



Food Stocks Are Great Income Generators

Description

How diversified is your portfolio? As far as income-producing stocks are concerned, some of the best stocks to consider are the stocks that we interact with on an everyday basis. These everyday stocks provide an essential service to us, which we often take for granted. Prime examples of these include telecoms and utilities. A lesser-known, yet arguably more important segment to consider that falls within that everyday stock category is food stocks.

Where are you shopping for food?

The first business that comes to mind when mentioning food stocks for many is a grocery store. The one grocer that prospective investors should take a closer look at is **Metro** ([TSX:MRU](#)).

Metro is one of the largest grocers in Canada, operating just under 1,000 grocery stores under a myriad of different brands. The company is also the name behind the Jean Coutu pharmacy chain, comprising of 650 drugstores. Despite the impressive size, Metro's footprint is largely concentrated in Quebec and Ontario.

What exactly makes Metro a great investment option? Let's start with the important function its stores provide, which is a necessity. Grocers were designated as essential businesses during the pandemic, remaining open to serve communities. That helped propel sales throughout fiscal 2020 to surge over 7% over the prior year to a whopping \$18 billion. Speaking of earnings, Metro is slated to announce results for the current quarter later this month.

As an income generator, Metro offers investors a quarterly dividend. The dividend currently works out to a yield of 1.53%, which, at first glance, may not seem all that appealing. What prospective investors should note is that while there are higher yields on the market, Metro provides handsome annual upticks.

The most recent uptick came in the form of a handsome 12.2% hike last year, during the pandemic no less. That represented the 26th consecutive annual hike by Metro. If that current cadence were to continue, Investors can expect a hike announcement before the end of the year, payable in 2022.

Let's look beyond the grocer

Grocers are fine investments, but there's another area to look at for food-hungry investors: fast food. Restaurants that provide quick-service food items make great additions to nearly any portfolio.

The investment opportunity to look at today is **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)). Restaurant Brands is the name behind three iconic brands in the fast-food space: Burger King, Tim Hortons, and Popeyes.

The interesting thing to note about Restaurant Brands's portfolio is that each label caters to different tastes and potentially, markets. In other words, they don't cannibalize each other, and, in the case of Tim Hortons and Popeyes, represent unique, niche brands.

Restaurant Brands is aggressively expanding those brands to external markets. In the past several years, we've seen Tim Hortons expand beyond its safe zone in Canada and along the U.S. border to new markets. That expansion adopted the successful franchise model used by Burger King. Popeyes is now adhering to that same model for its own expansion efforts.

Much like grocery stores, fast food is a necessity. During the pandemic, customers swapped indoor dining rooms for the drive-thru lane, which lead to a surge in orders (and, by extension, revenue). Restaurant Brands also focused on advancing its online ordering and delivery options.

The result has been phenomenal and only increased the defensive appeal of the stock.

Turning to dividends, Restaurant Brands offers a quarterly dividend to shareholders. The payout currently works out to a respectable and very tasty yield of 3.68%.

What food stocks should you buy?

Both food stocks noted above represent stellar long-term options that can provide stable growth and income-earning potential. If that's not enough, prospective investors should note that food stocks are incredibly [recession-resistant](#), making them some of the best long-term options for any portfolio.

Buy them, hold them, and let them [fill up your portfolio](#).

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:MRU (Metro Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)

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