Company Name: Green Plains Inc
Company Ticker: GPRE US
Date: 2015-02-05
Event Description: Q4 2014 Earnings Call

Market Cap: 995.56
Current PX: 26.47
YTD Change($): +1.69
YTD Change(%): +6.820

Bloomberg Estimates - EPS
Current Quarter: 0.321
Current Year: 1.796
Bloomberg Estimates - Sales
Current Quarter: 694.429
Current Year: 2993.875

Q4 2014 Earnings Call

Company Participants

- Jim Stark
- Todd A. Becker
- Jerry L. Peters
- Carl Steve Bleyl

Other Participants

- Farha Aslam
- Adam Samuelson
- Laurence Alexander
- Tyler L. Etten
- Edward George Westlake
- Craig E. Irwin
- Matt Farwell
- Eric Seeve

MANAGEMENT DISCUSSION SECTION

Operator

Good day and welcome to the Green Plains Fourth Quarter and Full Year 2014 Financial Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Jim Stark. Please go ahead, sir.

Jim Stark

Thanks, Randy. Welcome to our fourth quarter and fiscal year-end 2014 earnings conference call. On the call today are Todd Becker, President and Chief Executive Officer; Jerry Peters, our Chief Financial Officer; Jeff Briggs, our Chief Operating Officer; and Steve Bleyl, Executive Vice President of Ethanol Marketing.

We are here to discuss our quarterly financial and full year 2014 results and recent developments for Green Plains. There is a slide presentation for you to follow along with as we go through our comments today. You can find this presentation on our website, at gpreinc.com, on the "Investors" page under the "Events & Presentations" link.

Our comments today will contain forward-looking statements, which are any statements made that are not historical facts. These forward-looking statements are based on the current expectations of Green Plains' management team and there can be no assurance that such expectations will prove to be correct.

Because forward-looking statements involve risks and uncertainties, Green Plains' actual results could differ materially from management's expectations. Please refer to page two of the website presentation and our 10-K and other periodic SEC filings for information about factors that could cause different outcomes.

The information presented today is time-sensitive and is accurate only at this time. If any portion of this presentation is rebroadcast, retransmitted or redistributed at a later date, Green Plains will not be reviewing or updating this material.

I will now turn the call over to Todd Becker.

Todd A. Becker

Thanks, Jim, and good morning and thanks for joining our call today. 2014 was a year of record achievements for Green Plains. We produced nearly a billion gallons of ethanol, 2.7 million tons of livestock feed, 235 million pounds of corn oil, while processing 10 million tons of corn. This enabled the company to generate $159.5 million of net income for the year, or $3.96 a share. Our platform generated over $100 million of non-ethanol operating income and, certainly, the $350 million of total EBITDA reported is a significant achievement for our company.

For the fourth quarter, we reported $42.2 million of net income, or $1.07 a share in earnings. We ended the year with $455 million in cash and only $7.6 million in net term debt. It was 18 months ago that we first talked to you about our goal of zero net term debt within three years, absent additional growth opportunities. We did acquire two ethanol plants, adding 230 million gallons of ethanol production and a 70,000 head cattle feedlot during these 18 months. So, over this time, we have reduced net term debt by $233 million while growing stockholder equity by $300 million.

Today, our balance sheet is as strong as it ever has been.

Our view of 2014 is that it was a transformative year that has allowed us to take a significant step forward, as we recapitalize the company through earnings debt pay-down and the term loan B structure that was implemented. We believe this clearly positions us to move forward with our growth plans.

We hope that all owners of Green Plains appreciate the longer-term perspective and strategy we take in managing the business and not let the nearby volatility blur our vision of the future. We have always told you, in the right market condition, Green Plains will prosper and set the company up to withstand most market conditions but also allow us to accelerate our growth plans. Since 2008, the size and efficiency of our production platform was set up to yield the financial results reported in 2014.

Now, I'd like to turn the call over to Jerry to review our fourth quarter and full year financial performance, and I'll come back after Jerry's review to discuss our outlook heading into 2015.

Jerry L. Peters

Thank you, Todd. Good morning, everyone. Our fourth quarter financial performance was the best in terms of earnings per share in our history, with $1.07 per diluted share on net income of $42.2 million, compared to $0.65 per share on net income of $25.5 million last year.

Consolidated revenues were $830 million in the fourth quarter, which was up 16% from a year ago. Our ethanol production segment produced at 96% of its daily average production capacity, which is in line with the utilization rate for the full year.

In comparison to the fourth quarter of 2013, current quarter volumes sold for each of our primary commodities increased substantially, while average prices realized declined in a generally lower commodity price environment. Volumes of ethanol sold increased 17% to almost 309 million gallons, while the average realized price per gallon was 4% lower than last year's fourth quarter.

The two ethanol plants acquired at the end of November 2013 accounted for the majority of the increase of about 33 million gallons of ethanol production year-over-year, and was also the driver for the 20% increase in distillers grains production and a 24% increase in corn oil production compared to the fourth quarter of last year.

Our consolidated operating income for the quarter increased to $73.9 million versus $51.1 million a year ago, primarily as a result of the higher production levels and an overall better margin environment for ethanol production.

Turning to our segment results, the ethanol production segment generated $63.3 million of operating income for the fourth quarter compared to $40.5 million last year. Before depreciation, the segment generated $76.9 million, or $0.31 per gallon this quarter, compared to $52.2 million or $0.24 per gallon in last year's fourth quarter.

For our other segments, we generated $23.9 million of non-ethanol operating income for the quarter, which was down $4.3 million from the fourth quarter in 2013. This was comprised of an $8 million decrease in marketing and distribution, offset by a $1 million increase in operating income for corn oil production and a nearly $3 million increase in operating income from the agribusiness segment.

Marketing and distribution's lower performance was primarily related to a decline in income from crude oil transportation in 2014 versus 2013, as well as lower income from merchant trading activities. The increase in agribusiness is due to the addition of the cattle feedlot in June of 2014, as well as higher income from our grain storage expansions.

On a consolidated basis, our income tax expense was $22.4 million for the quarter, which was an effective tax rate of approximately 34.6% for the quarter and approximately 36.3% for the full calendar year. Earnings before interest, income taxes, depreciation and amortization, or EBITDA, was $90.7 million for the fourth quarter of 2014 and, for all of 2014, EBITDA totaled over $350 million.

A quick review of the full year result shows the capability of our platform, as the financial performance for 2014 is the best in our history. Most significant is that our ethanol production generated $267 million of operating income before depreciation, or approximately $0.28 per gallon. And as Todd mentioned earlier, we generated $103 million of non-ethanol operating income in total from corn oil production, marketing distribution and agribusiness segments.

