S&P Global
Market Intelligence

Green Plains Inc. NasdaqGS:GPRE

Earnings Call

Friday, February 7, 2025 2:00 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	9

Call Participants

EXECUTIVES

Phil Boggs
Chief Financial Officer

Todd A. Becker
President, CEO & Director

ANALYSTS

Adam Reed Shepherd
Stephens Inc., Research Division

Andrew Strelzik
BMO Capital Markets Equity Research

Craig Irwin
ROTH Capital Partners, LLC, Research Division

Eric Stine
Craig-Hallum Capital Group LLC, Research Division

Jordan Levy
Truist Securities, Inc., Research Division

Kristen Owen
Oppenheimer & Co. Inc., Research Division

Laurence Alexander
Jefferies LLC, Research Division

Matthew Robert Lovseth Blair
Tudor, Pickering, Holt & Co. Securities, LLC, Research Division

Salvator Tiano
BofA Securities, Research Division

Saumya Jain
UBS Investment Bank, Research Division

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good morning, and welcome to the Green Plains Inc. Fourth Quarter and Full-Year 2024 Earnings Conference Call. [Operator Instructions]

I will now turn the call over to your host, Phil Boggs, Chief Financial Officer. Mr. Boggs, please go ahead.

Phil Boggs
Chief Financial Officer

Thank you, and good morning, everyone. Welcome to Green Plains Inc.'s Fourth Quarter and Full-Year 2024 Earnings Call. Joining me on today's call is Todd Becker, President and Chief Executive Officer. There is a slide presentation available, and you can find it on our Investor page, under the Events & Presentations link on our website.

During this call, we will be making forward-looking statements, which are predictions, projections or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's press release and the comments made during this conference call and in the Risk Factors section of our Form 10-K, Form 10-Q and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statement.

Now I'd like to turn the call over to Todd Becker.

Todd A. Becker
President, CEO & Director

Thanks, Phil. Good morning, and thanks for joining our call today. As part of our ongoing strategic review. As you can see, we have executed a number of actions designed to improve our operating performance going forward and set ourselves up for when carbon comes on later this year in order to realize the maximum benefit from our protein, oil and carbon footprint. Over the last several years we invested significant capital to get our new products to market and the time has come to rationalize those costs, among other decisions we have made.

To accomplish significant cost savings and margin expansion, we took the necessary step of reorganizing our corporate and commercial functions to streamline and enhance our agility and resilience and to improve alignment around our core strategic focus. We have identified up to $50 million in annualized cost savings and based on the actions we have already done this week, we executed on the first $30 million of improvements already. This included: a move to smaller corporate workforce; winding down some of our innovation platform; attacking SG&A expenses; having a smaller executive leadership team with a number of executive departures; and lastly, looking at everything we do across the board that does not make us money. This was our natural move from innovation to commercialization, including rationalization.

We knew this day would come. As a result, we may incur a small onetime restructuring charge in the first quarter, which we do not believe will be significant or material. As part of this as well, in January, we made the difficult decision to shut down our 120 million gallon facility in Fairmont due to market conditions. This is not just the macroethanol market, but the acute issues stemming from the flooding last spring in Southern Minnesota, which resulted in a short corn crop and elevated basis levels in that area, which we think will last throughout the year.

We are keeping a skeleton crew to perform maintenance on the facility, while it is in cold idle for the foreseeable future. The plant also needs a new upgrade to the grain handling and drying systems, and permitting in Minnesota is just a long slog. If market conditions dictate, we can always bring this production back online, but we will be careful and thoughtful on this decision and we are still planning for carbon capture to be in place at this plant, but we will talk more on that with regard to carbon later in the call.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Now on to the quarter. We reported a net loss for the quarter of $54.9 million, or $0.86 per share. One thing I want you to notice though is we took a noncash income tax charge, making our number look worse, and Phil will talk about the settlement later in the call, although we were disappointed that our EBITDA was negative for the fourth quarter, yet in full 2024 the company earned $44.7 million in EBITDA positive for the year, still a disappointing result. Phil will review all the specifics shortly.

Again, when we look at EBITDA for Green Plains, the SG&A that plagues us is being attacked as we speak, and we cannot continue to be set up to burn our SG&A like we did this quarter. Our stand-alone assets performed to the market standard at many of our locations or even sit at the top of the market stack, yet our centralized structure was too large for a smaller production footprint, and that is why we announced the restructuring today.

While I can spend all day talking about the deterioration of the ethanol margins, you have heard it many times across industry earnings calls already. Market fundamentals were weak with high levels of production and elevated stocks with the one bright spot being strong exports as we are on pace to set a new record this year of approximately 1.9 billion gallons, and we expect 2025 to exceed that. We were largely unhedged and open to the crush going into the fourth quarter, which was the wrong choice to make as many of our shareholders have voiced concerns with our hedging programs, this quarter would have been the one to hedge.

As we enter into month 2 of 2025, the market has remained under pressure, yet when you look at where we have been historically, in Q1 at this time, the forward curve is in better shape and position than is typical for this time of year, but we need to see either an increase in demand or a decrease in supply or both. We are watching planting attentions closely, and we believe the setup for favorable industry fundamentals is in place, although the U.S. global -- the global market remains very tight on corn. So the U.S. farmer will need to act on putting serious acres in the ground. Otherwise, we are setting up for a higher-priced corn market in the future.

Despite having extended seasonal maintenance at Mount Vernon during the quarter, which we said was coming on the prior call, we achieved an operating rate of 92% and expect to continue to operate in the mid-90s after the exclusion of Fairmont. Our plants continue to operate better and better every month, and we are also focused on reducing our OpEx per gallon as well with many programs that are being kicked off as well there. We continued to track record for strong corn oil yields and yields at our MSC plants continue to push the upper end of what is possible with corn oil, even exceeding 1.2 pounds to 1.3 pounds per bushel.

Ultra-high protein yields were also in line with prior quarters, and we are constantly making improvements to the process at our MSC location though overall volumes were lower than the record levels in Q3 due to the decision to take protein downtime in the quarter at Wood River to rebaseline that plant in anticipation of carbon capture coming online later in the year. While the overall protein complex is under significant pressure from oversupply due to expanded domestic soy crushing capacity and it's becoming a bit ethanolized in that industry, there are definitely some bright spots as we move from innovation to commercialization.

Just last week, we sold one of the largest aquaculture companies in the world, the largest amount of quantities we have sold to-date, which will be converted to bulk vessel and is repeat business as we expect into South America of 50% protein, which is the result of 3 to 4 years of work. We see growing interest in our 60% Sequence product from those same customers and others abroad as global tightness in corn has resulted in a tightening corn gluten meal market in the destinations and the replacement product is, guess what, Sequence. And we are determined to keeping this position as a premium product and not let it be commoditized, and we are pricing it accordingly.

Our legacy pet food customers extended their contract with us once again, and we continue to focus on the growing market share in premium markets with our team and our distribution partnerships on pet food. The progress on carbon has been exceptional. The rulemaking is supportive to our company and shareholders, and we remain on track to begin capturing biogenic CO2 in the second half of this year with these policies in place to support not only our decarbonized ethanol but our low-carbon renewable corn oil

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

as well. We continue to believe that the value of our Nebraska assets are not reflected in our current share price.

