn to home cooking and a healthier lifestyle, grocery outlets like Loblaw become ever more relevant.

Alternatively, investors can look into names like **Maple Leaf Foods**. This traditional protein producer has been increasing its alt-meat output, making its stock an apt investment.

Mixing safety with growth

What investors need now is a safety net. Investors need growth, but that growth also needs to be reliable and defensive. One way to increase that safety is through diversification. While Restaurant Brands offers a spread of franchises, the umbrella company is nevertheless a pure-play on the fast food space. For a lower exposure option, but with stronger variety in assets, investors may want to opt for Loblaw.

For investors using a passive income strategy, a comparison between the dividends on offer may be helpful here. Restaurant Brands pays a 3.6% dividend yield, covered by an 87% payout ratio. That ratio is a little high, though it does leave some room for growth. Loblaw pays a lower yield, currently shaking out at 1.8%. However, it's better-covered, with a 41% ratio leaving plenty of room to grow.

While the reflected upside from the alt-meat megatrend is perhaps negligible with a grocery outlet, the home cooking thesis is strong. And at the very least, consumer staples offer a recession-proof play for safety.

Coupled with the dividend growth factor, Loblaw is a well-positioned name that could reward investors long-term amid a profound change in consumer behaviour.

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