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PRESENTATION

Operator

Good morning, and welcome to the Green Plains Inc. and Green Plains Partners Fourth Quarter and Full Year 2018 Results. (Operator Instructions). I will now turn the conference over to your host, Jim Stark.

Jim Stark ***Green Plains Inc. - VP of Investor & Media Relations***

Thank you, Carmen. Welcome to the Green Plains Inc. and Green Plains Partners fourth quarter and full year 2018 earnings call. Participants on the today's call are Todd Becker, President and Chief Executive Officer; and John Neppl, our Chief Financial Officer. There is a slide presentation available, and you can find this presentation on the Investor page under the events and presentations link on both corporate websites.

During this call, we will be making forward-looking statements, which are predictions, projections or other statements about the future. 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 this morning's press releases and the comments made during this conference call and in the Risk Factors sections 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 ***Green Plains Inc. - President, CEO & Director***

Thanks, Jim, and good morning, and thanks for joining our call today. We reported net income of $53.5 million or $1.13 of diluted share and generated approximately $128 million of EBITDA for the fourth quarter. The fourth quarter and the year-end results were positively impacted by the gain on the sale of the 3 ethanol plants and the Vinegar company completed in November. We ended the quarter with $318 million in the bank after the company paid almost $500 million to eliminate our term loan B. All of our actions have put the company on a solid financial footing during the period of volatile earnings. While these steps were previously outlined as goals of the portfolio optimization plan being able to execute the program during this period of time is a credit to our employees who consistently deliver success and our shareholders who have been stalwart supporters. There is still more to do, which I will outline during this call.

We had several one-time items occurred during Q4: first, we had $150 million gain on asset sales; $3.4 million of severance expenses, that was a result of the reduction in the force done in December; and $13.2 million write-off of deferred debt issuance costs, resulting from the term loan B payoff. As we have done in the past, and we'll be willing to do in the future, we will realize value in our portfolio when the market is not willing to look past next week's or next month's crush margin.

The consolidated crush margin was a negative $0.08 per gallon for the -- for Q4, which is the lowest we've experienced in our 10-year history. Green Plains produced approximately 205 million gallons of ethanol in the fourth quarter. Our production levels was impacted by the ethanol plant sales, the permanent closure of Hopewell, Virginia and the temporary idling of plants as a result of the poor margin environment.

Our total ethanol capacity for the fourth quarter when you adjust for plant dispositions would have been 327 million gallons.

Our new annual run rate is 1,123,000,000 gallons at a 100% capacity.

We exported approximately 92 million gallons or 45% of our reduced production for Q4. The top destination we shift to in the quarter were India, Canada, and Brazil. For 2018, we exported 254 million gallons or approximately 23% of our ethanol production, which is also equal to 15% of the total ethanol gallons exported by the industry.

U.S. ethanol exports for the first 11 months of 2018, totaled a record 1.6 billion gallons. With December, we should top 1.7 billion gallons for the year. Almost all of our exported gallons flow through our Beaumont joint venture facility. We shift to 6 different countries and shipments were 6 different specifications, which showed the market the great capability of this terminal. Through continue debottlenecking and start-up optimization, we can now unload unit trains in 15 hours, and we are well set up for any expansion in export this year.

Currently, we anticipate exports for 2019 to be in the range of 1.7 billion to 1.8 billion gallons, which does not include any volumes from China.

Green Plains Partners reported $15.2 million of adjusted EBITDA, and a coverage ratio of 1.16x for the quarter and 1.01x coverage ratio for the last 4 quarters.

The agribusiness and energy segment reported $7.5 million of EBITDA for the quarter and $31.6 million for the year. This segment's performance was impacted by the sale of the 3 ethanol plants and lower production volumes of ethanol in distillers grains in the fourth quarter. Currently, we believe this segment can generate $30 million to $35 million of EBITDA in 2019, with the 13 plants we own today.

We reported $8.6 million of EBITDA in the food and ingredients segment for Q4. This segment was impacted by the sale of Fleischmann’s Vinegar Company at the end of November.

Winter weather negatively impacted our cattle business performance in Q4, combined with lower margins from the cattle inventory acquired in the Bartlett transaction. We owned the cattle in the Bartlett yards for a shorter period of time and as a result, had lower margins on the cattle sold for those 2 feedlots. Because of these 2 factors, feeding margins averaged $41 EBITDA per head in the fourth quarter. We averaged $62 EBITDA per head for the year on the sale of approximately 547,000 head of cattle. We anticipate EBITDA per head for 2019 in the $50 to $70 range, and our feedyard capacity is 355,000 head, which can turn up to 2x per year. We remain very optimistic on the cattle feeding business, and we will continue to look for opportunities in and around this platform.