Carbon earnings are to begin later this year and will fundamentally transform the earnings power of our business and our valuation. We are hearing and seeing individual transactions at a much higher multiple and per gallon valuations than traditional Generation 1 plant without carbon capture. With our reduced enterprise value based on the potential market for our decarbonized gallons, the Nebraska assets are more than our market cap alone, and it makes absolutely no sense. And between that and our SG&A rationalization, it sets us up for a significant re-rate once again, and we are looking forward to that.

And now I'll hand the call over to Phil to provide an update on the overall financial results. I'll come back on the call to provide additional color and outlook on what we just discussed as there are a few really important factors to consider as we move forward together. Phil?

Phil Boggs
Chief Financial Officer

Thank you, Todd. Green Plains consolidated revenues for the fourth quarter were $584 million, which was $128.4 million or approximately 18% lower than the same period a year ago. As it has been the last couple of quarters, the lower revenue is attributable to lower market prices experienced for ethanol, dried distillers grains and renewable corn oil in Q4 of '24 as compared to the same period a year ago. While we have seen a decline in our commodity inputs with corn and natural gas down significantly year-over-year, the margin opportunity was significantly weaker for the quarter compared to the prior quarter and the prior year due to market oversupply, as Todd has talked about.

Our plant utilization rate was 92% during the fourth quarter compared to the 95% run rate reported in the same period last year. For the trailing 4 quarters, we have averaged a 94% utilization rate, and we anticipate our operating plants to continue to perform in the mid-90% range of our stated capacity for the first quarter, excluding the impact of Fairmont being idled and barring any events outside of our control. For the quarter, we reported a net loss attributable to Green Plains of $54.9 million or negative $0.86 per share -- per diluted share compared to net income of $7.2 million or $0.12 per diluted share for the same period in 2023.

As Todd mentioned, we had negative noncash tax adjustments in the quarter that impacted EPS. EBITDA for the quarter was negative $18.9 million compared to $44.7 million in the prior year period. Depreciation and amortization expense was lower by $2.9 million versus a year ago at $21.4 million. For the fourth quarter, our SG&A costs for all segments, including our plants, was $25.6 million; $7.2 million lower than the prior year due to lower personnel costs and adjustments to incentive accruals. Remember, this includes our plant assets and the rationalization was almost all around our nonplant costs.

Interest expense of $7.7 million for the quarter, which includes the impact of debt amortization and capitalized interest was $0.9 million favorable to the prior year's fourth quarter. This decrease compared to prior year was primarily due to lower loan balances associated with the payoff of the Green Plains Partners debt retired in the third quarter of 2024. Our income tax for the quarter was $7 million compared to a tax benefit of $0.3 million for the same period in 2023.

As both Todd and I outlined in our earlier comments, during the quarter, we reached a settlement in principle with the IRS Independent Office of Appeals regarding our R&D tax credit for the tax years 2013 through 2018. Due to the agreement, we booked $6.2 million of tax for the year to increase our reserve for unrecognized tax benefits related to the R&D tax credit issue, net of our valuation allowance. At the end of the quarter, the federal net loss carry forward available to the company was $124.3 million, which may be carried forward indefinitely. Our normalized tax rate on a go-forward basis is around 23% to 24%.

Our liquidity position at the end of the year included $209.4 million in cash, cash equivalents and restricted cash, along with approximately $200.7 million available under our working capital revolver, a bit weaker due to the margin structure in the quarter. For the fourth quarter, we allocated $27 million of capital expenditures across the platform, including $6 million to our Clean Sugar initiative, about

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

$7 million to other growth initiatives and approximately $14 million toward maintenance, safety and regulatory capital improvements.

On a year-to-date basis, we have incurred capital expenditures of $95 million, in line with our prior estimates. We anticipate plant-related CapEx for 2025 will be in the range of $20 million to $35 million as we have most of what is needed at this point for our platform. This range excludes the remaining balance of approximately $110 million in carbon capture equipment needed for our Nebraska initiatives as we have financing in place to cover those needs.

Now I'll turn the call back over to Todd.

Todd A. Becker
President, CEO & Director

Yes. Thanks, Phil. And so let's walk through high points for our 2025 initiatives that we want you to focus on. In carbon, major milestones continue to be a hit. Tallgrass, Trailblazer project has acquired all the necessary rights of way to reach our 3 Nebraska facilities that we anticipate will be capturing carbon in the second half of this year.

Construction of pipeline laterals commenced and they remain on track to be completed late in the third quarter or early fourth quarter of 2025. We have spent significant time and effort to outline to you the financial benefit of this project, which continues to hold and could be better under the new rules. So let me focus on some of the recent highlights that are important for you to understand the significant reality of this project.

First, the proposed rule could not have come out more favorably for Green Plains had we been drafting it ourselves. While not a final rule, it was printed in the IRB, the Internal Revenue Bulletin and taxpayers can rely on it until such time Treasury or Congress would act. Our DCO has the lowest score among all the feedstocks for renewable diesel. Used cooking oil imports are no longer allowed for surface transportation fuels such as our renewable diesel and biodiesel and with imported finished fuels also not qualifying under this producer credit, which was approximately 1 billion gallons annually. We anticipate a material appreciation in domestic vegetable oil values related to corn oil, and have become to see this -- has begun to see this premium materialize for our corn oil.

As we have a lot of it, the clear winner here is ethanol with carbon capture, a 32-point reduction for plants that are able to execute near term. We see a clear advantage for our Nebraska footprint as we have reiterated to you, and this translates to significant cash flow materializing later this year. With narrow margins in the House and Senate, we believe it is unlikely that 45Z is eliminated in a reconciliation package and a lot of work is being done to get it actually extended. Green Plains has completed the facility registrations for our clean fuel production credit for our advantaged Nebraska strategy.

So to close, our outlook for the annualized run rate financial contribution for carbon across our 287 million gallons in Nebraska footprint is on track for at least $130 million using a $70 per ton private carbon credit value. This is net of operating expenses and the tolling fees on the pipeline as well as we are continuing to discount even for monetization. We have seen the strengthening in the distillers corn oil market since mid-December since the guidance and the model were released as it is given its beneficial treatment under 45Z and LCFS programs.

We have the capacity to produce around 300 million pounds of corn oil annually with Fairmont down. So every $0.10 move in its value is another $30 million in EBITDA, and we have seen that help our forward margins. The State of Minnesota has granted the permits for the Summit pipeline to reach our Fergus Falls facility, even though they won't grant us a permit to build temporary grain piles. But we remain optimistic and hopeful that, that project will make progress on permitting in 2025.

Let's talk about Clean Sugar. This exciting project can now make in-spec sweeteners for use across a wide variety of food and industrial products. The wastewater challenge remains as we have outlined, and we can only run the plant at about 1/3 of capacity while we design a solution for either dealing with it on the back end, the front end or selling all industrial products that skips the ion exchange process, yet leaves beneficial nutrients for fermentation. In the meantime, we have received Kosher and Halal certification.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

The food production license has been approved in the state of Iowa, and that was the major hurdle to finalize our FSSC or Food Safety Certification (sic) [Food Safety System Certification] audit, and we expect approval any day now.

