



## Is it Time to Buy Potash Corporation of Saskatchewan Inc.?

### Description

**Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) is starting to recover after a multi-year slump.

Let's take a look at the current situation to see if the crop nutrients giant deserves to be in your portfolio.

#### Agrium merger

Potash Corp. is in the process of merging its operations with **Agrium Inc.** (TSX:AGU)(NYSE:AGU).

The deal just received a conditional approval from India and already received clearance from Canada, Brazil, and Russia. The review process is still underway in China and the United States.

Potash Corp. expects to close the deal by the end of 2017.

The merger will create the world's largest provider of crop nutrients and services. Potash Corp. is already the biggest supplier of fertilizer products to the global wholesale market.

Agrium brings additional wholesale capacity, but also adds an important retail business. In fact, Agrium's retail network includes 1,500 facilities and more than 3,300 crop consultants who provide the company's services and products to farmers around the world.

Once the merger is complete, the combined company will change its name to Nutrien.

#### Growth outlook

Global potash, nitrogen, and phosphate prices have fallen in recent years due to market-share battles and growing supplies. Potash demand remains strong, and prices are starting to improve. Global shipments for 2017 are expected to be well above 2016 levels.

Nitrogen and phosphate prices remain under pressure, as new production offsets demand growth for the products. In the near-term, crop nutrients prices are not expected to increase significantly, but the

long-term outlook for the industry is positive.

Population growth is clashing with a reduction in farmland. In addition, people around the world have a growing appetite for meat. As a result, farmers will have to produce more food in the coming years to feed people as well as the animals they want to eat.

The best way to boost production on less land is to use fertilizer products.

### Capital plan

Potash Corp. and Agrium are near the end of multi-year capital programs. This means the combined company has the facilities it needs to meet future demand, and investors should see improvements in cash flow available for distributions.

### Should you buy?

Potash Corp. currently trades at \$24 per share, which is significantly below the \$40 level the stock enjoyed in 2015, so the upside is attractive once fertilizer prices recover.

The addition of Agrium provides a more balanced revenue stream due to the strong retail assets, and the combined company will have significant clout in global markets.

If you have a buy-and-hold investing strategy, it might be worthwhile to add the stock to your portfolio while it is out of favour.

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