Bunge Limited Third Quarter 2021 Earnings Release and Conference Call

Wednesday, October 27, 2021, 8:00 AM Eastern

PARTICIPANTS

Ruth Ann Wisener - *Vice President, Investor Relations*

Greg Heckman - *Chief Executive Officer*

John Neppl - *Chief Financial Officer*

PRESENTATION

Operator
Good morning and welcome to the Bunge Limited Third Quarter 2021 Earnings Release and Conference Call. All participants will be listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I'd now like to turn the conference over to Ruth Ann Wisener. Please go ahead.

Ruth Ann Wisener
Thank you, operator, and thank you for joining us this morning for our third 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 investors section of our website at Bunge.com under events and presentations. Reconciliations of non-GAAP measures to the most directly comparable GAAP financial measure are posted on our website as well.

I'd like to direct you to slide two 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 the agenda on slide three, I'll start with some highlights of the third quarter and how we're thinking about the remainder of the year before handing it over to John, who'll go into more detail on our performance. I'll then share some closing thoughts before opening the line for your questions.

Let's start with an overview of the quarter, turning to slide four. I want to begin by thanking our team for an exceptionally strong quarter. Their ability to remain focused on execution helped us deliver our eighth consecutive quarter of earnings growth.

In the second half of 2021, we've seen a shift in the challenges created by the COVID operating environment. We've moved away from having to adjust to the fluctuations that came from lockdowns, like the change in demand from food service to food processors. Instead, we're adapting to an environment that is driven by an uneven global recovery. This dynamic demand is driving increases in commodity and energy prices and creating many supply chain challenges.

Our team has remained agile, and I'm proud of how we've navigated this market shift. We also responded well to unforeseen disruptions, like the great work our team did managing the impact from Hurricane Ida in North America. We also continue to set high water marks across a number of our key operating metrics. We've done this all while continuing to prioritize the safety of our team, their families, and communities as COVID remains with us.

In addition to solid operational execution, our positioning and approach to risk management allowed us to capture opportunities quickly when the market conditions changed. This was especially true as crush margins improved over the late summer when oilseed prices dropped and oil values expanded due to tightening supply.

The strength of our global platform and footprint continue to provide benefits. In the face of a broad logistical disruptions, our integrated value chains and owned ports have helped us to continue supporting customers at both ends of the supply chain. This quarter and our results over the last year and a half have shown the power of our global network and operating model.

Looking ahead, we continue to see a dynamic set of factors, and we're more confident than ever in our ability to react and manage well to capture market opportunities. As part of our work to continue positioning Bunge for the structural shift we are seeing in the consumer demand for sustainable fuel, in September we announced our proposed joint venture with Chevron.

As a key step, we will increase production of renewable feedstocks by nearly doubling the combined capacity of two soy crush facilities that will be contributed to the JV. Chevron recognizes our expertise in oilseed processing and farmer relationships as well as our commitment to sustainable agriculture, and we recognize Chevron's expertise in refining and distribution. Partnering with a global leader in energy is a significant step forward in building the capability to make change at scale to help reduce carbon in our own and our customers' value chains.

This partnership will establish a reliable supply from farmer to Chevron's downstream production and distribution to the end fuel consumer. It also allows us to better serve our farmer customers by accessing demand in the growing renewable fuel sector. It will also enable us to pursue new growth opportunities together in lower carbon intensive feedstocks as well as consider feedstock pretreatment investments.

In addition to the Chevron JV transaction, we announced an agreement to sell our wheat mills in Mexico to Grupo Trimex. As part of continuously looking for ways to improve our portfolio, we concluded the business was not in line with our long-term strategic goals, and we're pleased with the outcome of selling to a well-respected wheat miller. We expect the sale to be completed in 2022.

Turning to our segment performance, results in Agribusiness were driven by strong execution and better than expected market environment. In processing, we benefited from higher margins in soy and soft crush in the northern hemisphere. Merchandising results were better than expected and very strong compared to prior year. Results in Refined and Specialty Oils improved in all regions, with particular strength in North America, driven by strong demand from food service and renewable diesel.

We're also seeing continuous improvement in our innovation pipeline that's enabling us to launch exciting new products to the market. I'd like to congratulate our team for their efforts to help customers with creative solutions. This innovation capability, as well as our skill at solving supply chain issues, have helped create a step change in many long-term customer collaborations and commitments.

Our team is also making measurable progress improving sustainability across our operations and investments. Following the launch of the Bunge sustainable partnership in Brazil earlier this

year, we have already improved the visibility into our indirect supply and high priority regions to approximately 50%, and that's exceeding our 2021 target of 35%. And while we still have work to do, having this insight into our supply chain will help us meet our industry-leading non-deforestation commitment.

And finally, regarding our non-core businesses, I want to call out the role our sugar JV has had in our year-over-year improvement. We're pleased that this business has been performing well in a challenging weather market. Additionally, Bunge Ventures had a successful quarter as a result of the Benson Hill IPO, and John will give you more details on the impact of that investment in the quarter.

