Corteva Agriscience 3Q 2020 Earnings Conference Call Transcript

Nov. 5, 2020
9:00 a.m. ET

Operator

Good day, and welcome to the Corteva Third Quarter Earnings Call. Today's conference is being recorded. I would now like to turn the conference over to Megan Britt, Vice President of Investor Relations. Please go ahead.

Megan Britt
Vice President, Investor Relations

Good morning, and welcome to the third quarter 2020 earnings conference call for Corteva. Our prepared remarks today will be led by Jim Collins, Chief Executive Officer; and Greg Friedman, Executive Vice President and Chief Financial Officer. Additionally, Tim Glenn, Executive Vice President and Chief Commercial Officer; and Rajan Gajaria, Executive Vice President of Business Platforms will join the live Q&A session at the end of the call.

We've prepared presentation slides to supplement our remarks during this call, which are posted on the Investor Relations section of the Corteva website and through the link to our webcast.

During this call, we will make forward-looking statements regarding our expectations for the future which are subject to risks and uncertainties including those on slide 2 and in our SEC filings. These risks and uncertainties could cause our actual results to differ materially. We provide a pro forma basis discussion in our earnings release and slide. Unless otherwise specified, all historical financial measures presented today exclude significant items which can be found in the schedules that accompany our earnings release. We will also refer to non-GAAP measures. A reconciliation to the most directly comparable GAAP financial measure, where available, is provided in our earnings release and on our website.

It is now my pleasure to turn the call over to Jim.

Jim Collins
Chief Executive Officer

Thank you, Megan, and welcome to the participants joining the call today.

Starting on slide 4, three quarters through 2020 our teams continue to demonstrate resilience in the face of persistent market volatility as a result of the pandemic. This has created a very dynamic operating environment in which we have worked aggressively to keep our employees and customers safe, our supply chain is resilient and our growth commitment is on track.

Considering the uncertainty that remains relative to the pace of the economic recovery, we regularly stress test our strategy and growth prospects under a variety of different scenarios. And we have confidence in the durability of our plan and our ability to deliver our mid-term targets. Foundational to our confidence is our success in driving organic net sales growth in both reporting segments and across all regions year-to-date.

Each quarter, since the onset of the pandemic, our teams have been challenged to continuously identify levers in our control to mitigate headwinds. I am proud of how our teams continue to respond with agility and discipline. As I consider our path ahead, we have the products, the route-to-market and the manufacturing strategy in place to deliver our future. We also have the productivity mindset to digitize and transform our cost structure to create meaningful margin expansion. Through disciplined and focused execution, we will realize the full operating leverage available from the organic growth that we extract from the marketplace. I am confident in our ability to deliver on our mid-term targets.

Though we have faced an inordinate number of challenges from exogenous forces, yet we continue to use those challenges to sharpen our organization. This is evident in our actions to broaden our approach to manage earnings volatility from foreign currency exposure. Greg will share additional detail about our approach later.

Finally, before I move on to the financial update, I wanted to highlight that our confidence in our growth objectives and our expanded capability to manage volatility, reinforce the decisive short-term actions we are taking on our capital return agenda. We are accelerating the return of cash to shareholders and intend to make strong progress on our $1 billion share repurchase program with an expectation to complete the program by the end of 2021. That's six months ahead of our original timeline.

So moving to slide 5, and an update on our financial performance. Organic mix sales were up 9% in the quarter versus last year, propelled by price and volume improvement on strong performance in our Crop Protection segment. Currency was an 11% headwind in the quarter and more than offset the gains in volume and price.

Looking at our results at the regional level, Latin America is the most significant region in the third quarter and volumes were up 25% relative to last year, a recovery from the decline experienced in the second quarter as a result of timing shifts. Our momentum here is setting the stage for a strong finish to the year. Price increased 5% versus prior year mostly on continued execution to offset currency. These volume and price gains more than offset the 24% unfavorable impact from currency devaluation.

Organic sales were up 6% year-to-date, and volume and price growth in both Seed and Crop Protection demonstrating our team's focused execution and ability to extract value in the marketplace for our innovation despite the challenging operating environment. Our above market performance in Europe and Asia-Pacific across Seed and Crop Protection underpinned our strong execution year-to-date.

Shifting to operating EBITDA, we delivered 14% improvement for the third quarter and 5% improvement year-to date. And this represents margin expansion of more than a 120 basis points for the quarter and approximate 60basis-point improvement year-to-date. Currency has reduced earnings by about $200 million year-to-date. So, considering this 11% earnings headwind from currency on a year-to-date basis, we are seeing tremendous momentum in our underlying business and alignment with our mid-term targets.

These results affirm solid regional execution that benefited from our differentiated technology position, our advantage route to market and agile supply chain to overcome challenges related to the global pandemic to drive margin expansion.

Moving to slide 6 and a more in-depth look at our performance in the Seed segment. Net sales for the third quarter were down predominantly due to timing shifts. The 2019 unprecedented weather related delays shifted North America deliveries into the third quarter. Our return to a more normalized North America planting season means, we recognize those sales in the second quarter for this year.