On the balance sheet, looking at slide number eight, you can see our goal to reach net term debt of zero is very attainable this year. Amounts outstanding on our working capital financing increased to over $200 million, with the increase mainly due to draws under our new $100 million revolver that is used to finance our cattle inventory.

In strong environments like this – like we're currently experiencing, this business requires significant working capital so we were pleased to put this new source of liquidity in place. The facility is expandable, as our inventory requirements grow. While our consolidated working capital has expanded with our business, we have over $180 million available on our credit lines.

Total capital expenditures and acquisitions were approximately $85 million in 2014, including our feedlot acquisition, our grain storage expansion projects, selective milling technology installations and improvement projects at our ethanol plants.

We expect to spend a similar amount in 2015, with about $20 million of that for maintenance CapEx across all of our businesses and the rest for various growth projects. Maintenance CapEx for our ethanol production assets remains at about a penny a gallon.

Now, I'll turn the call back over to Todd.

Todd A. Becker

Thanks, Jerry. For the first quarter of 2015, with January completed, we are approximately 25% hedged on the remainder of the quarter. On the last earnings call, we indicated that we done little work on the first quarter of 2015 and the build in stocks and increased production rates put margins under pressure since then.

While the first quarter is under pressure, the second quarter margins are showing positive mid-to-high single digit EBITDA margins at all of our plants, and some are even higher than that. By the way, this is not an uncommon forward curve. And in the past 60 days before a quarter starts, margins like this often translated into better margins overall.

Why is this? The main impetus is ethanol is a larger discount to gasoline April forward and through the summer. Ethanol demand remains solid for both domestic and international markets. Ethanol is still the cheapest octane and oxygenate for blending into gasoline.

In addition, the storage grain values have risen steadily since China lifted the ban on imports at the end of December. Currently, the stores are trading approximately 110% to 130% to the relative value of corn. This will have a lagging effect on Green Plains or our margin structure. We typically do not sell our distillers in the spot market, as this has been too volatile over the last seven years.

The distillers market has rallied since early December at $30 to $50, but our sales book starts long before that as domestic integrators of any size do not book in the spot market. So, this rally will not be fully realized and Q1 margins and will be a drag to the optical spot margin. If we were a one-plant operator, it would be a different story but when you sell 300 million tons per year, you cannot be in the spot market for all of your volume.

The ethanol crush has also been helped by lower natural gas costs and denatured costs we use in producing ethanol, all saving a few cents per gallon out on the curve. Overall, Q1 is still weak, but there is time left in the quarter for some adjustments to happen.

For the fourth quarter, we did export 15% of our ethanol production. Our export volume was 14% of the total U.S. ethanol exports for the quarter, which is twice the amount of the industry capacity that Green Plains represents. While we were not the exporter of record in many cases, the top three destinations for our gallons were the Far East, Brazil and Canada.

Export business has remained strong for us in the first quarter of 2015 with approximately 17% of the quarter's production sold for exports, and we continue to see interest in the second and third quarters of 2015. We have products sold all the way through September that is on the books today.

We believe that U.S. ethanol exports will be in a range of 800 million to 1 billion gallons in 2015 and the year is off to a good start for the industry. The increase in the Brazilian blend levels was not taken into consideration and the impact is still yet unknown, but this can give positive inclination.

Lower gas prices have given a bump to overall gasoline demand, as we continue to run near or above the five-year high averages. E15 is now available at 112 stations across 16 states with the goal of getting to 250 by the end of the year. The industry continues to work with large and small retailers on transforming their stations to offer more good blends like E15, as evidenced by the Sheetz announcement you recently saw. We expect more announcements like this coming in the future.

We added about 25,000 head of Green Plains own cattle into our feedlots during the fourth quarter, bringing the total owned to 47,000 of the 56,000 total head of cattle in the lot at the end of 2014. As Jerry mentioned, we did put in a $100 million revolver in place to finance the purchase of cattle and we had approximately $77 million drawn on that revolver as of December 31. This business so far has been accretive every single month that we've been in operation.

For several years, we have been adding to and refining our growth strategy. One of the questions we think about is how to grow the business within our competitive strengths and lower our beta. Up until this point, our growth has come from pursuing organic growth in our platform, such as grain storage increases, adding corn oil and terminal distribution capabilities and finally getting more volume from our production plants.

The opportunity is still there for more capacity increases within our system. We have extra RIN capacity across our production platform of approximately 100 million gallons and can get to that production for under $0.75 per gallon on a Brownfield expansion project. This can all be done without any need for new pathway approvals.

In the right market, this will be highly accretive to our shareholders and we have embarked on a strategy now to go after those extra gallons. In addition, we have been very acquisitive over the last seven years. These opportunities have stayed within the energy and agricultural value chain that we based the company overall strategy on starting in 2008.

We added a merchant trading platform that benefits from physical trade flows around our platform that performed very well in 2014 and finally we have enhanced all of our risk management capabilities.

We have been patient and opportunistic, waiting for the right acquisition targets that complement our portfolio. We now have a full time Chief Development Officer, whose focus is now acquisitive growth opportunities. We believe businesses that are other agricultural production or milling processes, nutrition, protein and animal feed or other food or industrial grade oils are all possibilities.

We are focused on using our supply chain to start to exploit other opportunities available in energy and agriculture. But we certainly appreciate the earnings power of the ethanol platform as illustrated in 2014, reducing volatility, lowering our beta and increasing our multiple can only be done through a continued diversification within the adjacencies through our current business platform.

We recognize and hope that our stakeholders realize that we are running a marathon and not a sprint. We know that the long-term value of a diversified commodity portfolio provides a better and more predictable return.

In closing, we have never been stronger. Our balance sheet is solid. Our focus is clear and we will continue on the focus of long-term shareholder value creation. Thanks for joining us today, and I'll ask the moderator to start the question-and-answer session.

Q&A

Operator

Thank you. [Operator Instructions] And we'll take our first question from Farha Aslam from Stephens Incorporated.

<Q - Farha Aslam>: Hi, good morning.

<A - Todd A. Becker>: Good morning.

<A - Jerry L. Peters>: Good morning.

<Q - Farha Aslam>: Two questions. The first one is, if you look at exports you highlighted that you expect 800 million to 1 billion gallons. Could you just share with us how much you anticipate to go to mandated markets? And in terms of Brazil, do you anticipate them to be a significant importer of U.S. ethanol or, with their devaluation do you expect them to be a competitor to U.S. ethanol?

