Bunge Limited

Third Quarter 2022 Earnings Review

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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
Hello and welcome to the Bunge Q3 2022 Earnings Results Review. 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 today's event is being recorded.

I now would like to turn the call over to your host today, Ruth Ann Wisener. Ms. Wisener, please go ahead.

Ruth Ann Wisener
Thank you, Keith, 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 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 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. I want to start by thanking the team. Through their outstanding focus and coordination, we delivered strong quarterly results against the backdrop of a shifting operating environment. The third quarter once again demonstrates the strength of our team and the power of our global platform.

Through our global organizational approach and asset footprint, we've created the ability to adapt quickly to supply and demand disruptions. Whether the markets are driven by inflation, energy costs, weather impacts, conflict, or, as in this quarter, all of those factors, the team uses our expertise, relationships, and analysis to deliver for our customers on both ends of the value chain.

Looking beyond the current market environment, we continue to focus on growing the business by making disciplined choices balancing benefits and risks. Take renewable fuels. The demand for low carbon feedstocks continues to be strong and is expected to increase. We're meeting this demand in part with two partnerships we announced earlier this year. Our renewable feedstocks joint venture with Chevron is going well, and we're excited about our investment in CoverCress and its ability to develop a cover crop to bring a new low CI renewable oilseed to market.

Just two weeks ago, we announced a joint venture with Olleco, the renewables division for ABP Food Group, to create a business that encompasses the full lifecycle of edible oils. This partnership will expand our portfolio of renewable feedstocks in Europe and help address environmental and energy security challenges in key markets in that region.

These partnerships are a great example of Bunge's commitment to finding innovative, sustainable solutions in the renewables space. As the global leader in oilseeds processing, we see this is our obligation and a significant long-term opportunity.

At the same time, we're expanding our origination capabilities in South America with the launch of Orígeo, a partnership with UPL providing an integrated and complete offering of inputs, services, financing solutions, and agronomic consulting to farmers in Brazil.

Turning to third quarter numbers, adjusted core segment EBIT was above last year's results and ahead of our expectations, driven by strong performances in Agribusiness and Refined and Specialty Oils. John will go into more detail on the P&L, but I want to mention the impact of higher energy costs and inflation on Bunge.

Like all businesses, we are impacted by inflation or recession, but not in the same manner or magnitude as purely industrial companies due to our place in the center of the supply chain. Looking ahead, we expect the market to remain dynamic and are moving forward with our usual discipline. Based upon our execution so far and the current environment, we now expect to deliver adjusted EPS of at least $13.50 for the full year 2022, which would be our third record year in a row.

In this market, having a solid balance sheet, strong liquidity, and global optionality are a competitive advantage. We're in a great position with the flexibility to operate our business, invest in our future, and return cash to shareholders in the form of dividends and share repurchases, as we did here in the third quarter.

With that, I'll hand the call over to John to walk through the results.

John Neppl
Thanks, Greg, and good morning, everyone. Let's turn to the earnings highlights on slide five. Our reported third quarter earnings per share was $2.49 compared to $4.28 in the third quarter of 2021. Our reported results included a negative mark-to-market timing difference of $0.19 per share and a net negative impact of $0.70 per share related to one-time items. Adjusted EPS was $3.45 in the third quarter versus $3.72 in the prior year.

Adjusted core segment earnings before interest and taxes, or EBIT, was $740 million in the quarter versus $698 million last year. The higher results were driven by our Refined and Specialty Oils segment. In total, Agribusiness results of $528 million compare to $533 million last year.

In processing, results were essentially flat with last year, as increases in the North and South America were offset by lower results in Europe, where a combination of a sharp rise in energy costs and increased meal imports pressured margins. Results in China were down primarily due to the impact of pandemic related lockdowns.

Merchandising results of $108 million were down slightly compared to last year, as higher contributions from global grains and financial services were offset by lower results in global oils marketing.

In Refined and Specialty Oils, higher results reflect strong performances in our refined oil operations in South America, Europe, and North America. In Milling, higher results in North America were more than offset by lower results in South America.

The decrease in corporate expenses was primarily related to the timing of performance-based compensation accruals. The decrease in other was primarily related to lower gains on investments in Bunge Ventures. Lower results in our non-core sugar and bioenergy joint venture were primarily driven by the combination of lower ethanol volumes and increased costs.

Net interest expense was up compared to last year due to higher interest rates partially offset by lower average debt levels. Also impacting the quarter were foreign currency borrowings in certain countries where interest rates were high. However, the incrementally higher borrowing costs are fully offset with currency hedges that are reported in gross margin.

Let's turn to slide six, where you can see our positive EPS and EBIT trends, adjusted for notable items and timing differences, over the past four years along with the trailing 12 months. This performance trend demonstrates our team's ability to successfully manage through rapidly changing markets, and also the strength of our global platform.

As shown on slide seven, year-to-date addressable SG&A has increased modestly year-over-year, reflecting resumption of more normal business activities such as employee travel and related expenses, as well as increasing investment to strengthen our capabilities and drive growth.

