Bunge Limited

First Quarter 2019 Earnings Release and Conference Call

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CORPORATE PARTICIPANTS

Ruth Ann Wisener - *Head of Investor Relations*

Greg Heckman - *Chief Executive Officer*

Thom Boehlert - *Chief Financial Officer*

PRESENTATION

Operator
Good day and welcome to the Bunge Limited First 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. Please note this event is being recorded. I would now like to turn the conference over to Ruth Ann Wisener, Vice President, Investor Relations. Please go ahead.

Ruth Ann Wisener
Thank you, Operator, and thank you for joining us this morning. It's great to be here at Bunge. Before we get started, I want to let you know that we have slides to accompany our discussion. These can be found in the Investors 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 risks and uncertainties. Bunge has provided additional information in its reports on file with the SEC concerning factors that could cause actual results to differ materially from those contained in this presentation, and we encourage you to review these factors.

On the call this morning are Greg Heckman, Chief Executive Officer and Thom Boehlert, Chief Financial Officer. I'll now turn the call over to Greg.

Greg Heckman
Thank you, Ruth Ann, and good morning. I'm honored to have the opportunity to serve as Bunge's new CEO, and we have a lot to discuss today. But first, I'd like to welcome Ruth Ann Wisener, our new head of Investor Relations. Ruth Ann joined Bunge in March and brings a wealth of experience in food and agriculture industries, from Tyson Foods and ADM, among others. Ruth Ann's relationships with analysts and investors will be a great asset for us, and I am delighted to welcome her to the Bunge team.

We are aggressively moving forward on the priorities we discussed last quarter and we continue to ramp up the important efforts already underway to improve our business and operations. This morning, I want to share with you why I'm excited about the company's prospects. I'll then cover some organizational changes that we announced today. We will review our strategic priorities, and then Thom will provide additional detail on our first quarter results. And then finally, we'll open it up for Q&A.

Over the past several months, I have focused on getting to know Bunge better by visiting many of our locations and meeting with our people across the globe. In South America, Europe, and the U.S., I've seen our operations up close and received valuable feedback from employees on their ideas to improve how we operate. I've also seen the depth of our employees' knowledge, passion and commitment to the success of our business going forward.

I have gained new insights into how our business segments complement each other and how we can use those relationships to better leverage our assets. For example, as we had expected, integrating Loders Croklaan into our legacy portfolio is giving us opportunities to become a valued supplier of additional products and services to both new and existing customers.

Bunge has a powerful global franchise in oilseeds and oils. We are the number one crusher in the world, with the largest South American footprint, strong positions in other key geographies, and a new and evolving oils platform. Combined with our worldwide grains distribution network and regional milling footprint, this provides us with unmatched scale and expertise. We can better execute on the opportunities generated by our scale when our internal structure, systems, processes and people are aligned. This requires a new level of speed and execution across the organization.

To achieve this, we'll shift to a global operating model from our current regional structure, as we've detailed in a separate announcement this morning. This new structure will simplify how we operate, drive greater transparency and accountability, reduce costs, and support our renewed and deeper focus on customers and execution.

As part of this reorganization, our commercial activities will be aligned around our handling and processing assets, management of physical product flows, and the risk management and optimization associated with our global business. In addition, Bunge Loders Croklaan will now report directly to me. I want to ensure this business is positioned appropriately and achieves its full potential.

Also, as you've seen, John Neppl will be joining us at the end of the month as our new Chief Financial Officer. I've worked with John for many years. His expertise in the agribusiness, food and ingredients industries, and his successful track record, will enable him to make a significant contribution here.

Thom Boehlert will stay on to ensure a smooth transition with John. Thom has been a great contributor to Bunge, including his spearheading of our successful Global Competitiveness Program, and we are fortunate to have a world-class financial team that he has assembled. I also want to express my personal gratitude to Thom, for his key role in supporting Board Chair Kathi Hyle and me in our new roles over the past several months.

We have a deep and talented bench within our key businesses, and I have full confidence in the team. Together, we are working aggressively against our three strategic priorities: driving operational performance, optimizing the portfolio, and strengthening financial discipline.