Year-to-date organic sales grew 6%, due to the acreage rebound and improved price in North America. Market share gains in Brazil and Europe corn and strong volume and price gains on new products, particularly Qrome, PowerCore Ultra and Enlist E3 soybeans. Gains in both volume and price were broad-based with all regions delivering improvement. Overall, price and volume gains and productivity drove an approximate 250-basis-point margin benefit for the segment year-to-date.

As we noted last quarter, supporting our results in Seed is a strong year-over-year price improvement in both corn and soybeans, both up low-single digits driven by new technologies and strong sales execution. We estimate that corn and soybeans delivered approximately $120 million in benefit from price improvement year-to-date.

In September, we launched our 2021 sales season in North America. We expect to deliver another year of positive year-over-year price improvement in both corn and soybeans, as a result of our ability to price for value that these new seed technologies create for our customers. We anticipate our positioning in the marketplace will support our ability to continue to capture year-over-year value for superior performance despite market competitiveness.

We're also driving the Brevant retail brand launch in North America for the 2021 season. And our discussions with retailers continue to be exceptionally positive, reinforced by the strong field trial performance of the Brevant product class in retailers test plots. We're also driving synergies and productivity enabling us to offset the seed input costs and increase royalty cost headwinds we anticipated for the year.

So, turning to slide 7, as part of our strategy update in August we highlighted our expectation to create over $400 million in incremental operating EBITDA from the Enlist E3 soybean system at peak. This estimate includes the benefits from eliminating trade royalty expense, scaling royalty income from out-licensing our technology and growing our share of the post emergent herbicide market.

For 2020, we converted 17% of the Corteva soybean units in North America to the Enlist E3 platform. We believe that Enlist E3 offers growers a superior weed management system and we are seeing exceptionally strong demand in the marketplace for the technology. As a result, our seed production teams collaborated closely with seed producers to ensure that we maximize supply for 2021.

We are in the process of sampling and assessing quality on the harvested units and have growing confidence that we will be able to offer a high quality Enlist E3 option in more Corteva units in 2021 than we indicated back in August. We now believe we could have as much as 40% of our units in Enlist E3 next year. We're also actively staging Enlist herbicides in the retail channel in anticipation of seeing as much as 30% of the soybean units planted in North America in 2021, carrying the Enlist E3 trait.

Clearly, this is our decade in soybeans. The ramp up of Enlist E3 represents the first time in almost three decades that growers have a scalable weed management alternatives. Over the course of the next few months, I look forward to providing additional updates on our momentum on this first generation technology as well as the next generation pipeline that we are building.

So, moving to the Crop Protection segment, slide 8 provides a performance update and a summary of the key focus areas for driving margin expansion, consistent with our mid-term targets.

For the segment, organic sales grew 21% in the quarter, supported by a 16% improvement in volume and a 5% improvement in price. The strong third quarter performance in Latin America on continued technology adoption drove Crop Protection organic sales up 43% versus the prior year. The region overcame a 29% impact from currency.

Year-to-date, organic sales increased 7% supported by continued growth in new products and double-digit organic growth in Spinosyns insecticides, partially offset by our strategic decision to phase-out the chlorpyrifos by the end of this year and a ramp down of selected low margin third-party products. The overall Crop Protection result also reflects strong organic growth in Europe, Middle East and Africa up 6%; Asia-Pacific, up 12%; and Latin America, up 15%; showing the balance and the diversity of our new products globally.

New Crop Protection products are on track to deliver $250 million in organic sales growth for the full year. And despite the strong organic sales growth performance, operating EBITDA for the segment has declined year-to-date partially due to the impact of currency.

Operating EBITDA has also been impacted by higher cost of goods sold in the segment. We have taken several actions, starting back at the completion of the merger in 2017 to streamline our manufacturing organization to drive better operating leverage in Crop Protection.

Now, as a reminder, it can take up to four years to complete a supply chain transition in Crop Protection in order to satisfy the regulatory requirements in every jurisdiction in which our products are sold. So, this delays the time from when actions are taken to when the benefits are realized. As a result of the actions taken back in 2017, we will start to yield the benefits in 2021 and beyond.

So, turning to slide 9 and taking a step back to review some of these actions. Since closing the merger in 2017, we have worked aggressively to streamline the cost structure and improve the underlying productivity of our Crop Protection manufacturing organization. Starting with our global manufacturing footprint and structure, we made targeted adjustments aligned to portfolio rationalizations and implemented a more efficient operating model, resulting in a reduction of nine sites and approximately 25% of the roles that were here at the time of the merger.

At the same time, we moved swiftly to regionalize our formulation and packaging operations. Bringing these operations closer to end-use markets, provides a double benefit of enabling us to operate closer to our customers, as well as providing a natural currency hedge for the future.

And finally, we began the process of optimizing our active ingredient manufacturing, moving from a strong bias towards internal sources to a more balanced approach. In this approach, we continue to identify opportunities to reduce costs and build additional resiliency, while preserving the value of our patent protected technology.

Collectively, as a result of these efforts, we are on track to achieve the cost synergies and additional productivity that we have targeted. For the company, we talked about a total combined savings of $250 million in 2021 and our Crop Protection manufacturing actions represent about a $150 million of that amount.

Shifting the discussion to the outlook, I'll provide some context on our future expectations on slide 10. We continue to observe how key markets are recovering from the downturn, driven by the pandemic and are closely monitoring market conditions for next year, including commodity demand levels, acreage levels and foreign currency exchange rates.

