



## Should You Buy Nutrien Stock Right Now?

### Description

Commodity stocks have been on a wild ride this year, and investors with an eye for value are wondering which stocks might be good to buy right now for their portfolios. Let's take a look one top [TSX](#) commodity stock to see if it is [undervalued](#) and attractive today.

### Nutrien

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) is the product of the merger of Potash Corp and Agrium in 2018. The marriage of the two Saskatchewan-based companies created the planet's largest potash producer and a leading supplier of nitrogen and phosphate. Agrium's retail business gave the combined company a balanced revenue stream with the division's seed and crop protection sales, helping to balance out some of the volatility that can occur in the wholesale side of the fertilizer operations.

Nutrien is in sweet spot in the industry. The company has spare production capacity it can bring online at relatively low cost to meet rising potash demand. High crop prices have enticed farmers to plant more land and buy more crop nutrients. At the same time, sanctions against Belarus and Russia, two major potash producers, have driven market share into Nutrien's lap.

The combination of rising market prices for the core products and high sales volumes have resulted in a surge in revenue and profits. Nutrien generated record earnings of US\$5 billion in the first half of 2022.

Management is using the excess cash to buy back up to 10% of the outstanding stock as part of the current share-repurchase program. This is positive for investors, as it drives up earnings per share and should support a higher stock price over the long run.

### Risks?

One point of concern that came out of the second-quarter (Q2) results is the company's decision to reduce full-year guidance numbers that were made earlier in 2022. Management said its expects 2022

adjusted net earnings per share to be US\$15.80 to US\$17.80 instead of US\$16.20 to US\$18.70. The downward shift in expectations is due to reduced anticipated nitrogen earnings as a result of a drop in market prices and higher natural gas costs. In addition, farmers didn't use as much potash and nitrogen in the spring planting season in North America. Parts of Canada and the United States had issues with flooding.

The war in Ukraine is dragging on longer than analysts might have predicted, and ongoing market volatility is expected. However, an increase of potash shipments from Russia and Belarus would likely have a negative impact on Nutrien. China, meanwhile, is maintaining export restrictions on fertilizers, but a shift in the position would also potentially impact market prices.

## Is Nutrien stock a buy?

Nutrien trades for \$113 per share at the time of writing. The stock was above \$140 at one point in April and fell as low as \$94 in June. Investors should be careful trying to catch the bottom, especially in the current market conditions. The soaring value of the American dollar is a headwind for commodity prices, and the latest downturn in the broader market might have more room to run.

I would probably stay on the sidelines for now and maybe look to buy if the stock gets back below \$100.

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