Bunge Global SA

Second Quarter 2024 Earnings Release Conference Call

Wednesday, July 31, 2024, 8:00 AM Eastern

CORPORATE PARTICIPANTS

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Greg Heckman - *Chief Executive Officer*

John Neppl - *Chief Financial Officer*

PRESENTATION

Operator
Good morning, everyone, and welcome to the Bunge Global SA Second Quarter 2024 Earnings Release Conference Call. All participants will be a 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 and then one. To withdraw your questions, you may press star and two. Please also note today's event is being recorded.

At this time, I would like to turn the floor over to Ruth Ann Wisener. Ma'am, please go ahead.

Ruth Ann Wisener
Thank you, operator, and thank you for joining us this morning for our second 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 at the Investor Center on our website at Bunge.com under Events and Presentations. Reconciliations of non-GAAP measures to the most directly comparable GAAP financial measure are posted on our website as well.

I'd like to direct you to slide two and remind you that today's presentation includes forward-looking statements that reflect Bunge's current view with respect to future events, financial performance, and industry conditions. These forward-looking statements are subject to various risk and uncertainties. Bunge has provided additional information in its reports on file with the SEC 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 for their dedication and focus. They've continued to effectively deliver on our commercial and operational priorities, making excellent progress on integration planning.

I'm so impressed by this team's passion and drive, excited by the opportunities to grow our existing business, and look forward to the future combination with Viterra. The two teams are working very well together in the planning process, and are identifying the many ways we'll be a more complete company post-close.

The regulatory approval process is continuing to progress. While we have the bulk of the approvals required, we are continuing to constructively engage with relevant authorities in the remaining jurisdictions. Based on ongoing discussions, we see no issues that would be material to the economics of the deal, and we expect to receive the remaining approvals and close the transaction in the next several months.

Turning to our results, we delivered solid adjusted EBIT, reflecting improved margin environment in some regions during the second half of the quarter, partially offset by more muted conditions in others. Our balanced market requires a different approach. We're very proud of the team for their ability to adapt and deliver.

For the rest of 2024, a few of the dynamics we have discussed are still in place. Demand is good for customers at both ends of the supply chain and remains largely in the spot market, which limits visibility later in the year. We are controlling what we can amid the evolving supply-demand environment in markets around the world while tapping into the tremendous work we've done over the past several years to strengthen our business. Based on what we see in the markets and the forward curves today, we now expect full-year adjusted EPS of approximately $9.25.

I'll now hand the call over to John to walk through our financial results and outlook in more detail, and then will close with some additional thoughts. John?

John Neppl
Thanks, Greg, and good morning, everyone. Let's turn to the earnings highlights on slide five. Reported second quarter earnings per share was $0.48 compared to $4.09 in the second quarter of 2023. Reported results included an unfavorable mark-to-market timing difference of $0.82 per share and a negative impact of $0.43 per share related to transaction and integration costs associated with our announced business combination with Viterra. Adjusted EPS was $1.73 in the quarter versus $3.72 in the prior year.

Adjusted core segment earnings before interest and taxes, or EBIT, was $519 million in the quarter versus $893 million last year. In Agribusiness, processing results of $265 million in the quarter were down from last year, as higher results in Europe soy and soft seed crush were more than offset by lower results in North and South America and Asia. Merchandising lower results were primarily driven by global grains. Higher volumes were more than offset by lower margins.

Refined and Specialty Oils performed well, but down from a strong prior year. Higher results in Asia were more than offset by lower results in North and South America and Europe. Milling higher results were pressured by South America, reflecting higher volumes and margins. Results in the US were in line with the prior year.

Corporate and other improved from last year. The decrease in corporate expenses is largely due to lower performance-based compensation. Higher results in other were primarily related to our captive insurance program.

In our non-core sugar and bioenergy joint venture, core results were due to lower Brazil ethanol prices, which more than offset higher sugar prices. Results were also negatively impacted by approximately $15 million in foreign exchange translation losses in US dollar-denominated debt. Results in the prior year included a $39 million benefit from the reversal of a tax valuation allowance.

For the first six months of the year, reported income tax expense was $147 million compared to $381 million in the prior year. The decrease is primarily due to lower pre-tax income. Net interest expense of $86 million in the quarter was in line with last year.

