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The Andersons, Inc.

2020 Investor Day

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CORPORATE PARTICIPANTS

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Pat Bowe, *President and Chief Executive Officer*

Bill Krueger, *President, Trade and Processing*

Joe McNeely, *President, Nutrient and Industrial*

Brian Valentine, *Executive Vice President and Chief Financial Officer*

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PRESENTATION

John Kraus

Good morning, ladies and gentlemen. My name is John Kraus and I'm proud to serve as Director of Investor Relations at The Andersons. We hope you and your families are safe and healthy. Nothing's more important.

On behalf of all my colleagues, I want to thank you for joining us today. We're excited to be here to share details of the strategic direction of the Company and is four business segments. While we would much rather be with you in person, we're happy to be able to make this presentation to you virtually. We want you to know that while most of us are together in our Maumee, Ohio headquarters, we're in a large room and we're practicing all appropriate COVID safety protocols.

Before I get to this morning's agenda, I want to share a brief message about forward-looking statements and non-GAAP financial measures. We're pleased to be able to share a lot about our plans for the next three years and want to remind you about the amount of reliance you should place on our statements about the future. You'll also see a lot of non-GAAP financial measures in the presentation, which we have reconciled to the closest GAAP measures in the appendix of today's presentation.

Moving to our agenda, we'll first get a strategic overview from our President and CEO, Pat Bowe. Pat will be followed immediately by Trade and Processing Group President, Bill Krueger, who will update us on our Trade and Ethanol businesses. Bill will be joining us live from our Kansas City office. After a question and answer session and a brief break, we'll continue with the presentation from Nutrient and Industrial President, Joe McNeely, on our Plant Nutrient and Rail segments. Executive Vice President and CFO, Brian Valentine, will follow Joe with a financial overview. Finally, after a second Q&A session, we'll conclude with some brief closing remarks from Pat.

I want to share just a few words about logistics. If you'd like to ask a question, you may do so at any time by typing it in the space provided on your screen. We'll get to as many questions as time allows and we'll follow up with you as soon as we can if we can't address your question this morning. Questions are also always welcomed by sending an email to me or to investorrelations@andersonsinc.com. Also, if you'd like to focus on either the speaker or the slides, you can do so by clicking on the square at the top right corner of the window you want to expand.

Now, I'd like to share a brief Company video. When that's finished playing, Pat will begin our formal remarks.

Thank you again for joining us.

(Video Presentation)

Pat Bowe

Welcome to The Andersons 2020 Investor Day, and thank you for your interest in our Company, and for logging in to this virtual event. We, of course, would prefer to be meeting with you in person, but we think it's prudent to follow all protocols that can keep everyone safe, and thank you for your flexibility.

As John mentioned in his introduction, I'm Pat Bowe, President and CEO of The Andersons. I'm proud to have been with the Company for five years now. I was born in Stockton, California and grew up around the grain business, as my father ran a Northern California grain company for his entire career. I started in the ag business in 1980, after graduating from Stanford. I've 40 years of agri business experience. Thirty years of that was with Cargill, in various roles around the world in trading, sales, manufacturing and at the executive level.

To kick things off today, I'd like to give you a brief high level overview of the Company and introduce you to our strategy. Let's get started with what I'd like you to take away today from our session.

We would like you to understand that we're a significant and growing player in the North American ag supply chain. We have a long history of building strong customer relationships up and down that supply chain, from farmer to large food, feed and fuel companies. We have a broad portfolio of offerings that leverages our approach, which is to be nimble and innovative in order to drive profitable growth. We've built a strong track record of creating a leaner cost structure, scrutinizing underperforming assets, and we've put in place a focus on continuous improvement. We've also implemented a disciplined and targeted approach to capital allocation to maximize shareholder value.

Having shared these key messages, I'd like to give you a quick at-a-glance overview of the Company. We're coming up on our 75th anniversary, and 25th anniversary as a public company in two years. We're a NASDAQ-listed company with a market cap of nearly $800 million, with 2,400 employees in 150 North

American locations. Our top line almost tripled in 2019, with the transformational acquisition of the Lansing Trade Group, to just under $8 million, making us a Fortune 500 company. We completed a significant business restructuring project this year, combining our four business groups into two, and we combined the administration of these divisions, that will reduce our expenses by about $10 million per year beginning in 2021.

