



Nutrien Stock: Is Now a Good Time to Buy?

Description

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) might appear undervalued after the big pullback, but investors need to be careful.

Nutrien overview

Nutrien produces potash, nitrogen, and phosphate. It is the planet's largest potash producer and a leader in the other products. Farmers around the globe use these crop nutrients to boost yields in their fields. Nutrien also has a large retail business that sells seed and crop protection products. This helps balance out the volatility that can occur in the wholesale fertilizer market that moves through typical commodity price cycles.

Nutrien is the result of the merger of Potash Corp and Agrium in early 2018. The two companies completed major capital programs before the marriage, setting Nutrien up with world-class facilities capable of boosting output when demand rises. That has proven to be a big bonus for the company and its shareholders through the pandemic.

Why?

Soaring crop prices over the past two years led to a sharp increase in fertilizer demand as farmers used extra profits to buy more crop nutrients and plant more acres to take advantage of the strong market conditions. Sanctions imposed on Belarus in 2021 and the war in Ukraine in 2022 have resulted in higher sales for Nutrien's potash products at higher prices. The company also raised output by one million tons in the second half of last year and is boosting output again in 2022 to cover global supply shortages.

Risks

Nutrien stock soared from \$90 in January to nearly \$148 in April but has steadily pulled back in the past three months and currently trades near \$103 per share. Crop and commodity prices are falling,

and a recent deal between Russia and Ukraine to allow grain shipments through the Black Sea should drive prices down even further.

Russia is a major potash producer. Fertilizer exports from the country could expand in the coming months if international efforts to reduce inflation are deemed more important than inflicting financial pain on Russia through additional sanctions designed to inhibit Russia's ability to fund the war.

Upside?

Nutrien will likely report strong Q2 2022 results, and the share price could bounce as a result. The stock should be a solid long-term hold, and the current dividend provides a reasonable 2.4% yield. Analysts at the United Nations expect the world population to grow by about two billion people to nearly 10 billion from 2020 to 2050. At the same time, urban sprawl will continue to eat up arable land. This means global farmers will need to produce more food on less space. One way to do that is to use more fertilizer.

Is Nutrien a good stock to buy now?

Nutrien is a leader in crop nutrients industry and probably has a bright future. That being said, the company is largely at the mercy of commodity prices, and the current trend isn't your friend. Additional downside in crop nutrient and food prices could put added pressure on the share price in the coming months. With this thought in mind, I would keep any new purchase of Nutrien stock small or even wait until the bottom of the pullback is more clear.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker

2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/31

Date Created

2022/07/25

Author

aswalker

default watermark

default watermark