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New Potash CEO takes reins amid tough landscape

By RACHELLE YOUNGLAI

Former Inmet head Jochen Tilk to replace long-time chief executive Bill Doyle in July, despite lack of fertilizer experience

Potash Corp. of Saskatchewan Inc. made the surprise appointment of a new chief executive officer with no fertilizer experience as the miner trudges through one of its most difficult periods in its history.

Jochen Tilk, the former chief executive of Inmet Mining Corp., has worked in the Canadian mining industry for more than 25 years and is recognized as a skilled operator who built his company into a respected metal producer.

But Mr. Tilk is unknown in the potash industry, where a handful of players have held sway over prices for decades and built their market share through negotiated deals with fast-growing economies like China and India.

He will become CEO as the Saskatoon-based company struggles to adjust to lower potash prices after Russian-based producer OAO Uralkali ended a partnership with its Belarus rival, a cartel-like arrangement to sell the fertilizer.

Before the breakup, the Russian-Belarusian union along with Potash Corp. and its North American equivalent called Canpotex Ltd. controlled 70 per cent of the global potash market.

At Inmet, Mr. Tilk "did a good job of overseeing operations and I'm not sure that operations is the key issue [at Potash]. Marketing is key," said Raymond Goldie, an analyst with Salman Partners.

It is unclear how Mr. Tilk will steer Potash Corp. when he replaces departing chief executive Bill Doyle in July.

Mr. Doyle is a legend in the fertilizer industry, having worked for the Canadian miner for 27 years. Mr. Doyle successfully blocked a hostile bid from Anglo-Australian mining giant BHP Billiton.

He was enraged after Russia's Uralkali killed its marketing partnership to increase sales volumes at the expense of potash prices, calling it "the single dumbest thing that I have ever seen."

With Mr. Doyle staying until mid-2015 to help with the transition, analysts expect the company to initially maintain its strategy of pricing over volume.

But at some point, Mr. Tilk will have to decide whether to follow Uralkali's lead and boost Potash Corp.'s sales to gain market share.

Mr. Tilk and Mr. Doyle did not respond to a request for comment.

Since the Russian-Belarus alliance ended, Potash Corp.'s quarterly profits have dropped and it has had to accept lower prices for its crop nutrients. The company's latest quarterly profits dropped 46 per cent.

Canpotex, which includes Potash Corp., Calgary-based Agrium Inc. and U.S.-based Mosaic Co., recently agreed to a 25-per-cent price cut to supply India with potash at \$322 a tonne. Earlier in the year, Canpotex took a similar cut when it negotiated a semi-annual contract with the Chinese, according to analysts.

It is not known whether Mr. Tilk will also replace Mr. Doyle as the chairman of Canpotex. Mr. Doyle will leave that position in July, according to the company.

Fertilizer is not traded on a public market. Therefore Potash Corp., Uralkali and the other producers involved in marketing arrangements had enormous influence over setting potash prices.

Even if Uralkali revives its partnership, the market is flooded with the crop nutrient, which will keep prices depressed.

"This may be a good opportunity for (Potash Corp.) to take another look at the merits of a volume-over-price strategy," said **Michael Levshin**, analyst with **Veritas Investment Research**.

Mr. Tilk worked for Inmet for 25 years, rising through the ranks to become chief executive in 2009. Inmet owned the large Cobre Panama copper project in Central America before the company was taken over by First Quantum in a hostile bid that Mr. Tilk had unsuccessfully tried to stop.

The 50-year old Mr. Tilk left Inmet after it was acquired.

"He's a really solid mining executive," said Pierre Lassonde, chairman of Franco-Nevada, who worked with Mr. Tilk on a deal to buy future production from Cobre Panama.

Potash Corp. (POT)

Close: \$37.11, down 71¢