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Corteva's (CTVA) CEO Jim Collins on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-31-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $-0.39 beats by $0.06 | Revenue of $1.91B (-% Y/Y) misses by $-63.17M

Earning Call Audio

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Corteva, Inc. (NYSE:CTVA) Q3 2019 Earnings Conference Call October 31, 2019 9:00 AM ET

Company Participants

Megan Britt – IR Director at DowDuPont

Jim Collins – Chief Executive Officer

Greg Friedman – Executive Vice President and Chief Financial Officer

Rajan Gajaria – Executive Vice President of Business Platform

Tim Glenn – Executive Vice President and Chief Commercial Officer

Conference Call Participants

David Begleiter – Deutsche Bank

Jeff Zekauskas – JPMorgan

Joel Jackson – BMO Capital Markets

Christopher Parkinson – Crédit Suisse

Vincent Andrews – Morgan Stanley

John Roberts – UBS

Jonas Oxgaard – Bernstein

Steve Byrne – Bank of America

Don Carson – Susquehanna Financial

Operator

Good day everyone, and welcome to the Corteva Q3 Earnings Conference Call. Today's conference is being recorded.

And at this time, I would like to turn the conference over to Megan Britt. Please go ahead ma'am.

Megan Britt

Good morning, everyone. Thank you for joining the third quarter 2019 earnings conference call for Corteva Agriscience. The call is available to investors and media via webcast. We have prepared presentation slides to supplement our comments during this call. These slides are posted on the Investor Relations section of Corteva website and through the link to our webcast. Speaking on the call today are Jim Collins, Chief Executive Officer; and Greg Friedman, Executive Vice President and Chief Financial Officer. In addition, Rajan Gajaria, Executive Vice President of Business Platform; and Tim Glenn, Executive Vice President and Chief Commercial Officer will join the Q&A session at the end of the call.

During this call, we will make forward-looking statements regarding our expectations for the future. I direct you to Slides 2 and 3 of our earnings release for our forward-looking statement disclaimers. All statements that address expectations or projections about the future are forward-looking statements. These statements reflect our current expectations that are not guarantees of future performance and are subject to risks and uncertainty regarding assumptions. We urge you to review our SEC filings for a discussion of some of the factors that could cause material differences and actual results.

We are providing information on a pro forma basis, prepared in conformity with regulation FX to provide the most meaningful comparison. So please take note of the pro forma basis discussion in our earnings release and slides. 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 were available and other associated disclosures are contained in our earnings release and on our website.

Turning to the agenda for the call today, Jim will review highlights for the third quarter including progress on our priorities for our shareholder value creation, results by region and key drivers of second half and full year operating EBITDA. Greg will then review our third quarter financial results in more detail including segment performance highlights and a comprehensive lock of operating earnings per share. Following this review, we will take your questions before concluding the call.

With that introduction, it's now my pleasure to turn the call over to Jim.

Jim Collins

Thank you, Megan, and thank you to everyone joining the call and online. Earlier today, we reported third quarter results for Corteva delivering solid earnings improvement relative to the prior year despite the emergence of currency headwinds in Latin America and additional weather related impacts in several key regions. As we consider the market backdrop for this quarter, uncertainty regarding North America yield production and ending stock levels for the 2019 season has persisted as an unprecedented planting season has now given a way to an extraordinarily that late harvest. To some extent large carryover supplies have moderated market reaction to North American production problems, especially as markets expected Latin America to respond to elevated commodity prices with additional production.

However, recent planting progress reports from Brazil where markets were poised for a strong row crop season indicate lack of rainfall is delaying soybean planting, which may have an impact on the timing and size of the second crop or safrinha. Coupled with production disruptions and delays, recent softening in the Chinese economy, African swine fever and slower growth in other emerging markets are impacting the demand outlook for commodity grains and oilseeds. On trade, while China has resumed purchases of some U.S. agricultural products, the timing of a full resolution is still unknown. In the face of this considerable market turmoil, our teams have remained focused on the levers in our control, taking self-help actions and driving execution in the marketplace, while setting the stage for a solid 2020 when we expect more normal conditions to arrive in many sectors of the ag markets.

Now, as we did last quarter, we would like to start our update today with some longer term perspective where we can look beyond the market uncertainty that has continued to challenge our day to day operations to evaluate the progress we are making as a company relative to our priorities for shareholder value creation, noted on Slide 5. As I said last quarter, these priorities continue to guide our strategic actions and underscore the quality of results we are working to achieve, particularly as we work dynamically to adjust to short-term market disruptions, starting first on culture. We highlighted the launch of Execute to Win last quarter. With this, we are establishing an owner mindset for all employees to drive the culture reinforcement that is needed to deliver and sustain our gains long-term.

So far we've engaged more than 25% of our employee base in the initiative identification, planning and execution that we expect will ultimately contribute $500 million in incremental operating EBITDA over the next five years. On capital allocation, we remain committed to delivering cash to shareholders in the form of quarterly dividends and share repurchases, while continuing to invest in innovation and growth. In June, we announced the authorization of a share buyback program to return $1 billion to shareholders, which we expect to complete over the next year three years.