Let's turn to slide six, where you can see adjusted EPS and EBIT trend over the past four years, along with the trailing 12 months. Strong performance over the period reflects a combination of favorable market environment and excellent execution by our team. The more recent trend reflects more balanced and less volatile markets, translating into lower earnings.

Slide seven details our capital allocation. In the first half of the year, we generated $895 million of adjusted funds from operations. After allocating $191 million to sustaining CapEx, which includes maintenance, environmental health, and safety, we had $704 million in discretionary cash flow available.

Of this amount, we paid $191 million in dividends, invested $342 million in growth and productivity related CapEx, about half of which relates to our large multiyear greenfield investments, and repurchased the $400 million of Bunge shares. This resulted in the use of $229 million of previously retained cash flow.

Depending on the progress on our greenfield projects, we could in the year toward the higher end of our CapEx range of $1.2 to $1.4 billion, or perhaps slightly above. However, this would reduce our 2025 expectations.

Moving to slide eight, at quarter-end readily marketable inventories, or RMI, exceeded our net debt by approximately $3 billion. Our adjusted leverage ratio, which reflects our adjusted net debt to adjusted EBITDA, was 0.5 times at the end of the quarter.

Slide nine highlights our liquidity position. At quarter-end, we had committed credit facilities of approximately $8.7 billion, which includes $3 billion that will become available to draw upon at the close of the Viterra transaction. Of the $5.7 billion available to us currently, all was unused at the end of the quarter, providing us ample liquidity to manage our ongoing capital needs. These amounts are in addition to the $8 billion of term loan commitments that we have secured to fund the Viterra transaction.

Please turn to slide 10. For the trailing 12 months, adjusted ROIC was 15.2%, well above our RMI adjusted weighted average cost of capital of 7.7%. ROIC was 12.2%, well above our weighted average cost of capital of 7%.

Moving to slide 11, for the trailing 12 months, we produced discretionary cash flow of approximately $1.5 billion and a cash flow yield of 13.7% compared to our cost of equity of 8.2%.

Please turn to slide 12 and our 2024 outlook. As Greg mentioned in his remarks, taking into account first-half results, the current margin environment, and forward curves, we now expect full-year 2024 adjusted EPS of approximately $9.25. Note that this forecast excludes any pending transactions that are expected to close during the year.

In Agribusiness, full-year results are forecasted to be in line with our previous outlook, reflecting higher results in processing largely offset by lower results in merchandising. Results are expected to be down compared to last year.

In Refined and Specialty Oils, full-year results are expected to be up from our previous outlook due to a better than expected second quarter, but down compared to last year's record performance. In Milling, full-year results are expected to be similar to our previous outlook and up from last year. In corporate and other, full-year results are expected to be similar to our previous outlook. In non-core, full-year results in our sugar and bioenergy joint venture are expected to be down slightly from our previous outlook and down significantly from last year.

Additionally, the company expects the following for 2024: adjusted annual effective tax rate of 22% to 25%; net interest expense in the range of $280 to $310 million; capital expenditures in the range of $1.2 to $1.4 billion, as I mentioned earlier; and depreciation and amortization of approximately $450 million.

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

Greg Heckman
Thanks, John. So, before we go to Q&A, I just want to offer a few closing thoughts. As we look ahead, the fundamental drivers of our business remain strong. Long-term demand for our food, feed, and fuel products and services continues to increase. With our global platform, we're very well positioned to find solutions that meet the needs of our customers at both ends of the value chain regardless of the market environment.

Our strategic combination with Viterra will help us accelerate our diversification across assets, geographies, and crops, providing us with even more capabilities and optionality to address the world's most pressing food security needs. As I mentioned earlier, both teams have been hard at work planning our integration, and we look forward to unlocking this additional organizational capacity post-close.

We're also progressing on a range of other strategic initiatives that will strengthen our company for the future, including the sale of our interest in the sugar and bioenergy joint venture in Brazil to our partner, BP. We've been pleased with the great work the team has done to become a leader in the industry. However, this business is not core to Bunge's long-term strategy, and divesting it will allow us to focus those resources on our core businesses.

We also recently completed a commercial pilot season in our effort to provide lower carbon solutions for farmers and end consumers. Working with our partners, Corteva and Chevron, farmers planted over 5,000 acres of winter canola in the southern US. After a successful harvest, the plan is to significantly increase acreage to 35,000 for the next crop year. We hope to build on these promising results to meet consumers' growing demand for energy, creating a more environmentally sustainable future while driving additional revenue sources for farmers.

