

## 1 Top TSX Fertilizer Stock Benefiting From Higher Prices and a Possible Food Crisis

### Description

[CNN](#) quoted Svein Tore Holsether, the head of fertilizer producer Yara International, that “It’s not whether we are going to have a food crisis. It’s how large that crisis will be.” The Russia-Ukraine war has triggered a spike in commodity prices, including for natural gas and fertilizers. Because of higher energy costs in Europe, Svein Tore Holsether sees Yara cutting its fertilizer production to the low end of its capacity at about 45%. The article said, “With less of [these] essential agricultural ingredients, he expects knock-on effects for global food supplies.”

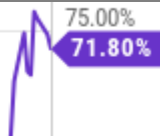
Even under a normal scenario, according to the [Fertilizer Institute](#), “as the world population is expected to exceed nine billion by 2050, fertilizer will be needed more than ever to boost crop production to keep people fed and healthy.” According to the Worldometer, the world population has exceeded 7.9 billion today.

The Fertilizer Institute continued, “All growing plants need 17 essential elements to grow to their full genetic potential. Of these 17, 14 are absorbed by plants through the soil, while the remaining three come from air and water.” It explained further that “nitrogen, phosphorus and potassium, or NPK, are the ‘Big Three’ primary nutrients in commercial fertilizers. Each of these fundamental nutrients plays a key role in plant nutrition.”

## This top TSX fertilizer stock is trading at multi-year highs

One [top TSX fertilizer stock](#) that has benefited from higher fertilizer prices is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), as it produces the “Big Three” key nutrients that crops require to grow healthily. On its website, Nutrien describes itself as “the world’s largest provider of crop inputs and services, playing a critical role in helping growers increase food production in a sustainable manner.”

Nutrien stock has already appreciated more than 70% in the last 12 months with a noticeable spike since late February that coincided with the start of the Russian invasion of Ukraine on February 24.

Nutrien Ltd Price % Change				
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NTR data by YCharts

Analysts are anticipating Nutrien's earnings and cash flow (including free cash flow) to jump incredibly this year because of higher commodity prices. However, this spike is expected to be short term. Nutrien stock is fully valued at the recent quotation of about \$125 per share. Moreover, the dividend stock is in overbought territory. Although there could still be 10%, 20%, or even 30% upside in the short term, it's only a matter of time before things normalize. The result will likely be euphoria subsiding in the stock, which reverts to the mean.

## The big picture in the top TSX fertilizer stock

Here's a long-term price chart of the fertilizer stock. As the graph illustrates, the stock can be like a roller-coaster ride. It would be much safer for interested investors to buy when the stock is out of favour, which is not now.



NTR data by YCharts

Notably, Nutrien also has a large retail business that made up 64% of its 2021 sales. It calls this business segment the Nutrien Ag Solutions, which includes various retail facilities across the U.S., Canada, Australia, and South America, a digital platform for growers and crop consultants, and a financing solutions provider to support Nutrien's agricultural product and service sales. So, commodities only made up approximately 36% of its 2021 sales. Earnings from Nutrien's retail business are more stable and predictable than the earnings from its potash, nitrogen, and phosphate production. This year, it's likely to earn a greater portion of sales and income from the latter group.

In summary, in the near term, there could be more upside to be scooped up by speculative NTR investors. However, sky-high fertilizer prices (and crop input prices) are unlikely to be sustainable over the medium to long term. Those prices will inevitably normalize. When there's a hint of that happening,

Nutrien's stock price will either fall hard or level off, depending on how quickly those commodity prices fall.

## CATEGORY

1. Dividend Stocks
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