As we have also indicated earlier, we will now look for potential off-balance sheet transactions to free up capital and further simplify our debt structure. We accomplished a number of things during the fourth quarter of 2018, consistent with our portfolio optimization plan of selling assets to prove value, paying off term debt, investing in protein technologies, reduce controllable expenses and buying back stock. We completed 4 asset sales in 2 separate transactions. We generated over $670 million of gross proceeds, including working capital and pay off our term loan B debt balance, as I indicated earlier. We absolutely believe the asset sales proved value for our business but unfortunately is not reflected in our stock price. We continue to explore sale of additional assets and have a number of interested parties. While nothing is imminent, we could see 1 or more transactions occurring before the end of the second quarter.

A couple of additional divestments would give us the cash and confidence to complete the optimization plan we laid out to you last May, regardless of where the ethanol crush may be.

I'm also pleased to tell you that we achieved a nearly $19 million forward run-rate reduction of controllable expenses on an annual basis. These are throughout the business, and you will see some of these flow-through reported corporate SG&A in 2019. While we ended the year with $318 million of cash, we did use cash to fund operations during the quarter of approximately $51 million. I would also note that nearly $20 million of the proceeds from selling the 3 ethanol plants went towards paying down our Green Plains Grain and Green Plains

Trade revolvers associated with the working capital sold in those transactions.

Now I'm going to turn the call over to John to review both Green Plains and Green Plains Partners financial performance. I will come back on the call to discuss the outlook for 2019 and some additional initiatives that are underway.

John W. Neppl ***Green Plains Inc. - CFO***

Thank you, Todd. Green Plains Inc. consolidated revenues were $827.5 million in the fourth quarter, down $93.5 million or 10% from the fourth quarter a year ago. The decrease in revenue was driven by a 20% reduction in the total ethanol gallons sold, coupled with a 13% lower price per gallon of ethanol in the fourth quarter of 2018 when compared to the Q4 2017. This was offset by higher revenue in our cattle feeding operations as we sold twice the number of cattle when compared to the fourth quarter 2017.

Consolidated net income for the quarter, was $53.5 million versus net income of $46.6 million a year ago. As Todd mentioned, we recorded a pretax gain on the sale of assets of $150.3 million during the quarter. Additionally, we wrote off $13.2 million of deferred debt issuance costs as a result of the term loan B payoff and reported $3.4 million of severance expense.

In all, we had $133.8 million positive pretax net impact from the actions taken as part of the portfolio optimization plan. Removing the gain and the tax effect of all of the one-time items, we would've reported a net loss of -- for the quarter, of $47 million or $1.17 per share. As a result, we recognized a tax benefit -- as a reminder, I'm sorry, we recognized a tax benefit of $52.8 million in the fourth quarter of 2017 due to revaluation of the deferred tax liabilities under the new Tax Cuts and Jobs Act.

EBITDA for the fourth quarter was $127.7 million compared to EBITDA of $36.1 million for the fourth quarter a year ago. For 2018, EBITDA totaled $224.7 million versus $154.4 million for 2017.

For the quarter, SG&A increased $1 million over 2017, primarily due to a $3.4 million severance expense taken in the quarter. With the sale of assets and the reduction of controllable expenses, SG&A should average between $24 million and $25 million per quarter in 2019.

Interest expense increased $13.2 million for the quarter compared to last year. This was driven entirely by the write off of the debt amortization expense related to paying off the term loan B. Based on current interest rates and the working capital financing balances, our interest expense should average $14 million to $15 million per quarter in 2019.

CapEx was about $13 million in the fourth quarter, with just over $5 million of maintenance CapEx for ethanol production and an additional $5 million for growth capital, including capital for the high-protein feed project in Shenandoah. We spent about $3 million of maintenance capital at Green Plant's cattle. For 2018, total capital spend was approximately $40 million.

For 2019, we will focus our CapEx spending primarily on the high-protein feed project in Shenandoah along with normal maintenance CapEx across the platform. Any additional opportunities to deploy capital may be impacted by the current ethanol margin environment. As of now, we have targeted about $50 million of spending for 2019.

On Slide 8 of the investor deck, you will see our balance sheet highlights. We had a $427 million net investment in cash and working capital at the end of the year compared to $388.1 million a year ago. Gross working capital and related borrowings increased slightly in our cattle feeding business, partially offset by the impact of our asset divestitures mentioned earlier. The decline in long-term assets, as well as long-term debt, reflect the impact of the portfolio optimization plan.

Book value per share increased slightly versus a year ago. Our liquidity position at the end of the year was solid with $318 million in total cash, along with approximately $401 million available under our working capital revolvers. This amount does not include availability of $66 million under the credit facility of the partnership. We did repurchase $3 million of stock in the fourth quarter. There is approximately $80 million available of $100 million stock buyback authorized by the board of Green Plains in August of 2014. Todd will talk more about capital allocation when he comes back on the call.