The technology is disruptive and breakthrough. The next build will either be stand-alone, co-locate either at a wet mill or a dry mill, expansion of what our current wet mill can do or all of the above. We're also testing a front-end system used globally in order to not need wastewater solutions over the next few months, at which time we can choose our best path to 100% capacity. Again, it is not a technology issue. This has the same potential we have discussed in the past. We continue to remain very excited on our successes so far.

Unlike many technologies that have been developed around our industry, whether around alcohol to jet fuel or cellulose to ethanol, we can actually make product we can sell once we get our last certification. New technologies, as you know, are not easy to stand up, yet our team has done an amazing job getting to a point where we are very close and know where the last step has to be addressed, but we need to be certain of that step before we put the last capital in.

As noted earlier in the call, we had lower production volumes of ultra-high protein during Q4 at our Green Plains plants due to the major project at the Mount Vernon ethanol facility we told you about last year as well as taking down Wood River to baseline the plant so we can understand the true total plant opportunity when carbon starts up.

Margins remain under pressure in the protein space due to the availability of cheap competing project -- product ingredients, yet we did generate positive EBITDA at all of our plants last year in the protein investment. While paybacks are taking a little longer than expected, we know that markets move over time. We are starting to see a better uptake of our products globally that trade at a premium or potentially get Sequence off the ground as discussed earlier. We continue to increase our sales to domestic pet and international aqua customers, our key target growth areas.

While we are still making adjustments to our production process for Sequence, we have started to increase production due to the demand and anticipate growing our Sequence business substantially in 2025. We have also debottlenecked the ability to make 60% protein on the fly as our last run and current run that's taking place at Central City has little or no impact to plant operations as we have cracked the code on the biological formula to do this, and we will try and roll out these findings across the platform.

What we learned in Q4 and last year was that it's time to move on from investing and getting products to market acceptance and now try to fully monetize what we have done. This cannot be done without making the hard decisions on SG&A and assets like we have announced as we have set ourselves up for the remaining 2025 and the imminent start-up for carbon.

Our investments have been made, and we have very limited CapEx going forward other than carbon, which does not use our balance sheet cash. We will focus on executing on the total $50 million of savings identified, monetizing carbon, simplifying our structure, reducing or eliminating term debt, reducing our OpEx per gallon and continuing our strategic review as our complexity will be significantly reduced, and we will be a much leaner and simpler company as carbon and protein earnings along with baseline corn oil cash flows reposition our company for the future.

Let me reiterate on the last point. When we look at our current asset base, most of our plants stand-alone generate EBITDA positive or significant positive EBITDA at places like Central City, Obion, and Shenandoah and now Wood River as we add carbon. Adding carbon to the Nebraska, and those plants will be some of the highest margin plants in the country starting around Q4 or late Q3. Fairmont has been shut down for now, which will position our stack better and Mount Vernon and Madison are now once again back at rate, even record rates after significant improvements.

As we look forward, we must look back at what worked. We focused on aggressively driving significant efficiencies across the -- we are focused on aggressively driving significant efficiencies across the organization, including in our Corporate and Trade SG&A as we work to deliver the $50 million in cost savings we outlined this morning, and we will once again be targeting $0.02 to $0.03 a gallon -- per gallon

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

of SG&A at Corporate and Trade as we are taking actions to get there from our current $0.08 to $0.09 per gallon and took our first steps this week and expect to be aggressive in the next 60 days to achieve our goals. Added up, we will use 2025 as the year where we position Green Plains for future earnings power as we have outlined in the past.

Thank you for joining our call today. We can now start the Q&A session.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Craig Irwin from ROTH Capital Partners.

Craig Irwin
ROTH Capital Partners, LLC, Research Division

So Todd, the last several years, you've had a bunch of initiatives to take out costs like Project 24 and others. I guess we don't have to go through the list. This $50 million is a big move and $30 million already implemented this week. Can you maybe get granular for us where this is coming from? And how this cuts in to the overall profitability of the platform?

Todd A. Becker
President, CEO & Director

Well, what it does is, it increases the overall profitability. Listen, we spent the last 4 years focused on innovation and getting our products to market. And we have reached the point where we have penetration in the markets that we want to go, and now it's more around commercializing and marketing and trading those products correctly and then obviously rationalizing those costs. We really don't need to feed fish anymore. Our customers, they have accepted our products. They've used our products. We've had great -- we had a great trial in Norway with salmon. Those were great results. We consider it to be a gold standard product. Once that was kind of finished or getting close to being finished, the market understood the premium of our products.

And I think another thing that's really helping us right now is the global tightness in corn where corn gluten meal prices have continued to increase globally. But look, what we did is we invested a lot of money to get our products to market. We invest a lot of money in innovation and research. And in one full swoop this week, we decided we were going to move on from that and just focus on expanding our margin structure, reducing our SG&A costs all around that while keeping a core group that is focused every single day on making money.

Craig Irwin
ROTH Capital Partners, LLC, Research Division

So then just a follow-up on aquaculture, right? This was one of the potentially most attractive markets you could sell Hy-Pro into over the next number of years. We always expected it to take a while to get in there. Can you maybe talk a little bit about your projects in South America, you mentioned in the prepared remarks? Do you need to feed fish yourselves to continue to penetrate these customers?

Todd A. Becker
President, CEO & Director

No. In fact, we've made -- the penetration has been made. We have sold our first largest quantities we -- which could be actually converted now on a little bit more volume into bulk quantity shipping on a -- in a vessel, which is the first time we've been able to achieve that. If we can get some of our products out of the United States in the weak protein market we have here to service customers that are looking for different characteristics and feed than traditional soy proteins or soy protein isolates. That's really what we're replacing now in the world as well as the corn gluten meal market.

But it took us 3 to 4 years to get to this point. And I would say, while certainly in a weaker global protein market, we would have liked to seen it higher than we are today, it will start to pay dividends for us and our shareholders in the future. This is -- it took a lot longer than we thought. But again, we had to be patient. We had to invest the capital to get there. We had to show our customers. We understood what the use of our products would be for them, and they had to do their own testing. You have to go through a 2-year full cycle to grow salmon. And those are some of the things that we were dealing with.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

And while frustrating to all of you and to all of us, we're starting to feel better about this opportunity and we felt at this point, we basically won full swoop, took care of the -- or closed down much of our innovation and research platform as we know now that our products are commercialized, and we're really excited about the future of that. And we have a great team that positions us for that. But I think at this point, we're going to focus on making money.

Craig Irwin
ROTH Capital Partners, LLC, Research Division

That sounds good. So my last question, if I could squeeze another one in. CCS sounds like it's tracking right to schedule. Can you maybe talk a little bit about where we stand with the potential delivery of equipment and the pipeline interconnects? When could we possibly see first EBITDA off these projects? Any other details you could share with us would be helpful.

