Bunge Limited

Fourth Quarter 2020 Earnings Release and Conference Call

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CORPORATE PARTICIPANTS

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John Neppl - *Chief Financial Officer*

PRESENTATION

Operator
Good day and welcome to the Bunge Fourth Quarter 2020 Earnings Release and Conference Call. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Should you need assistance, please signal a conference specialist by pressing the Star key, followed by 0. Please note this event is being recorded. I would now like to turn the conference over to Ruth Ann Wisener. Please go ahead.

Ruth Ann Wisener
Thank you, Alyssa, and thank you for joining us this morning for our Fourth Quarter Earnings Call. Before we get started, I want to let you know that we have slides to accompany our discussion. These can be found in the Investor section of our website at bunge.com under Events and Presentations.

Reconciliations of non-GAAP measures to the most directly comparable GAAP financial measures are posted on our website as well. I'd like to direct you to Slide 2 and remind you that today's presentation includes forward-looking statements that reflect Bunge's current view with respect to future events, financial performance, and industry conditions. These forward-looking statements are subject to various risks and uncertainties. Bunge has provided additional information in its reports on file with the SEC concerning factors that could cause actual results to differ materially from those contained in this presentation and we encourage you to review these factors.

On the call this morning are Greg Heckman, Bunge's Chief Executive Officer, and John Neppl, Chief Financial Officer. I'll now turn the call over to Greg.

Greg Heckman
Thank you, Ruth Ann, and good morning, everyone. Turning to Slide 3, you'll see the agenda for today's call. I'll start with some highlights of our 2020 accomplishments and a look into 2021 before handing over to John, who will go into more detail on our outstanding performance and outlook. I'll then share some closing thoughts before opening the line for your questions.

Let's start with an overview of the year, turning to Slide 4. We have to begin any discussion around 2020 performance with a big congratulations and thank you to the entire Bunge team. When we started the transformation, we had a specific plan for turning the company into the highly functioning successful organization we all knew it could be. The team has embraced the process, driving operational performance, optimizing our portfolio, and strengthening our financial discipline, and they did it during one of the most challenging environments in recent history. Thanks to the team's incredible focus and adaptability, this is our strongest performance on record to date, building on our positive earnings trend over the last 24 months.

As we go through the results for the year, you'll see the power of the new Bunge. One significant changes we made was transforming our operating model to improve visibility and speed to act. As a result, the commercial industrial teams are better coordinated at helping us to maximize our assets.

In 2020, outside of Argentina, we processed record volumes in soy and soft seed crush. Our commercial teams ensured our plants had supplies they needed and our industrial teams reduced unplanned downtime at the facilities by more than 30 percent year over year in soy and approximately 20 percent year over year in soft seeds. This improved capacity utilization

brought immediate financial benefits without a significant additional use of capital. This is just one example of how this more global approach has improved our network efficiency.

We were also better able to capitalize on market and customer opportunities as they arose throughout the year. As COVID lockdowns changed consumer eating habits, we quickly adjusted our production to help some of the world's leading brands continue to keep their products on the store shelves. We also worked closely with our food service customers as they continue to adapt to the changing demand patterns.

This agility is also critical as we continue to look at how our vital work can be done more sustainably. We're proud to be an industry leader in protecting the environment in areas where we operate. We are the leading supplier of certified de-forestation free soy from Brazil, and as we work to reduce greenhouse gas emissions in our operations, we're converting more facilities over to wind and solar power. For instance, our corn and soybean processing plants in Kansas run on wind today and we recently announced a deal to use renewable energy at our Fort Worth, Texas packaging facility.

As we look at our assets, we've now announced all of the significant portfolio optimization actions we originally identified. With these major changes behind us, we can now shift our focus to continuous improvement and growth opportunities. In the immediate future, we know that COVID will still be with us. We continue to remain focused on our top priority of protecting our team, their families, and communities. Our global and regional COVID crisis team have continued to meet regularly to make sure our operations have the resources and tools needed to keep our employees safe so we can continue to serve our customers.

Now, let's turn to our results on Slide 5. With our strong team and unmatched platform, we've created a resilient model for moving forward. This quarter and the full year really highlighted the earnings power of that platform. We benefited from improving trends throughout the year and were able to move quickly to capture the opportunities they've presented themselves in markets around the world.

