Bunge Limited

Third Quarter 2023 Earnings Release and Conference Call

Thursday, October 26, 2023, 8:00 AM Eastern

CORPORATE PARTICIPANTS

Ruth Ann Wisener - *Vice President, Investor Relations*

Greg Heckman - *Chief Executive Officer*

John Neppl - *Chief Financial Officer*

PRESENTATION

Operator
Good day and welcome to the Bunge Limited Third Quarter 2023 Earnings Release and 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 then one on a touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Ruth Ann Wisener. Please go ahead.

Ruth Ann Wisener
Thank you, operator, and thank you for joining us this morning for our third quarter earnings call. Before we get started, I want to let you know that we have slides to accompany our discussion. These can be found in the investor section of our website at Bunge.com under Events and Presentations. Reconciliations of non-GAAP measures to the most directly comparable GAAP financial measure are posted on our website as well.

I'd like to direct you to slide two and remind you that today's presentation includes forward-looking statements that reflect Bunge's current view with respect to future events, financial performance, and industry conditions. These forward-looking statements are subject to various risks and uncertainties. Bunge has provided additional information in its reports on file with the SEC concerning factors that could cause actual results to differ materially from those contained in this presentation, and we encourage you to review these factors.

On the call this morning are Greg Heckman, Bunge's Chief Executive Officer, and John Neppl, Chief Financial Officer. I'll now turn the call over to Greg.

Greg Heckman
Thank you, Ruth Ann, and good morning, everyone. I want to start by thanking the team for delivering another quarter about sending results by performing exceptionally well in this highly dynamic environment. Our team remained focused on executing our day-to-day business, effectively utilizing our global footprint, and adapting to changing market conditions to meet the needs of our customers, both farmers and end consumers.

At the same time, the team continued to make good progress on our integration planning with Viterra. During this process, our teams had the opportunity to work with the Viterra team, reinforcing how similar our cultures are and increasing our confidence in the combination and the value it will create.

We reached a significant milestone in October, receiving overwhelming shareholder approval for the merger. We continue to engage with the appropriate regulatory agencies and expect to close the transaction in mid-2024. While we will continue to operate as two separate companies until we close, we're looking forward to bringing our teams and assets together to create a premier agribusiness solutions company.

Turning to the third quarter, we delivered strong operating results driven by Refined and Specialty Oils and Processing. We also saw strong performance in our non-core sugar business. John will cover our financial results in more detail.

In addition, since we reported second quarter results, we've repurchased approximately $600 million of Bunge common shares, making meaningful progress against the repurchase plan we outlined following the announcement of the Viterra transaction. Looking ahead to the remainder of the year and based on what we see in the market and the forward curves today, we now expect full year 2023 adjusted EPS of at least $12.50. And depending on how market conditions continue to evolve, we see the potential for upside.

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

John Neppl
Thanks, Greg, and good morning, everyone. Let's turn to the earnings highlights on slide five. Our reported third quarter earnings per share was $2.47 compared to $2.49 in the third quarter of 2022. Our reported results included a negative mark-to-market timing difference of $0.14 per share, and a negative impact of $0.38 per share primarily related to acquisition and integration costs associated with our announced business combination agreement with Viterra. Adjusted EPS was $2.99 in the third quarter versus $3.45 in the prior year.

Adjusted core segment earnings before interest and taxes, or EBIT, was $735 million in the quarter versus $740 million last year. Agribusiness adjusted results of $472 million were down compared to last year, as a slightly higher performance in processing was more than offset by lower results in merchandising.

In Processing, higher results in Brazil soy origination, Asia, and North America were largely offset by drought impacted results in Argentina. Results in Europe were in line with last year, as improved performance in soft seeds was offset by lower results in soy crush.

In Merchandising, higher results in our global corn value chain, which benefited from the large Brazilian safrinha corn crop, were more than offset by lower results in financial services and our global wheat value chain.

Higher Refined and Specialty Oils results were primarily driven by North America. Higher results in Asia, led by our India business, also contributed to the improved performance. Results in South America and Europe were lower.

In Milling, higher results were primarily driven by our South American operations, reflecting improved margins due to the combination of lower wheat costs and more favorable channel mix. Results in the U.S. were also higher.

The increase in Corporate expenses primarily reflected investments in growth initiatives as well as performance related compensation accruals. Lower Other results were related to Bunge Ventures and our captive insurance program.

Better results in our non-core Sugar &Bioenergy joint venture were primarily driven by higher sugar prices, which more than offset lower ethanol prices.

Net interest expense of $95 million in the quarter was higher compared to last year, primarily due to higher average variable interest rates.

