



## What's Going on With Potash Corporation of Saskatchewan Inc.?

### Description

There has been a lot of confusion and incorrect news floating around about **Potash Corporation of Saskatchewan Inc.** (TSX: POT)(NYSE: POT) this week. So, what's going on? Well, let's start at the top.

### Last week's jump

Last week the ground collapsed near a mine owned by Russia's OAO Uralkali, causing a huge sinkhole to emerge. The mine thus had to suspended production.

This event could be an opportunity for Potash Corp since it could pick up the production gap caused by the huge Russian mine. The Uralkali mine is said to be losing about 2.3 million metric tonnes of production due to the sinkhole. To put that into perspective, that's about 18% of the world's supply! Shares of Potash Corp. jumped with excitement as this would likely mean higher potash prices due to a deceleration in global supply.

### This week's confusion

However, on Monday, the company's shares slumped and lost most of the gains from last week. This was because of reports that Uralkali might restart the mine and restore production. The CEO of Uralkali reportedly said in an interview with Reuters that the company is preparing to restart half of the mine. Thus, Potash Corp. shares dropped.

But within a few hours, the company released a statement saying, "currently there is no discussion of the launch of full or partial production in the mine." The mine may be crippled and so far, no one knows how long it would take to get it up and running again, given the excessive flooding (try searching for a picture of the sinkhole to see the remarkable size of it).

Also, word on the street is that Belarussian potash producer Belaruskali shocked the market with its 2015 production forecast. The company said it expects to produce 10.3 million metric tonnes in 2015 as opposed to the market's estimates of about 9 million metric tonnes.

That is what traders say caused the fall in Potash Corp.'s shares on Monday.

### **How Do You Play Potash Corp.?**

With all this confusion, what should investors do if interested in buying shares of the company?

If you ask me, I say consider the longer-term picture and take Monday's fall as a buying opportunity. The potash market is starting to look better, especially in the U.S., with prices at US\$405.

Potash Corp. expects to have 10.5-11 million metric tonnes of operational capacity next year. Its current sales are at about 9 million tonnes, so the company will have to sell another 1.5 million metric tonnes to reach that goal, which is doable.

At around \$41 a share could arguably have been be a tad expensive. But now that it's trading around \$38, it's great value for money.

The bottom line is that the market and the company are starting to look good again. The Russian mine collapse is just a bonus...for Potash Corp. at least.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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