During the year, we saw demand led markets, higher volumes, volatility, and prices. And, with our platform and operating model, including our industry leading risk management, we captured upside, well above our earnings baseline.

In the fourth quarter, Agribusiness benefited from a better than expected market environment with particularly strong results in our North American operations, driven by higher oilseed crush and elevation margins. In Edible Oils, we realized exceptional margins in our Brazilian consumer business and also benefited from increasing demand from biodiesel in South America and renewable diesel in the U.S.

We continue to innovate to deliver solutions that benefit our customers on both ends of the supply chain, consumers and farmers, and a great example of this is Karibon, a shea based substitute for cocoa butter we launched in the fourth quarter, a sustainably sourced ingredient that also benefits the communities in Africa where we source shea.

2020 also demonstrated the power of our approach to risk management. There will always be volatility in this industry, but our approach to risk management allows us to capture the upside of that volatility and protect against most of the downside. While we won't always manage it perfectly, this approach is what makes our model unique and powerful.

This strength will be critical as we look ahead into 2021. Many of the conditions that help drive our success in 2020 remain in place today, but we don't have clear visibility into the second half of the year. And, while we don't expect all of the conditions that exist in 2020 to repeat in 2021, we do expect to deliver adjusted EPS of at least $6 per share. Our team will be closely watching the key factors that could impact our forecast, including changes in demand, crop production, and a post-COVID recovery.

And, with that, I'll hand the call over to John to walk through the financial results in detail and we'll then close with some additional thoughts on 2021.

John Neppl
Thanks, Greg. Good morning, everyone. Let's turn to the earning highlights on Slide 6. Our reported fourth quarter earnings per share was $3.74 compared to a loss of $0.48 in the fourth quarter of 2019. Adjusted EPS was $3.05 in the fourth quarter versus $1.69 in the prior year. Our reported results included a net gain of $0.59, primarily related to our previously announced sale of our Brazilian margarine and mayonnaise assets, as well as the impact of an indirect tax credit related to the federal board resolution of a tax client.

For the full year, 2020 each per share was $7.71 versus a loss of $9.34 in 2019. Adjusted full year EPS was $8.30 versus $4.76 in the prior year. Adjusted core segment earnings before interest and taxes, or EBIT, was $637 million in the quarter versus adjusted EBIT at $467 million in the prior year, driven by strong performances in our agribusiness and edible oils segments.

Agribusiness closed out an excellent year with a very strong fourth quarter. Higher oilseed results were primarily driven by soft seed processing, where earnings were higher in all regions, driven by robust veg oil demand and record capacity utilization. Soy processing results were in line with the prior year, as improvements in our North American and Asian operations were offset by South America and Europe.

In Grains, higher results were primarily driven by our North American operations, which benefited from strong export demand and exceptional execution of logistics. Results also benefited from favorable risk managements and optimization in our global trading and distribution business. In South America, earnings decreased largely due to lower origination volumes, as farmers had accelerated sales earlier in the year in response to the spike in local prices.

Edible Oils finished out what turned out to be an excellent year with very strong results of $113 million, up $38 million compared to last year, primarily driven by higher margins in our consumer business in Brazil as a result of tight supply and strong demand. Higher results in North America were largely due to increased demand, renewable diesel sector, and higher contributions with our key customers. Results were also higher in Asia and driven by lower costs. Earnings declined in Europe due to lower margins.

In Milling, lower results in the quarter were driven by North America, which was impacted by lower volumes and margins, as well as a loss of earnings from our rice milling operation, which was sold during the quarter. Results in South America were in line with last year, as higher volumes were offset by lower margins. Fertilizer also had a strong quarter with results of $32 million, similar to 2019, finishing off a very strong year.

Total adjusted EBIT for corporate and other for the quarter was comprised of a -$81 million for corporate and $2 million from other. This compares to -$95 million from corporate and -$60

million from others from the prior year. The decrease in corporate expenses during the quarter was primarily related to the timing of performance-based compensation accruals in the prior year. The increase in other reflects the prior year impact from our Beyond Meat investment.

Results for our 50/50 joint venture with BP benefited from higher year over year average ethanol prices and local currency, as well as improved industrial efficiency. Earnings in the fourth quarter of last year benefited from lower depreciation due to our Brazilian sugar and bioenergy operations being classified as held for sale.

