Corteva Agriscience 1Q 2021 Earnings Conference Call Transcript

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Operator

Good morning, and welcome to the Corteva's First Quarter 2021 Earnings Conference Call. Today's conference is being recorded

Jeff Rudolph
Investor Relations Director

Good morning and welcome to Corteva's first quarter 2021 earnings conference call.

Our prepared remarks today will be led by Jim Collins, Chief Executive Officer and Dave Anderson, 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 Q&A session.

We have 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, which are our expectations for, or statements about, the future. These statements are based on current expectations and assumptions that are subject to various risks and uncertainties. Our actual results could materially differ from these statements due to these risks and uncertainties, including, but not limited to, those discussed on this call and in the Risk Factors section of our reports filed with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statement.

On our investor relations website, you can find our earnings press release and related schedules, along with our supplemental financial summary slide deck, which is intended to supplement our prepared remarks for today's call. These items provide a reconciliation of differences between reported GAAP and non-GAAP financial measures and should not be considered a substitute for the measures of financial performance prepared in accordance with GAAP.

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

Jim Collins
Chief Executive Officer

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

Starting on Slide 4. As I step back and reflect on how the organization closed out 2020 with strong sales and earnings growth in the fourth quarter, it is impressive how our teams executed in a very complex and dynamic market environment with the overlay of the COVID pandemic. It displays the focus and execution of our strategy and commitment to delivering value. That momentum was sustained through our first quarter and through focused, heads-down execution, we delivered a strong start to the year with margin increases in both segments. I am really pleased with these results. Our technology leadership remains strong, evidenced by ongoing demand for our new and differentiated products. We continue to launch and rapidly scale these technologies, while taking focused action on our cost and productivity priorities.

Collectively, this focus on our commitments is helping to drive meaningful margin expansion today and looking forward. Importantly, our team around the world delivering these results is resilient. They continue to prove their agility in the face of ongoing market volatility, including the pandemic, and remain intent on prioritizing the safety of colleagues, while serving our customers and stakeholders at every turn. And lastly, I am pleased to also share that we welcomed four new directors to our Board during the quarter. The addition of these directors and their background and experience will complement an already strong and diverse board and will serve as a catalyst for the ongoing advancement of our strategy, reinforcing our commitment to deliver on our value-creation priorities. So let's look at Slide 5, which has our financial results for the quarter. We delivered strong organic sales growth across both Seed and Crop Protection, leading to 6% organic growth for the company as a whole.

Importantly, we realized better operating leverage on our sales growth this quarter, as operating EBITDA grew 14% and margins expanded more than 150 basis points as strong execution on our growth targets, coupled with improved SG&A more than offset the market-driven cost headwinds we faced in the quarter. The phenomena of the market-driven cost inflation is a common theme we are seeing across industries, including raw materials and logistics. Dave is going to take us through key market dynamics and other critical drivers for the remainder of 2021. On capital allocation, we returned approximately $450 million to shareholders in the quarter via share buybacks and dividends, and we remain on track to complete the majority of our remaining repurchases under the $1 billion program by the first half of 2021. Returning cash to shareholders continues to be a high priority for Corteva and critical part of our balanced approach to capital allocation. This first quarter performance is another important proof point that our value creation strategy is working, reinforcing our confidence that we will meet our commitments for 2021.

Shifting to the market backdrop on Slide 6, we remain encouraged by the strengthening global ag fundamentals while also navigating macroeconomic uncertainties around the world. The ag outlook turned positive in the fourth quarter of 2020 as a result of rising farm income levels and constructive demand out of China. Today, farm incomes remain elevated on strong commodity prices and we continue to see record global demand for ag commodities. As a result, we are seeing ending stocks drawn down and expectations that grower income levels will be at all-time highs, even with the easing government payments this year. In March, the USDA issued the Prospective Planting Survey results which indicated flattish corn acres and an approximate 5 million acre increase in soybeans for the U.S.

As you recall, our original estimates were between 5 and 8 million additional acres coming into corn and bean production for 2021, mostly going to soybeans. Given how we position our products with our customers, we are in a good position to take advantage of any potential upside in acres as market conditions continue to evolve. Commodity prices in Brazil remain strong as concerns of dry weather are lowering expectations on Safrinha yields. We also expect to see planted area expansion in Brazil, with the potential for low to mid-single digit increase in corn planted area for the late 2021, early 2022 season. Although exchange rates have recently trended favorably, the market remains volatile and we continue to monitor for any further fluctuations. More importantly, based on how we are seeing the futures market shape up we believe these fundamentals will continue into at least 2022 as strong grain demand and supply challenges keep ending stocks low. This constructive backdrop provides Corteva further momentum for value creation as growers turn to best-in-class technology to maximize productivity and value.

So let’s turn to 7, I will provide more detail on the strength of our global sales diversity and where we are capitalizing on momentum across the globe. In North America, organic sales were down 2% for the quarter against a difficult 2020 seed comparison. While 2020 first quarter seed volumes benefitted from early demand amidst favorable weather conditions, we experienced a more normalized delivery pattern this year. We expect corn volumes to increase in the second quarter as our seed deliveries in the U.S. Pioneer brand have caught up to prior year as of today. On seed pricing, first quarter was negatively impacted mostly due to brand mix. Our second quarter deliveries to date reflect improvement in corn pricing despite aggressive market competitiveness. We remain excited about the demand and traction we are seeing in the Enlist soybean launch, and still expect Enlist to represent about 30% of the U.S. soybean market in 2021, an important milestone towards our goal of 50% market penetration.