For the first nine months of the year, income tax expense was $495 million compared to $257 million in the prior year. The increase was primarily due to higher pre-tax income in 2023, as well as a change in geographic earnings mix.

Let's turn to slide six where you can see our adjusted EPS and EBIT trends over the past four years along with the trailing 12 months, reflecting our team's continued excellent performance while also delivering on a variety of growth and productivity initiatives. Slide seven details our capital allocation of the nearly $1.9 billion of adjusted funds from operations that we generated year-to-date.

After allocating $321 million to sustaining CapEx, which includes maintenance, environmental health, and safety, we had approximately $1.6 billion of discretionary cash flow available. Of this amount, we paid $287 million in common dividends, invested $484 million in growth and productivity related CapEx, which is up significantly from $168 million this time last year, and repurchased $466 million of Bunge shares, leaving $377 million of retained cash flow.

In October, we repurchased an additional $134 million of Bunge shares, bringing the total amount of repurchases to $600 million since we reported Q2 earnings in early August. This leaves us with approximately $1.4 billion remaining on our existing $2 billion authorization. We expect to complete about half of the authorization prior to the close of the Viterra transaction, with the remainder to be completed within 18 months of that date.

As shown on slide eight, at quarter-end, readily marketable inventories, or RMI, exceeded our net debt by approximately $3.2 billion. This reflects our use of retained cash flow to fund working capital while reducing debt. Our adjusted leverage ratio, which reflects our adjusted net debt to adjusted EBITDA, was 0.3 times at the end of the third quarter.

Slide nine highlights our liquidity position. At quarter end, all $5.7 billion of our committed credit facilities was unused and available, providing us ample liquidity to manage our ongoing capital needs.

Please turn to slide 10. For the trailing 12 months, adjusted ROIC was 19%, well above our RMI adjusted weighted average cost of capital of 7.7%. ROIC was 14.4%, also 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 $2.1 billion and a cash flow yield of 19.2%.

Please turn to slide 12 and our 2023 outlook. As Greg mentioned in his remarks, taking into account year-to-date results and the current margin environment and forward curves, we have increased our full-year 2023 adjusted EPS outlook to at least $12.50, with potential upside depending on how market conditions evolve over the balance of the year.

In Agribusiness, full year results are forecasted to be up from the prior year outlook and in line with last year, as higher results in processing are largely offset by lower results in merchandising. In Refined and Specialty Oils, full-year results are expected to be up from our prior outlook and last year's record performance.

In Milling, full-year results are expected to be in line with our prior outlook and significantly down from a strong prior year. In Corporate and Other, results are expected to be down from our prior forecast and last year. In non-core, full-year results in our Sugar & Bioenergy joint venture are expected to be up from our prior outlook and higher than last year.

Additionally, the company expects the following for 2023: an adjusted annual effective tax rate in the range of 21% to 23%; net interest expense in the range of $340 million to $360 million, which is down from our prior outlook of $350 million to $370 million; capital expenditures in the range of $1 billion to $1.2 billion; and depreciation and amortization of approximately $425 million, which is up $10 million from our prior outlook.

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

Greg Heckman
Thanks, John. Before turning to Q&A, I want to offer a few thoughts. So, looking at the longer term, the fundamental drivers of our business remain in place. Global population continues to grow, and the need for sustainable solutions to meet that demand means the world will continue to look to Bunge to supply essential products and services to the feed, food, and fuel industries.

Our strategic combination with Viterra will help us accelerate our long-term growth. And with greater diversification across customers, assets, geographies, and crops, we're creating a platform with enhanced efficiencies, connectivity, and capabilities across value chains. This will provide us with more optionality and allow us to even better serve the needs of both farmers and end consumers regardless of market environment.

In addition, we're continuing to progress on our other important growth initiatives, including enhancing our footprint with targeted greenfield and bolt-on acquisitions, deepening our relationships with customers at both ends of the value chain, strengthening our digital capabilities, and investing in innovative and sustainability oriented programs and products.

In Brazil, we reached an agreement to acquire CJ Selecta, a leading manufacturer and exporter of soy protein concentrate in Brazil. Construction is also progressing well on our soy protein concentrate plant in Morristown, Indiana, and we're nearly ready to begin serving customers from our new highly efficient multi-oil facility in India.

To continue to help our customers meet the demand for sustainability and low CI crops, we're executing on regenerative agricultural projects with multiple customers in multiple countries, helping to build sustainable integrated supply chains and expand global regenerative agricultural practices. For instance, tomorrow Bunge and CP Food, a leading Asian seed and food company, will announce a collaboration to develop a blockchain solution for the traceability of deforestation free soy from Brazil.