Regarding operational performance, while we missed opportunities and did not operate our plants at the full utilization the market provided last year, our network and physical facilities are sound. Over the last three months, I've worked with the team to tighten up how we operate and better manage the inherent value at risk. Expectations are clear and I'm very pleased with the level of engagement.

Through the process of portfolio optimization, we have identified specific assets and established dedicated teams of internal and external resources to rationalize the portfolio. We're making progress on these projects, which will ultimately improve Bunge's earnings and returns. We know you're eager to hear more, and we will share developments and additional information when we can.

We are also continuing to strengthen our financial discipline, re-emphasizing controls on working capital and capital spending. Any future investments will be carefully scrutinized and aligned with our strategic priorities. We will be reluctant to spend growth capital on any project that is not funded by improvements in business results or execution on portfolio changes.

On operating costs, I am very pleased with what we've achieved through our Global Competitiveness Program. The GCP has already gone a long way to reduce costs, simplify how we work and help us think differently. We will use this momentum, along with the changes to our operating model, to develop a cost structure for the cyclical nature of our industry.

We still have work to do to get our processes and operations where they need to be, and that's a key focus over the coming weeks and months. However, I am encouraged by the energy and engagement of the team and the direction the company is heading.

Turning to Q1 results, they were largely in-line with our expectations. Soy crush margins were better year over year in the U.S., Brazil and Europe, partly offsetting weaker results in Argentina and China. Higher results in Edible Oils were driven by a full quarter of Loders ownership and continued synergy benefits. In addition, I want to commend our North American team which kept facilities operating at very good levels, despite severe weather that disrupted operations and logistics in the US.

Based on current market conditions, our view on the 2019 full-year consolidated results has not changed from what we shared with you in February. That said, there are a number of unprecedented factors in the market. First, African Swine Fever has caused the largest decline of animal protein supplies in recent memory, a decline equal to the entire US swine herd, and the full impact of this disease remains to be seen. Second, the most recent USDA forecast suggests global soybean inventories will exceed 107 million metric tons as of September 1st, a record high. Additionally, most of these inventories remain in the hands of producers, and we believe future producer marketing patterns will be affected by how the U.S.-China trade discussions evolve. While these dynamics should create positive catalysts for our globally diverse footprint, the timing and magnitude of these potential benefits remain unclear. I'll now turn the call over to Thom to go through the numbers in greater detail.

Thom Boehlert
Thanks Greg. Good morning, everyone. Let's turn to the earnings highlights on Page 4. Reported first quarter earnings per share from continuing operations was 26 cents compared to a loss of 20 cents in the first quarter of 2018. Adjusted earnings per share was 36 cents in the first quarter verses a 6 cent loss in the prior year.

Notable pre-tax charges totaled $15 million during the quarter, primarily related to the Global Competitiveness Program and an impairment charge. Total segment EBIT in the quarter was $151 million versus $61 million in the prior year. On an adjusted basis, total segment EBIT was $166 million versus $85 million in the prior year.

In Agribusiness, adjusted EBIT was $120 million, compared to $52 million in the prior year. Starting with oilseeds, both quarters were negatively impacted by crush margin mark to market timing effects. In the first quarter of 2019, by mark to market gains taken in 2018 related to the first quarter production. And in the first quarter of 2018, by mark to market losses related to future production. Adjusting for these two effects, first quarter 2019 adjusted EBIT would have been approximately $146 million compared to $86 million in 2018, an increase of $60 million.

Crush results, adjusted for mark to market, were the primary driver of the increase year over year. Both Soy and soft crush volumes were slightly higher than last year. Soy crush margins were higher as we locked in a significant portion of our first quarter production last year before margins weakened. Margins were higher in North America, Brazil and Europe, but lower in China due to the effects of the African Swine Fever, and in Argentina, which was negatively impacted by farmer retention of soybeans.

And soft crush margins also rose as higher vegetable oil prices improved performance in Europe and Canada. This more than offset lower results in China. Oilseeds trading and distribution results were down as margins declined, only partially offset by higher volumes. Risk management results were positive, in both periods.

Moving to Grains. The segment generated EBIT of $22 million versus $86 million a year ago, primarily on lower origination volumes and margins in both North and South America. In North America, results were negatively impacted by weather-related disruptions, farmer retention and reduced export demand from China. In Brazil, farmer selling was limited amid a decrease in premiums related to crop size and lower export demand due to African Swine Fever.