For the quarter and year ended December 31st, 2020, income tax expense is $97 million and $248 million respectively, compared to $16 million and $86 million respectively for the prior year. These increases in income tax expense during 2020 was primarily due to higher pre-tax income. Adjusting for notable items, the effective tax rate for the year was just under 17 percent. The effective tax rate was lower than our prior forecast, primarily due to earnings mix. Net interest expense of $66 million was slightly higher than our prior forecast due to increased short term borrowings to support higher commodity prices and volumes.

Let's turn to Slide 7. Here, you can see our positive earnings trend, adjusted for notable items and timing differences over the past four years, reflecting the execution of our strategy to drive operational performance, optimize our portfolio, and strengthen financial discipline.

Slide 8 compares our full year 2020 adjusted SG&A to the prior year. We achieved underlying addressed from the last G&A savings of $50 billion toward our savings target of $50 to $60 million, established in our June business update. While we are pleased with our progress, we recognize a portion of the savings was accelerated due to COVID-19 related restrictions, such as reduced travel. However, we are confident we won't return to pre-pandemic levels as we have all learned to operate differently and we will continue our focus on further streamlineing the business. A net increase of $90 million in specified items reflects a significant increase in performance-based compensation accruals due to our improved financial performance this year, slightly offset by other items such as inflation and the impact of foreign currency fluctuations.

Moving to Slide 9. For the full year 2020, our cash generation excluding notable items and mark to market timing differences was strong with approximately $1.9 billion of adjusted funds from operations. The cash flow generation enabled us to comfortably find our cash obligations over the year and apply retained cash of $1.1 billion to reduce debt.

Slide 10 summarizes our capital allocation of adjusted funds from operations. After allocating $254 million to sustaining capex to include maintenance, environmental, health and safety and $34 million to preferred dividends, we had approximately $1.6 billion of discretionary cash flow available. Of this amount, we paid $282 million in common dividend to shareholders, invested $111 million in growth and productivity capex, and bought back $100 million of our stock. As shown previously, the remaining cash flow of approximately $1.1 billion was used to strengthen our balance sheet in support of our credit rating objective of BBB/Baa2..

Moving on to Slide 11. $1.1 billion of retained cash flow offset a portion of our $3.1 billion of cash outflow this year from working capital. As a result, net debt rose by $2.2 billion over the course of the year. The growth in working capital primarily reflects an increase in readily marketable inventories, resulting from higher commodity prices and our deliberate decision to increase volumes to optimize earnings potential. As the slide shows, our availability under committing credit lines remain largely unchanged, leaving us with ample liquidity as we enter 2021.

As you can see on Slide 12, at the end of the fourth quarter, only 9 percent of our net debt was used to fund uses other than readily marketable inventories. This compares to 17 percent last year.

Please turn to Slide 13. For 2020, adjusted ROIC was 15.9 percent, or 9.3 percentage points over our RMI adjusted weighted average cost to capital of 6.6 percent, and up from 9.7 percent in 2019. ROIC was 12.2 percent, or 6.2 percentage points over our weighted average cost of capital of 6 percent, and well above our staying target of 9 percent. The widening spread between these return metrics reflects how we have been effectively using merchandising RMI as a tool to generate incremental profit.

As a reminder, we have adjusted these return metrics to exclude the impact of changes in foreign exchange rates on book equities as of year end 2018. We believe this provides a clearer picture of our economic performance and the management actions we have taken over the past two years.

Moving to Slide 14. Here, you can see our cash flow yield trend, which emphasizes cash generation measured against our cost of equity of 7 percent. For the year ending December 31st, 2020, we've reduced a cash full yield of nearly 26 percent, up from 13.4 percent at year end 2019.

Please turn to Slide 15 and our 2021 outlook. As Greg mentioned in this remarks, taking into account the current margin environment and forward curves, we expect full year 2021 adjusted EPS of at least $6 per share. In Agribusiness, full year results are expected to be down from 2020, primarily driven by a lower contribution from oilseed processing and origination, primarily in Brazil. While we are not forecasting the same unique environment or magnitude of opportunities that we captured during 2020, we do see some potential upside to our outlook, resulting from strong demand and tight commodity supplies.

