THOMSON REUTERS

EDITED TRANSCRIPT

Q1 2019 Archer Daniels Midland Co Earnings Call

EVENT DATE/TIME: APRIL 26, 2019 / 1:00PM GMT

CORPORATE PARTICIPANTS

Juan Ricardo Luciano *Archer-Daniels-Midland Company - Chairman, CEO & President*
Ray Guy Young *Archer-Daniels-Midland Company - Executive VP & CFO*
Victoria de la Huerga *Archer-Daniels-Midland Company - VP Investor Relations & ADM Ventures*

CONFERENCE CALL PARTICIPANTS

Adam L. Samuelson *Goldman Sachs Group Inc., Research Division - Equity Analyst*
David Christopher Driscoll *Citigroup Inc, Research Division - MD and Senior Research Analyst*
Eric Jon Larson *The Buckingham Research Group Incorporated - Analyst*
Heather Lynn Jones *The Vertical Trading Group, LLC, Research Division - Research Analyst*
Kenneth Bryan Zaslow *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*
Michael Leith Piken *Cleveland Research Company - Equity Analyst*
Robert Bain Moskow *Crédit Suisse AG, Research Division - Research Analyst*
Thomas Marc Alfred Simonitsch *JP Morgan Chase & Co, Research Division - Analyst*
Vincent Alwardt Anderson *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*
Vincent Stephen Andrews *Morgan Stanley, Research Division - MD*

PRESENTATION

Operator

Good morning, and welcome to the Archer Daniels Midland Company First Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's call, Victoria de la Huerga, Vice President, Investor Relations for Archer Daniels Midland Company. Ms. de la Huerga, you may begin.

Victoria de la Huerga ***Archer-Daniels-Midland Company - VP Investor Relations & ADM Ventures***

Thank you, Michelle. Good morning, and welcome to ADM's first quarter earnings webcast. Starting tomorrow, a replay of today's webcast will be available at adm.com.

For those following the presentation, please turn to Slide 2, the company's safe harbor statement, which says that some of our comments constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These statements are based on many assumptions and factors that are subject to risks and uncertainties. ADM has provided additional information in its reports on file with the SEC concerning assumptions and factors that could cause actual results to differ materially from those in this presentation and you should carefully review the assumptions and factors in our SEC report. To the extent permitted under applicable law, ADM assumes no obligation to update any forward-looking statement as a result of new information or future events.

On today's webcast, our Chairman and Chief Executive Officer, Juan Luciano, will provide an overview of the quarter and important actions we are taking to meet our strategic goals. Our Chief Financial Officer, Ray Young, will review financial highlights and corporate results as well as the drivers of our performance. Then Juan will discuss our forward look, and finally, they will take your questions.

Please turn to Slide 3. I will now turn the call over to Juan.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Thank you, Victoria. Good morning, everyone. Thank you all for joining us today. This morning, we reported first quarter adjusted earnings per share of $0.46, down from $0.68 in the prior year quarter. Our adjusted segment operating profit was $608 million. It was a more challenging quarter than we initially expected. Severe weather in North America, the ongoing China trade disputes and a difficult ethanol industry margin environment all impacted the quarter.

As we look ahead, however, we expect improved conditions in the second half of the year and we remain focused on executing our strategy and making changes to improve our company, including some new actions we are announcing today. And despite the challenging start of the year, we remain committed to continuing to pull the levers under our control to deliver our objective of full year earnings comparable to or higher than 2018.

We have already made substantial progress in each of the 3 strategic pillars this year. In our optimize pillar, we began the process of rationalizing our peanut and tree nut shelling footprint in the U.S. We announced the closure of 2, 100-year-old wheat flour mills in the Midwest as we approach the second half opening of our new state-of-the-art facility in Mendota, Illinois, and we still plan to close our century-old mill in Chicago once the new facility is online. We also sold 3 grain elevators in Kansas, Colorado and Oklahoma as part of our continued efforts to optimize our U.S. Origination footprint.

In our drive pillar, as part of revenues, we expanded a company-wide process simplification effort that seeks to improve our business model to realize additional value across the company. We enhanced our global business services organization by centrally pulling accounting, finance and other support resources that were previously spread throughout the organization. And thanks to Readiness, we are continuing to improve our capital prioritization as well as our project evaluation and execution processes. With the enhanced efficiency and effectiveness resulting from these changes, we are reducing our projected capital spending for 2019 by 10% to a range of $800 million to $900 million.

In our growth pillar, we expanded and streamlined our U.K. Origination footprint with the acquisitions of Gleadell Agriculture and Dunns Ltd. We advanced our capabilities to provide innovative, cutting-edge digital tools for farmers by closing and formally launching our Grainbridge joint venture with Cargill. We took steps to position ourselves as a true global leader in natural citrus ingredients, with the completion of our previously announced acquisition of Florida Chemical Company and our agreement to acquire leading European citrus flavor provider, Ziegler Group. We launched Bio-Kult Migréa, an innovative, new probiotic formulation from our Protexin business. We celebrated the grand opening of our fourth recently modernized Animal Nutrition production facility in North America. And of course, we completed our transformative acquisition of Neovia, making us one of the world's leaders in value-added animal nutrition solutions.

As we look forward, we are continuing to advance our strategic priorities. Today, I want to discuss 3 important new measures to strengthen our company and enhance our results and drive long-term value creation.

First, ADM plans to repurpose its corn wet mill in Marshall, Minnesota to produce higher volumes of food and industrial-grade starches as well as liquid feedstocks for food and industrial uses, phasing out production of high-fructose corn syrup at that facility as soon as we complete our committed deliveries. The market for starches continues to grow in North America. Our team has done a great job meeting this demand. And with this repurposing, we'll be positioning ourselves to continue to be a leader in food and industrial starches.

Second, the company is creating an ethanol subsidiary that will report as an independent segment once established. The establishment of the new subsidiary will facilitate the separation of our 3 ethanol dry mills as we advance strategic alternatives, which may include, but are not limited to, a potential spinoff of the business to existing ADM shareholders. Of course, as with any strategic decision, these changes to our portfolio will be subject to market conditions, acceptable valuations and the approval of our board.

Third, earlier this month, we began a series of new actions to enhance our agility, accelerate growth and strengthen customer service. One of these actions is a series of organizational changes to help centralize and standardize business activities and processes, enhance productivity and effectiveness, implement new technologies and eliminate overlap in roles and responsibilities. We're also accelerating our efforts to capture plan synergies after a period of acquisitions. And of course, our teams continue to identify additional synergy opportunities.

Finally, we have opened a voluntary early retirement window for certain eligible U.S. and Canadian colleagues. These organizational actions are important steps to ensuring that our company is structured to meet the evolving needs of our customers, our business and our shareholders.