For Green Plains Partners, we reported adjusted EBITDA $15.2 million for the quarter, which excluded a one-time gain of $2.7 million for the assignment of railcar operating leases as part of the asset sales. The adjusted EBITDA was $3.8 million lower than the fourth quarter 2017. The partnership had 208 million gallons of throughput volumes at its ethanol storage assets, which included an incremental of 3 million gallons related to transload volumes.

Distributable cash flow was $13.1 million for the quarter, $4.5 million lower than the same quarter of 2017. Distributable cash flow for the fourth quarter was affected by the storage asset sales of the Green Plains 45 days into the fourth quarter and lower production volumes at the rest of the ethanol platform. The weighted average minimum volume commitments for Q4 was 265.5 million gallons.

Approximately $3 million of revenue for the partnership in the fourth quarter was related to the minimum volume commitment shortfall payment from Green Plains Inc. I would note that the current minimum volume commitment per quarter for 2019 will be 235.7 million gallons.

The distribution of $47.5 per unit declared on January 17, result in a coverage ratio of 1.16x for the fourth quarter. This coverage ratio reflects the impact of a reduction of 8.7 million LP units and 0.2 million GP units that Green Plains exchanged for storage assets in November.

On the last 12 month basis, adjusted EBITDA were $66 million, distributable cash flow was $58.5 million and declared distribution were $57.8 million, resulting in a 1.01 coverage ratio.

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

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Thanks, John. Currently, spot margins remain negative, but it have come off the lows as of late. The biggest question and challenge which is sitting in front of us is when do ethanol margins get back in the positive territory? Simple answer is when we get closer to 20 million barrels of inventory. And more difficult part of the answer is getting to 20 million barrels. We have said this time and time again, production needs to slow down and U.S. ethanol needs higher exports E15 year round and the small refinery exemption to subside. We've seen positives around all of these over the last few weeks. Production on a year-to-date basis versus 2017 is down 3%. Last week's EIA print of 967,000 barrels of production was a lowest we have seen since June of 2016. But we need this to continue for several weeks to start having an impact. We appeared to be moving closer to a resolution on trade with China. We believe China could be a buyer of U.S. ethanol at a conservative estimate of a minimum of 300 million gallons per year. In addition, we are optimistic the rhetoric as of late on both the EU and Brazilian tariff exploration this year and the potential demand increases for both of those countries. All these countries have significant tariff on our products, and we believe trade negotiators are aware of the need for ethanol to be front and center in these negotiations.

For E15, we should have approximately 2,000 retail stations in 30 states selling E15 when June 1 arrives. Acting EPA administrator last Monday told suppliers to get the E15 fuel supply ready for summer. Our estimate is the year-round E15 will add at least 200 million to 300 million gallons of incremental ethanol demand this year alone. Adding 500 million gallons of demand between exports in E15 should significantly benefit the industry and put ethanol supply and demand back into a good balance by mid-summer. Although we are now waiting for that day to come as we continue to be proactive in managing our production expenses and capital, we are in a strong position to manage this near-term trough.

Finally, we continue to believe the daily ethanol pricing market remains flawed and the proposed contract changes are a good first step towards a market more reflective of this current situation. We continue to make progress on the high-protein feed technology installation at Shenandoah. As an update to timeline, we now expect the technology to be operational in the fourth quarter of this year. I would add, we also continue to evaluate other high-protein feed technologies. These other technologies have compelling economics and product suitable for other feed markets as well. At face value, if we have these deploy today, we would add $0.12 to $0.20 gallon of margin as a starting point to our current structure.

In December, we announced the formation of optimal aqua feed, a 50-50 joint venture to produce high-quality aquaculture feeds, using proprietary techniques and high-protein feed ingredients. As we make the investment in high-protein production at our facilities, the joint venture will optimize the value of these products as this will go to a different set of customers versus traditional distillers grains.

As I mentioned on our last conference call, we have refocused our team and waited to reduce operating expenses at our non-ICM plants. Of the current 1.1 billion gallons of our capacity we own, about half of those gallons are non-ICM technologies. Our indications are that we can make a one-time investment between $0.10 and $0.18 per gallon of capacity depending on the location and narrow the cost spread of $0.08 to $0.09 of gallon to be almost equal to our best plants. We think this OpEx equalization project is a game changer for us as well. Our company engineers have been finalizing the plans to execute our first project to prove to the market this works and we will roll this out from there to the rest of our facilities.

I want to reiterate that Green Plains Partners is still a very important part of our overall business platform and it will be the vehicle for growth for us. GPP has an excellent liquidity available for growth and acquisitions in the future.

