2Q26 Earnings Call

Company Participants

- Juan R. Luciano, Chair of the Board of Directors, President, and Chief Executive Officer
- Monish Patolawala, Executive Vice President and Chief Financial Officer
- Kate Walsh, Director, Investor Relations

Other Participants

- Andrew Strelzik, Analyst, BMO Capital Markets
- Benjamin Theurer, Analyst, Barclays
- Heather Jones, Analyst, Heather Jones Research
- Manav Gupta, Analyst, UBS Securities
- Matthew Blair, Analyst, TPH & Co
- Pooran Sharma, Analyst, Stephens
- Steven Haynes, Analyst, Morgan Stanley

Presentation[1]

Operator

Good morning, and welcome to the ADM Second Quarter 2026 Earnings Conference Call. All lines have been placed on a listen-only mode to prevent background noise. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's call, Kate Walsh, Director, Investor Relations for ADM. Ms. Walsh, you may begin.

Kate Walsh

Welcome to the second quarter of 2026 earnings conference call for ADM. Our prepared remarks today will be led by Juan Luciano, Chair of the Board and Chief Executive Officer; and Monish Patolawala, our Executive Vice President and Chief Financial Officer. We have prepared presentation slides to supplement our remarks on the call today, which are posted to the Investor Relations section of the ADM website and through the link to our webcast.

Some of our comments and materials may 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 and materials are based on many assumptions and factors that are subject to numerous 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 presented in these materials. Unless otherwise required by law, ADM assumes no obligation to update any forward-looking statements due to new information or future events.

In addition, during today's call, we will refer to certain non-GAAP or adjusted financial measures. Reconciliations of these non-GAAP financial measures to the most directly-

[1] *Certain statements made during this call may have been edited or modified for clarity, readability, or accuracy by the company following the live event. The company is not responsible for any inaccuracies or omissions that may result from these modifications.*

comparable GAAP financial measures are available in our earnings press release and presentation slides, which can be found in the Investor Relations section of the ADM website.

I will now turn the call over to Juan.

Juan R. Luciano

Thank you, Kate. Hello, and welcome to all who have joined the call. Please turn to Slide 4, where we have outlined this quarter's performance highlights.

Today, ADM reported adjusted earnings per share of $1.84, and total segment operating profit of $1.5 billion for the second quarter of 2026. Our trailing four quarter adjusted ROIC was 7.8%, and cash flow from operations, before working capital changes was $1.8 billion for the first half of 2026. Total segment operating profit increased significantly compared to the prior year quarter, driven by several positive factors, including robust commercial and operational execution by our team, a constructive biofuels margin environment, elevated global energy prices, and momentum in Nutrition, led by flavors and progress in specialty ingredients.

Based on our first half performance and a constructive outlook for the second half, we are again raising our full-year 2026 adjusted EPS guidance now to a range of $5.15 to $5.60, up from the previous guidance range of $4.15 to $4.70. As we look to the second half of the year, we are focused on continuing to deliver on our financial and operational commitments and that same discipline extends to how we allocate capital and return value to our shareholders. During the second quarter, we paid our 378th consecutive quarterly dividend and we remained steadfast in our commitment to creating and returning value to our stakeholders.

Please turn to Slide 5. The second quarter of this year was an important one for us, and the team once again delivered, while progressing our 2026 priorities. I'll run through a few highlights. During the quarter, energy markets were supportive of North American biofuel margins following the finalization in March of the renewable volume obligations for 2026 and 2027. Additionally, global energy volatility was also supportive of biofuel, including crush margins. Our business executed well across our asset footprint amid this constructive backdrop, increasing global oilseed processed volumes by close to 5% compared to the prior year period, driven by higher asset utilization.

Ag Services also delivered strong results in the second quarter, driven by the team strategically leveraging ADM's global asset network in a complex operating environment to deliver value across the agricultural supply chain. South American operations also benefited from the grain export terminal in Barcarena, Brazil, returning to full operations along with increased soybean export, which were supported by higher farmer selling. North American ethanol margins were robust in the second quarter, as favorable economics incentivized higher domestic blend rates. Additionally, elevated global energy prices coupled with lower US corn prices, enabled US ethanol to be price competitive globally, which provided a favorable US industry-wide export backdrop.

Our Nutrition business contributed to robust operating profit results this quarter, led by flavors and supported by progress at Decatur East, and benefits from our portfolio actions in Animal Nutrition. Flavors sales grew across every key region, with particular strength in EMEA, and we delivered a record quarter for flavors in Asia Pacific. To summarize, in AS&O, our team executed well in a complex and volatile environment, strategically leveraging ADM's global asset footprint to drive margin and volume uplift in Ag Services, capture strong crush margins in a constructive biofuels environment, and deliver nearly 5% crush volume growth year-over-year.

In Carb Solutions, ethanol production rose in a strong margin environment and we sequestered 337,000 metric tons of carbon this quarter. In Nutrition, the team built on the momentum in the first quarter with continued improvement in both Human Nutrition and Animal Nutrition.