We're seeing commodity demand stabilize in several key markets, as well as very constructive actions from China regarding the pace and size of corn and soybean purchases from the US. On the commodity supply side, the directional event and droughts in parts of the US this summer lowered harvestable area and yield and spurred increases in commodity price levels.

Improved commodity demand conditions and tightening stock levels are constructive indicators for overall commodity prices with corn and soybeans prices now trading above pre-COVID levels. Higher prices are leading to an improved outlook for farm income. Government stimulus payments in the US are also supporting farm income improvement.

So given the impact of exchange rates on our business, we continue to closely monitor foreign currency exchange rates particularly the Brazilian real and several European currencies. Taken together, the overall market backdrop are strong operating momentum and expanded capability to address earnings volatility support a very constructive view for a solid finish to 2020 and strong 2021 growth.

So I'll now hand the call over to Greg to provide more detail on our outlook. Greg?

Greg Friedman
EVP & Chief Financial Officer

Thanks, Jim. Turning to slide 11, we are affirming our full year guidance for 2020 which reflects organic sales growth of 5% to 6% and operating EBITDA of $1.9 billion to $2.0 billion for the year. At the highest level, the organization is delivering on commitments despite the numerous headwinds we face this year.

Starting with currency, we continue to expect approximately $400 million in earnings headwinds for the full year predominantly driven by the Brazilian real. We have realized $70 million in pricing through the third quarter to offset the weakening Real and expect to recognize greater than $120 million in pricing for the full year. Velocity and the ramp up of new crop protection products continue as we recognized $180 million in incremental organic sales through the first nine months. The organization remains on track to deliver on our full year commitment of $250 million in organic sales growth, led by products like Arylex and Enlist herbicides and Isoclast insecticide. Fourth quarter is expected to be a solid quarter for North America crop protection as we position for strong early demand for the Enlist system for the 2021 season.

Finally on costs, we continue to see performance align with our expectations through the end of the third quarter. Synergies and productivity savings are tracking according to plan with the expectation to deliver a full $230 million in savings by year-end. We are seeing further traction in our COVID-related spending reductions as we realized approximately $50 million in savings through the end of the quarter. As a final point on costs, we expect that we will end the year relatively flat in SG&A and R&D despite strategic investments and increased commissions on higher sales. This update is a testament to the organization's focus on cost controls globally.

Our operating EBITDA guidance reflects nearly $500 million of headwinds from the prior year due to currency and the one-time gains for asset divestitures in 2019. Despite these headwinds, the organization continues to focus on driving and delivering resiliency in our results as demonstrated by our strong execution in the third quarter. We have high confidence in maintaining this momentum in the fourth quarter and finishing the year strong.

Turning to slide 12, I'll provide our current views on the setup for 2021. Starting with seed, based on current relative prices of commodities, we anticipate corn acreage will likely be relatively flat in North America next year. For soybeans, we expect an increase for 2021 planted area.

On the seed pricing, we expect to drive our global strategy of pricing for value with continued benefit from penetration at the highest performing technologies like Qrome corn seed. We're encouraged by the momentum we are seeing in the marketplace for both our Enlist soybean system and the launch of Brevant in the US retail channel.

Turning to Crop Protection, we expect to maintain our growth in new product sales. This growth is underpinned by strong market demand for Enlist and Arylex herbicides and further penetration of Isoclast insecticide globally. With respect to our differentiated technologies, we expect to release incremental Spinosyns capacity in 2021 to meet strong demand and deliver price and volume growth.

On currency, the organization has implemented comprehensive risk management approach to manage volatility. However, we still expect a headwind in the first half of 2021 given the significant swing in the Brazilian real compared to the first half of 2020. Pricing remains a strategic lever to offset this impact as our commercial teams in Brazil actively price for the changes in local currency.

On costs, we will realize the final tranche of our merger related synergies delivering $200 million in savings for 2021. In addition, we expect to recognize approximately $50 million in incremental savings in 2021 related to our $500 million Execute to Win Productivity Program, mostly related to the manufacturing and supply chain rationalization work we have completed in Crop Protection.

And finally, as it relates to cost of goods sold, we are still monitoring our 2020 harvest for seed that we will bag and sell in 2021. Depending on final yields and quality results, we could see a slight tailwind for seed input costs in 2021 as higher commodity prices partially offset expected favorable yields and productivity.

To wrap up my comments about our current view on the 2021 backdrop, I'll provide some further perspective on our risk management strategy related to foreign currency.

Slide 13 shows how we have approached risk management of our global business footprint. We have a comprehensive program for managing foreign currency exposure, of which the Brazilian Real is the primary driver. As an underlying principle, we balance economic cost with our approach to ensure an effective return to create better predictability in our forecasts. For 2021, I would expect annual costs to be approximately $50 million in order to effectively hedge our income statement exposures to global currencies.

Our primary means for mitigating FX exposure is by adjusting our local sales prices to offset depreciating currencies and geographies where we're able to do so in the current and future periods. This is evident through the progress our commercial teams have made year-to-date. We expect to maintain this momentum in the fourth quarter with greater than $120 million in price improvements to offset currency for the full year.

