Bunge Limited

Bunge Limited Second Quarter 2019 Earnings Release and Conference Call

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CORPORATE PARTICIPANTS

Ruth Ann Wisener - *Vice President, Investor Relations*

Greg Heckman - *Chief Executive Officer*

John Neppl - *Chief Financial Officer*

PRESENTATION

Operator

Good morning and welcome to the Bunge Limited Second Quarter 2019 Earnings Release and Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the Star key, followed by 0.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press Star, then 1 on your telephone keypad. To withdraw your question, please press Star, then 2. Please note this event is being recorded.

I would now like to turn the conference over to Ruth Ann Wisener, Vice President of Investor Relations. Please go ahead.

Ruth Ann Wisener

Thank you, Andrew, and thank you for joining us this morning. 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 Investor 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 2 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 uncertainty.

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. We have a lot to discuss today, so let's turn to Slide 3. Before we dive in, I want to introduce John Neppl, our new Chief Financial Officer who joined Bunge in May. His perspective and leadership, along with his industry experience, will be a great benefit for us, and I'm delighted to welcome John to the Bunge team.

I also want to welcome our new Chief Risk Officer, Robert Wagner, who joined us last month. I worked with both Robert and John for well over a decade at Gavilon and Conagra, and they're already making substantial contributions here at Bunge.

Now, to the other items on our agenda, shown on Slide 4, I'm going to provide a high level view of developments and results in the quarter, progress against our strategic priorities, and our outlook for the balance of the year. Then I'll hand it over to John for a deeper dive into the financials, and finally we'll open up the line for your questions.

So, let's go ahead and get started, turning to Slide 5. Second quarter 2019 results benefited from timing differences and the contribution from a venture investment. Core business results were generally in line with our outlook. Soy crush was held by higher volumes, but also impacted by lower structural margins this year.

In grains, our South American results were higher while our North American team managed through extreme weather conditions, which impacted both our operations and former marketing patterns. Results in edible oils were better in North America and South America and essentially flat year over year in Europe and Asia.

Sugar and bioenergy benefited from lower costs and better ethanol volumes and prices, while fertilizer results also improved in the quarter. The net unrealized gain related to our investment in Beyond Meat sits within Bunge Ventures, our venture capital unit. We haven't discussed ventures often, but it's an important vehicle and it's a competitive landscape in consumer preferences drive change and as technology continues to accelerate innovation and transparency in our industry.

I continue to feel very good about our focus and our progress on the key priorities, including strengthening financial discipline and risk management and our ability to optimize the performance of our physical flows. As we work towards our new global operating model announced last quarter, we're seeing an engaged and energized team, improved speed of execution, and risk management that better supports our commercial decision making.

As we announced earlier this month, Slide 6 lays out our agreement with BP to contribute our sugar and bioenergy business to a new 50/50 joint venture in Brazil. We will receive $75 million in cash at closing and will transfer $700 million in debt to the JV on a non-recourse basis.

Turning to Slide 7, with this JV, we will own 50 percent of an entity that will be number two in Brazil by actual crush volume and operating with a conservative capital structure.

On Slide 8, we have a strong partner in BP and we also retain flexibility for further modernization. So, we're very excited about this transaction. It meets all of our strategic criteria and enables us to reduce leverage. We expect closing before yearend, subject to regulatory approvals.

Following the close, we will no longer consolidate this business. In addition, we anticipate an impairment charge of between $1.5 and $1.7 billion in Q3.

And last, on the next slide, our view on 2019 full year consolidated results has not changed from what we originally shared with you in February: that results will be similar to last year, but with the change in the mix, given materially lower forward soy crush margins plus a slight improvement in soft seed crush. We also expect improvements in grains and food and ingredients this year, while fertilizer results will be flat.

In addition, the macro factors that we called out last quarter remain a major source of uncertainty for all market participants. African swine fever continues to impact Chinese demand for soymeal. Combined with the unresolved U.S.-China trade situation, this has altered both typical trade flows and producer marketing patterns.

We continue to monitor these factors and we will leverage our global footprint as needed to ensure uninterrupted supply for our customers, while managing margins and physical flows to optimize our own results. We expect to finish the year as we had projected, but given timing and cyclicality, second half results will be largely weighted to the fourth quarter.