This quarter, we've purchased $25 million in shares. Additionally, Corteva paid its first quarterly dividends of $0.13 per share on September 13 and has declared its second continuous quarterly dividend payable on December 18. In total, our actions so far will return approximately $220 million in cash to shareholders by the end of the year. On a priority related to developing innovative solutions, we delivered over $30 million in operating improvements from new products in the quarter, consistent with our commitment to deliver over $100 million in improvements in the second half and greater than $150 million for the full year.

Crop protection and new product sales increased 56% versus the same period last year and are on track to grow to 12% of our overall crop protection sales by the end of the year. Products driving net sales and operating EBITDA improvement in the quarter included PowerCore Ultra in Seed and Arylex herbicides, Vessarya fungicides and Isoclast insecticides in crop protection. We continue to see momentum in our crop protection portfolio with notable geographic label expansions for Arylex and Rinskor herbicides, Isoclast insecticide and Zorvec fungicide this quarter.

On our priority around best-in-class cost structure, we delivered $100 million in cost synergies in the quarter and are on track to deliver approximately $150 million in cost synergies for the second half of 2019. Overall, we have now realized cumulative cost savings through the end of this quarter of $800 million out of the $1.2 billion commitment expected by 2021. Finally, seasonal shifts during the period and currency obscure several positive signs of operational momentum.

Based on the current USDA acres, we are confident that we gain share in Pioneer brand corn and soybeans in North America. We also gained share in summer corn in Brazil and insecticides and fungicides globally. Further in support of our growth in the Spinosyn insecticides, we announced today a project approved by the board of directors to add manufacturing capacity are key Spinosyn insecticide products to release supply constraints and grow our leadership in natural products aligned with our market growth expectations in insecticides and natural products over the mid-term horizon.

Moving to Slide 6 and a few highlights of our key performance indicators for the quarter. Net sales on a reported basis decreased 2% versus the prior period, primarily due to currency. Organic sales were flat for the quarter as weather drove offsetting shifts at the segment level. As we reported last quarter, market disruptions due to the weather in North America delayed planting and shifted seed sales into the third quarter, while strong early demand moved crop protection volume for Latin America into the second quarter. Further pressuring third quarter performance, a lack of seasonal rainfall in Brazil delayed soybean planting and crop protection applications, shifting crop protecting volumes into the fourth quarter primarily for Vessarya fungicide. Our operating EBITDA improved 18% compared to prior year, largely driven by the margin benefit from the shift of seed volumes and the continued realization of cost synergies.

Demand for new crop protection products also resulted in margin expansion in the quarter, which helped to partially offset the more than $40 million hit to quarter from currency. Margin declines from higher corn and soybean replants and the seasonal shifts of Latin America crop protection volumes due to early demand coupled with the delayed seasonal rains, further pressured operating EBITDA results for the quarter. For North America, when we exclude the impact of replant and despite the mixed shift we experienced to shorter maturity products, we held corn price in our Pioneer brand. We have reduced selling, general and administrative and R&D costs 2% in the quarter on a net basis due to cost synergies as well as the discretionary actions taken to curtail spending.

Our Slide 7 shows third quarter highlights by region. North America sales improved 16% for the third quarter due to weather related planting delays that shifted seed sales corn and soybeans into the period. While seed sales were up 102% compared to prior year, crop protection sales declined 7% as both delayed planting and delayed harvest impacted the timing of fertilizer and crop protection applications. Historically slow 2019 planting season in the U.S. has contributed to delays in harvest, fall field preparation and fall fertilizer applications. The most recent crop progress report indicated that only 41% of the U.S. corn and 62% of the U.S. soybeans were harvested.

For corn this percent harvested is the fourth slowest in the last 39 years and the soybean percent harvested is the sixth lowest. Delayed planting and now harvest have contributed to elevated channel inventories and crop protection combined with large distributor inventory reduction initiatives restocking rates have slowed delay in the timing of fall crop protection sales. While harvest slowly progresses, momentum is building in North America for the 2020 season. Our seed pricing for the 2020 North America season was released to our sales teams in September and demonstrates our confidence in the strength of our new product performance.

We price for the value created by new technology and we provide growers' choice with high-performing seed offerings delivered through our multi-channel multi-brand approach. We are preparing for an aggressive ramp of Qrome corn products, which are expected to be approximately 20% of our lineup in 2020 and the launch of Lumialza seed treatment, our new proprietary bio-based nematicide, which will be launched in the Pioneer brand. In corn, considering the mix benefit from new technology, we expect to drive low single-digit price gains year-over-year in our Pioneer and multi-channel brands. We are also expanding the Enlist E3 soybean offerings in our commercial product lineup next year and expect the technology will penetrate 10% of the market. On price for soybeans, we expect to be flat due to continued market competitiveness.