In Edible Oils, full year results are expected to be comparable to last year. Higher results in the North American business, driven by a recovery in food service and increase renewable diesel demand, are expected to be offset by lower results in our consumer business in Brazil.

In Milling, full year results are expected to be in line with last year. In Fertilizer, full year results are expected to be down from a strong prior year. In non-core, full year results in our sugar and bioenergy joint venture are expected to be a positive contributor, driven by improved sugar and Brazilian ethanol prices.

Additionally, the company expects this only for 2021: an adjusted annual effective tax rate in the range of 20 to 22 percent, net interest expense in the range of $230 to $240 million, capital expenditures in the range of $425 to $475 million, and appreciation in amortization of approximately $415 million.

With that, I'll turn things back over to Greg for some closing comments.

Greg Heckman

Thanks, John. Before turning to Q&A, I want to offer a few closing thoughts. We set ambitious goals for Bunge's transformation and we can see the results from the changes we've made.

Now that we've completed the majority of the actions we originally laid out, we're able to focus on continuous improvement and growing the business across cycle as we move forward.

As we did in 2020, we're going to be leveraging our platform and the operating model we've put in place and look for the opportunities ahead of us as we work effectively to capture the upside and minimize the downside. Looking over the longer term, we remain excited about the structural shift we're seeing in the consumer demand for food, feed, and fuel. In particular, we're focusing on four primary areas of growth: oilseed processing origination, renewable feedstock for biofuels, plant protein ingredients, and plant lipid ingredients, which is especially fats and oils. And, with our global platform, culture of innovation, and oilseed leadership, we believe we're in a unique position to benefit from those trends.

The leadership team and I are incredibly proud of the entire Bunge team's continued focus on execution. And, while 2021 will surely present different challenges and opportunities, I'm confident we have the right platform and I look forward to continuing to work together to maximize Bunge's full potential.

And, with that, we'll open the call with your questions.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press Star, then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press Star, then 2. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Ken Zaslow of Bank of Montreal. Please go ahead.

Ken Zaslow
Hey, good morning, everyone.

Greg Heckman
Hey, morning, Ken.

Ken Zaslow
My first question is you've talked about your cost structure and that you're able to improve less downtime and if I kind of--you just use it relative to the $5 number, not that I believe the $5 number, but just using it as a baseline, how would you say that cost structures and reductions of the cost structure has improved that $5 number in terms of improvements relative to where you started out a year ago?

Greg Heckman
I'll let John talk to the number, but let me clarify a little bit when we talk about running the assets and some of the differences they've made, Ken. I mean, I can't say enough on how the industrial and commercial teams and the coordination. I mean, we're really I should say sweating the assets. I mean, the focus on getting the right quality there, we're driving yields, you look at the commercial--the industrial team having those assets up and ready to run by reducing our unplanned downtime. You look at the commercial coordination and reducing the commercial downtime and that's all capacity utilization that you're seeing. So, that's even before cost improvements.

And, then the managing the planned downtime to the right time of the year to make sure that we capture the highest margin times and that we're doing our turnaround for maintenance in those lower times. And, that's one that we even see some additional opportunity and focus here into 2021. So, just the way that we're operating, I think even before you start talking about the systemic changes we're making in costs, are really important and I want to really give credit to the team.

John Neppl
Yeah, Ken, more specifically, we--from--one of the things we look at, obviously, is variable cost per metric ton and we saw improvement this year of a little under $1 a ton overall. Part of that was FX related benefit, but I'd say overall, we believe roughly around $30 million of benefit just on variable cost side year over year due to improved efficiency, on that side, and then on the fixed side, we made some improvement. There was really not as much, but that's an area that's going to be a strong focus here heading forward.

Ken Zaslow
Would you say that would be at least--relative to your baseline number, is that a 20/30 cents improvement or is it a 10 cents--can you put it into some sort of framework? And, then I have one fundamental question.

John Neppl
Yeah, I would say that we have a little bit of that built into our $5 baseline. We're probably a little ahead of schedule on that, but I'd say it's probably maybe 10/15 cents. I don't know that it'd be any more than that yet, but we're going to keep pushing on it.