We've listed here some key success factors. For us to be successful, it all starts with strong customer relationships. We accomplish this from a broad product line offering and being innovative in meeting customer needs. We've also put in a place a continuous improvement effort that we call ANDExcellence. It's already helped us to become leaner, safer and more efficient. Most importantly, we've created a vision for the Company: to be the most nimble and innovative North American ag supply chain company.

Now, let's take a closer look at our portfolio. You'll be hearing more detail about our four business segments from Bill and Joe in a few minutes, but I want to explain that we have a strong network of assets that are linked across the ag supply chain.

In our Trade business, we merchandise grain across a broad network of 78 locations and trade numerous grain, feed, food and pet food ingredients. We handle 30 million metric tons of grain, putting us among the top five companies in the U.S. Our Trade business is directly linked to the supply of corn for our Ethanol business. Our plants are geographically well positioned, modern, large scale and low cost. We've long been one of the strongest fertilizer distribution companies in the Eastern Corn Belt, and we've built upon that fertilizer base to create a broad Plant Nutrient business. We handle 2.3 million tons per year through 37 facilities, and in the Rail space, we lease over 24,000 railcars and operate 28 repair shops across the country. It's a business segment whose success is driven more by the broader economy than just the ag economy, and it generates a steady cash flow for the Company.

Let me explain a little bit more what I mean when we talk about ag supply chain. This illustration represents where we operate. We move from farm to fork, or from field to fuel, you might say. We connect ag production to demand across both time, sometimes well over a year in advance, and geography, from a customer 70 miles up the road to customers 7,000 miles across the ocean in Asia.

So, let's look at this asset network a little bit closer across North America. We have a nationwide reach that enables end-to-end supply chain, connecting producers to customers. We have scale and regional strength in grain and fertilizer. While we're not all things to all markets, we have significant assets in the right geographies. We strengthen our grain assets from an Eastern Corn Belt focus by adding Western Corn Belt locations with the acquisition of Lansing Trade Group. Our fertilizer assets are predominantly in the Eastern Corn Belt. Our railcar network is nationwide in scope, with locations positioned on or close to Class 1 railroads that are close to major rail markets and customer locations. The key takeaway here is that we have enough size in each of our business groups geographically to compete effectively.

We've been transforming the Company recently and now I'd like to explain a little bit more about that journey.

Over the past five years, we've made substantial changes by improving our portfolio and reducing costs. Almost two years ago, we made the largest acquisition in the Company's history and successfully integrated the Lansing Trade Group and Thompsons Limited. We achieved all cost and revenue synergies ahead of schedule. Last October, we merged our four separate Ethanol entities into one LLC with our long-time partner Marathon Petroleum Company. The reorganization of four groups into two this past year not only saves $10 million in admin costs, as I mentioned earlier, but it also streamlines decision-making. We've also sold underperforming assets in the Company.

Our relentless focus on cost control resulted in cost reductions of more than $40 million in cost savings through 2019, against our 2015 base. In 2020, we further reduced costs by about $30 million. Combined with the $10 million of admin cost savings I mentioned earlier, we expect that total cost will be $25 million to $30 million lower compared to 2019 levels.

I'm proud of the significant progress we've made on that transformation and very excited about the growth prospects for the Company going forward.

Now, lets take a quick introduction of our Leadership Team. Each member of our Executive Leadership Team has joined the Company within the last three years, and the team has been reduced from eight to four to streamline decision-making and reduce costs. I've been able to attract proven leaders with outstanding experience for our top executive roles.

Brian Valentine, our CFO, had great experience as CFO of Lubrizol, a specialty chemical company that is owned by Berkshire Hathaway.

Christine Castellano, our General Counsel, was the GC for Ingredion and, thus, is very familiar with the ag food space.

Bill Krueger, formerly CEO of Lansing Trade Group, joined us as President of our Trade business when we acquired Lansing Trade Group, and now oversees our combined Trade and Processing Group.

Joe McNeely has had a strong career in several companies in the rail industry, including CFO and CEO of FreightCar America. Joe started as President of our Rail business and now oversees the combined Nutrient and Industrial Group.

I'm very pleased with the leadership of this team, and we've put this team together with a strong layer of management just below it. We have a solid succession ladder with staggered ages and deep industry experience that will serve us well for years to come.