We also repurchased $100 million in shares, and our board authorized a new $500 million repurchase program, demonstrating our confidence in the business. This reflects our balanced approach to capital allocation, where the return of capital to shareholders is always evaluated along with other investment opportunities.

And before handing the call over to John, I wanted to note that we have increased our outlook for 2021, reflecting our strong third quarter results and continued favorable market trends. For the full year, we now expect to deliver adjusted EPS of at least $11.50, and we expect the strong momentum to carry over into 2022.

So, with that, I'll turn the call over to John to walk through our financial results in more details.

John Neppl
Thanks, Greg, and good morning, everyone. Let's turn to the earning highlights on slide five. Our reported third quarter earnings per share was $4.28 compared to $1.84 in the third quarter of 2020. Our reported results included a negative mark to market timing difference of $0.22 per share and a $0.78 per share gain on the sale of our U.S. interior grain elevators, which closed back in early July.

Adjusted EPS was $3.72 in the third quarter versus $2.47 in the prior year. Adjusted core segment earnings before interest and taxes, or EBIT, was $698 million in the quarter versus $580 million last year, reflecting higher results in Agribusiness and Refined and Specialty Oils.

In processing, higher results in North America, European soft seeds, and our Asian and European destination soy value chains all benefited from improved margins. These were partially offset by lower results in South America, where margins were down from a strong prior year.

In merchandising, improved performance was primarily driven by higher results in ocean freight due to strong execution and our global vegetable oil value chain, which benefited from increased margins.

In Refined and Specialty Oils, the strong performance in the quarter was primarily driven by higher margins and volumes in North American refining, which continued to benefit from the recovery in food service and increased demand from the renewable diesel sector. Higher margins in Europe, largely driven by favorable product mix, also contributed to the improved performance. Results in South America and Asia were slightly higher than last year.

In Milling, lower results in the quarter were driven by Brazil, where higher volume and lower unit costs were more than offset by lower margins. Results in North America were comparable to last year.

The increase in corporate expenses during the quarter was primarily related to performance-based compensation accruals. The gain in other was primarily related to our Bunge Ventures investment in Benson Hill, which went public during the quarter. Improved results for our non-core sugar and bioenergy joint venture were primarily driven by higher prices and sales volumes of ethanol and sugar.

For the quarter, GAAP basis income tax expense was $92 million compared to $38 million for the prior year. The increase in income tax expense was due to higher pretax income. Net interest expense of $38 million was below last year, resulting from higher interest income related to the resolution of an historical value-added tax matter.

Let's turn to slide six. Here you can see our continued positive EPS and EBIT trend adjusted for notable items and timing differences over the past four fiscal years, along with the most recent trailing 12 month period. This is an exceptional performance, and I echo Greg's appreciation of the amazing execution by our global team.

Slide seven compares our year-to-date SG&A to the prior year. We achieved underlying addressable SG&A savings of $25 million, of which approximately 75% was related to indirect costs. Looking ahead, we are monitoring cost inflation globally and will be working hard to offset this impact where we can while still making the necessary investments in our people, processes, and technology.

Moving to slide eight, for the most recent trailing 12 month period, our cash generation excluding notable items and mark to market timing differences was strong, with approximately $1.9 billion of adjusted funds from operations. This cash flow generation was well in excess of our cash obligations over the past 12 months, allowing us to continue to strengthen our balance sheet.

Turning to slide nine, during the quarter we received two credit rating upgrades. Moody's raised us to Baa2 and Fitch upgraded us to BBB, both with stable outlooks. This now puts us at our target rating of BBB, Baa2 with all three rating agencies.

The chart on this slide details our year-to-date capital allocation of adjusted funds from operations. After allocating $137 million to sustaining CapEx, which includes maintenance, environmental health and safety, and $25 million to preferred dividends, we had approximately $1.1 billion of discretionary cash flow available.

Of this amount, we paid $250 million in common dividends, invested $102 million in growth and productivity CapEx, and repurchased $100 million of common shares, leaving approximately $725 million of retained cash flow.

Our pace of CapEx spend this quarter was below our expectations due to supply chain related delays, which we don't see improving by year end. As a result, we are reducing our 2021 CapEx forecast by about $100 million and will be rolling over these projects into next year.

In addition, we have a nice pipeline of growth and productivity investments that are under consideration, which will likely lead to a higher than baseline spend for the next couple of years. We will provide more details on our outlook during our Q4 earnings call in February.

The $100 million of share repurchases in the quarter completed our $500 million authorization. As Greg mentioned earlier, Bunge's board has authorized a new $500 million program.

Earlier this year, we increased our quarterly common dividend by 5%. In May of next year, we will again review our dividend, with consideration for the recent increase in our earnings baseline from $5.00 to $7.00 per share and the success in strengthening our balance sheet. So, as we have been demonstrating, we will continue to take a balanced and disciplined approach to capital allocation.