Additionally, we continue to evaluate opportunities to adjust our operational footprint to match the currency used in production with the revenues we generate to reduce exposure. As it relates to hedging, our strategic approach is to drive predictability in our forecasts. As you recall, we sized currency as a $400 million operating EBITDA headwind for full year back in the second quarter. And despite continued volatility in currency rates, we are maintaining this expectation. We'll continue to provide updates on our execution.

Turning now to slide 14, I'll provide a brief update on our capital allocation track record since spin and where we are focusing as we look forward. Since spin, we have made targeted investments with more than $1 billion in capital deployed to-date to drive shareholder value. This includes our ERP harmonization efforts, optimizing our route to market, expansion of our multi-brand, multi-channel strategy and funding launch and ramp up of new and differentiated products globally, including the capital necessary to increase Spinosyns capacity.

These calculated high return investments were critical as we spun as a public company. And with those investments well underway, we had the opportunity to shift our focus and accelerate our return to capital to shareholders. Specifically, we expect to build on the progress we have made against our $1 billion share repurchase program and now expect to complete that commitment by the end of 2021, six months earlier than our original plan.

And now, I'll turn the call back to Jim.

Jim Collins
Chief Executive Officer

Thanks, Greg. As we continue to execute on a strong finish to 2020 and look ahead to 2021, we remain both focused and flexible, focused on the path that we've laid out, confidently executing on our plans that we spoke about today. At the same time, we're prepared for any eventuality as we continue to navigate in a volatile external landscape.

We'll stay flexible and we will monitor these dynamics. And importantly, we'll do that as we continue to deliver. We have the right strategy in place, our balance sheet and liquidity position is solid and we have the right team and the right levers in place to deliver on this next stage of growth.

With that, I'll hand the call back to Megan.

Megan Britt
Vice President, Investor Relations

Thank you, Jim. Now, let's move on to your questions. I'd like to remind you that our cautions on forward-looking statements, non-GAAP measures and pro forma financials apply to both our prepared remarks and the following Q&A.

Operator, please provide the Q&A instruction.

Operator

[Operator Instructions] We will take our first question from Vincent Andrews with Morgan Stanley.

Vincent Andrews
Morgan Stanley Research Division

Thank you, and good morning, everyone. If I can just ask on Enlist, if you could talk about specifically in the Pioneer elite soy varieties, how many million acres you think you'll have for next year? And if you could talk also about how your order book is trending, your Xtend acres versus your Enlist acres, both before and after the recent Xtend registration. Thank you.

Jim Collins
Chief Executive Officer

Yeah. Great, Vincent. Thanks for the question. As you heard in our opening comments, we're very excited about Enlist and how that's going. We had talked about being possibly 10% of our units in 2020 and we finished the year now closer to 17%. So, it was just because growers were really happy with the system and they got a lot of good experience with it.

So, back in August, we kind of guided that we thought we might be able to double that penetration in our units to closer to 35%. And I said back then that that was going to be really dependent upon one big variable and that was our ability to continue to acquire high quality seed from seed producers in this season and have it ready to go for 2021.

Well, I got to tell you, our teams have done a fantastic job. And so, what we talked about earlier is, we're going to push that number now up to maybe closer to 40% of our units in 2021. And that's back to two things. First, it's the early response to our order book. And just how excited growers are to want to continue to get into the system. And second, our ability to supply.

With regard to germplasm, we really don't think about it as Pioneer germplasm. It's really Corteva germplasm. And we've got the best germplasm in the industry. And we're deploying that across our entire portfolio. We're going to continue to drive that conversion hard in 2020. About 10% of our germplasm was converted and we'll get that closer to 20% to 25% in 2021, is about where we set.

Tim, you've been talking to growers recently listening to our sales team. What else would you say about our order book and how things have gone early on in this season?

Tim Glenn
EVP & Chief Commercial Officer

Yeah, Jim. I think you made a key point. When I look at where we're at the season obviously, we had tremendous uptake this past spring. And as we went through the growing season, farmers had tremendous experience with the herbicide system really reinforced the value there and as we went harvest, I'd say our product performance really met their expectations. So, we're in a good spot there. And as we sit here today first week of November, feel very good about where our order sit overall and certainly as it relates to Enlist and Jim indicated the strong demand there and we continue to feel good about that mix and basically see some upside there. But I would also reinforce that our Xtend orders are about where we would expect them to be as well. And so, we continue to have – I think this year's data supports a significant [inaudible] Xtend, but also the strongest performing Xtend ride is in the marketplace for their A-Series products. And so, there's clearly place for the technology and we're working for our customers who want Xtend.

And as we saw the registration come through, it wasn't a surprise. I mean, we expected there to be news and as did our customers. And I would say, it really doesn't have an impact in terms of the mix that we'll sell. Customers who are interested in Enlist and are ordering Enlist right now are committed to Enlist. And I think the customers who want our A-Series soybeans also want that. And obviously the availability of Dicamba [inaudible] going forward, there's going to be a value to them should they choose you that – the Xtend system as well. So, we feel good about where we're sitting and obviously excited about our overall portfolio, very excited about where our order sits on this day and able to bring good solutions to our customers.

Jim Collins
Chief Executive Officer

Great. Thanks, Vincent.

Operator

And next we'll go to Joel Jackson with BMO Capital Markets.

