Bunge Limited

First Quarter 2021 Earnings Release and Conference Call

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CORPORATE 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 First Quarter 2021 Earnings Release and Conference Call. All participants will be in 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. 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, Jason. And thank you for joining us this morning, for our first quarter earning 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 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 risk and uncertainties. Bunge has provided additional information in its reports on file with the SEC. Deciding 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 three, you'll see the agenda for today's call. I'll start with some highlights in the first quarter before handing over to John, who will go into more detail on our performance. I'll then share some closing thoughts and how we're thinking about the remainder of the year, before opening the line for your questions.

Let's start with an overview of the quarter, turning to slide four. Thanks to the outstanding execution by our global team working seamlessly across our value chains, we're off to a great start for 2021. We brought positive momentum into the quarter, and we continue to capture the opportunities in front of us, delivering our sixth consecutive quarter of increased earnings.

Operationally, our team did a fantastic job maximizing our assets. We reached a new high watermark for crush capacity utilization and we continue to reduce unplanned downtime. We also executed well in the marketplace, through outstanding customer service, innovation, agility and partnership. Our strong results over the past few quarters reflect the value of working as a unified global company and the benefits of our integrated model delivers to our customers on both ends of the value chain, from farmers to customers to consumers.

We're committed to continuous improvement and managing risk effectively. Because while we're incredibly proud of what we've achieved, we recognize there's always more we can do, especially in an industry that doesn't always offer a straight line path from quarter to quarter.

The dramatic swings in consumer and customer behavior during the COVID pandemic are case in point.

COVID is still very much a factor in most parts of the world, especially in Brazil and India. And our thoughts are with all of those who are still in the center of the battle with this pandemic. In regions where restrictions are easing, we're seeing increased demand and pricing across a range of products as people begin to get back to regular life patterns. And regardless of those more encouraging trends, our top priority continues to be the safety of our team, their families, and communities.

Turning now to our segment performance. As you saw last week, we changed our reporting to better align with our new value chain operating structure. John will go into more detail on that later in the call. But our new segments more closely reflect the way we manage our business. In the first quarter, we delivered especially strong results in Agribusiness. Earnings were driven primarily by oilseed processing, particularly in soft seeds, and our merchandising value chains. Refined and Specialty Oils had a record quarter, benefiting from tightening global supplies, improved demand, particularly in North America, and our continued focus on customers and innovation.

And before handing the call over to John, you'll note that with our strong first quarter results and favorable outlook across a number of our markets, we raised our full-year adjusted EPS forecast to approximately $7.50. I'll share some additional thoughts on the remainder of 2021 before opening the call for Q&A. And additionally, we announced this morning that our board of directors approved a 5% increase to our quarterly common dividend, reflecting our positive momentum and favorable market trends.

I'll now turn the call over to John to walk through our financial results in more detail.

John Neppl
Thanks, Greg. And good morning, everyone. You may have seen our announcement last week that we have changed our segment reporting to align with our new value chain model and to reflect how we manage the business and review financial information.

Within Agribusiness, we have realigned GrainsGrains and Oil SeedsSeeds operations in the Processing and Merchandising. The Fertilizer segment has been eliminated, with those results now included in the processing component of Agribusiness. Processing, in addition to FertilizerFertilizer, is principally the Oil Seeds operations, plus the soy and soft seed crushed related origination activities previously included in Grains. You can find additional details in note two of our earnings press release and in the appendix of the slide presentation.

Let's turn to our earnings highlights on slide five. Our reported first quarter earnings per share was $5.52 compared to a loss of $1.46 in the first quarter of 2020. Our reported results include a net gain of $1.09 related to the previously announced sale of our Rotterdam oil refinery, as well as the packaging plant in Mexico. Reported results also include a mark-to-market timing difference of $1.03 per share.

Adjusted EPS was $3.13 in the quarter versus $0.91 in the prior year. Adjusted core segment earnings before interest and taxes, or EBIT, were $737 million in the quarter versus $354 million in the prior year, driven by strong performances in our Agribusiness and Refined and Specialty Oils segments.

As Greg noted, Agribusiness results in the quarter reflect outstanding execution by the team, managing our crush capacity and trade flows. In Processing, improved performance in the quarter was driven by higher results in all soft seed and soy crush value chains, which included an increased contribution for US soybean origination. In addition, we achieved record Q1 soy and rapeseed crush volume and capacity utilization, reflecting reduced unplanned downtime and excellent coordination between our commercial and industrial teams. This improved crush output brings immediate financial benefits, especially periods of strong margins like we've been experiencing.