As you can see on slide 10, by quarter end readily marketable inventories exceeded our net debt by approximately $1.1 billion, a significant change from year ago. Please turn to slide 11.

For the trailing 12 months, adjusted ROIC was 19.4%, 12.8 percentage points over our RMI adjusted weighted average cost of capital of 6.6%. ROIC was 13.7%, 7.7 percentage points over our weighted average cost of capital of 6% and well above our previously stated target of 9%. The spread between these metrics reflects how we use RMI in our operations as a tool to generate incremental profit.

Moving to slide 12, for the trailing 12 months, we produced discretionary cash flow of approximately $1.6 billion and a cash flow yield of 21.6%. The decline in cash flow yield from the prior year reflects a growth in book equity of the company.

Please turn to slide 13 and our 2021 outlook. As Greg mentioned in his remarks, taking into account our strong third quarter results and favorable market trends, we have increased our full-year adjusted EPS from $8.50 to $11.50. Our outlook is based on the following expectations.

In Agribusiness, results are expected to be up from our previous outlook and now forecasted to be higher than last year. In Refined and Specialty Oils, results are expected to be up from our previous outlook and well above last year. We continue to expect results in Milling to be generally in line with last year.

Excluding Bunge Ventures, corporate and other is expected to be lower than last year, driven by higher performance-based compensation, a portion of which was historically allocated to the segments.

Additionally, the company now expects the following for 2021; an adjusted annual effective tax rate in the range of 15% to 17%, net interest expense in the range of $200 million to $210 million, capital expenditures in the range of $350 million to $400 million, and depreciation and amortization of approximately $420 million. In non-core, full-year results in the sugar and bioenergy joint venture are now expected to be up considerably from the prior year.

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

Greg Heckman
Thanks, John. Before opening the call to Q&A, I want to offer a few closing thoughts. As John and I noted, we expect a strong close to 2021, driven by Agribusiness and Refined and

Specialty Oils. Looking ahead, we expect favorable market conditions to continue, and we're confident in our ability to capture the upside from opportunities while minimizing the downside.

Based on what we can see right now, we would expect EPS to be well above our baseline for the next couple of years, driven by higher than baseline assumptions for Refined and Specialty Oils and soft seed crushing, and we'll continue to deploy cash we generate to create value by investing in growth projects with strong returns and returning capital to shareholders.

In closing, we're very pleased with our team's strong performance and our revised outlook. In today's environment, we're right where we need to be, a key participant in the global food and agricultural network. We're excited about our role and the accelerating shift in demand for sustainable food, feed, and fuel, and the growth we have ahead of us. We'll now open the line for your questions.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press star then one 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 two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Ben Theurer with Barclays. Please go ahead.

Ben Theurer
Thank you very much, and good morning, Greg, John. Congrats on the very strong results, and thanks for beating and raising again the guidance.

Greg Heckman
Thanks, Ben.

Ben Theurer
Well done. Now, in light of your closing remarks, a question related to that. So, you basically said that you think that you're going to be able to be above baseline for the next couple of years. And I think the importance here lies on the years, like multiple years. Now, what's driving that sustainable, lasting better environment versus what you saw when you in the first place put out your expectations just in summer of last year? You then raised it this summer. So, what has changed since then within the underlying fundamentals to really put you in that situation, that you now can say that you expect it to last above that level for the next couple of years?

And then with that cash flow you're all generating, do you think you can accelerate some of the investments? And by the way, I appreciate very much that you also think of shareholders, returning them cash. But what opportunities do you see in the market? Where do you still want to invest in to maybe be in the position to even further increase what you just did to the baseline EPS?

Greg Heckman
Okay, there's a lot there, Ben. But, yes, let me start by just a quick reminder. Remember, that was an earnings framework. And when we first put it out, right, it was early in the turnaround and we were right at the front end of COVID. So, once we had a good understanding of kind of

how the environment was improving, our new operating model, how that was working, then we updated that framework, as you just referenced.

So, what we've now reflected--remember, the framework is an ability to look at kind of average margins on the soy crush, the soft crush, as well as our specialty and edible oils business. So, what we see coming in the next couple years, as we talked about, one, we continue to see the focus and the talent of this team to continue to operate. We see the stronger demand from refined fuel. I think we see the long-term, kind of the lack of capital that has been invested in this industry. And we see the Refined and Specialty Oils, we expect that run rate that we see here in Q3, based on the demand from food service and refining, to carry through 2022.

So, we think that roughly $150 million a quarter is a pretty good run rate, maybe a little less, little more, each quarter. But we think that that'll be a pretty good ratable for 2022. So that, of course, will be above that baseline earnings. And then with the demand as well around renewable diesel and refined fuels overall, continued support for soft seed crushing kind of driven by the oil side of that, and so we expect those to be above our baseline earnings as well.

