BMO Global Farm to Market Conference

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Andrew Strelzik

Okay. I think we're going to get going here with our next presentation from Bunge.
So since joining Bunge in 2019, CEO, Greg Heckman, has engineered a comprehensive transformation across the company's operations, portfolio mix, execution, risk management and capital allocation. The business improvements have positioned Bunge to realize a sustained upward earnings trajectory and returns well in excess of its cost of capital in the coming years. We're grateful to have you join us today Greg. Thank you for being here. And I'd also like to welcome CFO, John Neppl, who's been with Bunge for the last four years, joining about two weeks after Greg, if I'm not mistaken -- right around the same time. So I appreciate you both joining us today.

Gregory Heckman

Thanks for having us. Great to be here.

Andrew Strelzik

So maybe if I start kind of at a high level, you've established an earnings growth framework to increase mid-cycle earnings from $8.50 to $11 by the end of 2026. Maybe if you reflect on how you're tracking in terms of the initiatives to build that baseline? Are there areas where progress has been faster, slower, maybe reflect on how it's gone so far?

Gregory Heckman

Sure. One, real proud of the team and the progress that we've been making. As you think about the external environment, we've definitely had a few things outside of our control that you didn't expect. But the things that were within our control, of course, where we've been able to make investments in the asset base and some of the debottlenecking, some of the brownfield projects, we've made great progress. I think you've seen that in the performance in our improved operating rates, less unplanned downtime, higher capacity utilization. So really pleased about that.

No doubt with Covid and with some of the supply chain problems, some of the greenfield projects haven't developed as fast, but we're really starting to see the progress on that. Then, of course on the M&A front, we probably got the biggest pipeline of opportunities that we've seen the entire time, and that's really across our entire platform. Whether it's continuing to look for opportunities to strengthen or fill in any areas of weakness in our leading oilseed crushing platform and the origination or distribution that supports that, any areas to improve, of course, around the wheat milling or our dry corn milling that makes sense.

Then, of course in the plant proteins area. We've announced a greenfield there and continue to make some progress on our growth. Then our specialty oils, our plant lipids business, especially fats and oils, we continue to grow, just announcing regionally a bolt-on there. Then the renewable feedstocks area continues to just be an area that a number of opportunities continue to roll out of, and we can talk some more on that later, but whether it's the joint venture with Chevron or the things that we're doing with some of the input providers and ultimately around regenerative bag. So really excited about the different areas that we've got to put capital to work.

Andrew Strelzik

The guidance for this year is 11 plus. So still at the high end. You're talking about somethings -- the operating environment has obviously been very, very conducive. You've also said that you don't expect talked about it. So can you talk about the durability of that 11 plus or maybe the bridge from this year's outlook to the 2026 goals, I guess how are you thinking about the moving pieces?

John Neppl

Yes. I think when we look at the big drivers of that today we're performing better than kind of when we built this baseline, looking at long-term crush margins, long-term refining margins. Those things today are still above kind of how we view the long term and what we’re seeing, especially on the refining side, is that pre-treatment capacity is slower to come online and the durability of our refining margins have been there. So what we’re really expecting is as we move forward through 2023 and through 2024 for that -- those margins to largely stay in place in terms of on the refining side. And as we're investing in capital that's going to build up the base business, that should ultimately -- potentially refining margins start to come down maybe a little later than we expected, say the '25 timeframe, we should see the benefits of some of these capital projects.

So very simply, we don't see ourselves getting back to the 8.50 baseline based on how we look at the next few years.

Andrew Strelzik

Got it. Okay. That makes sense. I guess one of the big changes within the business has been the risk management side as well and how you kind of approach -- how your approach to risk management has evolved. So can you talk about that and how that has enabled or change kind of the fundamental look for the company?

Gregory Heckman

Sure. We're really proud of how we manage the risk in our assets and not only for ourselves but our customers. I think one of the key things is that we've driven it through the entire organization. When we think about risk management, the Chief Risk Officer reports directly to me, so he's appeared to the commercial team and is really a partner to the commercial team. So when you think about our billions of dollars of investment in storage handling, processing, distribution assets, those are all just earnings at risk until you hedge them up. So we're constantly thinking about the environment that were operating in, the earnings power that we have and that the risk that we are managing to lock in those earnings at risk. If you have to take risk out forward, and the team is working very well together.