In Merchandising, improved volumes and margins in our global oils, corn and wheat value chains were primarily driven by increased export demand, strong grain origination in North America and Australia, and outstanding execution of logistics and risk management. Results in our financial services business were also higher.

In Refined and Specialty Oils, the strong performance reflected higher results in all regions, driven by improved execution as well as favorable market trends.

Margins in North America refining benefited from early stage recovery and food service and increased demand from the renewable diesel sector. Higher margins in South America and Europe more than offset lower volumes. Asia benefited from strong demand in India prior to the reimposition of restrictions due to the surge in new COVID cases.

In Milling, results were down in both North and South America, primarily due to lower margins. Additionally, volumes in Brazil were negatively impacted by the resurgence in COVID cases. The increase in corporate expenses during the quarter was primarily related to the performance-based compensation accruals, a portion of which was not allocated out to the segments. The decrease in other was related to our captive insurance program.

Results for our sugar and bioenergy joint venture benefited from higher sugar and ethanol volume and higher sugar prices in local currency. Prior-year results reflect less favorable environment and were also negatively impacted by approximately $25 million in FX translation losses of the joint venture, due to depreciation of Brazilian real. For the quarter, income tax expense was $192 million as compared to an income tax benefit of $55 million for the prior year. The increase in income tax expense was due to higher pretax income. Adjusted for notable items, the effective tax rate for the quarter was 21%. Net interest expense of $64 million was in line with our expectations.

Let's turn to slide six. Here you can see our positive earnings trend adjusted for notable items and timing differences over the past four years, along with the most recent trailing 12-month period. This improved performance not only reflects a strong operating environment, but also the hard work of our global teams and the benefits for a new operating model that brings organizational alignment across regions and, importantly, has shifted our culture to one of continuous improvement and capital discipline.

Slide seven compares our first quarter SG&A to the prior year. We achieved underlying addressable SG&A savings of $16 million, of which approximately 80% was related to indirect costs. COVID-related restrictions continued to impact areas such as travel, but we also realized lower employee and professional services costs. 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 at approximately $2.2 billion of adjusted funds from operations. This cash flow generation enabled us to comfortably fund our cash obligations over the past year and retained approximately $1.4 billion to strengthen our balance sheet in support of our credit rating objective of BBB, Baa2.

Slide nine details our capital allocation of adjusted funds from operations for the first quarter. After allocating $32 million to sustaining Capex, which includes maintenance, environmental health and safety, and $8 million to preferred dividends, we had $493 million of discretionary cash flow available. Of this amount, we paid $71 million in common dividends to shareholders and invested $21 million in growth and productivity Capex, leaving approximately $400 million of retained cash flow.

Moving on to slide 10. The $400 million of retained cash flow and other cash sources, including proceeds from the sale of assets, more than offset our approximately $700 million of cash outflow this quarter for working capital. As a result, net debt decreased by approximately $100 million. We also took action to increase our availability under committed credit lines to $5.8 billion, leaving us with ample liquidity to support potentially higher working capital needs. As you can see on slide 11, we further strengthened our balance sheet during the quarter to a point where the entirety of our net debt funded 91% of our readily marketable inventory, with the 9% balance of RMI being funded with equity.

Please turn to slide 12 for our return metrics. For the trailing 12 months, adjusted ROIC was 18.7% or 12.1 percentage points over our RMI adjusted weighted average cost of capital of 6.6%. ROIC was 13.4%, 7.4 percentage points over our weighted average cost of capital 6% and well above our stated target of 9%. The widening spread between these metrics reflects how we have been effectively using RMI in our operations as a tool to generate incremental profit.

Moving to slide 13. Our discretionary cash flow and cash flow yield have continued to increase, reflecting strong cash flow generation that is available for strengthening our balance sheet, investing in growth and returning to shareholders. For the trailing 12 months, we produced a discretionary cash flow of almost $1.9 billion and a cash flow yield of nearly 29%. Please turn to slide 14 and our 2021 outlook. As Greg mentioned in his remarks, taking into account our strong Q1 results, forward curves and market conditions, we've increased our full year adjusted EPS outlook from at least $6 per share to approximately $7.50 per share. This is based on the following expectations.