Ken Zaslow
And, then--

Greg Heckman
--Ken, if you think about the self-help on the 5 versus the 6 baseline, we're on track there. I'd say that the food's on track there. What improvement we'll probably see in B2B will probably be offset by lower B2C on the edible oils side. But, it's really around a better crush margins on both soy and soft is really the difference between the baseline of $5 and what we're calling on it, at least $6 for next year. Those are the big drivers.

Ken Zaslow
And, then my second question is, the renewable diesel, what I'm seeing in the edible oils market is that edible oils--or oil is actually trading ahead of the cash deed oil market if that's my understanding of it. Do you think that's driven by the renewable diesel side of it? And, does that seem sustainable? And, is that completely included in how you're looking at the forecast? Just because that's something that to me is incremental in how to look at the renewable diesel impact on both crush margins, as well as your edible oils business. And, I'll leave it there.

Greg Heckman
Yeah, let me start by saying that this renewable diesel demand is structural. This is going to be long term. That being said, we only saw a little bit of the effect of that in 2020. We'll really see that starting to come online and feel that effect in 2021. In '20, we had tightening balance sheet globally on oil and a lot of that was driven around palm and a little bit was sun in the Black Sea, and then of course what's been going on with Argentine crush. But, the--we'll really start feeling

the demand from the renewable diesel capacity coming on here in 2021 and with the investments that are being made, yeah that is a structural shift. That is multi-year.

And, we're--look, we're glad to be basic in all the global oils because there's no doubt with what's coming in the shift in demand that there will be reformulation happening with the different oils that they can use on the renewable side. The food industry has always been one that has been able to reformulate basis on price and functionality. So, there will be a lot of reformulation and change and dislocation going on and frankly, being basic in all the oils including the tropical oils, the Bunge portfolio is really made for this and to help our customers be successful. So, we're looking forward to working with them and helping them win.

Ken Zaslow
Great, thank you.

Operator
The next question is from Ben Bienvenu of Stephens Inc. Please go ahead.

Ben Bienvenu
Hey, good morning, everybody.

Greg Heckman
Hey, morning, Ben.

Ben Bienvenu
I want to start by asking about the capex guidance. Obviously up year over year but still lower than historical capex bends. One, is this a more reasonable run rate around the capital intensity of the business? And, two, within that kind of midpoint of $450 for capex, where do the priorities lie? Where do you see the highest return projects within the portfolio and do you see that evolving over time?

John Neppl
Yeah, thanks, Ben. I think the way to look at it, for this last year, our capex was the lowest it's been in many years, so that was indicative really of COVID impact on the growth side. The spending that we had on maintenance around $250 million, our maintenance safety health environmental, I think that's a pretty good benchmark on the maintenance side. And, generally, it has been historically around $250 million a year.

Where really spending was down was on the growth and productivity side, and we do expect that to expand here in 2021, which is why we're providing guidance for, to your point, the midpoint of $450, which I think is more indicative of our ongoing rate. In terms of specific areas where we're going to focus, I mean, Greg touched on kind of the four key areas for us where we're really going to focus going forward. Core oilseeds business, continuing to maintain our strong position there globally. Obviously with the renewable diesel opportunities out there, we do expect to allocate some capital to that area. In plant based proteins is an area that we've been spending some time. We have some projects in the pipeline there as well and then under plant lipids or our specialty fats and oils business as well.

And, so we have a lot in the pipeline. The $450 is kind of a guideline for us now, but it's going to be based on opportunity. Number could be higher if the opportunities are better and they meet our hurdle requirements. But, if we don't find enough good projects, we won't spend the money. But, I think right now, it's a pretty good guess.

Greg Heckman
The one other thing I'd like to say about as we make those capital decisions, I mean, the one big thing that's changed really is around discipline process and looking at the alternatives that we have. And, so remember, we're adding up and looking at all of the opportunities at the global level. There's no allocation regionally or by business, so every business is competing for that capital. We've added discipline around looking at scenario analysis and the stress testing and stressing all the assumptions in a project so that we're really comfortable when we put long lived capital to work.

And, then by having the different areas that we talked about where we see the growth opportunities, of course, in our core business, in the oilseed crushing especially fats and oils, but these are big trends that are definitely in place here on renewable diesel and on plant proteins. So, that allows us to be very thoughtful and make choices where the returns are right and the risk profile is right. We don't have to reach and take chances on projects that don't make sense.

