



## 3 Commodity Stocks You Can Hold For Decades

### Description

Trading commodities goes back much farther than stocks, but it was a different market in the good old days. Now, futures contracts are one of the most common ways for an investor to gain exposure to various commodities, but they can be tricky investment instruments for most retail investors.

Stocks of companies engaged in these commodity businesses are another way to gain exposure. Investing in shares may not be as “pure” as trading futures, but you may still be able to gain from the bullish and bearish (if you are going short) market phases. You can also bet on the long-term rise of certain commodities with the shares of relevant companies.

### Investing in food commodities

You can invest in various types of food commodities by choosing the right company. If you want to gain exposure to a wide variety of individual food commodities, consider investing in a company like **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), one of the largest fertilizer companies in the world.

Investing in a broad spectrum of food stocks like Nutrien might be second only to [water stocks](#) when it comes to long-term safety based on demand.

That's because the world population is rapidly growing, and by most estimates, it may peak somewhere between 2080 and 2100. And the more mouths there are to feed, the more demand for products like the ones Nutrien sells, hence the potential financial safety. With exposure to the non-cyclical consumer staples sector, Nutrien has shown it can be profitable in good times and bad. For the 12 months ending June 2022, Nutrien earnings jumped 614.6% to \$6.9 billion.

And considering its current leadership position and assets, it's highly likely to acquire any significant competitors before they become a severe threat. So the chances of disruptions in the industry are relatively low.

All of this points to a company you can hold in your portfolio for decades.

## Investing in uranium

You can invest in uranium through a giant like **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) – one of the largest uranium-producing companies in the world. But even though it's a global leader like Nutrien, it's not a company you may want to hold onto for more than the next one or two decades. That's because of the demand and supply projections of the underlying commodity.

The general price trend for uranium has been positive over the last two years as the World Nuclear Association forecasts slow but rising demand. On the rising price tide, in Q2 2022, Cameco's revenues jumped 49.3% over the year-ago quarter \$437 million, and 14.5% to \$1.4 billion over 12 months. As Cameco focuses on delivering lower-cost pounds of uranium into long-term utility contracts, its EBITDA (earnings before interest, taxes, depreciation, and amortization) margin – a measure of operating profit as a percentage of revenue – has risen 6.6% to 10.5% in 2022.

Uranium demand is expected to rise as more and more countries realize that nuclear power may be the key to sustainable energy, at least until renewable technologies have matured enough to meet the world's energy needs. But if fewer nuclear power plants come online than the ones shutting down, uranium demand may slump. Another issue is thorium replacing uranium as the mainstream nuclear fuel.

Still, until there is an apparent uranium demand slump, Cameco might prove to be a profitable investment and may remain so for over a decade.

## Investing in gold

**Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) gives you exposure to one of the most well-understood commodities in the world – gold. Gold has been a coveted investment asset for a very long time and for various reasons.

The foremost is its value as a hedge. Since it usually retains its value even when that of fiat currency is going down or the stock market is plummeting, investors use it as a hedge in their portfolio to protect their capital.

And that's what many gold stocks, especially mining stocks that offer relatively direct exposure to the underlying commodity, are usually suitable for. But Franco-Nevada offers more consistent growth compared to the market-contrarian growth of most gold stocks. This makes it an ideal long-term holding with promising returns.

The company closed out Q2 2022 with record revenue and adjusted net income, and adjusted EBITDA rising 4% to \$301 million from the year-ago quarter. With no debt and \$1.9 billion in capital on hand, Franco-Nevada is in a strong balance sheet position to pursue growth through acquisitions and mine expansion.

## Foolish takeaway

Since all three companies are global leaders in their domains, they offer even more long-term safety

than their smaller industry peers might. But that's not all they offer. All three have decent capital appreciation potential and pay dividends, though you have to buy the dip to lock in a respectable yield.

## CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:FNV (Franco-Nevada)
3. NYSE:NTR (Nutrien)
4. TSX:CCO (Cameco Corporation)
5. TSX:FNV (Franco-Nevada)
6. TSX:NTR (Nutrien)

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## Date

2025/06/28

## Date Created

2022/08/23

## Author

adamothonman

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