

# AGRIBUSINESS TRANSFORMED

## AN INTERVIEW WITH MOSAIC COMPANY CHAIRMAN BOB LUMPKINS



Bob Lumpkins

Over his 40-year career, Bob Lumpkins has witnessed the epic transformation of the agribusiness industry firsthand — and has played a key role in some of the changes himself. During his 38 years at Cargill, nearly half of them as chief financial officer, he led the launch of the company's important financial businesses, and he's been a central figure at The Mosaic Company as chairman since its 2004 inception from the merger of IMC Global and Cargill's Crop Nutrition unit.

Though he retired from Cargill in October 2006, and has seen many of the executives he recruited and mentored go on to leadership roles at Cargill themselves, Lumpkins has not only remained at the center of the agribusiness industry — he's also added other endeavors to the mix.

Lumpkins still serves as the chairman of Mosaic, one of the world's largest crop nutrition companies, and is also chairman of Black River Asset Management (Cargill's hedge fund) in addition to being a member of the Ecolab and Webdigs boards and a trustee of Howard University.

### THE MOSAIC COMPANY AT A GLANCE

- > The Mosaic Company was formed on October 24, 2004, combining Cargill Crop Nutrition and IMC Global, two global leaders in the fertilizer industry. The company mines, manufactures, markets and distributes fertilizer around the world.
- > Mosaic employs 7,400 people worldwide and had net sales of \$9.8 billion in fiscal 2008. It is the world's leading producer of potash and phosphate crop nutrients.
- > **Leadership perspective**  
"We're very clear on the role of the chairman versus the CEO. As I've told [CEO] Jim [Prokopanko], my job is to help make him and Mosaic successful by making the board an effective body and by working to ensure he has a positive relationship with the board."

As part of Spencer Stuart's ongoing series of interviews with top agribusiness leaders, Lumpkins talked with consultant Pat Walsh about the industry's past and the trends shaping its future, the lessons learned in launching a new company, the qualities of a good board director, and the talent management challenges of the new millennium.

**As one of the few observers positioned to see the industry structure of agribusiness move from regional to national to global, what would you say are the biggest drivers of these vast changes?**

**Lumpkins:** A host of forces were at work. But if I had to choose three, the first would be the opening up of previously closed economies. This would include the fall of Berlin Wall and subsequent changes in Russia and Europe, the economic reforms in China that began in the late '70s and through the '80s, the opening up of the Indian economy in the '80s and '90s, and similar changes in other economies. The economic growth and rising standards of living that resulted from these changes have fundamentally changed agribusiness.

We went from a world in which an agriculture company like Cargill could directly reach two billion people (and was only able to export to the rest) to one where you can serve six billion people — essentially all the world except a handful of international pariah states. The pace at which this happened is truly amazing.

The second would be the rapid advance of technology across all sectors of agribusiness. Biotechnology, process technology and risk management technology have improved productivity and efficiency across the globe.

Third would be the impact of global customers such as McDonald's and Nestlé. These

companies want the same level of service in Tianjin as in Tampa, and they look for global suppliers to meet these global needs.

**What financial risk management innovations helped to drive global agribusiness?**

**Lumpkins:** Agribusiness always had a futures market, but as the financial markets developed and risk management technologies emerged there, those technologies came to play a role in in the derivatives markets for agriculture. They helped agribusiness companies manage the risk of their business, and, in turn, to help their suppliers and customers manage risk.

For example, producers now have the ability to price their crop well over a year in advance, under a range of options. Similarly, food manufacturers and food service operators can lock in ingredient and menu prices over the medium term. These have been valuable tools.

**In the future, what influences do you expect to be most significant in changing the agribusiness sector?**

**Lumpkins:** Some of the future influences are already evident, while others are emerging. There's the growing use of crops for fuel as well as food use; the next generation of technology changes, especially in biotechnology; the growing significance of Brazil, Argentina and the Black Sea region in agricultural production; and, maybe not quite so clear yet, the impact of climate change and limitations on resources such as water.

Global food supplies are at low levels relative to consumption today, with demand growth being driven predominantly by the Asian countries. Current economic conditions will slow that growth. But Asia has 60 percent of the world's

population, and will continue to have increases in food consumption that will create strains over time.

**It was a major strategic move to create Mosaic by spinning out the Crop Nutrition division from Cargill and merging it with IMC, a public company. Could you discuss your role as Cargill CFO in helping to drive this decision and implementing the strategy?**

**Lumpkins:** The idea originated with Fritz Corrigan, who had headed Cargill's fertilizer business. As CFO, I could see that an asset-intensive business like fertilizer was going to be capital-constrained within Cargill and unable to seize its growth opportunities. I could also see the advantages to Cargill of putting the business in the form of a liquid asset and shares rather than owning the underlying assets. Most importantly, the strategic logic was compelling.

I led the negotiations and helped structure the transaction in a way that eliminated the need for Cargill to put up cash and that permitted IMC shareholders to participate in the deal's upside. It's been a win-win for the shareholders of both companies.

**Were there any particular challenges in merging a business unit of a private company with a public company? What insights can you share in overseeing the integration of the two companies?**

**Lumpkins:** The biggest challenges were internal. Much of the IMC leadership left, and we had to integrate two competitor organizations and two very different cultures while rebuilding the management team. IMC brought a dowry of attractive potash and phosphate assets, but also a crushing debt load and undermaintained facilities that needed to be addressed in a difficult 2004 market environment.