Ben Bienvenu
Great, understood. My second question is a little bit more near term oriented on the fundamentals. Obviously, we've got a delayed soybean harvest out of Brazil and delayed planting on the safrinha corn crop. We've seen continued strong corn buying year to date from China. How do you think about how the first quarter and first half of this year look like between U.S. and South America origination business? And, then if you could just tie that into what you're seeing in terms of how that's impacting the overall global crushing business. I know we've seen China crush margins come in on soybean availability before U.S. corn crush is weakened as we go on a long curve. What should we be mindful of in this kind of unusual transitory period?

Greg Heckman
Sure. I think the first thing is this isn't going to solve itself with one crop in South America or even two crops with the South American crop and then the North American crop. So yeah, you hit on the key things here. We've got to get the crop harvest and in Brazil, get the safrinha planted. We need that to be a good crop. We need Argentina to continue to finish out strongly and then we'll see the fight for acres in North America and we need to see that crop get planted and develop appropriately.

So, these balance sheets are really tightened up in the last year and they're going to stay that way, and that's been good for margins throughout the entire global system. And, so we expect to continue to see that here as we work through 2021.

As you say on the processing front, the market is sending the different signals. It's sending the signal now that we need some of the crush in Argentina and we need Argentina to run a little bit harder this year to provide some of that supply that the market needs to get back into balance, and we don't know exactly how it'll play out. But, what we do know is I'm real glad we've got the global footprint that we do have and the team that we've got running it, so we're looking forward to the challenge and the opportunity.

Ben Bienvenu
Okay, congrats on 2020. Good luck in 2021.

Greg Heckman

Thank you very much.

Operator
The next question is from Adam Samuelson with Goldman Sachs. Please go ahead.

Adam Samuelson
Hi and thanks, good morning, everyone.

Greg Heckman
Hey, morning, Adam.

Adam Samuelson
Hi. So, I guess my question is going to be around the 2021 outlook of $6 plus and I guess as I think about it on the year on year basis, a little bit maybe differently from Ken coming from that $5 baseline perspective. So, you did 830 adjusted in 2020, but I believe that included about 50 cents of FX related losses in sugar in the first half of the year. If I look at the food ingredients businesses, kind of the base sugar, tax, interest, everything but agribusiness, the net can be kind of neutral, maybe slightly net negative. So, kind of your year on year baseline is, on the adjusted side FX piece, maybe $850-ish. And, so if that's true, to get to the $6, you're going to be applying $500 or so million decline in EBIT and agribusiness? And, I'm just trying to make sure I'm thinking about kind of the year on year drivers on the bridge and just helping frame kind of the range of outcomes within agribusiness, because that seems like a pretty steep fall for a market environment that will obviously be somewhat different than last year, but again from a general line tightness of demand drivers that have benefited you, still seems to be very much intact. So, I'm just trying to reconcile that a little bit.

Greg Heckman
Sure. Yeah, I think what you said in Edible Oils is correct, what we're seeing. We don't expect the consumer, the B2C part of Edible Oils, to be as good this year, but we think that'll be more than offset by the food services and the B2B side of the business. So yeah, that's about scratch.

And, then while we're definitely entering 2021 with some excellent momentum, we see a better start here to Q1 than the start we had and what we can see last year at this same time for Q1 and 2020. As usual, we don't have the visibility to the balance of the year and the other thing to think about is we did see--we talk about our platform really benefits from dislocation, higher prices, higher volumes, higher volatility, and we definitely saw that in 2020. We also saw a marketing pattern with the move in the Real and the way that the South Brazilian farmer marketed. That would be hard to imagine. That's not happening the same way and we doubt that'll happen the same way.

So, part of it's the setup of the market. Part of it is the market has made a move to these higher prices and higher volatilities and is making some adjustments. So, while the overall environment, definitely better than we've seen for years, we don't have full visibility into the second half and it would be hard to recreate kind of everything to happen the way it did in 2020. But, I'll tell you, we're optimistic. I feel way better about making the call of at least $6 that this time this year than the call we were making, which was lower for 2020 at the same time last year. So, look, we're optimistic. We feel good, but we're also measured and there's a lot of moving pieces.