In addition, we jointly tested a traceability platform using blockchain technology for sustainable soy with CP Foods, a global leader in food and feed committed to nutritious, safe, and traceable products. We successfully shipped several vessels of deforestation free soybean meal from Brazil to Asia, allowing CP Foods to trace the product from farm through processing and transportation all the way to destination. This is another example of the work Bunge is doing to increase transparency and reliability in end-to-end traceability to help our customers fulfill their sustainability commitments.

Our focus remains on delivering great value to all stakeholders while investing to strengthen our business so that we can provide customers with solutions not only today but over the longer term. And while we always look for opportunities to improve, we're well-positioned to deliver on our critical mission of connecting farmers to consumers to deliver essential food, feed, and fuel to the world.

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

QUESTION AND ANSWER

Operator
Ladies and gentlemen, at this time, we'll begin our question and answer session. To ask a question, you may press star and then one. To withdraw your questions, you may press star and two. If you are using a speakerphone, we do ask that you please pick up the handset prior to

pressing the keys to ensure the best sound quality. Once again, that is star and then one to join the questions.

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

Ben Theurer
Yeah, good morning, Greg, John. Thanks for the presentation. And just my first question really is just around understanding the drivers behind the guidance and then as you look at it. If we go back three months, you said around $9.00, roughly 50/50 split, which obviously, if we just do the math, we take $4.50 for the second half, add the $4.70-something now, gets us to $9.25. But clearly, from three months ago, we've seen a complete different environment in crush nearby. Just conditions have changed.

So, wanted to understand what are you seeing in the market to what feels to be coming out with a rather conservative guidance, just given were crush is right now, what have you been able to lock in or not, how the volume is, and how we should think about the usual fourth quarter skew that seems to be not as pronounced this year as maybe in prior years. So, just conceptually, if you could explain that to us.

Greg Heckman
Sure. Let me start. And good morning. But, yes, as you kind of laid it out, we over-performed in the first half to what we had talked about since we were together last time. Crush margin did improve late in Q2, and that also gave us visibility into Q3 and where we have been able to lock some margins. And that gave us the confidence to roll it through.

Now, that being said, Q4 margin curves are very inverted. We've got very little visibility. And while the demand for oil and meal remained strong, the end customers, I think as everyone knows, the farmer very spot as well as the end consumer very spot. So, we just don't have much visibility in that Q4. And as you called out, it's historically an important one for us.

So, I think we had the confidence to roll it through and call it. But that's what we see now, and that's why we said the approximately $9.25.

John Neppl
And I think, Ben, maybe just add on, when you look at the second half, while the overall forecast for second half didn't change, we've shifted a little bit more toward Q3. Where we were 40/60 before, not a lot of shift, but probably more like 45/55 at this point, so a slight shift to Q3 from Q4.

Ben Theurer
Okay. And that's good color. And then just on--I know you might not be able to talk too much about it, but you've made some comments on the pending regulatory approvals with Viterra, and that your conversations imply not any meaningful financial adversities as you potentially have to look into divestitures. Just wanted to see if you could give us a little bit more color on how the negotiations are going and what's the kind of things you might be asked to do in order to get this deal over the finish line.

Greg Heckman
Sure. The team's been doing great work, and we have--the majority of this jurisdictions have all issued clearances. We are currently engaging with the EU, Canada, China, and then just a handful of others as we're kind of getting to the end of the process.

The team's done a great job on the integration plans on preparing for the financing, the capital structure, and the plans around the leadership team. Those plans are in place. Now, as we know, we have to continue to operate as a separate companies until we're able to close the transaction. But as I said, we're making progress and we expect to conclude that in the next several months.

Any of the current conversations that are going on are confidential, but some of those timelines are rolling up on us pretty quick. And as things become public, then we'll be able to share those.

Ben Theurer
Okay. Thank you very much.

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

Adam Samuelson
Yes. Thank you. Good morning, everyone.

Greg Heckman
Morning.

John Neppl
Morning, Adam.

Adam Samuelson
Morning. Maybe the first question on the merchandising side of agribusiness. And so, as you alluded, the crush margin environment is improved in the nearby. The comments on the merchandising piece were little bit more tempered. I guess I'd love some additional color on what you're seeing in terms of farmer selling in Brazil, in Argentina, and how those are influencing your outlook for merchandising over the balance of the year. And then I've got a follow-up question on the refined oil side.