Please turn to Slide 4. All of our work in each of our strategic pillars as well as the new initiatives we are undertaking are guided and supported by our Readiness efforts, which continue to accelerate and enhance our competitiveness. Last quarter, we reported that we had prioritized 525 Readiness initiatives that will allow us to generate more than $1 billion of run rate benefits by the end of 2020 and contribute $200 million to $250 million to our bottom line in 2019. Thanks to our teams' ongoing efforts, our list of prioritized initiatives has now expanded to 650. And as we continue to execute our initiatives and expand our pipeline, we have increased our estimate of 2009 -- 2019 net benefits to $250 million to $300 million and our estimate of run rate benefits by the end of 2020 to $1.2 billion. In addition, by the end of the first quarter, almost 3,400 colleagues have completed our comprehensive ability to execute or aid to E training, which enables and empowers colleagues to advance the cultural changes we are implementing. I'll talk more about Readiness at the end of this call.

Now Ray will take us through our business performance. Ray?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. Thanks, Juan. Slide 5 provides some financial highlights for the quarter. As Juan mentioned, adjusted EPS for the quarter was $0.46, down from the $0.68 in the prior year quarter. Excluding specified items, adjusted segment operating profit was $608 million, down 15%. Our trailing fourth quarter average adjusted ROIC was 7.8%, slightly over 100 basis points above our 2019 annual WACC of 6.75%, a significant improvement from the year-ago period and generating positive EVA of nearly $300 million. The effective tax rate for the first quarter of 2019 was approximately 26%, which included transition tax expense from U.S. tax reform and other discrete tax items. Excluding those items, the adjusted effective tax rate for the quarter was about 19%. For the full year 2019, we continue to expect an effective tax rate in the range of 17% to 20%, which was our initial guidance.

On Chart 18 in the appendix, you can see the reconciliation of our quarterly earnings of $0.41 to the adjusted earnings of $0.46 per share. The adjustments include charges of $0.02 per share each, related to impairment, restructuring and settlement charges and expenses related to acquisitions; a $0.03 per share charge due to the transition tax expense and discrete tax items; and a $0.02 per share gain on sale of assets.

Slide 6 provides an operating profit summary and the components of our Corporate line. Other business results were $14 million, slightly ahead of the prior year period. Our full year estimate of Other is about $100 million, based upon actual and expected underwriting performance. In the Corporate lines, net interest expense for the quarter increased due to higher long-term debt levels, largely due to the Neovia acquisition. We are still on target towards approximately $400 million of net interest expense on a managerial basis for the calendar year.

Unallocated Corporate costs of $183 million were up versus the prior year, principally due to the centralization of certain activities from the business units, resulting in a transfer in of costs as well as investments in IT, R&D and innovation and Readiness-related project costs. We're still on target towards approximately $700 million for the calendar year. Other charges for the quarter in Corporate included -- improved due to better results from the company's investment in CIT.

Turning to cash flow statement on Slide 7. We generate about $0.5 billion from operations before working capital in the first quarter. Total spending for the quarter was about $200 million, in line with the year-ago quarter. Spending on acquisitions amounted to nearly $1.9 billion as we close on the acquisitions of Neovia, Florida Chemical Company and Gleadell Agriculture. As Juan mentioned earlier, with an enhanced process in place, we are reducing our projected capital spending for 2019 by 10% to a level of $800 million to $900 million. In the first quarter, we also returned $200 million of capital to shareholders in the form of dividends.

Slide 8 shows the highlights of our balance sheet as of March 31, 2019 and 2018. Our balance sheet remains solid and continues to position us very well for 2019. Our operating working capital of $8.2 billion was down approximately $1 billion versus the year-ago period on lower inventory levels. Total debt was about $9.9 billion, resulting in a net debt balance of $8.9 billion. We finished the quarter with a net debt to total capital ratio of about 32%, up slightly from the year-ago period as we funded the Neovia acquisition, which closed on January 31. Our shareholders' equity of $18.9 billion was up slightly from $18.7 billion last year, primarily due to net earnings in excess of dividends, share repurchases and translation adjustments. We had $6.2 billion in available global credit capacity at the end of the quarter. If you add available cash, we had access to $7.1 billion of short-term liquidity. Our average share count for the quarter was 566 million on a fully diluted basis.

Relating to the new accounting change for leases that took effect at the start of this quarter, we are recording a right-of-use asset of close to $800 million, classified in other assets with an offsetting lease liability classified in other long-term liabilities in our consolidated balance sheet.

Next, I'll discuss our business segment performance for the quarter. Please turn to Slide 9. In the first quarter, we earned 600 million -- $608 million of adjusted operating profit, excluding specified items, down 15% from the $717 million in last year's first quarter.

Now I'll review the performance and outlook for each segment. Starting on Slide 10, Origination results were higher than prior year period despite approximately $30 million in impacts from severe weather conditions. Merchandising and handling results were up versus the prior first quarter of 2018, which have been negatively impacted by significant mark-to-market timing effects. The team executed well and drove solid margins from North American exports of both soybeans and corn. In addition, a strong performance in structured trade finance and the reversal of some timing impacts from the fourth quarter helped to offset a softer performance in Global Trade, which was impacted by normalized South American soybean and soybean meal margins versus the first quarter of last year. Results in the quarter were also held back by high water river conditions, which limited grain movement and sales in North America. The Transportation team did a great job to deliver higher year-over-year results as improved freight rates in northbound movements offset lower overall barge volumes caused by unfavorable river conditions.

Looking ahead, we expect Origination's second quarter results to be significantly lower than the very high second quarter of 2018 and similar to the first quarter of this year. In 2018, North American exports were abnormally high, in anticipation of a trade shutdown with China. Absent those conditions this year, North American volumes and margins will be substantially lower in the second quarter. In addition, high water will continue to impact ARTCO operations. Further out, we see a significant ramp-up for Origination in the second half of the year. The business will benefit from the expected resolution of the U.S.-China trade situation, particularly if China imports U.S. corn, in addition to soybeans. As river conditions normalize, ARTCO will have opportunities to capitalize on backlogs from the first half weather slowdowns.

Now to Slide 11. Oilseeds results were comparable to the year-ago period. Crushing and Origination was up significantly versus the first quarter of 2018, which included substantial negative timing effects. Higher executed crush margins and record first quarter volumes globally helped drive the strong performance. The reversal of timing impacts from the previous quarter had a positive effect of about $75 million and there is an additional $75 million still to reverse in the coming quarters. Slow farmer selling and lower China demand negatively impacted South American Origination results.

