



Forget Oil: This Commodity Is a Strong Long-Term Bet

Description

The Canadian energy sector had a major role in propping up the [Toronto Stock Exchange](#) (TSX) last year by putting up a stellar performance when most other sectors of the economy were weak. Oil stocks made gains in a year when most stocks across the board went into bear territory.

As of this writing, the **S&P/TSX Capped Energy Index** is up by almost 40% year to date, but the energy sector's benchmark index is down by 17.55% from its 52-week high. Despite a pullback from its 52-week high, the energy sector has outperformed the broader market by a significant margin. The **S&P/TSX Composite Index** is down by almost 6% year to date.

Investing in oil stocks might seem like an attractive option right now. Inflationary environments improve the performance of commodity stocks. However, Canadians with a long investment horizon might want to consider hedging their bets on an entirely different commodity that is also vital to the economy.

The only difference is that the commodity is not under pressure to be phased out in the coming decades due to greener alternatives.

Invest in fertilizers instead of oil

Rising climate concerns have seen a worldwide shift in focus on energy consumption. Governments are increasing pressure to shift to cleaner and greener alternatives to fossil fuels. We might be several years from completely phasing out traditional energy products. However, there will likely be a point when crude oil is obsolete. The global fertilizer market might not suffer the same fate.

Fertilizer is a critical commodity for the economy. The farming industry depends on fertilizers to produce food. Several elements make up fertilizer, including nitrogen, phosphorus, and potassium. Nitrogen is relatively easier to manufacture in large quantities.

However, phosphorus is an element that has to be extracted from the ground. Only a few countries have vast phosphorus reserves, and Canada is one of them. The other two are China and Russia.

China is almost always at odds with Western countries, and Russia is currently in a war that has left it out of favour with most other countries. Canada might become the go-to source of phosphorus for countries with poor trade relations with Russia and China.

Combustion engine vehicles are becoming obsolete as the electric vehicle (EV) market grows. Renewable and cleaner energy facilities are already growing at a rapid pace. Both factors strongly indicate that oil will never last forever. Fertilizers are a commodity that will not face the pressure of becoming obsolete.

Investing in the Canadian fertilizer market

If you are interested in capitalizing on the long-term potential for the fertilizer market, **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) can be an excellent bet to consider. Nutrien is a \$64.42 billion market capitalization fertilizer company headquartered in Saskatoon, Saskatchewan. It is the largest producer of potash and the third-largest producer of nitrogen worldwide — both crucial ingredients for fertilizers.

The company annually exports over 27 million tons of nitrogen, potassium, and phosphate products worldwide, and its performance has been improving. Its recent-most quarter saw Nutrien increase sales by almost 50% year over year after delivering \$14.5 billion in sales. The company increased its earnings to \$3.6 billion, up by 224% in the same period.

Rising fertilizer prices could set it up for stellar growth in the coming years. Global phosphate supply is already tight, and Canada is well positioned to fulfill growing demand.

Foolish takeaway

Nutrien stock trades for \$119.54 per share and boasts a 2.07% dividend yield as of this writing. It is up by 31% year to date but down by 19.19% from its 52-week high. It is one of the world's largest agricultural input suppliers and is attractively priced. It could be an excellent investment to consider if you have a long investment horizon.

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