Todd A. Becker
President, CEO & Director

Yes. Look, our in-service date is somewhere in late Q3, very early Q4. Chris and the team are heading out to Ohio next week to take a first-hand look at our compression equipment being built to make sure that we remain on track. We're not the general contractor on the project. Our partners at Tallgrass, who own the Trailblazer project are. They're fully focused on breaking ground very soon and getting the building stood up. And if you come across Nebraska and you drive around our plants and other plants, you'll see that laterals are being laid right now and construction is fully underway, so we could attack the first couple of years of 45Z.

Operator

Your next question comes from the line of Jordan Levy from Truist Securities.

Jordan Levy
Truist Securities, Inc., Research Division

Maybe just following up on Craig's question just now on kind of level setting where you all stand. I appreciate kind of Todd, the commentary you gave on the protein side of things. But if you could just talk to that in reference to sugar given -- or CST, given it's still kind of earlier in the kind of rollout of that. I'm just curious how you're thinking about that in terms of the cost initiatives.

Todd A. Becker
President, CEO & Director

Can you follow up with some clarification on what you're looking for in the answer? Maybe a little moreâ€¦

Jordan Levy
Truist Securities, Inc., Research Division

Yes. Just kind of the level of detail you gave around protein, I'm just looking at something similar in terms of where market development is in CST?

Todd A. Becker
President, CEO & Director

Okay. Yes. Thank you. No, look, I mean, I don't think we're going to be short of customers. We are waiting for Food Safety Certification. We have already sent some of our products to beverage makers, food makers, industrial users, everything from insulation to pancake syrup and everything in between. I think you could -- I assure you our sales group and our marketing group has spent significant time with customers, and now it's just really waiting for us to get the proper certifications and with our partners, get the comments for yeast, so that we -- when we make Halal and Kosher as well, we're in-spec, and that's coming probably in the next week when we start using the yeast in our process.

Look, I think one thing we have to realize is that running at 1/3 is not the best economic thing for our shareholders. So we will probably move to more of a campaign program where when we make a sale, we'll

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

make the product and we'll start it back up and running at 24 hours a day, 365 days a year. At that rate, we can make more money making -- running Shenandoah at full rate on the grind side to make alcohol and sugar and -- or I'm sorry, alcohol, protein and oil. So we're going to go more in a campaign mode here and because we know we can make it.

We got to get that Food Safety Certification, but I think the last clear path on that was getting our Iowa Food Processor Certification. That is -- that has been approved, which I think continues to show the validation of our technology and that it works and that we make products on spec that can be used in everything like I talked about from beverages to pancake syrup to industrial products. And so we're there. It's really now just a function of what we expected, the capability of the local wastewater treatment plants to be able to take our products. They're focused on building a new one right now. And so we have to focus on how do we get this plant up to 100%.

In the meantime, we're in significant discussions -- we're in discussions with other potential users of this technology, both domestically and globally. We have interest in co-locating or licensing our technology globally in countries like Brazil and Europe as well as with even in the United States since the beginning, even before we acquired Fluid Quip, they had interest across both wet milling and dry milling for their technologies as a bolt-on to expand their capabilities. As you see with other results that are out there, sugar margins and sweetener margins have not really gone down with everything else. It's not an oversupplied market nor do we anticipate that anytime soon.

Jordan Levy
Truist Securities, Inc., Research Division

I appreciate that. And then just for clarification, $30 million of the restructuring this week. Sorry if I missed it, but did you kind of give a time line to get to that $50 million? Is it -- should we think year-end or something like that?

Todd A. Becker
President, CEO & Director

No. We want to try to be there within 90 days on an ongoing $50 million run rate. So our Phase 2 starts Monday. Phase 1 was this week. We resized our corporate and trade infrastructure and SG&A. We've several senior executives have departed the company as we had indicated. In addition, with the significant downsizing of our innovation platform at the York Innovation Center, our optimal feed mill, our labs as well as our Aqua Lab, I think the most important thing is we had to get our products to market, and that all cost a lot of money, call it sales and marketing -- or marketing, advertising and promotion, if you were a food company, MAP spend, but we're not spending any more on that at this point. I think our products have gotten what we needed to this point. So no, we were -- that was our first action this week, and we start on plan B or the Phase II on Monday to try and get this all wrapped up within 90 days.

Operator

Your next question comes from the line of Saumya Jain from UBS.

Saumya Jain
UBS Investment Bank, Research Division

So with DCO getting a score of 13 and soybean oil getting 38, should we expect corn oil to trade at a $0.04 to $0.05 per pound premium to soybean oil? Or how are you guys looking at that?

Todd A. Becker
President, CEO & Director

Yes. Thanks for that question. And by the way, that is the bid today. I mean I think we would have no problem selling $0.04 to $0.05 premium to soybean oil for the ongoing market at this point based on the value of the advantaged feedstock that we have today. So we're seeing indications like that already. We've seen the market trade like that already with bean oil at $0.45. I think $0.50 is not a hard value to trade today for our product. If you think about it, even since the last call, we were probably in the high-30s,

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

low-40s over the last couple of calls, starting to increase the bottom or come off that market in soybean oil.

Look, that soybean oil market is tight globally. We just have to rationalize some things going on here. But for us, we've seen -- our view is it should trade at a $0.07 to $0.10 premium. And I think that, that will ultimately come to bear with our product across; not just us, but the industry in general. We are seeing opportunities like that. And I think one thing is also really important for our product.

Every one of our plants now is now CORSIA certified, and we even get a premium for that. That means you can use our products to produce products for European jet fuel markets, et cetera, and fuel markets. So that is another thing that we were able to achieve during late last year and early into this year was all of our plants are now CORSIA certified, eligible for even more value including even Shenandoah.

So we're excited about this opportunity, which we wish was $0.80 a pound. That would change the margin structure significantly. But I think that we've seen the soybean oil market bottom out just based on what we're seeing globally in domestic vegetable oil pricing. But overall, we're really optimistic about our placement of our low CI product into markets like renewable diesel and CORSIA markets.

Saumya Jain
UBS Investment Bank, Research Division

Got it. And then how are you guys considering tariffs under Trump and the impact on your production maybe with DCO and Chinese biodiesel in particular?

Todd A. Becker
President, CEO & Director

If you look at the first action, which is the Chinese UCO situation, I think that is a really beneficial thing first and foremost, and that was a good thing to happen for our industry. We're going to have to take it day-by-day, step-by-step.

The Canadian fuel market is an important market for us. But if you looked at some of their proposed retaliation, it did not include ethanol. So I think when you're talking about motor fuels around the world that have certain requirements, a lot of times when you blend ethanol, you've changed the base fuel around and you just can't change that overnight. So put the tariff on or not put the tariff on, people are still going to buy our alcohol to go around the world. We have a low CI product. And I think we're going to still start to see even more interest in our products as we sequester carbon and even getting a lower CI ethanol and continue to focus on that as well.