It's also the making data available to the team and the analysis and our proprietary data well as how we worked out with external data. That's continuous improvement. The changes that we've made in the systems and the visibility that the team has to spend their time running analysis, running stress scenarios, looking out forward about what we believe about margins and getting those earnings at risk hedged in. So we're really, really proud of what we've done there. We do believe it's industry-leading, and we'll continue to develop it.

Andrew Strelzik

Great. On the capital deployment side, you talked about some of the projects you have in place today what that means for '25 and '26 as maybe you start to see some easing of some of the underlying fundamentals elsewhere. How do you think about the right level of growth CapEx for the business over the next several years? Obviously, the return profile is very good. You have a lot of cash. You have a lot of costs coming in potentially going forward. So is there a case to accelerate it? I guess how are you weighing that positive, negative.

John Neppl

I mean ultimately, we look at returns first, and the opportunities have to be there. I think the -- when you look at the cash flow we've been able to generate over the past few years, we've obviously built a lot of capacity for additional CapEx and when you look at the amount available for that, it really breaks down between what do we have for M&A opportunity, what do we have for CapEx, what do we have for share buyback and ultimately, returns are a big driver of that.

Frankly, today our biggest probably limitation might be our internal ability to execute on the many projects at a time. So we've got a very robust list of not just CapEx, but M&A opportunity. And because we have the capital to do really kind of all of that, we have to manage that against our -- how we feel about execution risk. So -- but in terms of whether it's CapEx or M&A or share buyback, it's really driven by the returns and the strategic opportunity, but we're doing all three.

Andrew Strelzik

So we're going to -- and maybe this is a good time to touch on M&A, but certainly, we'll hit that here going forward. But when you think about shaping the portfolio over time, the plans and priorities around that, you have sustainability projects that you're working on, some of the other things that you mentioned off the top, what is the plan to shape the portfolio kind of longer term? You've talked about of 15%, I think ROIC on your projects. Is that still the right way to think about it? Some of these seem like maybe a little more higher margin projects. So how do you think about all of that?

Gregory Heckman

Yes. I'll let John talk to returns. But when you think about the stack of projects that we have and whether it's organic or M&A, it's really about executing our strategic priorities. It's like how we accelerate where we want to get to. I mean we're really proud of how resilient the portfolio has been the last four years with all the different challenges and opportunities that have come at us. So as we think about that global platform, it's how do we continue to fill in any of the geographies where we have weakness and whether that's around the crush, whether that's around the origination, it's around the specialty oils. But the real change has been the focus on sustainability in the last three years and how that's driving.

So if you look at whether it's our joint venture with Chevron and so that we're really partners and understanding how to go from the farmer to their retail customer to have the most efficient change to supply them with renewable feedstocks for renewable diesel today but long term that could be sustainable aviation fuel to then taking that relationship and investing in CoverCress together and continuing to develop a cover crop as well. If you look at our relationship with Corteva, we talked about our ability to work with them for several years. It's a long-term commitment to develop a seed that can have a value to the farmer that produces it. But ultimately, after we crush it, they have a higher --a better amino acid profile for the poultry producer and so those are commitments with the right partners to make investments for the long term.

And then that, of course has led to, as renewable diesel has gotten more important, now with Corteva and Chevron, we're now making investment in winter canola. So another high oil seed crop that can be another profit point for the producer, but also to increase the amount of renewable feedstock to serve that industry so we can continue to serve food, feed and fuel industry. So it all continues to weave together as well as the assets to support that.

John Neppl

Yes. From a return perspective, I mean ultimately, we look at a risk-adjusted return requirement everywhere we do business. If it's something that we view as core, it's in a country or an area where we're very strong and we're very familiar, we'll accept returns below 15%, but they got to be double digit. But if it fits right, somewhere in that 11% to 13% range isn't unreasonable but that'd be on a kind of a bigger strategic project. But when we look at things like debottlenecking and brownfield and small capacity expansion projects, we're seeing things -- still seeing things well north of that number. So on a blended rate we're probably close to that 15% number.

Andrew Strelzik

And from an M&A perspective, I mean how does that fit into the broader shaping of the portfolio is -- and I guess as we sit here, is it a good environment? Is there a bigger project, smaller -- I mean smaller sizes? Like how do you think about what makes sense right now for the business?

Gregory Heckman

Yes. The thing I think we're really proud of, and John has talked about, we've put ourselves in a financial position where we really have the flexibility to kind of pull all the levers right, whether it's the internal investments, whether it's bolt-on M&A, whether it's transformational M&A, of course share buybacks are an important part of that. So all of that is available to us.