As we stated with the portfolio optimization plan, our goal was to sell 4 to 6 ethanol plants and raise $800 million of proceeds from selling these assets. It is getting those last couple of transactions completed that will enable us to get more aggressive on allocating capital to stock buybacks and investing more high-protein feed technologies and our OpEx equalization project. I want to assure you the Board of Directors of Green Plains Inc. and the management team are especially committed to this strategy as our stock price remains such a discount to book value. We firmly believe that an additional $150 million to $200 million of proceeds give us the cash to achieve the objectives we outlined in May of last year. When we are done selling assets, we would then roll out to you our updated strategic vision, which includes a simplified reporting structure going forward.

I want to thank you for joining the call today, and we'll start the Q&A session now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Adam Samuelson with Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

I was hoping to start on the portfolio optimization plan Todd and just go through, kind of, what's left. And I think you just alluded to potential for 1 to 3 more ethanol plant sales, potential opportunities to deconsolidate the cattle business. Just help us think through kind of -- is it something really that you can execute on in this first half of the year or just announce. I'm just trying to think what the timing likelihood, especially on the cattle feed last side, just expand a little bit on the opportunities that you are pursuing. I think the working capital intensity of that business is optically is something that investors struggle with in terms of assessing, kind of, the whole portfolio.

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, and we agree with that as well. So let's talk, first, about the portfolio optimization plan, excluding cattle. Our goal is to sell 4 to 6 ethanol plants, we've sold 3. We are now still in a process -- we believe our portfolio still has people very interested in picking up a few assets. We're working with 6 different counterparties still on several different locations. We have similar ideas around what we've executed already. We're not just going to sell all of our best plants, and we're not going to sell all our lower than, say, our mid-plants. But what we're looking at right now is to still execute sometime in the next 3 to 4 months on 1 to 3 more plants and try and raise somewhere between another $100 million and $200 million in asset sales. That's the first step. The second step -- and all of these plants are unencumbered, so that cash goes right to the balance sheet, obviously, we'll have to watch the tax situation. The second thing we are working on it as we get to -- we're starting to work on it and we mentioned this earlier is, obviously, optically, because of cattle where it sits on the balance sheet, it does show a lot of debt to outside shareholders and stakeholders. And so what we've talked about it, is there a structure to get cattle off-balance sheet and there is really 3 ways to do that. I'll talk about 2 of them. The first one is to sell at least half of it in a off-balance sheet transaction. And that will allow us to then grow the business off-balance sheet and not consolidate the debt. And then the other is obviously to look at a bigger piece of it as well. So we think that could help us generate another $75 million to $150 million of liquidity to put back on the balance sheet depending on the structure. So our goal is to get somewhere between $150 million and $300 million of more cash onto the balance sheet. And then at that point, looking at where our stock is related to book value, looking at the capital needed to invest in high-protein and also the OpEx utilization plan. We think we have a pretty good strategy going forward to allocate capital to all of those things going forward. And so when we look at this, we look at the same things everybody else looking at. Obviously, we'd like the margin structure to get better. It has started to make a move in the last 6 or 7 trading sessions, and it still continues to do that. Obviously, it's still negative, but there are certain factors that we think are positive: one is production last week, we saw 1 million barrels a day. A few weeks ago, we had stocks below last year. And at that the same time last year, margins were almost $0.20 a gallon better. So we think there is some structural flaws in the market that need to get adjusted. Then overall, will this continue and will we get some benefit from E15 and the export program?

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Okay. I really appreciate that color. And then just -- my follow-up was going to be on your own production rates and leverage to an improving markets. Your operating rates in the quarter were in the 60s, and there's a lot of noise for plant sales in 4Q. But just -- if key is critical -- getting the market balance needs lower production rates, and you are an important contributor of those lower production rates. How long do you -- what's your outlook for your rates as you move forward? And how long do we have to see Green Plains running in the 60%, 70% range before you strike the benefit from a both higher margin environment and operating rates more consistent with history in the low to high 90s?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

So we think that carrying for daily production capacity of the industry today is 1.1 million barrels a day. And our average down last quarter -- obviously, with some noise around the asset sales was about 35,000 barrels a day. And now we're running at 965,000 barrels last week. Now that can go up and down but we'll have to wait and see for Wednesday. So we are not the only ones doing the work anymore in this industry. Now, where we feel like we have a bit of an advantage is that we got on this early, we have a very strong balance sheet position and any turn quickly we can flex production up and down as needed. So I don't think we have to do all the work anymore. I think the industry has been experiencing weak margins now for more than a quarter or 2 and balance sheets are certainly changing. The variable contribution margin is certainly something that people talk about, but that doesn't replace EBITDA and that still causes cash burn. And as I have said publicly over the last 30 days, I thought last year, the industry burned -- could have burned about $1 billion. And I think they could do the same thing again this year or more, unless something changes and hopefully, we have started to see that change over the last kind of 6 to 10 trading sessions, where we kind of felt we would reach inflection in mid-February, and we're starting to see that come due. And it's really structured around, I think, balance sheets weakening across the industry and really the industry getting a bit fed up with these high production rates and low margins.