Results in grain trading and distribution were lower than last year, reflecting a decline in volumes and margins. Both origination and distribution were somewhat lackluster during the first quarter, with the lack of U.S.-China trade news and the continued spread of ASF. In total, we estimate that the challenging U.S. weather conditions during the quarter negatively impacted the Agribusiness segment results by approximately $20 million.

Food and Ingredients adjusted EBIT was $68 million compared to $54 million in the first quarter of 2018. Edible Oils adjusted EBIT was $51 million up from $35 million last year, primarily driven by a full quarter of Loders Croklaan ownership and higher margins in Brazil resulting from tight oil supplies and reduced industrial costs. Results in Asia were slightly lower. Milling EBIT was $17 million, down from an adjusted $19 million last year. Improved results in Brazil were more than offset by lower margins and volumes in Mexico, while U.S. results were similar to last year.

Sugar and Bioenergy had an adjusted EBIT loss of $23 million, similar to the $20 million loss last year. Results were due to lower ethanol and sugar prices, largely offset by lower costs. As the first quarter is the intercrop period, our mills only began producing for the season toward the end of March. The sugar and ethanol we sold during the quarter was inventory from the previous harvest.

Fertilizer EBIT was $1 million compared to a loss of $1 million in the prior year. Higher results were driven by our Argentine operation, where lower costs more than offset lower margins.

Our tax expense for the quarter was $38 million. The effective rate of 43 percent was unusually high because we had losses in certain entities for which we cannot record a tax benefit.

Let’s turn to Slide 5, the cash flow highlights. Cash used for operations for the three months of the year was $402 million compared to cash used of approximately $1.8 billion in the same period last year. The year over year variance is primarily due to a decrease in inventories. Our trailing 12-month adjusted funds from operations were $1.2 billion.

On Slide 6, net debt of approximately $5.5 billion increased as compared to about $5 billion at the beginning of the quarter due to an increase in working capital. Our debt largely finances our inventories. As the slide shows, more than 80 percent of our net debt was used to finance readily marketable inventories during the quarter. In connection with a new accounting lease standard, we recorded approximately $1 billion of operating lease assets and offsetting liabilities in the first quarter.

Let's turn to Slide 7 and our capital allocation philosophy. We remain committed to our financial policy, targeting a triple B credit rating and maintaining access to committed liquidity sufficient to comfortably support our Agribusiness flows. We're rated triple B flat by S&P and the equivalent of triple B- by Moody's and Fitch. We have committed credit facilities of approximately $5 billion, of which $4.3 billion was undrawn and available at the end of the quarter. And we had a cash balance of $464 million.

Within our capital structure and liquidity framework, we allocate capital to CAPEX, portfolio optimization and shareholders in a manner that we believe provides the most long-term value. We've continued to maintain discipline in capex spending, investing $119 million in the first quarter, compared to $105 million in the first quarter of 2018. Annual Capital Expenditures in this year and last are 35 percent below the prior five-year annual average. We did not invest in acquisitions during the quarter, and we paid $79 million in dividends to shareholders.

Let's turn to Slide 8, and our return on invested capital. Our trailing four-quarter average return on invested capital was 5.6 percent overall and 7.2 percent for our core Agribusiness and Foods segments, above our cost of capital. Our goal is to earn 200 basis points above our 7 percent cost of capital on the Agribusiness and Foods segments.

Regarding the Global Competitiveness Program, when we announced the program in July 2017, our goal was to reduce SG&A costs by $250 million by 2020, compared to our 2017 addressable SG&A baseline of $1.35 billion. We expect to reach our $250 million savings target this year, a year ahead of plan. The $50 million in incremental savings that we expect in 2019 will be primarily driven by the continued standardization of processes and a move to shared services, IT rationalization, and reductions in indirect spend. As we move into the asset optimization work, and continue to streamline the organization, the company will apply the discipline we have developed to identify and capture additional savings.