I'll now turn the call over to John to go through the numbers in greater detail.

John Neppl
Thanks, Greg. Good morning, everyone. It's great to be here at Bunge and I look forward to working with all of you in my new role.

Let's turn to the earnings highlights on Slide 10. A reported second quarter earnings per share and continuing operations was $1.43 compared to a loss of 20 cents in the second quarter of 2018. Adjusted EPS was $1.52 in Q2 versus 10 cents in the prior year.

Our results include $135 million net unrealized gain on Bunge ventures stake in Beyond Meat. Total segment EBIT was $354 million in the quarter versus $71 million in the prior year. On an adjusted basis, which excludes notables, total segment EBIT was $370 million in the quarter versus $117 million in the prior year.

In agribusiness, adjusted EBIT was $189 million compared to $118 million in the prior year. In oilseeds, structural soy crush margins were lower, as farmers retained soybeans in anticipation of higher prices and meal availability increased as Argentine supply returned to the market.

Second quarter results benefited from approximately $70 million timing benefit as soy crush margins decreased in many markets toward the end of the quarter, creating mark to market profit in hedge contracts. As we execute on the physical business, these gains will effectively be offset by lower realized margins, mostly in the third quarter.

Trading and distribution results were lower than last year. In grains, origination improved in South America, benefiting from lower cost and better logistics. This more than offset lower results in North America, which were negatively impacted by the combination of extreme weather and low exports due to the poor river logistics and the ongoing U.S.-China trade dispute. While results in trading and distribution were not a contributor to the quarter, performance was higher than last year.

The grain segment generated EBIT of $25 million, improving from a loss of $22 million in the same quarter last year. Results for the quarter were largely driven by ports and origination.

Food and ingredients adjusted EBIT was $49 million, slightly better than $46 million generated in Q2 of 2018. Improved results in edible oils were primarily driven by higher margins in South America. In North America, stronger demand contributed to better results versus last year. Results in Europe and Asia were down slightly year over year on timing differences arising from FX hedges.

Milling performance was lower than last year, mainly driven by Brazil where results were impacted by lower volumes and margins as customers remained price sensitive, particularly in the food service channel, making it difficult to pass along higher input costs.

Adjusted EBIT losses in the sugar and bioenergy segment narrowed to $9 million in Q2 2019, an improvement of $31 million year over year with higher sugarcane milling results, primarily driven by lower cost and increased ethanol volumes and prices, partially offset by lower sugar volume and margins.

In 2018, results for this segment were impacted by a $26 million loss in sugar trading and distribution, due to both unwinding activity in preparation for exiting the business and a $14 million bad debt charge.

Fertilizer adjusted EBIT for the quarter was $6 million, improving from a loss of $7 million a year ago. Higher results in the quarter were primarily driven by our Argentine operation, which benefited from higher volumes and prices and lower costs. Year ago results were impacted by foreign exchange losses.

Our tax expense for the quarter was $60 million. The effective tax rate of 22 percent was on the low end of our expected range of 22 to 26 percent, impacted by the net unrealized gain from our stake in Beyond Meat, which was recorded with a 10.5 percent effective tax rate. We continue to expect a tax rate of 22 to 26 percent for the full year.

Let’s turn to Slide 11, the cash flow highlights. Cash used for operations in the first six months of this year was $1.1 billion compared to cash used of approximately $3.5 billion in the same period last year. The year over year variance is primarily due to a significant increase in inventory in the first half of 2018.

You will note that our receivable securitization program was reflected in two components on our cash flow statement, one in the operating and one in investing, as required by GAAP. When netting these two related amounts, our adjusted cash used in operations was $0.5 billion versus $2.5 billion last year.

Our trailing 12 month adjusted funds from operations was $1.4 billion. Our debt largely finances our inventories. As Slide 12 shows, approximately 70 percent of our net debt was used to finance readily marketable inventories at the end of the quarter. Net debt of approximately $6.1 billion increased from $5.5 billion at the beginning of the quarter, due primarily to an increase in working capital that is in line with typical seasonal trends.

Net debt was elevated in Q2 2018 due to unusually high inventory purchases in Brazil, as the Brazilian real weakened and the commodity price bases increased at the start of the trade war.