Moving to Latin America, reported and organic net sales declined for the quarter, largely due to the impact of weather related volume shifts in crop protection and currency. As we noted last quarter, the strong early demand shifted approximately $80 million in sales that would normally have occurred in the third quarter into the second quarter. The delay of seasonal rains in Brazil in the third quarter slowed the soybean planting progress and resulted in the shift of approximately $15 million in expected crop protection sales into the fourth quarter, primarily from the bizarre of fungicide.

Seed reported net sales up 7% for the third quarter in Latin America, largely due to the year-over-year price improvement. Strong performance of Leptra and PowerCore Ultra corn products drove a 14% year-over-year increase in seed price. Seed volumes were down for the quarter due to the lack of seasonal rain delaying summer planting progress and input purchases in preparation for the safrinha season. We are paying close attention to the development of the crop season in Brazil as continued challenges may impact planting: crop protection applications, crop input technology selections and the size of the safrinha corn crop.

We have also been following the presidential elections in Argentina and the decline of the Argentine peso, which has lost 35% of its value against the dollar as of the quarter-end compared to the start of the year. Approximately 20% of our Latin American net sales come from Argentina and we are relatively insulated from the currency devaluation as sales are predominantly done in U.S. dollars. However, government policies unfavorable to agriculture will impact our outlook for 2020 and beyond.

In Asia Pacific organic next sales were down 6% due to drought and key countries in the region, which significantly lowered planting and treated acres and drove lower crop protection volumes in the region for the quarter. Deep reported net sales were up 19% year-over-year on strong volume in corn in Philippines and improved pricing in India due to high demand for other crops.

Finishing up with Europe, Middle East and Africa up 3% on a reported basis and 8% on an organic basis. Continued increased demand for new crop protection products like Arylex cereal herbicides contributed to growth in crop protection sales for the region in the quarter. In seed declines in canola due to drought conditions in North and Central Europe impacted volumes. Firstly, devaluation in the region lowered overall sales growth by 5%. Recent regulatory developments in Europe, particularly the announced ban of Chlorpyrifos insecticide in several countries have not had a meaningful impact on the quarter. We are still quantifying the impact to 2020 but expect the impact for all regulatory challenged products to be only $10 million and offset by expanded registrations for new crop protection products like Arylex and Rinskor herbicides and Zorvec fungicides.

So now I'll turn to Slide 8 and cover the drivers of our operating EBITDA for the second half and full-year 2019. Last quarter we shared our expectation to deliver operating EBITDA about breakeven for the second half. Due to further negative impact from currency operating EBITDA is now expected to be a loss of $70 million compared to the same period last year, which is the lower-end of the previous range. Currency, particularly the devaluation of the Brazilian real is expected to reduce second half results by about $80 million overall.

Other drivers that we outlined last quarter as part of our second half guidance are on track to deliver. Due to the late North America season we recognize seed revenues in the third quarter, which offset the crop protection volumes that shifted into the second quarter due to the early demand for products in Latin America. We continue to expect strong price improvements year-over-year on supply constraint, high demand products primarily in our insect management portfolio and we expect to have year-over-year improvement in Latin America largely due to the expansion of new products like the Zorvec fungicides, as well as Leptra and PowerCore Ultra corn products. We have also maintained our momentum to deliver additional cost savings from synergies in the second half, targeted to deliver over $150 million in incremental savings, which will bring our annual incremental savings to $350 million.

In total the second half guidance represents an approximate $130 million or 65% improvement over the prior year. Full-year pro forma operating EBITDA is now expected to be about $1.9 billion, the low-end of the previous range and down about 8% versus 2018. We are affirming the full-year indication for net sales as a decline of roughly 3% predominantly owned currency headwinds. On an organic basis we still expect sales to be about flat year-over-year.

Before I turn the call over to Greg, I'll summarize by commending our teams around the globe for an extraordinary effort in the quarter to support our customers in the face of numerous challenges. Corteva about achieved solid earnings improvement relative to the prior year and made ongoing progress on our priorities for shareholder value creation. We remain focused on driving operational discipline and committed to setting the stage or solid net sales and operating earnings growth in 2020.

With that I'll turn it over to Greg.

Greg Friedman

Thank you, Jim. Turning now to Slide 9 for a summary of our third quarter results. Please note that the prior year period is on a pro forma basis for operating EBITDA and operating earnings per share. As Jim covered 2019 continues to be a very dynamic and complex operating environment, particularly in North America and Latin America, which was evident in our third quarter results.

Net sales of $1.9 billion were down 2% versus prior year on a 3% increase in volumes offset by 3% decline in local price and a 2% headwind from currency. North America volumes were up 31% in the quarter as a result of soybean and corn sale that shifted from the prior quarter due to delayed planting. Offsetting this was the early demand we experienced for crop protection products in Latin America in the prior quarter and delays in the Brazil soybean season which shifted expected crop protection sales into the fourth quarter. Local price was impacted by competitive pricing pressure in North America soybeans. Higher replant in soybeans and corn and the impact of grower incentive discounts in North America.