So we'll take it day-by-day. If we put tariffs on our products, and then we get a tariff on Mexico to take our corn. Obviously, we'd have to weigh that. But a cheaper corn market wouldn't be so bad for Green Plains today or our industry as we've seen the corn market rally and ethanol hasn't been able to keep up. So we got to get through this winter doldrums of high stocks. We've been here before. We're starting to see a little bit of a slowdown, although we had elevated production this week, maybe catching up a little bit, but we're going to ebb and flow and the tariff situation is, we've been doing this a long time and ultimately becomes a zero-sum game.

Operator

Your next question comes from the line of Pooran Sharma from Stephens Inc.

Adam Reed Shepherd
Stephens Inc., Research Division

This is Adam Shepherd on for Pooran. Just in terms of the updated GREET model, and you mentioned it's essentially like you all wrote it for your assets. Can you just give some more color in terms of how much of an incremental benefit you expect to see versus your previous expectations? And how that might impact your longer-term margin potential?

Todd A. Becker

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

President, CEO & Director

Yes. I think when we look at our assets and we look at the new modeling and we kind of -- we are really excited about it because the starting points are lower. And in fact, even York, which has a different type of plant is eligible for 45Z now and not -- and is leaving the 45Q behind for a second here. So that gives us the courage to even look at low energy distillation there as well, which is something we're focused on. And so -- the starting point was even better than expected, which gave us more confidence that we'll be able to achieve our numbers.

And we haven't really changed that much with the guidance that we have, except to say that if you actually did the math, you would see that those numbers are even higher basis, the GREET model. But I think we want to be conservative and say, look, this is just a validation of what we have been saying, and we even have more confidence in our numbers today. We are working on now finalizing agreements to get our credits and our voluntary credit -- our voluntary carbon offsets to market as well in addition to looking at the tax situation -- tax credit situation and where we can help to use those forward cash flows to help monetize.

Again, our goal also when we look at all of this is to get our term debt paid off sometime here by either looking at that -- the situation we're in with carbon or other aspects of cash flow generation as well as looking at our stock price as well. I think that's going to be important as we start to generate free cash flows from these projects and look at to say, where is the best place to allocate capital and what's most accretive to our shareholders as we get to later in the year. But overall, it was a positive both from corn oil and carbon. And when you add those 2 together, I think it's very beneficial for Green Plains shareholders. It doesn't show up this quarter because we had a really weak ethanol market that we were coming off of with a bunch of oversupply, but this is why we're doing what we're doing.

And by the way, part of the $50 million we identified was shutting Fairmont down. Fairmont would have cost us almost $10 million, if not more. And part of that was we have to make decisions that are best for our shareholders. And in the past, maybe we would have run a plant like that to wait for a better margin structure. You know what, that game is up, and we're going to focus on absolutely every aspect of what we do, every line item of what we do, starting with SG&A, going through our cost to get products to market, looking at our assets to say what's going to run or not run. And we're not going to run and lose money anymore. So we're just going to -- we're going to take actions and we're going to make them swift and very quick.

Operator

Your next question comes from the line of Matthew Blair from TPH.

Matthew Robert Lovseth Blair
Tudor, Pickering, Holt & Co. Securities, LLC, Research Division

I had some questions on the 45Z in regards to your carbon capture efforts. So one, you mentioned that it's unlikely the 45Z will be repealed. Is it fair to say that, that's a shift in sentiment relative to perhaps earlier in the year? And if so, could you talk about what gives you confidence in that?

And then 2, to monetize the 45Z, you'll need to find a buyer on the other side, right? And so could you talk about -- are there any concerns that the 45Z would technically be in place, but it might be hard to find a buyer? How would you go about monetizing those credits?

Todd A. Becker
President, CEO & Director

Yes. I mean it's a tax credit. So I think finding buyers who can buy tax credits, and we've seen some potential opportunities that allows them to -- they're going to trade at a bit of a discount anyway than they have, but we've seen a good market for these type of credits start to avail, and we've seen those marketed today. Part of it, it's a combined package between credits and offsets, and I think we have both. I think it will be really interesting because the market hasn't been able to source these high-quality gold standard credits in volume to -- and carbon offset programs are still active at companies.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

No matter what we think about some of these programs, people still have their targets. And certainly, there's still a market for these. These are tax credit offsets. So I mean, really, when you're looking at -- and they're trading not at 100%. So I mean -- and our models don't show them trading at 100%. So we're being conservative from that perspective. Look, if we had a lot of profits we wouldn't have to find markets for our tax credits. We just use them. We don't have those today, but we expect to have those in the future. So we got to work through our NOLs first. But ultimately, some of those could be used ourselves to offset tax obligations. So that -- I don't think that will be a hard thing to market.

And then we get the offsets. Look at LCFS markets today in California and Oregon and other places. And Oregon already has a CCS pathway for LCFS. So that will be an important market, especially for early gallons that come off and California will take a couple of years after that. So we have kind of a baseline market for what carbon offsets are worth, and that's in the LCFS market. And we also have customers that want to buy the tax credits and then buy the offsets and using those savings to buy the offsets and achieve 2 things.

You got to remember, 45Z is not necessarily reducing your carbon offsets, it's just reducing your tax liability if you buy it. So tax credit markets are very active. In our view, I don't think we'll have any trouble from that perspective.

Matthew Robert Lovseth Blair
Tudor, Pickering, Holt & Co. Securities, LLC, Research Division

Sounds good. And thanks for the commentary on just the current margins and trends into the first quarter. We're looking at PADD 2 ethanol utilization that last week was 95%. The 3-year average for this time of year is closer to 87%, 88%. So is it fair to say this is more of a supply problem? And are you aware of any industry upcoming turnarounds that might help knock down this utilization figure?

Todd A. Becker
President, CEO & Director

Yes. I mean this is the time of the year that it's nice and cool out, and we could run -- the whole industry can run their plants full out. Cooling capacity has always been a bit of a bottleneck here, which is -- during the hot months in the summer months during driving season, which is why you see a little bit of a downtick in utilization only because when it gets warmer and hotter out there, you can't run your plant as efficiently. So where we're at right now, blends work really good. Gas demand is pretty good. We just need to get through this, get to driving season, come out of these winter doldrums, keep exports, and we think they could exceed $2 billion this year as long as obviously, we'll have to watch tariffs and everything like that. But demand for our products is really good.

E15 potentially as well will give us a little bit. Look, that's going to be a long game. We finally have what we need, but it's still going to be a long game to get to full utilization. 1% E15 uptake in addition to everything else would be taking us to an E11 blend would clear the surplus. So it just takes a little bit of moves here on top of everything else. But I think when you kind of look at where we're going to -- even though we're in the middle of the winter doldrums, getting the driving season will be great. Gas demand is good. Weather has been pretty clear for people to drive. We saw that in the blends.

And I think you're right to look at it that way. And I think if that was happening in May or June or July, margins would be significantly different than they are today just because we're in the middle of winter, it's running at a $10.50 to $11.20 pace, it's going to be a little bit hard to draw stocks yet. But when we draw, we expect them to draw fast and furious, especially with ramping up this export program in '25.

Operator

Your next question comes from the line of Salvator Tiano from Bank of America.

Salvator Tiano
BofA Securities, Research Division

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Firstly, I want to ask about the high protein business. I mean, the production level was pretty much the lowest, I think, quarterly since you added capacity in earnest. And you mentioned the Wood River rebaselining, but I'm not really sure I understand what that means.