The robust cash flow that our business generates funds our capital allocation and growth priorities. Our growth plan focuses on accretive targeted organic investments across our platform, where we see the most compelling opportunities such as expanding domestic crushing and ethanol capacity at existing facilities. Given the strength of biofuel demand, we have identified four US crush facilities for this first phase of expansion, which together are expected to deliver a meaningful increase in our North American capacity. Additionally, we're building out precision fermentation capabilities and expanding our natural colors footprint to capitalize on the shift toward cleaner labels and higher plant protein reformulations already underway.

Our growth plan is built upon the foundation of operating safely and responsibly. That commitment runs through everything we do, and I'm proud that two of our North American facilities were recently recognized by workplace safety awards, and were recently inducted into Illinois Manufacturing Association's Hall of Fame. That same commitment to our people shapes how we think about the world around us.

While the commercial environment has supported our results, I will be remiss not to acknowledge the conflict in the Middle East and the escalation of conflict between Russia and Ukraine. Our thoughts are with all those affected. We have operations in Ukraine and the safety and security of our employees in the region remain our primary concern. While we expect any disruption to our Ukrainian operations to have limited financial impact to ADM, the region is an important contributor to global food security, and further disruption to grain export could weigh on global grain stocks and increased food prices. As for what this means for our business, navigating global disruptions is not new to ADM, and we will remain focused on executing on our 2026 priorities and delivering on our long-term plan.

Please turn to Slide 6 to discuss our long-term growth plans. We are making purposeful investments now in the platform set to drive the next phase of our growth. We have outlined before, the next wave of value creation runs through five distinct pathways that include a mix of near-term drivers already showing up in our results and longer-term opportunities that we'll keep scaling. Importantly, each sits in a market we know well, tied to customers' needs we understand, and with the infrastructure largely in place to deliver.

I'll take a few moments now to highlight our Advanced Nutrition platform in more detail, where we are developing innovative solutions as customers shift from artificial to natural ingredients, particularly in North America, where we believe we are well positioned to capitalize on this structural change in the food we eat. One of the more exciting near-term opportunities is the transition from artificial to natural colors. We believe this represents a total addressable US market of roughly $1 billion in revenue and our target is to capture $80 million to $100 million of operating profit for ADM over time, as we partner with our customers to launch new solutions. We have a well-established global colors business that helped bring similar solutions to our European customers over a decade ago. Our experienced team is well-suited to provide a full suite of solutions to our customers as they navigate the complexities with color, flavor, and functionality changes, across products of various scales from craft to industrial scale production.

Our natural colors pipeline has grown significantly year-to-date, with several notable customer wins. I highlight two contracts that we recently signed, both to convert artificial red, yellow, and orange shades to natural alternatives, one across a well-known packaged food line, the other in flavored beverages. These wins reflect the shift toward cleaner labels we believe ADM is well positioned to capture, and that will add durable recurring sales as the products reach store shelves. Natural colors represent just one of several growth engines built into our business. Together with the organic projects we're executing today, they build an enduring growth pipeline that is expected to compound over the years ahead.

I want to close by recognizing the people who make all of this possible, and to thank the ADM team for all their hard work and everything they do each day to strengthen our company. It is their commitment to executing on our immediate priorities, while advancing our long-term strategy, that is the foundation of our success in a shifting global landscape.

With that, I will hand it to Monish to walk you through our second quarter financials and full-year outlook.

Monish Patolawala

Thank you, Juan, and I wish you all a very good morning. Please turn to Slide 7. AS&O segment operating profit for the second quarter of 2026 was $867 million, up 129% compared to the prior year quarter. Included in the second quarter results was around $100 million of net positive mark-to-market and timing impacts, led by a net positive impact in crushing, a modest net positive benefit attributable to Ag Services and partially offset by a net negative impact attributable to Refined Products and other of around $50 million.

The Ag Services subsegment in the current quarter generated operating profit of $293 million, representing an increase of 159% compared to the prior year quarter. The increase was primarily as a result of strategically leveraging ADM's global asset network in a complex operating environment to deliver value across the agricultural supply chain. In addition, we benefited from improved performance in South America, partially as a result of the Brazilian export terminal in Barcarena returning to full operation.

For the Crushing subsegment, operating profit was $363 million for the quarter, an increase of approximately $330 million from the prior year quarter as the business performed well in a constructive biofuels margin environment. The constructive margin environment was driven by higher domestic demand resulting from the RVO policy combined with higher global energy prices. Additionally, crush results for the quarter include positive mark-to-market and timing impacts.

Further, as Juan mentioned, manufacturing performance further improved year-over-year with global crush volumes increasing close to 5%. Additionally, soybean meal sales remained strong throughout the quarter, driven by elevated global demand for pork and poultry, which led to a record quarter for the US and Brazilian soybean meal exports.

Lastly, included in this quarter's results are insurance proceeds related to Decatur East of approximately $20 million.

For the Refined Products and other subsegment, operating profit was $151 million, down by 3% compared to the prior year quarter. The year-over-year decrease was largely attributable to net negative mark-to-market and timing impacts, driven by improved refining margins, as a result of RVO and global energy volatility in North America and Europe. Margins were somewhat pressured in South America due to oversupply conditions. For our investment in Wilmar, equity earnings were $60 million for the quarter, down 22% compared to the prior year quarter.