Turning to operating EBITDA we reported a loss of $207 million, which was an 18% improvement versus the prior year period on a pro forma basis. Overall improvement was driven by favorable timing shifts in North America seed sale and roughly $100 billion in cost savings from synergies that we delivered during the period. These were partially offset by shifts in crop protection sales in Latin America and currency with a headwind. We delivered expansion in our overall operating EBITDA margin in the quarter as a result of the timing shifts we discussed earlier and cost synergies recognized during the period. All in all operating EBITDA margin improved by more than 200 basis points led by our seed segment, this translated into a loss of $0.39 for operating earnings per share, up 35% from the third quarter 2018 on a pro forma basis.

Turning to Slide 10 for a year-over-year comparison of our operating earnings per share. Realized cost savings from synergies contributed $0.14 to operating EPS in the quarter. Well, volume contributed $0.08 of improvement primarily due to the sales shifts in seed and new product sales we delivered in the quarter. A $0.12 headwind on pricing and cost was a product of increased replant in soybeans and corn and increased grower incentive discount coupled with higher commissions and new product launch costs. Currency was a $0.06 headwind in the quarter.

In addition, tax was a benefit of $0.04 cents. Our base tax rate for the quarter was 11.8% up from the third quarter 2018 rate of 2.4%. Lastly, we generated $0.13 of benefit primarily from foreign exchange gains related to our hedging programs to offset exposures for the foreign currency denominated monetary assets and liability that we carry on our balance sheet.

Turning to our segment results, Slide 11 highlights the performance for the quarter in both our crop protection and seed segments. In crop protection, net sales were $1.2 billion for the quarter, down 12% from the prior year period. The decrease was primarily due to an 11% organic decline, predominantly from volume shifts in Latin America coupled with a 1% headwind from currency. Crop protection operating EBITDA was $119 million for the quarter, down 25% from the prior year period. Volume declines in Latin America, grower incentive discounts in North America, new product launch costs and currency drove the decline in operating EBITDA while the segment continued to deliver on cost synergies.

In seed, we reported net sales of $681 million for the quarter, which is up 24% from the same period last year. Higher sales were principally from a 31% increase in volumes as a result of the weather related delays in North America, which shifted seed sales from the second quarter into the third quarter. Local price was a headwind, up 5% in the quarter due to higher replant in soybeans and corn in North America Currency was a headwind of 2%.

Seed operating EBITDA was a loss of $295 million and improvement of almost $80 million over the prior year period. Our results reflect the shift of soybeans and corn sales in North America and continued progress on cost savings recognized in the quarter. Unfavorable local price impacted by replant and currency headwinds partially offset the year-over-year volume improvement. Seed operating EBITDA margin improved by almost 25 percentage points.

Turning now to Slide 12 and an update on our modeling guidance, including a bridge of operating EBITDA to operating earnings per share for the full year 2019. Touching first on net sales, we continue to expect to be down about 3% over prior year unchanged from prior guidance. This is due to unfavorable currency. Organic sales are essentially flat. We now expect depreciation expense to be approximately $575 million, and interest expense to be about $100 million for the year based on our current forecast.

We have updated our estimate on exchange losses net of tax, which reflects our full-year estimates for the cost of the program now expect a $70 million to $80 million loss for the year. Based on the $1.9 billion operating EBITDA guidance for the year, this translates into an operating earnings per share range of $1.20 per share to $1.26 per share, at a midpoint of $1.23 per share. This represents about $0.04 improvement over the midpoint of our prior guidance on operating earnings per share.

Before I turn the call back to Megan, I want to touch on the directional targets we provided for 2020 operative EBITDA back in August. We remain committed to executing against our cost synergies and productivity programs that we outline and fully expect to deliver on those targets in 2020. You will recall in August that we started anticipated headwinds of approximately $100 million for the next year and we continue to monitor market conditions that may alter that estimate. We are evaluating planted acres and costs for the next year. It is too early to provide definitive guidance. Our focus is still on delivering a solid year of growth in both net sales and operating EBITDA for 2020. We will provide more definitive guidance during our fourth quarter call and I look forward to sharing more at that time.

We'll now turn the call back to Megan to open the Q&A.

Megan Britt

Thank you, Greg. With that, let's move on to your questions. I'd like to remind you that our forward-looking statements apply to both in our prepared remarks and the following Q&A. Operator, please provide the Q&A instruction.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] And we'll take our first question from David Begleiter with Deutsche Bank. Please go ahead.

David Begleiter

Thank you. Good morning. Jim and Greg just on your 2020 guidance, you initially called out normalizing North American marketing conditions about $250 million. Is that still on track? And how is that into play with the $100 million plus perhaps of other headwinds you might see for next year due to a planted acreage shifting? Thank you.

Greg Friedman

Yes. Thanks David. This is Greg. You're right. In August, we updated our midterm targets for 2020 and included some expectations related to North America. Related to that we're monitoring several factors that will influence our 2020 outlook. But we feel that that $250 million is still a reasonable estimate. We're still planning on things like cost synergies, additional productivity, new products consistent with our indications in August and we're closely monitoring some elements here that we considered headwinds such as currency, trade negotiations, channel inventories, planted area, regulatory actions and things like that.