I will say from an environment, seeing higher interest rates, seeing a world that has less globalization, where every origin, every destination is not available. So you've got a more complex world with the war in Ukraine, we expect the world to stay complex. We've seen what seem to be an outlier of a weather events, which now seems to be every year, whether it's Canada or Brazil or now Argentina this year that creates more volatility and more dislocation. So as we think about where to make those investments is how to continue to maintain the resiliency of that global platform and how to continue to build onto it.

We are seeing with, I think the higher interest rates and the environment, we're seeing some deals that we think are developing or could develop that we haven't seen for awhile. We're seeing some deals that didn't happen a couple of years ago that continue to be on our priority list that may come back around. So look, we're going to continue to be disciplined. We're going to be very thoughtful. We've had to work very hard to shape this portfolio, to be the leader to be in a position to do the kind of deals with the other industry people like the Corteva, like the Chevrons, our Origeo in Brazil, where, again we're doing a deal with UPL there surrounding the farmer, bringing them regenerative ag practices, while we're getting the right cocktail of inputs to them and then helping them market their product.

And yesterday we just announced a deal with Nutrien, and again it's around that producer. So it's driven from whether you're a feed, food or fuel customer, they're all talking to us about how do we get a lower carbon intensity into our products and give our consumers what they want. To that, we've got to get some of that value, and we've got to drive that back to the producer. It's these partners and the investments you'll see us make in the future that will help us do that for the farmer and for the producer because you've got to make change at scale.
If you're really going to make a difference, it's about making change of scale and it's about doing it sustainably and so those partners are helping us do that because the producers, they love the productivity that they've been able to produce, right? That's how we fed a hungry world. So they don't want to give up that productivity in the volume, and they still want the price. So as you bring them change, you bring them a different package around regenerative ag and a different package of inputs. It's got to make sense and they've got to be able to get to market and they've got to be able to do it at scale and sustainable year after year.

Andrew Strelzik

Speaking of carbon intensity and some of those dynamics. I want to get your kind of updated thoughts on the renewable diesel side. There have been delays, there has been some regulatory stuff, I guess for some of the plants. You mentioned on the earnings call, starting to see some of the demand start to build. So maybe some of that is coming through. Do you think that the outlook for renewable diesel capacity has changed, the investment case has changed at all? Is this kind of the beginning of the ramp that you would have expected and we have some durability now moving forward?

John Neppl

Yes. I can start there. I think look, we still believe the long-term trajectory is there. Certainly, there have been some delays driven by a couple of things. One has been there have been some operational issues in that space. So that's maybe resulted in a little bit slower ramp-up of some of the investments that have been made. The other one is, frankly, petroleum crack spreads were pretty good there for a while. I think what we saw were some of our customers certainly may be taking their time in the transition and maybe slowing it down a little bit. But we don't see that. What's happened at the same time then is that anything around the refining side has also slowed down around the pre-treatment. So that's why we've enjoyed the refining margins a little longer than maybe what we originally expected.

But long term, we see it there. This recent RVO, the recent preliminary numbers that came out, we think the market probably overreacted a little bit to that. It was really driven by, as you all know, probably supply expectations, not necessarily what the market can provide and what the market will demand. And ultimately, we're hopeful that the revised RVO numbers that come out will be constructive, but we still think regardless of where those end up and the long-term trends are in place, renewables a stairway to sustainable aviation fuel and further use in the marine industry. So we're optimistic long term that the S&Ds are still there.

Gregory Heckman

I'd probably add on one thing that we'll see where the next RVO comes out. But I think what's really good is that during the comment period, we've definitely seen the industry and the industry organizations really engaged with the policymakers and ensure that everybody is at least starting with the same set of facts. The one thing the policymakers have been clear about is, look, they want to ensure that all constituents, feed and fuel and the farmers that everyone has met. So they're being thoughtful. They're taking their time. I think it will be a number of steps over the years of really building out a new industry.

It's important to what John said, it's starting with the renewable diesel. But the one thing that's been consistent with all of the energy companies that are our customers, right, because we sell them all, not just Chevron, is that they see renewable feedstocks and vegetable oil as being a very important part of their liquid fuels transition for the next 10 to 15 years, and they see renewable diesel as a really important pathway ultimately, to sustainable aviation fuel and then we'll see where marine fuel plays out. But there will need to be some policy support for SAF and for marine long term. But look, it continues to develop, and that's why you see the investments being made in innovation around the seed side in innovation at the farm gate to lower the CI scores, drawing, calling on demand on the UCO side and the market is doing its work when it's allowed to work.