<A - Todd A. Becker>: So, when we look back at last year, and we kind of think about this year, in a similar situation, approximately 75% of what we have done is in a mandated – been sold to a mandated market. And we consider Brazil – in their – albeit it is in approved blend, but they would still say – many would still say that is a mandated market. So, these are – and mandates are increasing around the world. We've seen them increase in the Philippines, we've seen them increase in India overtime and in Vietnam there is still talk of more of those increases coming as the internal discussions in those countries would say that the path of least resistance is higher level of mandates versus lower level of mandates. In terms of...

<A - Jerry L. Peters>: Brazil's competitiveness?

<A - Todd A. Becker>: Brazil's competitiveness. So, when we look out on the curve, right now U.S. ethanol ranges somewhere between $0.30 and $0.50 cheaper than Brazil on a landed CNF basis just about anywhere in the world today. So, when we look at their competitiveness, we don't see it from a standpoint of taking a lot of export share back from the U.S. And now with their 27.5% blend increase, it looks like more of that will be staying in home and the opportunity will be greater to export to Brazil than to import from Brazil. And so from that standpoint, I think we'll see it as a market, but we haven't actually put those numbers really into our thought process like a couple of years ago when they were one of the largest importers of U.S. product.

<Q - Farha Aslam>: Okay. And then, you had highlighted that you expect U.S. driving miles to rise and for exports to be strong. So, the ethanol supply/demand balance could get very tight this summer. Longer term with Brownfield capacity expansion, how much do you think the industry has? And what margin structures do you think would be needed for new capital to be committed to those expansions?

<A - Todd A. Becker>: Yeah, so Brownfield expansion is kind of a two-pronged process. One is, do you have any extra RIN capacity today within your platform that you could build on to, and then second is, do you have a pathway. If you don't have that RIN capacity, do you have a pathway that you can get approved and we've seen some of that happening but it slowed down a little bit from the standpoint of whether you can get your energy usage down enough to qualify for that pathway. Within Green Plains, we've identified across – since we're a much larger platform and now as we put it all together, we've identified 100 million gallons of opportunity that we can generate a RIN on today without the need to go for a pathway approval.

A lot of it was at Lakota that already had RIN capacity much greater than what we had bought, but we hadn't done anything on expansion there. And now as we kind of see the future, when we look at the growth in gas demand, the growth in ethanol demand and the growth in export demand globally over the next five years, we think it's the right time to start to embark on and going after some of those extra RIN capacity that we have.

We've been able to – because we have that and because we have the scale, what we can do – we've been able to identify that we can go after that 100 million gallons for less than $0.75 a gallon. So, obviously it will make sense to try and go after that.

That doesn't mean we have to run it all the time, and I think that's what we have to be very clear on is that it's much like our grain storage capacity that we've built. We sold it for over $3 or $4 a bushel and we've rebuilt it for under $1 a bushel. But that doesn't mean that it's going to fill every year, because it doesn't have any drier capacity. So, on a wet crop, we might not be able to do that, but in a lot of years now, it's very, very – it's accretive now to our earnings.

So, when we look at that in relation to the ethanol capacity, we might as well build it, because when it – and we believe that in next five years ethanol demand will be greater than ethanol supply, both domestically and globally, as you add it all together. And we'll be prepared to take advantage of some of those dislocations. And when we run as hard as we can, we'll be able to run that extra 100 million, but we will be fully willing not to run that as well in times of margin compression.

And in fact, even as of late we're seeing the industry start to slow down and we've slowed down our platform a bit as well during the first quarter.

<Q - Farha Aslam>: Thank you very much.

<A - Todd A. Becker>: Thank you.

Operator

We'll now take our next question from Adam Samuelson from Goldman Sachs.

<Q - Adam Samuelson>: Thanks. Good morning, everyone.

<A - Todd A. Becker>: Good morning.

<Q - Adam Samuelson>: Todd, a question on pricing. And obviously thinking kind of in this new oil world that we're in, kind of a readjustment of the view on where ethanol can price and trade, I want to get your thoughts on if ethanol in the U.S. could actually price at a premium to gasoline. Why and what that would do to both domestic blending and the export demand? And I'm thinking on the export demand particularly as it relates to non-mandated countries and the competitiveness versus MTBE.

<A - Todd A. Becker>: Okay. So, in terms of the pricing, so we've seen the adjustment kind of happen. Now we have, at least, what I would call, stability in oil and gas, in this $50 range and the summer gas market at $1.75. And when you look out on a curve ethanol yesterday and even today it was probably in the range of $0.35 discount to gasoline against the forward corn curve. And all of those were starting to generate positive EBITDA high single digit type margins in

Q2 and Q3 that we've seen on the curve.

So, the first thing that has to happen in our view is corn has to compete as a BTU equivalent and it wasn't doing a very good job at that at $4.20 and it does a much better job at that as we kind of breakdown into this lower end of the range. And the main reason for this lower end of the range that we're seeing has been the exit of the index longs or the hedge fund longs that have – the trend follower longs, I am sorry, that have – that went from a 220,000 or 240,000 contract long in corn down to 150,000 to 160,000 and as market has taken it down $0.60 or so a bushel. That has made ethanol much more competitive against a forward gas curve of $1.75 and a forward oil curve of $50 to $60.

So, then the question is, where does that go from there? Do we get the crop planted, which we believe we will now see some dramatic shift in acreage in the United States away from corn? Will we get the crop planted and then obviously we've got a good start to the moisture and we are seeing some dry spots.

But, in general, I think, when we look at that, we have some really good opportunities to not have significant impacts to the U.S. carry out and see these prices over the long-term remain into these mid-$3 range.

When you then – so then what happens is now corn prices as a Btu. So, corn – if ethanol – and you just got to even money gasoline today out on in the second quarter and third quarter, the ethanol industry would enjoy $0.30 to $0.40 a gallon EBITDA margins without even having to go over gasoline.

So, from that standpoint, we've got plenty of room to go. And even at even money to gas, it's still the cheapest replacement from an octane and oxygenate perspective both domestically and globally. And so the other thing – the other reason why ethanol could trade at even money and even sometimes slightly a premium is that when you at it is what are the replacements that you can use in the domestic market.

Number one, you can use the replacement octanes but those are more expensive than ethanol stay even at even money to gasoline or you can use premium gas as your substitute and that is much more expensive if you kind of change your blend and how you sell your baseload gas. And so that – even at even money to a slight premium, that's not going to kick ethanol out of the blend.

And then finally, obviously a long answer but it was a long question. But finally, when you look at the RIN values, RIN values are still running in that $0.60 to $0.70 a gallon. So, it would take at least that premium over gasoline before you would – if you were an obligated party that you would kick ethanol out and you're not anywhere near that, nor do you have any reason to go near that at all.