Let's turn to the 2019 Full-year Outlook on Slide 9. Given current market conditions, we continue to expect the full year 2019 results to be similar to 2018, but with a change in the mix. In Agribusiness, Oilseed results would be lower than in 2018, as forward soy crush margins are materially lower than last year and historical averages. Actual crush margins over the balance of the year are likely to evolve based on U.S.-China trade relations, the size of the North American crop, the pace of farmer selling in North and South America, the evolution of ASF, among other factors.

Based on the softseed crush margin environment, the outlook would be slightly improved compared to 2018. Actual margins will be impacted by the size of the softseed crops, which will be harvested later in the year. Improvements in risk management and how we operate should support higher results in Grains versus last year. Again, the U.S.-China trade dynamic and the rate of farmers selling will affect the timing and the geographic location of origination margins.

In Food and Ingredients, full-year results will benefit from 12 months of ownership of Loders Croklaan and increased synergies from the integration with our B2B businesses. In addition, favorable Milling operating environments in Brazil and the U.S. will be partially offset by more challenging conditions in Mexico.

Moving to Slide 10. In Sugar and Bioenergy, we expect results to be approximately breakeven, a significant improvement from last year. And, in Fertilizer, results to be slightly lower versus 2018.

Also, we continue to expect: CAPEX of approximately $550 million, DD&A of approximately $650 million, net interest expense in the range of $290 to $310 million, and a full year effective tax rate in the range of 22 to 26 percent based on the anticipated mix of earnings.

Regarding the second quarter, we would expect overall results to be slightly lower than the first quarter. The Agribusiness environment has not changed significantly since the first quarter, F&I results are expected to be lower as a result of the timing of spending and seasonal factors, and we expect similar seasonally driven losses in Sugar and Bioenergy and Fertilizer in the second quarter as we had in the first quarter. This outlook does not include any new crush mark to market or timing differences which would be determined by market prices as of the end of the quarter.

I'll now turn the call back over to Greg.

Greg Heckman
Thank you again for joining us today. The changes we have underway will help simplify our internal structure and processes, allowing us to leverage the depth of our expertise and increase accountability across Bunge. We're making progress against our strategic priorities which will result in tangible benefits for our shareholders and customers. 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 Robert Moskow of Credit Suisse. Please go ahead.

Robert Moskow
Hi, thank you for the question. Greg, Bunge historically was run on a very regional basis and there were regional presidents who had a lot of authority, and I think that probably limited the capability of the company to leverage its global footprint. So, can you talk a little bit about the cultural change that this reorganization will require? And, can you talk about the potential for execution risks as you shift to this new model? Are there other Ag business companies, like well, peers of yours that have shifted to this model successfully that you're using as a comp also? Thank you.

Greg Heckman
Morning, Rob. Now, this is about performance. This is about simplification, accountability, and speed, and we're looking to improve accountability and speed and through simplification, it's going to help a lot of that. We're going to organize around customers and markets, customers that we serve, and the assets and people that operate and the markets that drive our margins.

Robert Moskow
Okay. Can you talk about whether this is a big cultural change for the company?

Greg Heckman
Well, eliminating the regional matrix is definitely a cultural change, but I think the journey the company's been on the last two years, if you look at the Global Competitiveness Program, the functions had moved to global, and the company's been transitioning in there. And, then if you look at the acquisition of Loders, so the Bunge/Loders Croklaan on our B2B oils platform, the company positioned that as a global platform when they decided how that would best operate. So, there's already been a couple big shifts there with a lot of success behind them over the last two years. So, I think the evolution was started and it was time to go all the way.

Robert Moskow
Okay, great. And, one follow up. You mentioned that Loders will now report directly to you and it's shifted to a global platform. Would you say that, does that mean that it has now integrated with Bunge's heritage Edible Oils operations or part of Bunge's heritage operations? Like, is this now operating like a global Edible Oils business or are there still kind of regional areas of Edible Oils that are separate from it? Thanks.

Greg Heckman
Yes, the team positioned it as a global platform. So, the Bunge/Loders Croklaan JV and our legacy business to business oils platform now operates as one platform under Aaron. No change there. The only change is he'll be reporting to me.

Robert Moskow
Okay. The reason I ask is because I guess it gets down to, doesn't it still get down to the consumer level in Brazil, like a retail bottled oils operation that even have some brands attached to it or is that part of this network or kind of separate or not?