And given all the discussions about the ramp-up of demand throughout the year, I'm still not really sure why things shouldn't have been much more favorable so that you should have increased your production rather than, as you said, do this rebaselining. So can you explain to us this? And also, how were sales actually in the quarter? Because obviously, you reported production, but were sales actually higher Q-on-Q? Did you actually bring higher premiums versus the past as we're expecting earlier in the year?

Todd A. Becker
President, CEO & Director

Yes. Thanks for the question. So let's address the first question. As we indicated to you, our modernization program at Mount Vernon was underway in the -- early into the fourth quarter, which reduced -- that plant was almost fully offline for about half of the month in October, and we didn't bring the protein system on back until we brought the full plant back online. We modernized all of the conveyor systems, all of the -- several of the older bin systems, lots of upgrades around the plant to get that plant modernized as we go into the future, as we look at what we needed to do there. And so protein was down there for a significant part of the month.

On top of that, what we wanted to do, when we talk about rebaselining a carbon plant, we have to run it with and without the drying system that we run in our protein operations because that does cause a change potentially in carbon score, but you have to take the hard decision to rebaseline that plant because it's really -- our Central City plant is a little bit different animal. So we may have to do that at some point here before we go back online. But it takes quite about 90 days to rebaseline a plant to look at all the aspects and all the calculations to understand when carbon hits, we will do what's most profitable for our site and for our company. And if that means to run the plant full out and not run protein, so we can make more relative to the 45Z and offset programs, we'll do that. If it means make more protein, we'll do that.

This plant is a plant that you may not be able to take protein down because of the drying capacity in the local market for feed. So we made the decision this quarter, and it was the right decision from a market perspective. You saw the weakness in soybean meal and soybean meal physical is even weaker when you look at the middle of Iowa trading at 50/50 under soybean meal futures and weaker than that. So it was the right quarter to do that. We continue to ship to our pet food customers, but we had to compete as well in some of the pork and the poultry markets that are a bit weaker based on some of the physical soybean meal basis that we've seen out there.

But we're basically running everywhere at this point, running back at all of the operations and protein are turned on. And again, we're very -- and we are in our next 60 Pro run in Central City. We just did one last month as well. So these are multiple runs in a row in multiple months that I think it would give us confidence that we're going to start to hit some of the targets of 60 Pro and Sequence.

Again, just starting to see some really interesting opportunities there that we've been waiting for. And some of it's about, again, what we talked about. If you look at the global tightness in corn other than the United States, which by the way, which has become tighter as well, corn gluten meal has become tight in the world as well. And again, a replacement for corn gluten meal is our Sequence product, and we're seeing that both domestically and globally.

Salvator Tiano
BofA Securities, Research Division

Okay. And also on the -- I guess, the SG&A, I mean, you got a few questions earlier and you addressed it. But what I'm trying to understand is why now? I mean, I understand the concept that we reached another phase, but based on your earnings, the volumes you're doing, it doesn't seem like we've reached full commercialization and that there's not a lot of work to do -- to be done there. So I'm not really sure what has changed at the start of '25 versus '24, '23 that would warrant these actions now as opposed to,

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

for example, 1 or 2 years ago or instead continuing the same path for another 1 or 2 years. So why now exactly?

Todd A. Becker
President, CEO & Director

Well, I can only say why not. I think when we look at SG&A, we've invested a lot in everything from taking trout and salmon to full weight and feeding the fish through making feeds that we wanted to use in testing and show our customers what's capable, and we did that for them all the way through our Innovation Center and doing things around getting dextrose to -- you can't just do everything on the fly while you're building a commercial facility. York Innovation has a fully operating dextrose facility there as well as fermentation facility, all that costs a lot of money.

On top of that, when we look at some of the systems that we have in place, we look at what we'll be doing, we have a little less volume in our biggest product, which is ethanol because we shut down our York facility, and that saves us a minimum of $10 million a year just in market savings alone, not including in savings in SG&A. And so when we look at all of that, why not? And I think -- and it's great for our shareholders, and it's great for our stakeholders. It's good for cash flow generation. And we're going to continue to be laser-focused on it.

You invest -- we had to overinvest in SG&A to get products to market. Well, we just sold one of the largest, if not the largest aquaculture company in the world, our 50% protein product and potentially our 60% protein product may go there as well. They don't need to see us doing this anymore. It was a bit of validation of our products. They had never seen products like this before in the market. Yes, you could buy 50 Pro soybean meal. But no, you could not buy fermented proteins with significant palatability uplifts in pet and aqua that do things differently than in the past. And we had to use our research to get into the door.

And yes, if I could even go back, I probably would have spent less doing it, but I can't go back. So now I'm going to spend less doing it going forward, and it's time to do that. And I think even looking at all the way to the top of the house and saying to ourselves, what do we need going forward into the future? We need finance. We need commercial. We need operations. And also our Fluid Quip business is starting to kick in again as well; 85% of their business was done outside of our company. They are not relying on Green Plains for their revenues, and they're generating positive cash flows and positive bottom line earnings. And that's something we're going to focus on as well.

So when we look at it, we're setting ourselves up for when carbon comes online to have the maximum ability to generate free cash flows. And having all that extra SG&A does not give us that maximum capability. And then we can decide what to do with those free cash flows and ultimately have the luxury of making those decisions. And that's focused on debt as well as getting our share price higher.

Salvator Tiano
BofA Securities, Research Division

Great. And you did make the comment that perhaps if you could go back, you would have spent less. So I wanted to ask on the Clean Sugar initiative. It wasn't even mentioned, I guess, on your expectations for earnings. You mentioned the $180 million EBITDA from SG&A and carbon, then ethanol, high protein and corn oil, but not Clean Sugar. So how would you judge the success of this initiative at this time? And what would you do differently if you could go back 2 or 3 years ago?

Todd A. Becker
President, CEO & Director

If I can go back 2 or 3 years ago, the next time we build Clean Sugar, it will be at a site that has on-site wastewater treatment, whether it's one of our sites or somewhere else instead of -- because we don't -- the last thing you want to do is invest in a wastewater plant. And I think when we relied on local communities to take our wastewater, a lot of what happens is during that time of build, that capacity potentially becomes stressed or older, and they just weren't able to take it. If we could get all of our

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

wastewater today to go somewhere, we would be running at 100%. And so that's something that we have to focus on.

But the team is actually focused on, there are technologies running all over the world to clean up what goes in it so you don't generate the wastewater that comes out of it. So sure, we could have we could have looked at it, built wastewater right to the front, but then I don't think we would have built it in Shenandoah. We would have built somewhere else that has wastewater alongside of it. I think when we look going forward, that's probably the one thing that I think is the biggest challenge. But in the end, we can make product, we can make it on-spec. It's an exact duplicate of what comes out of another sweetener facility around the world. We know that we can scale this.