There is a couple other elements here that I think would be helpful like – like maybe Rajan you can provide some color on seed production.

Rajan Gajaria

Sure. Thanks for talking, Greg. No, excited about 2020, there is obviously a lot going on here with new product launches et cetera. But to answer the specific question, Greg, on the seed production, one of the biggest drivers for headwinds for seed production next year is the commodity prices. As we look at the commodity prices have increased year-over-year and that's being factored in. Harvests are delayed across the mid-west like we know and so we are looking at what the yield impact of that could be as we go in. But overall I would say that we are really excited about 2020 and the delivery of the $250 million that we have discussed in August. Like Greg said.

Jim Collins

David, its Jim. Obviously complex market that we're looking towards, I think Greg did a nice job of summarizing all the elements. I'll reinforce that pipeline delivery going forward. You've heard a lot about from, we’ll have a list out there. We're ramping up the products we launched this year, like Pyraxalt in Asia and Zorvec in Europe and Isoclast our newest insecticide. All the items that we've talked about probably the one area that that will have the biggest impact on 2020 will obviously be planted area. And so maybe to close off this question, maybe ask Tim to just give a little insight on what we're seeing out there in the field around kind of expectations for 2020.

Tim Glenn

Thanks, Jim and good morning David. Well, as we look at 2020 in terms of the planted area in North America, I think the expectation we should have is that we'll return two more of a normal level and so that that would imply something in the neighborhood of about 11 million acres that would come back into production on corn and soy. And from that point when you determine the next critical thing is the mix between corn and soy. And so where we monitor closely the ratio between soybeans and corn prices – commodity prices and today that sit somewhere in the neighborhood of around 2.4.

And at that level it would imply that somewhere in the neighborhood of about one-third of that around 11 million acres would come back into corn with the balance going into soybean. So now note that is very dynamic and that's changing every day and over the course of weeks or months and between now and planting that can vary quite a lot and that's one of the real key indicators that we're looking at. So today that would – that's the implications we see. We monitor it every day and we'll continue to do that all the way until farmers make their final decisions.

David Begleiter

Great. Thanks, Tim.

Operator

Our next question will come from Jeff Zekauskas with JPMorgan. Please go ahead.

Jeff Zekauskas

Thanks very much. You have a very dynamic cost reduction program, but there really hasn't been much change in SG&A costs year-over-year and I think your SG&A costs were even a little bit higher in the third quarter. Can you discuss why that's the case? And you also have negative currency translation. So you would think that those numbers would be lower. Are you spending more on the SG&A line in order to promote products? And so that's adding to your cost or are there other factors? Can you discuss those issues?

Greg Friedman

Absolutely. Thanks, Jeff. This is Greg. So yes, when you look at our SG&A line on the income statement there are some non-operating costs included in that line item. So those non-operating costs in fact are up year-over-year and those are costs that are specifically related to our discontinued businesses. There are things like increased litigation costs or increased costs related to remediation – environmental remediation. So if you take – if you take that piece out, we're relatively flat to slightly up as you said in SG&A and the key driver of that in the third quarter is commissioned. Commissions are variable based on our revenue. So in particular proceed to see, so with our seed revenues going up on as significantly as they did in the third quarter, there's a proportional element that increased our commission expense.

There's also another component of commissions that that did increase as well and that is some competitive rate increases that we implemented earlier at the beginning of this year to bring our commission structure up to market rates. So if you take those increases yet you also take into account the cost savings that we executed relative to our synergy. And then also on some reductions that you see on the corporate line item, net-net SG&A for the quarter was about flat to slightly up.

Operator

Our next question will come from Joel Jackson with BMO Capital Markets. Please go ahead.

Joel Jackson

Hi. Good morning. Maybe you could expand a bit about your guidance that you expect soybean price mix or soybean seed price mix up to be about flattish. You talk about maybe what's going on in the mix versus like-for-like pricing and some of the data points out there in the market from competitors on some of the – on the Enlist type pricing?

Jim Collins

Yes, Joel, Let me start and then maybe I'll turn it to Tim. We launched our price cards here back in September, and so he's probably got the latest and greatest. But as we launched those cards, we expected overall prices to be flat to up slightly. But there are some – there are some downsides in those cards due to competitive competition that's out there, but we have some new technology that's mixed in there as well. So we see a lift going on. So all-in-all we feel really good about the performance, especially in our A series soybeans and so that's going to carry a lot of weight in our pricing movement going forward.

But Tim, do you want to give a little more color on soybean pricing?

Tim Glenn

Yes. Joel on the pricing, obviously it is value driven and that we're in the time of the year, right now where farmers are evaluating the products that they use this past year with delayed harvest that probably take a little bit longer than we typically see. And at the end of the day, they're going to evaluate what their best options are. We price for value. Our approach this year is to have roughly flat on soybeans, and that is the combination of some existing products in our lineup that maybe flat with year-over-year or possibly adjusted down a little bit, and then new varieties that come into our lineup really driving some upside and pricing opportunity. So it's a highly competitive market, no question. We're very blessed that we've got a strong portfolio of products in both the pioneer and multichannel brands.