North America Crop Protection had a strong start to the year with 11% organic growth on strong demand for new technologies, including Enlist herbicide, and solid pricing execution in response to rising raw material, freight and logistics costs. In Europe Middle East and Africa, organic sales grew 6% on record corn and sunflower seed volumes as supply concerns and commodity cost pressures drove an early start to the spring sales season. Our portfolio of new and differentiated products, such as Arylex and Rinskor herbicides, remain in high demand, which enabled us to drive price and volume in Crop Protection. During the quarter, we also obtained key regulatory approvals including registration of Univoq™ fungicide with Inatreq active for sale and use in the UK, a major milestone for cereal growers needing innovative and sustainable chemistry solutions to protect their crops.

In Latin America, we delivered 38% organic sales growth on strong volumes and execution on our price for value strategy. In Seed, volume grew 39% on strong Brazil Safrinha sales and early demand in other countries. In Crop Protection, volume grew 10% on significant demand for new and differentiated technologies, such as Isoclast and Jemvelva insecticides and Enlist herbicides. Pricing actions reflect strong product demand and partially offset unfavorable currency impacts in the Brazilian Real. In Asia Pacific, we realized 9% organic sales growth compared to prior year on both volume and price improvements. While seed volumes were down on the shift of some corn sales to the second half, Crop Protection growth was led by further penetration of Jemvelva and Pyraxalt insecticides. Now Dave will now provide more detail on our results and our expectations for the rest of the year but let me first say that we are very excited to have Dave join the Corteva team and I look forward to the contributions he will make in bolstering our momentum and execution looking ahead. So Dave over to you.

Dave Anderson
EVP & Chief Financial Officer

Thanks, Jim, very much and welcome everybody to this morning's call. So let's go to slide 8 for a more detailed review of our strong first quarter operating EBITDA performance. You'll see that operating EBITDA grew from $794 million in the prior year to $904 million in first quarter of 2021, representing a $110 million improvement. It's a clear testament to the momentum that Jim mentioned.

Driving this increase were strong price benefits of $125 million and volume benefits of $50 million from strong commercial execution and penetration of our new and differentiated products across all regions. It represents important progress on our targets and really reflects the strength of our portfolio and pipeline. On new Crop Protection products, we recognized sales growth of over $120 million. At the same time, we delivered record corn and sunflower volumes in Europe and strong Safrinha sales in Brazil, which helped to offset the seasonal timing of seed deliveries in North America. Finally, we continue to extract value for our yield advantaged technology in corn, with global corn pricing up 2% for the quarter.

Now costs were a $70 million net headwind to operating EBITDA for the quarter. This reflects approximately $50 million in productivity and other cost actions positively which were more than offset by higher input and freight costs, which were primarily market driven. Let me give some color on that. As economies across the globe start to emerge from pandemic-related shutdowns, global trade markets are experiencing higher shipping demand leading to higher freight costs. Additionally, prices of certain active ingredients and intermediates have risen compared to the same period last year. As a result, we incurred approximately $120 million of cost headwinds in the quarter due to increased freight and logistics, higher raw material costs, and unfavorable seed yields in Europe.

Now we are taking action where possible to mitigate these impacts, including delivering on our productivity initiatives, and passing through certain inflationary costs for our seed and crop protection products. For example, late in the first quarter we initiated, on average, mid-single digit price increases in the U.S. on our Crop Protection products. Taken together, we delivered over 150 basis points of margin expansion in the quarter as a result of the disciplined and focused execution, despite the cost increases that we encountered. Let's go now to slide 9 focus on Crop Protection for the quarter and cover a few highlights. As you can see Crop Protection organic sales grew 12% in the quarter, driven by a 6% increase in volume and a 6% increase in price. Now keep in mind, included with this volume growth is a 5% headwind from our strategic decision to phase out certain products, primarily in the Insecticides portfolio, including Chlorpyrifos as well as Telone. Strong global demand for our new technology led to an increase of more than $120 million in new product sales when compared to the same period last year.

Herbicides were up 20% compared to the first quarter of 2020, led by continued penetration of Arylex and Enlist. Fungicides grew 14%, driven by strong demand for Zorvec and Inatreq, primarily in Europe Middle East and Africa. And lastly, insecticides grew 2% in the quarter, largely driven by our differentiated spinosyns technology, notably Jemvelva as well as Qalcova actives. These were up 29% in the quarter. This growth was again muted by our decision to phase out of select insecticides, as mentioned earlier.

Favorable product mix in Crop Protection and strategic price increases drove pricing gains in the quarter, including an 18% price improvement in Latin America and a 6% price improvement in North America.

Operating EBITDA for Crop Protection improved 35% for the quarter, driven by robust demand for new products and pricing execution. Now we experienced cost headwinds of approximately $70 million for the segment. And again these included increased raw material costs, such as precious metals used as catalysts, as well as increased freight and logistics. Taken on the whole, these headwinds more than offset our productivity actions in the quarter. As we go forward, we are aggressively managing controllable factors, and at the same time proactively mitigating these costs through delivering against our productivity programs, passing through certain costs for our products, where possible.