Operator

And our next question is from Ken Zaslow with Bank of Montreal.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

So if you get E15 and the China deal, do you think there will be more consolidation of ethanol assets by refiners? And do you think that there's a real place for publicly traded ethanol companies anymore?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, I think E15 will be something that becomes very interesting, as I believe we can satisfy a larger piece of the fuel supply, and we will satisfy a larger piece of the fuel supply. As we remain -- even though maybe we narrow up on the front-end of the curve, we still remain a good $0.25 to $0.30 discount to gasoline. There's still RIN in place, and when you look at all of that, wherever we have seen a station sell E15, we have seen that as some of the best selling fuel at the pump. And it's really 88 -- unleaded 88 is really the branding of this fuel going forward. And so the consumer -- as we continue to roll out more and more new cars, not only OEMs are putting it on their gas tank lids but almost all of the car supply, the auto supply in the United States today is approved for E15 as it was for 2001 in newer vehicle and that represents about 95% of the autos on the road. I think when you couple all of that, you've seen some dabbling in our industry by refiners. But I think you will start to see more interest come in the industry. As long as there is a market that we can expand into -- that we can grow into, and we are going to continue to take share of their volumes at the pump. And I think that could be a possibility.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

So you think there might be more consolidation from the refiners or no?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

I can't really comment on that. I just know that through our process, we have seen some that dabble into looking at the assets. They know the ethanol industry very well and if -- I think if some dramatic changes happen, I wouldn't hold it past others to start to get into the industry.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

My second question is on free cash flow. Can you talk about -- you had a lot of one-time costs in this. What do you think your ongoing free cash flow would've been ex some of the severance cost, things like that? And how do you think of that going forward?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, our free cash flow last quarter, ex all of the one-timers, we estimate would've been a negative $30 million to $40 million last quarter. Correct, John?

John W. Neppl ***Green Plains Inc. - CFO***

A little more.

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, a little more than that. But not much. I mean we had a bunch couple of one-timers that we had to pay off. And so going forward, obviously, the margin structure is going to tell the story. Right now, we are just getting back into single-digit negatives across the industry. And on average, some of our plants are almost positive again and some are positive EBITDA but on average the industry is somewhere between probably $0.05 and $0.11 negative EBITDA, and we average $0.08 negative last quarter. So I think the next couple of weeks will tell the story on where this industry is going to go into the second quarter. We'll start to see demand outpace supply, hopefully, exports pick up and we get back in the positive territory. I'm very surprised we are not there now, where we are relative to last year and the spread as we are really not that different than last year at this time. We're running lower on production and margins are $0.10 to $0.20 a gallon lower. And so we're finally starting to see that start to make a move and adjust for market conditions. We think it's taking too long but we are optimistic that, that -- the start is -- the turn has -- is in, based on current fundamentals.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

Maybe just so I -- just making sure I go back to the other things. Did you say you were going to actually sell the cattle business? What are you thinking about that?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

No, what we're looking at is off-balance sheet transactions. That would mean bring a partner in, for something over 50% of it. And then we can go off-balance sheet, and then start to make a move to double the -- to maybe double the business off-balance sheet. The situation is that, when you look at our balance sheet, we -- our debt situation is still reflective of high-cattle working capital revolver almost $400 million of our debt...

John W. Neppl ***Green Plains Inc. - CFO***

It's [$376 million].

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, it is a cattle revolver. And so it's not -- our debt is not reflective of the current financial strength that we have. And so if we can get that off-balance sheet and grow the business off-balance sheet, we like the business a lot. It's high return on equity, high return on investor capital. But we think that it makes the investor confused on when they look at our debt balance every day on the balance sheet.

Operator

Our next question comes from Eric Stine with Craig-Hallum.

Eric Andrew Stine ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

So just wanted to come back to the previous question on production industry-wide. Maybe this is tough to answer but I will give it a shot anyways. I mean do you feel like the industry right now -- I mean clearly, you're not the only ones bringing production off but is it more rational? I guess my question is, do you think that as margins do improve that production comes back on and you are in the same boat again or do you think that the industry is kind of finally taking a little bit of a long-term view in terms of production levels in utilization?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

So our view right now is that there is almost 2 billion gallons on any given day offline. So if the industry can produce at 1.1 million barrels a day, about 16.8 billion gallons. Right now, our view is that there's almost 2 billion gallons offline. And I think that is a broad cross-section of the industry that has started to reduce volumes. The industry -- I think margins have to improve for people to get any real enthusiasm about bringing these production levels back online as we've just experienced a pretty weak couple of quarters. And so will it bring more discipline? Hard to say. I think the balance sheet stress could bring more discipline, while a lot of companies have been debt-free for quite a while. The industry is in a cash burn situation and so while you can certainly get through it if you have a lot of cash, if you don't run large cash balances, the first thing you do is you draw in your revolver, once you get through your revolvers then you have to term-out your debt at that point. And I think that's where actually some of the industry is, as well, if I just have to look from the outside in. So I think we will be more rational although we haven't proven that we can do that in the past. But at this point, if we stay down like this for any extended period of time into these levels and we see demand catch up. It would be a while before -- if we went back to 1.05 to 1.1 million barrels a day, that we would grow stock. I think the view of the market this quarter is we would grow stocks aggressively, and we really haven't done that coming into driving seasons. And if we could stay down at these production levels, the industry could right this ship pretty quick, and especially with E15 and higher exports.