Let’s turn to Slide 13 and our capital allocation philosophy. We remain committed to our financial policy to be good stewards of capital. We will continue to seek the right balance in investing in our existing assets, allocating capital to accretive growth opportunities, and returning capital to shareholders.

All of this we will do in a manner consistent with an investment grade rating, with triple B being our long term target. We are rated triple B flat by S&P and the equivalent of triple B minus by Moody’s and Fitch.

We have committed credit facilities of approximately $5 billion of which $4.2 billion was undrawn and available at the end of the quarter and we had a cash balance of $238 million. We had a capex spending at $265 million in the first six months of 2019 compared to $220 million in the first six months of 2018.

We continue to expect capex of about $550 million for this year. It should be noted that $86 million of our year to date and $115 million of our forecast cap spending for the year is related to the sugar business, which will be contributing to the JV with BP. We paid $79 million in dividends to shareholders in Q2.

Let’s turn to Slide 14 and our return on invested capital. Our trailing four quarter average return on invested capital was 7.2 percent overall and 8.9 percent for our core businesses. We will continue to use a benchmark of 200 basis points above our costed capital at an important metric for ensuring we are creating value for our shareholders.

With that, I will turn the call back over to Greg for some closing comments.

Greg Heckman
Thanks, John. Thank you all again for joining us today. I want to reiterate that seasonality and timing will place more weight on the fourth quarter to achieve our targets. We continue to evolve our operating model, to increase accountability and the speed of commercial decision making, with a focus on getting closer to customers, reducing costs, and better leveraging our global platform.

Our team is moving forward on the strategic priorities we laid out, driving operational performance, optimizing the portfolio, and strengthening financial discipline. Our new joint venture with BP in Brazil is just a first step as we increase focus, deploy capital more effectively, and seek to improve results for all of our stakeholders.

And, finally, thanks to our sugar and bioenergy team for their hard work to put us in position to create this JV, and to our entire team for the excellent work to get the JV to this point.

And, with that, Operator, let’s open the line for questions.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press Star, then 1 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 2.

At this time, we will pause momentarily to assemble our roster.

The first question comes from Heather Jones of Heather Jones Research. Please go ahead.

Heather Jones
Good morning.

Greg Heckman
Morning.

Heather Jones
I had a couple of questions. I was pleased to see that you--you all maintained the 2019 outlook. But, if you look at the forward strip, soy crush margins had come down some. The outlook for soft seed in Europe has softened some due to tighter rapeseed crops. So, just wondered if you could help us understand, was it some internal initiatives or what that you were able to keep your outlook consistent with your Q1?

Greg Heckman
Thanks, Heather. Our--the outlook for the business mix hasn’t changed. We expect food and ingredients and sugar to be up the year. And, then if you look at the first half, even net of timing was a little bit better than we expected on soy crush.

Now, no doubt there are a lot of unknowns and probably this time a year is always tough on visibility. But, it's even a little more typical than typically with the trade war. But, if you look at the forward curves from where we put things together when we based our outlook in Feb, across our portfolio weighted, we're really not that much different.

Heather Jones
Okay. Okay. And, then was wondering if you could update us on your thinking as far as ASF with the obvious caveat that it could evolve. But, when you're thinking about the magnitude of the issue, timing of it impacting your business or the industry, has your thinking changed at all versus Q1? And, if so, could you elaborate?

Greg Heckman
No, our thinking really hasn't changed. I think everyone continues to try to get a handle on it. But, we didn't feel that there would be a big puts or takes in '19. And, we think any tailwinds would be out in the future, and those are probably in '20, maybe even second half '20 and '21 for any of those tailwinds. So, really the same thoughts at this point. But, I don't know that we have a lot better perspective than the market does on this.

Heather Jones
Okay, perfect. Thank you so much.

Greg Heckman
Thank you.

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

Vincent Andrews
Hi. Just quickly, just a couple of clarifications on the guidance. First, I assume it does not include any sort of resolution of trade or sort of the status quo on that. Is that correct?

Greg Heckman
Correct. We're not going to make any predictions. So, what the forward curves is what they believe is going to happen.

Vincent Andrews
Okay, thank you. And, then second, on the back--or the 4Q loaded. Is it anything other than the timing differential in soy crush?

