



3 Reasons Potash Corp./Saskatchewan Inc. Is on My Dinner Plate

Description

One of the easiest ways to generate ideas on what kinds of stocks to own is to assess what people need. We need homes and office space, so REITs might be interesting. We need gas for our cars, so oil companies are fascinating. And we need to eat, which makes **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT) such a good idea to me.

Let me preface by saying that Potash Corp is a long-term buy. In the short term, you're going to be frustrated with the company's lack of capital gains. But when we start to look at the long term, this company really starts to shine. It's this that brings me to the first reason you should look at Potash Corp.

1. International growth is inevitable

For another 35 years, we're going to see population continue to grow across the world. While in areas like the United States and Canada, the population may decrease, other parts are definitely going to rise. Potash Corp provides three key nutrients that are necessary for the creation of fertilizer. If you take the potash, nitrogen, and phosphates that the company mines for, mix them together with some other fillers, you'll get fertilizer.

But it's not just raw numbers that matter here. China and India are creating a much larger middle class, which is an exciting prospect for the global economy. However, think about what kind of food you like to eat as a middle class person. Now ask yourself, why wouldn't someone from China and India want to eat a similar quality food?

Farmers are going to need to be able to grow more food on their farms, which will require higher quality fertilizer. If more fertilizer is needed, more of what Potash Corp. sells will be needed. Everyone gains.

2. CAPEX is finishing

For the past decade Potash Corp spent about US\$8.5 billion to increase its capacity. In essence, it has been planning for the future growth for some time now. However, whenever a company has a lot of money tied up in investments, it can be difficult to look like a well-off company.

Fortunately, with CAPEX coming to an end, Potash Corp. will be able to reallocate that US\$1 billion a year to other investments, such as paying dividends to investors. By increasing the cash flow by that much each year, Potash Corp. should be in a great place to reward investors for the long term.

3. Dividends

As I mentioned above, with the CAPEX program coming to an end, this company is in a great position to reward its investors. But even before CAPEX comes to a close, Potash Corp. is still paying its investors handsomely. It currently pays a 4.67% yield, which comes out to \$0.38 per share per quarter, or \$1.52 a year.

It has also increased that dividend six times in the last four years. I like to get raises from my job. Potash Corp. is giving its investors a raise by increasing the dividend so often. And with CAPEX coming to an end, I expect the company to continue increasing the dividend.

As I said, this company won't be providing you with many capital gains for the short term. However, because of how lucrative the dividend is, I wouldn't want to miss out on that income. And if you can continue to reinvest those dividends into the stock, especially when the price is depressed, your average cost per share will drop and you'll have a nice cheque coming to you every quarter.

CATEGORY

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2. Metals and Mining Stocks

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