So, the RIN is just the extra credit that you get from the standpoint of being able to sell your RIN in the market today because of the uncertainty around the RFS. So, then when you look at finally on a global standpoint, we have – when ethanol went to a premium over gas, we saw some of those non-mandated global markets start to think about slowing down.

But I can tell you right now, as we've gone through a discount again to gas on the front-end at a $0.10 and on the backend at $0.35. We have very robust enquires for export product on a daily basis as much as we – because the curve – we did a lot of business in Q1. We have a plenty of business in Q2 as well. Steve, we have what percent sold in Q2? I think we have something like another 12^% to 15% of our Q2 volume.

<A - Carl Steve Bleyl>: I think we're about 10%.

<A - Todd A. Becker>: We're about 10% of our Q2 volume headed towards the export market. And every time that this has happened where ethanol now trades at a discount, we have very robust enquires as well and either increasing what's on the books today or even new business.

So, I think that if corn stays here and gas stays where it's at and oil stays at $50, I don't think ethanol needs to trade above gas for us to get it back into a very good margin structure. We just need to see the discipline within the industry on production rates, not build too much stocks and not get ourselves in trouble. And obviously that's some of the pressure that we're facing today.

<Q - Adam Samuelson>: That is all very helpful. Maybe just a quick question...

<A - Todd A. Becker>: Is that enough for you?

<Q - Adam Samuelson>: ... a quick follow-up. That was very good.

<A - Todd A. Becker>: Yeah.

<Q - Adam Samuelson>: But on the expansions on the Brownfield side that you've alluded to, $0.75 a gallon, 100 million gallons, how should we think about the timing of that spend? I think here – I know you said the CapEx number in the prepared remarks. I didn't catch what you're actually – I didn't quite catch it. What was the CapEx plan for 2015, and how much of that would be the Brownfield expansions?

<A - Jerry L. Peters>: Yeah. It's roughly – $85 million is the CapEx plan for 2015. And I think I said $20 million of that is kind of maintenance CapEx. So, basically you could assume that the rest of that is a combination of various improvement projects hit the plans as well as the capacity expansions.

<A - Todd A. Becker>: As well as we're looking at grain storage as well. So, I mean we've been working on this project, and I would say that potentially – if we do all of those expansions in 2015, now the question is can we get it done by next harvest. And I would argue that would be a challenge, but we would work on that. But you might see that CapEx number go up. But at this point, we're going to leave it at that and see what we can get accomplished.

<Q - Adam Samuelson>: All right.

<A - Todd A. Becker>: Our goal was also to get to over 50 million bushels of grain storage this year as well. So, we have 7 million to 15 million bushels of grain storage capacity increases across many of our plants as well that we like to go after. And it's just all priority of capital at this point, but they are all accretive projects for the future.

<Q - Adam Samuelson>: Okay. And the grain storage is about $1 per million bushels. Is that the right...?

<A - Todd A. Becker>: Yeah. I mean, for the most part, we've been building the storage – more of the grain storage piles. But we do have projects that have been a little bit more expensive in some areas, if we want to build a bigger, broader platform. But in general, you can still use that $1 a bushel as a project.

<Q - Adam Samuelson>: Okay. All right. That's all very helpful. Thanks very much.

<A - Todd A. Becker>: Thanks. We appreciate it.

Operator

And we'll now take our next question from Laurence Alexander from Jefferies.

<Q - Laurence Alexander>: Good morning.

<A - Todd A. Becker>: Hey, Laurence.

<Q - Laurence Alexander>: So, the discussion you had at the end of your comments about looking at possible adjacencies to smooth out the volatility, can you give us a little bit more of your thinking about how you would go about that in the sense of would you want to do some small acquisitions in different areas before you did a large one? Are you more comfortable just adding an extra leg so to speak, a standalone entity that just is – will just run as it is? Do you want a fixer upper? Can you just sort of flesh out what kinds of things you might be looking for?

<A - Todd A. Becker>: Sure. We're not really looking for fixer-uppers because it's going to probably add a new leg or a new component to what we do today, whether it's in, say, some form of other grain milling, whether it's soy crushing, flour milling or corn milling. That would add another component to what we do. But there are adjacencies that we would be able to take advantage of around origination and the supply chain. But it would be definitely a different product line that we would go into whether it's a different terminal business with different products lines that we would go into that might have longer-term contracts on it, but obviously you have to compete to buy those projects.

So, we're looking at all of those things whether it's in – and we also believe in the ingredient business because we've produced 3 million tons in distilleries and 250 million plus pounds of corn oil. We have great visibility to the ingredients base, and there are other ingredient businesses that we've taken looks at.

Obviously, there is a lot of people looking at lot of the same assets and the same type of properties. But we feel like now with the balance sheet that we have and the ability to go after bigger projects, I mean, our range, again, it's a range from 10 million to 500 million is kind of what we're thinking is the range in terms of our capacity to do acquisitions.

And anywhere in the middle of that are all things that are reasonable at this point. A thing that we can be able to bolt something on. It would have to be accretive. It would have to be something within our value chain that we feel like is an adjacency or a vertical that exists within agriculture or energy that seems it's reasonable for us to add-on. I wouldn't think that we're going to go out and buy a bunch of oil refineries, but grain processing assets are something that we've been very keen to look at, but again in competition with many others.

So, it may take a while but our view is that by getting those assets, which have more stable and predictable cash flows, while we certainly, as I said, enjoy when ethanol is really good and we can generate lots of free cash. So, I want to make sure that when margins are under pressure, we build a business that is sustainable over the long-term with less variable cash flows that have your ability to lower your beta and expand your multiple. And we're very, very focused on that but we're also not backing away from the fact that ethanol has been very good to the company and very good to our shareholders and that is also one of our big base businesses and if we have the opportunity to expand that as well, we'll do that.

<Q - Laurence Alexander>: And then, if you could then supplement that with your financial rules of the road, would you be willing to have a deal that was initially dilutive for a couple of years if it got you the right kind of stability profile? Do you want to do contra-cyclical acquisitions? How do you – just sort of what kind of metrics or guidelines should people think of?

<A - Todd A. Becker>: Yeah, I think we're very focused on accretive transactions from the start of very early in the cycle of that. So, our focus isn't on buying something and hoping we can get that to be accretive in two or three years by building a business around it, because we think we know the businesses that we're looking at. And most everything that is on our radar screen could be accretive from very early on. So, there isn't much that we're thinking about from there. And the second part of that question, can you repeat it? Sorry.

<Q - Laurence Alexander>: Just in terms of – I think that – actually that answers solves most of what I was asking about.