Turning now to Slide 8. For the second quarter, Carbohydrate Solutions segment operating profit was $411 million, representing an increase of 22% compared to the prior year quarter. In Starches and Sweeteners, operating profit was $326 million, up 7% year-over-year. Ethanol margin strength, including policy incentives drove the improvement. Strength in ethanol more than offset the ongoing pressure on liquid sweetener volumes and margins, which were most pronounced in North America. Further, starch demand stabilized during the quarter, while global wheat milling volumes remained relatively stable in a more competitive environment.

In the Vantage Corn Processors subsegment, operating profit was $85 million, representing a $52 million increase from the prior year quarter as our corn dry milling ethanol operations benefited from stronger ethanol margins along with support from policy incentives and effective risk management. Overall, base ethanol EBITDA margins for the quarter were higher both sequentially and compared to the prior year quarter.

Now, turning to Slide 9. For Nutrition, segment revenues in the second-quarter were $1.9 billion, down 5% compared to the prior year quarter, and inclusive of foreign exchange gains. Human Nutrition revenue decreased by 4% against the prior year quarter that included a $55 million benefit from a contract cancellation in health and wellness. Animal Nutrition revenue decreased by 6% year-over-year, primarily reflecting our previously disclosed portfolio actions and the formation of the Akralos joint venture.

Nutrition segment operating profit was $172 million for the second quarter, representing an increase of 51% compared to the prior year quarter. Human Nutrition operating profit was $139 million, up 51% compared to the prior year quarter, driven primarily by the growth in flavors. Progress with the Decatur East plant also contributed to positive year-over-year results. Animal Nutrition operating profit was $33 million for the quarter, up 50% compared to the prior year quarter, primarily attributable to ongoing improvements and benefits from portfolio actions taken during 2025.

Corporate expense declined year-over-year, driven by lower interest expense this year and the non-recurrence of prior year impairment losses, partially offset by higher performance-based compensation this year.

Now, turning to Slide 10. For the first half of 2026, ADM generated cash flow from operations, before working capital of approximately $1.8 billion. We continue to be very disciplined in the areas in which we invest. During the first half of 2026, we invested $466 million in our footprint, and maintain our expectations of full-year 2026 CapEx being in the range of $1.3 billion to $1.5 billion.

During the quarter, we distributed $256 million in dividends, marking our 378th consecutive quarter of paying a dividend. Our dividends and organic growth projects continue to be core to our capital allocation priorities, and we will continue to be very disciplined with respect to bolt-on M&A opportunities that complement our core businesses. Our net leverage ratio at June 30th was 1.6 times. Our year-end net leverage ratio expectations remain at approximately 2 times. Additionally, given the strength of our balance sheet, cash flow generation, and leverage position, we are evaluating a return to opportunistic share repurchases later this year.

Now turning to Slide 11, where we have provided updated details regarding our 2026 outlook. Earlier today, as Juan mentioned, we raised our outlook for 2026 adjusted EPS to a range of $5.15 to $5.60, up from the previous range of $4.15 to $4.70. In addition to our year-to-date performance, our raised guidance was based on three primary factors. First, we anticipate our team will continue delivering successfully against our plan through the balance of the year. Second, we expect the favorable margin backdrop across our crushing and ethanol businesses to hold throughout the second half of this year. And third, we expect Nutrition to continue improving operating performance, while capturing growth opportunities.

As a reminder, the fourth quarter is the seasonal low for our flavors business. Additionally, our guidance range reflects a number of assumptions. For AS&O, we are assuming that China continues buying North American soybeans, which is expected to benefit our Ag Services subsegment. We have seen good progress thus far with China well underway with executing on its commitment to buy 25 million tons of US soybeans in 2026. For crushing and RPO, we expect the constructive biofuels environment to support strong growth year-over-year throughout the second half of this year, further supported by the realization of the reversal of net negative mark-to-market and timing impacts that we are carrying from the first half of the year. As a reminder, we do not include new mark-to-market and timing impacts in our forward guidance. Additional adjustments could arise in future quarters depending on where commodity prices move.

For Carb Solutions, we expect strength in ethanol margins, including policy incentives to continue to more than offset the softness we are seeing primarily in liquid sweeteners. As a result, we are raising our net benefit from 45Z to approximately $250 million for 2026, up from our prior expectations of approximately $150 million. Our year-over-year momentum for Nutrition remains intact, with operating profit increasing primarily as a result of higher flavor sales, measured progress with Decatur East, and improvements in Animal Nutrition.

In Corporate, we expect cost to be higher than in 2025, driven primarily by performance-based compensation, along with continued investments in research and development and automation and digitization. And just a quick reminder on modeling incentive compensation. All incentive compensation adjustments are recorded in Corporate during the year with the impact to our operating segments occurring when the non-equity related payments are made in the first quarter of 2027. As always, we continue to closely monitor external factors across the macroeconomic, geopolitical, policy, and overall trade environment with particular attention to the impact volatility could have on our second half results.

We also continue to progress our enterprise-wide cost saving programs and remain on track to achieve our targeted aggregated cost savings of $500 million to $750 million over the three- to five-year period, which commenced in 2025.