Very impressively, despite these challenges that I mentioned, we drove over 300 basis-points of improvement of operating EBITDA margin in the segment, in the quarter Moving on to the Seed segment on slide 10, organic sales for the quarter were up 3%, driven by strong Brazil Safrinha sales and record corn and sunflower volumes in Europe on an early start to the spring. These gains were partially offset by the seasonal timing of deliveries in North America, where seed volumes in the quarter were down 6% driven by the U.S. where we had a very early start in the prior year. Overall global corn volumes were flat, reflecting these seasonal shifts. On pricing, we maintained our track-record in extracting value for our yield-advantaged technology, with corn prices up 2% for the quarter. Soybean volumes were also flat for the quarter, with price down 4%.

Now keep in mind that the first quarter isn't a meaningful quarter for soybeans, as the large majority of the deliveries occur in the second quarter. And as Jim mentioned, our expectations for the Enlist E3, the ramp there is on track. Other oilseeds were up 19% versus the first quarter of 2020, reflecting record sunflower volumes in Europe and higher canola volumes in Canada. Operating EBITDA for the segment improved 6% on strong price execution globally, ongoing cost and productivity actions and a gain on the remeasurement of an R&D technology based equity investment, included in the Other column. These improvements were partially offset by the unfavorable impact of currency and higher input costs, which were primarily market-related. These cost increases included again higher freight and logistics costs, coupled with the impact of unfavorable seed yields on European corn.

The teams continue to manage through these headwinds and still delivered operating EBITDA margin improvement of over 100 basis points for Seed for the quarter. So now let's go to Slide 11 and talk about our first half 2021 updated expectations and full year 2021 guidance. With the backdrop of the segments, we expect about 3 percent for the half, led by continued strong demand for our new Crop Protection products globally. This growth includes an approximate $130 million sales headwind from strategic decisions to phase out certain Crop Protection products. On the seed side, we are monitoring what ultimately gets planted this season in North America given recent strengthening in commodity price levels. Globally, we expect first half seed volumes to be about flat with the prior year. We are confident that we will maintain our momentum and we continue to extract value for our yield-advantaged technology in corn globally. Turning to costs. We remain committed to the execution and realization of our productivity programs, which we believe will be more than offset by anticipated headwinds from increasing freight and logistics, higher raw materials, and unfavorable seed yields in Europe, resulting in a net headwind of $50 million for the half.

Taken together, this translates to operating EBITDA of $2.15 billion to $2.25 billion for the half, an increase of 8% over 2020 at the midpoint and an approximate 120 basis point increase to operating EBITDA margins. Turning to the full year, we're raising our revenue guidance and now expect reported net sales to be between $14.6 billion and $14.8 billion, up 3% to 4% over 2020. This increase reflects continued demand for new products globally in both our Crop Protection and Seed segments, coupled with strong price execution in key regions on technology and pricing for higher costs, where possible. On costs, we expect a net headwind for the year of $50 million as the higher input costs and freight and logistics are more than offsetting productivity savings. Specific to G&A spend, we're maintaining our post-COVID spending levels with anticipation that G&A will be essentially flat for the year, with the organization driving inflation to a net zero G&A.

Reflecting the strength that we are seeing in the market and focused execution, we remain on track to deliver operating EBITDA between $2.4 and $2.5 billion for the year, an improvement of 17% over 2020 at the midpoint and approximately 200 basis points of margin improvement. Standing back, here are the key takeaways for the quarter first, we delivered an impressive start to the year on both top and bottom line driven by penetration of technology-advantaged products, despite some headwinds, and second we remain on track to deliver strong double digit earnings improvement for the year.

So before turning the call back to Jim, I just want to take a second to provide a few initial observations since joining Corteva last month. Coming into the company, I've been impressed with the tremendous franchise that Corteva represents. It's backed by a strong culture and high-value assets, which I believe in combination are fully capable of delivering on the significant growth potential. Leveraging what I refer to as the "CFO skillset", it provides a great opportunity to help deliver the operating leverage we see for the business. Those are early thoughts, and I look forward to sharing more with you in the future and working with the team on executing Corteva's strategy. And with that, I'll turn it back over to Jim.

Jim Collins
Chief Executive Officer

Great, thanks, Dave. Before we get to your questions, let me offer a few final comments. As you can see in our results, this organization is executing. We are off to a strong start for the year, and despite some of the unplanned headwinds from market-related factors, we are on track with our expectations. And, as we look ahead, we remain focused on driving progress against those fundamental elements of our strategy – advancing our industry-leading innovation pipeline, including the ramp up of our proprietary Enlist system and delivering on our productivity and cost savings initiatives and maintaining our disciplined approach to capital allocation. Now we have considerable momentum right now, and we expect focused execution on our plan will enable us to continue to generate value and deliver on our commitments to our shareholders. The market backdrop is clearly strengthening, and despite macro uncertainties, and we expect favorable market dynamics to continue through the mid-term. Our current pace is aligned with our mid-term earnings targets and we are well positioned to create significant, durable value for shareholders in 2021 and beyond.