In Agribusiness, full year results are expected to be up from our previous expectations, but down from 2020. In Refined and Specialty Oils, we expect full-year results to be up from our previous outlook and significantly higher compared to last year due to strong first quarter results and positive demand trends in North America. Results in Milling and Corporate and Other are expected to be generally in line with last 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 the following for 2021. An adjusted annual effective tax rate in the range of 20% to 22%. Net interest expense in the range of $230 million to $240 million. Capital expenditures in the range of $425 million to $475 million, and depreciation and amortization of approximately $415 million.

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 provide some perspective on the balance of 2021. As we noted, with our strong first quarter performance and what we see from the forward curves, we're forecasting full-year EPS to be around $7.50. While we don't have full visibility in the back half of the year, the market and demand trends are favorable. We expect higher volumes because of increased post COVID foodservice demand in several countries, as well as from the US renewable diesel industry in the second half of the year.

Because of the work we've done, we now have the ability to pursue the type of projects that will help us meet growing demand and continue to improve our platform. We have a number of projects in various stages to enhance the efficiency of our core oilseeds business. We're taking a thoughtful approach as we invest our specialty fats and oils and our plant-based proteins businesses, and we're staying disciplined. But also recognize the demand for sustainable products is providing us more opportunities than ever to grow our business as we continue to connect farmers to consumers.

The leadership team and I are incredibly proud of the entire Bunge team's continued focus on execution and we're confident in our capabilities and the business model we have here at Bunge. While there's always more work to be done, we're making progress every day and the results are evident. And with that, I'll open the call to your questions.

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. Our first question comes from Adam Samuelson from Goldman Sachs.

Adam Samuelson
Yes, thanks. Good morning, everyone.

Greg Heckman
Good morning, Adam.

John Neppl
Good morning, Adam.

Adam Samuelson
Hey. All right. So, Greg, John, I was hoping to maybe dig a little bit on the updated outlook. In light, first quarter was very strong. And I'm just trying to think about how much did the full-year outlook change based on the realized first quarter performance versus changes in the forward curves, your hedged positions and market outlook over the balance of the year, especially on the oilseed crush side where obviously margins have been pretty volatile, at least on the board given tight soybean supplies?

Greg Heckman
Yeah. Definitely couldn't be more pleased with the way the team carried the momentum out of a record 2020 here into Q1 and how they've continued to execute. And consistent with what we've

done, right, we're going to tell you what we're seeing currently, in the forward curves and the market outlook versus what we hope is going to happen, but that's given us the confidence to go ahead and raise the number from $6 to $7.50.

There's definitely good momentum. And as we said, we're seeing, as things reopen here in March, we're getting back to demand on the food side to pre-COVID levels. And then, of course, we're seeing a little bit of help from renewable diesel here in North America on the oil demand side. We really expect to start to feel that in the second half. So, feel real comfortable even as early as it is here in the year to go ahead and take the number up.

Adam Samuelson
Okay. That's helpful. And then maybe just teeing off on something you just mentioned, on renewable diesel specifically. As that demand becomes more visible, you've seen cash oil prices and premiums be very strong year-to-date. Help us think about how we should expect that incremental demand on the veg oil chain to flow through your P&L both in oilseeds that's in crush, but also in the refined oils piece on the refining side, which would seem to be a critical bottleneck from a feedstock perspective for a lot of renewable diesel producers near term.

Greg Heckman
Yeah. I guess one of the things we're really excited about is being basic in all the oils globally. And as connected to the global oil market is, we're going to see the benefit of that multi-year sustained demand really across our system. Of course, here in North America is where the majority of the work is starting to get done. And there'll be reformulation both for those that have had the ability to do that on the fuel side. And then, of course, on the food side, they've always been where they have the flexibility to reformulate.

So, we'll be working with our customers as the market adjusts and the market is doing its work with price to incent some additional supply. But that takes multiple years to get that in place. So, we're real excited about the benefits of this mean and with new multi-year demand.

Adam Samuelson
If I could just squeeze one more quick one in just on that last point. You've seen some competitors announce, especially in Canada on the canola crush side, a bunch of new capacity. As you would look at kind of margin structures across the forward curves, are we anywhere near where Bunge would consider growth capital on the crush side or more debottlenecking and maybe expansion on edible oil refining? I'm just trying to think about the capital commitment against that opportunity.