And I'll take a moment to highlight progress across the corporate functions in driving reductions in transaction costs. Just to give you a couple of examples, in finance, under an umbrella that we call Frictionless Finance, we have paired Lean methodology with daily management to systematically reduce cost across our transactional processes. Accounts payable is a clear example. Daily management routines surfaced recurring friction in the invoice-to-pay cycle and the global shared services team has reduced cost per transaction by roughly 25% since the beginning of the year. Within global technology, we are consolidating to fewer core platforms, eliminating waste and resetting cost structures with our vendor partners. We are building deeper strategic relationships with fewer vendors. And the global technology team also has line of sight to meaningful savings over the next few years, while increasing investments in digital advancements and cyber security.

In summary, the second quarter reflected strong commercial and operational execution by the team in a complex, but constructive global trade and biofuels environment, with solid growth momentum in Nutrition, all of which contributing positively to results. We expect the second half of this year will represent more than half of our operating profit for 2026 with the potential for the third quarter to be higher than the fourth quarter, largely dependent on how executed crush margins develop in the fourth quarter.

In closing, I want to thank our ADM team members for the focus, discipline, and execution they brought to this quarter. It is their hard work in delivering strong commercial and operational performance across all three segments and generating the cash flow that funds our priorities. This positions us well to raise our outlook and continue navigating a dynamic global landscape, while delivering on our financial commitments and creating and returning value to our stakeholders.

With this, I'll hand it back over to Juan.

Juan R. Luciano

Thanks, Monish. To recap, our second quarter results reflect a marked step-up in our earnings, driven by a constructive biofuels environment, strong commercial and operational execution, and momentum in Nutrition. That combination allows us to again raise our full-year 2026 outlook.

Beyond 2026, we have compelling growth engines already embedded in the business, the organic investments we're making across our platform and the five growth pathways we have outlined, including the natural colors opportunity, I discussed today. We're excited about the strength of this organic growth plan, while we continue to be very disciplined with respect to bolt-on M&A. As we execute our journey ahead, we will remain steadfast in our commitment to creating and returning value to our stakeholders.

And finally, before we open the call up for questions, I would like to welcome Jeff Rowe to ADM, who will assume the newly-created role of Executive Vice President and Chief Operating Officer, effective August 17th. Jeff brings more than 30 years of experience driving growth, operational excellence, and commercial success. He joins us from Syngenta, where he serves as CEO of one of the world's largest agricultural technology companies with more than 50,000 employees across over 90 countries. A fifth-generation Illinois farmer, Jeff is a proven industry-leader, whose appointment complements an already strong management team, and builds on ADM's momentum around driving innovation and delivering on our long-term growth plans.

With that, we'll take your questions now. Operator, please open the line.

Questions And Answers

Operator

We will now begin the question-and-answer session. (Operator Instructions)

Your first question comes from the line of Manav Gupta from UBS. Manav, your line is open. Please go ahead.

Q - Manav Gupta

Good morning, Juan. Good morning, Monish. First, congrats on a very strong quarter and another guidance raise. You continue to surprise the street on the upside. My question here is, as I understand, sir, and you can let me know if the understanding is wrong. The reason you are moving ahead with some of these debottlenecking facilities at existing plants is because the actual cost in dollars per ton will be significantly less than if these were actually greenfield expansions. So, by moving ahead with this brownfield expansions, your return on investments will be materially higher versus if these actually were going to be greenfield expansions. Could you actually talk about that a little? Thank you.

A - Juan R. Luciano

Sure, Manav, and good morning to you, and I will pass the congrats to the team. Listen, of course, we're always looking for opportunities to deploy capital wisely. As you know, our capital allocation, that's the priority, cost and growth part of the organic plan is the first one also with dividends. So, as part of that in Crush, we've been expanding. We expanded last year in Brazil, where actually capital intensity is a -- capital is cheaper in Brazil to be implemented. So, we expanded two and we completed Uberlandia this year. In the US, we have identified 10 plants with potential for capacity unlocks. When we look at the overall portfolio, the capital intensity is about one-fourth of what it will cost to build greenfield. So, certainly very attractive opportunities. We have decided to have a phased approach to allow for off-ramps or to see how the industry develops over time. So, in this, what we call Phase 1, we have announced four of those 10 plans we are moving forward, which of course, are the most attractive returns. That is still keeping within our range of CapEx from $1.3 billion to $1.5 billion. At times when we find these opportunities that are very compelling, we might go a little bit higher than that. At times like last year, when we didn't find anything, we were a little bit lower than that. But nothing that it swings completely the range. This Phase 1, although it's early on, it could be in the range of $100 million overall for the four plants. So, it's not huge. So, we feel very good about that, and as we are building these both in North America and Brazil, because these are markets where there are strong domestic biofuels markets and they are very favorable in terms of margins, we are also looking at potentially the bottlenecks in ethanol that are driven mostly by our operational excellence efforts, as we continue to drive yields and cost improvements in the ethanol plants. Naturally, some of that yields some -- the bottlenecking on that. So we're pretty good about the strength of our organic plan.

A - Monish Patolawala

Manav, I'll just add to Juan's comment that the other benefit of this debottlenecking is manufacturing cost, Manav. And as you know, there's a lot of fixed costs in these plants.

So, the more the throughput, the average cost per unit comes down. So, all that adds to a very good return in addition to the volume that we get.

Q - Manav Gupta

Perfect. Well understood, Monish. My second and a quick follow-up is, can you talk a little bit about the Broadwing project? We see it as something which is a milestone for industrial decarbonization. Can you talk a little bit about that project and the benefits of that project? Thank you.