And finally, at the foundation of this is a fully focused team – and a strong a legacy of technology leadership which can be traced all the way back to the founding of the Pioneer brand which by the way just celebrated its 95th anniversary. This legacy and a shared sense of accountability for our commitments and our purpose demonstrates that the culture we have built at Corteva is solid. The events of this past year have left an undeniable impact on all of us. Our Corteva teams rose to this challenge, prioritizing the safety of our colleagues, our customers and our communities, and our teams around the world continue to do that today. 2021 has proven that the pandemic recovery remains uneven, and an ongoing focus on our values, including safety, are just going to remain critical as this global health crisis intensifies in parts of the world, such as India. As a global citizen with operations in 140 countries, we remain as committed as ever to taking actions locally in the communities in which we operate, harnessing the power of our scale provides to deliver value for all of our stakeholders. So let me hand the call back to Jeff.

Jeff Rudolph
Investor Relations Director

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

Operator

[Operator Instructions] We will now take our first question from David Begleiter from Deutsche Bank. Please go ahead..

David Begleiter
Deutsche Bank AG, Research Division

Thank you. Good morning, Jim.

Jim Collins
Chief Executive Officer

Good morning, Dave.

David Begleiter
Deutsche Bank AG, Research Division

Jim, just on costs and productivity, can you remind us what you were expecting for the year initially versus it looks like a $50 million net headwind right now?

Jim Collins
Chief Executive Officer

Yes. Great, Dave. Thanks for the question. And I would start by saying we had a lot coming at us, but a really great start by the team. And it's always kind of tough to call that first quarter kind of second quarter split, but we're, I think, executing pretty well. There are some things, some areas that we're still watching some trends that are moving up on us that maybe a little bit greater than we started the year. And a lot of that starts with commodity prices. Those are going to continue to affect our seed production costs. And a little of that is for a full year kind of back-end loaded as we watch production costs in Brazil and in harvest season and get ready for that commercial season. There's some market-driven cost headwinds. And maybe, I'll hand it over to Dave to share a little more detail on a few of those. But at the high level, it's things like freight and some of the key raw materials and many of those are COVID-related, transportation-related, and some of those are just kind of global demand really creating some shortages here and there. And I'd say some of the other areas that are affecting costs are also COVID-related. The recovery that we're seeing globally is little bit uneven. We're seeing some flare-ups in parts of the worldwide like India and Brazil that are affecting transportation and logistics routes. But also affecting our customers and in some cases demand and supply. So as I step back and I think about some of the opportunities that we're driving, those teams executing really well and we're covering, essentially covering those costs with our outlook. We're as we said earlier we're essentially on track with our full year guidance that we gave you. So even though there are some new headwinds that I've mentioned we've got those covered. And I think what we've done with this outlook has taken a really balanced approach here and continue to monitor and watch these. But Dave do want to share any more detail for Dave on costs.

Dave Anderson
EVP, Chief Financial Officer

Sure. Dave by the way good morning, and nice to meet you. So I think a couple of things just to add a little bit what Jim said and kind of back to your question. Number one as you would suspect, we spent a lot of time on this subject. And this is something that has really been a focus and attention of this leadership team with this management team. And it's a headline item, obviously not just for Corteva it's industry wide phenomena that you're seeing in a number of the releases. Some of the things that I think stand out just add a little bit to what Jim said. Number one, we're on track in terms of our annual productivity. That's a key message. The $250 million guide that we gave you at the beginning of the year we're on track for that. So what we're really talking about is what is the incremental impact you know relative to that. So Seed yields and commodity costs that's the biggest item, for the quarter we're impacted about – we estimate about $30 million and about a $150 million for the full year. Seed freight and logistics will be second followed by licensing precious metals the catalysts you know in terms of use in our Crop Protection processes and then the core protection supply and in freight these make up in total the delta that we're talking about in terms of impact for the year so whereas previously we had net of productivity positive for the year now what we're looking at is negative $50 million impact for the year as a result of all of this so that's you know that's a big impact for us. The delta – you know previously if you looked at again productivity in $250 million our previous guide would have been – we would have had positive about $150 million net now we're looking at net $50 million negative so that's the $200 million swing that we've talked about for the year. Hopefully that help and there just to reinforce what Jim said you know this is the best judgments we have right now we'll continue to refine this and also taking a step back just to reinforce that we're on track for the full year in terms of that EBITDA growth and then EBITDA margin improvement.

David Begleiter
Deutsche Bank AG, Research Division

No that was very helpful. And just Jim one last thing the implied Q2 guide is a little bit below consensus but the first half guide is a long consensus so I guess it's really just a timing issue again Q1 versus Q2?

Jim Collins
Chief Executive Officer

Yeah absolutely Dave. It is always hard to call that first quarter, second quarter mark. And while we talked in the opening comments about a strong finish to the Latin America season and a really strong start to Europe, I'd say North America is a little bit behind the pace that we had last year. And you'll see that North America pace pick up in 2Q. If we had three or four more good days of weather, North America might have been pretty much right on top of where they were last year. That's how much business can move in just those few days right around that quarter-end. So, well, as I sit here today, we caught up on all of our shipments in North America to where we were the same day last year. I feel really good about where North America is going to finish. And as you call it exactly right, Dave, we're on our plan for the half. And we expect to be right on plan for full year at this point.

Operator

We will now take our next question from Joel Jackson from BMO Capital Markets. Please go ahead.

Joel Jackson
BMO Capital Markets, Equity Research

Hi. Good morning everyone.