We're proud of the progress we're making, but also know there's still much to do as we continue positioning Bunge to deliver on our critical mission of connecting farmers to consumers to deliver essential food, feed, and fuel to the world. I continue to be impressed by the energy, collaboration, innovation, and commitment by the Bunge team as we work together and with key partners to find solutions to the world's most pressing food security issues.

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

QUESTION AND ANSWER

Operator
Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from Andrew Strelzik with BMO. Please go ahead.

Andrew Strelzik
Hey, good morning. Thanks for taking the questions.

John Neppl
Morning, Andrew.

Greg Heckman
Morning.

Andrew Strelzik
Morning. So, I guess my first one, you alluded to some of the upside opportunities for the year. And when you talked last quarter about some of them, and I believe there was--the thinking was that there's even more upside. Really, it was more in 4Q than 3Q. You talked about merchandising opportunities, dislocations, potentially China. Can you talk about how those are shaping up relative to what you were thinking three months ago, or if some of those opportunities have evolved at all where you're seeing the upside potential?

Greg Heckman
Sure. And I'd just start by saying that solid execution by the team has really been the key here. It continues to be really dynamic, but the ability to deliver the strong Q3 and then give us the confidence to raise the year is just fantastic execution.

So, we've seen crush margins improve recently, and that's really been on the back of soybean demand improving. That's allowed us to go ahead and lock in a lot of Q4 on the crush side. We're, of course, not seeing that same visibility into the Q1 and Q2. We do expect that to kind of develop over the first quarter--or, I'm sorry, to develop for the first quarter as we go through Q4.

But overall, we're still on the back of a really tight situation globally. And we expected that to play out, right, as we got to the end of Argentina with the crop really about--less than half of last year. And so, we did have to call on crush for the rest of the globe to step in and provide that.

We've continued to also see strong oil demand in North America, and that's both from food as well as fuel. And that has, of course, driven the opportunities not only while crush has been volatile, but--crush margins have been volatile, but they actually have been very strong, and we've seen that pulling oil for reformulation and pulling imports. So, I think that's--those are going to kind of be the drivers that we'll continue to see here in Q4.

Andrew Strelzik
Okay, great. That's super helpful. And then maybe as a follow-up to that, as we think out to next year, and I'm certainly not asking for guidance, but I guess I'm just curious how you think about what's durable from this year and what's not. Certainly, there's a lot of conversation in the

market about U.S. crush margins given the curve. Refined oils has been kind of consistently stronger than you anticipated. Brazil's going to have another big crop. So, how are you thinking about what could be similar or different in '24 versus '23? Thank you.

Greg Heckman
You bet. I think what'll be similar is, until we get another look at the South American crop, and while the weather patterns look like they're setting up favorable for South America with an El Niño, that's really not how the planting is starting. So, we do need to see that weather happen and see a good crop.

But if you can get strong crops--we had a record in Brazil. If we see another record crop in Brazil and then see the crop--I think the USDA is thinking we could see a crop in Argentina on soybeans even back above '22 levels, but that'd be about twice what we saw for production this year, that starts to make South America again very competitive globally on soy exports as well as exports to China, but it's on meal and oil.

So, that'll be the one we'd watch. But remember, we're not going to get that until April or later. So, this tightness will continue through Q1. And so, as we get more visibility, the first half, we'll see. We'll be able to kind of lock that in and then see how the weather plays out here in the second half.

And the other is ultimately on China, where we look at soybean imports probably to be flat and corn imports to be up. But China's a very savvy buyer, and we've seen it can really depend on prices when they'll reload stock. So, I think any surprises there could be to the upside on volume and be supportive also on the merch side.

Andrew Strelzik
Great. I'll go ahead and pass it on. Thank you.

Greg Heckman
Thank you.

John Neppl
Thanks, Andrew.

Operator
Thank you. The next question is from Ben Bienvenu with Stephens Inc. Please go ahead.

Ben Bienvenu
Hey, thanks. Good morning.

Greg Heckman
Morning, Ben.

John Neppl
Morning, Ben.

Ben Bienvenu
So, I want to ask about the buyback. You've made good progress already, more than $450 million in the quarter, and it looks like more kind of since the end of the quarter close. When you think about kind of your goal of $2 billion within 18 months of the Viterra closing, is that timeline

getting pulled forward? And how are you thinking about kind of balancing cash flow as it relates to deploying the cash verse the buyback?

John Neppl
Yeah. Look, I think as of now, we're keeping the timeline fairly steady. Now, that could certainly accelerate given the steps we've made already. But when you look at 2024, we've got a pretty robust pipeline in CapEx projects to execute. We had significant increases here in CapEx. And a lot of that relates to some big greenfield projects that are underway, and we'll have similar or maybe even slightly higher CapEx next year related to that.