A - Juan R. Luciano

Yeah, you know we have a broad strategy of decarbonization and that's a very important project to bring low carbon intensity energy and steam into Decatur. So it's a large project. We continue to move forward with that. And as I said, it is one of the several elements that we have in our decarbonization path. A reminder, we've been leaders in carbon capture and sequestration that we started like 11 years ago in our wells. We're pleased that -- I think we sequestered 337,000 tons of carbon in this quarter, up from 300,000 the last quarter. So again, it's just a multi-year program, and continue to decarbonize and drive based on our sustainability trend that we have put together as part of the strategy about 10 years ago. So, we continue to execute on the strategy and the plans as per schedule.

Q - Manav Gupta

Thank you so much.

A - Juan R. Luciano

You're welcome.

Operator

Your next question comes from the line of Heather Jones with Heather Jones Research. Your line is open. Please go ahead.

Q - Heather Jones

Good morning. Congratulations on the quarter.

A - Juan R. Luciano

Good morning, Heather, thank you.

A - Monish Patolawala

Thank you.

Q - Heather Jones

I guess I just wanted to -- I wanted to start with Ag Services. That was much stronger than I was anticipating. And given that the tensions in the Ukraine area have escalated. If China continues their bean purchases as you're assuming, do you think Q2 is a high point for the year or could we have Q3 and Q4 look better than Q2?

A - Juan R. Luciano

Yeah, Heather, a lot going on in the world, as you know. So, we continue to praise the team in Ag Services and the system we have. At times like this in my experience over the last 14 years in ADM that the market rewards our footprint and our flexibility and all the assets that we have, whether it’s transportation and options for origination and destination marketing officers -- offices are basically built to provide the resilience for all these environments in which our role is to make sure that food shows up wherever it needs to show up. At times of crisis or at times of disruptions, is when our team does better, because we can flex much more all this ability and all these optionality that we have built in the model. So, as you said, weather across the world is threatening some crops. I mean, there are some issues right now with China, especially for corn and maybe wheat and rice, whether it has become too hot and too dry, certainly effectively, basically Ukraine has ceased export through the sea. We've been hit several times, whether it was our vessels and our terminals, and I think the whole industry is in the same place. So, very difficult to get crews to come to pick-up vessels. So, I will say China continues to buy from the US. I think that China wants to honor the commitment of 25 million tons of soybean this year, and certainly there may be purchases of sorghum or barley later on that are less political maybe than corn. So, I will say probably Ag Services will be slightly lower only for our own reasons in Q3 than it was in Q2. But Q4, it will depend on some --how those export come into the US and how much can we build on sorghum and corn program on top of the soybean program that seems to be building for the later part of the year. But the team continues to execute well. Global trade results were higher in Q2, driven by very strong commercial execution, taking advantage of some favorable market conditions. We continue to have improved destination marketing margins in Asia, and good grain trading results. So, all in all, I think even our transportation run well, ocean freight, but also domestic freight. So, I would say all the elements have been having good execution and good performance.

Q - Heather Jones

Great. Thank you for that. And on RPO, I understand biodiesel margins have been strong for obvious reasons. I was wondering if you could talk about the refining margin for veg oil's backdrop, and how -- I believe those have been relatively weak. And just wondering how you expect that to evolve throughout this year as you know, EU biofuel policies implemented, the RVO is fully implemented. Just about what you're thinking about that setup?

A - Monish Patolawala

Yes. So, Heather, I would go back to the same comment we made about RPO. We are seeing constructive margins in total. So, Q2, we were lower year-on-year, driven by a negative mark-to-market that we took in Q2 that impacted the results of RPO. I would say when you think about from a capacity perspective, we see the industry doing a pretty good job from building their -- restarting capacity and the plants are running well. And I think what ultimately, as we said, we are watching a lot of factors in the market, whether it is macroeconomics, whether it's geopolitical, et cetera, as well as what does inflation do, and that may determine what the food margins are for food oil, as well as we've always said that sitting right now, we see a constructive biofuels market, and we expect that to continue. So therefore, the assumption is that these mark-to-markets, one will reverse from Q2 into Q3 and Q4, and then we continue to have a constructive market, ultimately it will depend on what happens with all the factors that we've just talked about.

Q - Heather Jones

Wonderful. Thank you so much.

A - Juan R. Luciano

You're welcome.

Operator

Your next question comes from the line of Ben Theurer with Barclays. Your line is open. Please go ahead.

Q - Benjamin Theurer

Yeah. Good morning. Juan, Monish, also from my side, congrats on a very strong second quarter. So, my first question would really like to dig in and understand a little bit as you think about the back-half and then maybe early into 2027, you said you've done obviously a little bit of a release on MTM. You still have something built into it. But as you look into the overall environment, particularly biofuel policies, et cetera, if you would have to stretch for the second half a little bit the high-end versus the low-end of your new guidance, just wanted to understand what is like the scenario to get it closer to that $5.50, $5.60 and what would be a scenario to be more like on the lower-end of the $5? And how you think about this then moving into '27, if you have some preliminary thoughts as to the cadence of growth in 2027? That would be my first question.