Now, I'd like to share an overview of our Board of Directors. We have a Board made up of 10 Directors with deep experience and diverse backgrounds. Our Board member capabilities are very strong in management and governance. Five are former CEOs, and the group has over 100 years of experience in leading ag companies.

Speaking of governance, let's take a little bit deeper look at our efforts in ESG. The Andersons has had a long tradition, put in place by our founders, of supporting all stakeholders and doing what's right. Our Statement of Principles is a document that's been a guide for our Company values for almost 50 years. It is continually updated and is still a guide for our employees and is the foundation for our ESG efforts. Having said that, we need to put in place reporting and enhanced measurements for these efforts, and this is a work in progress, but we're proud to have published our first Sustainability Review this year, which is now out on our website.

Here are a few examples of the work we're doing in ESG.

We're leaders in our industry for the work we do in 4R stewardship in fertilizer. We've utilized the latest technology in building a low-carbon biofuels plant this past year, and we've linked end-to-end transparent and food-safe supply chains to connect farmers with large food companies, and we've continually reduced the amount of energy consumption at our ethanol plants, making them some of the most energy-efficient in the industry.

We have a long history of giving back to our communities and conduct an annual giving campaign with a corporate match for our employees, as well as offering many opportunities for them to volunteer their time and talent. We also make annual contributions to our communities from the Company and from our Corporate Foundation.

Most important is the work we do with our employees to foster a culture in which everyone feels safe, included and engaged. We stand for a work environment that promotes diversity, inclusion and equality for all. We have an open door policy at all levels of the organization and support employee welfare through healthy lifestyle programs and continuing education. Our key focus at The Andersons is on service. We Serve is engraved on the sculpture installed in the lobby of our headquarters. It was carved by Dick Anderson, a former CEO and son of our Founder, who passed away this year at the age of 90. Dick was a great man and a mentor to many of us. Our goal is to serve all stakeholders in a balanced way.

Now, let's look at what gives us a competitive advantage. I want to focus on three areas that you've already heard in my remarks, nimble and innovative, interrelated businesses and deep customer relationships. We're small enough to be nimble and capture opportunities quickly, yet we have the size to compete. In fact, we rank amongst the top 10 players in each of our four business segments in the U.SA. Our business groups are interrelated and have connections that provide insights to each other. We want to continue to build upon these sustainable and unique advantages to further strengthen our position.

Now, let's talk about our strategic growth initiatives. Our three major strategic growth initiatives are: drive margin expansion and reduce capital intensity; innovate and develop new products and services; grow profitably and leverage specialty market opportunities. I'd like to expand on each of these over the next three slides.

We have strong opportunities to drive margin expansion and reduce capital intensity in each of our four business segments. You'll be hearing the detail from Bill and Joe regarding our opportunities for margin expansion in each of the segments. Our key focus will be on choosing projects that result in higher margins and higher return on invested capital. We're committed to paying down debt, but still have ample capital available for growth.

So, let's talk about innovation and new product development and how that will help us down the road. The Andersons provides numerous opportunities for innovation and the use of technology. We've been working on this for many years, and will continue to evolve in developing technology to improve each of our business groups. We launched our own venture capital fund in 2014, called Maumee Ventures. We've invested in, and are looking for, emerging technologies that align with our business interests. The fund has been successful to date, and we continue to look for new investments with unique value propositions. Our goal is to learn and earn to stay abreast of cutting-edge and potentially disruptive technologies.

Now, let's talk further about our plans for profitable growth. We have incremental growth opportunities with significant upside in our four business segments, where we can grow profitably and leverage specialty market opportunities.

We've been successful in growing our specialty grain business in food and pet food markets. Beyond primary row crops, there's a growing demand for organic, non-GMO, natural and specialty crops.

I mentioned previously our intent to continue to develop our co-products in ethanol as we move up the value chain with our feed products. We also see corn oil as the key input to supply the fast-growing renewable diesel market.

Our Plant Nutrient business has always been an innovator, with new products and patents coming out almost every year. We have many opportunities in engineered granules and other new products. We manufacture numerous products with unique characteristics. We've been adding more natural and organic offerings in our Plant Nutrient business.

We're always looking for new ways to work with our customers within our rail leasing business and repair network. An example would include remanufacturing and repurposing cars for lease customers, to position them better for use in another market.