We announced CJ Selecta. That will close in 2024. That's going to be a draw as well. And we'll see how things shake out on the cash generation side as we go into the year. And then we'll balance that, obviously, with share buybacks and other M&A opportunities that might come up.

But ultimately, as we get near the close of the Viterra transaction, we do want to try to target a certain leverage ratio at close. And so, that might impact timing as well. But whether we pull it forward or not, we still remain committed to hitting the $2 billion.

Ben Bienvenu
Okay, great. And then, Greg, just to revisit Andrew's question around next year, you made a comment that you expect the crush curves to firm in the first half of next year or into 1Q as we move through the fourth quarter. Could you talk about some of the drivers that you see at play there?

And then I guess just panning out and thinking about 2024, you mentioned some of the positives or potential upside drivers to strengthen the year. Could you just kind of stack on each side of the ledger the potential positives and negatives that you guys are paying attention to as of now so we can be mindful of them?

Greg Heckman
Sure. I'd say in the first half that the tightness that we expect, and then we talked about the size of the South American crop, of course, remember what we saw this year, and that it's kind of good for our global footprint. And while being pretty balanced globally has helped us deliver, our most complete footprint is South America and especially Brazil.

So, the record crop there was good for our export system as well as our crushing system. It made South America more competitive versus North America on bean exports, which kept some more beans at home in the U.S., which actually our crush franchise is bigger than our export franchise in North America. So, again, that was positive for our crush franchise. So, if you see another record crop there in South America, we'll have that same benefit in Brazil. And then Argentina, which has been a drag this year, would be a bigger contributor next year. So, those are where we're watching the weather.

I think when you think about '24 and the things that create the uncertainty or less visibility in the second half, right, geopolitically, policies, the conflicts that are going on, I mean, those are the things that can create dislocations in the crops and in the oil flows. What I will say is I've got absolute confidence in our team to execute by staying focused on the things that we can control.

Of course, you've got the government policies around biofuels, and that's RD and eventually SAF being developed. But the one thing that we've seen, it definitely appears the regulators want these markets to develop. And as we show that we've got the supply there, I think we believe that policies can even be adjusted to ramp up demand. So, exactly it's a--the channel is up and to the right. There'll be some volatility in the supply and demand as those markets sort themselves out. But it is new demand to this industry, and it's firmly in place.

And then I touched on the weather, right? We've got to watch this El Niño. Should be good for South America. We're not seeing that right now, and then what it does to river levels in the U.S. when we're dry. And we've seen this year that was another thing that didn't make the U.S. as competitive on exports, with the low river levels, which, again, hurt export but benefited crushing and processing. And then China always tough to predict, but a very important customer for beans and corn.

And lastly on the merchandising piece, it kind of ties in around serving our crushing, serving our third-party customers, and then just merch overall in corn, wheat, and in our freight opportunity. So, this dislocation, there can be upside there. But a lot of confidence in the team to execute, but it definitely gets a little less clear in the second half.

Ben Bienvenu
Okay, fair enough. Great. Congratulations on the quarter.

John Neppl
Thanks, Ben.

Greg Heckman
Thank you very much.

Operator
Thank you. The next question comes from Manav Gupta with UBS. Please go ahead.

Manav Gupta
Good morning, guys. I wanted to ask--I understand you're still negotiating you're way through the Viterra deal. But have you had a chance to speak with their bigger shareholders and present a proposition where they could become longtime shareholders of Bunge so they can hold on to the stock even once the lock-in the period is over?

Greg Heckman
Yeah. Let me start. John can finish. But look, I think one of the things that we were really excited about in the Viterra deal and what's great is they've got two great shareholders that really know this business in Glencore and the Canadian pension funds, CPP and BCI. So, they wanted equity. In fact, they wanted more equity than we ultimately gave them, and they wanted the ability to buy more equity for the long-term because they believe in the power of the combination. They believe in the industry and the important essential role the industry plays, and they want to be able to add on to that investment.

So, that is all laid out in the agreement. They are going to have two board seats each, so they'll have--four of our 12 board seats will be from our new shareholders. So, we're really excited to be able to get not only the teams together and the asset bases together once we are able to close this transaction, but we're excited to bring those new board members in and bring that experience in and that knowledge to help drive this business. So, just excited about really all aspects of the combination.