Slide eight details our capital allocation of approximately $1.8 billion of adjusted funds from operations that we generated year-to-date. After allocating $184 million to sustaining CapEx, which includes maintenance, environmental health, and safety, and $8 million to preferred dividends on shares now converted to common equity, we had approximately $1.6 billion of discretionary cash flow available.

Of this amount, we paid $248 million in common dividends, invested $168 million in growth and productivity CapEx, and repurchased $200 million of common shares during the third quarter. This left us with approximately $1 billion of retained cash flow, which we invested in additional working capital during the year while also reducing our net debt. We will continue to maintain a disciplined and balanced approach to capital allocation.

Moving to slide nine, at quarter-end readily marketable inventories, or RMI, exceeded our net debt by approximately $2.3 billion. As commodity prices have moderated recently, the cash that has been invested in inventory has been released and deployed toward debt reduction.

To provide additional understanding of how commodity price movements and other factors impact our cash flow from operations, we have posted a presentation in the investor section on our website this morning. Should you have any questions, feel free to reach out to our IR team.

Slide 10 highlights our liquidity position, which remains strong. At quarter-end, approximately $6.7 billion of our committed credit facilities was unused and available. This provides us ample liquidity to manage our ongoing capital needs in this volatile commodity price environment.

As shown on slide 11, our trailing 12 months adjusted ROIC was 22.2%, 15.6 percentage points over our RMI adjusted weighted average cost of capital at 6.6%. ROIC was 15.2%, or 9.2 percentage points over our weighted average cost of capital of 6%. The spread between these two 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 $2.2 billion and a cash flow yield at 21.7%.

Please turn to slide 13 and our 2022 outlook. As Greg mentioned in his remarks, taking into account our third quarter results, the current margin environment, and forward curves, we have increased our full year 2022 adjusted EPS outlook to at least $13.50 per share, a $1.50 per share increase over our previous outlook.

In Agribusiness, full year results are expected to be higher than our previous outlook but down from last year, as stronger results in processing are more than offset by lower expected performance in merchandising, which had a particularly strong prior year.

In Refined and Specialty Oils, full year results are expected to be up from our previous outlook and significantly higher than last year, driven by our refining operations. In Milling, full year results are expected to be in line with our previous outlook and significantly higher than last year. In corporate and other, results are expected to be in line with our previous outlook and last year.

In non-core, full year results in our sugar and bioenergy joint venture are expected to be lower than our previous forecast and down slightly from last year.

Additionally, the company now estimates the following for 2022; an adjusted annual effective tax rate of 16%, net interest expense of $300 million, capital expenditures of $600 million, and depreciation and amortization of $400 million.

We have reduced our CapEx forecast from our previous estimate of $650 million, primarily due to supply chain delays. We would expect to carry this shortfall over into 2023.

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

Greg Heckman
Thanks, John. Before turning to Q&A, I want to offer a few closing thoughts on how we're investing in the business to ensure that we're best positioned to capture the growth ahead of us, and that's in our physical infrastructure, our technology and, most importantly, our team.

First, we're strategically investing in our existing facilities in safety and maintenance projects, as well as in key upgrades to ensure our platform remains strong and efficient and operates at optimal utilization.

Second, we're investing in and planning for new projects, both through partnerships as well as greenfield and brownfield opportunities that further our strategic goals and exceed our return requirements.

We're also investing aggressively into digital tools. We know we will deliver our greatest impact when our teams are fully empowered to use technology, data, and new ways of working to connect farmers to consumers in smarter, faster, and simpler ways. This includes investments in interconnectivity, automation, and machine learning to ensure our plants run reliably and at optimal performance.

We're also investing in systems to increase real-time insights to help us better anticipate key market trends, manage flows, and transactions. And this is a great example of our focus on

continuous improvement in an area where we feel we already possess industry-leading risk management capabilities for Bunge and our customers.

And most importantly, we're investing in our team. Having the right people with the right skills to make the best use of our assets and technology is what leads to our success. We continue investing in learning and development programs to support our strong talent at all levels of the organization. We're also expanding our intern and trainee programs to ensure that we have a steady and diverse pipeline of the best and brightest talent to develop into the next generation of leaders for this great company.

And with that, we'll turn to Q&A.

QUESTION AND ANSWER

Operator
Thank you. At this time, we will 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 the roster.

And the first question comes from Ben Theurer with Barclays.

Ben Theurer
Yeah. Good morning. Thank you very much. Good morning, Greg. Good morning, John. Congrats on the results.

Greg Heckman
Hey, morning, Ben.

John Neppl
Morning, Ben.

Ben Theurer
So, just a structure question. So, obviously you've raised the guidance by about $1.50 to $13.50 now, and you just said third record year in a row. We all know the market environment is really good, and you've obviously leveraged on that. But could you talk a little bit about what is driving the results? How much of that increase is structural? How much is in control of Bunge? Also in light of just a few years ago you made $10.00 less earnings per share versus what you've been running at last year, this year. So, just to understand the magnitude, how much is structural, how much is Bunge itself, and how do you think about this going forward?

Greg Heckman
Okay. Thanks, Ben. Let me talk about Bunge first and then talk a little bit about the environment. Look, we're running a very different company. If you think about the significant changes that we made here, starting with the portfolio, the number of investments that we've made, we've optimized the footprint. We've protected the fact that we have a very global footprint, and that's shown to be very important here. We're approaching how we operate with a completely different level of discipline.

