



## TFSA Picks: 1 Value Stock in a Boring and Regulated Industry

### Description

**Rogers Sugar** ([TSX:RSI](#)) is the [largest refined sugar producer](#) in Canada and the largest maple syrup bottler in the world. The company aspires to become a leading North American natural sweetener supplier by executing on three core strategies, namely, operational excellence, market access and acquisition.

Rogers encompasses two reportable segments, the sugar segment and the maple product segment. Rogers' head office is in Vancouver, British Columbia and the company's administrative office is located in Montréal, Québec. Each of the company's manufacturing operations incorporates occupational health and safety components in a consolidated annual plan which gets reviewed weekly by senior management.

### Strategically located facilities

The strategic location of Rogers' facilities [confers operating flexibility](#) and the ability to service all customers across the country efficiently and on a timely basis. All of Rogers' operations supply high quality white sugar as well as a broad portfolio of specialty products which are differentiated by colour, granulation, and raw material source. Sales are focused in three specific market segments, which include industrial, consumer, and liquid products.

The domestic market represents more than 90% of the company's total volume. In fiscal 2020, the domestic refined sugar market continued to show modest growth and increased by approximately 2% versus last fiscal year. The industrial granulated segment is the largest segment accounting for approximately 60% of all shipments.

### Diverse product segments

The industrial segment is composed of a broad range of food processing companies that serve both the Canadian and American markets. In the consumer market segment, a wide variety of products are offered under Rogers brand name. This segment has remained fairly stable during the past several

years although volume sold within this market in fiscal 2020 by Canadian refiners had a slight decrease of approximately 1% year over year.

The liquid market segment is comprised of core users whose process or products require liquid sucrose and another customer group that can substitute liquid sucrose with high fructose corn syrup (HFCS). The purchasing patterns of substitutable users are largely influenced by the absolute price spread between HFCS and liquid sugar. Increasingly, other considerations, such as ingredient labeling could also bear some influence on the purchasing decision.

The liquid segment grew by approximately 11% during the current fiscal year as a result of an increase in overall demand and conversion from HFCS to sucrose that was beneficial for the Canadian refiners.

## Reduced impact of sugar price volatility

Since 2017, the global sugar market has been in a surplus situation driven by increased output in India and Thailand while world consumption remained flat. The price of refined sugar deliveries from the Montréal and Vancouver raw cane facilities is directly linked to the price of the world raw sugar market traded on the Intercontinental Exchange.

All sugar transactions are economically hedged, thus eliminating the impact of volatility in world raw sugar prices. This applies to all refined sugar sales made by these plants. Liquid sales to HFCS substitutable customers are normally priced against competing HFCS prices and are historically the lowest margin sales for the company.

Overall, Rogers is an inexpensive stock in a profitable and regulated industry.

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