Andrew Strelzik

You mentioned 10 to 15 years. So I don't want to get too caught up in like a very narrow period of time. But it's interesting when you think about the demand pull on feedstocks for renewable diesel, and some of the softness that we're seeing kind of on the vegetable oil side in the near term and now that we're starting to see some of the demand ramp, I guess just trying to put it all together in my head, but the question is really longer term, how do we bridge to the feedstock that we need? I mean we have obviously crush capacity that's been announced and coming online. We probably need a bunch more. I don't know if you think globally, how does all of this play out?

Gregory Heckman

Yes. I think the industry is really going to have to pull every lever right? So the market has done some of the work that has incented some expansion in oilseed crushing, some of that will come in soy, some of that will come in soft, which is roughly twice as much oil. We announced our expansion in Destrehan down in the Gulf, which is part of our Chevron JV, that will have switch capacity. So we'll not only have the ability to do soy, but to do soft seed, whether it's a Cover Cress for one or canola and then, of course we're there at the port as far as if we have the opportunity to import soft seed in the global market and/or export the meal to meet the market.

So we're thinking about optionality when we make the investments in our footprint as well. There's a lot of switch capacity globally. And as the market is calling on that oil, you'll see that switch capacity all run on soft seed rather than on soy, roughly 20% of our capacity is soft seed today including the switch. Then, of course ultimately, you'll see the U.S. has gone from being an export of oil to ultimately be an importer of oil.

If you look at the investment we just made in the -- we bought the Fuji plant, a plant from Fuji down in the Gulf, in Avondale, that's a great fit for us. We were out of capacity on tropical oil to feed our food customers, their growth as well as any switching that they were doing. So we've been able to plug that right into our system. We're short human capital. So our ability in M&A sometimes is to add the human capital that allows us to execute. So we kept 90% of those employees. We've already got it in our SAP system. We're already serving food customers and we plugged it right in. We also had another expansion project where we had equipment on the way. We've been able to switch that equipment, it's headed for Avondale. We're going to triple the capacity of that by adding another line, and we'll continue to run the plant while we do that serving customers.

So all of those things will help to solve it. Then all the cover crops that we talked about, the higher oil crops and the investment that is being made there, again the market is driving the innovation to be able to serve food, feed and fuel.

John Neppl

And maybe just to add to that, we're building as well in Brazil, in particular, capability to source low CI feedstocks for both the U.S. and Europe. So that's underway. We've done some -- we've had some success there early, developing partnerships with some key animal processors and others down there. So we're pretty excited about that opportunity.

Andrew Strelzik

How do you frame maybe the sustainable aviation fuel opportunity relative to renewable diesel. I mean is that -- is it a bigger opportunity? And kind of how do you think about your role in SAF production over time with some of the partnerships that you have. Is that -- if you could put all the pieces together for us.

Gregory Heckman

Yes. I think one of the keys with our joint venture with Chevron, right, is that it is a joint venture. It's not a supplier customer relationship. So we are able to talk about policy. We are able to talk about changes that we can make in the farm gate or in our refineries. They can talk about how things work in their refineries and where they believe their ultimate retail customer is going today and where they believe policy is going. When you think about policy together and communicate and give ourselves a different view through their lens or them through our lens.

So we, of course have that relationship with Chevron but we don't -- globally, we have the opportunity to work with them where they exist. In places they don't, we can work with others or places they are if we don't want to work with them or they don't work with us, we can work with others. So we're having those conversations with other energy companies, and we're looking for those opportunities to continue to connect with them to try to help build that out and build that low-cost, low CI supply chain as policy continues to develop.

Andrew Strelzik

And so the knock-on effects kind of globally as you think about the demand pools, whether it's in Canada or Europe or what have you? I mean how do you think -- relative to kind of what you've already established? How do you think about the longer term dynamics there?

Gregory Heckman

We think they're very good. I mean if you look in Canada, right, now there's going to be policy, which should bring some additional canola demand -- canola processing on there to meet that demand around their R&D and we're not only going to meet it through expanding crush. We did the joint venture with Olleco in Europe around the collection of full life cycle oils, if you will, the collection of UCO. We're excited about that.