Greg Heckman
No, just if you look back historically, it's normal seasonality and then the fact of a lot of the timing issues that were pulled. That was primarily from crush that was hedged in Q3. And, as crush was roughly the same at the beginning and the end of the quarter, but of course path matters, it rallied during the quarter and as we hedged off some of the Q3 and then it came down at the end of the quarter, of course that winning leg had to be mark to market, which moved profitability from Q3 into Q2 and that's what we were calling out.

Vincent Andrews
Okay, fair enough. And, just lastly, there's an article out this morning talking about China going to Argentina to inspect plants to potentially open up their market to Argentine meal. I would

assume with your footprint, you would view that as a net positive for you, or how would you see that impacting meal flows?

Greg Heckman
We heard some noise about this in the market a few months ago and then it had gone completely silent until we saw that article this morning. So, not sure what to make of that, so we'll continue to watch the developments along with everyone else.

Vincent Andrews
Okay, thanks very much.

Greg Heckman
You bet.

Operator
The next question comes from David Driscoll of Citi. Please go ahead.

David Driscoll
Great, thanks, and good morning, guys.

Greg Heckman
Hey. Morning, Dave.

John Neppl
Good morning.

David Driscoll
So, I wanted to follow up just a little bit more on ASF and just kind of have a walk through. So, I heard your answer to Heather's question that your thinking hasn't changed. But, can we just kind of dive into just a few of the details? I think many investors are confused by exactly what you do think and what you're seeing.

The first question on ASF is do you still think that the market expectations of a minus 20 to minus 30 percent reduction to the Chinese hog herd? Is that still correct? Or do you think it's worsened where it's somewhat north of 30 percent? Can you give us some feel for the magnitude?

Greg Heckman
I think what we've picked up in the marketplace, I believe it's publically known that probably if you had to pick an over/under, you'd probably pick the over on the 30 percent right now, is what the belief is. And, then if you look at what has to happen, then the demand for that missing pork is filled by pork from other areas of the world and other species.

From a timing, I think we had said any effect of that from a tailwind we thought would be 20 or 21. If you believe it's a little larger, maybe--that's why I said maybe it's second half '20 and '21 as you begin to see the recovery of that. I think the other things we had talked about is if you believe it comes back to more commercial operations, you probably see higher inclusions of soybean meal in the future.

And, the other thing, just as a reminder, there's only about 15 percent of our crush in China, including the Vietnam JV there in Asia. So, as beans back up in the rest of the world and as there's more demand for meal in the rest of the world for the protein to fill that hole and the protein demand in China, we do like how our global footprint sits. And, that's why we believe that we can see some tailwinds long term. But, none of that in '19 and maybe not even the first half of '20.

David Driscoll
And then Greg, just following up on that. So, I think the first thing that happened here is less hogs in China, less demand for soymeal within China, and that's the negative impactor on the crushing operations, certainly the Chinese crushing operations for the entire industry. But, it's just then--it makes everything a little sloppy right here in the near term.

Maybe what I don't understand about your comments is, is once the Chinese go into international markets to replace that lost protein, why wouldn't the--why wouldn't there be a more or a more rapid tightness occurring within crushing operations outside of China? So, if they start buying lots of pigs from the United States, lots of chickens from the United States, why wouldn't we see crushing rates in the U.S., Brazil, Argentina, Europe start to ramp? And, why wouldn't that be more towards the end of this year?

It sounds like you think that's much farther out than I think what some others believe. But, just walk me through the physical flow, if you can, if you will, about why it would take so long before there would be some benefit as the Chinese undoubtedly have to replace this lost substantial protein.

Greg Heckman
Yeah, and I don't know that we're the expert on this, but I will tell you, I think what the market is debating and what we're watching – you've got one, the animal lifecycle, you've got two, the investment to increase production because we don't believe there's a lot of open capacity out there. And then three, you've got all of the issues even when you expand production on the animal side around getting the labor, getting the transportation, getting the permits. So, it's not just flipping a light switch.

David Driscoll
Okay, I'll leave it there and I'll pass it along.

Greg Heckman
Thank you.

Operator
The next question comes from Adam Samuelson of Goldman Sachs. Please go ahead.

Adam Samuelson
Yes, thanks. Good morning, everyone.

Greg Heckman
Morning.