And then as far as the speed of growth, we are absolutely focused. As the transformation's done, we've turned the resources to focus on the growth. We'll continue to do the organic things, right? There's a number of de-bottlenecking projects already underway. The timing of doing growth is at the right time when the numbers are right, and we let the numbers drive the investment.

But we've got the balance sheet now where it needs to be. And I think we've shown that we can execute, and so we've earned that right to grow. And with kind of the changing landscape between--as you think about the growth, right, we continue to grow our leading global crushing business and, of course, the origination and distribution that supports that, as well as our other associated grain processing businesses to serve the producer. We've got our specialty and refined oils business really hitting on all cylinders right now and positioned and looking not only to do organic growth but where we have some opportunity for bolt-on acquisitions.

And then, of course, the trend in plant proteins is right in the sweet spot of not only supporting growth in our plant lipids business but in our developing plant protein business. So, that'll be a multi-year build, but absolutely excited about that trend that's in place, and then, of course, on the renewable fuels and renewable diesel and sustainable aviation fuel, and the changes that are happening there. So, there's a lot of levers to pull for growth. And so, we can be very thoughtful and, as I said, let the numbers drive our decisions.

John Neppl
Yes. And Ben, as you pointed out, the $7.00 baseline is our footprint as of today or as of when we put it together a few months ago. And as we grow, as we have an opportunity to invest in good projects and the landscape changes, we'll continually update that--well, I should say on a periodic basis as material things change.

Ben Theurer
Okay, perfect. Well, with that, I'll leave it here. Thanks again and congrats.

Greg Heckman
Thank you.

Operator

Our next question comes from Luke Washer from Bank of America. Please go ahead.

Luke Washer
Hi. Good morning, and congrats for the good results. Obviously, a great quarter.

Greg Heckman
Thank you.

Luke Washer
Looking at your guide for the full year, obviously it's a low-end number at $11.50, but clearly a pretty big jump here from $8.50 to $11.50. But the implied guide for 4Q is closer to $2.00, which is obviously--on EPS, which is obviously much lower than 3Q and much lower than 4Q of last year. And I know that this is a floor, but as we think about the fourth quarter, you have crush margins that are pretty good. You have elevation margins that are good. The outlook looks very strong. So, is there anything in the fourth quarter that would temper your expectations? And how is visibility looking in the fourth quarter?

Greg Heckman
Well, part of it is the timing, right? Part of the performance here in Q3 was kind of the timing of what we did have open on crush. People are definitely not extended out as far. Last time we were together, crush margins were definitely depressed. And as we saw that rally, we were able to benefit from that this quarter, but we were also hedging Q4 then as people were going out further on the curve.

So, we definitely caught part of this last movement, not all of it, as we've hedged Q4 out. And we like the momentum and where that's carrying into Q1. And we can see that, and that's why we feel good about getting off to a very good start here in 2022.

Luke Washer
Great. And then as you think about baseline, I know you set the new baseline of $7.00 only a quarter ago, but it feels like maybe even 3Q beat your expectations. Is there any change in the way that you're looking at the outlook structurally, whether it's part of your business or the industry more broadly, or are still things pretty much the same as when you set that baseline?

Greg Heckman
Yes. I think the way we look at the framework's the same. I think what we've seen change are the continued strength from the recovery of COVID around Refined and Specialty Oils from the food-service side, what we've seen with the continued demand being added from the renewable diesel sector, what it's going to take here in multi-years to do the work to build some of the supply that's going to be needed, and just the overall operating environment that's come clear and made it confident for us to look out and say, look, above where the baseline model is Refined and Specialty Oils are going to outperform that, soft seed to crush is going to outperform that, because that framework is built around averages.

So, some of it's our ability to continue to execute in a really tough environment, right? We're suffering from the same challenges around labor and wages and energy inflation, and the backend of COVID here, so the confidence in the team to stay focused and really drive the big earnings engine here while we're continuing to work on the growth opportunities. So, it's definitely the environment externally, but internally it's also as we continue to get reps here with our eighth straight quarter of improved results.

John Neppl
And I think, Luke, it's important that the $7.00 was never intended to be a forecast or what we felt like necessarily the earnings power would be of the company in any given environment. It was based on--Greg called it a framework. Based on average, historical, what we kind of call midcycle margin structure, the company should be able to hit $7.00 a share.

But obviously, in the environment we're in today, we're performing substantially above that because a lot of the assumptions we made in that model, we're exceeding those today. And as well, as we go forward and have an opportunity to invest some of this excess cash flow, we hope to be able to update that model over time to a higher number.

Luke Washer
Sounds good. And maybe I can sneak in just one more on your investment in Benson Hill. What's your relationship with Benson Hill? Do you plan to get involved? Are you guys working together? How is that relationship?