A - Juan R. Luciano

Yeah. Thank you, Ben. Listen, I think sometimes the good results that the team are getting underscore the difficulties of the environment and how many decisions we need to get right to do this. So, I think Monish said it and I said it in my remarks, probably the first condition for this to happen is the team is expected to continue delivering successfully against the plan that we put together, because it doesn't happen just by policy or by chance. We think that the favorable margin backdrop across biofuels will continue. We see that in policies around the world. And there certainly has been a disruption in the energy markets that has benefited us this year. But there has been a structural damage on that. So, we don't think that there's going to be a correction that's going to make us robustly supplied overnight. So, that has some tail. And we also expect Nutrition to continue improving their operational performance. You see that our margins have been up 50% again this quarter. So, there is a lot of operating leverage there. Of course, as we go into -- we are lapping Q2, which is our strongest quarter of the year, as we are leaning more towards flavors and beverages in the summer. And then we go into the Q4, which is a seasonal low for flavors. But we like our Q3. We like the book of business we have there. So, if you think about what will drive us to the higher side of the range, I think our assumptions are that Ag Services benefits from China continued buying from North America soybeans. They've been buying around maybe 1 million tons per week, so they've been leaning towards delivering on those 25 million tons of soybean purchases. And we think that we're going to have good exports also of corn and milo going forward. So, that's part of the assumption. I think crushing, when you think about the big needle mover, North America crushing is basically 90% locked at this point in time for Q3, still open for Q4 is about 30%. So, a lot will depend on where we execute those margins in Q4. So, we'll have to see. We have, as I said, confidence in our team and the market fundamentals, but we still have Q4 to see.

In terms of Carb Solutions, our ethanol margin strength continues to offset the sweetener -- the liquid sweeteners softness, if you will. And we continue to raise our full-year guidance on 45Z, as the team continues to get more clarity based on implementing processes and operational enhancements, we continue to see ourselves producing more out of that. We had the previous estimate of about $150 million. Now, we're talking about $250 million. So again, the team continues to operate well. That doesn't just happen. You need to get all your ducks in a row for that. And again, Nutrition, we expect momentum to continue. We do a very good job of maximizing margins and drive for margins, whether it's product mix, or geographic mix, or some of the improvements in portfolio that we have done in Animal Nutrition. So overall, we feel good about the rest of the year, and moving into -- with a good exit rate in '26, moving into '27. But you have to consider, we are being attacked in Ukraine, although it's not financially material for us, that could bring uncertainty in global food prices that could bring volatility. There is weather with a big potential El Nino coming. There is still a conflict in the Middle East that every day swings oil prices depending on the statements of the leaders by $3 or $4. And remember that a lot of those increases in oil prices are hitting us as higher energy costs, and higher packaging, and a lot of things that Nutrition is undertaking and we are managing through. So, a lot of external variables. And as Monish always reminds everybody, we don't forecast future mark-to-market. We expect that the accumulated mark-to-market will probably revert back in the second half, mostly in Q3. So, Q4 will depend again on what level of crush margins we execute. But other than that, we feel very solid about it. And when we think forward, Ben, if I can go a little bit further, is we feel excited about the debottlenecks I mentioned that brings capacity between now and 2028, 2029 depending on the location. And then we have the five growth platforms that we highlighted before, which are basically having the different horizons to cover the full next five years. So, we feel good about where we are. We feel good about where we're going.

Q - Benjamin Theurer

Perfect. That was very complete. And actually on that one quick follow-up. You've talked about it in today's presentation, a little more detailed about the transition to natural colors, which you've just mentioned as part of like these value creation pathways. So, as you think about it, and I know it's still early on, but what -- how fast do you think customers of yours will have to launch new products and basically apply these more natural colors instead of artificial chemical colors? And with that and the expertise you're bringing from Europe having done it over there into the US allows you to actually leverage that, and potentially even gain market share with your customers. So, how should we think about this?

A - Juan R. Luciano

Yeah. I think, as you said, this is an opportunity that fits us like a glove. We did it before. We are prepared for this. It's a company based on natural products. So, we have a lot of expertise. What we learned before, and this is where the technology and the knowledge we bring to our customers is that these things are not sometimes a one-to-one replacement, because pH is affecting colors differently, stability of the formulation. So, you need to -- this gives you an opportunity to almost redefine the whole formulation when you're going to change a color. And that's why it takes a little bit longer and rightfully so, customers are being prudent and they have a sequence of implementations depending on the different product lines, which for us from a supply chain perspective, is very beneficial, because it's not like you have a -- you have one day in which everybody changes, and they create a lot of issues for supply. We have projects and over time, we're going to be supplying. So, we have said about $1 billion potential market over time, it's going to give us probably $80 million to $100 million OP for Nutrition, and it's going to happen over the few years. We have a pipeline for that, and we are executing through that pipeline, and we feel good about it. I think that as this gains momentum, probably things will accelerate. So, I'm optimistic that, that's what happened in the past, as products start to be launched and they look good and they have customer acceptance. People get more confidence about expanding more swaps and switch. So, early days, but we feel very good about it.

Q - Benjamin Theurer

Perfect. Thank you very much.

A - Juan R. Luciano

You're welcome, Ben.

Operator

Your next question comes from the line of Pooran Sharma with Stephens. Your line is open. Please go ahead.

Q - Pooran Sharma

Good morning, and congrats on the on the results to Juan, and to the whole team.