In the first quarter last year, the retroactive application of the 2017 Biodiesel Tax Credit added about $120 million to refining, packaging, biodiesel and other results. If we were to exclude that onetime impact, our first quarter 2019 results for RPBO were higher year-over-year. Increased contributions from food oils in North America and Europe, including our Olenex joint venture, helped contribute. Asia was lower on the Wilmar results, which included some sugar impairment charges.

Looking ahead to the second quarter of 2019, last year, the drought in Argentina helped to bolster global crush margins. In the second quarter, without these impacts, we expect second quarter results to be about 20% down from the exceptionally high second quarter last year. Beyond the second quarter, a strong forward sales book points to a solid near term. In addition, much as the drought in Argentina impacted soybean meal margins last year, the growing impact of African swine fever points toward greater demand for soybean meal outside of China in the back half of this year and likely beyond.

Slide 12, please. Carbohydrate Solutions results were substantially lower than the year-ago quarter. The severe weather in North America during the quarter significantly affected results in both Starches and Sweeteners and Bioproducts by reducing production volumes, increasing manufacturing logistics costs and causing onetime remediation expenses. The most significant impacts were at our corn wet and dry mills in Columbus, Nebraska though the Decatur complex was also impacted due to slowdowns in corn deliveries.

In total, the weather impacts for the quarter reduced results by close to $30 million. Starches and Sweeteners was down versus the first quarter of 2018. In Europe, low sugar prices due to beet oversupply, along with higher wheat prices in the domestic starch-based sweetener quota decrease in Turkey are pressuring industry volumes and margins. The severe weather in North America, higher manufacturing costs at the Decatur complex and weaker margins in flour milling also drove the weaker results. Bioproducts results were negative and much lower than the prior year period. Ethanol margins were down significantly versus last year's first quarter in a continued weak industry environment and risk management opportunities were limited. Volumes and margins were also affected by the severe weather.

Looking ahead, residual impacts of the severe weather will affect Carbohydrate Solutions results in the range of $10 million to $20 million in the second quarter. If those effects were excluded, we would expect second quarter performance to be similar to or slightly below the second quarter of 2018. Despite the soft start to the year, we expect a stronger back half for Carbohydrate Solutions as our improvements in the Decatur complex deliver enhanced reliability. Ethanol margins seasonally improve and the resolution of U.S.-China trade dispute may offer the opportunity of ethanol exports and further margin enhancement.

On Slide 13, Nutrition results were overall down year-over-year, with WFSI higher and Animal Nutrition lower. WFSI results were higher year-over-year, with 21% profit growth spread across all 3 businesses and WILD Flavors, in particular, turning in another very strong performance. Year-over-year sales increased 11% on a constant currency basis. Organic sales new acquisitions were up 6% and improved product mix and new customer wins such as plant-based proteins utilizing alternative meat products, new foodservice offerings, leveraging our systems approach and innovative dairy beverages containing our probiotic and extract offerings helped drive positive results.

Animal Nutrition results were lower than the first quarter of 2018. Last year's quarter benefited from a strong inventory position during our temporary industry shortage of vitamins A and E, whereas premix margins this quarter reflected normalized vitamin costs. Additionally, Neovia closed on January 31 and purchase price adjustments resulted in an incremental $10 million of inventory costs that flow through our results for the quarter. Lysine production and yields continue to improve from the third quarter 2018 production disruptions but not yet at normalized levels.

Looking ahead, Nutrition's performance in the second quarter will benefit from the increased contributions of acquisitions, including Neovia, as well as continued sales growth and margin improvements in WFSI. Lysine continues to recover and this is expected to continue throughout the second quarter. As a result, profits for Nutrition for the quarter should be approximately 10% higher than the second quarter of last year. The second half of the year should be very strong, with continued growth in WFSI and increased contributions from Neovia as we ramp up our global Animal Nutrition platform and drive synergies.

In summary, for the entire business, while the second quarter results will have a tough comparison with last year's exceptionally strong second quarter, they will be better than our first quarter this year and are setting up -- us up well for improvements in the back half of the year, which Juan will now discuss. Juan?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Thank you, Ray. Please turn to Slide 14. The first quarter was challenging, and as Ray explained, we believe some of those challenges will continue into the second quarter. But despite those challenges, we remain committed to executing our plan to deliver our objective of full year earnings comparable to or higher than 2018. And we're making good progress on the growth algorithm we described on our last call.

First, our efforts to improve the performance of certain businesses are continuing to take root. Focus areas like our Decatur complex, lysine or our Golden Peanut and Tree Nuts business are doing better with every passing month and are on track to be solid contributors in the back half of the year as we continue to look for additional opportunities such as the Marshall planned repurposing and the ethanol subsidiary I mentioned earlier.

Second, as I've already discussed, Readiness continues to expand. Readiness is a truly changing -- is truly changing how we run our business in fundamental ways. Let me give you just one example. The nature of our business is that there are many touching points throughout the value chain. We are now analyzing those to see how can we reduce internal transactions, which in certain businesses are as high as 50% of all transactions. Readiness by streamlining and simplifying our processes is helping us address issues like this so we can minimize errors, increase efficiencies and reduce costs. Our colleagues are all-in on Readiness, and their support and execution are the reason we are revising our estimates higher, including our new $1.2 billion in run rate benefits by the end of next year.

Third, we continue to aggressively harvest the investments we have recently made. As I mentioned earlier, we're accelerating our efforts to capture synergies from recent acquisitions. And we are particularly excited about the addition of Neovia. After 3 months of ownership, we are tremendously encouraged by the people, the portfolio and the business and what this combination with our existing Animal Nutrition business offers, a true global leadership position in an important and growing market. We are confident that our initial assumptions on cost, revenue and margin-up synergies will be realized, and in fact, will likely both accelerate the rate of and increase the size of those synergies.

Our new Readiness-based improvements are helping us with growth as well by allowing us to better evaluate and delivering opportunities and by improving processes that are allowing us to grow more efficiently and with less capital spending, as I mentioned earlier. In each of these areas across the company, we're pulling the levers under our control, which we expect to help contribute to a stronger second half. In addition, we expect some changes in outside conditions, particularly relating to China. While there can be complete certainty, we see encouraging signs regarding a solution -- a resolution of the U.S.-China trade dispute and we're optimistic for a resolution by midyear, importantly well before the U.S. harvest.

Our team has shown great agility and flexibility to minimize the impacts of the dispute to ADM thus far. Nevertheless, a resolution will benefit several of our businesses. Our North American Origination business will benefit from increased export volumes and margins, particularly on U.S. soybeans and now potentially corn and other agricultural products. And our Carbohydrate Solutions business will be boosted by the resumption of ethanol trade flows as China moves toward national implementation of E10. China is also managing through a very serious issue with African swine fever or ASF. Estimates vary but it's possible that China's whole herd has dropped 20% to 30%. China will clearly need to import substantial amounts of pork and likely other meat and poultry to satisfy demand. This could boost soybean meal demand in regions where our oilseeds business has a strong presence, particularly North America, Brazil and Europe.