Greg Heckman
Okay. Sure. Yeah. So, if you look at Argentina, the crop definitely has recovered, right? The '23 crop was about half of what we're going to get this year, but the selling's been very slow. And part of that, of course, is the shift to lower prices as the producers don't like that. And then with the government policy, there really hasn't been the economic catalyst to drive them to come selling. So, it's been a very, very slow pace there. And the second half is really going to be about the FX and the government policy, to see how that develops in Argentina.

In Brazil, you ended up with a combined bean and corn crop that was about 30 million metric tons lower than I think what the industry expected. And I think the industry had logistics in place to be able to handle that larger crop, as we saw last year in some of the tightness and constraints in that. And then you end up with that 30 million metric ton smaller crop and the farmer selling again being very spot and very opportunistic, as the farmer doesn't like the lower prices. That smaller crop then drove a lot of pressure around the logistics, and that's hurt margins, and especially in the merchandising.

And then when you take the other piece, that globally, while the demand is good for meal and oil, the consumer's been rewarded for moving to the spot, right? There aren't the same challenges in the supply chain on worried about delivery, so they've pulled down inventories. They've pulled down the length of their supply chain, and they've been rewarded for buying in the spot as prices have become lower. And so, that's been a little bit tougher for the environment in merchandising as well.

And then North America, again, slower farmer selling. Again, don't like the lower prices as markets become more balance on the S&D, although we have seen the livestock margins improving there. This'll really be about weather in the northern hemisphere. We've got soybeans entering kind of a critical window. And the producer generally, when they're looking out their door and what they see and how they see that develop here in North America, and we can see how the marketing will continue. And then, of course, we're also watching in the northern hemisphere the weather and temps on the canola crop there in Canada.

Adam Samuelson
That's some really helpful color. And then just on the refined oil side, you talked about raising the outlook. Margins reflect the second quarter performance, which in the release you cited Asia being kind of the area of year-on-year strength. Was that what surprised you relative to your own expectations three months ago? And just help us think about the forward for why you don't think that strength would be persisting in the second half at quite the same level.

Greg Heckman
We received a little bit of help on the tight cocoa butter supply in our cocoa butter equivalents and our tropical oils side in the RSO. That was somewhat helpful. And then we did see some stronger energy demand, some additional energy demand come in late that we weren't expecting in the US. So, that was constructive.

And I think when we look at the balance of the year, we don't have that visibility, but we're calling that out in the puts and takes. And I think the lower prices always drive demand. And that's, I think, true not only in the inclusion side on soybean meal, but we're seeing that drive demand on soybean oil for both food and especially on the energy side here.

Adam Samuelson
All right. I appreciate that color. I'll pass it on. Thank you.

Operator
Our next question comes from Heather Jones from Heather Jones Research. Please go ahead with your questions.

Heather Jones
Morning. Thanks for taking the question.

Greg Heckman
Good morning.

Heather Jones
Good morning. Wanted to ask about you all's coverage going into Q3 and for Q4. Greg, you mentioned the customers and the farmers have been very slow to buy or sell. But just wondering, because the soy crush in the US has been markedly lower than people expected, and so you've had these rallies. And so, as we're thinking about your Q3 and Q4 but particularly Q3, how much of that is covered? And so, do you have any exposure to the robust margins that we're seeing at present?

Greg Heckman
Yeah. I think if you look at Q2 and kind of the global set up, we were pretty well hedged, and a lot of that strength came very late in the quarter. Now, I'll say the team also did a great job of executing as they executed the crush we have on and then closing out the balance of the open capacity that we had. As we've seen that run up late Q2, we have been able to go ahead and hedge some of Q3 and lock that in. That's what gave us some of the confidence to roll the over performance there in the first half, to roll it through the year when we went to $9.25.

That being said, in Q3 and Q4, there's really no liquidity yet and very low visibility. So, I think those are the keys that we'll be watching here as things develop for late Q3 and the balance of Q4.

John Neppl
Yeah. And maybe just add there, Heather, that we're largely covered for Q3 at this point, especially on the canola side. Sun is affected a little bit by crop, so maybe not as much coverage there, but pretty heavily covered on soy as well here as the end of July.