The key takeaway here is that we have numerous incremental growth opportunities for which the Company can grow.

In summary, I'd like to review the key takeaways. I hope by the end of our presentation today you'll be able to share our enthusiasm for the direction we're taking The Andersons.

You're aware that the ag industry goes through cycles, and while the last several years have been challenging in our industry, the recent increase in grain exports to China and tighter grain supply and demand has driven commodity prices higher, and a demand-led rally is stronger than a supply shortage, as it usually has lasting power. This, and other factors, have created momentum into the ag markets and for companies who participate in the ag supply chain. We felt the momentum of this impact across our businesses and are excited about the opportunities that lie in front of us over the next few years.

The five key takeaways listed here will drive our success in the coming years, and, personally, I'm deeply committed to lead our Company into a stronger and more profitable future.

Now, I'd like to introduce Bill Krueger, who's joining us from our Kansas City office. He'll be presenting an overview of our plans for The Andersons Trade and Processing Group. Bill?

Bill Krueger

Thank you, Pat.

As Pat mentioned, my name is Bill Krueger. I'm the President of The Andersons Trade and Processing. I started my career at ConAgra Trade Group, which is now Gavilon. From there, I spent a few years at the Scoular Company, and in 1995, I opened an office in Kansas City for Lansing, as Vice President of Trading, and progressed to the role of CEO, which I held until the acquisition in 2019. During my time at Lansing, I led exponential growth, as the company went from $100 million in revenue to over $5 billion, and our employee base grew from eight employees to 550.

Now, as we end our second year as one company which has combined and successfully integrated The Andersons grain business with Lansing Trade Group and Thompsons, I'm excited to be able to share with you both our successes and vision we have moving forward to maximize the strengths of a larger Trade business and the more recent consolidation of the Ethanol and Trade Teams.

We are going to hit on the following four key messages about Trade: focusing on diversification of the business; how we create value for our customers; our core competencies, which include risk management, transportation expertise; and a knowledge base across several commodities. We leverage the data collected across the entire organization to make better commercial decisions for the Company.

It is important to remember that, starting in 2019, our financial results include the fully consolidated results of Lansing and Thompsons. This year's drop in EBITDA came from a lack of carry in the soft wheat market, which should return in 2021, with the increase in planted acres, and the second factor was the drop in demand from Northern White Sand in the fracking industry.

I will now explain the key factors that make us successful. We deliver a high level of customer service that takes us from being a vendor to a partner with many of our customers. Our size allows us to maintain a culture of being nimble and innovative when developing solutions for our customers and finding opportunities in the market. As you'll see in the next few slides, our market expertise and geographic expanse allows us to be one of the most diverse companies in the North American ag industry. We define success as profitably creating value in the commodities supply chain by having a meaningful market presence in North America and by participating in select international markets.

The pictures below show a handful of our grain assets across the U.S. To give you some sense of the magnitude of the Lansing and Thompsons acquisition, our total elevator space increased by 50%, our total grains traded increased over 250%, our food and specialty business has grown more than 200%, making us a top five U.S. grain and ingredient merchant. This is a statistic that some of our competitors do not realize due to our business model, but key customers are very aware of our size and scale and value the wide variety of products we are able to supply them as a larger and more geographically diverse company.

We have facilities in most of the key agricultural production areas of the U.S. Our geographic asset base has grown substantially, taking the Andersons from an Eastern Corn Belt-focused originations company to a company targeting North American and international markets. A key advantage that we now have is the ability to quickly recognize changing market conditions across the U.S. and Eastern Canada and be better positioned to profit from those changes versus our more regionally-focused competitors. This allows us to work with producers to grow the commodities needed for our customers.

We are often asked the question: How does The Andersons Trade business make its money? This slide outlines our products and services, and, as you can see, we're much more than just a grain elevation company. In fact, most of our income is derived from our merchandising businesses, not our elevators. Our purpose is to connect production to demand across time and geography in the food, feed and fuel supply chains. When considering there are over 1,000 companies that trade grain, this bar graph puts into perspective our overall size, as we trade the equivalent of 12% of the wheat grown in the U.S. and 5% of the corn. Our products and services range from buying grain from farmers to processing of specialty crops to managing a propane distribution network.