What's been even amazing is how excited our end customers are about that and looking at where else we can replicate that globally. So the different growth levers that are appearing around the renewable diesel demand and ultimately, SAF, it's not even clear how it's all going to play out, but we've got a lot of resources working against it and we're fully engaged now.

Andrew Strelzik

That makes sense. You started to mention the meal side and kind of thinking through all the different dynamics as you're making your plans around capacity, et cetera, what is your comfort level that there is a home for all the meal that will be coming on, the ability to export or not export meal feels like there's some debate about that. Obviously, you see that as an opportunity. So can you just share your thoughts on how you see this playing out over the next several years?

Gregory Heckman

Yes. We spend a lot of time looking at this and talking about it. So I think there's a number of factors to think about. One, there just continues to be the population growth. There's a natural growth in meal demand and in protein demand from population, from continuing growth in per capita consumption that's driven around per capita wealth. That's up and to the right, and you can argue what that is, but that plugs along. You've got continued commercialization around the world. What we saw in China as they commercialize their feeding industries, especially in the pork side and some in poultry. The inclusion rates. So the inclusion rates go up as people commercialize their feeding operations.

Then you’ve got kind of the shift that continues as we see pork and poultry to be favored over beef. It looks like that trend continues to tick up because, of course they are bigger users of protein meals. Then ultimately, meal, the feeders like to use it, right? It's a good product, things that we can do to value it up, like we were talking about the Corteva seed project around amino acids or other things that can be done to even make it more usable. We have a number of things that we're working on that side. But ultimately, they like to use soybean meal, it finds its way into the ration or protein meal.

John Neppl

And I'd maybe just add a couple of things. One is we already today handle far more soybean meal that we produce ourselves. So we've got the end customer base globally, which I think is important. We're also investing in additional export capacity or existing facility to be able to handle that meal, we do expect it to be exported, and we expect to be a player in that.

Andrew Strelzik

Where just -- like where does that --

John Neppl

In the Gulf. We're going to be adding to an existing facility.

Andrew Strelzik

Before we change gears here, I wanted to ask about the refined specialty side, which you've talked about being a little bit more durable there. I mean obviously you just had your two best quarters ever I believe, in that segment. You talked about the pre-treatment side. I don't know what shifts that or kind of what kind of visibility we have to that -- started to come on more as we go. But if you could just -- you talked about it being more durable, but the durability of that over the next two to three years feels like it's obviously gotten more. So can you -- just the different dynamics on how good or sustainable the recent momentum might be? Or is it at a somewhat more moderate level? How do you think about that?

Gregory Heckman

Sure. Yes. I'll start. If you look at that industry, it was very underutilized from a capacity utilization from the refining side based on some structural changes in the industry here a few years ago. That changed with the addition of some of the fuel demand and it tightened things up and we're running at higher capacity utilizations, which is kind of like free capacity. It was in place.

Now, depending on how you cut it here in North America between 70% and 80% of our products still goes to the food industry but we're much more in balance. We also have made the investments when we weren't running at high capacity utilization, you didn't need to make those investments in debottlenecking and capacity utilization, which we've continued to do in our refinery system. That, again is improving profitability in that segment. Then, of course as we're serving customers and flows are changing, there's their formulation, and we're working with customers to innovate, whether it's around the formula for cost or if it's around new products, and that's a value add where we're working with customers and stickier.

And we saw our ability to serve through Covid has changed the relationship with some of those bigger customers that you innovate with over the long term. Then as John was talking about, some of the pre-treatment has been slower to come online and they've also seen it's a little more complex in getting the catalyst to work hasn't worked quite like they thought. Some of those projects have been slowed down based on them being able to buy the feedstocks and not having the risk of having to build over the long term or third projects being a little bit slower because of the profitability they've had in their other refining operation.

But we've got a bigger book of business on for the balance of the year than we've had historically, which generally is very good for the refining overages on the balance of the business to be done. That also gives us good visibility into '24. If you remember in our operating model, we were very conservative about where we expected those to be. So we expect that to continue to contribute well out into '24.

Andrew Strelzik

Great. Global crop supply, right? I mean with the disruptions in the Black Sea, it was that we need two crop cycles or three crop cycles. Now we've had a very nice crop in Brazil, lot of acreage here in the U.S. If the weather cooperates, we'll have a big crop here as well. Are we kind of on the verge here of getting back in balance? Or how do you think about that? Then when you think about your merchandising business and kind of historical profits versus where we've been, I mean if we get back to the -- if we get back to a more comfortable level, I guess what does that mean for the profitability there?