Eric Andrew Stine ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Got it. Okay. And then my follow-up, can you just -- coming back to the investments you talked about to reduce OpEx at your non-ICM plants, I mean, what type of timeframe do you see that playing out? Is that something that's dependent on further portfolio optimization steps? Just how should we think about that?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, we are going to go after low hanging fruit first. In our view, we're not going to get more volume out of our plants. We're going to use less corn, lower our energy cost, lower our operational cost. And we will go to the low-hanging fruit first and not the big investments that -- at some of the other plants. At $0.10 a gallon to almost a 1-year payback, we will start to make those investments. Obviously, we want to get the portfolio optimization plan complete. We want to have the capital on the balance sheet, we want to continue with all the 5 steps that we talked about, including share buybacks. And we want to look at where we make the best investments for the best returns. If our best investment for best return is protein we'll go after that. If it's OpEx equalization, we'll go after that. I think we're really excited about it. When we take a plant like Wood River, it typically performs at about $0.08 disadvantage to a plant like Obion or Shenandoah, and we believe the investment we can make there is about $0.10 a gallon and we could equalize that OpEx between those 2 plants. And then we have a Delta-T, 113 million gallon plant operating at the same OpEx rate as a 120 million gallons ICM. And so we know that -- we feel strongly that what we engineered will work. Obviously, we want to try 1 and make sure it does work. But it's not a very hard fix that we have figured out where the bottlenecks are. And our key is we will add -- we will lower OpEx, partially by the reduction of our input cost but also by less energy and less operational costs overall. If that works, then we will look to roll that out through all of our plants where we can then get all of our plants operating like the Shenandoah and Obion do.

Eric Andrew Stine ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Understood. And is that in part included in the CapEx numbers you gave in terms of 2019, or would that be above and beyond?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

No, it's not. I mean, I would -- our first one would probably be about $10 million, and that would be the one that tells us where we go from there. To do all of them is going to be somewhere between $80 million and $90 million, but we are not prepared to roll that out yet, obviously, with -- where margins are, where they are at, we would have to wait for better times. We would want to get some of the further portfolio optimization program done, and we could make a decision at that point. But right now, we'll do one small one, which -- but it's a huge impact. When you actually look at $0.08 across the whole platform -- across a 1 big plant, it's almost $0.01 to $0.02 across the whole platform of better margin structure overall. So we will go after low hanging fruit first and then make the determination based on where the margin structure is and where the forward curve is, how quickly we move after that. We know we can do it. It's just really timing at this point.

Operator

Our next question comes from Craig Irwin with Roth Capital Partners.

Craig Edward Irwin ***Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst***

So, Todd, I wanted to ask about the export environment we're looking at right now. Can you maybe comment for us, what you see is a reasonable outlook for this year? And what are you hearing as far as interest for specific cargoes? Is the Beaumont terminal getting interest in cargoes potentially going to China? Or are there new geographies that could be coming on that could end up being material in 2019?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes. We think 2019 right now, is tracking to around the same as last year, without China. And so that means we have growth in other markets as well, and we're -- we continue to see those markets continue to accelerate. So on 2019, obviously, Brazil is an important market. Canada continues to grow and India continues to grow. We also have -- when you put all those together along with the normal suspects, that should get us close to 1.7 billion gallons. With last year, we had China in for -- we did about 50 million gallons with China, and the year before that, we did 300 million -- and see the year before that, that was 25 million gallons to China. But we are on path to do 200 million to 300 million gallons. We think once this window opens up and so I think what's key here is we haven't really seen the interest yet. I mean people are nosing around our prices, we know the [arb] works if you take away the tariff. We know the European arb works as well if you take away the tariff, in fact, it works without the tariff at sometimes. Yes, we know that the trade rep or what's going on is the Brazilian tariff needs to come off and we have made our case to the trade rep as well on that. So open up all of those and we can have a pretty robust export market in 2019. We continue to execute well through Beaumont. We are, obviously, wishing we had a better market environment and so we are waiting to sell the terminal out to drop that into the MLP. We think that could happen, kind of, in the next 6 to 12 months, as we see the export market improve. We have a lot of interest from counterparties that want to enter into long-term contracts and we are a big supporter of the terminal as well. So that's something that help us drive our growth and our own export sales last year.

