



2 Reasons Why Potash Corp./Saskatchewan Inc. Has a Bright Future

Description

If we all stop for a moment and look at our food, we realize that there are so many steps that take it from growth to being on our plates. One company that has its hands in that process that many of us likely would never even think about is **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT).

There are many reasons that Potash Corp. has a really bright future, but there are a couple reasons in particular that jump out at me.

1. Population growth

The world is getting more populated. We have two countries with over one billion people each. It is expected that the population will continue to grow until 2050, when it will finally start to level out. However, there's no anticipated drop in population predicted by scientists, so we have to get used to a more populated world.

Potash Corp. provides three key ingredients—potash, nitrogen, and phosphates—that are required for fertilizer. As the world continues to grow and the available farm land stays constant, farmers will need to find ways to economically increase output on their land. That will likely require higher quality fertilizers. If more fertilizer is sold, more of what Potash Corp. has to offer will be needed.

And it's not just raw growth here. China and India are growing economies despite short-term hiccups. As their middle class grows, they are going to expect certain luxuries that might not be available to lower-class individuals. I like a good steak. Why wouldn't someone in China like a steak, too? I like fresh vegetables. Why wouldn't someone in India want that? This all means that farmers need better fertilizer and Potash Corp. can offer the ingredients for that.

2. It's invested for the future

For about a decade, Potash Corp. has spent close to US\$8.5 billion, so that it could increase its capacity. While it was hurting their bottom line in the short term, the company invested for future growth. Fortunately, that capex is finally coming to an end. It has increased capacity and it is going to be able to reallocate close US\$1 billion a year to other investments.

If you haven't spent much looking at Potash Corp., one of the things that the company does well is pay dividends. By increasing available cash flow by US\$1 billion, the company will be able to buy key assets and also pay even greater dividends to investors. It is primed for the future and wants to reward investors along the way.

Is now the time to buy?

It appears that Potash Corp. is on a bit of a resurgence. It reached its year-to-date low about two weeks ago and since then has been rising slowly. It is quite possible that it could start flirting with its 52-week high within the next two to three months. And if it doesn't, at least investors will continue generating a lucrative 4.67% yield.

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