Finally, of course, some of the transitory impacts of the first half, such as the effects of severe weather, should be fully behind us in the second half of the year. And so as we look forward to the balance of 2019, we see a strong finish after a challenging start.

With that, Michelle, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Heather Jones from Vertical Group.

Heather Lynn Jones ***The Vertical Trading Group, LLC, Research Division - Research Analyst***

So I had a question about your comments on ASF. So it's been our thought that you would see accelerating protein production in these other origin countries to fulfill the shortfall in China but have thought that would be more like second half. Are you -- your comment sounded more constructive than they did on your Q4 call. So are you already starting to see that expanded demand ex China? And as a corollary to that, how are you thinking about the margin structure of that increased demand if there's a trade deal resolution, given Chinese demand of U.S. beans would probably accelerate?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Thank you, Heather, for the question. Listen, of course, we saw the ASF impacts when we were thinking about the plan for this year. But I think that the world, all of us are rapidly waking up to the significance and the magnitude of this event. I think that at this point in time, we will see available global protein supplies to have to be redirected to China to satisfy the protein deficit this has created.

To give an idea of the magnitude of this, we think that of the probably 700 million herds of annual hog production in China, we may see about 20% to 30% of that disappear. That's about the size of the U.S. production. So this will create a gap in China of about, give or take, 10 million tons of protein. That's a lot. And I think that that's going to be a pressure on a system that is already working with good demand. If we look at our business in North America, we are enjoying good demand and that's what you've seen, margins have stayed very strong. Actually, margins have popped up over the last couple of days with the drop in soybeans. So I think that overall, we're seeing that how China covers that gap of 10 million tons, maybe 4 million tons, they shift to another proteins, whether it's poultry and all that.

But I think that leaves still a significant gap. So imports will have to cover that, accelerating weight gain from the existing herd will happen to that. And I think that the countries or the regions more likely to be able to serve that, whether it's Europe or North America or Brazil, are starting to prepare to do that. I cannot say that today, we have seen a significant spike in our demand, but we see our customers are getting ready to do that. So if you think that we are already above $1 per bushel crush margins in the U.S., if you add this incremental demand, we think that that's very constructive for margins in the second half of the year.

Heather Lynn Jones ***The Vertical Trading Group, LLC, Research Division - Research Analyst***

And you believe that demand can offset potential price increases in beans?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

We think so. When we think about the scenario for the second half of the year, we think that the scenario for trade resolution is more bullish for grains, for ethanol and for pork meat than actually for soybeans. First of all, because China naturally will have to import less soybeans, we're thinking about before maybe 96 million tons, now we're thinking more like 85 million tons just because they will have less animals to feed. So -- and there are plenty of beans around the world. So we do believe that it's going to be more bullish on grains, pork meat and ethanol than actually in soybeans. So we believe that given the ownership that we have, any psychological spike in soybean bases will be temporary and we can handle that with our inventories.

Operator

You next question comes from David Driscoll from Citi.

David Christopher Driscoll ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

Great. I just wanted one follow-up on your comments on Readiness and then I have an ethanol question. So just on Readiness, the program hasn't been out for very long and you're upgrading the program. Can you guys just walk me through your -- the planning process and just why you're so confident that you should be upgrading the program right now. Juan, I know that you mentioned like the project list has gotten larger but it's just we don't often see a program upgrade so soon after kind of the initial launch of it. And then on ethanol, I wanted to ask you guys about just industry conditions. The loss in the first quarter was quite significant relative to the history at ADM's ethanol operations. Why do you think the industry hasn't been more disciplined? ADM's plants are very large, they're very efficient plants. How did these small ethanol plants fare in the first quarter? And did they just get absolutely hammered if you guys are taking a $75 million hit? And then in the second quarter, do you see better discipline, industry-wide, in ethanol?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Thank you, David. Let me address the Readiness question, then may have Ray addressing the ethanol question. So Readiness, actually in April, has turned 1 year old as an initiative. So we've been working at this for a while, although -- and the first part was a planning process so it was quieter, if you will, and the training. So at this point in time, we've gotten everybody trained. We've gotten a very robust pipeline of initiatives. And we're going and reviewing every aspect of ADM businesses. And this is a very thorough process, where we have a pipeline of ideas that are reviewed weekly and weekly are reported into our Steering Committee and we continue to monitor this. We have seen already 2 quarters of this, David. Don't forget that. We implemented this in Q4 2018, which it was a little bit ahead of our plan. And now we have Q1 behind us. So as we look at our pipeline and the growth of the initiatives, we have some experience into these programs. So how much, maybe you realize only a percentage of everything you have. But every indication so far is we are going ahead of that. We don't see the drop that sometimes we get when we turn an opportunity from an idea to a reality. And we're seeing our teams come in with more ideas to a higher rate than we thought. So we thought it was, in the spirit of transparency, it was proper to actually disclose that to shareholders, increasing our targets. So of course, we feel extremely confident about that for us to have increased the target. But again, don't think that this is just something that is happening overnight. As I've said, Readiness has been with us for a year. We have been -- we have trained already 3,400 people in this. We have 650 initiatives. And we have 2 quarters already of realizations of these savings that give us the confidence to increase the targets. So with that, I will ask Ray to make some comments on the ethanol quarter.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. Ethanol in the first quarter was a tough quarter. Industry conditions were very, very poor. Inventories were building up through the quarter. When you look at the generic indices, clearly, the industry had negative EBITDAs in the first quarter. In fact, when you compare

EBITDAs with the industry, first quarter this year versus first quarter last year, we're actually down about $0.25 a gallon.

Now as we kind of look forward, what we're thinking is, and you're starting to see this, ethanol margins are improving right now. I think for several factors, first of all, seasonally, you always see some improvements in terms of ethanol margins as demand for ethanol improves just due to, normally, the seasonal pattern of demand here in the United States. And secondly, inventory levels, partly due to the weather impacts throughout the entire industry, have stabilized. Now going forward, we believe that a resolution of the U.S.-China trade dispute would be a positive catalyst for industry margins. And again, David, as you're probably aware, a resolution of U.S.-China trade issue will likely include ethanol as one of the commodities that China will purchase. And as we indicated, I mean, China is moving towards an E10 program in 2020, a national program, which will basically drive an additional requirement of about 5 billion gallons of ethanol for that country. The current production capacity is roughly 1 billion gallons domestically and they'll probably have some additional capacity come online, which might bring that number up to 2 billion gallons. And so they'll probably have about 3 billion gallon deficit in terms of ethanol, which they'll have to either source from additional capacity within the country or more likely, importing ethanol from other countries such as United States and Brazil.