Wall Street was unfamiliar to the Cargill people at the core of the management, so we relied heavily on people we brought in, like CFO Larry Stranghoener. We also needed to manage expectations within Cargill. Mosaic was now an independent company, not a part of Cargill, and Mosaic's priorities weren't always the same as Cargill's. We had to find a way to meet their needs and our needs in areas that overlapped, like financial reporting.

We were able to work our way through these challenges, and by the time the markets strengthened, we were ready.

**In just a few years, Mosaic has successfully established both a distinct identity and strong financial performance. Were there any decisions made at the outset that helped the company gain momentum so quickly?**

**Lumpkins:** There were several. First, we set Mosaic up with a board dominated by independent directors. Cargill owned 66 percent of the stock, but recognized that an independently governed Mosaic was in its best interest. And that independence was important for attracting talent and establishing our own credibility in the fertilizer business and the equity markets.

Second, the key leaders at Mosaic wanted to be at Mosaic. They weren't victims of a merger or people who were assigned there by Cargill. This was a high-risk, high-return value proposition, and it was vital that we had a volunteer army rather than conscripts.

Third, we put enormous energy into the integration process. We engaged a major consulting firm to assist us with pre-merger planning, so when the deal closed, we hit the ground running with very focused initiatives.

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This was coupled with a bonus plan based around capturing the synergies that we had envisioned with the transaction.

Finally, we were determined to make our own way, to keep the best ideas of the predecessor organizations but create a culture that was uniquely Mosaic and establish an organization, market presence and business practices that made sense for a global standalone crop nutrition business.

**Increasingly, companies are separating the CEO and chairman roles. This is becoming much more common in governance today. How has this been beneficial for Mosaic?**

**Lumpkins:** I've been on boards where the CEO was chair and on boards with a nonexecutive chair, and each has advantages and disadvantages.

With Mosaic, I'd like to think that separating the roles has been a good move. As chair, my board and financial market experience permitted us to choose CEOs in Fritz Corrigan and Jim Prokopanko who were top-notch operating executives, but didn't have governance experience coming in. Both were fast learners and developed an understanding of how to work with the board, but didn't have it at the outset.

The original merger agreement also created a complicated board system that awarded four seats to former IMC directors, three to Cargill executives, three to Cargill-identified independent directors and one to the CEO. There was the potential for factions and divisiveness. In my view, having a separate nonexecutive chairman has been helpful in bringing the directors together from across those groups into a cohesive and value-adding body.

We're very clear on the role of the chairman versus the CEO. As I've told Jim, my job is to help make him and Mosaic successful by making the board an effective body and by working to ensure that he has a positive relationship with the board.

**You are a board member of Mosaic, Webdigs, Ecolab and Black River Asset Management — companies in very different industries — and a trustee of Howard University. Do the qualities that make someone a good director translate easily to vastly different organizations?**

**Lumpkins:** In my view, most of the characteristics of a good director are universal: judgment, the ability to listen and to ask probing questions, the confidence to express minority opinions, commitment to the organization and interpersonal skills. These apply equally across businesses, and to nonprofits, as well. But any board also needs some directors with experience and expertise relevant to the challenges and issues of that organization.

At Mosaic, we are fortunate to have a set of directors that bring these different and valuable experiences to the boardroom. An example would be Bill Monahan, who was selected as a director because of his involvement in the spinout of Imation from 3M. What he learned in that process was invaluable to us as we spun the fertilizer business out of Cargill and merged it with IMC.

In your generation it was not uncommon to spend an entire career with a single company, or for a company to promote entirely from within for its management. Today, both are much less common. What are your views on the benefits of internal versus external talent?

**Lumpkins:** I spent my entire career as an executive at Cargill, and it worked out well for me. I was fortunate to find a company from the outset that fit my skills, shared my values and could offer a 40-year runway of interesting things to do.

You've seen studies that suggest that homegrown CEOs have a better performance record than external candidates. Certainly, companies like General Electric, Proctor & Gamble and Cargill that have a long-term commitment to their talent development do have superior long-term performance. That hasn't changed.

But organizational strategies and priorities do change, and sometimes companies lack the skills needed for the challenges of today. Companies need to be objective in assessing their talent, and open to bringing in experienced people to enhance the talent base and fill in the gaps.

At Mosaic, we could not have made the progress we have achieved over the last four years without the key executives we recruited, including several with the help of Spencer Stuart. A handful of people can make a huge difference when you need a certain talent, you don't have it, and you can't wait ten years to develop it. And there is value in bringing in talent to enhance competitiveness and stimulate the folks you already have.

That being said, I'm convinced that the best investment a company can make is in its people, and that a commitment to selecting and developing talent is the surest path to sustained success.

When you look back at your career, of what are you most proud?

**Lumpkins:** I feel very good about many things, but especially two. The first would be the businesses I've played a central role in creating. In Cargill, this would include the financial businesses and then Mosaic.

The second would be the men and women that I recruited and mentored. Many of them are in leadership roles across the company, and I think of those people as the gift that keeps on giving. Those two things are the heart of my career legacy.

## Agriculture Practice

Spencer Stuart is the only major executive search firm with a specialized practice dedicated to recruiting global agriculture leaders. The practice provides diverse clients with the focused attention and in-depth knowledge of a boutique firm and the proven access and far-reaching relationships of a global firm. Our consultants have conducted more than 100 senior-level agriculture searches in the past five years for clients around the world, bringing extensive industry knowledge, experience and relationships to bear on every assignment.

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