Joel Jackson
BMO Capital Markets, Equity Research

Jim, when I look at your [inaudible] you expect $250 million of better earnings next year from merger synergies and productivity gains, when you add all the other building blocks you talk about, be it seed price mix, higher soybean acres, Spinosyns growth and getting COVID cost savings, new products like Isoclast, et cetera, everything is going on, it would seem that all those building blocks suggests that and you've got some currency offsets. But including that, you would feel you have enough building blocks here that that should all be additive to $250 million of earnings growth for synergies and productivity gains and share, can you speak to that, please?

Jim Collins
Chief Executive Officer

Yeah, Joel. Good morning. As we sit here today thinking about 2021, you've hit on a couple of important points. The first thing for us is the market conditions. I'd say there are some external factors that are shaping up to be maybe even a slight tailwind. Commodity demand, what's happening with trade and farmer economics is creating a market environment that I would say we don't really agree with how others have characterized that market environment going forward.

So, we set the external peace over there to the side and say we could be heading into an improving marketplace. Now, there're clearly some things that we're watching on the other side of that, COVID-related demand issues and currency will always be out there.

So then we go to the focus on the levers that are within our control and you hit on a few of those. We've just talked about Enlist. We're going to keep driving Enlist. There's margin opportunity there on the Seed, but also on the opportunity with the herbicide. 70% of those acres out there are going to get sprayed with 2,4-D and we're positioning ourselves to be ready to go capture that. We've talked about Brevant and our retail penetration. We could see 25% improvement in the number of units that we sell through that retail channel going into 2021.

And then you mentioned pricing, and so we've got a track record here now demonstrating our pricing momentum. This will be the third year that we've been able to drive low single-digit improvements year-over-year based on the value that we price for the superior genetics that we have out there in the marketplace.

And then find a couple of final things, you've mentioned our new crop protection products in the past. Those are delivering, you really saw those show up now year-to-date in 2020 with growth in places like Europe and Asia Pacific. That momentum will continue.

And then finally you mentioned productivity. And so, we have all those productivity programs in place. The 200 of additional synergy flow through, the additional 50 of productivity that will come from our Execute to Win work. So, I think we're really well positioned and I would summarize it by one word and that's just momentum. We're carrying momentum as we come off of 2020 into 2021.

Operator

And next we'll go to Arun Viswanathan with RBC Capital Markets.

Jim Collins
Chief Executive Officer

Good morning, Arun.

Arun Viswanathan
RBC Capital Markets LLC

Operator

Your line is open, sir. Maybe on mute.

Jim Collins
Chief Executive Officer

Some technical difficulty.

Operator

Okay. Hear no response, we're going to move to the next question. We'll go next to David Begleiter with Deutsche Bank.

David Begleiter
Deutsche Bank AG, Research Division

Thank you. Good morning. Jim, you and your shareholder has made some public observations about your business, specifically about your margins versus your peers. Do you agree with those observations and if not where are they missing the mark there? Thank you.

Jim Collins
Chief Executive Officer

Good morning, David. Yeah, thanks. Thanks for the question. Clearly, we have opportunities from a margin perspective related to our productivity work and we've talked about that and we're driving those. We've got the $500 million of overall productivity we've committed to over the next five years related to our Execute to Win. You got the ERP productivity that will flow through and some remaining synergies that will flow through next year. We kind of complete that synergy work. So, there's quite a good piece right there that is just pure productivity that will help improve margin.

And then you add the momentum over the other areas that we are driving around growth. So, you've got Enlist. We talked about the $400 million of margin expansion due to the whole system. The royalty trait reduction from Xtend, the opportunity to sell more Enlist herbicide and the royalty income coming in from the licensing of that trait. And then I mentioned Brevant and our new crop protection portfolio that'll continue to deliver over the timeframe.

So, look, we agree that there's tremendous EBITDA margin potential improvement in this business. I've been talking about that since the day we merged and continue to be very excited about that and we can see all of the pieces. I don't have to go out and invent that future. It's sitting here right now, what we have to do is execute it. So, probably the only question in that whole discussion is, our view of the timing of that improvement. So, we've got our strategy. I've got a great team here that's focused on it. We're just going to stay focused on the execution of that.

Operator

Next, we'll go to P.J. Juvekar with Citi.

P.J. Juvekar
Citigroup Inc, Research Division

Thanks. This is actually [inaudible] on for P.J. So, just wanted to ask a question about seeds. Obviously a lot of the negative impact this quarter was due to a timing shift in North America, but curious if you could talk a little bit more about maybe market share gain or loss for Corteva during the quarter?

And then also with the expectations for higher prices in the next year, you talked about that being due to driving value, but have you seen a little extra support either from easing competitive pressures or has the improvement in farmer economics recently helped to support that price increase as well?

Jim Collins
Chief Executive Officer

Great. Thanks for the question. So your first part of your question clearly this, this seed year-to-date numbers are the important metric to look at, not just third quarter. The timing issues were related to those weather events that we saw in 2019 that drove this season late in North America and we still shift a couple million units of seed into the third quarter getting that last little bit of soybean market planted last year. So this season has been perfect in terms of its timing. It broke early and we got a bulk of our North America business in the second quarter where it traditionally belongs.