So as we kind of think forward into the back half of the year, we do believe that China -- as part of the trade resolution that China will resume imports of ethanol, that will be a positive catalyst for industry margins in the back half of the year.

Operator

The next question comes from Tom Simonitsch from JPMorgan.

Thomas Marc Alfred Simonitsch ***JP Morgan Chase & Co, Research Division - Analyst***

So you're assuming a resolution on U.S.-China trade before the U.S. harvest. Can you just elaborate on what that resolution looks like beyond ethanol? And then can you discuss the potential impact on each of your businesses later in 2019 without a resolution?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Thank you, Tom. Listen, we're saying, of course, we don't have any privileged data other than what we read in the tea leaves. But if you look at most countries talking about constructive talks and both presidents giving indications, whether in speeches like President Xi or the comments by President Trump, I think both teams are getting closer. Also, if we look at the market and our commercial -- the behavior of our commercial counterparties in China seems to indicate that the deal is getting closer, whether it is having no bean coverage for the Q4 and remaining open there or reducing meal inventories in anticipation of having to buy some beans or reviewing the corn contract languages with us, we've seen that they are getting ready for that movement. So what that movement will do, we think that it's going to be if China, let's say, is going to import about 85 million tons of soybean, we think that maybe the percentage of soybeans they're going to buy from the U.S. could be about 50%. So about 40 million tons. Then if you think about that they're going to buy corn, and potentially, wheat, that will create for Q4 basically what the conditions that we need in the U.S. for elevation margins to top, which is to have a strong, simultaneous, if you will, soybean and corn program, then we have seen that in other years and that candidly, Tom, is what we plan for.

Our plan for 2019 was very second half loaded. With second half loaded based on the Q4 potentially strong Origination earnings and what Ray described before, which is China coming back to ask for ethanol in the U.S., are they trying to fulfill their E10 for 2020 pledge. So we think that those are the 2 things that will impact. When you add that to the improvements that we're making in our business, whether it's Decatur or whether it's lysine or whether it's Golden Peanut and Tree Nuts, which will remove some of the burden that was in the second half of last year, and we'll remove it for '19, you will have a better comparable of some of the costs that we faced last year that we're facing still today and we're walking out of those. So all that give us a very constructive perspective for second half. If you add that potentially, the increase in meal consumption here in the U.S. or Europe or South America to satisfy the protein gap in China created by ASF, that gives us the confidence to describe second half as being a very, very strong second half that will position 2019 as a very solid year for ADM.

Thomas Marc Alfred Simonitsch ***JP Morgan Chase & Co, Research Division - Analyst***

And can I just ask if you could update us on your business turnarounds for the year? Has the targeted $150 million to $200 million improvement been impaired by weather?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

No. Tom, I think that the 3 pillars that we have, the Improve pillar and the Readiness and the harvesting, they are all on track or slightly ahead of schedule as we look at after the first quarter. Certainly, weather or the severity that we face in the U.S. doesn't help. We'd run fermentation units. And when you run fermentation units with an outside temperature of minus 50 degrees Fahrenheit like it happened in January, strange things happen in the plant. But I will say we still have part of that tail in the first quarter and we might have a little bit of that in Q2. But we expect all these issues to be behind that by the end of Q2, by the end of June. So I would say we continue to make progress. Of course, better weather helps but we have to do what we have to do in the first quarter. I think the teams continue to make progress and we feel these programs are on track and we will deliver what we promised.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. How you want to think about this, Tom, is some of the weather impacts that we're experiencing in the first quarter and maybe some in the second quarter will get offset with the incremental Readiness benefits that we're going to see in the back half of the year. That's how you should be thinking about it.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes.

Operator

Your next question comes from Vincent Anderson from Stifel.

Vincent Alwardt Anderson ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

So just going back to China's 2020 ethanol mandate. I believe they have a significant amount of idled food-grade alcohol capacity that could be used to close that capacity gap. Do you have a view on how much of that is actually fit to be converted to fuel-grade ethanol and how long that might take?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. It's tough to assess that. We just think that the gap is so significant that they clearly will need to import. Now do we believe they're going to import 3 billion gallons? I mean, probably not. I mean, that seems like a very tall order in 2020. But do we believe this will phase in over time? The answer is yes. And do we believe this will have an impact on the U.S. ethanol margins? Without doubt, it will.

Vincent Alwardt Anderson ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Great. And with regards to your wet mill conversion, was this in response to declining demand for high-fructose corn syrup, maybe from a specific customer moving away from the product? Or is this just more of a portfolio optimization? And then just quickly, what would the timing and earnings impact of that conversion be?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Vincent, this is -- you always heard us talking about the fight for the grind and trying to maximize the margins from the 22 products we tend to make in these places. So of all the products, starches have been growing very fast. And also, the value economy is placing a lot of request for fermentation capacity to produce liquid feedstocks to make products for the value economy. So these are areas that we see with high growth rates and higher margins. And candidly, and we reported this in previous earnings calls, although we've seen 55 kinds of products in terms of volume, we saw 42 being replaced more aggressively. So this is a strategic shift in which we are shifting our 42 capacity into things that are going to give us better margins and better growth rates. So we are sacrificing a lot of -- a little bit of volume and share for margins and growth rates. And so we think that this is the right thing to do. Regarding the specific impact, this will be a transition, Vince, and at this point in time, since we still need to honor a lot of commitments, you wouldn't see any of these in 2019, let's put it this way. It will be more 2020, 2021 impact, if you will.

Vincent Alwardt Anderson ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

That's helpful. And just clarification, this is 42 capacity that you're phasing out?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Correct. 42 capacity, yes. This is about 30% of our 42 capacity that we're shedding.

Operator

The next question comes from Adam Samuelson from Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

So I just want to go back to the kind of way you played out the earnings for the rest of the year and having flat to up earnings for the whole year. Just with 1Q down as it is, 2Q, I mean, against a very difficult comparison, it implies a record back half, and certainly, a trade -- the trade deal and the benefit that, that could have around Origination, around ethanol and even parts of Oilseed Processing, certainly augur for better cyclical dynamics. I'm just trying to understand kind of the internal dynamics and internal improvements and think levers under your control on a year-on-year basis that help us get to that outlook as we kind of roll through the year.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Thank you, Adam. So again, our plan for 2019, based on 3 big things. Delivering and sometimes outperforming in the 3 strategic levers, Improve, Readiness and Harvest, the trade deal resolution and the third one, the big impact from ASF that -- so let me expand on those 3 a little bit. When we plan the year, we plan a year back-end loaded. And as I said, this is something that it was very different seasonality than 2018 for reasons that Ray explained before. Q2 -- Q1 in '18 had a big vitamin boost because somebody blew up a plant and prices went up. Second quarter, with the threat of Chinese tariffs in July 1, we got a big boost of exports that weren't anticipated. So very unusual first half. On the second half of 2018, we had a lot of these issues with the plants or lysine or Golden Peanut that made second half lighter. So last year, very different than this year. Because this year, we are working through the tail of all those issues in the first half but we're having them, while we're not going to have them in the second half. While on the other hand, the reaction to the trade deal is exactly the opposite in which there's very little activity in the first half and we expect it to be much bigger activity in the second half.