One way to think about The Andersons is we're the strongest link between supply and demand in the grains and grain product supply chain. Our business is able to generate profit from services, logistics, position taking, and both calendar and geographic arbitrage opportunities, that are easily identified from the propriety tools we have developed for our merchants.

Personally, I have always made sure our merchants and Management Team focuses on evolving trends across the industry and try to be positioned correctly to take advantage of these changes as they occur. The global focus of the multinational ag companies provides opportunities for medium-sized companies, like ours, to provide best-in-class customer service to our North American clients.

The nimble and innovative culture of the business allows us to quickly adapt to the changing trends of both our consumers and pet food customers. When the pet food industry targeted novel product mixes, we were one of the first companies to source and lightly process potato products, pulses and ancient grains for that industry.

Our deep roots in production agriculture allows us to develop valuable tools for our producers to manage their risk. In the past year, we have added several new contracting options as producers' demands change. We are well positioned to take advantage of changing trends in our industry.

Our durable business model is one that has stood the test of time. We focus on four attributes across all profit centers that will allow us to remain competitive. They are: diversified income streams from a wide scope of commodities over a broad geographical region; the ability to provide seamless execution from origination to destination in the most efficient manner for our customers; maintaining one of the top group of traders in the industry through recruiting and training; and, lastly, the development and execution of risk management strategies that can be either simple or complex, depending on the situation, which enables us to provide our customers with flexible contract options. These four attributes will allow us to stand out in the competitive landscape of the commodity industry.

Before discussing our strategic initiatives, it is important to explain our focus the past couple of years. Our primary focus in 2019 was to make sure that we were successful integrating Lansing and Thompsons with The Andersons. Many companies have tried and failed in this process. Once fully integrated, 2020 was focused on right-sizing the business, as we were able to take out over $15 million in expenses, allowing 2021 to be focused on growth. We have created growth initiatives for the next several years. I'll discuss the top three with you now, and they are: driving organic growth; leveraging our grain assets to increase profitability; and investing in customer-facing applications.

Our top initiative is to drive organic growth with asset-light capital investment. The industry has plenty of storage and elevation capacity. We are looking for higher returning investments under this initiative. We have a platform that is built for growth. Our primary areas of growth will be in our food and specialty business lines, along with entering new markets with higher margin potential. We expect to substantially increase our services model across the entire business, with a focus on increasing our suite of risk management tools for both the farmer and the consumer. We expect to find opportunities in both our Trade and Ethanol business.

In 2020, the business focused on leveraging our assets to increase profitability. This initiative will take on even more importance in 2021. The combined business of Trade and Ethanol has the perfect setup to recruit and develop merchants into profit center managers. We want to empower and reward our teams to create financial value for our business.

As you can see in the bar graph here, in 2017, we were able to turn our storage capacity 3.2 times. In our last trailing 12 months, we've increased our total volume traded versus our storage capacity to 5.6 times, with a target of being 6.4 times in 2023, clearly demonstrating our desire to leverage our grain assets.

My previous playbook, that was used in building a successful merchandising company, is being implemented across the newly formed Andersons Trade and Processing. We believe that our people are our most valuable asset, and when given the right training and tools, can provide very high returns.

In order to be the partner of choice, we'll continue to invest in customer-facing applications, such as GRAINweb, which allows our farmers to quickly have access to all their contract information online, and SmartTruck, which allows our trucking companies to get online and see loads that are available for them to haul for us. We will utilize a combination of third-party platforms, while also maintaining and enhancing our in-house proprietary solutions. As previously announced, The Andersons provided seed money for Roger LLC, along with five other industry participants. Roger LLC is a digital freight marketplace that will give truckers the ability to find bulk loads across the U.S. We are strongly committed to improving our customers' experience with The Andersons. The results of this initiative will provide our merchants with competitive tools, while giving them the ability to generate increased volume and more profit. Our focus, as a business, is to continuously improve in ways that allow for better decision-making and customer service.

Our long-term goals for Trade include the following: expanding the focus at our grain assets beyond providing an industry-leading experience for our producers to market their grain, by increasing our third-party merchandising and direct customer sales inside the locations; capitalize on the key strengths we now have as one company; raise our expectations on return on invested capital and reducing our debt—we have the ability to achieve both of these goals, while still growing as a business by deploying our core competencies with our customers. We plan to grow our EBITDA by 40% between 2020 and 2023.