Greg Heckman
Yeah. I think, historically, this industry or really any industry when you're adding a new demand, you see price react and the market starts to do its work to put that supply in place. A lot of announcements get made, some of it even gets built. And as the leading oilseed crusher, we're doing the kind of things you'd expect we'll be doing. We're already doing debottlenecking in our crushing and refining footprint. We'll continue to look at a number of projects where we have work ongoing to do some brownfield things, maybe add a refinery where we don't have one and/or add some optionality to be able to crush soft.

And then as far as greenfield, those have got to make sense. We're going to have discipline because it's not spot economics, it's the long-term economics. And so, we've got to look at building the right plants in the right location with the right customer and the right partners.

Because the one thing we're going to make sure that we do is when we put long-lived capital in the ground, we're going to be couple with the long term returns.

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

Greg Heckman
You bet.

Operator
Next question is from Tom Simonitsch from JP Morgan. Please go ahead.

Tom Simonitsch
Hi. Good morning, guys.

Greg Heckman
Good morning, Tom.

John Neppl
Good morning, Tom.

Tom Simonitsch
So, Argentina exported a record value of soy products in Q1. How are you expecting Argentina to impact the global soybean complex for the rest of this year?

Greg Heckman
Yeah. Definitely, the market has needed that supply from Argentina, right? It's calling for it forward on price. And it's that time of year when that market should be running hard. I think with the election coming up and there's still kind of looming devaluation, we expect the farmers to be pretty much hand to mouth. And so, we don't think the industry will run as hard for the balance of the year. But we have been running harder here in 2021 than we did in '20. And I think at the end of the year, you'll see that Argentina's run harder in 2021 for the full year, but second half probably won't be as hard as the first half.

Tom Simonitsch
And then, maybe, could you just provide some more color around the quarterly cadence of earnings to get to the $7.50 for the full year?

John Neppl
Hey, Tom, can you repeat that? Sorry, you cut out a little bit.

Tom Simonitsch
Sorry. I said, could you provide some more color around the quarterly cadence of earnings to get to the $7.50 for the full year?

John Neppl
Yeah. So I kind of look at it in halves, I think. I think, based on our first quarter performance, which we largely push through the year, we're looking at probably a split between first and second half, of about 60/40 is our current outlook. Obviously, things are going to move around a lot. But that's sort of how we look at it. And last year was a little bit the opposite. We were 35/65,

first half/second half. But with a strong start to the year and certainly a lot less visibility into the second half, a little bit less liquidity out there and a lot of volatility in the market, we're looking at more of a 60/40 split.

Greg Heckman
And as we talked before, in this business, the one thing is the profitability will move around within the value chain and it'll move around from quarter to quarter, which is one of the reasons we've got to try to get people to also focus on LTM on some of these statistics.

Tom Simonitsch
That’s very helpful. Thank you. I’ll pass it on.

Operator
The next question comes from Benjamin Theurer from Barclays. Please go ahead.

Benjamin Theurer
Hey. Good morning, Greg, John. First of all, congrats on the strong results.

Greg Heckman
Thank you very much.

John Neppl
Hey, Ben.

Benjamin Theurer
Question around capital allocation and your further ideas around the portfolio. I mean, obviously, the one thing that just pops up is your non-core business. I mean, it's now the third quarter in a row with some positive contribution here. And I remember you've talked about it, that you want to get that stabilized to then basically move forward to make out of non-core, what actually is not going to be reported anymore. So, if you could give us a quick update on where you think you stand in the process of the divestiture of that sugar, bioenergy business? That would be my first question.

John Neppl
We are assessing the sugar business. And obviously, our first goal is to stabilize that business and improve the performance. And of course, the team is doing a great job. We're really happy to be part of that joint venture as a partner of BP. As we said before, we're certainly looking at some point exiting that business. But, obviously, timing is important. And the markets are a bit interesting in Brazil. And obviously, with COVID impact, we're benefiting from better sugar and ethanol environment today than we had a year ago, better currency environment.

But we have a little bit of time here before we can really actually execute on anything based on our agreement. But we are exploring some options there, thinking about strategically when's going to be the right time. But again, our communication has been pretty consistent over the long run. And so, we plan to exit that business at the right time.

Greg Heckman
And I’d say, just from a broader portfolio action, look, we're never done. That's never really over. It's constant evaluation. And we're challenging the lowest returning parts of the portfolio to get better. So, we'll continue to always have that focus.