Jim Collins
Chief Executive Officer

Good morning, Joel.

Joel Jackson
BMO Capital Markets, Equity Research

Obviously, we're in an inflationary environment in commodity prices. And you had some of those pressures right now and you've been able to mitigate that with the – with price and volume. Can you talk about a little bit more granularity on the buckets that led to a couple hundred million of cost pressures here? I imagine it's things like glyphosate and paying Brazilian farmers more for their seeds. And as this continues, can you talk about the leverage you can pull like should the inflationary line be positive for Corteva and talk about how you can mitigate cost pressures and how it can be a positive for you?

Jim Collins
Chief Executive Officer

Sure, Joel. Let me mention a few comments and let Dave cover a little more of the details on those costs, and then, maybe we could come back and talk about additional leverage that we have for the year. I want to reinforce one point that Dave made earlier that our productivity programs that we launched at the beginning of the year are still on track and that $250 million of productivity year-over-year is in play. I feel really good about that. And as you mentioned we've seen some of these headlines. So Dave do you want to talk about a few of those again?

Dave Anderson
EVP, Chief Financial Officer

Sure. Let me as I named the major categories earlier Joel let me just give you a little more detail and then to talk about full year numbers now. So in terms of seed deals and commodity costs we're now looking at around $150 million headwind seed freight and logistics. That's about 30 like to say where we'll actually affect pricing obviously in terms of the pass-through that's about 50. And then rhodium where that we saw I think was a 4x, Rajan, increase in that spot price that's now going to impact us for first and second quarter. But what the teams have done and Rajan can discuss a little more about that, but we're substituting now palladium for rhodium but that's still a $50 million estimated impact for the full year. And then finally on corn products supply and freight that's estimated to be about $20 million. And most of that by the way occurred in the first quarter. The first quarter number by the way those should somewhat I just gave you should something about 300. That 300 compares significantly negatively to what we have built into our previous forecast. And as I mentioned previously net of productivity we're now looking at a $50 million hit versus previous guide was a $150 million positive and in other words productivity more than offsetting cost improve – cost increases. Jim or Rajan anything.

Jim Collins
Chief Executive Officer

I just close it out Joel where you asked about you know as we look forward other levers that we have and we're going to actually finish through the first half here and get this North American market kind of behind us we still have a lot to see to put in the ground in the North America. But then we've got that second hemisphere season ahead of us in the Latin America. And I feel really good about the setup there but we still have some pricing opportunities in the second half that we're going to explore we still might have some volume we're hearing that this a free new season as acres expanded last year we think we could see some acreage expansion without a little of that and in already but we're going to watch that really carefully. And then as I mentioned before one of the big keys for us are those productivity initiatives they're well underway that's good momentum there. And we’re going to keep pressing those forward. And we're going to keep pressing those forward. So as I said before you know it's early we're taking a real balanced view right now with this outlook that we've given and we're going to keep updating it as the year unfolds. Thanks Joel.

Operator

We will now take our next question from Vincent Andrews from Morgan Stanley. Please go ahead.

Vincent Andrews
Morgan Stanley
Research Division

Thank you and good morning everyone. If I could ask and start out and see the $112 million gain on the re-measurement of the equity investments. I guess well what is that equity investment was that $112 million in the original EBITDA guidance you gave at 4Q and is it one-time in nature such that if you don't revalue it higher again in the first quarter of next year it's actually a headwind in the bridge from 2021 to 2022 so maybe we could start with that? Thank you.

Dave Anderson
EVP, Chief Financial Officer

Yeah. Yeah. Good morning, Vincent. Nice to meet you. This is Dave. So, we've recognized actually about $14 million gain on the re-measurement of a strategic R&D technology equity investment in the quarter. So, it's relatively de minimis in the scheme of things. So, I think that's the important thing for you to understand now. The one thing I think I would just add a little bit to that while we're on the subject is, if you will, if you look at the total in terms of the other column when we do the EBITDA walk with the EBITDA bridge, that also does include also some benefit of a reversal of a bad debt accrual that basically reflects very good collections activity, and obviously, just the strength of farmer income. So, just the overall the overall market environment is positive. But if you take those together, that represents in the neighborhood of about $30 million to $35 million for the quarter. In total for the year, it's part of our walk when we do our bridge from where we were to where we are now in terms of, as Jim said, our balanced outlook. That is included in that. In the context of the overall performance and profitability and size of EBITDA for the company, again, I think it's relatively small in the scheme of things, but it's a good question. I'm glad we're able to flag that and point that out.

Jim Collins
Chief Executive Officer

Yeah. In terms of what – as you look at that chart, just to reinforce the message, the margin impact from that game was 112 basis points, not dollars. So, as you look at the bottom of the chart, those are basis point numbers not dollars.

Dave Anderson
EVP, Chief Financial Officer

Yes. Very good point Jim and hopefully that you know both the dollar amount that I mentioned to $14 million for that one item, the overall if you will other contribution to EBITDA hopefully that all puts it in perspective.

Jim Collins
Chief Executive Officer

Thanks.

Operator

We will now take our next question from P.J. Juvekar from Citi. Please go ahead.

PJ Juvekar
Citigroup Global
Markets, Inc.

Yes, good morning Jim and welcome Dave.

Dave Anderson
EVP & Chief Financial Officer

Thank you.