Gregory Heckman

Let's start with the forecasting for the merchandising.

John Neppl

Yes. I mean from a merchandising standpoint, that historically has been the area where we've -- it's been the most difficult to forecast. So as we look at the balance of the year, we've got a pretty modest forecast in for merchandising business, especially related to how things have looked the last two to three years. Certainly, it's hard to predict volatility in the market. And certainly, weather, things like Argentina has had a big impact on global volatility and the Ukraine, as you pointed out. A lot of those things that really resulted in kind of significant volatility through the past year and through maybe the first part of this year. It's difficult to see that whether that continue or not. But if it does, we certainly would expect upside in the merchandising business. Globally, I'll let Greg comment kind of around the world on the crop side.

Gregory Heckman

Yes. From a global S&Ds, you're right, we've had record bean crop in Brazil and that's happened at the same time that we've seen a horrible crop in Argentina, not only from a quantity, but from a quality, which is a very interesting dynamic, I think for the balance of the year because you have the second half of the year will really be out of beans in Argentina. We'll have less meal and oil coming out of Argentina, which is going to call on crush in the rest of the world for how we're set up, that's good right now because from crushing -- pulling on the rest of our global system to balance that out as a net positive.

The big bean supply in Brazil is not only feeding our Brazil system and helping crush margins there, but it's been positive, of course supplying China and supplying our European crush. So a very good setup. As you said, the U.S. looks like the acres are there. Planting is going very well so far. So we do expect to have a good North American crop, and we need one. The curves are telling us we expect to see a good bean crop in thus., and that should be favorable in the second half and especially into the fourth quarter. But it's -- it continues to be a pretty interesting setup. It seems like every year, there's some new challenge.

Of course, things continue, unfortunately, to be very complicated in the Black Sea area with the war in Ukraine. Is the quarter going to be open? Is it not going to be open. Of course, that's hurting the profitability for the farmer there and their ability to invest and plant the crop and what can get harvested and the speed that it can get exported. I mean if you look pre-war, roughly right where the USDA thinks the corn production in Ukraine right now will be roughly 50% of what it was pre-war. So that's an important origin. So there's just a number of different challenges from just looking at the history that they look like they're going to keep things maybe not as tight, but still fairly tight until we can make a couple more crops.

John Neppl

I would just say two other things. One is I don't think we see geopolitics getting any easier in the next few years. And we don't see weather volatility getting any better. It's hard to predict, obviously. But every indication is weather volatility is going to continue to be an issue. Those two things, when you have a global platform like we do and you have all the origin destination combinations that we can put together, that really bodes well for a business like ours versus our competitors.

Andrew Strelzik

Makes sense. Can you talk a little bit more about the Brazil operating environment? You talked about the big crop there, a favorable basis, et cetera. A lot of focus on near-term US board crush. What you guys have hedged? So that is what it is. But I guess it should be a big Brazil quarter for you guys, I believe. I think even the crush margins there have gotten better since we last spoke on the earnings call. So if you could just kind of frame how things are shaping up in Brazil.

Gregory Heckman

Sure. Yes. So, crush margins are very good in Brazil. From a net margin standpoint, it's probably as good as anything in our system right now. But also on our origination and port and distribution system that's fed from South America and Brazil, specifically, big crop is very good for that, right, solving the problems that needing to get that move. Of course you saw China pull on South America harder than North America, which net-net has been positive for us and for our footprint.

Then it looks like we've got a big corn crop, safrina crop coming right behind this record bean crop, which will again to put some stress on the storage handling, distribution system, not only domestically, but through the ports and export and that generally is a good setup for us and for margins as well. So likely, love our footprint, globally love our footprint in South America and the setup right now is good.

Andrew Strelzik

Then in Europe, you talked about some of the challenges, obviously with the Black Sea volumes, et cetera. But can you just talk about the operating environment in Europe for crushing on the soy and rapeseed side and how that supply of Ukraine product impacts global prices and just the dynamics there. There's also been a lot of headlines recently on the deal and whether it gets renewed and all those various things, how impactful that could be?