Adam Samuelson
So, I guess my first question is going to be just on the outlook for the balance of the year and really, just trying to get a sense of especially relative to where expectations would have been three and six months ago. I imagine the outlook for U.S. grains has gotten worse, given the issues with the U.S. crop this summer. I just want to make sure I'm thinking about that right.

Is it just the export opportunities out of Brazil with the Safrinha corn and Argentina have improved enough to offset just thinking about that balance and kind of how farmers selling or retention has played into that as you look at the balance of the year.

Greg Heckman
Yes, we--as we look at the balance of the year, if you think about our U.S. grain footprint, grain handling storage distribution is definitely much smaller than the balance of the world and there has been some benefit for the U.S. crushing. So, we're probably with our footprint, not as exposed on that piece of it, while it does make the trade flows difficult and planning difficult in the rest of the footprint. We're not as directly exposed to that.

Adam Samuelson
And, farmer selling, just (inaudible)--

Greg Heckman
--(Inaudible)--

Adam Samuelson
--South America?

Greg Heckman
Yeah, farmers selling in South America continues. Brazil has closed the gap a little bit on prior year. Argentina continues to be slower. Farmer continues to hold soybeans ahead of the election, really as a hedge and uncertainty there. And, then also the U.S., kind of as they settle out not only what acres got planted, but how that crop develops and the producer waiting to see a U.S.-China trade resolution, all things that give, I think the producer, a reason to wait to commercialize the crop in the U.S. So, we'll see that happen a little later.

Adam Samuelson
Okay. And, then just, Greg, you've been officially in the role now since--or in the role since January, and I guess trying to just get a sense as you've kind of had time to more fully assess the operations and the portfolio, if you've got any more updated or clearer thoughts on opportunities and size of whether it's kind of across just cost reductions, just improve risk activities and what contribution that could mean, or just size of kind of portfolio opportunities and just dimensionalize kind of some of the actions that you're looking at to improve the overall returns of the company.

Greg Heckman
Sure. Look, I continue to repeat my earlier thoughts. This is a fantastic global footprint that this company has and we've got a very talented experienced workforce. I mean, this is an exciting opportunity. As far as specifically around the portfolio optimization, let me give you a quick update there.

We've kind of moved--I think I talked last time about three categories or three buckets of work. We've moved really into two major buckets right now. We've got those things that are active and under way, where we've got dedicated internal and external resources working on the projects. And, when they're complete, we'll communicate what we've done, why they've done it, what it means for us. An example of that, of course, was BP. It was in bucket one. It got to the point where we got it done and then we could share with you what we're doing.

So, we've got things in bucket one and then in the second category, or bucket two, these are things that will go active when we free up capacity. The majority of those are more housekeeping items than big items, but they still matter. They still matter to simplifying our footprint, allowing us to take costs out, improving our focus and improving our returns.

Adam Samuelson
Okay. And, just to clarify on the cost opportunity, do you think--is the cost opportunity more closely linked with the portfolio or do you think that there's a sizeable cost opportunity independent of the portfolio actions that you chose to make or not make?

Greg Heckman
Yeah, we see two channels. One, they're definitely through the simplification of the portfolio as we remove those stranded costs from taking out the complexity. And, the other, as we've talked about, the change of our global operating model, where we're collapsing the--and eliminating the regional structure, where we're getting focused around the value chains, or the assets and the employees that operate those assets that serve the customers, where prices established, where innovation happens.

As we do that, it not only gives us simplicity and accountability and speed to act, but the thing we love about it is the byproduct of that will be costs coming out of the system. So, it's not a cost savings project. It's a business optimization project and a byproduct of cost savings. So, that'll take some work as we rewire the organization, but we're excited about the benefits of that going forward.

Adam Samuelson
All right, I really appreciate the color. I'll pass it on. Thanks.

Greg Heckman
Thank you.

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

Rob Moskow
Hi Greg. Excuse me.--

Greg Heckman
--Morning.--

Rob Moskow
Good morning. I don't remember hearing you mention Loders for the quarter. Maybe you did. But, I think last quarter, you said that you were going to take more of a hands on approach and have it report directly to you for a while. How did the business perform in second quarter? And, what have you learned over the past three months about how it integrates with Bunge?

