



Value Investors: Canada's Agriculture King Is on Sale

Description

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is a world-class [integrated provider](#) of crop inputs and services. The company plays a critical role in helping growers around the globe increase food production in a sustainable manner. Nutrien supplies growers through a leading global retail network, which includes crop nutrients, crop protection products, seed and merchandise, as well as agronomic and application services. It operates more than 2,000 retail locations across the United States, Canada, Australia, and South America and services more than 500,000 grower accounts.

Largest provider of crop nutrients

Nutrien is the world's largest provider of crop inputs and services. It produces three [major crop nutrients](#) including potash, nitrogen, and phosphate. Nutrien produces and distributes approximately 27 million tonnes of crop nutrient products from the company's facilities in Canada, the U.S., and Trinidad.

The company's Canadian potash operations represent more than one-fifth of global capacity. Nutrien's potash operations represent 21% of global potash capacity, the company's nitrogen operations represents 3% of global nitrogen capacity and phosphate operations represents 3% of global phosphate capacity.

Nutrien's North American retail locations include more than 800 branches, which are facilities supporting a specific market area and customer base. It also includes more than 500 satellites, which are used to position equipment and product to specific markets and customers.

Extensive transportation, storage, and distribution network

Nutrien has an extensive infrastructure system to store and transport the company's retail products, strategically located across distribution points in regions where the company operates to serve customers across the U.S., Canada, Australia, and South America.

Due to the bulk nature of the company's crop nutrient and seed products, delivery to end users through

the supply chain can often takes a significant amount of time. Effective supply chain management, utilizing the company's extensive storage and distribution network and transportation capabilities, allows it to ensure that crop nutrients and seed products are available to customers at the necessary time, as growers have a short application and planting window, the precise timing of which is unpredictable due to both the seasonal nature of crop planting and the impact of weather.

Competitive position

The principal competitors in the distribution of crop production inputs include agricultural co-operatives, other major agriculture retailers and smaller independent retailers and distributors.

Retail also produces a range of high-quality proprietary crop protection, seed, and crop nutrient products that generate higher margins for Nutrien's retail segment. The segment offers a digital tool that provides customer account management, online ordering, agronomic insights, and hands-on customer support that drives economic value for the company's growers.

Hidden value of mineral leases

The company's potash operations include the mining and processing of potash, which is predominantly used as fertilizer. The Saskatchewan Ministry of Energy and Resources has granted Nutrien the exclusive right to mine potash on approximately 380,000 hectares of Crown land pursuant to subsurface mineral leases.

Of the approximately 380,000 hectares, approximately 250,000 hectares comprise the company's potash operations at several mines. In 2020, several Crown subsurface mineral leases were amended, resulting in a substantial and favourable net gain of Crown mineral rights at each of the company's three potash operations.

At current prices, the stock could be substantially undervalued.

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