And that's not only on the day-to-day risk management of how we operate, on how we think about investments and how we make investments. We've focused really on the assets. And in these big

fixed asset businesses, you need to really be excellent operationally. And the way our commercial teams work with our industrial team, you can look at our volumes, our capacity utilization, and the unplanned downtime continues to get lower. Just the focus around the operational improvements are fantastic and very important.

The focus, of course, on the balance sheet, strengthening that and our credit ratings, our liquidity, and then the operating model, right? The operating model and the reward system to support it, that's really led to the agility that allows us to take advantage of a better environment. And it's the agility and the alignment of our global team and the speed to act. And I think you saw some of that even here in the third quarter.

If you look externally, we've got a lot that's changed, right, if you look back here in what we've done here in the last three years that we were in control of. There were a lot of things we weren't, right? But renewable diesel, that is definitely a tailwind, and biofuels in general globally. And with I think the energy prices and the volatility we expect going forward, that doesn't look like that's going to change

Global S&Ds have remained tight, and that's led to more volatility. And then, of course we've had the dislocation from the Ukraine-Russia conflict. And that's going to carry on as well going forward on the dislocation, even if the war ended today, because of the lack of trust and because of infrastructure that's been damaged.

And then you've just got geopolitical tension and uncertainty. Again, the climate and the weather extremes, and then add in all the supply chain challenges that started with the pandemic but seem to not be able to get cured even as the pandemic winds down in most parts of the world. So, what that leads to, it's more complexity for all.

And our business is really helping our customers at both ends of the supply chain manage that complexity and helping solve problems. And I think our global footprint and our way of operating it are showing that, in a number of different conditions, that we can continue to deliver. And we're really proud of that.

Ben Theurer
Perfect. Well, that was very clear, and thank you very much for that. And then just one quick follow up. When we look into the fourth quarter and what you've basically been guiding for and just in comparison to last year, could you give us a little bit more detail versus what the annual guidance is and what you expect from a segment specific point of view for the fourth quarter in Agribusiness, Refined, and Milling?

Greg Heckman
Yes. I'd start by just reminding you what we do in our outlook is we look at, one, what the curves are, and then of course we look at what we have on the books already. What we are seeing in the refined and specialty oil is a higher percentage booked here for Q4 and even starting out into the 2023. And of course, that's the most stable part of the P&L, so that gives us some of the confidence in the at least $13.50.

And then we're seeing no doubt an environment that has been very hard to predict, so it's fairly risk off, I think globally, if you look at the macros. And so, we're definitely operating with lower levels of risk. And it's very uncertain how it will play out, but I think that's what's in our outlook, that and the curves.

John Neppl
Yes. I would just add, Ben, that ultimately we had a very good fourth quarter last year in merchandising, and that's the one that's the most inherently difficult to predict. And so, we don't certainly forecast a quarter like what we saw last year, but that's also where the opportunity ends up when we see volatility. So, with the at least $13.50 implies that there could be upside. Well, certainly if we get it, it will be most likely in the merchandising segment.

Ben Theurer
Okay, perfect. Very clear. Thanks for that clarification. Congrats again.

Operator
Thank you. And the next question comes from Ben Bienvenu with Stephens.

Ben Bienvenu
Hey, thanks. Good morning, everybody.

John Neppl
Morning, Ben.

Greg Heckman
Hey, morning, Ben.

Ben Bienvenu
I want to ask may be a follow-on to Ben's question but in a slightly different way. Just thinking about where the stock is priced today, it looks exceptionally undervalued either relative to kind of the forward outlook and the next 12 month period, or even at your midcycle earnings power or baseline earnings power update you gave us as of the last quarter. And I'm wondering, maybe given the constructive backdrop that we see and the very visible demand drivers you talked about, what would have to happen for us to go either back to baseline or below that over the next year or couple of years, because it seems like there's a fairly draconian outlook being implied in the stock price today. I know you guys bought some stock back in the quarter. I think you probably agree it's undervalued. But just curious how bad do things need to get. Does it need to be a tail risk? What needs to happen for things to go off of where they are?

Greg Heckman
Yes, we agree it's very undervalued, Ben. So, thanks for calling that out. Look, we don't see an environment here in the next couple years, which is looking out fairly far for these businesses, if you look at the structural set up on what needs to be done from a production standpoint globally to continue to build the crops to what we see coming on demand. So, I think S&Ds continue to stay tight, and we talked about the tailwinds from biofuels generally and renewable diesel specifically. So, we don't see a way back to baseline here for the next couple years. That's not in the cards.

John Neppl
Yes, Ben, I would agree with that comment from Greg. And I think when you look at just the frontend demand that we have for soybean oil, refined oil today in a market where perhaps even RD isn't ramping up as quickly as some people would've expected, we're still very tight and forward demand for soybean oil is very strong.

And on top of that, there's always the looming recession discussion. But for us, I think if you go back and look over time, our company has performed extremely well historically and generated a lot of cash even in tough environments. So, we feel very good about the next couple years. And to Greg's point, I don't think we really see a scenario where the $8.50 baseline even comes into play.