<A - Todd A. Becker>: Okay.

<Q - Laurence Alexander>: Thank you.

<A - Todd A. Becker>: Well, thank you, Laurence.

Operator

And we will take our next question from Brett Wong from Piper Jaffray.

<Q - Tyler L. Etten>: Hi, guys. This is Tyler Etten on for Brett Wong. I was wondering if you guys could comment on the – I mean, there have been multiple proposals for the reform or even repeal of the RFS recently. Do you guys see any risk to the mandate?

<A - Todd A. Becker>: Yeah, I don't think today there – I mean, Congress, if a Senate or House bill gets passed, it still has to get to the President's desk and today I'm not sure that that's something that would probably be – not be able to be passed into law, but it might be – obviously provide some uncertainty to some investors. But with or without, we've set the business up over time to say that eventually we believe that the industry will need to operate on its own and the key point there is that you have to compete head-to-head with oil.

And if you look out on a curve even today with oil at $50 and gas at $1.75, ethanol is sitting at a $0.30 discount to that and we have positive cash flow and positive EBITDA margins and there is plenty of room for margin expansion out on the curve, if we can get the right fundamental environment.

So, in addition to build on the export markets and the global demand base, when you look at all of that – when you look at countries like Brazil and India and Philippines, they're not asking permission to raise mandates from big oil companies like we do here. So, they're not really worried about that. But, in general, we still feel like international demand or global demand will increase faster than global supply. And with or without the RFS, you have to have a molecule that competes, and ethanol is still showing that it can compete even at $50 oil?

<Q - Tyler L. Etten>: Okay, thanks. And my second question would be, in the current margin environment, you had said that Q1 had slowed down some. Have you seen any plants go offline or do you think that production will just slow down or decrease?

<A - Todd A. Becker>: I don't know if any plants yet that have kind of go on fully offline. I think that plants have slowed down. But again, we finally saw a little bit through the numbers this week, and EIA data obviously is what you focus on but I would only caution you to not focus only on that as I think we have just lagging and leading indicators in that data that we have to be very careful on saying that that is what is the absolute.

But I think we saw the first glimpse this week of slowing down in production, albeit stocks didn't do much, but the plug number needed to get rationalized as well as we continue to load a larger export program. So, if we continue to slow down at this pace, the demand is there. The blend demand is there in U.S. and the export demand is there, and you would think that that could have to draw on stocks. And eventually we'll see that come through the data.

I guess if we slow down our platform slightly and I think the industry in a lot of places has slowed down as well, but again we don't ask others what they are doing. We just focus on ourselves. But anecdotally you would think that others in the industry have slowed down as well.

<Q - Tyler L. Etten>: All right. Thank you. I'll get back in queue.

<A - Todd A. Becker>: Thank you.

Operator

We'll now take our next question from Ed Westlake from Credit Suisse.

<Q - Edward George Westlake>: Yeah, thanks. And a very good outlook for a discussion of ethanol's role in the global gasoline feed, which I agree with. A couple of questions. Just on the acquisitions, what sort of typical multiples do these assets generally trade at maybe peak cycle and trough just to get a sense of how much capital it will take to diversify the EBITDA stream?

<A - Todd A. Becker>: Yeah. I think peak and trough multiples range from a five to 10. We're not focused on the 10s. I can tell you that obviously, but I think the market is and that's what you have to sometimes compete against. But in some of the projects, we'll walk away from and wait for – be more patient with our capital.

But there are still acquisitions in that six to eight multiple type space that you can definitely diversify your income stream, and it can be accretive depending on how you put the capital structure in place. So, that's kind of how we're thinking about it.

<Q - Edward George Westlake>: Great. And then just on the export debate. I don't know if there's any way to quantify how much uplift that percentage of exports say in 2014 or 4Q 2014 made in sort of an EBITDA per gallon basis or EBITDA absolute basis, saving me doing some work, but don't know if you had a feel for that.

<A - Todd A. Becker>: I think the exports came right in late 2014 in the fourth quarter, came at the time when we were running this industry full steam and full out. And we came out of our shutdown period from a lower production level to a full out production of the industry and you've seen these capabilities, obviously, at that [ph] $9.80 (00:37:45) a day.

And you run a lot better when it's cold. So, you have to keep that in mind. You're seeing peak production rates in an environment where you can run as hard as you can, because you don't need the extra cooling capacity like you do need in the summer which restricts some of your own rates as well.

So, I think the exports always are providing an uplift for us because our domestic demand is not as much as our domestic production and the exports has made up the difference. I think the good thing is obviously as corn remains a discount to the sugar equivalent of what we see in the global sugar markets by not just a little even if sugar has stabilized in that $0.15 a pound range, corn is back into this $3.60, $3.70 a bushel range and with negative basis, you're down into $0.08 to $0.09 a pound against sugar.

So, we compete well, which is why you see on a CNF basis corn is still – corn based ethanol in the U.S. is still $0.30 to $0.50 discount on a landed basis anywhere around the planet today. So, it definitely provides the uplift. I mean, I would tell you, but running hard like we have it would probably put the biggest pressure on margins for the industry.

<Q - Edward George Westlake>: And then just on locking in absolutely the forward spreads in Q2 and Q3 that are sort of relatively attractive, but against 1Q have you done any of them?

<A - Todd A. Becker>: Yeah, we have some plans actually that – we have a range of plants and it depends on geographies as much as it depends on size and scope and technology, I would tell you that. So, our Eastern plants have the best margin structure versus our Western plants. So, when you look at some of our western plants, they might be low single-digit EBITDAs, but if you look at in some of our Eastern plants, we have some eastern plants in Q2 that are in that high-teens potentially.

So, overall, we say high single-digits, but we always go to the highest place on the curves, so we may start to – when we look at the forward margins structure, overall it's probably not as compelling as a complete – from a standpoint of our complete platform, but we will have some hedge opportunities in some of our plants in East.

And then oftentimes what we see is that kind of the East-West parity come back into play, but East is where the best margin structures are – exist in the ethanol industry on a forward curve today.

And we'll lock some of those away at those more compelling values. And none of these numbers include corn oil. So, a lot of times you see industry talks about full margins, ours don't include the extra $0.04 or so corn oil EBITDA as well, so.

<Q - Edward George Westlake>: Okay. Very clear. Thanks very much.

<A - Todd A. Becker>: Thanks, Ed.

Operator

We'll now take our next question from Craig Irwin from ROTH Capital Partners.

<Q - Craig E. Irwin>: Good morning, gentlemen. Congratulations on the strong execution.

<A - Todd A. Becker>: Thank you.