Gregory Heckman

Yes. In Ukraine, we've been running one of our two sun seed crushing facilities. We hope when it is safe for our employees that we'll hopefully shortly be able to run our second facility. We've made the repairs and so we're prepared to come back up. Our employees are saying they want to go back to work. They're fantastic. That has with the industry not running as hard, a lot of that seed has found its way into other places in Europe and around the globe. So that's created a good margin environment on the soft seed side overall, but sun specifically.

Then the environment has improved in Europe from a year ago on the crush side overall and so specifically we mentioned better bean supply, less protein meal and especially here in the second half, coming out of Argentina. So that's good for crush and then we've got lower energy costs because energy was really challenging last year. So that entire environment is better for Europe.

Andrew Strelzik

Okay. Great. You've been clear on your intentions around the sugar business. I doubt there's anything new to share on that specifically. But just curious how the operating environment, which seems to be in a better place generally is impacting your timelines or your thinking around that. Is there anything that we should be aware of that as we think about your aspirations around the sugar business?

John Neppl

Yes. We haven't let the current environment affect our timeline. I mean we still want to be very thoughtful and deliberate and get this done. But ultimately, what it allows us to do is, we don't want to give the business away. And fortunately, we're in an environment today where the business is performing very well. We have a great management team down there. We do expect to pull a decent amount of cash dividends out of that business over the -- until we don't own it. We'll run it like we own it until we don't.

And -- but it's not a business because of the current margin environment we're going to fall in love with again. It's something that we are still committed to divesting. But when you have a partner and you've got to introduce a new partner to potential buyers, it creates more -- certainly more variables in negotiating deals and maybe otherwise a bilateral conversation would be. So it takes a little more time. But we’re working it.

Gregory Heckman

We've got a great team running that business. We've got a great partner, environment looks good. John will get them to give us some dividends. We'll do the right thing at the right time.

Andrew Strelzik

Sounds good. I think we have enough time for one before my last question. So I wanted to ask about China and kind of what you're seeing from a demand perspective out of China. It feels like it was a surge, maybe things got tempered a little bit? Just a little color around what -- how that's progressed relative to your expectations.

Gregory Heckman

Yes. Look, definitely, China always is very spot on the crush side. We've seen demand improve. But even anecdotally, our team on the ground and our team that’s been over there, the restaurants, I think from people live in China, they're all full. A lot of the expats where you had a lot of the international travelers, those are not full. So there's more demand yet to come and we've seen a little bit of that.

Maybe the animal industry got a little bit ahead of that expansion. So we've seen animal margins come off a little bit, but the numbers are there. So that will improve itself and then, of course with, as I said, the big bean crop in South America, that's going to feed and improve margins in China over time as well as a tighter meal situation because of what's going on in Argentina. So we're constructive China, I think especially versus last year, which was pretty tough.

John Neppl

And I think that was one of the watch-outs. We pointed out at the Q1 earnings call was an improvement in China could help with our forecast as well.

Andrew Strelzik

Sure. Okay. Then the last one is on share repurchases, which I know you get asked about a lot. You've been out of the market. You were talking about because of some M&A-related things that you -- so you had to be out of the market. So once you are able to get back in, I mean cash balance is substantial. There's a lot of capacity. Is there -- what's the appetite? Would you do it in an accelerated fashion. I guess any color on how we should be thinking about the buybacks from here, especially in the context of some of your commitments that you made.

John Neppl

Yes. I think first and foremost, it is going to continue to be an important part of our allocation. It doesn't look like that the last two quarters, but we haven't been able to be in that market, but we are committed to it. We have a $300 million authorization remaining on our current Board authorization that we hope to exhaust this year and expand and add another authorization on it and continue to be in that market. So it will be an important part and when it makes sense, we'll do more. And -- but we've got a commitment that long term, we're -- it's absolutely an important part of what we're going to do.

Gregory Heckman

Yes. We feel our shares are very underpriced. No one is more excited to get back in the market to buy some of our shares than we are. But on the other hand, we're building the earnings power of this company for the long term. You can see that by looking at our LTM. So we're being thoughtful. We have the company in the position financially as well as we've shown we can execute, and we have the ability to pull every lever around M&A, organic share buyback, and we'll be thoughtful about which we do win, and we're really excited about the position we're in right now.

Andrew Strelzik

Great. We are out of time. So I will leave it there.
Thank you very much.

Gregory Heckman

Thank you.

John Neppl

Thank you.

Andrew Strelzik

I'll follow you guys off.