



Invest Like Jim Rogers, Buy Potash Corp./Saskatchewan and Agrium Inc.

Description

Legendary commodities investor Jim Rogers is holding onto his long-term view that commodities prices will appreciate, even though he sees the potential for near-term pressure, which could include gold falling below \$1,000 per ounce.

So, where is the investor putting his money right now? According to a recent interview he is most bullish on agricultural commodities, supported by the fact that we have a growing population and the arable land necessary to grow the crops to feed the world's population is decreasing.

In Canada, our top agricultural names include **Potash Corp./Saskatchewan** (TSX: POT)(NYSE: POT) and **Agrium Inc.** (TSX: AGU)(NYSE: AGU), and here is how an investment in either would offer you exposure to the global agriculture market.

Potash Corp./Saskatchewan

Potash Corp. produces the three major types of fertilizers — potash, phosphate, and nitrogen — but over 50% of its business is in its namesake nutrient, potash. Its large exposure to potash is a definite positive for this agriculture-related stock. While potash ranks third in fertilizer use behind nitrogen and phosphate, the potash mining business has significant barriers to entry. Potash mines are expensive to build, and have a very long ramp-up time. The benefit of the potash business is once you are in, you enjoy better margins compared to other fertilizer mines.

Potash ranks last in terms of global fertilizer use, partly because developing countries that use the most fertilizer grow primarily the staple grains, and the staple grains require more nitrogen and phosphate compared to potash. As the populations in these countries grow not only in size, but in wealth, the larger, wealthier class will demand a more sophisticated diet, which includes more meat as well as fruit and vegetables, and these crops require more potash for fertilizer compared to the grains.

Buy purchasing Potash Corp. stock you would be making a bet primarily on the future of potash, and while the short-term pricing for this commodity can be quite volatile, its hard to argue with the long-term potential for potash prices to appreciate as the world's population grows, and increases in wealth.

Agrium Inc.

Agrium is a more diverse play than Potash Corp. when it comes to the agriculture sector, partly due to the company's retail business, which is somewhat recently acquired from **Viterra**. The company's retail business sells seeds, agricultural crop protection and fertilizers directly to farmers in North and South America. In addition to the retail business, the company also has a wholesale business. The company's retail business is largely seen as a positive, and has added diversity, and stability to the company.

The main negatives brought up in terms of Agrium's business is its exposure to nitrogen. While nitrogen is a necessary crop nutrient the negative is that the nitrogen business is more competitive, and the competitiveness can cause some challenges for Agrium's growth.

Which to buy?

If you are looking at buying either Potash Corp. or Agrium, which stock is best for you depends on what you are looking at getting out of your investment. Over the long term I expect to see Potash Corp. outperform Agrium due to its higher exposure to potash, but Potash Corp.'s stock will likely see much more volatility.

In sum, either company offers an exposure to agriculture, a sector with a great long-term picture, so if you are looking at investing in a company that will provide solid profits, you really cannot go wrong with either Potash Corp. or Agrium.

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