Greg Heckman
I think the other thing we're personally struggling with, and I don't think ourselves, our industry, are specific to that, I think it's kind of broad-based - it's more expensive to build things, to build capacity, and it takes longer to get things done. And that all also extends the cycle.

And then as we've talked about, I think globalization is done for a period of time. How long, we'll see. And what that means is that, when we had a supply problem or a demand surge globally, every origin and every destination was available to solve that problem in the past. And that's no longer true based on what's happened with the war and with geopolitical tensions. So, with that not changing, there are fewer ways to solve, which means more volatility. And that also creates the opportunity as we have to help people solve problems to help with food security, and all of that sustains the cycle as well.

Ben Bienvenu
Okay, that's great. Just as a follow-up, you did buy back stock in the quarter. What was the catalyst for that? What prompted that? Is that something--I know it's something that you talked about in your multiyear plan as a part of your capital allocation priorities, but maybe help us think about expectations around that.

John Neppl
Yes, Ben. We've talked about kind of in our go-forward planning that we're going to buy back $1.25 billion worth of stock over the next five years, and it's really just part of our normal allocation plan. And as we look forward, and we looked at the amount of cash we're generating and our forward pipeline of projects, both CapEx and M&A, we felt like it was a good time to buy.

And we're continuing to generate cash. And this won't be a one and done. It's going to be a normal part of going forward. We've said we'll kind of be opportunistic around timing and pricing. And as you know, we have windows where we're blacked out around quarter-ends and things like that, so we have times--sometimes a limited amount of time to do it in any given quarter. But we just felt like it was the right time to step in and do some. And we'll continue to look at it ever quarter like we always do.

Ben Bienvenu
Okay. Thanks very much.

Greg Heckman
Thank you.

Operator
Thank you. And the next question comes from Adam Samuelson with Goldman Sachs.

Adam Samuelson
Yes, thanks. Good morning, everyone.

John Neppl

Morning, Adam.

Greg Heckman
Hey, morning, Adam.

Adam Samuelson
Morning. So, maybe the first question just thinking on the fourth quarter outlook a little bit, and maybe in Agribusiness I want to just think about some of the pieces, because full year Agribusiness down. Year-to-date, you're basically flat in the whole segment. Obviously, you talked about Merchandising had a good fourth quarter, and you don't assume that as a baseline. But do we infer, just on the processing and crushing side, margins especially in North America remain excellent right now and would be, I think, ahead of last year's levels, kind of thinking Processing higher year-over-year, Merchandising assumption lower because you see what the market gives you, is kind of the starting assumption, or am I missing something in that buildup?

Greg Heckman
No, I think that's correct. And when you think about Merchandising, the backdrop there, of course, is demand down in China with continued COVID zero policy. That's definitely had some effect not only on commodity price but also on freight and the opportunities there. So, we'll see how that plays out.

And then on the crush side, yes, North America continues very strong. Of course, we've got the energy challenges in Europe, which has had definitely some affect there on our soy. Now, that being said, I think the team's done a nice job of managing as margins have been very volatile and whether we've had to ship in from outside the continent from some of our other capacity or, when the margins are there, to lock it in so that we can run. But those would be some of the big drivers to watch here.

John Neppl
Yes. Adam, I'd add to that that, when you look at kind of where we'll wind up for the year based on our current forecast, we are going to be up in processing, which when you look at the environment with COVID impact in China, been a relatively tough year, high energy costs in Europe, and the fact that we'll finish up in Processing is pretty exceptional.

And Merchandising, we just had a phenomenal last year. We're going to have a good year this year in Merchandising. We just had a really unusually strong year last year. It doesn't mean we couldn't repeat it going forward at some point. But we certainly don't predict that here for the remainder of the year. But, again, that's where some of the upside is.

And then of course, on the Refined and Specialty Oils side, significant overachievement versus a year ago. And then Milling, with the strong first half we had, we're going to finish well ahead of last year.

So, all in all, other than Merchandising, which is the piece that inherently is the most difficult to predict and maybe the most opportunistic, the base part of the business, the rest of it, is looking to be very strong year-over-year.

Adam Samuelson
Right. That's helpful. And then maybe coming back to some of the capital allocation discussion, and obviously the working capital balances came down. The net debt came down. You did buy back some stock. But can you help us frame just what you think your dry powder today is? I'm

thinking also in terms of the committed credit facilities that you have. A couple of those facilities are delayed draw term loans, which you would think are opportunistic funding for potential M&A. And just how do you see that M&A environment and the dry powder broadly that you have and what balance you--that cash looks pretty under levered?

Greg Heckman
Yes. If you look at it today, we've got--if you just look at today where our credit metrics are with the rating agencies, 1.3 times from Moody's for example, that would imply $3 billion to $4 billion of dry powder in debt capacity alone, not to mention what we expect to continue to generate in cash.

So, we do have a lot of dry powder. And obviously, we're going to--as we said before, going to maintain discipline in our approach to capital projects and the timing of those with M&A and the timing of that. And certainly, we don't expect to maintain these conservative levels forever. That's not what we want to do. We want to deploy the capital in one way or another.

