



Here's Why Nutrien Stock Is 1 of my Top Stock Picks This Year

Description

The global population is already at eight billion, and we are expected to reach at least 10.4 billion by the end of this century. According to most estimates, we will reach the tipping point somewhere close to 12 billion and experience a sharp population decline afterward. However, this point is so far into the future that almost none of the investors today may live to see that.

Till then, the population is going upward, and so is the importance and value of our food resources. Agriculture is responsible for the bulk of the food humanity consumes today, both directly and indirectly, via the animal feed we grow. So, it's in humanity's best interest to ensure that our agricultural capabilities grow at a steady pace to support a growing global population.

Fertilizers are a key piece of the puzzle here and one of the strongest entry points (for investors) in the food market.

Nutrien: One of the largest fertilizer companies in the world

Nutrien ([TSX:NTR](#)) is not just the largest agricultural company currently trading on the TSX; it's also the global leader, at least by market cap. Even at a 25% discount (from its 2022 peak), it has a market value of about \$54.7 billion, making it the only [large-cap stock](#) in the agricultural sector in Canada.

It's the top potash producer in the world, with a total yearly capacity of 20 million tonnes. It's also the third-largest global nitrogen producer and second-largest phosphate producer in North America.

This shows that Nutrient products are responsible for feeding a significant portion of the population. The company has a massive footprint, with over 2,000 retail locations and around 440 wholesale fertilizer distribution points. The company is also working on growing its production capacity in the coming years.

Nutrien stock

There are a number of reasons why Nutrien stock is one of my top picks this year. Firstly, even though the global agricultural output in its current form is enough to feed the population, it's still at the mercy of climate change. If the climate shift becomes drastic enough, it may significantly impact agricultural output.

Nutrien is among the few global players that may hold the key to growing more resilient crops that can keep up with climate change. It also has a strong global presence and a well-established supply chain, allowing it to cater to its primary markets for its fluctuating needs. This may help it survive problems that its smaller counterparts with weaker presence might not be able to.

The third reason is its dividends. The yield is quite modest at 2.47%, but it's backed by a solid payout ratio of 13.5%, endorsing the financial sustainability of its payouts. The company has steadily grown its payouts since 2017.

Another reason to consider this stock is its discounted valuation. Despite trading at an 87% premium to its pre-pandemic peak, the stock has a price-to-earnings ratio of just 5.4.

Foolish takeaway

Even among the other [blue-chip stocks](#) in Canada, Nutrien stands out thanks to its position as a global leader in a relatively evergreen market: food. Nutrien is a potentially powerful long-term holding that may reward its investors via both dividends and capital appreciation if they hold onto it for long enough.

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