So that that explains third quarter. Look, at it on a year-to-date basis. When we look overall at market share I'd say on superior genetics in soybeans we would probably had a modest market share gain there on the current acreage and that the A-Series performance, the yield advantage over its competition allows us to drive a nice pricing approach and I would call probably corn about flat. We drove strong price increases, so we didn't step backwards any in that market from a market share perspective. But we generate a lot of value on top of those same acres, but with a better pricing profile. Maybe I'll throw it over to Tim any other market share areas around the world that you would highlight for him?

Tim Glenn
EVP & Chief Commercial Officer

Yeah. I think probably a couple of the large corporates we have, I think in Europe at this point time, we can be fairly confident that we gain share for both corn and sunflower with price increases as well. So those are the two primary crops and a significant business in Europe. And I would say we're just working through the spring seasons in Latin America, both Argentina and Brazil. And I think we feel good about what our signs are, our progress are for gaining share in those spring seasons. And obviously in Brazil, we're ramping up and focus on the safrinha season. And so, we're well advanced in terms of collecting orders and feel good about where we sit there as well. So, overall, I think a solid market share here for corn and other crops around the world.

Jim Collins
Chief Executive Officer

And your final part of your question was around pricing on a go-forward basis. So, our strategy continues to be unchanged. We're going to price for the value that we deliver because of the year-over-year improvements in our technology. I mentioned we've got a track record of doing that. Qrome is a big element of that going forward. It helps price in 2021. We're going to go from about 20% to 25% of our lineup in Qrome next year until you have a nice mix for that. And then, as I mentioned in soybeans, just the A-Series profile that we have and our ability to deliver more value for growers on a yield and a per acre basis. Thank you.

Operator

Next we'll go to John Roberts with UBS.

Matthew Skowronski
UBS Investment Bank, Research Division

Good morning. This is Matt Skowronski on for John. With regards to Enlist, you expect Enlist E3 soybean to be around 40% of Corteva's total soybean portfolio in 2021 from 17% in 2020. How are you thinking about the progression of Enlist E3 soybean as a percent of Corteva's total soybean portfolio in 2022? In other words, how do you expect it to step up?

Jim Collins
Chief Executive Officer

Yeah, great question. Timing is always a little bit connected to mother nature and adoption rates there, but we're going to continue to push it hard. We'd expect to be able to drive that north of 90% of our units by kind of mid-decade. And so, you'll kind of draw a line between where we'll end in 2021 and say that 2024 or 2025. We may still have some Xtend units in our line-up. There may be growers out there that prefer that system and I think that's the beauty of Corteva. The fact that we have the opportunity to offer a number of choices for our growers to support them in the way that they want to farm.

Either Tim or Rajan, anything else you'd add to that?

Tim Glenn
EVP & Chief Commercial Officer

The one thing I'd add, Jim, is, clearly, the customer is going to have to say in this and we're working closely with our customers. And I would say that the growth we've seen this year clearly we're out there supporting it and promoting in the marketplace. But it's been customer driven demand that's really helped drive this rapid adoption in the marketplace and I think we'll see that again in 2022. And obviously, we'll be collaborating closely with our customers and getting their signals as we put together our portfolio for 2022. But clearly, the customer is at the heart of it and they're getting great value here.

Jim Collins
Chief Executive Officer

Right. Thanks.

Operator

And next we'll go to Kevin McCarthy with Vertical Research Partners.

Kevin McCarthy
Vertical Research Partners LLC

Yes. Good morning. Appreciate the color on foreign exchange on slide 13 as well as the remarks. Greg, I was wondering if you could elaborate a little bit on what portion of foreign exchange you would typically expect to recover via selling prices versus a portion that would be hedged, sounds like the approach there is meant to be pretty consistent.

And then secondly as a clarification, I think you mentioned a $50 million number for 2021 and just wanted to clarify if that's the expected cost of the program or the expected earnings headwind?

Greg Friedman
EVP & Chief Financial Officer

Sure. Thanks. Thanks, Kevin, for the question. I'll start with your second part first which is the $50 million that we talked about. That's expected to be the cost of the program. So that's the headwind in that regard.

You asked about what portion of our foreign related earnings we're hedging, and we look at that by exposure. And our largest exposures – 80% of our exposures are really in just a few currencies. And we hedge three currencies, the largest of which is the Brazilian Real. So that's really the focus of our program is on those three larger elements.

And as we talked about the balance on the return with the cost of hedging to optimize that exposure, but as you can imagine, we'll never be able to reduce that exposure entirely. So, we hedge to really reduce volatility to a manageable level so that we can have confidence in our forecast.

In additionally one of the concepts, one of our strategies here is that we're consistent on how we apply the strategy throughout the year and we do that without market speculation. And on the costs, the $50 million is not all incremental, it's actually total cost.

Jim Collins
Chief Executive Officer

Kevin, one other thing I'd add, you asked about just maybe our overall philosophy around hedging. That around managing currency risk, that really first starts with pricing as you mentioned. So, our goal is to cover as much of that currency effect, if you will, as you can through pricing. But we sort of currency moves on us and then we go take the next available opportunity that we have to reset prices.