A - Juan R. Luciano

Thank you.

Q - Pooran Sharma

Wanted to -- yeah, absolutely. I wanted to maybe understand outlook a little bit better. And Monish, you alluded to the back-half being predicated on higher crush margins, higher ethanol margins. I believe in the past, you used to give us the crush margin levels that are kind of assumed in the back-half. I was wondering if we were able to get that level of detail here. And then just on the follow-up, I just want to make sure I heard this correctly. On the coverage, you said 90% covered for Q3 and about 30% covered for Q4. Is that correct?

A - Juan R. Luciano

That's correct for...

A - Monish Patolawala

North America.

A - Juan R. Luciano

For North America crushing. Globally, globally, we are more like a 70% cover for Q3, and a little bit lower for Q4.

A - Monish Patolawala

So, Pooran, to answer your first question on guidance, as Juan has also talked about it and I've said the same in my earnings prepared remarks, that Q2 was an important quarter for us. And the team executed well, and we were able to capture a lot of the commercial and operational opportunities that were presented to us. On operations, you saw us increasing manufacturing volume from a crush perspective by nearly 5%. And then on the commercial side, Juan's also covered that nicely in his prior question. Then you think about Q3 and Q4, if you think about our guide of $5.15 to $5.60, and you take our first half, which is around $2.55, you will -- you would --you can see that our second half will definitely be higher than the first half, provided we hit that range of $5.15 to $5.60, which we feel good about right now. So, then comes the question of cadence, Q3 versus Q4. And as we have talked about that in the prepared remarks, I said there is a possibility that Q3 will be higher than Q4. And that's partly driven by the fact that Juan also mentioned, we have book already on for crush, so that helps. Continued execution in Nutrition. Ethanol continues to remain strong, offset partially by the lower liquid sweeteners volumes. Whether Q3 becomes higher than Q4 will also largely depend on where crush margins get locked in for Q4, because we just said we are 30% locked in North America for Q4. Then when you think about the margins that you'll have asked, -- you have asked me, I always go back to -- I know a lot of you look at only board crush, and you look at board crush and you'll correlate or try to correlate. At the end, what will matter, Pooran, is what does cash margins become in Q3 and Q4. What we have baked in is what we think is a constructive biofuels market and good demand for ethanol. Where that will land, I think Pooran, we'll have to see. There's a lot of volatility in the market. But based on everything that we are seeing right now, we believe that the $5.15 to $5.60 is a good guide to be. And as things evolve, we'll definitely keep you posted.

Q - Pooran Sharma

Great. I appreciate the color and congrats again.

A - Juan R. Luciano

Thank you.

A - Monish Patolawala

Thank you.

Operator

(Operator Instructions) Your next question comes from the line of Andrew Strelzik with BMO Capital Markets. Your line is open. Please go ahead.

Q - Andrew Strelzik

Hey, good morning. Thanks for taking the questions. The first one is on the -- good morning, is on the 45Z outlook, which continues to move higher. Can you talk about kind of what's underpinning that and do you feel like now kind of we've reached the appropriate level? And then my real question is more on the Nutrition segment and primarily on Human Nutrition. Decatur East back, it seems like the momentum in Human Nutrition is kind of rolling. How should we think about the durable growth rate of that subsegment? You've talked about colors, but kind of what are some of the other opportunities or drivers moving forward?

A - Juan R. Luciano

Sure. Yeah, thank you, Andrew, for the questions. Sorry. On 45Z, as I said, we are increasing our full-year expectation from $150 million to $250 million. And I think as I mentioned before, we are basically every month we go, we're increasing the line of sight into realizing the benefits of this, as we continue carbon intensity verification, and we're building the operational processes across our ethanol plants in North America. As a reminder, this is not easy -- this is very complex and there are so many factors that determine the benefit with this, you have the carbon intensity score that you need to go plant by plant. We have the issues of prevailing wages. The amount of carbon sequestered is also important. I mentioned 337,000 tons that we did this quarter, higher than last quarter.Certainly the production volumes in ethanol, that's why we are working on operational excellence, improving yields, and trying to quit the bottlenecks, and the industry pricing development. So many, many factors that we put together to come up with these estimates. And this is the best we can see at this point in time that is $250 million, hopefully not the maximum, as we continue potentially to implement debottlenecks or some benefits in operational excellence that make us produce more ethanol. But certainly in the right direction.