Manav Gupta
Perfect. My quick follow-up here is I wanted to understand a little better what you see as the demand for refined versus unrefined soybean oil. And the reason I'm asking this question is some of these new units are coming up with PTUs. A, the PTUs are not up to the mark. They're struggling. And B, what we have heard from some of the producers is that the PTU would be more for tallow and some of the other very hard to process feedstocks. They may not be running unrefined soybean oil through it. So, just trying to understand that, even with the PTUs, is there a possibility that we continue to see some demand growth on the refined soybean oil side?

John Neppl
Yeah, this is John. I think we have anticipated over the long run that RD producers would shift ultimately to crude soybean oil, away from refined. But it has been slower than expected, and I think that it's really more right now about, as the new RD production comes on, it may have pretreatment capability, but the existing units haven't necessarily transitioned.

So, the demand we have today for refined we expect to be fairly steady for a while, even if there is growth as the new production comes on and has pretreatment. But certainly, we've heard some similar things, and we believe we can be a great solution either way, whether it's refined or crude soybean oil. And also, as we've said before, we think we have a place in the supply chain around low CI feedstocks as well, and we'll continue to work on that so that we can provide our energy customers with everything they need.

Greg Heckman
Yeah. And I'd just add one thing, is we've said that margin, right, it'll move around between our value chain. You may see some of that move from refined back into the crush with the demand for crude oil.

And then I would just also say you hit on an important part that, yes, it does take some time to get these units up running and get the catalyst dialed in. And what we hear from some of the folks as they handle some of these other oils that are more difficult, part of that is using the refined oil for a dilution. So, we play a role long-term even as they bring in other feedstocks.

Manav Gupta
Thank you.

Operator
Thank you. The next question is from Ben Theurer with Barclays. Please go ahead.

Ben Theurer
Good morning, Greg, John. Congrats on the results.

John Neppl
Thank you.

Greg Heckman
Morning, Ben.

Ben Theurer
So, just quickly following up on that acquisition you announced in Brazil, CJ Selecta, is there any more detail you can provide, i.e., like how much you're going to pay for that, so that we can

kind of factor that in within our capital allocation assumptions for next year? Not sure if you've disclosed that number.

John Neppl
Yeah, it's about $600 million, Ben.

Ben Theurer
Okay, perfect. So, obviously, in light of that, and thanks for that clarification, and putting it in the context from a CapEx perspective, so you said $1 billion to $1.2 billion, maybe a bit more next year. We'll get the $600 million. That gets us maybe close to $2 billion, add on a little bit of buyback. So, if we think about the cash flow generation and your dividend policy, which in the past you've tried to increase that, how should we think about that go-forward, just given the cash outlay you're going to have for that CJ Selecta acquisition plus CapEx plus the buybacks? Fair to assume that dividend might not be on the growth side next year?

John Neppl
Well, I don't think we're ready to say that yet. I think we are committed to our dividend as an important part of our return to shareholders. And as we look forward, we'll assess that with everything we have going on and with our outlook. Timing of the share buyback, we mentioned that our goal is to get the other $400 million done by the time we close the transaction, but that gives us some time to take a hard look. And historically, we review that in Q1 and then we generally adjust that when we get toward May.

So, we'll do the same thing this year. We'll take a look. It's probably too early to tell, but we certainly have a lot of good opportunities for capital allocation. So, it's a good problem to have because we've got a lot of great opportunities ahead of us. But, again, early but we are committed to our dividend as well. We know that's important to our shareholders.

Ben Theurer
Okay, perfect. And then on Argentina, you've mentioned it a couple of times, with like the expectation of--well, hopefully getting maybe better supply, etc. But obviously, there is also the political risk lingering with the upcoming elections and a little bit of a surprise outcome over the last weekend. Can you help us understand, between the two extremes, what the potential impact could be for the industry as a whole and for Bunge in specific?

Greg Heckman
Yeah. I'd probably start by saying I'm not a great political prognosticator. So, I won't make any forecasts. I will say we've been in Argentina a very long time. And so, we have worked closely with the government. Agriculture is a very important industry. We've worked with a lot of different regimes to help them accomplish their goals. And I think regardless of who's in charge following the November election, it's not a light switch, right? It doesn't happen overnight. It takes a while to effectuate change. And we'll want to be a good partner to the government, and we'll be there.

Ben Theurer
Okay. I guess that's as much as you can say for now. Well, thank you very much and congrats.

Greg Heckman
Thank you.

Operator

Thank you. The next question comes from Adam Samuelson with Goldman Sachs. Please go ahead.

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

John Neppl
Morning, Adam.

Greg Heckman
Morning.