So, it usually takes us a couple of ag seasons, maybe 1.5 years or so to fully offset 100% of that, but in any one year you'll see us work to offset as much of that as we can. But things this year went so rapidly, we were really chasing ourselves. So, we'll still see a little bit of currency impact in the first quarter of 2021 as we kind of catch the tail of what happened to us due to the COVID run up in that March-April timeframe. But our teams are locked and loaded. They're very focused on trying to recover as much as that as they can as we come back around that second season.

Operator

And next, we'll go to Frank Mitsch with Fermium Research.

Frank Mitsch
Fermium Research LLC

Hey. Good morning, folks. Greg, I appreciated the commentary about forecasting effects as a $400 million headwind for 2020 back in the second quarter. So, things are playing out that way. So, I guess you also at that point forecast your EBITDA for the year and you're maintaining your forecast for the year. It's a $100 million range, we only have one more quarter left to go. So, I was just curious, was there any thought to narrowing that range and what needs to happen for hit the low end, the high end. Any more color around that that guidance would be helpful.

Greg Friedman
EVP & Chief Financial Officer

Great. Thanks. Thanks, Frank. As we finish up the year, the last month of the year and in the last month of the quarter tends to be the most important and actually the most potentially volatile all the month. So, we're really depending on our shipments that we're making where we're also depending on the cash that that we're collecting in the last month of the year. So, so, yeah, there is some better predictability through November, but it really is that that last month of the year that that can provide that volatility and given our guidance and the range that we provided we feel confident and that's why we're able to affirm our guidance.

Operator

Next, we'll go to Chris Parkinson of Credit Suisse.

Christopher Parkinson
Credit Suisse AG,

Great. Thank you very much. You posted some pretty solid performance across your CPC portfolio. I've been particularly pleasantly surprised in APAC and EMEA. Just given investors focused on your long-term CPC growth algo, can you just further comment on the one to two initiatives in each geography which you believe advantageously positions the Corteva platform versus its peers? I'd love to hear your thought processes and just where you're most enthusiastic. Thank you.

Jim Collins
Chief Executive Officer

Yeah. Great, Chris. Maybe I'll ask Tim Glenn to give us a little tour of a couple of the regions and talk about a few of those things. I do want to reinforce two messages. First, I agree with you. Our teams in Europe and Asia Pacific, especially in our Crop Protection portfolio are performing extremely well. Our insecticide business, thanks to the capacity expansions we put in place with the Spinosyns really delivering and our European team really driving some strong growth in herbicides and Tim will share some more of the specifics.

But I also want to make sure it doesn't get left out of this discussion. What our Latin America team did in Crop Protection. I think there were some concerns at the end of second quarter that there were something up in our Latin America CP business. And I remember saying to everyone, it was purely timing, some of that we did ourselves and some of that was just the way the market was unfolding more normally.

Well, you see what happened. We had 43% price volume growth in Latin America in 3Q and that's that volume effect of that business landing kind of where it belongs. So, with that, Tim, you want to talk a little bit more about specifics in Europe and Asia?

Tim Glenn
EVP & Chief Commercial Officer

Yeah, Jim. Thanks, Chris. Great question. I appreciate the call out for especially for the Europe and Asia-Pacific teams. I'm excited about opportunities we have everywhere, so but really to focus on those two regions here for a moment. I think at the heart of it is the fact that we get a strong focus around commercial effectiveness.

And when I talk about commercial effectiveness, it's about being able to serve customers, the way that they wanted to served, fundamentally strengthening our route-to-market in terms of how we go to serve customers. We talked about that a lot on Seed, but not necessarily always on Crop Protection. Our ability to go out and demonstrate, capture value in the marketplace and clearly given the pipeline of products we've had, our ability to be a strong launch machine and capture full value there. I mean, that's kind of at the heart of what we're trying to do with our commercial effectiveness process.

Example in Europe I'll highlight here. We've had a tremendous focus since we came together as Corteva. We knew we had maybe a weakness in terms of our presence in Central and Eastern Europe on the Crop Protection side. And so, we've really build out some capabilities there to be able to serve the market in general, but also in particular with some of the large farming enterprises we see in Eastern Europe and we're seeing tremendous benefits of the focus on route-to-market as we look at the performance of our Arylex and Rinskor products in Europe.

In Asia Pacific, we've got a really strong fundamental business there. But we're constantly focused on our demand creation capabilities with smallholder farms very critical in Europe. And again, we talked a lot about Seed and we spent time talk about how we reach farmers in India through a proactive model on Seed. But we also have to be able to go out there and demonstrate the value because you don't have as sophisticated a distribution channel to reach all those small farmers out there. And our team in Asia does that tremendously well.

And I think our ongoing growth in our Spinosyns business is a great testament to that. And when you look at new product launches like Arylex and how we've been able to ramp that up and capture great value. I think those are two great examples within the region. But I really appreciate you calling out those other regions because we don't always get as much visibility or airtime. But both the regions have had fantastic years in both Seed and Crop Protection, but especially in Crop Protection.

Jim Collins
Chief Executive Officer

Yeah. I would second that and look at those on a year-to-date basis as well. We're talking about a lot of really good things in 3Q, but they've been doing this all year long. So, thanks, Chris, for the question.

Operator

Next we'll to Jonas Oxgaard with Bernstein.

Jonas Oxgaard
Sanford C. Bernstein & Co., LLC, Research Division

Good morning.

Jim Collins
Chief Executive Officer

Good morning, Jonas.