We've got the – I feel very confident that we are setting the pace in terms of product performance on the Roundup Ready 2 Xtend segment. We've got extremely strong demand for Enlist E3 technology and those Enlist E3 products are priced comparable to our leading varieties. And so it's a combination of many things primarily mixed driven that’s going to allow us to hold price as we move into 2020. But you're exactly right. It's a highly competitive market as it always is and farmers are going to make their choice based off of what delivers the most value to them.

Operator

We'll take our next question from Christopher Parkinson with Crédit Suisse. Please go ahead.

Christopher Parkinson

Great, thank you. There have obviously been a lot of moving parts in 2019, and just with the ag market FX, input volatility, weather, trade time lines, you name it. But can you just really just boil down the Corteva story into three to four primary reasons on why investors should focus on the stock? Is it projected market outperformance in Seed and CPC, the cost cuts, et cetera? Just what can you – do you believe your global team could do better? And what should we be talking about midyear in 2020? Just a few puts and takes would be appreciated.

Jim Collins

Yes. Chris thanks for the question. As we said earlier obviously, we're monitoring a number of factors as we head into 2020. The first of those that Greg mentioned, and others asked about is the – kind of the way that the recovery in the market in North America. So first and foremost, you have to acknowledge, 2019 was an unprecedented year we have not seen in the industry in a long time. So as we more normalize and move into 202, we'll expect to see a lot of that come back. And that's in our core market. It's in North America. It's where we have our largest lineup. And so obviously, it affected us disproportionately than – and our business around the world. If you then strip out North America and look at rest of the world, 2019 has been an extraordinary year.

Year-to-date, we've got our – different regions are – like Europe, Asia, Latin America they're all up organically 7%. We've got insecticides growth. Our entire insecticide portfolio year-to-date is up 9%. So you strip out just what happened in North America and you can really see the energy and the momentum in the rest of the world and behind the scenes. On top of that, and as we said, going into 2020 we're going to carry – continue to carry through on the cost synergy momentum that we've had. We have good line of sight and visibility as well as additional productivity actions that we have taken to really respond to the market conditions that are going on, so we can be in a better position to support our customers.

And then third on that list is new products, where you've heard Tim talk about Enlist. We're excited about that lineup now, really hitting that hard. We'd expect Enlist to grow to be about 10% of the overall market. We've got chrome coming in; there's been a nice lift on chrome. And then there's a lineup of Crop Protection products like Arylex in Europe, one of the strongest new herbicides being launched in cereals, Rinskor for rice, Isoclast and Zorvec in specialty crops that are doing really well. So that pipeline has to be the third marquee element of that.

So a recovery in North America, continued great momentum on cost synergies and additional productivity actions and then our new product pipeline. As we take a step back from the income statement and really look at where we're going to sit with our balance sheet, obviously, we've got a strong commitment to returning cash to shareholders. And we talked a lot about that in the past around the dividend announcement, but also a continued commitment as we go forward around an appropriate amount of share repurchases. So I think that is a pretty compelling story as to why Corteva's a great vote here going forward.

Operator

Our next question will come from Vincent Andrews with Morgan Stanley. Please go ahead.

Vincent Andrews

Thank you and good morning everyone. If I could just ask about the Pioneer share gains in corn and soy in the U.S. One, if you could size it for us, 0.5 point, 1 point something like that. And secondly, if you can kind of help us understand how much of that just came from pure outperformance of the product versus, obviously, a tricky season with different maturity changes and so forth, were you able to be more nimble than some of the smaller competitors to serve the farmers' needs at the last minute? I guess, what I'm trying to get at is how much of that share gain are you very comfortable you're going to carry into 2020 and build on versus how much could have just been some good execution in a challenging season.

Jim Collins

Yes, it’s a great question, Vincent. Thanks for that. We – really, we start with the – based on the current USDA acreage forecast that we have. It's kind of the best data we have. And as I mentioned in my opening comments, we believe we have gained share in both corn and soybeans in North America. And that's that service – the high-service, high-touch approach I think, is part of that really shining through.

The fact that we're with those growers in their fields and as this market unfolded, our ability to move products around and meet demand as appropriate. I think our team out there really, really shined. I think there's a performance element to that, and maybe I'll kick it to Tim here to give you a little more color on it. And then I did add that Brazil, I think, based on the current intended acres and external estimates that we get, we believe we've done really well in that summer corn market also. And I think, again, that's product performance, that's the lineup that we committed to as we've been really driving that.

So Tim, do you want to add some other comments?

Tim Glenn

No, I think you touched on it well, Jim. I mean, I – what I would highlight is, Vince, and I think the point is, you have to have strong product performance and you have to be able to go out and execute, and the two go together. And in the year like this, I mean, as we went through the entire call, the selling season up to the point of planning. We had very strong demand for products. And so coming off a really strong performance in 2018, we carried a lot of momentum on the product side, a lot of energy from our sales team. And so, we felt very good about where we were prior to sort of the season breaking and chaos ensuing. I think the fact that we were able to be there, our route model is definitely working in our advantage, our ability to go out there and serve customers as they were dealing with some of the adversity, potentially changing from one maturity to another at corn, evaluating other crop options that hustle, that execution definitely made a difference.