Probably the 2 things that we didn't plan, so I'm describing the plan. The 2 things that we didn't plan because we couldn't know about that, it was -- one is the severity of the weather in the first half. And that is $60 million in the first quarter and some of that will overspill into the second quarter. Maybe like Ray said before, you could consider that the overachieving -- overachievement in Readiness will offset some of that. Maybe we get some of that back from insurance, a little bit in the second half. But Readiness, like every program that is building, is also going to be back-end loaded, if you will.

The other thing that we didn't consider and is a boost to our original plan is ASF, the impact of ASF. As I described before, I think we're just waking up to the significance of that. And we didn't consider at the beginning when we plan for this that this could take 20%, 30% of the herd in China, that this could take 10 million tons of protein at least capacity out. And that's a big -- very big number to fill. And this is going to be filled by an accelerating fattening of hogs, if you will, in the places where those are. But even with that, the ability to supply is going to be limited. And I think there's going to be short-term volatility because there are going to be shifts of people preferences because China will have, with price, to incentivate all the pork production to actually go to China. So you're going to have increased protein prices, increased feeding and increased volatility. So to a certain degree, when we look at 2019, the risks have gone from macro risks, whether there was economic slowdown or a China trade war, more to micro risks that are ASF driven, for example. And micro risks, ADM can handle well. We can do things around that. We can do things around that with operations, our flexibility, our teams, leverage our footprint where there's listings we can do about micro risks. So overall, I think that not only we are improving but I think also conditions have shifted to favor more ADM. But it's going to be a back-end load, if it was a back-end-loaded plant, and the weather has made it even more back-end loaded. So I agree with you, it's a tall order. Maybe after first quarter, the probability of we achieving that became a little bit more difficult but the plan is still there and we are working heavily, moving every aspect under our control to continue to deliver. So that continues to be the plan.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

That's very helpful color. And then just on the U.S. export opportunity, just interested in you sizing the grain opportunities to China in the event of favorable resolution, corn, wheat, DDGs even and just relative to soy, I mean, I would be more inclined to think that those would be more incremental to U.S. balances where the soy market, in some respect, is pricing in a meaningful return of exports to China already.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I think you saw it even in the market yesterday, when Xi Jinping spoke at the Belt and Road Forum or positively about some of the changes they need to make, which are aligned to the trade resolution or whether Mr. Trump announced that he's inviting Mr. -- President Xi to the White House soon. You saw what the market did. The market basically went down in soybeans and upping wheat and corn and upping pork. And I think that that's giving you the perspective that -- listen, don't forget that for us to tighten up our margins in the U.S., we probably need 10 million, 15 million tons, give or take, of corn exports from the U.S. to China. Remember that China used to have -- I mean, they consume like 230 million tons of corn with consumption that is growing faster than their capacity to produce that corn. They used to have like 250 million tons of reserve. Today, their reserves are something in the range of 75 million to 80 million tons. So for them, as a gesture of complying with the trade resolution to import 10 to 15 million tons, it's something very achievable. So we believe that's a very plausible scenario. And again, we can only read the tea leaves like you are reading but we think that from a commercial actors, all the way to the government, everybody is inching into a deal for the summer and that's what we believe is going to happen.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. On corn imports, don't forget, I mean, as I indicated earlier, I mean, China is ramping up production of ethanol in the country. So they will also need to consume more corn with the domestic ethanol plants that they have in the country. So that's another reason as to why there is an incentive associated with the trade deal for China to also important U.S. corn.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Okay. And then just quick clarification on the commentary around the second quarter. The 20% decline quarter-over-quarter in oilseeds, was that the whole segment? Or was that just Crushing and Origination?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

That's the whole segment.

Operator

Your next question comes from Vincent Andrews from Morgan Stanley.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

Just some follow-ups on the ethanol situation. Does China -- first of all, are they in a position right now where they could go to that E10 blend? Is all the infrastructure in place? I mean, I just remember from when the U.S. did it, it wound up taking a long time. So where do you think they are on that, just to start off?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Well, I mean, they currently have about 10 provinces in the country. They've indicated that they want to move towards a 2020 mandate nationally. They're in the process of moving towards that. Now will they actually get there nationally by 2020? One can argue they won't get there by that year, but that is clearly on track as part of their environmental focus. Remember, this is driven by the focus on the environment here, that they're moving towards that mandate over time. And so I think -- as I indicated earlier, are they going to import 3 billion gallons in 2020? I don't think they're going to do that. But is it unrealistic to assume that they will import 1 billion gallons from the United States in 2020 as part of a trade deal? That's not an unrealistic scenario for us to think about.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

Okay. And you kind of laid out a pretty good structural bull case for ethanol based on China and so forth. So what is driving towards the desire to separate the asset, potentially sell it and spin if it sound like your outlook is actually quite bullish?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. I mean I think just -- I mean, it's a strategic decision on the part of the company. I mean, we do believe that from a medium-term perspective, the outlook for the U.S. ethanol industry is constructive. But when you think about like what we've announced in the past, and we indicated the dry mills themselves, right, there is an industry structure issue here in the United States in which I think it alludes to an earlier call is like there is a lot of producers of ethanol. And so there is a case for consolidation in the industry here. And so from our perspective, our decision to monetize the dry mills is, frankly, strategic decision on our part to basically help the industry consolidate. We're still going to have wet mills here, right? And so we still going to have some wet mill capacity available. But from a business strategy perspective, we believe this is in the best interest of our shareholders.