Adam Samuelson
Morning. Maybe going back to the refined and specialty oils, I mean, this business performance, you've raised the outlook again. It's been a pretty consistent source of upside for a couple years at this juncture. And as we look at the more recent kind of performance, doesn't seem to imply the South America business operating at its peak potential, particularly in Brazil. And so, I'm just trying--as you think about the medium-term in refined and specialty oils, and I understand that some of the refining premium in the U.S. might go to crush over time depending on how the pretreatment works, but are you taking a more constructive medium-term view of the earnings potential here, or what would hold you back from maybe kind of further updating kind of the medium-term outlook or profit contribution expectations from this business unit?

Greg Heckman
Yeah. One thing, and I should probably clarify or remind everyone of, I mean, that's a great global business, and we have done a lot of work the last few years to really improve everything, how we're integrated with our value chains on the risk management, how we're working with customers and our customer segmentation, how we're working with customers on innovation, and with the supply chain problems that the industries went through as well as a lot of switching on the oils.

Now, remember, over 80% still goes to food, even though there's 20% going to fuel or to feed as we're seeing some of that reformulation. But the food industry is very strong there. We added that Avondale refinery in Louisiana this year, and we integrated that right into the network. That's allowing us to import additional seed and tropical oils and serve our food customers here in North America.

So, overall, the energy demand is important, but there's a great strong underlying business there that's executing very well for our customers. And that's both the brands that are the CPG brands, some of the famous brands that you know well, as well as in the food service space as well.

Adam Samuelson
Okay, that's helpful. And then maybe just going over back to the CJ Selecta acquisition, can you just talk about how--you already have a relationship with IMCOPA, who I believe is also one of the major soy protein concentrate producers in Brazil. So, how does the Selecta acquisition kind of fit with the kind of the relationship that you already have with one of the other kind of major players in that market? And I guess more broadly, how do you think about the long-term growth of that category of ingredient longer-term?

Greg Heckman

Yeah. I think it's a great fit, right, for us to run our programs, whether it's working with producers to add value on running the non-GMO programs, or even on the GMO programs, it allows us-- Selecta is a big supplier to the feed industry and aquaculture, which continues to have nice growth. So, we see them definitely as complementary, and then, of course, as we bring Morristown up.

And what we want to do strategically, right, is have a great footprint in North America and South America with a low-cost position with that direct connection to farmers to build those transparent, verifiable supply chains for our customers in ultimately lower CI products, and grow with that market. Because it's going to grow. Alt meats have been soft, but the kind of traditional use as extending in traditional meat continues to be strong. We're seeing growth in dairy, we're seeing growth in pet, and then, as we said, growth in aquaculture.

So, this is another one of those that just long-term is a place we have a right to win. It's a natural adjacency. And also adding Selecta, that was kind of the last area in Brazil we didn't have much of an origination footprint, and we want to be able to serve all of our producers. And then, of course, with our partner, UPL, with Origeo we'll be able to bring some of those regenerative practices and other practices to our farmers. So, really it's about continuing to build out our footprint where we've got those gaps and do what we're good at and stay really focused.

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

Operator
Thank you. The next question comes from Salvator Tiano with Bank of America. Please go ahead.

Salvator Tiano
Yes. Thank you. So, firstly, I wanted to also ask about the CJ acquisition. If I heard correctly, you mentioned it was $600 million. And firstly, I want to clarify a little bit because I think, per some reports from Korea, the price was under $400 million. I think $350 or so. So, what's the difference between what the seller said and the price you mentioned? And given that it is a substantial acquisition, can you discuss a little bit some of the metrics, perhaps the expected contribution to profitability, the volumes that are being processed, or anything else that's relevant?

John Neppl
Yeah. First thing, Salvator, is the Korean owners that announced only owned 65% of the JV. So, they were just reporting on their proceeds they were going to receive in the transaction.

With respect to the overall how to think about it, we're expecting early on low teens return, but getting to midteens returns on that project. And it will be accretive day one.

In terms of what we can do with it, I mean, I think our goal is to grow that over time. Greg kind of talked about the markets that we should be able to serve out of that asset. It's very complementary to what we do today, but also a growing European market, for example, has been a destination for that plant and that operation. And so, we're pretty optimistic about it. But it will be, we think day one, a very good accretive project for us.

Salvator Tiano

Perfect. And I just want to follow up a little bit and ask about the international crush margins that haven't really been great, and if you can just give us an update where are things today in your key non-US regions versus where they were on average for Q3.

Greg Heckman
Sure. If you just look at China, crush margins have been volatile all year there. It's very spot. But our team has done a fantastic job. We've had a very good year in China, a better year than last year. In Q3, we actually, by great coordination between our industrial and commercial logistics team, ran record volumes for us. And so, animal numbers continue to hold in China. So, while it'll continue to be very spot, it looks like some of that'll carry into Q4.