And I think that it helped to translate into a strong finish for the year. What we carry into 2020? To me I think that those actions that we made this spring and into the summer that strengthens the relationship. We expect the customers are going to have a very positive experience with our product. Again, you know, coming off that high-level of service. We believe it's sustainable. And we have longstanding relationships with farmer customers and this only builds off of that. So it was a tough year at times. It felt like our sales team was not making a lot of progress just because so many changes and so much uncertainty, but tough year is when you really strengthen those relationships. And given that with our product performance really excited about what we carry into 2020.

Operator

Our next question will come from John Roberts with UBS. Please go ahead.

John Roberts

Thank you. I'm looking at Slide 15, specifically the pricing in the seed marketplaces. Could you tell us what North American seed price was if you excluded the free seed given for replant of flooded acres? And then if you look at the Latin American seed pricing of 14%, it was flat last quarter. Could you tell us maybe what it was on a year-to-date basis because there must have been some strong mix effects quarter-to-quarter in the seeds and Latin America?

Jim Collins

Yeah, I'll start. Again, Tim, he will close to this day to day. But, yes, we did have a slightly elevated level of replants in there year-over-year probably more replant in beans than we had in corn. But when you exclude the effects of replant, the pricing was about flat year-over-year. So and then on Latin America, Tim, I'll let you to comment.

Tim Glenn

Yes, just to, kind of, close the door on the replants, I mean, this is a customary program that we would have in place to ensure that our customers are getting the most value out of our products. We ensure that they get a good stand. And I'd say it's – while there's different variations in the industry, fairly standard across the board and it can vary quite a lot between year-over-year. And what we saw this year more or less on corn was about a 10% increase versus the five year average. And then on soybeans, as Jim said, we were – we saw more replant. It was more or like 30% above what that five year average was. And if you look back at the season and obviously not surprising considering the weather counts as we had.

And I would say in Latin America, a couple things that are driving our ability to price. One would be, we've got very strong performance and we've been able to effectively establish the Brevant brand and positioned the Pioneer brand appropriately, so very good overall product performance. And then we're getting a strong benefit from the continued increase in utilization of new technologies like PowerCore Ultra and our Leptra hybrid. So it's a combination of mix. It's a combination of strong performance. And I think again, very good momentum that we're hearing in the marketplace in both Brazil and Argentina. So it's really a Latin American story, not strictly a Brazil story.

John Roberts

Thanks, Tim.

Operator

Our next question will come from Jonas Oxgaard was Bernstein. Please go ahead.

Jonas Oxgaard

Good morning.

Jim Collins

Good morning, Jonas.

Greg Friedman

Good morning.

Jonas Oxgaard

You talked in the beginning of the call a bit about the outcomes of the harvest and all the uncertainty. Can you help us to think through what the impact is in these different scenarios? If we take two scenarios of one where corn price stays loosely where it is today and harvest is okay versus one where the harvest is much weaker corn price goes to four bucks. How does that impact next year's results for you?

Jim Collins

Thanks. Thanks Jonas. Clearly, as Tim mentioned earlier, we watched that soybean to corn price ratio really closely because over the years that we've been watching this, there is an indifference point where the economics and the value of those two crops sort of balance. And so, as we see pricing differences, we see that ratio swing and we watch demand swing with that for corn. So, right now, the scenario that's out there to best data that we really have, the USDA estimates around yield, but also USDA estimates around intended planting for 2020. I would say that we will see a little bit more corn and we'll see maybe the balance one third, two thirds more of those acres that Tim mentioned coming back in to soybeans.

So if you saw a big swing in price, more towards corn. You'd see growers respond to that. The way our portfolio sits today on a net margin basis, as we've said many times before, our profitability would favor stronger corn acres than soybean acres, but we're really starting to change that equation. You start to think about the penetration that we will have with Enlist going forward as we've added other products to our portfolio, the A series soybeans and the relative performance that we're having on that portfolio and our ability to price for the value that we deliver, it's starting to moderate that margin different slightly. So we're just going to put ourselves in a position to respond to the market with however it get turns out and we'll be ready depending on those two scenarios.

Jonas Oxgaard

Okay, that’s fair. Thank you.

Operator

Our next question will come from Steve Byrne with Bank of America. Please go ahead.

Steve Byrne

Yes, thank you. You had a few of your crop chemical peers post results in the last couple of days. And one area that seems to reflect a differential result is Latin America, where you had peers that posted some pretty strong volumes in contrast to yours. And I just wanted to get your view on that. You did note that there was some volume pull into the second quarter and a little bit of a push into the fourth quarter. Is this a differential impact on Corteva because of your product mix or your crop focus? Or is there anything else going on here like capacity constraints in Spinosyns? Or is there any area where you might be losing some market share?

