



## Nutrien (TSX:NTR) Stock: Time to Buy the Dip?

### Description

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) continues to give back some of the big gains the stock racked up earlier this year. Investors who missed the surge are wondering if the recent pullback is overdone and if Nutrien shares are now [undervalued](#).

### Nutrien earnings

Nutrien generated adjusted EBITDA of US\$2.6 billion in the first three months of 2022, driven by strong fertilizer demand and rising crop nutrients prices. Net earnings came in at US\$1.4 billion and Q1 adjusted net earnings per share hit US\$2.70.

Nutrien's wholesale business produces and sells potash, nitrogen, and phosphate. Farmers use these crop nutrients to increase yields on their fields. Nutrien also has a large retail division that sells seed and crop protection products.

Nutrien sold 4% less potash in the quarter than it did in the first three months of last year, but the averaged realized price per tonne soared to US\$608 compared to US\$194 in Q1 2021. The volume drop occurred, as wet and cool weather in the United States forced farmers to delay planting of some crops. Rail disruptions impacted offshore deliveries, although total offshore sales volumes increased as a result of higher demand.

Nitrogen sales volumes dipped 6% year over year. Average realized prices, however, jumped to US\$645 per tonne compared to US\$238 per tonne in the first quarter of 2021. Unplanned outages at production facilities impacted production, and the delayed U.S. planting added to the drop in sales.

Phosphate volume sales slipped 7% compared to the first three months of last year. The average sales price rose to US\$865 per tonne compared to US\$490 in 2021.

The retail division saw sales increase 30% in the quarter and adjusted EBITDA more than doubled to US\$240 million, despite a drop in seed sales. Crop nutrients, crop protection, merchandise, and financial products sales all improved over the same period last year.

## Outlook

Sanctions imposed on Belarus last year and on Russia in 2022 have had a large impact on the global potash market. The two countries are major producers, typically supplying 40% of the market. To cover the drop in shipments from the two countries Nutrien raised its potash output by one million tonnes in the second half of 2021 and plans to do the same this year to meet global demand for the commodity.

As a result of tight market conditions and high prices Nutrien raised its financial guidance for 2022. Potash sales volumes are expected to be 14.5 to 15.1 million tonnes compared to previous guidance of 13.7 to 14.3 million tonnes. Adjusted net earnings per share for the year are targeted at US\$16.20 to US\$18.70 per share instead of US\$10.20 to US\$11.8 per share. That's a big jump.

Supply disruptions in the global market continue to push up prices. At the same time, Nutrien says the uncertainty surrounding the war in Ukraine could have material negative impacts on its business, depending on how long the war lasts.

## Should you buy Nutrien stock now?

Nutrien trades near \$112 per share on the **TSX Index** at the time of writing compared to the 2022 high near \$148.

On the positive side, Nutrien's strong sales and profit outlook for 2022 should provide a floor for the share price and entice new investors to buy. Farmers are taking advantage of high crop prices to plant more acreage. This should support higher fertilizer demand, even at the elevated prices.

Risks are also present. Global food inflation is a serious problem. To help alleviate the problem, sanctions against Belarus and Russia might ease. If that happens and more crop nutrients and key crops can be exported out of these countries, fertilizer and crop prices might pull back. A sharp drop would likely send Nutrien shares lower.

At this point, the pullback is likely overdone, although more downside could certainly be on the way. Commodity bulls might want to start a small position here and look to add on additional weakness. Ideally, the stock will slide back below \$100 to provide a better entry point, but bargain hunters might not let it go that low.

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