Heather Jones
Okay. And then on the Argentina side, was just wondering if you could help us understand not only more the outlook but also what happened in Q2. Because I had repeatedly heard from those in the industry and just read that there were periods during the quarter were cash margins were some of the best that industry's ever experience. It was around times when the farmer would sell. But clearly, you all are talking--your commentary is very different from that. So, just wondering if you could help me to understand the difference between those and then how you're thinking about that business for the second half.

Greg Heckman
Yeah, I think you're right on the fact that the farmer selling came in some sporadic. It was slow, and it came in--it kind of dribbled out in different surges. That did provide some ability to crush above fixed cost, but I would not say we saw the robust margins that you may have picked up. That being the case, it'll really depend on how the farmer reacts on the second half.

Now, the offset of that, right, was lower soybean meal exports that were moving into Europe. And so, we continue to see strong margins there in Europe with good demand and less meal imports. So, that's kind of the other side of the sword.

Heather Jones
Okay. All right. Thank you so much.

Operator
Our next question comes from Salvatore Tiano from Bank of America. Please go ahead with your questions.

Salvatore Tiano
Thank you very much. So, firstly on merchandising, I think it was two years ago when you said that your normalized merchandising earnings should be around $75 to $100 million per quarter. So, we've been below the low end for a few quarters now, and even more so this Q2. Has this

made you change your normalized earnings outlook, or is it simply that the ag situation is so bad that your earnings are so much below normalized? And when do you expect us to go back to the $75 to $100 million figure?

Greg Heckman
Yeah, I'd say, remember, those were our assumptions in the model for our baseline, and we are operating below baseline today. Now, that's always the toughest one to predict. And as those opportunities come up, I think the team does a good job of capitalizing on those.

But we've been in a pretty interesting time of transition, right? And when these markets generally transition from higher prices into a more balanced S&D, that's when you see this adjustment and the pressure on margins, right? The farmers have good strong balance sheets. They have a lot of storage available, and they don't like selling lower prices. So, they're building inventory, if you will, and seeing how the weather plays out and how the S&Ds play out. And then you got the consumer, which is actually reducing inventories, shrinking their supply chains, and their patience is also being rewarded.

So, the market gets much more spot. It puts pressure on the margins until we get back in balance. And I think we're getting pretty close there now, where some of the puts and takes around what could happen from a weather and what could happen from a demand start to be more of an upside as opportunities develop. So, I think that's really what you've seen the transition of the market going through, and that's what we've been seeing.

Salvatore Tiano
Okay. Perfect. Thank you. And also, I want to ask a little bit about refined products. It continues to be the one segment that, quarter after quarter, it looks like you're topping your own expectations. And if you can say, in Q2, where did things go better than you expected? And also, is it mostly on the fuel side? Is it mostly on the edible oil side?

Greg Heckman
It's been both. Our food customers, while we're seeing the customers trade down some on the brands and things that they're--on the eating at home as well as the shift of where they're eating away from home, we've probably been maybe a little bit of a beneficiary to that favorable mix for oil demand. And then also, when you think about oil demand, it doesn't go one-for-one with the food demand. So, that's been pretty resilient on the food side. And then with the lower price, we've seen some improvement on the energy demand as well.

And then lastly, as I was talking about on the tropical side, we've definitely been a benefit of the tighter cocoa butter supply with our cocoa butter equivalents and helping some of our customers solve problems on the supply side and/or lowering their cost as they reformulate into our products. So, the team's been doing a great job, the technical team and the execution team, working with our customers as they're dealing with a little bit of a challenging environment.

Salvatore Tiano
Thank you very much.

Operator
Our next question comes from Tom Palmer from Citi. Please go ahead with your question.

Tom Palmer

Good morning. Thanks for the question. I wanted to ask on capital allocation. Are you done with share repo until the Viterra transaction closes, or might we see something sooner just given the slightly extended timeline? And if not repo, what's kind of the use of the excess free cash flow? Would it just be for debt?

John Neppl
Thanks, Tom. This is John. Yes, I think--look, we're not going to probably commit to any share repurchases prior to Viterra close, mainly because we've got leverage commitments and targets that we want to hit going into the close process, as we're expecting a ratings upgrade as related to the transaction. But we are still very committed to that program and expect to execute that post-close. We did give ourselves an 18-month window post-close, but we'll obviously do what makes sense when it makes sense.

And I would just add that, with the announcement of sugar, we're hoping to close that maybe late this year. Certainly, proceeds from that could play a meaningful role in the repurchase program, increasing it by some meaningful amount of those proceeds.