Benjamin Theurer
Okay. And obviously, in light with that and now with the strong cash flow and your balance sheet capacity, etcetera. And you've talked about it in your closing remarks to look for your disciplined approach into investments, which regions, which areas, where do you think you still have a little bit of whitespace? Where do you think you can put the money to work to further grow to ultimately benefit from what the underlying dynamics are? Is it within what might be done on renewable green diesel? Is it within the oilseeds that then go into whatever meat alternatives, those kind of businesses? Just give a little bit of a sense on where you're heading to from a capital allocation perspective?

Greg Heckman
Sure. I tell you. We are excited about the timing of finishing up our transformation work and the divestitures and to have the great operating performance that we have. And to now have the fuel. And as we say, we feel we've earned the right to grow. Because we continue to have the global footprint and we'll continue to look at that global network and where we need to fortify some of our strongholds and where we need to continue to shore things up.

And of course, with what's going on in North America, that's changing some of the flows, and that goes into our thinking. So, that will continue to be on our core oilseeds and distribution network. And of course, that still has the benefit of population and per capita income growth. And that kind of ticks along. And don't forget, that demand growth continues to be there. But they have two new sources of multi-year demand and two strong trends in place. It's pretty exciting place to be. And think about renewable diesel, the demand that that's got and the adjustments that's got to be happening there. That's going to create some definite opportunities.

And then, what we're seeing in plant proteins. And so that's creating not only a real opportunity on the plant protein side, but where our specialty fats and oils plays a role in those products and giving them the taste and the mouthfeel and the bite that people love. We're already working with those customers. And the one thing that's clear, whatever trends you look at, everybody believes that there's not enough supply to meet the demand for the plant protein. So, we're going to see a lot of opportunities there.

And then, of course, that gives us the, what's happening on sustainability standpoint and lower carbon index products, what is going into the fuel, food and the feed industry, we think that's going to create a lot of opportunities for products and services as it run throughout our entire platform. So, excited about the team continuing to execute, and the choices and the competing that we're going to have for that capital for growth.

Benjamin Theurer
Perfect. Well, I'll leave it here. Thank you very much, Greg, John.

Greg Heckman
Thanks, Ben.

John Neppl
Thank you.

Operator
The next question comes from Robert Moskow from Credit Suisse. Please go ahead.

Robert Moskow
Hi. Thanks. Just another question on guidance, Greg. Your competitor has specifically pointed to fourth quarter as setting up extremely well because of exports to China. Your guidance seems to have something a little more conservative about fourth quarter. Is this a difference in style in terms of how you're looking at the world? Or is there something about your footprint that will make it, I guess, less easy to capitalize on a strong export environment in fourth quarter?

Greg Heckman
Yeah. I'd say, yes. It might be a style issue. We're not forecasting what we hope is going to happen. We're looking at the forward curves. I think the one thing that, we've kept the approach consistent since we got here. And the one message that I think everybody was pretty consistent is, they didn't want us promising things we couldn't deliver. So, look, I've got a lot of confidence in this team. And as we've said before, when we see it, we roll it forward as we just did from taking it from $6 to $7.50. And if the opportunity is here and Q4 develops the way that some think it will, this team will find a way to chase last year's record number.

Robert Moskow
Okay. And just a follow-up. With corn up here at $7 and soybeans above $13, it's beginning to feel more like 2008. And I'm just wondering if you have any lessons learned from that time period? Is that just a different time and it's not what we should expect for this time? I mean, certainly, the ride down in terms of deflation for commodity's really hurt Bunge. So, how should we think about it this time around?

Greg Heckman
I'd say a couple key things. One, every time the market cycles, people, like, different this time. And maybe it is. And it's our job to look at that. And we do have some new demand in the plant proteins and new demand in renewable diesel. There's definitely a new focus on sustainability and climate friendly and regenerative farming. And these are the long-term trends that are going to change things. How is what we're trying to figure out.

But I think the biggest thing is that our leadership team all lived through that. And we've lived through some other cycles in ag and food. And this is a time to really instill some discipline because this is when industries and companies get in trouble when there's a little irrational exuberance. And so, you'll see us be very disciplined about what we're going to do and thinking about the long term and really stressing the projects that we do, so that they will return for the long term. Frankly, we just spent some time, the last two years, cleaning up some things that we want to make sure that we don't make mistakes in the future.