We talked about Argentina. Of course, you've got about zero farmer selling right now there. So, until we get to new crop, Argentina continues to be a nonevent, very, very tough situation. And then we've seen margins improve in Brazil, and that's really with good global demand and the backend of what was that record crop.

Now, the farmer's been a little sporadic on old crop selling. The South American farmers were watching the weather situation develop in North America to ensure that there was going to be a crop there. But then as that crop kind of came home in North America, then we saw some better selling. And new crop selling's been pretty slow, so that'll be the keys to watch there as well. In Brazil, I think long-term we switched in April from B10 to B12, and then each year will add 1% demand. So, we're starting to feel that as well.

And then, look, North America, there's definitely been a lot of volatility in the crush margins. And we've seen that in oil as we've added this energy demand. That oil pipeline is pretty sensitive, right? We've seen it drawdown stocks and get pretty tight. And we've seen it loosen up when people had opportunities running. And I think that'll continue to be that way. But there is strong oil demand, and now we're seeing the meal demand start to return. And that's really to serve the rest of the world with meal not coming out of Argentina.

And then if you look at soft margins, they've really remained good globally. And that's the strong oil demand, and it's also been good seed supply if you look in Europe. And some of that's Ukraine, where you're seeing switch to sun seed at the expense of corn, or if you look in Canada, where we've seen the canola crop get a little bigger than anyone expected. And production's been better there, so that's been supportive as well.

Salvator Tiano
Thank you very much.

Greg Heckman
You bet.

John Neppl
Thanks.

Operator
Thank you. The next question comes from Thomas Palmer with JP Morgan. Please go ahead.

Thomas Palmer
Good morning, and thanks for the question.

John Neppl
Good morning.

Thomas Palmer
Maybe I'll follow up on soybean oil and kind of what you're seeing. I know you just referenced it, but we have seen some pricing weakness as we look out over the past month or two in the U.S. Do you think this is anything in terms of eroding demand? Is it more supply driven? And kind of how do you see this playing out over the next couple of quarters or so? Because it did sound like you're pretty positive on overall demand picture, but at least what we're seeing in pricing would suggest some degree of imbalance.

Greg Heckman
Yeah. As we've said, I think the long-term fundamental drivers are of more demand. Food has held in there. In fuel, we know that demand is going to grow as we see RD projects continue to come online. It'll be a little choppy depending on how things are running. Crush is running hard. We've got some new crush coming online, and the market'll have to do some adjustment.

But global stocks of oil are fairly balanced. If you look, palm still, from a production on how it's producing, probably going to get tighter in first half and tighten up the global oil situation. And the nearby softness, some of that is driven around RINs and that, and then the meal demand stepped in. And so, there'll continue to be a bit of a battle on whether meal or oil is going to carry the crush. I don't think it's going to be a straight line to either one as we move forward.

Thomas Palmer
Thanks for that. And then just on the M&A side, you do have in your presentation a reference to smaller scale M&A. Just any update in terms of businesses or assets that might make sense, areas of your business? And then what are you seeing in terms of seller expectations? Do you think they appropriately reflect market conditions and the interest rate environment?

Greg Heckman
Well, I'd just say, look, we're going to stay really disciplined, right? And we're sure not going to do anything that would create any slowdown or conflict to get the Viterra deal closed and through the regulatory process. So, that's number one.

But otherwise, our targets continue to be in those areas where we need to fill in some strengths, where we see the long-term growth, and where we have a right to win. And that's why CJ Selecta was a great example. It's been a target for years. And quite frankly, it's how we think about things.

Our team, we're constantly updating and challenging our list and developing those relationships so that, when those right assets do come available at the right price, we want to do those deals. And we've had a chance to do deals along the way that weren't at the right price, and we've stayed patient. And we will continue to be disciplined and then do them when they're available at the right price.

Thomas Palmer
Okay. Thanks, guys.

Operator
Thank you. The next question comes from Sam Margolin with Wolfe Research. Please go ahead.

Sam Margolin
Good morning. Thank you for taking the question.

John Neppl
Morning, Sam.

Greg Heckman
Hey, Sam.

Sam Margolin
I want to go back to Viterra, if I could, to start and the grains market. You mentioned that there are some opportunities right now. I think you're maybe referring to like market structure of corn. It's pretty significantly in contango. And it seems like Viterra has an opportunity to generate a lot of cash between now and when the deal closes, and it might be material to their capital structure at the time of the close. And I wonder if you can talk about whether Viterra's operations within this dynamic are part of your conversations with them as you talk about the merger that you referenced. Thanks.