Greg Heckman
No, that's attached to our Oilseed value chain. Those are attached to our value chain. In all of these business, even in a global business, there are certain things that are always, of course, executed locally and that's part of getting the business model right and being able to be very clear about who has the accountability and being able to make decisions at commercial speed for our customers and across our network for our shareholders.

Robert Moskow
Okay. All right, I'll stop there. Thank you.

Greg Heckman
All right, thank you.

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

Adam Samuelson
Yes, thanks. Good morning, everyone.

Thom Boehlert
Morning.

Greg Heckman
Morning, Adam.

Adam Samuelson
So, I guess first, Greg, just wanted to dig a little bit more on some of the strategic actions. There was an allusion in your remarks to portfolio optimization and not specifically identifying businesses, and I get that for sensitivity reasons. But, any way to frame how big that bucket could be, whether it's in terms of how much invested capital it represents, what the multi-year average earnings of those businesses were? Just framing kind of what, in terms of portfolio changes, how big those--that could be.

Greg Heckman
Let me walk you through the work, how we're moving that forward. So, we've taken and prioritized into three buckets if you will, between what we want to do and what we know we can do, and that first bucket are all our active projects and we've dedicated internal and external resources. And, that work is well underway and those will be the things in the first bucket that you'll hear about first, when we're able to share it.

The second bucket are the things that are in late stage, where we've made a decision about what we're going to do, and now we're probably between two paths on how we do it in order to create the most shareholder value. And, so those are late stage and they'll be moving into the active stage and having additional resources applied to those.

And, then the things that are in the third stage are things that are maybe a little more complex and where we've got some analysis ongoing where there may be a bigger strategic question. So, that's to kind of frame where we're at right now.

Adam Samuelson
Okay, but you're not at a point where you're willing, at least especially that first group, kind of frame how big that is, just at a high level, even [unintelligible]--

Greg Heckman
--No. Just can't do that right now.

Adam Samuelson
Okay. And, then just shifting gears on the macro, just obviously a lot of moving pieces in the world today between the U.S.-China trade and ASF. Appreciating that the timing and exact outcomes of each is still unclear, but I was hoping you could just frame how your--how the company is approaching both of those from an opportunity and risks perspective over the balance of the year and into 2020.

Greg Heckman
Okay. We'll start with ASF. As we said, the timing and the magnitude of the eventual impact, really tough, and so we're not going to try to predict that. With that being said, we are running a number of scenarios and our team is seeing everything you're seeing publically and then, of course, looking across our portfolio with the information that we have. We believe over the long term, that should provide us some tailwinds, but we're just not willing to say when that's going to be right now.

Adam Samuelson
Okay. And, the U.S.-China trade?

Greg Heckman
U.S.-China trade, that's also a timing issue. Even if you knew the timing, you'd need to know the content of what the outcome is going to be, and we don't know either about a resolution. So, again, I think our team has done a very good job in what's a difficult environment and ensuring that we continue to manage the earnings at risk in our portfolio and also protect the company from any of the stroke of pen risk that exists in this type of scenario. So, we've got no specific call on that.

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

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

Tom Simonitsch
Good morning.

Greg Heckman
Morning, Tom.

Tom Simonitsch
You mentioned farmer retention of soybeans impacting Q1 results. Can you just provide some more color by region and how do you expect farmer selling to evolve from here, and how are you managing your supply of beans in South America?

Greg Heckman
Okay. Our team, we've got a great footprint in South America and a great team there who's doing a very good job of managing what we need. The Argentinian farmer has continued to retain the majority of his soybeans after marketing corn and wheat, and using that as a hedge against the upcoming possible financial turmoil with an election in Q4.

In Brazil, I think we know it is well marketed--the farmers well marketed early and then slowed things down and he'll really be driven by price we think on a go-forward. And, then of course the American farmers are waiting to get in the field and hoping he'll get a little dry weather and be busy and the historical pattern is probably we get into Q3, he'll have a good look at how his crop is coming along and what he ended up planting, and he'll have to make some choices.

Tom Simonitsch
That's helpful. Thank you. And, also, could you walk through the softseed crush fundamentals by region and maybe outline where you see the most upside or downside risks to margins through this year?

