



2 Forestry Stocks to Buy for the Dividends

Description

Canada has one of the highest “tree-to-human” ratios in the world, and it enjoys a lot of benefits that come with being this green. The country has a massive and thriving lumber industry and is among the top lumber exporters in the world.

This is important to note, because when many people associate Canada with commodities, oil and gold are the two that instantly come to mind. But these are not the only areas where Canada shines. It’s also big in commodities like uranium and lumber. This diversification of assets is a major financial strength.

For investors, even the ones that don’t directly invest in commodities, the benefits of a thriving forestry industry are quite evident, especially in the form of choices. Canadian investors have a decent selection of forestry stocks to pick from.

And since a few of them are generous with [their dividends](#), you can buy them for reliable returns, even if you know nothing about the dynamics of the lumber industry and its impact on these stocks.

An aristocrat

Stella-Jones ([TSX:SJ](#)) is a three-decade-old logging company and one of the largest forestry companies in the country (at least by market cap). It’s also the only aristocrat in the industry and has grown its payouts for 17 consecutive years. The yield, which might not look very promising at 2.16%, is the result of a 30% stock from the recent peak that the stock came down.

And if you had bought earlier, you would have locked in a yield probably lower than 2%. Yet it’s still a buy for its dividends for two reasons: stability and growth. The company has raised its payouts from \$0.11 per share in 2017 to \$0.2 per share in 2022.

That’s a decent growth rate, especially for an aristocrat this old. As for stability, its payout ratio of 20.6% is not just extremely safe; it hasn’t crossed over 25% in the last decade.

A high-yield stock

Acadian Timber ([TSX:ADN](#)) is perhaps the “truest” forestry stock in Canada, as it doesn’t deal with wood by-products and refined products but rather the timberland itself. [The company](#) owns and manages a massive 1.1 million acres of timberlands. And the management and service portfolio is almost double if you include the 1.3 million crown licensed timberland it provides services for.

Unlike cutting and processing timber, taking care of timberlands and balancing extraction with production is a long-term business. It takes years for new trees to grow to replenish what’s already been extracted. This may be part of the reason for this stock’s stability, at least since 2015. And this stability and capital-preservation trait come with a juicy 6% yield.

Foolish takeaway

The two stocks have the potential to strengthen your [dividend portfolio](#) or the dividend segment of your overall portfolio. Stella-Jones offers stability and growth, while Acadian Timber adds generous yield and higher dividend-based return potential to the mix. And if you keep them in your TFSA, your dividend income would be tax free, which is an added bonus.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:ADN (Acadian Timber Corp.)
2. TSX:SJ (Stella-Jones Inc.)

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Date

2025/09/27

Date Created

2022/04/07

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