Certainly, M&A is opportunistic, and timing of that's very difficult to predict. But we're certainly--we have an eye on that area. CapEx, things are a little slower than what we like to see just given supply chain constraints. But we do expect the next couple years to be significantly above our historical levels of CapEx. And then of course, buybacks, that's going to be a big part of the mix as well.

Adam Samuelson
Okay. All right. I appreciate all that color. I'll pass it on. Thanks.

Greg Heckman
You bet.

John Neppl
Thank you.

Operator
Thank you. The next question comes from Rob Moskow with Credit Suisse.

Rob Moskow
All right. Thanks. Two questions, actually. Maybe could you give a little more color on the volume--the Processing volume that you did in the quarter regionally? Because your volumes are impressive given the tough conditions. I just wanted to know where are you up and where are you down. I imagine Europe is down.

And secondly, I had a question about your cash flow statement. And cash flow from operations is negative using the accounting rules. But when you give yourself credit for securitized trade receivables, I guess it's very positive. So, can you walk me through a little bit more about how that works? And with respect to your share repurchase, is an obstacle in buying back as much shares as you want, or is it not really relevant to that? Thanks.

John Neppl
Yes. Thanks, Rob. Yes, first of all, operationally when we look at the quarter from a refining and--or from a Processing standpoint, actually the two places we were down, one was Argentina. We were down slightly year-over-year for the quarter, and then in China. But everywhere else, we were flat to up, so actually very strong volume in the U.S. around Processing. In Brazil, we were

ahead of last year. And in Europe, despite the difficulty, we were basically flat year-over-year in terms of volume on Processing.

With respect to cash flow, in part why we put a deck out on our portal this morning on our website is to try to help eliminate some of the confusion around the impact of our A/R securitization program and how that impacts cash flow. It doesn't really impact cash flow. It impacts the presentation of cash flow.

Rob Moskow
That's right. I see it now. It shows up in the investing activities, yes. I see it now.

John Neppl
Right. And in fact, we're working on a redesign of that program right now, and hopeful that, if we can do that, it's going to eliminate the way we have to report it externally, which will go a long way in clarifying our real underlying cash flow. Then you really have to just look at our change in working capital and kind of set that aside to get to our underlying cash flow.

So, our underlying cash flow, we do an adjusted FFO, and there's a reconciliation in the back of our investor presentation to get to those numbers. That's how we look at it. And ultimately, the other way to look at it is look at the trend in our working capital and our inventory levels versus our debt, where we've been able to decrease debt over time but yet we still continue to increase working capital when it's opportunistic. And our RMI, our inventory levels, have been up because of prices, but yet we been able to maintain or reduce our debt over that time period. And ultimately, obviously that capital will be available to deploy elsewhere, but a big part of why our leverage ratios have gone down so much.

And then on share repurchases, share repurchase is going to be opportunistic for us. We don't really view it as just buy systematically every week or every month X amount of shares. We're going to look at times when we think it makes sense to step in and do it. We are committed to it, as we've said before, and would expect that, especially given our strong cash flow history and expectations going forward, that'll be a part of the mix.

Rob Moskow
Can I ask how you came to the number for $200 million? Why not $400 million? Why not $500 million given the flex on the balance sheet?

John Neppl
Yes. Look, that's a good--that's a fair question. I think we just looked at it as where we were at the time. It just was a number we picked. I don't know that there was any real heavy science behind it other than it's just going to be part of--we've committed to $250 million a year minimum. And we may not do that all in one fell swoop, but there could be times going forward where we have a bigger chunk, like what you've mentioned. But it just--no particular reason other than we just felt like that was a good number for the quarter.

Rob Moskow
Okay. Thank you.

Greg Heckman
I might just brag on the team real quick. Part of the volume, right, is we continue to think about it as a global system. So, one, heavy investment in fixed assets is the industrial team's done a

phenomenal job of having the investments in asset health and having the assets up and ready to run. The KPIs are better on important things like unplanned downtime.

And then the teams are working globally, that even as tough as margins have been in China and managing that long supply chain, that when the margins have been there on the cash side they've done a great job of locking those in. As tough as it's been in Europe with energy prices being so volatile and margin so volatile, the team has been very agile and done a great job of managing our footprint between North America and South America and Europe in order to lock those margins in and be able to run those assets that the industrial team had ready. So, the coordination and the agility of the team is how you see those volumes there. And we are very proud of that.

Rob Moskow
Great. Thank you.

Operator
Thank you. And the next question comes from Tom Palmer with J.P. Morgan.

Tom Palmer
Good morning. Thank you for the question.

Greg Heckman
Morning, Tom.

Tom Palmer
I guess just to kick off, I wanted to get your thoughts on how shipping delays on the Mississippi River affect your business, both opportunities and headwinds.

Greg Heckman
Yes. It's definitely adding more complexity to an already complex situation. Of course, it's not unique to us, and that is part of having a global system. Of course, it's shifted things to the PNW. It has also shifted things to South America. This is one of the things that, with what's happening in the Black Sea and now with the logistical problems with the river here in North America, our strong South American footprint, which is always really important to us but it's never been more important, and we saw that even when the farmer in Argentina was liquidating soybeans earlier through the “soy dollar”, that those exports then were able to get to China when things were tight in North America.

