



## Nutrien Stock: A Top Fertilizer Stock With Room to Run

### Description

The broader stock and bond markets have been absolutely stomach churning of late. Wednesday was another hideous trading session that saw the S&P 500 plunge well over 4%, flirting with 52-week lows and bear market territory. Undoubtedly, a bear market is not what anybody wanted. But with inflation running hot, the U.S. Federal Reserve (and hopefully Bank of Canada) need to act. Preferably, ripping the band-aid off sooner rather than later is the best way to go so that the economy and markets can sustainably move higher again.

Inflation is a terrible beast, and once it's let loose, it can be tough to get rid of it without suffering at least some collateral damage. With the Ukraine-Russia crisis worsening the inflationary spiral, many new [investors](#) have looked to the commodity plays to hedge their bets. Undoubtedly, energy and fossil fuel plays have been incredibly robust, even as stocks have sagged into a bear market. What you may not hear about is the impact on prices for agricultural commodities like potash. With Russian supply likely taken offline for good, investors may wish to look to fertilizer kingpins like **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)).

## Nutrien: A global fertilizer play that can help hedge your portfolio

Yes, Nutrien is a miner of various agricultural commodities that many of us have heard of. It's been slogging for many years until fertilizer prices took off on the back of Russia's invasion of Ukraine. The longer the crisis goes on, the likelier that potash and other fertilizer prices will stay elevated. Undoubtedly, higher prices are not good for anyone, but for Nutrien, the windfall has led to an excess of cash. These days, Nutrien is a cash cow, and there's a means for its shares to get even cheaper amid its incredible rally.

It's hard to believe that Nutrien stock still trades at just north of 13 times trailing earnings after an incredibly 81% rally in just one year's time. Up 44% year to date, Nutrien stock suddenly became one of the world's hottest stocks. Though the war in Ukraine could end peacefully and drag down the prices of agricultural commodities, I'd argue that it's a better idea for investors to hedge against further price

increases with a stake in Nutrien.

Thanks to all the appreciation, Nutrien's dividend has shrunk considerably to below 2%. That said, with all the cash flow, I would not be surprised if Nutrien starts getting really generous with its capital return policy. Could that mean special dividends or above-average quarterly dividend hikes? I'd argue that Nutrien has a lot of things it can do with its cash hoard. It's a good problem to have, indeed!

For those seeking solid dividend-growth prospects and capital gains, it's tough to pass up Nutrien here. It's the largest potash producer on the planet, and with that comes some of the lowest costs of production. In essence, Nutrien is a commodity producer with a moat that may be discounted by many.

## The bottom line for Foolish investors

Nutrien stock's rally could easily extend from here. The valuation is depressed, and continued earnings strength could make the name even cheaper as we inch closer to a recession. With that in mind, I would not hesitate to buy NTR shares on the way up.

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### Date

2025/07/21

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2022/05/21

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