



Why Is Potash Corporation of Saskatchewan Inc. Surging?

Description

Potash Corporation of Saskatchewan Inc. (TSX:POT)(NYSE:POT) jumped 6% on June 23, and investors are wondering if the brutal rout is finally over.

Let's take a look at the reasons for the surge and see if more upside is on the way.

Russia-Belarus partnership?

Potash prices plummeted 25% in 2013 when producers Belaruskali and Uralkali ended a comfortable marketing partnership.

Since then, the two companies have been embroiled in a nasty battle for market share that has kept potash prices under pressure. The break-up of the cartel was just one part of the pain hitting the market, but the damage to margins has been so bad that the two companies are considering a reunion.

A *Reuters* report says Uralkali and Belaruskali, the world's top two potash producers, might renew their agreement after Belarus president Alexander Lukashenko made comments at an event in Minsk that suggest the two rivals might be ready to kiss and make up.

"Let's resume work and agree how much we will produce," Lukashenko said.

The news sent investors piling back into fertilizer producers, including Potash Corp., which rallied more than 6%.

India deal

News that Belaruskali is on the verge of signing a new one-year supply contract with India also provided support for the sector.

India and China normally have agreements in place much earlier in the year, but the two countries have extended negotiations in 2016. China still doesn't have a deal, and it is rare for India to be the first of the two countries to sign on the dotted line.

Details of the agreement will be keenly anticipated in the coming week as global buyers have been sitting on the sidelines waiting for China and India to finalize their supply agreements.

Why?

The prices the two countries negotiate often serve as a floor for the rest of the market.

Is it time to buy Potash Corp.?

A renewed Uralkali-Belaruskali marketing agreement should be positive for the market as the two firms would once again moderate output. In fact, a deal could signal the bottom for the multi-year rout.

Potash Corp. has sold off so much that the upside potential probably outweighs the downside risk at this point. If you have a contrarian investing style, it might be worthwhile to add a bit of the stock to your portfolio.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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