I get asked all the time: Was it the right thing to do when The Andersons bought Lansing and Thompsons? The answer is a resounding yes. We are committed to delivering shareholder value and the largest transaction in our history will allow us to do just that going forward.

In conclusion, we would like for our investors to take away the following thoughts:

We are a very diversified business that generates profits from our grain assets, but, more importantly, from our merchandising businesses that trade a wide variety of grains and grain products. Changing trends will allow us to continually grow.

We create value by understanding our customer needs, both purchase and sales side. This initial book of business is then used to find additional opportunities in our various marketplaces by applying our core competencies.

Finally, we leverage the data collected from our large network of merchants to allow us to find profit-adding opportunities through arbitrage and prudent risk management.

Next, we will move on to talk about our Ethanol business. Personally, I'm excited to discuss our Ethanol business. It has been less than six months since I assumed the role as President of the combined businesses. Jim Pirolli, who oversaw the business, is still very involved and has day-to-day oversight. Jim has put together one of the best operational teams in the industry, and, with some recent additions to the commercial side of the business, we have created a best-in-class Commercial Team.

Since 2006, I have been involved in the trading of ethanol and the respective coproducts. I'm now spending time learning about operations and technology available for our plants to operate more efficiently and improve yields, along with the development of high-protein feed products. This is allowing us to identify synergies between Trade and Ethanol quickly.

I would like to share four key messages with you about our Ethanol business. We aspire to lead the industry in margin per bushel through expert plant management, best-in-class commercial operations, leveraging our partnerships and being laser-focused on maximizing all potential revenue streams from the plant.

Our financial results and capacity utilization have been materially affected by COVID in 2020. Starting in Q4 of 2019, our Ethanol numbers include the consolidation of the four plants we own with Marathon. As you can see, historically, the business has performed well on an EBITDA basis. The following five items are what makes The Andersons one of the best investments in the ethanol space: strategic partnerships; lowest cost operators; commodity expertise; value maximization of coproducts; and our focus on reducing carbon intensity. Again, our mission is to lead the dry corn milling industry in margin per bushel.

Ethanol is the most economic and sustainable solution for our customers to use as both an oxygenate and octane enhancer. The combination of buying our corn direct from producers, cogenerated electricity, maximizing the economic value of the DDG stream and creation of a large trade book for all products allows us to be a low-cost producer with a focus on reducing our carbon-intensity score across the system. Our controllable cost of $0.20 per gallon at four of our plants is below industry average.

Our financial assumptions show us returning to normal in 2021. This will get our total production up to 550 million gallons; production of 1.3 million tons of feed products, which includes continued progress on high-value products. We'll hit on this later in the presentation, but increasing our corn oil yield will improve our financial results. Lastly, we will continue adding income from increased third-party trading across all products.

As the sixth largest producer of ethanol in the U.S., our plants are strategically located. Our three Eastern Corn Belt plants are in a geographic area that allows us to get paid more for our ethanol and coproducts due to higher demand. Our Denison, Iowa plant, being in Northwest Iowa, allows us to buy some of the cheapest corn in the U.S., and once fully operational, our ELEMENT plant in Colwich, Kansas, which will have the lowest carbon-intensity score in the U.S. of any corn-based plant, is perfectly located to ship low CI ethanol to the California markets.

We have two key strategic partnerships. One is with the largest refinery in the U.S., Marathon, and the other is with a company that has experience in design and build of plants, and includes a focus on bringing new technology to the marketplace, which is ICM.

Our partnership with Marathon provides a unique platform in the ethanol space, as we make informed risk management and strategy decisions based on The Andersons' understanding of the ag commodities and Marathon's point of view on energy markets and refined products. Both Marathon and The Andersons are committed to reducing a carbon footprint for U.S. liquid transportation fuels.

Our partnership with ICM and the ELEMENT plant provides us with insight into the next generation of processing technology with seasoned industry veterans, and once ELEMENT is fully operational, including CARB-certified, which is the California Air Resources Board, we plan to leverage our technological edge even more.

We believe these relationships demonstrate we can be the partner of choice in the ethanol space.