Greg Heckman
Well, it's really, like all the investments we do in our Bunge Ventures, we kind of use that as an innovation platform, as a knowledge building platform where we're looking at things that could enhance our stickiness with how we work with customers, that could lower our cost. It could be new technologies to enhance our business or, frankly, it could be new technologies that could be a threat to our business.

And so, we make investments based on the company themselves and how it fits with the knowledge that we want to continue to learn. Whether we do business, that's a separate decision. That's at arms length, whether we have a commercial relationship depending on the products and services that the company does. And so, some of our Bunge Ventures portfolio companies we do business with because it makes sense, and some are pure investments. We do do a little bit of business with Benson Hill.

Luke Washer
Sounds good. Thank you.

Operator
Our next question comes from Tom Simonitsch with J.P. Morgan. Please go ahead.

Tom Simonitsch
Thank you. Good morning, everyone.

Greg Heckman
Morning, Tom.

John Neppl
Morning, Tom.

Tom Simonitsch
Firstly, a clarification. When you say $150 million a quarter is a fair run rate for Refined and Specialty Oils for next year, can you clarify how that compares to your baseline?

John Neppl

Yes. I don't have the exact number in front of me on the baseline, but it's considerably above what we had in the $7.00 baseline, driven really by the refining margins in that business and what we're seeing. When we assumed it on the baseline, it was probably closer to maybe $100 million a quarter. So, you're looking at probably at least a couple hundred million difference between the $7.00 baseline and where we are today.

Tom Simonitsch
That's very helpful. Thank you. And maybe could you provide some more color around what you're seeing in your milling business? What needs to happen for that segment to grow beyond this year?

Greg Heckman
Well, we continue to make investments in our corn milling business here in the U.S. to serve customers, and in South America as well. We started another mill back up here last year and continue to make investments there.

But it's really working with customers. It's where we've got the connection to our supply chain network, where we've got crossover with customers with our specialty and refined oils business, and where we think we've got the scale to be relevant to customers and the connection to have an edge to win long-term. So, you'll see us leverage around our strengths.

Tom Simonitsch
Thank you. I'll pass it on.

Greg Heckman
Thank you.

Operator
Our next question comes from Adam Samuelson with Goldman Sachs. Please go ahead.

Adam Samuelson
Yes, thanks. Good morning, everyone.

Greg Heckman
Morning, Adam.

John Neppl
Morning.

Adam Samuelson
Morning. So, maybe following up on Tom's question and thinking about the discrete areas where you're seeing upside to that baseline framework, I think you called out the soft seed side as--soft seed crush as well. I think back in July the baseline assumption had been about $50.00 a ton of kind of gross margin in that and on the 10 million tons or so that you do for soft seed. How have you framed the upside to that from the market environment looking forward?

Greg Heckman
Yes. I think what we've looked at, we called the refined out because that one's a little more ratable and it's the big moving number, as I know you guys are trying to think about 2022. We're carrying good momentum in Q1 in both soft and soy. We can see that, and then of course not as much visibility out to the balance of the year.

But just kind of when we look at the S&D's around the soft and what we expect, we expect that to perform above baseline. We didn't really quantify it, but we're definitely comfortable that it will contribute above baseline, so that's why we wanted to call it out as well.

Adam Samuelson
Okay. And can I just ask on the distinction in terms of soft seed and not the soy crush? Clearly, the vegetable oil demand broadly, that whole complex is tight. The demand is very robust. Is there more concern about the demand on protein that would lead you to be incrementally constructive on soybean crush, or is it simply just the lack of visibility beyond the first quarter?

Greg Heckman
No, it's just lack of visibility. I think from the macros, we're fairly constructive with what we're carrying into Q1, and then we'll see how things develop and how things develop in crops in the second half. Definitely looks like we're probably going to have--build some stocks in oilseeds, and that should actually be good from an environment. But a lot's got to happen yet on getting things planted and seeing the weather develop and so on.

Adam Samuelson
Got it. And if I could to squeeze another one in, just given some of the inflation that you're seeing across the environment, it seems like things were handled quite well through the third quarter. But how should we think about rises in energy prices, logistics, labor just impacting the business, and particularly energy and thinking about Europe, given some of the issues there specifically?

Greg Heckman
Yes. Energy we think about as another input, right, just like oilseeds. It's one of the costs in the COGS. And so, it's part of the risk management as we're trying to manage the earnings at risk in our assets. We've definitely seen, I think, more kind of violent moves in those, as we've seen. Normally, those are part of what goes into the crush margin as we're pricing, and so those'll get passed along.

Of course, when you see moves like we've seen here sometimes, depending on the region, it may take a little longer to get those passed along. But the other thing we have is, with the global footprint, then we'll pull back crush if margins get squeezed by the energies. We'll pull crush back in that region and we can run harder in another region. So, again, that's one of the things about the global network that's very helpful. So, it's just another one of those things around another dislocation and disruption that we have to manage.