Greg Heckman
Yeah, I continue to feel good about the capabilities that loaders has given us. We were touched soft in Q2, kind of on customer timing, as well as a little bit late startup on our Ghana and our China plants. But, we remain on track with the business case. We have integrated the Loders business into our legacy Bunge B2B business.

We continue to focus on the debottlenecking, bringing our industrial expertise to the combined platform, and really optimizing that combined footprint and not only on the industrial side, but on the go to market and the innovation with customers. And, then those are things that'll payoff in '20 and in '21. So, there's only one team together--there's only one team today. We're running the business together and it continues to make progress.

Rob Moskow
Okay. And, another question. Are there any synergies that you could help us quantify with BP in the sugar business now? If I'm--because I'm trying to get to could this become an accretive deal for you at some point? Right now, it looks around breakeven for 2020. Have you worked through EPS math for 2020 at all or what incremental benefits could be of the combination?

Greg Heckman
Sure. Let me put John to work. [Laughter]

Rob Moskow
All right, good.

John Neppl
Yeah, I think you nailed it in terms of year one is going to be largely a push for us. No meaningful change to our returns in terms of the first year. We do believe and expect years two and three to gain some synergy on this operation, both from a cost side obviously, which is probably the easier one to get at first, is the combined operation to getting at the cost side. But, ultimately the real key will be the operational optimization between the two platforms.

We do expect in Q--or I'm sorry, in year two and year three to do--to realize some synergy. And, I think that in terms of total dollars, I'm reluctant to give a solid number, but it will be meaningful enough that at least in how we've worked this with BP together to create an opportunity for accretion on the transaction.

Rob Moskow
Great, thank you.

Greg Heckman
Thank you.

Operator
The next question comes from Tom Simonitsch of JP Morgan. Please go ahead.

Tom Simonitsch
Good morning.

Greg Heckman
Hey, good morning.

John Neppl
Morning.

Tom Simonitsch
So, just going back to risk management, can you elaborate on what you are doing differently in terms of risk management compared to prior years?

Greg Heckman
Sure. How we're thinking about managing the--what the--or the earnings at risk in these assets, that's the physical flows involved with all of our handling processing, distribution assets, so if you think about it, it's all the grains and oilseeds on the way in and then all the products on the way out, as well as all the freight and logistics that surround that. So, there's not only the inherent risk that we're helping manage in our assets, but that we're helping our customers on both ends of the value chain, manage theirs as well.

And, then ultimately, just philosophically, the net of those risks, is the risk that we have to--the remainder risk that we have to manage, and that is we're keeping it--the amount of risk we're taking appropriate, not only for our earnings power, but for the environment that we're operating in, which is fairly challenging. But, I'll tell you, Robert Wagner has only been here a month and of course Brian Zachman since January. But, couldn't be more pleased with how those two leaders and their teams are partnering across the control and the commercial functions.

They're driving simplification and transparency, which helps us with our speed to act in managing the risks inherent in our business. And, at the end of the day, it's about the key focus on the right things. So, we're getting the right information to the right people at the right time, which helps maximize the earnings in our portfolio. But, it also helps eliminate the unforced error .

So, there was a good foundation of risk management here, but we're building on that, making good progress already, and we've got some targets for some other improvements. So, excited about the team we're building.

Tom Simonitsch
Okay, thank you for that. And, can you discuss your expectations of soybean exports versus domestic crushing in Brazil for the remainder of '19?

Greg Heckman
I don't think we see things any different from the market, and with the uncertainty, the teams are continuing to analyze and look at managing through a number of different outcomes. The main thing we're working really hard to do is stay out of the way of any stroke of the pen risk, because things are just difficult enough.

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

Greg Heckman
Thank you.

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

Ken Zaslow
Hey, good morning, everyone.

Greg Heckman
Hey. Morning, Ken.

Ken Zaslow
So, a couple questions. One is can you just estimate how much lost profit was due to the weather, just kind of scale that a little bit, because I'm assuming it'll come back next year? Just trying to figure that out.

Greg Heckman
Yeah, we could give a couple highlights on that. John, you want to take that one?

John Neppl
Yeah, I think, Ken, from our view, nothing is exact obviously, but I think we think in terms of somewhere around $13 million in the quarter was probably weather related. As a team, looked at the lost opportunities and the delays and things impacting. Not only--the big driver is logistics obviously at the river system and then farmer willingness around weather to hold off on soybeans. Waiting to see what was going to happen with this year's crop, it created a lot of uncertainty as well.

