



## RRSP Investors: Should You Buy Nutrien Stock Now?

### Description

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) stock is up 45% in 2022. Investors who missed the rally are wondering if the Canadian fertilizer giant is still undervalued and deserves to be in a self-directed RRSP portfolio.

### Nutrien overview

Nutrien is a relatively new name on the **TSX Index**, but the company has been around for a long time. Potash Corp and Agrium merged in 2018 to create Nutrien. The marriage made sense given that both companies were based in Canada and already sold their potash production on the global wholesale market together through a joint partnership business called Canpotex.

Management on both sides of the deal completed major capital projects before putting the two companies together. These initiatives have helped Nutrien in the past year by providing spare potash production capacity the company is able to bring online quickly and at low cost.

Agrium contributed a strong retail business to the deal, while Potash Corp was primarily a wholesale provider of fertilizers. Nutrien is a stronger and more balanced company from a revenue perspective than either Potash Corp or Agrium before the merger. Today, Nutrien is the planet's largest potash producer and a leading supplier of nitrogen and phosphate. Farmers around the globe use the crop nutrients to boost yields.

The retail business continues to expand through strategic acquisitions. Nutrien has the financial firepower to do deals as the sector consolidates and the company leverages its relationships with more than 500,000 farmers who buy its seed and crop protection products. Nutrien has also invested in digital technologies and services to help its clients make their businesses more efficient.

### Fertilizer prices

Potash, nitrogen, and phosphate prices go through commodity cycles. The sector was already on the

upswing after a multi-year slump when the pandemic hit and drove up crop prices. The surge in margins for farmers has led to an increase in acres being planted to take advantage of strong market conditions.

At the same time, the implementation of sanctions against Belarus and now Russia have created a drop in global potash supplies. The two countries typically account for 40% of the potash sold around the globe. According to Nutrien's Q1 2022 report these countries saw their sales dip 20% in the first three months of 2022.

Nutrien increased its potash production by one million tonnes in the second half of 2021 to fill the gap caused by the sanctions placed on Belarus last year and intends to increase output by another one million tonnes in 2022 to meet demand.

Fertilizer prices are expected to remain at elevated levels for some time, and this could be the early innings of a protracted bull market for these commodities.

## Should you buy Nutrien stock now?

Nutrien raised the low end of its full-year 2022 adjusted EBITDA guidance from \$10 billion to \$14.5 billion when it reported Q1 2022 earnings results. This is a material upgrade, and while the market might have had some of it already priced into the stock, the share price still might not fully reflect the revenue and free cash flow potential.

At some point down the road, crop nutrient prices will peak again and tumble before starting a new cycle. That might not happen for quite a while, and Nutrien's share price has the potential to move significantly higher before that occurs.

The stock currently trades near \$133 per share compared to the 2022 high around \$148. If you have some cash to put to work in a self-directed RRSP, this stock deserves to be on your radar.

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