John Neppl
Yes. And I would just say, Adam, on the wages side, like everybody else, we're subject to wage inflation, not only in the U.S. but globally. But I think we feel like, if we can maintain a position of being a low-cost producer in the industry, as others struggle we should come out on top.

And so, we're obviously managing that as effectively as we can. But availability of labor is our primary concern, especially in an environment we're in right now, margin environment, and we'll continue to manage that first and then the inflation. We'll pass along what we can and continue to focus on being a low-cost operator.

Adam Samuelson
Okay, that color is really helpful. I'll pass it on. Thanks.

Operator
Our next question will come from Vincent Andrews with Morgan Stanley. Please go ahead.

Vincent Andrews
Thank you, and let me reiterate congratulations on the quarter and the results in general.

Greg Heckman
Thank you.

Vincent Andrews
Could I just ask, has anything changed since you guys came in? How has your sort of risk parameters evolved now that you're a couple years in and eight great quarters in a row and a better operating environment? Are you taking bigger swings at anything, or is it still the same or has something changed about the philosophy?

Greg Heckman
Absolutely not. One of the things about our philosophy we've said all along, right, is to manage the risk appropriate for the earnings power of the company and the environment that we operate within. And that is as our risk teams and our commercial teams work hand in glove assessing the dynamic environments that we're in and looking at the earnings at risk out in the forwards of our assets.

And as we've said, those earnings are just at risk until we can book the oilseeds and book the energy and sell the oil and sell the meal. And our crushing are the same, hedging the inputs and out sets in our grain processing or in our distribution assets. So, I think the big thing that's changed is we're operating as one Bunge, and we are using our information as one company to execute better for our customers.

We're using our global network to flex in a time where dislocation has kind of become the norm with almost less globalization and more regionalization. And quite frankly, there is still a lot of embedded optionality in tens of thousands of customers and millions of tons of physical flows and the liquidity in those physical flows for us to manage the risk for ourselves and our customers. And it exists when you act like one big global company and you run that business in a very disciplined way.

Vincent Andrews
Okay. And you mentioned obviously that South America is planting now and they'll have whatever crop they wind up having. But I think I heard you say that there'd probably be some build in oilseeds inventory. It was obviously a logical assumption. But I also thought I heard you say that that would be good for you, or did you say good for the environment? Just how are you thinking about sort of how next year could play out in the scenario where, let's say, Brazil and Argentina have a very large crop?

Greg Heckman
Sure. Yes, it looks like been planting is off to a record start down in Brazil. I think we're getting close to 50% planted. And we're seeing--I think right now estimates are expected for there to be bigger soy crops in the U.S., Argentina, and Brazil. And I'd say in the strong demand environment we've got, right, you've got palm continuing to have problems on the supply side. And just globally, oils not only from the renewable diesel and renewable fuels demand-side, but

now with palm in a little bit of a supply, so oil continues to remain strong. We continue to see what we expect to be some growth in meal demand next year.

So, that is a more favorable operating environment. Now, as I said, the crops have got to get grown and the weather's got to show up and how the farmer markets and everything has to develop. But net-net, it feels pretty good. I think that's why, even though we're not calling out all the specifics, it's why we say we feel that we can be well above the earnings framework here for the next couple years.

Vincent Andrews
Okay. So, just to follow up on that, so even in that environment, you believe that there would be strong enough margins and enough sort of dislocation still in the market that you could be above that $7.00 figure.

Greg Heckman
Absolutely.

Vincent Andrews
Okay. Thanks very much.

Greg Heckman
Thank you.

John Neppl
Thanks, Vincent.

Operator
The next question will come from Ben Bienvenu with Stephens. Please go ahead.

Ben Bienvenu
Hey, thanks. Good morning, everybody.

Greg Heckman
Morning, Ben.

John Neppl
Good morning, Ben.

Ben Bienvenu
I want to revisit this discussion around capital allocation and just hear your thoughts around whether or not there's been any consideration around whether you could raise your ROIC goals. Obviously, you've steadily raised your baseline earnings power framework scenario that you think about characterizing the company with. When you think about what progress you've made at Bunge over the last two years and you think about the underlying earnings power of the business, does it make sense to raise that threshold for ROIC? And when you look at the pipeline of potential opportunities, is there a robust set of opportunities, organic or inorganic, that exceed that ROIC threshold?

Greg Heckman

Let me start and I'll hand over to John. The one thing is the main--about the only time we talk about that threshold on ROIC is quarterly with you all, because we have the teams focused on competing for working capital based on how their returns on--competing for risk capital based on how their return on invested capital and how--their AROIC, where we're looking at how effective we are in working capital. So, we're constantly driving to get the best return possible, not kind of just jump over the hurdle.

We needed that framework when we were talking to investors. But frankly, we're driving and competing against always trying to improve the lowest returning internally and to grow the businesses that are the highest returning.