So, it is about flexing that global system. And then the margins are already good in North America. So, of course, where a product can't move to export, we're running as hard as we can to process and to be able to continue to have the bids out there for the farmers.

Tom Palmer
Great. Thank you. And then I wanted to ask on the soybean oil demand side. So, we heard yesterday from a large renewable diesel operator that their plant has started using soybean oil as feedstock. There are a variety of plants either ramping production or nearing completion on the RD side. What are you seeing in terms of soybean oil demand? Is it kind of steady-state over the past couple quarters? Are you starting to see increased demand pull from the biofuels industry? It sounds like you've got some visibility a least a couple quarters out here in terms of your book. Or are you seeing any signs of demand destruction from the food industry to offset that increased biofuels pull?

John Neppl
Yes, I can take that, Tom, to start. Yes, we haven't really seen any decline even on the food side. Energy continues to inch up a little bit as a percentage of the total refined that we're selling, but it hasn't been a dramatic shift yet.

But what's more interesting is there's more demand further out on the curve for soybean oil. And so, when you look out and typically look at where we lock in the crush going forward X amount per quarter, and usually there's not a lot locked out beyond, say, one quarter or two. There's been a lot of interest in soybean oil pricing out beyond the next quarter or two, and probably more than we've seen.

And obviously, we're being very deliberate about what we're willing to price when, but the demand is out there and it does continue to grow steadily. And we haven't seen any decline or lack of interest from either the energy or the food industry at this point. So, we're pretty optimistic about the trend where we're at here.

Tom Palmer
Great. Thank you.

Greg Heckman
You bet.

Operator
Thank you. And the next question comes from Steve Byrne with Bank of America.

Salvator Tiano
Yes. Good morning. This is Salvator Tiano filling in for Steve. Hi, Greg. Hi, John.

Greg Heckman
Hey, good morning.

Salvator Tiano
So, my first question is a little bit following up on the renewable fuels. The Inflation Reduction Act is kind of changing the credit structure from 2025, I think moving to a more CI-based credit as opposed to flat amount for renewable fuels. Do you think that this will change the demand for different vegetable oils like soybean, or even incentivize ethanol as an option? How do you see this changing the landscape for demand in the next few years?

Greg Heckman
Yes, all of the Inflation Reduction Act hasn't played out yet. I think mid Nov we're going to see some of the final word from EPA. But net-net, it feels friendly to biofuels in general. And then I think the other thing we're watching is canola oil out of Canada. Of course, there's big strong demand from the food side. And that continues to work down and into the U.S., but seeing if canola ends up getting a pathway into renewable diesel, which would also be friendly overall demand. But we'll see how all the details play out. But right now it feels net-net positive, and expect that to continue.

John Neppl
Yes. And I would just add that the lower CI feedstocks, when you think about primarily used cooking oil and animal fats, tallows, things like that, there is a limited amount of that. And

ultimately, as all this renewable diesel ramps up, the one certainty that they have would be supply of soybean oil on a large scale. And ultimately, everything will price probably off a CI score, but soybean oil's going to be a big demand--a big supply base for the industry.

And to Greg's point, canola oil finds a pathway, that's good for us because we're a big canola processor in Canada and we handle a lot of canola oil. And ultimately, the consistency of supply to be able to provide large volume to these massive renewable diesel production facilities is going to be important. And we're positioned, obviously, very well to take advantage of that.

Salvator Tiano
Okay, perfect. And I also wanted to touch base on the price of soybean oil. It's more than double what it was, I guess, the normalized base years ago, but the curve still has it going down to the 50s, I think, cents per pound by 2024. You discuss how that's more demand--there seems to be more demand emerging further out for oil than usual. Do you think that actually the prices a couple of years out can stay higher, at current levels of around $0.70, or is the curve pricing soybean oil correctly?

Greg Heckman
Well, I think, as we look in our outlook, right, we're not going to say we're smarter than the market. The market is the market. Now, you do need to look not only at the futures, but you need to look at what the cash markets are doing. And ag markets in general are always more liquid and probably a better predictor in the 90 to 180 day market as the economics become more clear. And as there's less certainty, the market reflects that at times. But the market is the market.

John Neppl
Yes. And I would just add that far out, there's really no liquidity. So, it's probably not a real indicator of ultimately where things will end up. As you look at--the curve generally has been inverted on the crush. But when you get into the cash, things have been extremely robust as it's rolled forward. So, it's pretty hard to imagine and impossible to predict that far out. But to Greg's point, I think we're going to see--we expect to see strong demand further out. And obviously, the market will adjust to whatever the S&Ds are at the time.

Salvator Tiano
Okay, great. Thank you very much.

John Neppl
Thank you.

Operator
Thank you. And the next question comes from Steven Haynes with Morgan Stanley.

Steven Haynes
Good morning, everybody, and thanks for taking my question. I was wondering if we could just hear your thoughts on the Brazil-China corn agreement, and just any kind of thoughts on how that would impact your footprint and broader kind of trade dynamics. Thank you.