Greg Heckman
Yeah. Yeah, unfortunately, we still have to operate separately until we can get the deal closed, so we continue to be competitors. But when we did talk about the combination, as we think about the future when we get the opportunity to run these businesses together, one of the things we're most excited about, right, is that our assets are in different places. And our strengths being processing and then theirs being origination and handling and storage and distribution is a great offset.

And I think you've called out exactly right, part of the diversification that comes in that combination is with all of their storage, when you get into a carrier contango, that's definitely good for their system. And that's part of the diversification that we'll get with that combination. So, yeah, big crops definitely should be good for their system, looking outside in here.

Sam Margolin
Okay. Sorry, that was a little bit of a tough one. This one might be more straightforward. You can probably sense that there's a lot of attention and maybe even investor anxiety just around board crush and the volatility. I mean, board crush is always volatile, right? Sometimes it's higher than it is now. But recently when it has been, it's sort of in a really deep backwardation. And now the crush curve is actually pretty stable, and that seems like it might be kind of a better operating environment for you as opposed to kind of a really high front month crush and then lower out on the curve. I mean, can you talk about how market structure might be influencing your outlook for crush here in some of your earlier comments? Thanks.

Greg Heckman
Yeah. Sam, there's probably two things to think about. One, the ag markets and the crush and the curve, the most liquidity's always in the first 90 days, the first quarter. And then the second quarter out, some of that visibility and liquidity is there, but not as much. And that's kind of historical with these markets. So, yeah, when the market is such that we're getting more signals, there's more liquidity and more visibility a little farther out, that's a better operating environment.

Now, the other I would say is the board crush is part of the calculation, of course. The cash crush is what--how we execute each of those legs in the cash market is ultimately the money that we bring to the bottom line for all of our stakeholders. And I think what you've seen in the execution, even after we get ourselves hedged out on the board, ultimately is getting hedged out on the cash.

And how the teams execute right up until when we receive the beans and ship the oil and ship the meal, there's opportunity to continue to upgrade and maximize what our ultimate realized crush value is. And that's where I think the team's been doing a fantastic job. If there ends up being upside in Q4, the drivers will be what we have open and do seed crush margins improve as we locked it in, but it'll also be in the quality of the execution around the cash legs that are still open or as we see some dislocation and changes in our global footprint.

Sam Margolin
Understood. Thank you so much.

Greg Heckman
You bet. Thanks, Sam.

John Neppl
Thanks.

Operator
Thank you. The next question comes from Stephen Hayan with Morgan Stanley. Please go ahead.

Stephen Hayan
Hey, good morning. Thanks for taking my questions.

John Neppl
Morning.

Greg Heckman
Morning.

Steven Haynes
I wanted to come back to maybe the soy oil or the equation for a second, and kind of some of the weakness in the D4 RINs, and maybe if you could just provide some thoughts on why right now it seems like some of the weakness in the RINs market's kind of flowing back into soybean oil rather than kind of compression--by compressing RD margins. And then you also talked about the possibility of some policy changes to maybe help balance some of this out. I mean, do you have a rough timeline for when you think that could take shape and what kind of, yeah, policy adjustments would you expect? Thank you.

John Neppl
Yeah, this is John. Look, I think related to D4 RINs, certainly some of that has to do with the relatively low RVO that came out, and then you have biodiesel being imported into the U.S. that's carrying RINs with it. And so, the market feels a little heavy right now. But ultimately, I think the policy change that's coming in 2025, where we switch from a blender’s credit to a producer’s credit, should have a positive impact for us and for RIN values at that point. So, we'll be watching that closely.

And then ultimately, what does the EPA do with RVO levels, as California's implied that they'll take a harder look at what production capability is and adjust their target blending requirements in California based on the industry's ability to produce RD. If the RVO--if the EPA takes a similar stance, then maybe that'll be positive as well. That's to be seen, certainly. But we think the industry certainly is capable of producing a lot more than what the RVO would imply. And so, I we'll be watching that going forward as well.

But ultimately, I think 2024 will be a bit of a transition year here. We'll see how things shake out. But I think long-term, we're still very positive on the direction.

Stephen Hayan
Okay. Thank you.

Operator
Thank you. This concludes our question and answer session. I would like to turn the conference back over to Greg Heckman for any closing remarks.

CONCLUSION

Greg Heckman
All right. Thank you. I'd like to thank everyone for joining us today, and appreciate your interest and support of Bunge. Again, I'd like to thank the team for great execution and just the focus on the things that we can control in what continues to be a complicated world. But we continue to be confident on our ability to execute. Look forward to seeing you again. Have a great day.

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