John Neppl
Rob, this is John. I would add on. It was important for us, in 2008, to manage our balance sheet both on the way up and then on the way down as markets came off. But what we ended up with was a very strong balance sheet at the end of 2008. And 2009, to Greg's point, as people were struggling, we really went on the hunt for looking for opportunities to invest. And over the course of a couple years after that, after the financial crisis of 2008, we grew substantially in a couple of years just with the opportunities. And that's really how we think about it.

Robert Moskow
Great. Okay. Thank you.

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

Luke Washer
Hi. Good morning.

Greg Heckman
Good morning.

Luke Washer
So, I just wanted to take another stab at your guidance here. Greg got into $7.50. You talked about how this is related to your expectation for crush. So, maybe just two things. What does that expect in terms of your volumes for kind of your processed goods and your merchandising goods, specifically maybe how it relates to global trade or China exports? And then on the crush side, is there significant variability by region, or do you see crush margins being elevated over the course of the year in most regions?

Greg Heckman
Yeah, let me start, John. If there's anything, you can fill in. On the food side, let me tell you about how we're seeing it on the on the food side. We're definitely seeing an improvement. Right? Our Refined and Specialty Oils just had a record quarter with every region posting year-on-year improvement. And so, a lot of the improvement efforts there, we've had really started to unlock our downstream potential.

We're seeing organic growth, and we've got a strong order book in all regions. So, a big part of that increase is definitely on the food side. And then, as we talked about earlier, we do expect Argentina net-net to run harder this year than last year. So, that'll be additional volume.

And then second part of the question, I'm sorry.

John Neppl
Yeah. With respect to margins, kind of how we see those over the balance of the year. I'd say fairly consistent on the soy side is what we saw in the first quarter. Overall, over the balance of the year, it'll be a little lumpy from Q to Q, but really pretty strong margins on the soft side. We saw very good margins in Q1. Maybe not as good over the balance of the year we saw based on the forward curves, but obviously we'll take the opportunity once there. But I'd say, on the soft side, good strength, really in the areas where we're big in Canada, and Europe especially, we do expect elevated soft seed margins this year versus a year ago.

Greg Heckman
Oh. I remember, you asked about crush margins. Yes. If you look around the world, of course, they're the best in the US. Europe second and then South America third, but very volatile. And then, China right now, of course, with some of the wheat feeding that happened over there that hurt meal demand. Crush margins are the worst in China. We do expect those to improve and we're seeing crush margins in Brazil improving now. So, that's kind of how we see it setting up.

Luke Washer
Great. Thanks. And maybe just one more on Brazil. The Safrinha corn crop looks like it's going to be quite delayed here and dry conditions seem to be persistent. So, maybe you can provide more detail on how you expect that to impact your business? I mean, particularly with soybean

oil or soybean supplies being rather tight too. Is this an opportunity from you when you think about dislocation, your ability to provide value to your customers? Or could this be a potential headwind in the back half of the year?

Greg Heckman
No, definitely opportunity. The one thing about this global machine here is that we definitely help customers during times of dislocation. Higher volume is good for us. Higher volatility. So, the environment that we've got right now is definitely that. And what you're describing in Safrinha, yeah, with it being wet, we got in a little bit later, that's going to put kind of a critical development period out there when it's usually drier. So, there's some concern about yield. So, the global corn market will have to kind of fill in when that crop comes off late. And then, depending how the weather and how volumes develop, of course, will be a price driver in which origin destination pairs you actually end up see shipping.

Luke Washer
Great. Thank you.

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

Vincent Andrews
Hi. Thanks very much. Could you talk a little bit about what you're seeing from a farmer selling perspective? You already touched on Argentina, but maybe in Brazil. And I'm just looking at your cash flow statement and the secured advances to suppliers in the quarter was actually a source of cash, which was of use in the prior period, and your advances on sales were a little bit less of a use. So, maybe I'm wrong, but I would have thought that maybe those would have been bigger numbers. But maybe just talk about it, is the Brazilian farmers selling, finally starting to decelerate in a material way? Or what are you seeing?

Greg Heckman
Yeah. A little bit of a switch compared to last year where you've got the Brazilian farmer behind year-ago levels, not marketing as fast. And we've gotten the North American farmer ahead of year-ago levels. And with these prices, has been a more aggressive marketer. As far as those more detailed questions, John doesn't allow me to answer those. So, I'll pass it.