John Neppl

Adam, I might just add on that I think you were really close on your pieces. The one thing that you didn't mention, we had a tax rate this year of about 16 and a half percent and we're calling guidance for 2021 to be between 20 and 22 percent. So, that would have a bit of an impact as well.

Adam Samuelson
Yeah, no, that's--I mean, that's helpful. Okay, and then I guess the second question is just thinking on the capital allocation front and really two parts, one with the net debt balance rising given the opportunities in readily marketable inventories, is there opportunity to maybe--more of your net debt is actually long term in nature. Is there an opportunity maybe to get the cost of that down if you bring that maturity in a little bit, just to more match the duration of the liability? And, second, just thinking about kind of the opportunity for more offensive capital allocation and kind of how we should think about maybe share repurchases for figuring into that mix this yearINAUDIBLE). Thank you.

John Neppl
So, from a debt standpoint, we've been spending a lot of time looking at the right mix and the right duration of our debt portfolio. I think we've been able to, for example, in August when we issued our $600 million in bonds in August, it was just over 1 and a half percent. It was the lowest we'd ever printed on bonds and so they're thinking about the long term. Rates are really favorable in the near term to lock in the long term.

At the same time, we have all of the debt capacity that we've added here in Q4 and after Q4 has all been short term in nature. So, we are still trying to sort out the right balance there going forward, not based on just the current environment, but also what we expect maybe over the next 5 to 10 years. So, we'll continue to look at that. I think that we feel pretty good about our net debt cost today, but as we go forward here and look at some of our maturing debt in the next couple years, we're going to look at what are the long term rates versus short term. There's a chance to take some risk out and refinancing obviously takes debt longer. But, we haven't come to the final conclusion on that yet.

In terms of allocation of capital, just as a reminder, our main priority right now is to get our ratings back to where we want them. We've been committed to investment rate credit rating. We're there with S&P, but we're a notch below in Moody's and Fitch, where we like to be. So, we continue to make sure that our capital policy, our capital allocation, will fit into that objective first and foremost.

But, then once we get beyond that, we really look at three buckets. One is our dividend and we haven't raised our dividend in almost three years. It'll be three years in May. So, like we do every year, we talked to the board at our main board meeting about the dividend and our policy and we'll revisit that this year and take a hard look at it. Secondly, we always want to look for good growth opportunities and as Greg mentioned, pipeline and I think we've got a good pipeline of opportunities across our four segments, the four focus areas. They have to make sense for us to do them and if they don't, we won't. And, then ultimately, share buybacks are always on the table and so that's part of the mix as I think about dividend growth, capital, and share buybacks. We'll be assessing all of that together as we go forward.

Adam Samuelson
Okay, I really appreciate all that color. I'll pass it on. Thank you.

Greg Heckman

Thank you.

Operator
The next question is from Tom Simonitsch of JP Morgan. Please go ahead.

Tom Simonitsch
Thanks. Good morning, everyone.

Greg Heckman
Hey, morning, Tom.

Tom Simonitsch
Can I just ask, what are your assumptions around crush margins in 2021 relative to the historical $34 a ton soy and $40 a ton soft seed margins you highlighted in June? And, how did your 2020 margin shape up against those historical averages?

Greg Heckman
Yeah, so we ended up finishing the year at $40 on a comparable basis to the $34 we had in the model for soy at the $5 baseline. And, right now, we're looking at soy being a couple dollars better than the $34 baseline. Of course, not much visibility in the second half, but we don't expect it to be as good as this year on what we realize--with our execution around the footprint, we realize better than market, but we're expecting it to be better than the 34 and we'll see how it rolls out here a quarter at a time.

Tom Simonitsch
And, on the soft seed side?

Greg Heckman
Soft was strong last year and we expect it to be a little bit better than baseline as well.

Tom Simonitsch
Okay, thank you. And, then just one quick one. If you wouldn't mind elaborating on the weaker Q4 margins in North America milling.

Greg Heckman
Just really timing. I think it was a little bit of everything. There was no big problem overall. Of course, we sold the--we sold rice, which came part of out of the milling. Of course, we had the Brazilian de-val and then we had a little bit lower volume there. I guess you were asking U.S. We had a little lower volumes there in the U.S. were really the driver. And, then we've continued to struggle down in Mexico and some of that is volume, but some of that is mix as well, some of our pre-mix business.