<Q - Craig E. Irwin>: Todd, I was hoping you might be able to go into your view on the corn market in a little bit more detail. If you could maybe share with us what you think about the potential breakeven for farmers in the regions that are relevant to your plants and how this has maybe changed for 2015 versus 2014 or 2013? And what you really see as the incremental factors that are key to determine corn prices – input prices for you in 2015?

<A - Todd A. Becker>: Yes, so I mean our view first off is that around a lot of our plants, there is always the rotation of corn beans. And we don't feel like – we're not in the beer case that corn acres are going to go significantly lower than what we've seen, because the farmer likes to plant corn and they like to – and the potential for growth in yield and then looking at where the soybean market is today.

When you look at that forward curve and the corn bean ratio has come back into the favor, at least close to the favor of the corn market, the farmer will – we believe, will err towards planting corn.

But what does that do for his breakevens? Obviously, depending on your land cost, if your lands – if you're not buying $10,000 or $15,000 an acre land, your corn breakevens are a lot lower. So, it's very hard to kind of determine the exact corn breakeven kind of across the Corn Belt versus old versus new kind of real estate purchases.

Fertilizer prices still need to probably come down a little bit. The energy price decrease has helped a lot. The magic number seems to be where the farmer has been letting go of this next – kind of last half of the crop this year is at $4 level. So, corn gets to $4 net, add or subtracted basis depending where you are at and you buy corn, but we're starting to see the farmers start to let go of some other corn in different areas.

So, this – if corn sticks in this – the curve is strong, I mean, you've got a nice carry all the way to [ph] these (00:42:25) corn 2015. You've got a reason to plant corn. If you get any strength in the basis like you typically will see depending on time of the year of 10 under to 10 over depending where you're at, the farmer has plenty of options and opportunity to plant corn and earn a good return, but the exact breakevens are hard to figure out. But you are weighted – you are favorable versus beans to plant corn in most locations today. So, it comes down to little bit more than just breakeven.

<Q - Craig E. Irwin>: Thank you. My next question was about inventory. So, the weekly inventory numbers and production numbers have obviously been having a significant impact on commodity volatility. But overall inventories are really only a single-digit percentage of annual demand. Can you discuss how you see inventories as a representation of the fundamental outlook? Whether or not you've seen periods of dislocation in the past and whether or not you feel that the market response to short-term inventories is an accurate reflection of the fundamentals facing your company in 2015?

<A - Todd A. Becker>: Yeah. We've always said the inventory number between – below 18 million, you see supply dislocations broadly across the U.S. and have provided us with some of our best and biggest margin opportunities.

At 18 million to 20 million range has been an area – or even 18 million to 21 million has been an area where we see kind of mid to high single-digits all the way into kind of mid $0.20s a gallon of cash flow or EBITDA margin.

And then obviously getting much over 21 million, you start to see some of those pressures build in some markets. The factor we don't see in a lot of that is lifting of – the lifting of exports is often a lagging stocks indicator and we don't see that. When exports lift, it often takes time to see – or they build to lift, you might see a bulk or – them build at the port and then all of a sudden they go away.

So, we obviously a big export program is going to cause some volatility in those numbers, but it's not bad volatility, it just is what it is. We also have a view that the data needs to be at least respected that it's probably not the best source of data, but it's the only source of data.

I mean the EIA – we report on a certain way whether it's a Thursday to Thursday, but others in the industry reports Friday to Friday, there is not a true rule of how to report, except that you have to report.

Some people report inventories on rail that are leaving a plant and then some people report inventories if you're a terminal that are coming to the terminal. So, I would only argue that it's been done the same for many, many years, so it will smooth out over time. But some of these bulges and some of these big decreases probably are smoothing out more than they are accurate reflections of the actual inventories or actual production.

And some plants don't have to report, some states don't have to report by law. So, not every plant in the industry reports what their production is to the EIA because they're not required to by law by some of their states or they just don't it.

So, I think we just have to respect the fact that it's – the information that we have is what drives some weekly volatility. It will smooth out over the long-term, but it isn't necessarily always the correct data to go on. So, in our view, the industry has slowed down a bit more than probably what the EIA data reflects, but obviously we can't verify that until we see it. And our view is that the plug number was too high this week because we think exports will be greater over the next couple of weeks to take more of the inventory out of the country.

So, I think people use it as a guide, but I would be careful that it adds a little bit more volatility to our margin structure. But the focus still is on the overall number and the overall number over 20 million barrels is just over 20 million barrels, but it still provides some pressure to the margin structure.

<Q - Craig E. Irwin>: Thanks. Then last question if I may. $0.70 RIN – $0 .70 ethanol RIN is a long way from where we were a couple of years ago. There is some chatter out there that EPA could send another 2014 over – RVO over to the White House within the next couple weeks. And abundant market rumors are that actual production for 2014 could end up being what they propose to the White House this time. That would seem potentially bullish for the industry and bullish for RINs. Do you believe that this could potentially help with E85 volumes if we do continue to see strength in RIN prices? Is this something that could actually materialize as a positive for you this year or do you really see this as less important for your overall business?

<A - Todd A. Becker>: Yeah. So, I mean the mandate for 2015 is 15 billion gallons. So, until we have certainty around that number, the RIN values are definitely going to be volatile. With that being said, what we are seeing – let's first talk about E85, but I'd rather talk about E15, because that's really where our focus is on real volume growth.

Well, what you see is, you have places in Iowa that are sub $1 E85 because they use $0.70 RIN, pass a lot of that on to the consumer and then they are able to sell that and even still earn a very good blend margin and return against that at the retail level. So, it is definitely driving some E85 volumes. But I don't think that in some parts of the country they are using the same math, where you see in different parts of the country E85 will only be a slight discount.

The E15 just enough to cover the gas mileage, but then they leave – then the RIN is all going to be pocketed by the retailer. So, depending where you are at and depending on what your motivation is, E85 is probably not a great driver, but the RIN is definitely having a positive disposition to that.

In addition, on the non-obligated parties that you see starting to announce the E15 initiatives across the United States, the RIN is definitely a positive factor for them. Albeit, they know that over the long run that RIN value will probably not be the same today as it is some time in the near – in the future whether it's two years or three years from now.

But these are all companies that have been first movers when we were moving to E10, and now they're first movers when we're going to E15 and then there is a big industry initiative through Prime the Pump, which is a industry backed, grant-based organization where retailers can apply for brands to upgrade and change their stations to a more expanded blends.

We are seeing a lot of participation in that with lots of retailers starting to make the switch or proposing to switch and you're going to see more and more, I think, over the next coming years. That's driven more by economics and the economics is that even at $0.35 a discount on the gasoline curve, they can make the extra $0.35 a gallon on the extra 5% plus the RIN on top of that there's a heavy motivation to move as fast as they can to E15.