Tom Palmer
Great. Thanks for the color there. And then just wanted to ask on kind of capital plans over the next couple of years. You've got this multiyear CapEx cycle. I think we're getting a little bit longer in the tooth here in terms of projects we'll start opening next year. Just any early thoughts on how to think about 2025 CapEx and how it might compare to what we're seeing this year. And again, this is, I understand, before Viterra.

John Neppl
Yeah. So, our range, I think we're going to be at the high end of our range this year. Could be a little bit above the 1.4, depending on how things play out here toward the end of the year on some bigger CapEx expenditures. But we do expect next year to be up from that, probably closer to the 2 billion range, 1.9 to 2 billion, just given all of these projects are going to really be in full swing in terms of development.

And we should make great progress next year on getting those close to commissioning. But commissioning will really be probably in 2026 on the four major projects that we're working on today, but we'll see a significant drop off. And probably as of today, absent any other opportunities coming along, we do expect CapEx to drop potentially up to 50%. This is all excluding Viterra, but we could see a 50% drop in CapEx in '26 versus '25.

Tom Palmer
Great. Thank you.

Operator
Our next question comes from Manav Gupta from UBS. Please go ahead with your question.

Manav Gupta
Good morning. My first question is, since the time you announced the Viterra transaction until now, there has been some financials reported by Viterra. And I'm just trying to understand if those numbers that were reported met your expectations or maybe even exceeded the expectations.

Greg Heckman

Yeah. As you know, we've got to run the companies separately until close. So, the Viterra team I think continues to do a very good job in running their business. They've definitely got the extra strain, as our team does, with the integration planning as well as all the work being done on the regulatory side. And we're doing that all during a pretty challenging environment.

But it's a great platform. The engagement that we have had with their people, we continue to just be very impressed by the quality of their people and the capabilities and their ability to really step up with the challenges of all the work that's being done. So, we continue to feel very good about the transaction and really look forward to the future.

Manav Gupta
Perfect. My quick follow-up is the divestment of the non-core business. It had been marked for non-core for some time. So, how did this particular deal come about, and were you happy with the transaction price?

Greg Heckman
Yeah. I'll start and John can finish. But, look, we very early on, when we got here and were able to put sugar into the joint venture with BP, declared then that we would eventually exit the business when we thought that it was the right time for our shareholders and for the stakeholders. And in the meantime, BP and ourselves supported that team, which did a fantastic job of really improving that business with the combination that we did there and really becoming an industry leader. And we're very proud of them, but that didn't change our long-term strategy.

And so, when the timing was right and the values lined up, now we've done the second part of that transaction and to exit. So, we do look to--as John said, we look forward to closing that transaction hopefully later this year and releasing those resources, not only the capital but even some of our folks that are focused there in supporting the JV.

John Neppl
And Manav, I'd just add that, yeah, we were pretty happy with where we ended up from a value standpoint.

Manav Gupta
Thank you so much.

Operator
Our next question comes from Steven Haynes from Morgan Stanley. Please go ahead with your question.

Steven Haynes
Hey, good morning. Thanks for taking my question. Wanted to ask a quick one on farmer selling. You've alluded I think before to the idea that it might be a source of upside going forward. I was just hoping maybe you could put it in a little bit of a broader context of where you think we are in the evolution of farmer selling slowing down through the course of the year, and I guess what kind of gives you confidence that it's not going to be kind of a more prolonged slow farmer selling cycle like we might have seen in some past down cycles. Thank you.

Greg Heckman
Sure. I think if you look at the overall setup, we've been making that transition, right, to a lower price environment. I think the producers are getting used to that. At the same time, as we've said, they've definitely built some inventories. And then as the next crops get produced, right, much

bigger crop in Argentina. We still have got to develop the crop here in North America, but the weather looks good. And I think as you see that North American crop develop, we'll see some more farmer marketing there.

And then as we also know, South American farmers are often watching North American price development and what's happening in the futures market to drive some of those. Currency is still a driver, of course, in Brazil and mostly in Argentina, where the farmers are watching the government very closely for what their policy action will be in any FX activity.

So, I think it's all unfolding kind of as would be expected. And what I feel good about is the team remains very focused on executing and ensuring that we manage the risk that's appropriate for the environment that we're in. And pretty proud of how we're executing.