John Neppl
Look, as Greg mentioned, farmers selling has slowed a bit in Brazil. We're still very active on the farmer financing and advancement side. But clearly, in the quarter, things slowed down. We advance a lot of funds in the fall ahead of harvest. And as we get into Q1, Q2, and they're delivering on crops and you start to see those numbers down generally. Or maybe in Q1, they don't do a whole lot. And then in Q2, we'll see a more dramatic drop as farmers deliver on crops. So, not terribly unusual in terms of the cash flow.

Vincent Andrews
Okay. That’s helpful. And then just a follow-up in oils into food service. As we're all painfully aware, a lot of foodservice outlets have just been shut for periods of time or operating at very low rates if they're up and running at all. So, presumably, those folks need to build inventory, get inventory to a run rate where they could operate again. Do you think that occurred in the first quarter? Or I mean, presumably, there's more reopening to do? Is that a tailwind into 3Q? Or

how long do you think it takes to get those foodservice customers to the inventory levels that they need just to be a going concern?

John Neppl
Yeah. We thought slow Jan and then we had some of the bad weather through Feb. And then, definitely, the supply chain, we continue to battle fewer drivers out there on the truck side and getting the railroad crews in place as volumes come back up. But March was good. And that's where we saw March at pre-COVID levels, which gave us the confidence here in the back half. And then, when we look at the order book, here in the balance of the year, so we do expect volumes to be good. It'll be a little different than historically. It looks like food at home may settle out a little bit above the pre-pandemic levels. And then, as we see food service come back, I think the big QSRs are probably going to get more than their share, where the smaller food service and the dine-in looks like it may be slower to recover.

Vincent Andrews
Thanks very much, guys.

John Neppl
You bet.

Operator
Next question comes from Ben Bienvenu from Stephens. Please go ahead.

Ben Bienvenu
Hey. Thanks. Good morning, everybody.

Greg Heckman
Good morning, Ben.

Ben Bienvenu
I want to ask on the demand side of the equation. Initially, specific to China, but then more broadly, you mentioned the wheat feeding substitution, the demand for soybean meal being reduced. You mentioned you expect that to get better. Do you think that gets better because of a demand recovery or just a capacity utilization downstream that kind of firms up the soybean meal market a little bit there domestically?

And then, as you look more broadly across your global footprint, and I guess here in the US, the primary users of grain, protein and ethanol, those margin backdrops are quite favorable. So, it doesn't seem like we're in an environment where we'd see any demand destruction. But are you seeing demand destruction yet at all anywhere across your global footprint and in any particular end market? That would be helpful to hear.

Greg Heckman
Yeah. No. No, demand destruction. Animal profitability continues to be good. Demand continues to be on the meal side, as well as, of course, we've talked about the oil side. The two exceptions are Brazil, where they made an adjustment from B13 to B10. And so, we'll be watching and see if that comes back. And then, of course, a little bit on Brazil and India with the resurgence of COVID. But they were stronger ahead of that.

And then the wheat feeding that we talked about. That's kind of the market, again, does its work. And you see it historically. Wheat gets cheap, comes in the ration, it's fed, and a price adjust. But that did steal a little bit of demand from us, primarily in China on the soybean meal side. We've been about 4 points higher on the protein side than corn. But that's a temporary thing. It's not a long-term structural issue. And then, the other is we'll watch ethanol as it comes back to make it a little bit more DDG. But as we said, we've got good animal profitability and good demand right now. So, feel pretty good about things.

Ben Bienvenu
Okay. Great. Second question is related to kind of strategic initiatives. In the ethanol complex, and to a lesser extent, but it's been talked about in fertilizer, there's a lot of discussion and engagement with carbon capture and sequestration. What opportunity does that present for you all as large processors in terms of whether it makes sense to make strategic partnerships or participate in projects? I'm just curious, within your broader ESG goals and greenhouse gas emission reduction goals, where does that fit?

Greg Heckman
Well, we continue to work on our own platform around our own usage, but we really think there's just a huge opportunity. There's such a focus on low carbon. And it starts by being a low carbon feedstock supplier to the fuel industry. But I think, we believe it's going to continue to be the change. And it's really about giving the consumer what they want and get some of that value back to the producer as they continue to change their farming practices to more climate friendly, more regenerative farming.