PJ Juvekar
Citigroup Global
Markets, Inc.

You know with corn prices approaching almost $7 per bushel. And you know farmers flush with government payments you know this would be the best time to raise, see the pricing in North America. And I know Jim at your Analyst Day you talked about your molecular stacks and your dual mode of action with the seeds. You know why would your seed price down in the quarter and why aren't farmers buying better germplasm or traits?

Jim Collins
Chief Executive Officer

Yes. Great P.J. thanks. Thanks for the question. And you know we – you're obviously right. We talked a lot about pricing in the past. And if you recall on our fourth quarter call we stated that we expected to continue to maintain the pricing for value strategies that we've had out there for a number of years. And that led to 2% pricing in corn. Looking forward and looking back and all of that mechanism that we had in place coming out of fourth quarter is still there. And so if I just look at that our first quarter global seed pricing you know we were up 2% in corn is also up 2%. So that technology lift that – that you're mentioning is out there. Now also remember that in North America we've essentially priced all of the

Seed that we're delivering right now back in September of last year and that was ahead of the big commodity run up that we're starting to see. So you know it's always a really competitive market out there but our pricing for value strategy says that we're going to get paid for the yield advantaged technologies that we bring to our customers and most notably in corn. Tim do you want to kind of maybe mention what you're seeing out there in the market both from a corn and soybean perspective and around what's going on with price?

Tim Glenn
EVP & Chief Commercial Officer

Yeah absolutely Jim and good morning P.J. Yeah I'd say as you said corn pricing has been consistent with our expectations through the course of the season and you know good strong execution and I think we are getting paid for our advantaged portfolio. The other thing we don't see is farmers switching their seed purchases based off of necessarily the price of grain corn. And you know they purchase a technology package based off of the pest pressure that they deal with and that really doesn't vary that much and you know through good times and bad days they're very consistent with their purchases so that's there. You know we did have a slight phenomenon here in the first quarter where we had a different brand mix in the US as Jim said a little bit less Pioneer with the revenue recognition kind of that last mile to the hands of the farmer so that impacted pricing a little arbitrarily there. But I think we're consistent with where we are and obviously as we look into 2022 we've got that lever and we're clearly going to be looking at all factors around the value of our offer you know what the market conditions are and clearly product cost considerations have to be part of that. Just to touch on soybeans a little bit you know as we said earlier you know we're very happy with where our – where we're positioned in the marketplace in terms of the acceptance of Enlist E3 very widely available today and well-accepted in the marketplace. But we are in a position – in a situation right now in the US market for soybeans, where we're at a period of technology transition. And that transition is we've got Enlist E3 being rapidly adopted. We've had Roundup Ready 2Xtend kind of transition to Roundup Ready 2Xtend Flex quickly. And I would say that there is a battle for growers' attention in that marketplace. Clearly, there is a – an attempt to ensure that there's penetration of those technologies and gaining rapid adoption. And the other thing we dealt with both on corn and soybeans this year is that prices were set and released to farmers in advance of when we had the significant run-up in commodity prices. So, I think prices were set fairly for where we sat in terms of that point in time when we released prices. But clearly, we had this dramatic run-up in the fourth quarter and here into the first quarter as well. So, as you think well on a more global basis, we're looking aggressively at our situation in the second half of the year, where we're currently pricing and repricing some of our some of our products. And we're going to factor in those points that I made around market conditions, our cost considerations. And clearly, that product value is that at the foundation of it. So – but it's been I think consistent with our expectations. But obviously, it's a little confusing because of the near term run-up we've had in commodity prices. That's different from when we released pricing.

Jim Collins
Chief Executive Officer

Great. Thanks, Tim. And I know you were focused on North America, but also in the quarter, if you look like Latin America pricing, we were up 14%. And in the quarter, crop protection pricing was up 6%. So, as I said, we've installed that methodology and that thinking now in the organization and in the quarter Crop Protection pricing was up 6%. So as I said we've installed that that methodology and that thinking now and in the organization we're going to continue to keep the focus there.

Operator

We will now take our next question from Silke Kueck from JPMorgan. Please go ahead.

Silke Kueck
JP Morgan

Hi. Good morning.

Jim Collins
Chief Executive Officer

Hey, Silke.

Silke Kueck
JP Morgan

Hi. Good morning. And I've two questions what is behind Europe – what was behind like the flat Seed outlook for the first half of the year? Is that the correct you know does that have to do with the competition in the market that you are seeing and I was wondering you know whether you can talk about the planting estimates and whether you would think that those are relatively conservative you know some of the ag retailers everybody thought that probably you know corn acres should be 2 million acres higher versus those initial estimates and soybean acres might be higher by another 2 million acres. So I was wondering if you can comment on that? And my second question is about the negative mix in the seeds that you alluded to. Is the negative mix of a function of you're selling more Brevant seed versus Pioneer or is it a function of your technologies being offered on somebody else's germplasm like you know for you know one less two example rather than your own? Thank you.