Operator

Your next question comes from Robert Moskow from Crédit Suisse.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Just a question about the oilseeds outlook for second quarter being down 20%. I think your commentary about first quarter was that really strong global demand, margins good, and -- so to see the guidance be pretty negative for 2Q, even after you stripped out the Argentina tough comp, is there something else that's making the comparison tough versus year ago that I'm forgetting?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Don't forget, Rob, that last year in the second quarter, crush margins were extremely healthy, right, and driven primarily -- not just because of the China issue but really, the Argentina drove this situation. It really culminated in the second quarter when we saw margins move towards $2 per bushel. So when we look at this year, when you compare this year versus last year, you're not going to see that pop, right, in terms of the underlying margin structure. At the same time, demand remains very strong, right? From our perspective, the environment remains very constructive for demand for particularly U.S. soybean mills. So therefore, we believe the margin environment is going to be healthy for us in the second quarter. It's just not going to be as strong as what we saw last year in the second quarter, which was, frankly, abnormally strong, like $2 per bushel margins were abnormally strong.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I think this is the quarter, Rob, where we have to absorb all the harvest that's coming from Argentina and all that. They're going to place that capacity, the world needs Argentina mill. And I think as Ray described, last year was an anomaly in that regard. So this is a more normalization on that in a still very strong environment from a demand and margin perspective.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Okay. So you -- for the year, for oilseeds, has anything changed versus your outlook for the overall year?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

I think today versus our previous call, we are more optimistic than last time. Remember that so far this year, we also don't have the benefit that we had last year of the biodiesel tax credit that we believe that is going to come during the second half. But I would say, given my comments before about ASF, our scenario for oilseeds have become more constructive since our last call. We see now even higher meal growth around the world outside China than we saw at our last call. So significantly higher, yes.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

And that's despite the fact that South America, I think the commentary for the quarter anyway was slow farmer selling, weak Origination margins. So does that mean that your confidence is very North America oriented regarding oilseeds being better?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

In South America, there are -- of course, we don't have crush in Argentina. But in Brazil, we are not pessimistic about it, I would say. Think about this, biodiesel continues good in Brazil. Also, refined oils is going very strong. And the fact that Brazil has a very big -- a very large corn crop, we'll be positive for crushing in the second half because, to a certain degree, now corn is taking a lot of the infrastructure. So people will have less of a pressure to chase beans, to comply with their mark-to-market with their -- sorry, not mark-to-market, with their take-or-pay contract. So corn taking part of that alleviates that, will create a better environment for -- less pressure on soybean basis later on, that will benefit crush. So I think that even for Brazil, we are more optimistic. And remember that we will have the impact of Algar, the positive impact of having Algar in our portfolio that we didn't have in the second half of last year. So all that makes the second half very positive.

Operator

Your next question comes from Michael Piken from Cleveland Research.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

Just a couple of other follow-up questions on oilseed. In terms of your stake in Wilmar, how are they going to be affected by ASF? And have you sort of incorporated any sort of potential headwind there?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Mike, listen, if you think about Wilmar, and what I'm going to describe is public information, so -- but if you think about -- of course, short term, they're going to impact it in crush. And first of all, always remember, the Wilmar team is exceptional at risk management adjusting. So they are very, very astute and very good at that. So we feel that if somebody -- if there is a team that can navigate that, it is the ADM team or the Wilmar team. So they are very good at that.

But second, if you think about their earnings, and sometimes it's not that clear, but if you look at public information, about half of their earnings is a segment that they describe as oilseeds and grains. That includes their oilseed crushing but also include wheat milling. Wilmar is a giant wheat miller in China and also includes their consumer products. So let's say that maybe oilseed is about 25% to 30% of overall earnings for Wilmar. Then you have a big segment which is palm oil, which is about 35% of that and Wilmar is the largest palm oil producer in the world. And then you have about 15% to 17% of other associates with their joint ventures in either Africa or Russia. So I would -- and then you have the sugar business. So when you think about it, it's a very, very diversified and well-balanced portfolio. So even if crush margins in the short term may have an issue, you still have palm oil, you still have consumer products, you still have wheat mill and you still have the affiliates and you still have sugar. So -- and again, I can't disclose any specifics. But I will say between their ability to risk manage and their wide and diversified portfolio, we think they're going to be all right.

On the long term, actually, we believe that ASF would probably be a positive. ASF is having this effect of, to a certain degree, consolidating the industry, the pork-producing industry in China. The more acute crisis is in the small farms. Sometimes, these small farmers are not feeding properly. They are poor, sometimes they feed leftovers or whatever. While I think that bigger, larger companies, they are more professional feeders. So we think that, to a certain degree, this crisis will, without some of the small farmers and consolidate the industry, that consolidation will do 2 things. First of all, for bio-sanitary reasons, there's going to be a delay in rebuilding the herd just because of you're going to have to have less density in order to have some of these bio-sanitary measures applied. That will make this scenario that we are describing, we think it's going to be with us for the next 3 years. The second effect on that is that, again, the industry will consolidate larger players that will be more users of soybean meal than other products. So I think that over time, this will make a healthier environment for Wilmar's customers. So short term, choppy; long term, positive.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

All right. And then could you talk about the situation there in Brazil with logistics? In the last 2 years, there's a big trucker strike. What's happening down there as we approach harvest? Are you expecting any hiccups to your Brazilian operation?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. So at this point in time when harvest comes, obviously, the truckers is when they put forward their mandates. The situation in Brazil, if I can describe it, is complex in the sense that Petrobras is aligning their diesel prices to international markets, what they call the international parity pricing. And of course, the soy chain and the meal chain works at market prices. So it's very difficult, how do you regulate freight and expect it to work? Because you cannot guarantee freight for a piece of the chain when the 2 other aspects of the chain are working on market pricing. But certainly, the situation for the truck owners is complicated and I can understand them because at this point in time, there is low economic activity in Brazil. There is a little bit of a recession going on. So there are low freight prices in an environment in which Petrobras was to increase prices because of oil prices climbing and there is overcapacity of trucks given the past subsidies to buy trucks. So when you add that, the poor state of the roads in Brazil that maybe create more maintenance cost for the truckers, the truckers are a little bit in a bind. So this could become a more -- a bigger issue. The government has been trying to discuss and negotiate and have a dialogue with truckers. And of course, we have this issue of the freight table. The freight table, the end has not been heard about the freight table. The freight table is the government asked the school of agriculture of the University of São Paulo to create a technical freight table. The new technical freight table is like 45% under the current negotiated freight prices that there are in Brazil right now. So the problem we're going to have with that, there are 60 days of public hearings right now to discuss that, that is supposed to be implemented in July. So theoretically, you're going to have 2 freight tables, one in July, one in January, every year. But of course, although we feel good with the freight table, that this 45% under current negotiated market prices, the -- as you can imagine, the truck drivers will not be happy with that. So I think that we're following it very closely and it continues to emphasize the issues that Brazil has in terms of infrastructure that makes the U.S. a more reliable supplier sometimes. So Brazil, big producer, continue to be unreliable from a logistics perspective, if you will. So we're watching it, we're all over it. And at this point in time, we hope that the government and the truckers will find a solution.

