



Top Canadian Food Stocks of 2023

Description

Food stocks are companies that make and sell food and nonalcoholic beverages. Because food is literally the sustenance of life, food stocks are typically more stable and less volatile than other investments.

The industry is also likely to grow in coming years, as it's becoming more and more imperative to feed a growing global population.

If you're looking for a solid consumer staple stock that also has some growth potential, food stocks might be right for you. Below, we'll break down the food industry and list some of the top food stocks in Canada.

What are food stocks?

Food stocks are companies immersed in the production, packaging, and sale of food.

This includes:

- Companies that receive food from farmers and package it for resale
- Supermarkets and grocery stores that sell premium brands and unbranded products
- Restaurant and dining chains
- Vegan stocks specializing in plant-based foods

Food stocks are consumer staples, which makes them more dependable than [cyclical stocks](#) or growth-centric industries, such as the tech sector. Since Canadians need to eat, no matter what the market or economy is doing, food stocks tend to hold their value, even in the most tumultuous market conditions.

On the flip side, this stability prevents most food stocks from appreciating rapidly during [bull markets](#).

That's not to say food stocks aren't [growth stocks](#). As we'll see below, the food industry is undergoing changes. In response to climate change and a growing awareness around the meat industry's surplus of carbon emissions, consumers are gradually adopting plant-based diets. This has created space for new vegan stocks to grow, as well as other stocks that promote sustainable farming and waste

reduction.

The best food stocks in Canada

The food industry in Canada is the second largest in the country. Here are some of the best food stocks making up this thriving sector:

| Food Stocks | Description |
|---|--|
| Loblaw Companies (TSX:L) | Canada’s largest food retailer with numerous banner stores |
| Metro (TSX:MRU) | One of the largest retail grocery stores in Canada |
| Empire Company (TSX:EMP.A) | Grocery conglomerate that operates Sobeys stores |
| Maple Leaf Food (TSX:MFI) | Consumer-packaged meat company |
| Goodfood Market (TSX: FOOD) | Online grocery store and meal kit company |

Loblaw Companies

Loblaw is arguably Canada’s most popular general merchandising retailer. The company has 22 different banner stores, with the largest being Loblaw itself, Canada’s biggest supermarket chain.

Loblaw produces and sells a wide range of consumer products, such as pharmaceuticals, baby goods, clothing, automotive goods, cell phones, and more. As a supermarket chain, Loblaw (or “Loblaw Great Food”) has over 2,400 grocery stores across Canada, including discount banners No Frills® and Maxi®. The drug retail business includes Shoppers Drug Mart.

The company has historically attracted customers with its low prices, generous rewards program, and “one-stop shop” business model. The retailer recently launched an online shopping experience through its own branded marketplace as well as the mobile app, PC Express.

Loblaw is generally considered a hedge against market downturns and recessions. Not only does it sell a slew of consumer staples, but it also favours discounted over premium brands. This helps Loblaw grocery stores attract more shoppers in times when Canadians are shopping on a budget.

Metro

Metro Inc. is a network of food stores. With around 950 stores (and 650 pharmacies) under its “Metro” banner, Metro enjoys being one of Canada’s largest and most profitable grocery store chains.

Metro has laboured hard to keep its stores relevant and attractive to grocery shoppers, who are becoming increasingly more digital. They have an online shopping app, delivery services, and online meal delivery kits.

Not only has the company almost quadrupled its share price over the last 10 years, but it also increased its dividend for the last 25 years. While the stock has experienced some mild short-term volatility, it has been rock-hard for investors since its inception.

Empire

Empire is a grocery conglomerate with a heavy hand in food retail stores, most notably Sobeys.

Over the last 50 years, Empire has acquired numerous food companies, including Lawton’s Drug Stores, Sobeys, Safeway, Farm Boy, Thrifty Foods, and most recently Longo’s, just to name a few.

Currently, over 1,500 stores in Canada are under the Empire banner, with the majority being the Sobeys grocery store chain, the second largest supermarket chain in Canada.

In addition to grocery stores, Empire owns 41.5% of a [real estate investment trust \(REIT\)](#).

Maple Leaf Food

Maple Leaf Food produces and sells packaged meat. Based out of Mississauga, Maple Leaf exports products to more than 20 countries, including Japan and the U.S.

Grounded in a meat packaging legacy that stretches back to 1927, Maple Leaf has had to constantly adopt to changing times. Though it’s still one of the largest processors of hog meat in the world, Maple Leaf has acquired a small arsenal of plant-based companies to push its new “meat alternatives” strategy.

The company has also changed the way it produces meat—for instance, allowing sows to roam freely and socialize rather than be encaged—and is recognized as a global leader for its animal welfare practices.

Goodfood Market

Goodfood Market Corp is an online grocery and meal kit company based in Montreal.

Though it started as a meal kit delivery service in 2014, GoodFood Market has since rebranded itself as an online grocery store. This gave the company some serious tailwinds during the COVID-19 pandemic, when homebound grocery shoppers turned to the app for its grocery deliver services.

Since then, the company's stock has deflated quite a bit, even though it has increased its subscribers and delivery speeds.

Because Goodfood Market has its feet in both the food industry and the [technology sector](#), investors should expect some volatility in the short term. Still, it can be a solid long-term pick, especially for growth stock investors looking for a low-cost opportunity.

Should you invest in food stocks?

Food stocks are stable investments that can bring some security to your portfolio, especially during intense market volatility. People need to eat, and so long as they keep buying food, food companies will be in demand for a long time.

Of course, that doesn't mean food stocks are immune to market conditions. Food companies are dependent on the [agricultural sector](#), which is itself vulnerable to the weather, natural disasters, supply chain hiccups, inflation, and geopolitical turmoil. When agricultural companies start charging more for crops and food, food companies must adjust their prices in response.

This could lead consumers to buy groceries at value stores, cut restaurant spending, and choose non-branded items over premium brands, all of which can affect a food company's revenues.

To mitigate these risks, investors should purchase stock in food companies that have steady revenue, free cash flow, and a long history of increasing dividend payouts. You might also want to purchase shares in an agriculture-focused [exchange-traded fund \(ETF\)](#), as fund investing could bring greater stability to your overall portfolio.

TICKERS GLOBAL

1. TSX:COW (iShares Global Agriculture Index ETF)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:L (Loblaw Companies Limited)
4. TSX:MFI (Maple Leaf Foods Inc.)
5. TSX:MRU (Metro Inc.)

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