We are starting to see some of those early adopters that we saw last time around do it with E15. So, I think it's a positive driver. And any additional thinking from the EPA on keeping these mandates where they're at or not quite going down to make sure that – not quite going down all the way to guess demand to make sure we keep the hammer on these guys to go after expanded blends, I think will be helpful.

<Q - Craig E. Irwin>: Great. Thank you for taking my questions.

<A - Todd A. Becker>: Thank you.

Operator

And we'll take our next question from Matt Farwell from Imperial Capital.

<Q - Matt Farwell>: Hey, good morning. Thanks for taking my question.

<A - Todd A. Becker>: Hi, Matt.

<Q - Matt Farwell>: So, your stock has been volatile. It fell below $21. If you back out your non-ethanol businesses, I get to valuation per gallon at capacity below $0.60, maybe even $0.50. You are looking at investing in projects at $0.75 a gallon. I guess my question is did you buy back any stock? If you didn't why not? And would you consider doing some in the future?

<A - Todd A. Becker>: Yeah. Over the last quarter, we didn't buy any stock back. And we don't – we have a four-pronged approach to capital allocation as we've mentioned. Obviously we just announced the dividend again and we raised our dividend in September for a return of capital to our shareholders. We believe that – our math doesn't quite coincide, I think, with your $0.60 a gallon math, but we can talk about that at some point. We'll have to go through and side-by-side and compare those.

But I think when we look at that, we're building an enterprise, we're building a platform. And while we can sometimes financially engineer your way into a quarter or two quarters, the volatility of our stock, obviously, will provide opportunities in the future. And we are still focused on the fact that we do have $100 million share buyback.

But we don't really discuss when and why at this point of what we're going to do, except to say that during the quarter we didn't do any. And we're focused on our four-pronged approach to capital allocation, which is organic growth, acquisitive growth, dividends and share buybacks. So, from that standpoint, obviously, more to come, but we are fully ready to do any of those, but obviously, focused on growing the company as well.

<Q - Matt Farwell>: That's helpful. Just tracking the EIA data, the refinery inputs of ethanol haven't really tracked the increases in product supplied. Just on a percentage basis, it's in the low 9% whereas a year ago it was much higher than that. Do you think that that is just an aberration? Is there some reason refineries have not been blending as much ethanol or are they just trying to adhere to the RFS? I just wonder if you have any color on that.

<A - Todd A. Becker>: I'll let Steve answer that. Steve?

<A - Carl Steve Bleyl>: There are some regional areas where there was, blending backed off a little bit and it started back up again. So, I think you're seeing some of that effect. It had dipped down to like a 9.3% on the blend rate.

<Q - Matt Farwell>: Did they do that because of...

<A - Carl Steve Bleyl>: Our view is it's coming back up again.

<Q - Matt Farwell>: Was that for discretionary reasons or any other – any rationale for that?

<A - Carl Steve Bleyl>: There was some discretionary, I mean, you had the last week in December, about a week period where the blend economics totally were, had gone underwater and you saw some discretionary areas where they chose not to blend.

<Q - Matt Farwell>: So, it sound like the domestic market is slightly more elastic with respect to the blending economics than the international market based on your commentary?

<A - Carl Steve Bleyl>: I'd say there is some to that. To a certain extent, remember, there is still more of the sub-grade being produced, so then it becomes a matter of the premium value that you're blending into to make the 87-octane. So...

<A - Todd A. Becker>: Right. Our view was – during the quarter, there was a small window where you could use a little premium to lower your cost overall versus ethanol. But it goes away very quickly because they're just not enough of it for 14 billion gallons of capacity. You might see some spots that are geographically advantaged for that and that's why you might have seen a small drop from that perspective. But our view is that that is – that window has closed, don't you think.

<A - Carl Steve Bleyl>: Yeah.

<A - Todd A. Becker>: Right.

<Q - Matt Farwell>: Okay. And then one last question just on the DDGs, the premium there has grown – I don't think we had China buying this last summer. Normally there is some seasonal weakness in the summer. How is that going to play out this year?

<A - Todd A. Becker>: We think there will be seasonal weakness again in the summer months. What we have is, at these levels of 130% the price of corn on a replacement value standpoint, we are starting to see levels where you are seeing reduced participation from the integrator or the feeder out on the forward curve at this point waiting for a drop in values.

And so we – while China is very, very important obviously because they take 400,000 tons a month or something like that, we don't want to lose 800,000 tons a month to cattle feeding industry because we're too high priced. So, our view is that, these prices are probably at the higher end of replacement values. And corn, obviously, if corn rallies, then DDGs play – can go up as well. But in general as a replacement feed product, we're starting to see DDGs become a bit uncompetitive from a domestic standpoint.

So, while we've seen the rally and the prices are where they are at, and I think you can still certainly put on a forward deck at those – forward program at those levels and we don't think that is a big rally coming in after these type of levels. Probably we may see some of that. We may see some of that price deflate a bit. Obviously it's hard when China comes in and all of a sudden you go up $30 or $40 when you are not anticipating that happening.

But it is a – still a very competitive feed product in China, against the domestic price of corn, distiller's grains. So, there is nothing cheaper than that and they like using the product. So, overall, we don't see that decreasing. But the domestic demand probably needs to have a bit of price adjustment to see them come and participate in a bigger broader way.

<Q - Matt Farwell>: I see. Then one other question, your commentary about Q2 export volume is fairly significant. It seems like it is sequentially flat. Could we extrapolate that to the rest of the industry? Could Q2 exports actually be flat with Q1?

<A - Todd A. Becker>: In our view, Q1 is going to be similar to Q4 and Q2, obviously, we're tracking the same, Steve, well, how you feel that will be against Q1 volumes?

<A - Carl Steve Bleyl>: We have a slightly less, but again a lot of this is pulling into prompt purchases. So, we're seeing people come to the market on a prompt basis to purchase right now.

<A - Todd A. Becker>: So, at this point, it will be similar, could be a little bit less but what's not taking into consideration is the expanded blends in Brazil and will that bring them into the market kind of pre-sugar, or pre-sugar as well, so pre-sugar harvest. So, we'll have to wait and see how that impacts. But, we haven't seen a ton of inquiry yet out of the Brazilians for U.S. product to come there yet, but we know that it's competitive to go there from a price perspective.

<Q - Matt Farwell>: Got it. Well thanks very much for taking my questions.

<A - Todd A. Becker>: Thanks, Matt.