Craig Edward Irwin ***Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst***

Okay. My next question is a bigger picture question. So once you are done with the streamlining initiative, you are buying back your stock, you have feedlots off-balance sheet or in some other structure. The assets will look a lot more like Aventine many years ago did when Valero scooped them up. Did it concern you that you could be a target for future acquisitions from the refinery base that something that you think would be reasonable? Are there any other consequences of that much more pure play structure that you think would significantly impact your business?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

So when we look at post the optimization plan, we will have very little debt left on the balance sheet, a strong cash position, about 1 billion gallons of assets, all which we believe would be operating easily in the top quartile of the industry. We would have a terminal business that is doing well between Beaumont, Birmingham and other locations. We will have an off-balance sheet cattle business that should be able to still bring free cash flow into the company and working on other initiatives around high-protein, which is the game changer for all of it. And when you look at the future of this industry, the future of this industry is not going to be in our opinion making more ethanol, it's being maximizing the value of the co-product, which we are finally starting to see several technologies being able to do that. We're not going to choose just 1 technology to increase the value of our co-product. The determination is you could choose between 20% of a plant making 50 protein to 100% of a plant making 40 protein, it's all higher value and the world is protein short. Right now, these technologies add, as we said, right of the bat, $0.10 to $0.20 a gallon of EBITDA margin, with paybacks ranging from 1 to 3 years. And so we have to get through that and at that point, I would view us much different than the reference you put in place. Much more like a high-quality value-added feed company that has recurring margins because of the value of protein in the world and less of a cyclical ethanol company that -- you should have seen what that does for you in a market like this. As we've always said, the stable grain processing industry is a soy crush industry and that's because protein drives a lot of that because of the consistent demand growth and when we can make 40 and 50 protein ourselves, we'll have the benefit of enjoying a much more stable margin structure over time and it will look much more like soy processing than it does look like ethanol of the old days. That's our viewpoint on the forward going ethanol industry at this point.

Operator

And our next question comes from Laurence Alexander with Jefferies.

Nicholas Cecero ***Jefferies LLC, Research Division - Equity Associate***

This is Nick Cecero on for Laurence. Maybe if you could just provide some detail on the aquafeed JV in terms of future capital deployment and maybe the timeline for it to be material?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, the optimal JV was first put in place for a couple of reasons. Obviously, one, because the growth in aquaculture around the world and the need for high-quality feed products that we will produce in the future as an industry. And so selling high-protein feed is a much different game than selling 30% protein distillers grains to 1 truck at a time to everybody from cattle feeders to hog feeders to chicken feeders, and it's really just a substitute for corn. And so we needed a different skill set to go after higher value markets. Today, we believe our high-protein distillers will trade minimum on par with high-protein soybean meal, which, right of the bat, would add almost $0.10 a gallon to the crush. But we think in some parts of the world, it will trade at a $50 to $100 premium, which could add another $0.06 to $0.08 a gallon to the crush. And when you take that over a 100 million gallon plant then the investment in making sure we can sell it better is worth it. The capital right now is very, very minimal. It's much more people-oriented than it is asset-oriented. Although we do have customers now because of the partners that we partnered with that are looking for full one-stop solutions for all of their feed needs in the aquaculture space. And we think we will be able to provide that because we will have the baseload around the protein that we will produce going forward. So at this point, between looking at our investment that we're going to make and the investments needed right now is not a very capital-intensive process. But we will look forward at saying, what best services and maximizes the value of the co-product out of our ethanol plant, and we'll determine capital needs from there.

Nicholas Cecero ***Jefferies LLC, Research Division - Equity Associate***

And then just maybe a follow-up. Given the volatility in the cash flow generation from the ethanol assets, going forward, how do you now think about the balance between the ethanol and the protein side of the business? Could you see a scenario where you shift to being that short ethanol relative to the protein businesses?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Well, our scenario going forward is really the reinvention, and we thought Green Plains 2.0 and Green Plains 2.0 will be much more focused on high-value product production with stable margin structures but obviously, it take capital to do that. And in a different margin structure environment, we be accelerating that investment. Obviously, because of that, we want to make sure we protect our balance sheet at all cost. We continue with the portfolio optimization plan. We execute like we said we're going to execute and when the time is right, we go all in on protein but at this point, what we want to do is continue to execute for this plant. This is a long game, but I envision a day when Green Plains is going to talk more about EBITDA from protein than we'll ever talk about EBITDA from ethanol production and at that point I think that'll be the completion of the full program. But obviously, we have some market volatility we have to work through, which is why we set the company up to make sure that we survive that market volatility and come out of that with a stronger company and set up very correctly to execute.