Jonas Oxgaard
Sanford C. Bernstein & Co., LLC, Research Division

I wanted to ask about Chinese active ingredient pricing. If I remember correctly, last year you were talking about a something like a $100 million headwind because of increased Chinese pricing, those have largely come down, so are we expecting a tailwind from that coming down or has that already trickled through to earnings?

Jim Collins
Chief Executive Officer

Thanks, Jonas, for the question. All of our supply chain and manufacturing organization sits with Rajan, so I'll ask him maybe to make a few comments. But I would say, you're correct in that we previously faced some headwinds that those have by and large kind of stabilized as we've managed either to adjust our supply chains appropriately or these new relocations of a lot of the some of the Chinese suppliers that we worked with, they're stabilized now and they've set themselves up and are getting their cost structures back. But, Rajan, what else would you add?

Rajan Gajaria
EVP, Business Platforms

No. I think you covered it Jim. But, Jonas, there is less volatility related to active ingredient pricing coming out of China, so we see a lot more stability and some of that volatility was driven just supply chain disruptions related to COVID early in the year.

Now there are some specific areas like precious metals, which are used for catalyst and areas where we do see price increases continuing to go up. They are a key part of our manufacturing processes especially for our back end products there. So there are some specific areas where we do expect some headwinds continued in and we are factoring that into our 2021 plan. But overall, it is fair to say that there is a less volatility than we had in the beginning of the year and we have got more visibility and stability across our supply chains for those costs.

Jim Collins
Chief Executive Officer

Great. Thanks, Rajan. Thanks, Jonas.

Operator

And next we'll go to Jeff Zekauskas with JPMorgan.

Jeffrey Zekauskas
JP Morgan Chase & Co., Research Division

Thanks. Good morning.

Jim Collins
Chief Executive Officer

Good morning, Jeff.

Jeffrey Zekauskas
JP Morgan Chase & Co., Research Division

Hi. Good morning. Are the yields very different on Enlist soybeans and Xtend soybeans? And are the prices of Xtend and Enlist soybeans very different as best as you can tell?

Jim Collins
Chief Executive Officer

Yeah. Tim, you want to?

Tim Glenn
EVP & Chief Commercial Officer

Yeah. Yeah. I think, Jeff, look, I'll speak to what we're seeing and we are both our Extend and Enlist products are performing very well this year. And I think meeting customers' expectations on yield and I will tell you I think our analyst varieties will compete with any competitive extended products in the marketplace. And so we're very confident about that and very proud of the performance across our entire portfolio. And I think it's going to be reinforced by our order position and where we sit in the marketplace.

And from a pricing standpoint it's hard to describe the market in pricing terms. But all we see is premium price products for both expand and Enlist are kind of in the same zone. Maybe not on absolute dollars but from our standpoint our leading products are priced similarly. And I think in the marketplace we are in a competitive marketplace and there's a lot of options out there for farmers. But what we see in the marketplace is that that both Enlist and Xtend are able to support good value in the marketplace.

Jim Collins
Chief Executive Officer

Yeah. Jeff, I've heard, I've heard Tim make this statement before so I'll reiterate it there. There is no doubt that our A-Series line up and Xtend soybeans is the top performer in the marketplace but our Enlist beans don't have to compete with us. Our Enlist beans only have to go out there and compete with other Xtend beans.

And as Tim said, so we're not competing with ourselves. Our Enlist lines up very favorably against others Xtend beans in the marketplace. So, we feel really good about from a yield perspective in the competitive frame that's out there. Thanks, Jeff.

Operator

Next we’ll go to Adam Samuelson with Goldman Sachs.

Adam Samuelson
Goldman Sachs & Co., LLC

Hi. Yeah. Thanks. Good morning. Thanks for squeezing me in. I've got questions just around the seed outlook for next year. And I'm sure I think about margin implications if any provide kind of expanding and launching nationally with retail. Any margin implications in seed of the incremental and less penetration in your lineup relative to where you were, I know for now you don't have full control over the germplasm, so just help us think what kind of the entry margin implications there and then any update on yields on the corn portfolio this year and just the ability to price per value into next year?

Jim Collins
Chief Executive Officer

Thanks. Thanks. On Brevant, no we are in total control of the germplasm associated with our Brevant launch. Its Enlist and as we convert over a lot of our germplasm over to the Enlist system, but we're mostly launching that through several of the other channels that we have out there. So Brevant is being launched at a different price point because it represents a different price per value and the germplasm that it delivers. And we're going to grow our units in retail by about 25% this year at a good margin for our business is what I would say.

Tim, anything else you would add or Rajan any other thoughts?

Tim Glenn
EVP & Chief Commercial Officer

It's fair.

Rajan Gajaria
EVP, Business Platforms

Yeah.

Jim Collins
Chief Executive Officer

Yeah. Okay.

Rajan Gajaria
EVP, Business Platforms

Yeah.

Jim Collins
Chief Executive Officer

Great. Thanks. Thanks for that question.

Operator

Go ahead, Ms. Britt.

Megan Britt
Vice President, Investor Relations

Okay. So that's actually all the time we have for questions today. And we really appreciate your interest in Corteva. Thank you so much for joining us.

Operator

And that does conclude today's conference. We thank you for your participation. You may now disconnect.