Steven Haynes
Thank you.

Operator
Our next question comes from Andrew Strelzik from BMO. Please go ahead with your question.

Andrew Strelzik
Hey, good morning. Thanks for taking the question. You talked about the inverted curves, and so I was curious. Are there internal levers you can pull in an environment where US crush margins get more challenged across operations? Or I guess growth CapEx would probably be more delayed, but any other levers that we should think about that you might have at your disposal as the environment plays out potentially in that inverted way?

Greg Heckman
I would just say the one thing that we've seen the last five years, with all the different things that have been thrown at us, we love that we're running a very global platform, because if we would be way over-weighted in one region versus another, this would have been much more challenging. And I don't think that's going to change going forward, so the optionality and the flexibility that we have in our system to run hardest where the margins are there and to be able to react to whether it's farmer selling or whether it's demand.

And then I think the changes that we have made in the company and the operating model just allowed the execution and discipline to be much better, which is really key when you get in these tougher markets. So, the team's doing a great job staying focused on the things that we can control as the market develops. And I've got the confidence that, as we see the balance of the year play out, that we'll get those opportunities to the bottom line.

Andrew Strelzik
Okay, that's helpful. And then I guess kind of related to that, as you've gotten a little bit farther out from the really elevated crush margin environment, I know there's been obviously some recent strength, but are you better able to decouple the internal improvements to the business from the last several years away from kind of the operating environment and the strength of that over the last couple of years? And do you think you've kind of appropriately captured that in the baseline assumptions, or has your thinking evolved at all? Thanks.

Greg Heckman
I think, one, we're never done, right? We're constantly thinking about continuous improvement. So, whether it's the assets where--that are getting the capital, whether it's the de-bottlenecking or

the brownfields or the greenfields, but also thinking about over the long term what we believe in what assets may not fit the footprint, it's the investments we're making in our systems and digitalization and some of the things in the crushing plants that are improvements in the metrics that are a multiyear program.

So, I think it's just a very different company than we were in the way that we approach things. And so, these are the times, as the markets kind of reset in these transitions, that you really find out how good you're executing. And so, we're very, very pleased with the team, but we're never focused. And we're doing it in a challenging external environment and while renewing an enormous amount of integration planning and providing an enormous amount of information on the regulatory front. So, really proud of the execution.

John Neppl
I would just add, Andrew, that we still feel--we set out an 850 baseline a couple of years ago, and we're still performing above that even in a little bit more challenged environment we're in this year. So, to Greg's point earlier, I think we're a different machine than we were. And I think it's--we're going to be able to show that here. Despite a little bit more challenging environment, I think we're performing pretty well versus what we had set out as a baseline.

Andrew Strelzik
Great. Absolutely. Thank you very much.

Operator
And our next question comes from Carla Casella from JPMorgan. Please go ahead with your questions.

Carla Casella
Hi. My question relates to financing. You got the question about the dividends and buybacks ahead of the Viterra transaction, but are you--what are you thinking in terms of pre-financing that transaction and how much you may want to come to market for, or would you wait until you get full approvals?

John Neppl
Yeah. We've already syndicated out the debt on that, and so we've got the commitments in place to finance the transaction itself. There's obviously some nuances that will take place around some of the Viterra bonds and things ahead of close, but we're pretty much set in terms of the initial allocation of financing and the commitments that are all in place.

There'll be some fine-tuning post-close, I'm sure. And then when we decide exactly how much we need, that could have an effect on the total amount. But it's all pretty much ready to go.

Carla Casella
Okay, great. Thank you.

CONCLUSION

Operator
And ladies and gentlemen, with that we'll be ending today's question and answer session. I'd like to turn the floor back over to CEO Greg Heckman for any closing comments.

Greg Heckman

Thanks very much. Thanks, everybody, for joining us today. And we'd just like to say we're really excited about the longer term here, the post-close and bringing Bunge and Viterra together.

We're going to be a more complete company, and we're going to have more capabilities to serve our customers in what continues to be a more complex environment with the population continuing to grow, world per capita continuing to increase, climate volatility making things more challenging, and what looks like a policy environment that continues with more uncertainty and customers that all want more transparent and sustainable feedstocks. So, we feel we're very well positioned and uniquely focused on this space, and we really look forward to the future.

So, thanks for joining us. Have a great week.

Operator
Ladies and gentlemen, that does conclude today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.