There's probably a couple of things we are doing around ion exchange a little bit better, as we told you early on, but that system is working as well. And #2 will look different than #1. But at this point, we've got to get this thing running at full rate. And if we don't get it running at full rate, we'll have some contribution, but it's not where we want it to be, but it's also -- it's not a technology that doesn't work. And I think that's the most important thing. We have customers in food, beverage and industrial that want our product. The last certification should come here in the next couple of weeks.

Operator

Your next question comes from the line of Eric Stine from Craig-Hallum.

Eric Stine
Craig-Hallum Capital Group LLC, Research Division

Just want to sneak one in here at the end. I know you've talked about it's unlikely that the 45Z is repealed, but obviously, there are ongoing questions and regulatory uncertainty. So just -- I mean, when you look across your business, and I know that some of these areas are impacted to varying degrees, but do you kind of have a plan B? Or is there the potential that in some of these areas, it may change your plans based on the changes that potentially you see or are possible coming down the road?

Todd A. Becker
President, CEO & Director

Yes. I think there's always plan B on carbon, that's 45Q, that's not going to go away. It really -- that's been in place. It's a long-standing rule, and it's a cash pay for the first 5 years. So there is always a backstop and then we'll have to determine the value of the credit from that standpoint. But our view is 45Z is going to continue to hold. We have strong support from our Midwest Republican Senators and Congressmen. I don't think that they would vote for a repeal. I think we have strong support from our Interior Secretary, who's also -- has the Energy Committee that he's also chairing.

I think that when we look at the investors in some of these projects and who's really interested in seeing these successful. I think we've just got very, very strong support for everything across the board. Look, they might repeal a bunch of other things in IRA, but our view is 45Z continues to make the cut. And even then, it's a little bit like the Affordable Care Act continue to try to get repealed. But at the end of the day, that's kind of what's in law. I think what really gave us great confidence was last week when the IRS put out their guidance in the IRB. That's what people are going off of. And when that usually happens, not much changes from that point forward.

So will they look at the 45Z? Sure. Will they look at the IRA? Sure. And they should look at the IRA. But we've already spent the money and -- there's a lot of capital being spent from large companies across the United States based on this 45Z tax credit. So this is an equal opportunity making sure that we at least get the attention from ourselves all the way through the largest companies in the world that are investing behind this initiative as well.

Operator

Your next question comes from the line of Kristen Owen from Oppenheimer.

Kristen Owen

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Oppenheimer & Co. Inc., Research Division

I wanted to ask, as you're going through this sort of strategic review process and understanding the asset footprint in sort of a different light, you idled the Fairmont facility. I'm just wondering how you're thinking about maybe go forward, what are the options for that asset? Would you maybe look to monetize that? Just help us understand sort of how to think about your production capacity with that facility down, what the options are going forward?

Todd A. Becker
President, CEO & Director

Yes. I mean, we want to get our permit from the state of Minnesota to build drying, a new drying system and a new grain system. We put the money into the middle of the plant, and that all operates at the standard. And so yet after 17 years or 20 years of these plants being built, things wear out. And we've done -- that's one plant that we underinvested in because there was a lower margin -- lowest margin structure in our plant stack. One thing we were counting on is obviously the carbon pipeline to go up there, and we still count on that. And that will give us the confidence we need to invest behind that plant.

In the meantime, sure, we have -- we could always monetize that plant if we want to. That's something that we've looked at in our strategic review, but it is a carbon pipeline capable plant, and we're counting on that project to make progress this year. And if that were to happen, it makes that plant very valuable as well. So we look at all of our assets like that, the strategic review that we're under, we are -- when we kind of have embarked on this over the last year, what we're trying to do is uncomplicate the middle of the house, which is our SG&A, both at Corporate and Trade as well as some of the things that we do around some of these innovation assets that we put in place and make it very, very simple.

When you look at our plant stack, generally speaking, most of our plants are always EBITDA positive, if not very positive. Central City, Shenandoah, even Otter Tail up in Fergus Falls, that is one of our -- it's a 70 million gallon plant that competes with a 140 million gallon ICM margin structure. But in the end of that, we have plants like Fairmont that was a cash burn for us, and we have the SG&A that we're rationalizing, that was a cash burn for us. And we're just not going to do it anymore.

And we've got to focus now on our products are at market, Kristen, and they are -- we are selling them today. And now we got to be able to realize instead of spending $0.06 or $0.07 a gallon on SG&A to do that, we're going to take that SG&A right out and get back down to a little bit of back to the future where we have a smaller middle of the company, less complicated and our plants get to show what they can really do because I don't think we've been able to do that in order to get new products to market.

And as we're getting new products to market along came 15 million to 20 million more tons of soybean meal that kind of derailed 25 years of back testing. So we'll have to work through that. And as we know, commodity markets ebb and flow. And we will work through this excess protein. It might take a little bit longer than we think, but hopefully, we get paid through some of the other things that we're doing.

Kristen Owen
Oppenheimer & Co. Inc., Research Division

Understood. And recognizing that today's announcement is not new. It's a reflection of all of the reflection that you've had over the last year. But the question that I have for you is, as you're kind of going through this process, hindsight 2020, now that you've cleared the decks on SG&A, are there also some new implementation, maybe some hedging strategy, hedging governance? And you mentioned in your prepared remarks, this would have been the quarter to hedge. I'm just wondering how you're structurally addressing that feedback that you've received.

Todd A. Becker
President, CEO & Director

Listen, we listen to all our shareholders. And I think that we came into middle of last quarter and the fundamentals looked very solid, and we kind of remained unhedged all of last year and put a little bit on every quarter. And again, we did it this quarter as well. The market moved so fast more than everybody

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

was anticipating. I don't think it would have mattered. It should -- it certainly would have given us some extra cash, but the market moved very, very fast. And from the top to the bottom, and we are steering at very good margins the last -- at least better margins the last time we talked.

And you got to also manage your balance sheet and manage your cash and make sure you can make the margin calls. But look, I think we will assess it quarter-by-quarter and what's best for our shareholders. But when we see some bigger numbers again, obviously, we'll have to look at those decisions. Our Board is involved. We talk to our Board a lot on what we're going to do relative to our overall programs. And -- and as we kind of get through the year and get our SG&A down, get carbon working, corn oil contributions continue to go up because of our advantaged feedstocks. Hopefully, we have to have less and less reliance on stuff like that.

But I think generally speaking, we've done a good job over the years when we have hedged, maybe 1 quarter, notwithstanding the largest margins in history that nobody ever expected either. But we'll assess it quarter-by-quarter, and we work with our Board and management and our risk team to determine what the best option is for the company. And we'll just continue to take it on a case-by-case basis relative to the markets that we're in.

Operator

Your next question comes from the line of Laurence Alexander from Jefferies.

Laurence Alexander
Jefferies LLC, Research Division

Could you just help on 2 things? One is the free cash flow impact or the cash charges for the restructuring and any other impacts on the cash flow bridge for this year and next year?

And then separately, after the restructuring, how you're thinking about based on kind of the market feedback on the likely kind of equilibrium return on capital of the protein and the Clean Sugar sides of the business?