Moving to Nutrition, and Human Nutrition, as you described, of course, the colors that you just said, but many, many things are going on. I went, for example to -- I was very pleased to see our performance in flavors in Asia, which -- certainly, we are originally a Western world type of company with Wild Flavors and our participation in North America. And we've been growing 20% flavors year-over-year in Asia Pacific, and it's been happening all in local customers. And our success with local heroes wherever we go has been something spectacular, because it's not that we're doing copy and paste of Western companies going there, is we are winning with the local people in the different geographies in China and the different geographies in Asia. So, that's very exciting, exciting. And as you said before, specialty ingredients is improving. It's not only improving, because Decatur plant is making inroads and these plants are very complex, listen, and far for me to say that everything is being solved. We continue to make progress, and we will see that. But we are showing up in the market with more volume. And in that sense, we are recapturing some of the volume that we lost over the 18 months we were not present there. Emulsifiers is doing -- is also doing better. We see early success in people having more -- paying more attention and incorporating more postbiotics. Of course, the supplement segment has been suffering a little bit, because of affordability of consumers and some consumers have moved more to functionalized food and beverages, and replacing maybe expensive supplements. But we still see a lot of opportunity and traction in postbiotics, and we see the people's attention to bring fiber more into their diets also growing into our P&L. So, we have so many elements of growth that are driving this, that we feel good about going forward. Difficult given that there are so many bits and pieces to assign a growth rate. We always said that medium term will be growing mid-single digits in terms of flavors, and that maybe gives you an estimation of what we're seeing going forward. And of course, we always think that we're going to have operational leverage to that. So, OP will grow higher than that. But we've been growing faster than that. And so, we'll try to continue that. But long term, you should think about that. Flavors being the main piece will grow at least mid-single digit, and operationally profit will grow a little bit higher than that.

Q - Andrew Strelzik

Great. Thank you very much.

A - Juan R. Luciano

You're welcome.

Operator

Your next question comes from the line of Steven Haynes with Morgan Stanley. Your line is open. Please go ahead.

Q - Steven Haynes

Hey, good morning, everyone. A bunch of things covered, but maybe I could ask a question on precision fermentation. You're talking about on the natural color side of it, $80 million to $100 million uplift from operating profit. Can you -- maybe it's too early, but can you maybe put the precision fermentation piece of it in context with that, and maybe what the timeframe might be for seeing an uplift from that growth opportunity as well? Thank you.

A - Juan R. Luciano

Yeah. Thank you. Thank you for the question on precision fermentation. I love these future platform questions. We are believers that from a food perspective, at the end of the day, in order to feed 10 billion people in the planet, we will have to feed ourselves with animal proteins, with vegetable proteins, and with microbial-based protein. But this precision fermentation is a platform that we are building for many reasons and many synergies to ADM. We are a fermentation company, and we have many fermenters that we can -- they are underutilized that we can utilize forward. There is the benefit of having dextrose to provide to that, and that will pull from the fight for the grind that we have in carb solutions. But the important thing is we needed to prove that this was feasible, and we could produce this at good growth rates with good-quality products and at good margins and cost. And we have -- so we are very happy that we have two projects that are demonstrating that with Every and Bond. Of course, on Every, we're making egg replacement, and with Bond, we're making lamb replacement for pet food. So, we're very excited about that. It shows that we can go to human, and we can go to pet.

And we also have an opportunity. We're planning to launch at least one natural color based on precision fermentation as well to make sure that we alleviate some of the burden on supply chain for some of these natural products. So, we feel it's very synergistic in terms of everything we're doing, and we have a lot of potential is -- I don't feel comfortable to go public with a number for comparing to the $80 million to $100 million that we're going to be making in natural, because these are early days, and there are a lot of customer engagement that I also want to respect and to a certain degree, if I aggregate something, I aggregate their own forecast, and I want to be respectful for that. But we are very excited about what this is going to bring to ADM in the years to come.

Q - Steven Haynes

Understood. Thank you. And then a quick follow-up on insurance proceeds. Maybe I misheard, but was there a benefit from that in the quarter? And then is there anything else expected for the balance of the year on that front?

A - Monish Patolawala

Yeah. So, we -- you heard it right. We got $20 million of proceeds for Decatur East that show up in our AS&O subsegment -- in our AS&O segment. And then depending on whether we get more or not, we are still working with insurance providers. And as and when we know more, we'll definitely keep you all posted.

Q - Steven Haynes

Okay. Thank you.

Operator

Your last question comes from the line of Matthew Blair with TPH. Your line is open. Please go ahead.

Q - Matthew Blair

Thanks, and good morning and congrats on the strong results. It seems like the commentary on starches has improved as the year has progressed. I remember you being somewhat cautious on starches at the beginning of the year. I think today you mentioned that starches demand is stabilizing. Is that a fair characterization? And if so, are you seeing better trends in cardboard or beer, or what's helping out starches? Thank you.

A - Juan R. Luciano

Yes, thank you, Matthew. Yeah, we see stabilization in the starch market and part is cardboard boxes, packaging, all that area, I think that of industrial, so deliveries is certainly doing better. So, yeah, it's a good counterbalance, if you will, to what maybe is happening in liquids sweeteners, and so that it underscores a little bit the importance of deriving like 22 different products or more from corn, and we see that what we call BioSolutions, and it's part of that platform, and continues to grow finding non-food or feed uses to some of our corn derivatives, and that's something we started several years ago. It's a profitable business, and continues to grow and help us to put resilience into that. Resilience that you can see in our cash flow generation, and I think that it continues to -- we continue to feel good about the $1.8 billion that we do -- that we have done so far, and that we will continue to deploy in organic investments, and given the market environment and the strong financial conditions, we may even be evaluating opportunistic share repurchasing this year, so.

Q - Matthew Blair

Great. Thanks for your comments.

A - Juan R. Luciano

Thank you, Matthew.

Operator

There are no further questions at this time. I will now turn the call back to Ms. Kate Walsh for closing.

A - Kate Walsh

Thank you all for joining the call today. We appreciate your continued interest and support of ADM, and wish you a great rest of your day. Goodbye.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.