Greg Heckman
Yeah, I'd say just overall, it looks a lot like last year right now, and then as crops come off later in the year, that'll be the key that--and I'm not calling any--a big change to what we saw last quarter when we put the business plan together.

Tom Simonitsch
I'll pass it on. Thank you very much.

Greg Heckman
Thank you.

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

Cornell Burnette
Good morning. This is Cornell Burnette in for [unintelligible] for David.

Greg Heckman
Morning, Cornell.

Cornell Burnette
Okay, great. Just wanted to start off, it sounds like when you're building kind of the forecast here, that in Agribusiness, on the Oilseed side, you're basically just looking at the current strip for crush margins and assuming that kind of holds. And, on the Grain distribution side, it just sounds like you're--I would assume that you're not really expecting a deal with China. Just wanted to know was that the case? And, then if so, kind of how do you look at ASF and the potential for a China deal kind of really impacting the numbers? Does it give you a sense that perhaps kind of the forecast over time could have some upside related to it because of these events, and so maybe the bias is just a little bit higher than where it was perhaps three months ago?

Greg Heckman
Let me start with the first two and then maybe you'll have to help me there and come back on the last two. The first, I think you've got them right. We are continuing to look at what the market is telling us and providing with the forward curves. So, you're correct there. And, then on the origination and distribution marketing business, again, we continue to look at the current marketplace and the outlook there. And, that is tied, as you said, to U.S.-China trade because if you continue to have no resolution, we've got traditional trade flows interrupted and they're distorted. It's very disruptive to the system, and then not being able to put longer term programs together while we're staying in a very close-in position until things are clear definitely changes the soybean seaborne trade with the share of that market that China's in.

Cornell Burnette
Okay.

Thom Boehlert
Let me just add to that. Let me just add to that on the margins. There has been a run up a bit in board crush over the course of April. When you look at our portfolio, a little less than half is really kind of correlated very directly to board crush, so that's our U.S. production and our European production. But, our Brazil and Argentine projection, as well as China, are not really that correlated to the board crush. So--and those margins are lower than board crush at the moment.

So, when we look at the outlook, we're really looking at the market overall across all of our regions. The increase in board crush recently has given us confidence in our outlook. But, of course, based on the conditions and the factors that we've talked about globally, those market prices can change pretty quickly.

Cornell Burnette

And, then just kind of thinking about Argentina and Brazil, I would assume kind of on a year over year basis, the outlook for Argentina, I just feel like it has to be better with the new crop, just given that you didn't really have much soy to work with this year. And, then in Brazil, equally, I think kind of at certain points in the year, you had Brazilian soy prices trading at big premiums to perhaps what you saw in the U.S. markets and maybe basis was a little bit difficult for Bunge in those regions. So, just kind of putting those two factors together, understanding that South America is structurally going to have somewhat lower crush margins than the U.S., but just kind of on a year over year basis, are you a little bit more optimistic about the South American business relative to perhaps what transpired last year?

Thom Boehlert
I mean, crush margins are lower around the globe compared to last year. I mean, last year was a historically high year. So, that's what our outlook incorporates, a crush margin environment which reflects the current market, much lower than last year.

Greg Heckman
If you look at the marketplace, while North America is a little better now, still below last year than South America, the market is telling us with the curve inverted, that it's not going to stay that way. And, then in South America, which is well below last year at this time, the market is saying they could get somewhat better. So, it's a real mixed bag.

Cornell Burnette
Okay, thanks a lot. I'll pass it on.

Greg Heckman
Okay, thank you.

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

Vincent Andrews
Thank you. Greg, could you maybe talk a little bit about sort of your philosophy around sort of how you want to drive the company's earnings, and you could bring in risk management on that. And, I guess what I'm asking is, is are you hoping to aspire to some type of aspirational earnings per share target? And, are you going to sort of encourage risk management that would sort of encourage really swinging for it with an opportunity is there and taking risk on it or are you going to encourage more of a tollbooth model, where you're trying to take the volatility out of earnings and demonstrate sort of a sustainable level of earnings power that maybe would get a higher multiple? So, maybe you could just touch on some of those thematics.

