



## Buy Potash Corp./Saskatchewan Inc. for Long-Term Growth

### Description

For investors of **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT), times have certainly been better. And for many of them, holding on for dear life might seem like the worst possible decision that they can make. The stock has dropped 19% year-to-date, which is really quite unfortunate for those that have been holding it for some time. However, despite this drop in price, I view this as a blessing, not a curse.

The primary problem with Potash Corp. is something it cannot control at all. There is an oversupply of its primary commodity: potash. For those that don't know, potash is any sort of salt that has potassium in it. These salts are one of the primary ingredients in fertilizer, so one can see where the long-term growth could come in for a company like Potash Corp.

Unfortunately, there are multiple companies all running at full capacity in an attempt to win market share. The same thing is happening with oil. No company wants to lose market share, so they continue to pump at capacity. The idea is that volume or price will win the match. Until the supply gets under control, things are not going to get any better for Potash Corp.

But we're not thinking about the short term. What we care about is the future, and I believe Potash Corp. has a very bright future. There are a few reasons for that. The first is that demand for potash is only going to get stronger. As the caloric demands of people in other parts of the world rise, these countries are going to need more fertilizer to maximize agricultural yield.

According to analysts, demand is expected to grow 3.3% a year until 2020. I believe that demand could grow even more in the next decade as more of these nations continue developing their economies. The current world population is 7.3 billion people. By 2023 the UN predicts an additional one billion people. And by 2050 the UN predicts there will be a total of 9.6 billion people on the planet. More than half of that growth is going to be in Africa, where there are dozens of developing countries.

Further, Potash Corp. is making acquisitions in an attempt to control more supply and gain geographic dominance. It made a US\$8.6 billion bid to buy **K+S AG**, a German potash producer. While the company turned it down, there is a decent chance that shareholders may push a vote on the

acquisition. That would give the company a lot more capacity while reducing supply in the markets.

Finally, Potash Corp. rewards investors while they wait for potash prices to return to higher levels. It pays a very lucrative \$0.38 a quarter in dividends. The company has, historically, increased the dividend, so there could be hikes in the future, especially as the price of potash increases.

The reality is simple: Potash Corp. is a short-term pain, but a long-term reward for investors. If you are in it for the long haul, the price of Potash Corp. should begin rising once the oversupply starts to get under control. And, if you're making \$0.38 per quarter along the way, it might very well be worth it.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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