Tom Simonitsch
Thanks very much. I'll pass it on.

Greg Heckman
Thank you.

Operator
The next question is from Ben Theurer of Barclays. Please go ahead.

Ben Theurer
Hey, good morning, everybody, and congrats, first of all, on the strong results.

Greg Heckman
Thank you. Good morning.

John Neppl
Thanks, Ben.

Ben Theurer
So, two questions. So, one just to stay along the crush business, can you share an outlook on the Brazilian crush, I mean, just to understand a little bit where they're heading to, what your expectations are, and what this means in comparison to the U.S. I mean, I think the commentary was more of a general piece, but to dig into a little bit into the Brazilian situation right now. That would be my first question.

Greg Heckman
Yeah, currently, spot margin is in the 30s in Brazil, but it's been very volatile down there and of course, part of that's Argentina continues to be constricted and running at low values. We'll expect Brazil to stay strong here in the first half and then the key that we're really watching on the second half is going to be on the bean export demand.

Ben Theurer
Okay. And, then just coming back and you've mentioned about the whole opportunities and the outlook on renewable diesel and tying in a little bit the question around capex and what you've also been doing on the portfolio reshape and clearly you're gearing up more to be--well, to go out and to actually add new businesses, drive margins here. So, just in light of that, how should we think about capex into the business of renewable diesel? Where do you see opportunities and how does this combine to the potential sale of what you now say is non-core driven by our energy produced still give a guidance for next year, so should we think that's just going to keep on because it's been doing well and you take the cash for capex or is that an additional potential source of funding going forward?

Greg Heckman
Yeah, let me take renewable diesel here in North America first. Look, the first thing we'll do is of course we're working with those new customers and that new demand and helping to get them supplied as they bring those plants up. The other thing is of course we'll look the cheapest capacity and the highest returning projects we had are debottlenecking at our existing facilities, and of course been looking at those projects. So, we'll do those and it's only incremental demand--or incremental volume to meet that demand, but those are low risk/high returning projects, so of course we'll do those.

And, then we'll work with the customers backwards as we analyze the markets and see where those investments make sense. But, the first thing will probably be around logistics, around tankage and maybe something in our refineries to free up capacity. So, we're going to be very thoughtful and show a lot of discipline, which this industry needs to do is being thoughtful about how we serve this growing demand that is structural and is going to be in place.

And, then as far as the sugar and bioenergy, the team's doing a great job down there, got a great partner in BP. We're seeing the overall environment improve down there in both ethanol and sugar prices, the global balance sheets there, so that looks like a good outlook for that.

That doesn't change our long term plans there, which at the appropriate time, we will exit that business and reinvest the proceeds back into the balance of our portfolio.

Ben Theurer
Perfect. Well, that's been working well. Thank you very much and congrats again and good luck for 2021.

Greg Heckman
Thank you very much.

Operator
The next question is from Vincent Andrews with Morgan Stanley. Please go ahead.

Steve
Hi, this is Steve Haynes on for Vincent. Just want to ask a quick question in regard to the $6 guidance and did a really good job in 2020 of in terms of risk management, limiting the downtime but still being able to cash in on the very attractive operating environment. So, can you help us think about how you're positioned for the first half versus kind of the underlying kind of earnings opportunity within crush?

Greg Heckman
Yeah. As you know, crush generally is kind of the close in quarter is where you've got the majority hedged up with the outlook. The market's usually--crush margin's inverted and not visibility out front. So, we continue to look at the opportunities and think about how we believe that we need to position those assets to manage those earnings at risk, which is kind of our maniacal focus. We continue to stay focused on ensuring that we're managing those earnings at risk based on the environment we're in and the earnings power of the asset base. We like the environment. We like the momentum coming in with Q1 starting out stronger. But, it's a little different world than we've seen here for a few years and we're glad to be doing it with this team.

Steve
Okay, thank you.

Operator
This concludes our question and answer session. I would now like to turn the conference back over to Ruth Ann Wisener for any closing remarks.

CONCLUSION

Ruth Ann Wisener
Thanks for your interest in Bunge and joining the call today. If you have further questions, feel free to reach out.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.