Jim Collins
Chief Executive Officer

Yeah great. So on the half what you're seeing overall is – you can see strong start in first quarter and that was led off by the finish to Latin America and an early start to Europe. As we put that on a first half basis really what's happening there is you're right we're going to grow in North America. We're seeing acres return and soybeans and a strong kind of flattish acres in corn. But we're going to be down overall in Europe on some mostly supply constraints in corn. So on balance it's about flat now you – on volumes. Now you mentioned the USDA outlook and we're watching that very, very carefully. And with our route to market approach and kind of that real tight connection right to the acre we feel like we've put ourselves in a really good spot that if we do see some acres come back into this market we're well-positioned to capitalize on that. In terms of price and mix it's just a flow through of the different products and in first quarter the heavy flow through of the Pioneer brand is really ahead of us in 2Q. So in the first quarter you're kind of seeing some of that other route to market other channel brands that are flowing through as well as the effect of the European and Latin America flow through. So I don't know anything else or Dave anything else you'd add to that.

Tim Glenn
EVP & Chief Commercial Officer

I think the question around acres just a point you made. I mean clearly we're working closely with customers. We're in a I'd say a fairly favorable planting environment right now. You're looking at the core progress report this week and we're roughly 10 percentage points above the five year average for planted corn area. And that that opens the door for farmers to plant more corn. Now at the end of the day it's an individual decision and farmers are going to make that on a field by field basis. And so I think it's fair to say you know your point around more total corn and soybean acres being planted I think we would agree with that. And you know probably more consistent with what our original guide was for the year somewhere in the $180 million to $182 million combined acres on corn and soybeans it's hard to make the call specifically on how much it's going to go to corn or soybeans because it's such an individual decision. But the window is open and as farmers make great progress playing this crop then it is a clearly creates an opportunity for a little bit more corn to be planted in places. So we're working closely with our customers to make sure we're there to provide the needed products.

Jim Collins
Chief Executive Officer

Right. So overall I'd say we're pretty excited about this market backdrop that Tim just talked about and you mentioned acres wise and we don't believe this is just a 2021 thing we think as we start to set up for 2022 we can have a couple of good years here and from an acre and a supply constraints that we're seeing globally. And you know it's the right kind of problem to have is just really strong grain demand out there creating those opportunities. Thanks.

Operator

We will now take our next question from Kevin McCarthy from Vertical Research Partners. Please go ahead.

Kevin McCarthy
Vertical Research Partners LLC

Hi. This is Corey on for Kevin. Dave welcome.

Dave Anderson
EVP, Chief Financial Officer

Thank you, Corey.

Kevin McCarthy
Vertical Research Partners LLC

The question for you about capital deployment and now that you're nearing the end of the share repurchase program which I believe completing in the first half would put you about a year ahead of schedule. Can you update us on thoughts regarding deployment of excess capital through additional repurchases or M&A after the completion of this program?

Dave Anderson
EVP & Chief Financial Officer

Sure well it's a really good point. Jim mentioned the $450 million in the quarter approximately returned to shareholders that's obviously a foundational item for us when we think about capital deployment queries. And as you say, we're on track probably to complete the majority of our outstanding share buyback through the first half, certainly through the first three quarters of the year. So, timing there will be to be determined. But it really does open up the good point, but given the cash generation of the company, it's the opportunity continue to deliver value back to shareholders, not only in terms of the operational performance and excellence of the company, but also through our ongoing dividend as well as the share buyback program. We're going to be talking more about that later in the year. We're going to have more visibility to complete the first half. We'll have more transparency too around for us internally around the outlook for working capital, some of the other key components for the full year. So, we'll come back to you and update you at that time. But it's a very good question because the things you're talking about are foundational in terms of how we're thinking about the company and we're thinking about capital deployment. Hopefully, that helps.

Jim Collins
Chief Executive Officer

Thanks, Cory.

Operator

We will now take our next question from Steve Byrne from Bank of America. Please go ahead.

Stephen Byrne
Bank of America Merrill Lynch, Research Division

Yeah. So, it sounds like the rally in corn that we've seen in the last few months is probably benefiting your crop chemical sales more than seeds, given your seed orders were locked in and effectively priced in the fall. But can you comment a little bit about how the ag outlook has rallied in the last few months has affected your outlook for the next crop in 2022? Where do you think you have the most meaningful impacts on either price mix or market share gains? And also we just wanted to find out whether or not any of these logistical issues that you highlighted may have prevented some seed deliveries in the second quarter. I heard a little bit of that from some retailer contacts that seed orders were really, really delayed and whether any of them might have been too late and that could have led to an order change.

Jim Collins
Chief Executive Officer

Yes. Thanks Steve for the question. Clearly a strong market backdrop, good commodity prices, net farm income levels where they are provides and opportunities for a grower to make an investment in their crop whether it's continue to purchase and really, really strong high performance seed but also to make that investment in a strong crop protection program. And there's no doubt that as we've come in to this season here in 2021 the investments that growers are making and weed control is really showing up. And it's not as much in the corn herbicide market but we really just feel it in the soybean herbicide. And we're leading that charge with Enlist. Our business in North America for herbicides organically growth wise revenue price volume is was up 32% in the first quarter over last year. So you can really see that – that momentum and we're feeling that and other places around the world. So as we start to shape up for 2022 we're going to be there with a strong lineup of Crop Protection products. And the overall market backdrop will give us that opportunity to us as Tim said consider all of those factors as we think through our pricing strategy for this next year. In terms of a supply perspective we really only had one small issue to globally and that's been in the Europe and it – and it's just been related to some production constraints that we felt this this past year you know there were parts of Europe that had some real weather related issues it's not just a Corteva thing they're other – they're other folks in the industry that are feeling that similar pressure. And you know by and large I think we've kind of worked our way through it now and we put ourselves in a position going into 2022 to have the supplies that it's going to take. So anyway finish and off on pricing for a moment. I think the best answer to that is just got to look back at our track record and what we've accomplished over the years. And we've done – we've accomplished that track record in some pretty tough markets. And as markets start to improve you know we're going to continue to drive that that going forward. Thanks, Steve.