Greg Heckman
Sure. Our short term goal is to get Bunge positioned to reach the full potential of what is a fantastic portfolio and a really talented workforce, and that's number one. As far as risk management, we've got billions of dollars of assets invested, investments, and it's our job, through risk management, to maximize the earnings that are available through that asset base, but to ensure that the risk is appropriate for the environment that we're operating in, which as we've kind of been talking about here the last half an hour, is quite dynamic right now.

We want to use the phenomenal capabilities that this company has got. But, we have to have a risk adjusted approach for the earnings that this portfolio will make.

Vincent Andrews
Okay. And, maybe just as a follow up on farmer selling, which has been an issue for the industry increasingly, you noted, in the USDA report, how much of the beans were on farm, which was pretty remarkable. Is there anything structurally that you think the company can do to improve the flow of beans from the farmer? Maybe even if that means accepting a lower margin over time than you might get if you just sort of waited around and hoped that the farmers sold it at an attractive time for both of you. I mean, what can change about that farmer selling dynamic?

Greg Heckman
Ultimately, the farmer is going to manage his business, but he's an important customer for us on that end of the supply chain. And, so we're going to operate as we always do and try to be helpful, giving him insights and providing liquidity, providing logistics if he needs it. And, then using the balance of our system to find the best points of demand and then trying to get it from origins or destinations as cheaply as possible. So, we'll continue to try and help that customer be successful. We need all our customers to be profitable and growing. That makes this industry a lot more fun.

Vincent Andrews
Okay, thanks. I'll pass it along.

Operator
The next question comes from Heather Jones of Vertical Group. Please go ahead.

Heather Jones
Good morning.

Greg Heckman
Morning, Heather.

Heather Jones
Morning. So, I guess I want to start with your oil price outlook. So, you mentioned that your overall outlook for the company hasn't changed much, but I wanted to dive in to oil specifically. There are some positive demand drivers this year, but at least one of them, the Brazilian increase in the biodiesel mandate has been delayed. So, I was just wondering if you--overall, has your outlook for the--for oil pricing for the year changed at all, or do you think there are other things that could offset that Brazilian factor?

Greg Heckman
You called out one of the things that was helpful here in Q1 no doubt, but there are a number of puts and takes in the portfolio. So, we haven't called that out particularly. I think this again is part of what we're doing here with our operating models to ensure in an environment, that this dynamic--they are capturing all of the margin possible and that they're managing the oil and the meal and the beans. The team has been focused on making those decisions at commercial speed.

Heather Jones
Okay. And, my second question is on ASF and I understand that you have been pretty clear that you won't talk to timing, you won't talk to magnitude, understandably. But, one of the things we're discovering is that there's some doubt as to whether ASF can be a positive for companies like you and all when Chinese soybean meal of demand is clearly down and going to be down considerably for an extended period. So, could you help us understand how--forget timing and

magnitude, but just how ASF could play out as a positive for Bunge with its existing footprint, even with lower demand in China? How would that look?

Greg Heckman
Sure. Sure, and I might go back and just say one thing on timing that probably is important that ties into the answer, is how we think about it's really our customers. The animal protein has to see the price signals and then choose to expand. So, we're a second derivative of that demand. So, that's the thing that makes timing tough, and that's why it's probably those tailwinds are farther out.

About 15 percent of our crush is in China, so we really like being globally diversified with our footprint, because we believe as the amount of beans slowing down--slow down going to China, because of the slowdown meal demand there, that the animal protein will expand at some point and that'll be outside of China, where the majority of our crush is. That should be good for meal demand.

And, the amount of beans going there are pushed back to origins around the world, again that's where the balance of our crushing exists. And, again, that should be good for margins. So, that's how we're kind of thinking about it.

Heather Jones
Okay, perfect. Thank you so much.

Greg Heckman
You bet.

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

Ken Zaslow
Hey, good morning, everyone.

Greg Heckman
Morning, Ken.

Thom Boehlert
Hey, Ken.

Ken Zaslow
Just a couple of probably follow ups more than anything else. If you--and following up on one of the questions. If you had reorganized in the way you go in the future, how much do you think that would have contributed to your past performance over the last five years? How would that have made a difference in the earnings potential over the last five years? That's my first question.