Operator

Your next question comes from Ken Zaslow, Bank of Montreal.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

Just can you talk about the Animal Nutrition business and what kind of had gone wrong with that relative to your initial expectations?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I can talk about Animal Nutrition. So we are very happy with the Neovia addition. We are very happy how it matches with our business. Our business was mostly North America and China. The Neovia acquisition brought us Mexico, Central America, Brazil, Europe so -- and Southeast Asia. So very good complement. And the more we own them, the happier we get and the more optimistic we get about their synergies and their ability to deliver in 2019. What has happened in the first quarter, first of all, it was a very big comp versus last year because of an issue that the industry had in vitamins that allows everybody to sell a lot at very high prices. So we knew we were not going to have that. And every time you get a new transaction of the size of Neovia, you have this purchase price adjustment. This time, it was inventory valuation that impacted the quarter in $10 million.

And then remember, we are fighting still the tail of the lysine issue. The lysine issue is being solved. It's being addressed and we're very happy with the progress. But it still hit us in $10 million. So if you think about $20 million of noise, if you will, with the tough comp and when you take over a company, like in the case of Nutrition and Neovia, you have extra costs that you cannot properly quantify. For started -- for starters, people travel more because you need to get to know each other. We need to start defining the synergies. Remember also that we closed at the end of January. So we closed 1 less -- we had 1 month less of that. But as we look in today, we are very optimistic and very confident about delivering the EUR 100 million of EBITDA that the business was supposed to deliver in 2019. And when we look at the synergies, the synergies that we were looking to deliver, the EUR 50 million synergies that we were looking to deliver at year 4, we're thinking now we're estimating we're going to deliver by the end of year 2. So much better than expected. So I would say, short-term noise.

I look at this, Ken, a little bit -- trace the parallel to what happened with WILD. We took WILD in October 2014. The first quarter, not spectacular. Even you guys were complaining, where do you see the revenue growth because we were shifting product mix and all that. Look at -- immediately, we started to grow faster than market. We grew organically 6%. Profit grew 20% per year. And this is like 4, 5 years after we have achieved it -- acquired. So I think you're going to see the same evolution with Animal Nutrition. And the margin up story that we imagine originally for Neovia is intact.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

Okay. And then my next question, and it will be my last question, is given how bullish you are on the oilseed environment, particularly with ASF, does this embolden you to pursue more M&A activity in this space to consolidate industry? I know you've said this repeatedly, that there's a geographic place that you'd like to expand as well as the industry needs to consolidate. So does this ASF embolden you to take bigger actions?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

I praise you, Ken, for your creativity to ask a consolidation question in a different way. We continue to be -- listen, in oilseeds, we continue to be very bullish about that. We like the growth rates on that. And we are very much intending to have smart consolidations, if you will. We look at what we did with Algar, with -- you look at what we did in Egypt with the joint venture with Cargill. And our teams continue to look at assets that fit our footprint well, that are an upgrade to our assets. And if those are available, we're always looking.

Operator

And your final question for today will come from Eric Larson from Buckingham Research.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Analyst***

I know we're out of time so my questions will be very brief. The first one is really a clarification question and the way investors would be looking at your quarter here. You had a negative impact of $0.05 from a higher tax rate, a negative $0.08 from weather-related issues and then another $10 million in purchase inventory adjustments from Neovia. So -- now that's $0.14 to $0.15 or kind of a $0.60 to $0.61 as we'd look at it from an industrial point of view. Is that a reasonable way to look at it? It's probably a question for Ray.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. Just remember on the tax rate, remember, part of it is an adjustment item. So therefore, the bulk of the reason why we were at a higher tax rate is due to the transition tax adjustments that we had in the quarter. That's an adjustment item. And so as I indicated in my remarks, we're looking more like a 19% rate for the year so that -- at least at this point in time. And it's 19% if you exclude all those adjustment items. On the weather issues, as we indicated, part of that will get offset in the back half of the year. We're looking at probably some in insurance settlements in order to mitigate some of those impacts. Part of it, the volume, we may be able to recover some of that. So I mean -- so therefore, the raw $60 million impact, there'll be some mitigation towards that. And as I also indicated, the rest of the business, we're driving additional Readiness actions that will offset part of that as well. On the $10 million in additional depreciation-related PP&A, yes, I mean, that's an impact and we didn't have that initially estimated because we couldn't estimate that number. But I kind of view that as in the quarter. I mean, that's just a onetime impact that we're going to have. And so this, don't get -- the $60 million that we're going to have in terms of the impact, it's a segment OP type of number. And so I mean, again, we just need to make sure we separate out the segment OP impacts versus the tax rate impacts here, too.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Analyst***

Okay. Sounds good. And then the -- my final question is really talking about some of your bold moves that you had in the quarter. I don't think in my 25 or 30 years of covering the company, I've seen a product adjustment move like you're doing in Marshall. The old ADM would have built more capacity to more front-end grind to supply the 42 market and you folks are doing that. You're trying to get more return out of each plant. And you just increased the size of the number of initiatives in your Readiness program. So when I look at -- so this is really positive for your returns going forward. When I look at this, I know you haven't changed your return profile in terms of your total goals but certainly this should give you more confidence that you can achieve a 10% ROIC and maybe even at some point move higher. I mean, how would you react to that thought?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. That continues to be our objective. We never deviated from this -- the desire to achieve 10% ROIC and 10% ROIC as a way to get to higher numbers. I think that the core businesses have done a tremendous job in that in improving ROIC. And those businesses will continue to drive cash flow and Readiness and efficiencies to drive returns. That's the way they're going to create shareholder value. The Nutrition business that we have invested in is basically a growth option and -- for the company. And of course, their returns are a little bit hampered right now by all the acquisitions and the goodwill that we are digesting. But their role to create shareholder value is through actually revenue growth and margin up and they are doing that. So we feel very good about our strategy. And I think if something you have to learn or you probably know and that's what you're reflecting on is that there are no sacred cows for our team. The most important thing is a focus on shareholder value creation. And we will continue to do everything we can to drive value creation, either through returns in our base business or through organic growth in our Nutrition division.

Operator

This brings our Q&A portion to a conclusion. I would now like to turn the call back over to Ms. de la Huerga. Please go ahead.

Victoria de la Huerga ***Archer-Daniels-Midland Company - VP Investor Relations & ADM Ventures***

Thank you, Michelle, and thank you, everybody, for joining us today. Slide 15 notes some of the upcoming investor events where we will be participating. And as always, feel free to follow up with me if you have any other questions. Have a good day, and thanks for your time and interest in ADM.

Operator

Thank you, everyone. This will conclude today's conference call. You may now disconnect.