Operator

Our next question comes from Pavel Molchanov with Raymond James.

Pavel S. Molchanov ***Raymond James & Associates, Inc., Research Division - Energy Analyst***

You've alluded to the upside opportunity for exports to China and I realize none of us can predict the broader politics of it but hypothetically, if let's say an agreement were to be reached between Washington and Beijing this month, how quickly would it -- could you envision the x window reopening in a practical sense?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

I think it would be almost immediate. They have demand for the product right now the policy is in place, they are already buying soybeans. If you look at that, that didn't take very long and they are doing it as a good faith gesture. And so I think these would be immediate purchases as soon as that tariff comes down. That tariff in China is the only thing restricting ethanol going there today and if ethanol didn't have that tariff, 200 million to 300 million gallons would not even be close to what the Chinese could import from the U.S. We could see it going significantly higher from there. So our view is that if this trade deal gets worked out, it's almost an immediate impact to our balance sheet and that's something we're watching closely. We're staying in front of the negotiators to make sure ethanol continues to stay front and center. We're doing the best we can from that perspective. They know the importance of it to the agricultural economy in the United States and our trade group at Growth Energy is doing a great job staying in front of everybody that we can around the world to make sure they understand the importance of ethanol in all of these trade deals, whether EU, Brazil or China, open up those 3 markets and we got a different discussion.

Pavel S. Molchanov ***Raymond James & Associates, Inc., Research Division - Energy Analyst***

One more about China. Can you imagine any scenario where China can successfully implement an average nationwide E10 blend without reliance on imports from the U.S.?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

No, our view is no. I don't think -- now, can they take care of some of the demand? Sure. They have ethanol plants that they could build and they are building but they -- their corn supply is, obviously, something that they need to make sure that they can achieve. I don't think they want to bring corn in to make ethanol, I think they much rather bring ethanol in than importing corn at this point. So no, I don't think any time in the near future do I see them fulfilling the E10 nationwide blend and obviously we continue to show them the benefits of E15 as well just like the United States is. So our view is that as the world continues to increase blends and they are continuing to increase blends, what we're going to start to see is a small -- a growth in exports ex China, out of the United States. And then when China comes in, obviously, it would not be hard for them to take 1 billion gallons very quickly. But our view is they go after right after same amount of volumes that they'd been taking in the past and then start to increase from there.

Operator

Ladies and gentlemen, we have time for one more question. Our next question is from Selman Akyol with Stifel.

Selman Akyol ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research***

A couple of quick ones, if I could. On the deficiency payment, how long do you have to recoup that? And do you have to run above the 85% level in order to recoup that?

John W. Neppl ***Green Plains Inc. - CFO***

Yes, the MVC, we have a 12 month period to recoup that and we would need to operate above that over that timeframe. And the MVC is roughly 84% of capacity, the minimum MVC. So we need to run above the 84% to eat back into the $3 million.

Selman Akyol ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research***

Got you. And then I know, Todd, longer term you talked about the partnership, it's a growth partnership. Can you just talk about sort of what your plans are longer term for it?

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, we still believe with the volume that we produce and the demand that we have -- we didn't focus on it because obviously, we are focused on retooling the whole platform over the last couple of months -- over the last 6 months. But number one, the growth of our facility in Beaumont. Number two, the ability for us to manage assets. We are start going to -- and the liquidity available at GPP, once we have done this restructure. We still believe that we can grow that through looking for acquisitions of terminal similar to businesses like Beaumont and Birmingham. And so we do have now a manager in charge of that internally that is working and looking at opportunities and will continue now to refocus our efforts to grow GPP as we want to from the beginning what we have said is while the baseline would be Green Plains, ethanol volumes through the tanks allocated at the ethanol plants, we still believe that we want to diversify incoming revenue streams outside of that and now we're in a much better position to do that at the MLP once we get that restructured. So we will continue to support the MLP and we'll continue to invest behind that as well.

Operator

Ladies and gentlemen, this concludes our Q&A session for today. I would like to turn the call back to Todd Becker for his closing remarks.

Todd A. Becker ***Green Plains Inc. - President, CEO & Director***

Yes, thanks, everybody, for joining us today. Obviously, we did a lot last quarter, and we want to make sure we set the company up to be successful and make sure that we thrive in 2019 when some of these things come to fruition around demand and supply. The balance sheet remained strong, our cash position remained strong. We did write a $500 million check to pay off our term debt last year. And it's the first time in our company's history. We do not have debt, our assets fully encumbered by long-term term debt. So we're very excited about that. We think we have set you up in a good position to succeed. We need a little help from the market but I think we are set up well for 2019 and beyond. So thanks for coming on the call. We'll talk to you next quarter.

Operator

And with that ladies and gentlemen, we thank you for participating in today's conference. This concludes the program and you may all disconnect. Have a wonderful day.