Operator

And we'll now take our last question from Eric Seeve from GoldenTree Asset.

<Q - Eric Seeve>: Hey, guys, thanks for the call, last but not least. Couple of quick questions, first I was hoping you could clarify you mentioned earlier in the call that you're seeing Q2 and to some extent on the curve Q3 opportunities to sell ethanol where EBITDA margins were in the mid-to-high single digit range. I just want to clarify, are you talking EBITDA margins, still on a consistent basis with what you lay out in slide five and when you say margins, does that mean cents per – EBITDA per gallon of production?

<A - Todd A. Becker>: Yeah, that is what we talked about, cents per gallon of EBITDA production not inclusive of corn oil, which adds another $0.04 or so a gallon as well, so, yes. We are seeing...

<Q - Eric Seeve>: Okay.

<A - Todd A. Becker>: ...that out on the curve today. I mean, like I said, some of the – it ranges though across our platform and does not have to do as much around technology and size of plant, but more around location geographically of the plant, as we said, Eastern plants have higher levels than some of the Western plants. So, obviously, lower than we like to see, but more than enough to cover all of our obligations and generate free cash flow returns for our shareholders as well.

<Q - Eric Seeve>: Okay. Thank you. So, – can you provide any color on what you think Q1 margins will look like? Obviously, it will be a challenging quarter and you mentioned it would be weak, but in the context of EBITDA per gallon context, can you provide any color?

<A - Todd A. Becker>: We haven't, except to say that, obviously, not as good as Q2 and Q3 yet, but we'll see what happens on the front end of this curve. We're still plenty open, but, overall, margins have – were under pressure in the first 30 days of the quarter. But, obviously, we're hoping 30 days doesn't make a trend and the forward curve gives us optimism that there's plenty of demand for our products and we'll have to better wait and see there. None of it should be – should have a significant impact on the strength of this company, but, overall, it will be a down quarter looking forward to Q2 and Q3 as potential recovery quarters.

<Q - Eric Seeve>: Okay. With respect to CapEx, to the extent that there's more downward pressure on oil and gasoline prices and the forward curve doesn't develop quite the way you expect in terms of profitability for ethanol, you could find yourself potentially in a situation where, in order to fund the $85 million of CapEx and all your growth projects, you actually have increased leverage. In a scenario like that do you have the ability to pull back on those projects?

<A - Todd A. Becker>: Yeah, we can pull back on any project on any given day. I mean, but I would only say that we're starting the year with $450 million of cash and there is no significant cash burn on the curve. So, overall, I would argue that we wouldn't need to add leverage to get any of those projects done in this year. And if we needed to pullback on half of it, it would not be any issue to do that.

But, we've been through much worse cycles than anything we're experiencing today. I mean 2012 was a negative – double-digit negatives for the whole year and we're not anywhere close to that. So, I mean, overall, we still expect to generate free cash flow returns this year based on the curve, but obviously Q1 is a bit more challenged than further out, and then we just need to grow our corn crop. But overall, we feel like we can adequately fund all of these projects [indiscernible] (01:00:56) the balance sheet we'd have without adding any leverage, if we wanted to do that.

<Q - Eric Seeve>: Thank you. Last question is just – we've talked about ethanol on the call, but can you maybe just take 30 seconds and just touch on the other segments and just spend a little bit of time talking about your outlook for those?

<A - Todd A. Becker>: Yeah. So, marketing and distribution, obviously, we had a great year in 2014, we had some really good opportunities around our merchant businesses and our distribution businesses, our BlendStar terminals all performed very well last year and we expect that to continue. It will be somewhat hard to duplicate that segment, because it was such a strong first quarter, but basically in the range of what we've talked about Jim....

<A - Jim Stark>: $5 million to $7 million.

<A - Todd A. Becker>: $5 million to $7 million of operating income per quarter, that's our base earnings of that segment and we expect that will be consistent through 2015 with opportunities to increase that, if they come forward. If we look at agribusiness, that's still in the rebuild mode. You saw some of the benefit of that in the fourth quarter, where we were finally getting some of the benefit of the grain stores that we've build. Albeit, we didn't fill all our stores this year, because there was a wet crop and so we take advantage of the dry crops, and the wet crops we don't have drying capacity. But we did have generate excess returns versus prior year and feel like that will continue on going forward and have a strong finish to 2015, that segment is a – Jim.

<A - Jim Stark>: As we've given in the past it's in the range of contribution of $7 million to $8 million of operating income.

<A - Todd A. Becker>: Yeah. But obviously what we've said in the past is it was a $12 million to $13 million EBITDA type business and we felt like we could get back to 80% of that at 20% of the cost of what we sold those other assets for a couple of years ago. And then...

<A - Jim Stark>: Corn oil.

<A - Todd A. Becker>: ...finally corn oil is pretty steady. I mean corn oil prices have been little bit under pressure, but we're starting to see bean oil rally back now and some of the palm oil situation is in our favor with what you saw happen today on palm oil tax credit in – what – in Indonesia, sorry, in Indonesia today. We saw them issue a tax credit for palm oil which then obviously took palm oil prices up, which then took bean oil prices up, which we think will be a positive disposition for corn oil price as well, should be a structurally similar year to 2014 in that segment at the current price levels and current production rates.

<Q - Eric Seeve>: Thank you. And just one clarification with respect to agribusiness, it sounds like the run rate operating income per quarter of $7 million to $8 million, that's still the latest thinking?

<A - Todd A. Becker>: Well, that's the year. That's the total year. The run rate for quarter is a couple of million dollars a quarter at this point roughly.

<Q - Eric Seeve>: Okay. Great.

<A - Todd A. Becker>: Some quarters will be better, some quarter will be worse. But overall $7 million to $8 million is our base level, if we have a good harvest quarter again, and good harvest earnings, and good cattle returns and those numbers could go up from there.

<Q - Eric Seeve>: Guys, thanks for everything.

<A - Todd A. Becker>: Okay. Thank you.

Operator

And with no further questions....

Todd A. Becker

Yeah. Well, thanks everybody for coming on the call today, obviously lot of questions. We remain optimistic for the platform that we built. We are in the best financial shape we've ever been in. We have a strong balance sheet. We are close to our long-term target of zero net term debt, which was a couple of years ago when we set it, we weren't exactly sure when and how we will get there, but we thought by the end of 2015 and obviously very close structurally almost there. And we feel like we're in a great position to go forward and grow the company and focus on that reducing our volatility, lowering our beta, increasing our multiple and generating more shareholder value over the long-term. So, we appreciate you jumping on the call, we'll talk to you next quarter. Thanks.

Operator

This does conclude today's conference. Thank you for your participation.