Jim Collins

Yes, Steve. So let's just start with the Latin America message. You really can't just look here at third quarter and really compare what's going on. If I step back from that, our Latin America business, overall for the year organically is up 8%. So you said it accurately. There was a large portion of our crop protection business because of the products we sell and the timing of the market was really accelerated into the second quarter and we reported out on that very, very specifically. And then on top of that, we've got some of the leading fungicides for soybeans in Brazil and you're all reading about what's happening with the planting in Brazil. Due to lack of rains, we've had a slightly delayed planting.

And so the setup for our products has shifted a little bit here into fourth quarter. And we've got good indications that that flow of products is happening, we've got October essentially behind us here and we can see good volume growth. So, when you step back then and look at insecticides overall, it again really is not a story year-to-date. Our insecticide business in Latin America is up as much as 30% and globally our insect portfolio is up 9% and we expect the market maybe is more like mid 5% range. So we're outpacing the market. Maybe I'll ask Rajan to talk a little bit about capacity and capacity constraints. We've done a lot in that. You saw some announcements we made today. So Rajan, do you want to talk a little bit about that?

Rajan Gajaria

Yes, thanks a ton Jim and hi Steve. Related to the capacity like from a Spinosyn standpoint, like Jim said, a 9% growth year-over-year of three quarters on the insecticide business, it's continuing to meet our expectations. The good news is that as the market continues to grow and we continue to see more demand for our products, we are installing more capacity. And that was the capital project that we just announced earlier this week said that we are building more capacity in. So very confident about where the insecticide portfolio is despite some of the supply challenges across the globe on insecticides. We have actually continued to grow. The Brazilian market is one indication, but as Jim said, globally insecticide portfolio continues to grow and we continue to have high expectations of this portfolio for 2020 and beyond.

Jim Collins

And Steve, I'll just maybe want to – I just clarify additional comment. The announcement that we made today is not the first expansion that we've had in that portfolio, almost the day of merge, the opportunity in our insecticides space was obvious to us as a leadership team. And so, this is another now succession or installment of capacity to carry us out now well into the 2020s, but thanks to some of those early steps. If we looked since merge, we've grown our Spinosyns portfolio by 27% through the end year of 2019. And if I just kind of look at the plans that we're talking about and have in place going into 2020, I mean, we're going to be up 50% from where we were at merge with that complex of Spinosad and Spinetoram. So, I could be prouder of the team and how we're executing. And clearly market demand is there for this chemistry that that really occupies a very nice space in the market. So we're going to keep driving it hard as we go forward.

Operator

And our last question will come from Don Carson with Susquehanna Financial. Please go ahead.

Don Carson

Yes, thank you. Jim, a question on your safrinha outlook. Typically, when soybean planting is late, sometimes seed grower shipped to lower quality seed because of the abbreviated safrinha season. So what's implicit in your $1.9 billion EBITDA guidance this year or what a short fall in safrinha be more of a 2020 item? And then just a housekeeping item, what's your total receivables exposure in South America?

Jim Collins

Maybe Tim do you want to talk about some safrinha and Greg can give us receivables update.

Tim Glenn

Hey, morning Don. A question on safrinha obviously, we look at that very closely as well in terms of the progress. That's one of the key indicators on how that safrinha season is going to go. And we got to look at two elements there. One is the area what gets planted and the second element is around technology that they're going to employee. So, we're monitoring that closely. And I'd say it's probably too early to call whether there is a major technology shift. I think at the area level, I don't think we're at risk in terms of seeing a reduced area for maybe what the original intentions were. So I feel pretty good about that. And in terms of the technology employed that probably will end up being more of a 2020 type issue because of the fact that that first planted safrinha seed will still be with our strongest hybrids of the highest technology.

So, what we would typically move into customers hands in December of 2020 – December 2019 will be planted in a window where they should be able to get really good performance and it's not necessarily a late planted risky crops. So, we'll continue to monitor that. Again, we get reports on the ground most every day on what that progress and what the expectations are. And we'll be prepared to deal with that if we do see a technology shift.

Greg Friedman

Great. And then related to receivables, I would characterize our current receivables position in Latin America today is on track with our expectations as we – as we're monitoring and focusing on collections right now. Our past dues year-over-year are better and in fact we are seeing our bad debt write-offs this year to be better than our expectations. So I would characterize that – just to be cautiously optimistic here I would characterize that absolutely as on track even though we are trending a little bit better right now.

Jim Collins

So, thank you all for your questions. I did want to close with an update on the Chemours litigation. As you know, Corteva and DuPont jointly filed a motion to dismiss. We expect the matter to be fully briefed by November 8 subject to oral arguments that are really yet to be scheduled. A decision on our request for that dismissal should follow shortly thereafter. And as we've said before, we believe that claims made by Chemours are without merit and that Corteva will vigorously defend against the claims in the complaint, uphold our rights that were specified under the separation agreement. So with that, I want to thank you all for joining our call today.

Operator

And ladies and gentlemen, this does conclude today's call. Thank you all for your participation. You may now disconnect.