



Forget Oil Stocks – This Commodity Has Room to Run

Description

Oil stocks have had a good run this year. In a year when most types of stocks went into a bear market, oil stocks made gains. In fact, they had their best showing in years. At one point this year, the **S&P/TSX Capped Energy Index** was up 50% for the year. Today, it's "only" up 36%, but that's still vast outperformance of the market averages.

Many investors have done well investing in oil stocks this year. However, there's another commodity that may be even more interesting than oil. Absolutely vital to the economy, its price is rising this year. And unlike oil, it doesn't face long-term pressure from cleaner alternatives.

Fertilizer

Fertilizer is the key commodity that all farms depend on. It's usually made up of elements like nitrogen, phosphorous and potassium. Nitrogen can be manufactured in massive quantities using relatively common ingredients. Phosphorous, on the other hand, is scarce. There is currently no way to get an adequate supply of it other than digging it out of the ground. A handful of top countries – Russia, China, and Canada – dominate the industry. One of those countries is embroiled in a major war, another one is increasingly at odds with Western countries. The one remaining – Canada – is perfectly positioned to be the default supplier to Western nations whose trade relationships with Russia and China are strained.

Why it's arguably more promising than oil

Fertilizer is arguably more promising than oil over the long run because it isn't at risk of becoming obsolete. Electric vehicles are a huge growth industry right now, growing at 22% per year. Forecasts say that by 2035, EVs will make up the majority of cars on the road. Once that happens, the majority of cars will ultimately be powered by wind, solar, hydro, nuclear or coal, which will take a bite out of the oil market. Fertilizer doesn't have any up and coming alternative to steal its thunder, so it may be a better industry than oil long term.

One Canadian fertilizer stock worth taking a look at

If you're interested in the opportunity in fertilizer, one stock you might want to take a look at is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)). It's a Canadian fertilizer company that's listed on the [Toronto Stock Exchange](#). Thanks to its geography, NTR is perfectly positioned to supply this key agricultural commodity to the United States and other big markets. Each year the company exports [27 million tonnes](#) of nitrogen, potassium and phosphate products to farmers around the world. It is the world's single biggest supplier of agricultural inputs, and it is growing.

In its most recent quarter, Nutrien delivered \$14.5 billion in sales, up 49%, and \$3.6 billion in earnings, up 224%. Terrific growth. If the price of fertilizer keeps rising, the growth will continue, and so will the growth of its dividend, currently yielding 2.1%. The world's supply of phosphates is tight right now, and Canada is one of the few Western nations with a lot of that commodity. Nutrien is already the world's largest supplier of agricultural inputs, and it only benefits from this year's cleaner energy trend. So, NTR is a stock that could thrive in the challenging times ahead.

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