So, again, not an exact number, but we believe that somewhere in the neighborhood of $13 million was kind of a guess from our guys.

Ken Zaslow
The second question is you alluded to it, but can you talk a little bit about anecdotally the operational improvements that you're doing in either green fielding--green fields or startups or anything like that, that you are seeing? You've been there for six months or so. Have you started to kind of wrap your hands around the operational improvements? And, then I just have one more question.

Greg Heckman
Yes, I think a lot of it has been purely execution. I think the teams have done a great job. There was a lot of work done last year to create some additional transparency on how we're operating the assets from not only having them up and ready from the industrial side, but then making sure commercially, that we are running those assets and getting the beans there in time, or the corn or the wheat there in time, and the products away to manage that.

Some of that is around the planning process and then a lot of it is around the execution. So, we're seeing metrics improve. And, then as we said, the other is working together as a team to avoid the unforced error , because this is definitely a tough environment and there's just not a lot of extra to pave over any potholes.

Ken Zaslow
Okay. And, then my final question is a competitor of yours last quarter indicated that they can--they had a return on invested capital of 11 to 12 percent. They seem to be in a similar business to you. Their initials are obviously ADM. Do you think there's a structural reason why you would not be able to get a return on invested capital similar to that?

I know your target is 200 basis points above WACC. But, why stop there? Is there something that limits that? Is there any sort of impediment? Can you give some parameters to that? It just seems like there's no reason that you shouldn't be able to get there. Your business model, geographically, is different. But, just any sort of color on that would be helpful.

Greg Heckman

Yeah, I've told our team and I'm not sure if I've said it on the call before, but look, we're chasing that two above WACC) and when we get there, we're going to raise it again. So, that is not an end state. That is aweigh station on the journey here, and we're pulling every lever possible from how we operate to changing the footprint, to improve those returns. So, we're not going to be happy at two over our WACC. That's the first target.

Ken Zaslow
Great, I really appreciate that. Thank you.

Greg Heckman
You bet.

Operator
The next question is a follow up from Heather Jones of Heather Jones Research. Please go ahead.

Heather Jones
Hi, thanks for taking the follow up. What's your JV with BP? Y'all are retaining fairly large exposure to the Brazilian sugar business and I was wondering if you--what your thoughts on what the RenovaBio program--just, I know it would be just speculation, but what are your thoughts about what that could do for those assets over the next few years, like the earnings power?

Greg Heckman
Yeah, how we've thought about the JV is we couldn't be more pleased to have a partner like BP. I mean, their global scale in fuels, they are absolutely committed to--they've publically said they're committed to growing this bio fuels platform. We had very good offsetting skills and track records and expertise bode between the two teams.

And, this business is going to have the most conservative balance sheet, the most conservative capital structure, we believe, from anyone in the marketplace. So, we think it puts us in the best position to operate in that marketplace regardless of what everyone else does. And, the other key thing is we have a clear path to monetization.

So, we're aligned to see the business operate very well as we're a joint owner. And, like I said before, we were going to run it like we were going to own it forever until the day we didn't. Now, we only own 50 percent and we'll be great partners and run it like we're going to own that 50 percent forever, until the day we don't.

Heather Jones
But, do you think RenovaBio is going to be a meaningful tailwind for that business?

Greg Heckman
I'll probably wait until the deals close and let the new JV leadership kind of comment on their view of the competitive outlook.

Heather Jones
Okay. And, my second question. On the economy in Brazil, you mentioned still weakness there in the milling side. Some companies have talked about early signs of improvement in that economy and I was just wondering what your thoughts on the state of the economy there?

Greg Heckman
I don't know that we have particular insight other than what we're seeing publically. It definitely feels like things might be getting a slight bit better. But, I don't think anyone is declaring a victory at this point.

Heather Jones
Okay. Thank you so much.

Greg Heckman
You bet.

Operator
This concludes our question and answer session. I would like to turn the conference back over to Ruth Ann Wisener for any closing remarks.

CONCLUSION

Ruth Ann Wisener
Thanks for your time today and thanks for your interest in Bunge. If you have any follow up questions, please feel free to reach out to me later today.

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