Greg Heckman
Sure. Look, I think it makes complete sense for China to add another origin of being able to have Brazil corn available. And the corn crop continues to grow in Brazil, and I think we believe those volumes will grow long-term. We really--we love our South American footprint and we sell in Argentina. And so, we'll be prepared to serve them from there when the market works. And as

part of a global system, we want every origin and every destination to be available because that's what's best for both the farmers and the consuming customer. So, that'll be a positive over the long-term, and we think it makes sense.

Steven Haynes
Okay. Thank you.

Greg Heckman
Thank you.

Operator
Thank you. And the next question comes from Sam Margolin with Wolfe Research.

Sam Margolin
Good morning. Thanks for taking my question.

John Neppl
Morning, Sam.

Greg Heckman
Morning, Sam.

Sam Margolin
I wanted to ask about processing and more on the RD theme. And it's sort of an unusual environment going on two years now with soybeans and processing where the oil's really carrying a lot of the value and meal is almost sort of subsidized by oil. And I want to know if you think that's sustainable or if meal has to catch up and bridge an even higher crush margin, or if this is kind of the new normal because the energy market is now such a big demand center for the commodity.

John Neppl
Yes, Sam. Thanks. This is John. Oil certainly has become a bigger part of the crush. It's probably been hovering, say, in the 45% range in terms of contribution to the overall crush, whereas historically it was much less than that. And I think over time, our expectation has been that oil will continue to be and perhaps could even be a bigger part of the crush going forward as demand increases around renewable diesel production.

And meal is certainly not a laggard today by any means. In meal, demand has been very strong as well. And that's why you're seeing, especially in the U.S., incredibly strong crush margins overall, because both oil demand and meal demand have been robust.

Yes, and over time that mix will move around a little bit here and there. I think sometimes we see it get as high as 48% on oil contribution and down in the low 40s. But it's been above 40 here for a while. And could it go over 50 in the future? Maybe, hard to predict today. But it'll depend certainly on--meal demand will be the driver for that.

Sam Margolin
Okay, thanks. And then I was wondering if I could ask for a little more detail about China since it's come up a couple times in the call and specifically with Merchandising. You mentioned that Merchandising had a really strong fourth quarter last year, and incidentally China was

experiencing kind of a very rapid reopening throughout the second half of '21. And so, I was wondering maybe if China really accounts for the entirety of your sort of year-over-year view on Merchandising, and maybe a little more caution into the end of this year. And if so, what does that mean for Merchandising if we get a China reopening next year and a faster pace of demand recovery?

Greg Heckman
Yes, I think there's probably two big drivers. China is definitely one of them. Of course, they're an important part of the global demand picture, and so when they are slowed down, as they have been, it definitely has a trickle-down effect. So, yes, you got to believe we'll get beyond the COVID policy there eventually and see demand rebound. And, yes, that should be constructive.

The other is just the amount of uncertainty in markets overall, things like even the corridor in Ukraine, will it remain open and what does that mean to the flows, where they're coming from, from the supply and demand. And that uncertainty has really driven buyers and sellers to be much more spot, which also is a tougher environment, I think, for Merchandising. So, I think if we get some direction around some of these things, then you maybe start to see buyers and sellers go out farther on the curve and start to see maybe that demand growth out of China, and both of those could be positive.

Sam Margolin
Got it. Thanks so much.

Greg Heckman
Thank you.

John Neppl
Thanks, Sam.

Operator
Thank you. And the next question comes from Chris Shaw with Monness, Crespi, and Hardt.

Chris Shaw
Hey, good morning, everyone. How you doing?

Greg Heckman
Good morning.

John Neppl
Good, Chris. Good morning.

Chris Shaw
I was just curious on--you touched on it just very briefly, the Argentinean “soy dollar” program. I assume that might have been the source of why you had lower crush volumes in Argentina. But just more broadly, how did--that whole program, what sort of impact did it have on the quarter for both the overall South American business and maybe just the market in general? And is there any sort of lingering effects of that? It seemed like I just didn't fully understand what the impacts of that were and how that--just for the market and for you guys specifically.

Greg Heckman

Yes, it definitely had a big impact, right? The farmers had not been commercializing their soybeans. That had been hard on volume. So, what we saw with the soy dollar program was that the farmer commercialized a lot more beans than anyone expected. And that allowed not only ourselves and the industry to reestablish the quantities we needed for crushing here going forward, but that also saw them move into the export channel. We saw some export of beans happen.

So, that was helpful on the near-term. Of course, now the farmer, once they've had that opportunity, now they've completely quit selling. We're a little dry over there. That also will have them holding onto crops. But now they'll wait and see what's next. So, we pulled forward some of that selling. We've got ourselves positioned to be able to crush here for a while. But if you look at the replacement margins, they're, of course, not good right now, so we'll see when the next wave of selling comes. And that'll either be government driven or something improving in the weather and the farmer feeling better about overall S&Ds going forward.

Chris Shaw
And when they had the program, did that then depress business in Brazil just because you were doing--because there was so much coming out of Argentina, including exports?