Operator

We will now take our next question from Arun Viswanathan from RBC Capital Markets. Please go ahead.

Arun Viswanathan
RBC Capital Markets

Hi. Great. Thanks for taking my question. Congrats on the strong start here. I guess I just wanted to go to the cost side you know you guys unveiled some, some strong programs last year. And you know as you noted now that the productivity or our costs of increased you're looking at a $50 million headwind. You also had some temp costs last year so could you just describe how much of those costs potentially come back this year and maybe the opportunities to make some more of those structural moving forward is there a potential or a potential walk to maybe low-20s on EBITDA margin over the next, say, several years? And if so, what would be some of the areas that you target to increase productivity? Thanks.

Jim Collins
Chief Executive Officer

Thanks, Arun. Clearly, we have built a discipline and a set of processes around driving productivity kind of year in and year out. And so, you're right. This year, we've talked about $250 million of productivity programs, a lot of those aimed in our manufacturing and in cost of manufacturing organization. But we will continue to have productivity focus in other areas of the business. One of the areas where our costs have trended down nicely has been related to this whole pandemic, and COVID, and the fact that we have areas of the business where we're being just really efficient with the investments that we're making. And we would expect a little of that costs to come back this year our stance. We're pretty much trying to maintain that very kind of tight focused stance. And it's a little early, but as we start to think about 2022, in North America, we'll start to return to a more normal kind of stance in terms of people and work and a little bit more travel maybe and a little bit more from a focus on investments there. But I'm committed, and Dave and I've talked to a lot about this, about finding additional productivity programs. We don't let those costs creep back in. So, Dave, what else would you share?

Dave Anderson
EVP & Chief Financial Officer

I would just say too, it's a really good question, because it's one that not surprisingly a topic for our leadership team. And particularly as we look at the strength of the first quarter, what we're delivering, I mentioned the positive in terms of the SG&A expense that we have and we look at that on both obviously a nominal basis and also a net of – net of inflation in terms of the performance and that we're delivering. The key thing is in addition to productivity what we've also as you know invested behind some restructuring and a lot of that benefit it's going to flow through in the future periods so we've got some things that are in the stream if you will that are active that are also going to benefit us going forward. But as Jim said you know this isn't just – this isn't a static process a very dynamic process. We're going to continue to look at how do we continue to replenish this portfolio of programs of projects and that's a big part of delivering in terms of our forward plan.

Jim Collins
Chief Executive Officer

And on the second half of your question around EBITDA margin improvement going forward 2021 is a first really good installment there you know by the end of the year we'll have added 200 basis points to our EBITDA margin. And that the trajectory that we're on as we've talked about before is to continue to drive you know EBITDA towards those mid-term growth targets that we laid out and you'll continue to see those EBITDA margins climb.

Operator

We will now take our final question from Adam Samuelson from Goldman Sachs. Please go ahead.

Adam Samuelson
Goldman Sachs

Hi. Yeah. Thanks. Good morning everyone.

Jim Collins
Chief Executive Officer

Hey, Adam.

Adam Samuelson
Goldman Sachs

Hi. Maybe a question for Dave Anderson and just thinking about maybe your early reflections on the capital structure and the way Corteva manages that the very significant working capital seasonality the cash balance associated with that and then just given your kind of prior and very successful career at Honeywell and managing significant legacy liabilities. any thoughts on opportunities to do anything with the pension to barely relieve that burden from a liability perspective?

Dave Anderson
EVP & Chief Financial Officer

Yeah so – you know it's a really good – it's a really good question. And again it's against the backdrop of the strength of our operating performance and our cash flow outlook and we've – you know that the multi-year guidance that we've given in terms of cumulative cash from operations through 2022 so that that really does provide us the foundation as I mentioned earlier that provides us the foundation in terms of flexibility going forward. I think it's a really, really timely question given that. And you know it's one that Jim and I've talked about we'll have obviously the opportunity to do deeper analysis working with not only the finance team but others in the organization sharing some thoughts with the Board coming back and later in the year and probably sharing more thoughts also you know with investors. So you know that's something I would say is that – is at the very much on our minds. I would say right now the thing that we're really focused on is just continuing to execute operationally to deliver the margin expansion, deliver obviously the cash flow for the year and continue to reward shareholders you know not only through our operating performance but also through our ongoing dividend and our share buyback program. And then that gives us optionality. And I think that's a plus I would say we look forward to giving you updates on that as we go forward. And I would put pension into that category and you're right I've had a fair amount of experience in that it's just something you do over the course of your career so it's one of the things I'll be working to with the team around in terms of options that we have there. Thanks for the question.

Jim Collins
Chief Executive Officer

Yeah, thanks Adam.

Jeff Rudolph
Investor Relations Director

Excellent. Well, we thank you all for joining the call today and really appreciate your interest in Corteva. Have a great day.

Operator

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