Greg Heckman
So, Ken, you're starting with the easy one. I've got to say we've got a--we're doing this because we believe it makes us better operators of our assets and to serve customers better. So, the easiest thing to look at would be kind of self-inflicted mistakes that we would be able to avoid. That's the easiest thing to look at going backwards. That's why we talked about the faster

commercial decision making and ultimately about trying to unleash the full potential of this portfolio. So, I don't have a number for you. It's more and to be continued, I guess.

Ken Zaslow
Okay. The second easy question I have is when you break up the portfolio into those three buckets, and I'm not asking which ones, but in the active, how--what percentage are you there on the active that you're actually doing something or are you still in that third category where we're still analyzing? I guess what I'm trying to figure out is what's the speed to which we'll start to see the actions? So, if you're 90 percent in bucket one versus 10 percent in bucket one, there's probably a difference in timing, right? Is that not a fair way of thinking of that? And, can you give us some perspective on that?

Greg Heckman
No, you've got that right. The timing, as we bucket, you're going to hear about the things in bucket one first, when I said active projects where we've got not only dedicated internal people working on it, we've brought dedicated external people and resources to bear and their conversation is ongoing. So, those are the ones you'll hear about first.

Ken Zaslow
Okay. So, there's nothing in that bucket yet? Is that what you're saying, is there's nothing in that bucket? You're all bucket two and three at this point?

Greg Heckman
No, no, no. We have a--no, we have a number of active projects in bucket one. We have a number of active projects with conversations going on way, going on now which are paving the way for change.

Ken Zaslow
Okay. And, then just one clarification on the African Swine Fever, and correct me if I'm wrong. So, China obviously did not buy soybean meal. So, the decrease in soybean meal demand by China is not a one-for-one on the global markets, but if there is an expansion outside of China, there's a one-for-one relationship to soybean meal demand on global prices. Is that why there's a potential that African Swine Fever would actually be a net benefit over time to you? And, is that the right way of thinking about it? And, saying I'm wrong is fine, too. I'm just curious.

Greg Heckman
No, no, no. I think that's the right way to think about it. Of course, you've got to make assumptions on which species--the protein, where does that protein demand get switched to by species and then by geographically. But yes, the soybean meal demand, if it was like-for-like by species, it'd be one-for-one on the meal demand and then of course, without meal demand being in China, they don't need as many beans. So yeah, I agree, you're right.

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

Greg Heckman
You bet. Thank you.

Operator
And, we have a follow up from Robert Moskow of Credit Suisse. Please go ahead.

Robert Moskow
Hi, thanks for the follow up. At the risk of stirring up trouble, one of your competitors has, I think, provided a much more bullish outlook for the back half of the year based on the thesis that the entire world will need to increase livestock supplies to make up for the depletion of the Chinese herd. And, I think based on that, they thought that soybean meal prices would go higher and margins would go higher. And, your tone today, Greg, that I think is much more conservative than that. Is that--and that sounds like a purposeful choice and maybe a reasonable choice, but can you see, I guess, a lot of upside to that thesis if it plays out for your business?

Greg Heckman
Yes, you're correct. We probably are taking a measured approach from the analysis we've done and it's basically thinking about the animal lifecycle. So, we've got to send the price signals to the market and then get the animals in place to create the demand. We think that's beyond 2019.

Robert Moskow
Got it. Okay, thank you.

Greg Heckman
Thank you.

Operator
And, we have a question I see from Vincent Andrews of Morgan Stanley.

Vincent Andrews
Thanks for taking the follow up. Just to go back on the China and the ASF and the soybean meal, I guess my question is, is if--with the change to the herd there, in theory they need to import fewer soybeans and that means there's more soybeans available in the rest of the world. So, I guess my question is, is if crush margins do indeed increase because meal demand is higher, aren't there excess beans around to be crushed to chase after that higher meal price? And, ultimately wouldn't the market find an equilibrium, perhaps a better margin than today but maybe not at sort of the fantastical crush margins that could be in place for a period of time?

Greg Heckman
I think you've said it well. I think we agree with you and that's why the outlook is what it is. Wonderful thing, the market works and it will adjust. So, I think that's right.

Vincent Andrews
Okay. Thanks very much, guys.

Greg Heckman
Sure.

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 to day if you have follow-up questions, please feel free to reach out to me.

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