Greg Heckman
There's always a little interplay between Argentina and Brazil. But that was kind of right at the time where things were tightening up in North America and the concerns about North America because of the dryness in the Mississippi River system. I think we saw river levels the lowest--or lower than actually back to 2012. And so, some of that export that got pushed out actually was filling that gap, where some of the North American export now may be pushed out later. So, things kind of actually fell--from a global standpoint kind of fell into line, although I don't think there was any careful planning. It was a little bit fortuitous.

Chris Shaw
Got it. I appreciate the color. Thanks.

John Neppl
Yes. Thanks, Chris.

Greg Heckman
Thank you.

Operator
Thank you. And the next question comes from Ken Zaslow with Bank of Montreal.

Ken Zaslow
Hey, good morning, guys.

Greg Heckman
Morning, Ken.

Ken Zaslow
Just want to touch base on the refined oil margin. Can you talk about how that progresses over the next of couple years? And then when I think about it, I look at your baseline number of $400 million, and you're at a run rate of $750 to $800 million. I'm trying to figure out how those two kind

of align. It just seems like I would actually think that there's a possibility that that margin can actually go higher, but you're kind of indicating that $400 million baseline. So, I was just trying to figure that out.

John Neppl
Yes, Ken, the $400 baseline was built on a premise that at some point refining margins are going to go back to historical levels. And that's not--we're not necessarily predicting that. We're just saying that in our baseline, that's our assumption, that it will. And certainly, we don't expect that to happen in the next couple of years, certainly. And in fact, I think to your point, it's not a straight line, and I think we do expect a pretty robust margin environment for refined oil here for the foreseeable future.

And so, we may very well have to revisit that at some point. But right now we're just saying that, if all the production gets built and S&Ds get more in balance down the road, and the refiners build their own pretreatment capability, we could see that margin decline to more historical levels. It may not. We'll see. I think things have been a little bit slower on the pretreatment side, and that's good for us. And it gives us an opportunity continue to get closer to those customers and work with them on alternatives other than building their own.

Greg Heckman
Yes. I think we talked a little--John talked a little bit about it, but, yes, costing more to build pretreatment and taking longer to build it. So, when it costs more, the economics are different on whether they should build it or not. Those are some of the rumors we hear of projects being at least delayed, if not stopped. That's what gives us some of the confidence and pushes that out into the future.

And then I think this is really a new industry that's developing. And I think, as they figure out how these different feedstocks work and work in their refineries and affect their catalysts and affect their economics, that we'll continue to see the market develop. And we've got all the oils. We've got them at quantity. We're working with multiple parties. So, we like where we're positioned.

Ken Zaslow
When you renegotiate--because my understanding is that you go through a process, right, that there's a negotiation process for the refined oil, and you guys lock it in I think for a period of time. So, will there be another reset as you kind of go to the next negotiation? I don't know if it's in three months, six months, 12 months, whatever it is. Is there another process, or how does that play out? It just seems like there is actually more opportunity.

Greg Heckman
Well, I don't think of the fuel customers--you think about them a lot different than feed customers or food customers, right? I think it depends on the company, on whether they're more comfortable buying spot or whether they want to lock in the overages, or whether they want to lock in flat price or how far out on the curve they are. So, I don't think we can generalize. It's really company by company.

So, you've constantly got business rolling. At times, sometimes it'll extend depending on their end markets and/or our markets on feedstock, where it can go shorter and be more spot or go out farther. But it's kind of continually going forward. And what we have right now on the refined and specialty oil side is slightly more than normal booked here in Q4, and we've got more volumes

and price booked out into 2023 than normal. And so, that's some of our confidence in calling the at least $13.50.

Ken Zaslow
Okay. And then my last question is, on capacity utilization rates, was there any place around the globe that you thought you were underutilized? Were you largely--was your capacity largely used during the quarter? How do you kind of think about that? Because I think your competitor said that there were some shutdowns and idling of plants around the world. Did you guys have the same impact? Because you said that you were operating a little bit more efficiently. So, just wanted to touch base on that, and then I'll leave it there.

Greg Heckman
Yes. We look at the total in global. So, globally, yes, we're proud of the total volume we ran and the total capacity utilization. But, yes, sure, it can always be better, right?

We're shut down in the Ukraine. Margins have been tough in China. We've got more capacity we could have run there if margins had been better. And we're seeing animal margins start to return there in China, so we do expect that to be better, and that demand we'll see coming into '23. And then in Argentina, right, as we talked about, because of the farmer marketing, we had not run quite as hard. And then managing some of the energy volatility in Europe, we didn't run quite as hard.

But that being said, when you add it up in total, I think the way our team executed and took advantage of the opportunities that were there was fantastic. And so, we're proud of that, and we'll continue to stay focused in what's a very dynamic and challenging world to help people manage food security and help our customers at both ends of the value chain be successful.

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

Greg Heckman
Thank you, Ken.

Operator
Thank you. And this concludes the question and answer session. I would like to turn the floor over to Greg Heckman for any closing comments.

Greg Heckman
Thank you. I'd just say we continue to be so proud of the team's commitment and their execution, especially light of the current market environment. So, I'm very proud of the model we've got here at Bunge and our ability continue to capitalize on the opportunities. So, thank you very much, and everyone have a great day.

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