Todd A. Becker
President, CEO & Director

Yes. Thanks. I think it's going to be not a huge charge in Q1, certainly under $10 million, if not under $5 million and some of it may be even noncash write-offs. So it's not going to really be a massive effect to our balance sheet. We are -- we have been somewhat planning for this over the last several months and really focused on the things that we can do very quickly and had some accruals already in place that we're able to use to offset some of that. So I think overall, it's not going to have a very big impact to our income statement or our cash flows.

And then when we look at kind of return on assets, certainly, we wanted them to be better. When we look at -- we wanted it to be 15% to 20% on protein. It's more like 4% to 8% at this moment just -- and that's all driven by market. When we started, we were earning $0.15 to $0.20 a gallon uplift on protein. And with the onset of the -- the amount of soy protein hitting the market, if you look at that margin structure as well, as I said, it's become a bit ethanolized. They have too much capacity. I'm not sure slowing down is going to matter at this point. But when we look at that, certainly not the returns we wanted, but we have generated free cash flow off of these assets yet.

Yes, our SG&A ate a lot of that up, and then obviously, the ethanol margin came down. So sugar is going to take a little bit longer, as we know, but it's also not the largest part of our investment thesis. So when we look at over the last couple of years, we invested in protein. We put some investment in oil yields, which, by the way, continues to make records across many of our plants. We invested in the sugar platform, which we believe we have a working technology that is at scale, again, only hampered by one factor.

If that factor wasn't there, we'd be running at 100%, albeit it is there, and we have to deal with it. So we're going to work on that in the next couple of months. And then lastly, carbon. And when you look at

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

all of those together, carbon, some oil uplift, some protein contribution and even sugar just taking a little bit longer over a $500 million investment platform, generating over $200 million with protein contribution and carbon and oil and maybe a little bit from sugar, but probably not a lot. Overall, the investment is -- the total investment is working, but it's outsized, obviously, by carbon at this point. But we anticipate protein to contribute more in the future as well.

Operator

Your next question comes from the line of Andrew Strelzik from BMO.

Andrew Strelzik
BMO Capital Markets Equity Research

Just 2 things for me.

Todd A. Becker
President, CEO & Director

Sorry to have you last.

Andrew Strelzik
BMO Capital Markets Equity Research

That is just fine. First thing on my side, I wanted to ask about kind of maybe better understand how you're thinking about the base ethanol environment. Is it your view that as we get stronger demand over the summer, maybe inventory drawdowns that, that is enough to kind of solve things coming out of the summer when we -- kind of this time next year, we're having a better conversation? Or at these production levels, is ethanol demand? How much do you think that's going to be up? I'm just trying to better understand kind of how to think about the base ethanol margin environment kind of post the summer?

Todd A. Becker
President, CEO & Director

We'd like to understand that as well. I mean I think we've got to get the summer driving. It's going to be -- I think we're going to have our peaks and our valleys and they're going to be -- and it's going to move very, very fast. Overall, right now, what we're looking at is elevated stocks and elevated production because we're in the middle of winter. And we got to get the turnarounds, which should be -- as somebody asked earlier, should be late in March or April. And that's right at the beginning of summer driving season, although setting ourselves up well with demand.

But no, this is going to be a continued battle between production and supply and stocks and demand. And we really need to push for a couple of things to happen. Can we increase exports more than we think? Our plant at Fairmont going down among about 3 or 4 other smaller plants that have gone down. Will that rationalize supply? Will we have E15 uptake greater than we think -- than we may think with this administration really pressing that point home. And we got -- some of this will take time to play out. How will low-carbon ethanol make its way into certain markets. And so all of that combined, it's a bit of a stretch to see that we could have an outsized massive uplift in ethanol margins, but we should be able to bounce off the bottom here pretty significantly. But I don't know that we're going to have a peak margin environment anytime in 2025.

Andrew Strelzik
BMO Capital Markets Equity Research

Okay. All right. That's helpful. And then my last question is just on the corn oil side. I'm curious what you're seeing from a demand perspective so far post kind of the guidance from 45Z. Are you seeing either demand or the intention around demand pick up? And what's your expectation for the demand lift and then pricing on a go-forward basis?

Todd A. Becker

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

President, CEO & Director

Yes. I think when you look at renewable diesel, ebbs and flows, obviously, what's going on in some of the plants getting their SAF up and running, which is fantastic. And you've heard that through several of the other earnings calls. We are really excited for companies like that to take this HEFA feedstocks and generate jet fuel out of that. That is really favorable to us. And then it's also favorable to our CORSIA opportunity that we have, which all of our plants are CORSIA certified.

Some plants are definitely having some slow-ups -- slow start-ups, but generally speaking, when you look at the overall -- and I think we shared some of that with you guys, when you look at the overall balance sheet for veg oils domestically and globally, it probably justifies much higher, if not significantly higher prices. But I think oil share versus meal share is something that we're fighting with today, and that's ebbing and flowing a little bit. So as we look at it, we believe veg oil demand will continue to -- especially for our -- vegetable oil demand, especially for our products, will continue to be very strong during the year. And we're seeing more interest than we've seen in a very long time for longer-term, longer tenure contracts at a premium price to soybean oil.

I would say before, it was like next month, we would be able to sell some good product. But now we're starting to see people approach us to say, can we buy 50 million, 70 million, 80 million pounds from you over a longer period of time instead of buying 5 million or 7 million pounds at a crack, so they can get their hands on low CI advantaged feedstock, CORSIA-approved distillers corn oil that is a significant advantage over soybean oil and the fact that used cooking oil from China is not coming into United States anymore.

We'll watch tallow closely because that's really another advantaged feedstock, but that will get all used up pretty quick as well. And I think that's why when you look at -- we're watching renewable diesel margins closely, they can expand their margins significantly by buying lower CI feedstocks, and we have some of that, but we're not going to give it away for free.

Operator

And that concludes our question-and-answer session. I will now turn the call back over to Todd Becker for closing remarks.

Todd A. Becker
President, CEO & Director

Yes. Thank you, everyone. As you see, we've been pretty busy over the last several weeks. I think our focus on reorganizing our cost structures and our initiative that we announced today, of which we've already gotten closer to pushing towards that $30 million number this week. And then with Phase 2 starting on Monday to get to the $50 million number over the next 90 days.

Across the board, we've made significant changes to our platform, focusing on profitability per site, focusing on reducing our SG&A per gallon, looking at our products where we can generate more and higher returns with significant less investment in getting those products to market and then working our way towards the last half of the year, getting carbon up online, as we said, the laterals are under construction, just drive through Nebraska.

If you don't believe it, come and see it, we'll take you on a tour. That's -- the Tallgrass, Trailblazer project is an amazing project across the state, generating significant jobs for the state of Nebraska and significant opportunities for Nebraska Agriculture and Green Plains as well. And we're really excited about that. And I think we have a great opportunity coming out with significant low-carbon feedstocks that have -- that we believe should trade at a premium to the traditional feedstocks. It's what we've been setting ourselves up for.

We have to watch global protein markets, obviously. But generally speaking, I think we're well set up as we get through 2025 and then into '26 as carbon really starts to kick in. So we really appreciate your time today, and we'll talk to you next quarter.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

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

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2025 S&P Global Market Intelligence.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.