John Neppl
Yes, Ben. And I would just say that certainly, with where we've been able to get to in terms of our ROIC and our adjusted ROIC metric, which we think is an important way also to measure the business, there's no doubt that I think we feel like we're at a different plateau today. As we go forward here and look at our opportunities, we've got we feel like a pretty good pipeline of opportunities. And certainly, our goal will be to raise that 9% to something north of that.

And I think if I remember back even a year and a year and a half ago, Greg made a point that, once we get to 9%, we'll raise it, and we're well above 9%. And certainly I think we've got enough momentum in the business, improvement of the operating model, and I think some attractive investment opportunities that we should be able to raise that. As we head into next year and take a look at our plan for next year and what we believe we can do, we'll come back on that.

Ben Bienvenu
Yes. Okay. That's great. Thank you. Secondly, the sugar and bioenergy business, I know it's non-core. It's performing considerably better than we've seen over the last couple of years. I know that we're in a higher price sugar and ethanol environment. Currency is more in your favor that it's been over the last two years. I assume that hasn't changed any considerations you have around how relevant that business is in your portfolio. And what do you think the appetite is in the markets to make some strategic decision with that business?

John Neppl
First, it has not changed our view long-term of that. Our plan is to still exit the business. We're certainly happy with the current performance. It makes it a lot easier to hold it until we can find the right buyer. But we are actively in that process. And it takes time, obviously, to get the right counterparties and the right structure, but we're actively looking at it today.

And our goal would be to get that done as soon as we can. But the same time, we want to balance speed with value. But certainly, I think we think that business is worth a lot more today than it was a year or two years ago, and so we're optimistic that we'll get something done.

Ben Bienvenu
Okay, great. Thanks, and best of luck.

Greg Heckman
Thank you.

Operator
Our next question comes from Rob Moskow with Credit Suisse. Please go ahead.

Rob Moskow
Hi. Just some kind of macro questions. Do you do any work internally to try to figure out how far along China is in rebuilding its pig herd after African swine fever, and how that's influencing their exports or imports of soy? And then I had a second question about soy planting intentions. With energy costs as high as they are, would that result in more crop rotation into soy, away from corn next year? And if so, does that make a difference to you or not? Thanks.

Greg Heckman
Yes, thanks, Rob. On China, we've definitely seen they're in the late stages of rebuilding that herd. And you've seen those margins come off and a little bit of herd reduction in the places where they've really built too fast as they kind of outpaced their demand. We haven't seen any major impact from AFS impact continue. So, of course, that will have some effect--we believe that'll have some effect on their imports of meat, no doubt. So, that continues to develop.

And I'm sorry, the second part of the question, somebody?

Rob Moskow
Oh, it was how is the energy--.

Greg Heckman
--Oh, yes. The higher energy prices in total actually are supportive for demand for renewable fuels. And it looks like--I think we're in a situation here for a while where we everybody believes there'll be higher crude and higher energy prices here for a few years as we kind of work through the transition to a lower carbon energy footprint. And we do think that that will be net friendly.

And as far as the corn versus soy acres, yes, there's no doubt that the market's sending the signal on oilseeds, but I think it's more than just corn versus soy. We'll have to watch wheats as well and the other oilseeds to kind of see the fight for acres. And that one hasn't played out yet, but that'll be a real interesting point here over the next few years as the market's sending the signals for us to build some additional capacity and additional acres, acres and/or production per acre, to serve the demand.

Rob Moskow
And maybe I'll sneak one more in then. Have you done any tracking of global capacity for soy crush? Because you're not the only one that's increasing capacity right now for renewable fuels. Any sense as to what that's done to global crush capacity so far this year?

Greg Heckman
Yes. As we think about global crush capacity, a couple things. One, of course we're always watching it closely. And I think if you remember all the way back maybe to Investor Day when we talked about we need some additional global crush capacity, right, whether it's a weather problem, a government problem, and now we've seen an energy problem curtailing some run time in China, and to get that balance right.

I think what's interesting, this year when we saw Argentina run harder through the first half than they did prior year, and margins stayed good globally. And I think that tells us something as well. And then they didn't run as hard later in Q3 and then we saw global margins then rebound again.

So, definitely we're tracking all the projects that are announced, and then we'll actually track all the projects that actually get built. We don't think they'll be exactly the same. And, look, with what it takes to permit and order projects and order equipment and get the labor in place, that extra crush coming in we're watching, it's out there 2.5, 3 years before it starts making a real difference.

So, we continue to look at where we're going to put our expansions. And of course, we announced the expansion that we're going to have will be on the water. And that allows us to not only serve the domestic market with meal, but to be able to export to get to the world market. And so, as we make expansions in our own footprint, we want to be very, very thoughtful about, as energy goes through this transition in the next 10 to 15 years, which they feel renewable feedstocks are a big part of, that we also have the right lowest cost footprint for the long-term. And so, that's why we continue to be very thoughtful about the long-lived assets that we put in the ground.