And then, I think we'll see everybody wanting, across food, feed and fuel, wanting lower carbon products all the way through. And that's going to be an opportunity in the products and the services. I think you're going to see innovation all the way across the industry. Change is good, right? That's new demand. And you've just got to be smart enough to step into the right place and make the right investments. But we're a huge part of the value chain, and that value has got to be pulled through from the producer to the consumer. And we're here to help that happen. So, excited about the new opportunities that has been created.

Ben Bienvenu
Okay. Great. Thanks. Good luck with the rest of the year.

Greg Heckman
Thank you very much.

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

Kenneth Zaslow
Hey. Good morning, everyone.

Greg Heckman
Hey, Ken.

John Neppl
Hey, Ken.

Kenneth Zaslow
Just a couple of questions. One is, when you think about the forward curve, how do you think soybean oil demand from renewable diesel is in there at this point? And when do you think it'll actually develop into the curve and how does that progress?

Greg Heckman
Yeah. I think we're seeing it, right? As plants come online, as they book, as it becomes a reality, the market tightens up. A big part of that got to play out in the second half. And I think, as you see it play out, then you'll see if the inverse comes out of the market. But it's a second half '21 and then on into '22.

Kenneth Zaslow
So, you think that over the next half, you'll actually see it in the forward curve more than you're seeing it now. Is that fair?

Greg Heckman
You know,he market is going to do its work. But, yeah, you'd have to believe that. That's not what the market is telling you today. But I think that's what a lot of people believe. And so, that's what we'll continue to watch it develop.

Kenneth Zaslow
Okay. And the second question is, your growth Capex, can you talk about what were the key projects that you've done and what type of returns you'll get over what timeframe, so we could put a little quantitative thoughts on that? That'd be helpful.

John Neppl
Yeah, Ken. More of the projects we're focusing on right now are really debottlenecking and smaller, I would say, organic growth projects inside our existing facility. So, nothing greenfield at this point. But everything that we do needs a double-digit return. A lot of those projects that are underway today probably won't be additive until next year. But we look at long term and obviously, in the first year of startup, those projects never hit the ground running. But certainly over the long run, they're solid, double-digit returns on projects is what we expect. So, that's principally what we've been doing right now is really focused on debottlenecking type projects.

Greg Heckman
When you think about those assets, whether it's a debottlenecking, those are the highest returning and you can do those the quickest and lowest risk, is the brownfield that comes into the next category. Or if you're looking to greenfield, they've all got to meet that hurdle rate. I'm sorry, Ken.

Kenneth Zaslow
When you think about for 2020, let's just go back to some base number. In 2022, as your Capex comes in, will that be incremental by 2% to 3%, 5% to 10%, 10% to 15%? How do I think about how that plays out in 2022 of all the Capex? And I'll leave it there. I appreciate it.

John Neppl
So, you're talking 2021 Capex and how that will impact 2022?

Kenneth Zaslow
No. Yeah, but the returns, how incremental will that be on 2022? Look, you've been laying down some of the pea protein, the infrastructure for renewable diesel, all the things you've been doing. I think some of it's going to come to fruition in 2022. Is that worth a couple of hundred basis points of growth? Is it worth 500? Like, just curious to see what you're thinking about in 2022 and 2023 from these projects?

John Neppl
Yeah. Probably a good way to think about it is, we're going to spend just a little more than $200 million this year in growth capital. And some of that's going to come online early next year, some of it late next year. Some of it maybe even the following year. Part of that is inthe protein space. It's a little bit slower growth. Some of it will be in, as I mentioned before, debottlenecking type projects that are going to be historic fairly quickly.

I think, probably a fair rule of thumb, would be to assume mid double-digit return on capital and probably legging in at ratably over next year to whereby the end of next year most of the capital we spend this year, probably a majority of it, will be up and running by the end of next year. Some of it will carry out beyond that. But it's a list of a lot of detailed projects. So, it's hard just to give you one simple answer.

Kenneth Zaslow
Great. I appreciate it. Thanks.

Greg Heckman
Thank you, Ken.

Operator
There are no more questions in the queue. This concludes our question-and-answer session. I would like to turn the conference back over to Ruth Ann Wisener for any closing remarks.

Ruth Ann Wisener
Thanks for your interest in Bunge. And if you have any questions, feel free to reach out to us.

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