John Neppl
And I think, Rob, one other thing relative to the Chevron JV for example, there have been other JVs announced. A lot of those are greenfield builds. They're going to take a number of years before they're operational, whereas because we're taking two existing plants and putting them in a joint venture, we're going to be up and running immediately with Chevron. So, we're pretty excited about that. Of course, the expansion that we've talked about will come over time, but certainly we're going to be able to hit the ground running with them.

Rob Moskow
Great. Thanks for the color.

Greg Heckman
Thank you.

Operator
Our next question comes from Ken Zaslow with Bank of Montreal. Please go ahead.

Ken Zaslow
Hey, good morning, guys.

Greg Heckman
Morning, Ken.

John Neppl
Morning, Ken.

Ken Zaslow
When I think about refined oil, it seems like both you and your competitor have done joint ventures with the refiners, right? So, it almost seems like pretreatment may not be coming down the pike for all this renewable diesel, so refined oil margins may stay longer than maybe we initially expected. Can you make a comment on how you're thinking the refined oil margins might actually--the duration of them?

Greg Heckman

Well, we feel comfortable enough that we've now called them all the way through '22 above our baseline. So, that says we're pretty confident, because you know we're a little maybe conservative on how far we like to reach out with projections. And, look, it will be--the industry will be making those decisions, right, our industry, on how we're serving the renewable diesel industry, and the renewable diesel industry making the trade-offs on can they make a return on investment on pretreatment, and is pretreatment best built at refining, at renewable diesel production, or somewhere else to gather other low CI feedstocks.

And so, the one thing--this is developing very quickly, and that's one of the things we're so excited about, our relationship with Chevron. This is a JV. This is a platform that we're starting, and we're using the combined knowledge of two global industry leaders. We've got the philosophy of leveraging each other's strengths. We're not trying to do Chevron's expertise. They're not trying to do ours.

But we are trying to bring that together everywhere from looking at the economics and understanding how the feedstocks work in the refinery, understanding what we can do with the producer around regenerative ag and the supply chain, developing other low CI feedstocks, and thinking about long-term how we grow together to meet those needs and take advantage of those opportunities. So, I think the relationship and the way that we have formed that with Chevron's a little unique to some of the others in the industry. And we think it's powerful, and we're excited about the opportunities that that's going to generate.

Ken Zaslow
But it's fair to say the slowdown in the pretreatment creation probably should extend the refined oil margins for longer. Is that at least a fair statement?

Greg Heckman
No, absolutely. It's a direct trade-off to using the refining capacity in the oil seed crushing industry.

Ken Zaslow
And then I wanted to just--I know we've talked about this a little bit with the cash deployment. And to be honest with you, I'm not that clear, so help me out here. So, pieces of it is that there's a lot of projects that are in the pipeline for 2022. And then beyond that, there are opportunities that you'll be able to deploy cash more externally. Can you talk about, one, the project--and, again, you're not going to give me the exact projects, but how much cash do you think you can deploy over the next couple years for internal? And I'm assuming we could assume a 15 or so percent return on that. And then the other part is, how quickly do you want to deploy the cash for external opportunities? And then I'll leave it there, and I appreciate your time.

John Neppl
Yes, Ken, this is John. I think it's pretty conceivable that we'll probably--so, our baseline CapEx historically has been, call it $400 million to $450 million. The last two years cumulatively will be about $200 million below that run rate, cumulative, because of the under spend the last couple years. I think we'll see that amount probably, assuming supply chains loosen up next year and we can get the equipment we need and the labor, we could conceivably see something in the $600 million to $700 million range I think easily in CapEx over the next couple years.

A lot of that is projects that we've got in the pipeline that we're analyzing. Not going to say that we're going to do all of them, but it's everything from continue debottlenecking, we've got a couple greenfields, and then of course we've got a couple projects we've already announced

that are going to take time and will be part of that number. And then ultimately, we're always going to be looking at the M&A side and any opportunity there might be there. And I think we feel more confident today that we have a right to be a consolidator in the industry if the opportunity comes, given what we've been able to do.

So, we're going to look at all facets of it. But I think what we can control, we're going to certainly focus on very good projects organically. And again, as I said before, we have a good pipeline of things, everything from debottlenecking, greenfields, and things like that that we're--some underway and some we're still assessing.

Ken Zaslow
Great. I appreciate it. Thank you, guys.

Greg Heckman
Thank you.

Operator
Ladies and gentlemen, this concludes our question and answer session. I'd like to turn the conference back over to Greg Heckman for any closing remarks.

CONCLUSION

Greg Heckman
Thanks again for joining us today, and thanks for your interest in Bunge. I want to thank the team again for continued incredible execution in what continues to be a very dynamic environment, and it just continues to demonstrate the strength of Bunge. We look forward to speaking with you again soon. Everybody have a great day.

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