The Andersons' commitment to sustainable clean energy will benefit our shareholders in both the short and long term. Ethanol is the lowest cost, cleanest burning, octane-enhancing agent for gasoline engines. The lifting of blending restrictions during the summer months provides a pathway for continued growth of E15 in the U.S. and Canada. Coupled with E15 growth, potential increased export demands to Mexico, China and India could quickly bring the U.S. supply and demand into balance, allowing for increased margins across the industry. Therefore, we believe The Andersons is well positioned to benefit from these long-term secular trends.

The ethanol industry can be a challenge, but with our experienced business model, we will continually outperform our peers. As mentioned earlier, The Andersons has a strong combination of being both a low-cost operator and user of new technology across all of our plants. Many industry participants strive for controllable costs of $0.23 to $0.26 per gallon, while our weighted average is $0.20 per gallon at our Denison, Albion, Clymers and Greenville plants, with a path to drive them lower. The combination of the Ethanol and Trade businesses provides us the ability to apply the core competencies the Company has in grain procurement, logistics, risk management and customer partnerships. The ability to capture CO_2, that would otherwise would be emitted into the atmosphere, and selling it for a profit into the food and beverage industry is another example of our commitment to sustainability. We will deliver best-in-class financial results in the ethanol space applying our core competencies and continuing to be one of the best managers in the business.

Just as we do in Trade, Ethanol has several initiatives in play for growth. I will hit on three of them now: creating higher margin coproducts; advancing ANDExcellence for continuous improvement; and pursuing commercial market development.

The top priority, and likely the area where we will deploy the most capital, will be in the continued creation and marketing of high-protein feed. We believe that we can materially improve our bottom line by better dividing the Ethanol streams into various products, allowing us to decouple the corn/ethanol relationship. The first of our new ANDVantage family of products adds $0.08 per gallon of additional margin, compared to traditional DDGs, and we believe subsequent products, that we'll launch over the next two years, will be even more profit-enhancing. Our fermentation protein products will trade in comparison to soybean meal, instead of as a percentage of corn. There are different opportunities for us to achieve higher feed values at all five of our plants going forward. Maximizing all revenue streams of the plant will allow us to diversify away from commoditized margins.

Our second strategic initiative is to expand our operational excellence through a process we call ANDExcellence. The Company launched ANDExcellence in 2019, as an effort to improve yields, become more energy-efficient, lower costs and increase our capacity utilization, all while maintaining a safe working environment. We monitor the combination of all these items using OEE, which is Overall Equipment Effectiveness.

A good example of ANDExcellence in action was recently completed at two of our plants. Our research revealed an opportunity to improve ethanol and corn yield. Using the Six Sigma tools, we were able to optimize our particle size and fermentation chemicals, which allowed us to improve ethanol yield by over 2% and corn oil yield by over 20%. The economic value of this particular case study varies with market prices, but it clearly improved profitability at both plants by several hundred thousand dollars annually.

Our third strategic initiative is to pursue additional commercial opportunities outside of The Andersons. We outperform our competition by managing corn originations in-house, having complete ethanol and feed products Merchandising Teams, and having a prudent risk management strategy that is also managed in-house. In 2020, we started a vegetable oil trading business as an early market entrant into providing all feedstock to the renewable diesel industry, including corn oil, fats, tallows and other products. The Andersons can provide all five of these areas of expertise, along with plant management services, to other ethanol companies.

Our long-term goals for Ethanol include: continued expansion in our ethanol, DDG and veg oil trading; replacing commoditized DDGs with high-protein feed products at our plants; decoupling our financial results from the corn-to-ethanol relationship; achieving industry-leading ethanol and corn oil yields; minimizing our carbon footprint. We plan to double our EBITDA by 2023.

In conclusion, the takeaway for our investors should be that we are committed to delivering shareholder value and are one of the best investments in the ethanol space. The combination of already being a low-cost operator and having a strong commercial focus will allow us to lead the dry corn milling industry in margin per bushel. Our current partnerships demonstrate our desire to be a partner of choice in the ethanol industry, as we can provide a suite of services that allow companies to improve their operating results. We will continue to deploy cost-efficient technology to improve our plants, and leveraging our trading business customer base and ingredients will provide a path to substantial growth of our high-margin coproducts at all of our plants. Finally, the ethanol industry has had its challenges, but we are positioned well to take advantage of any opportunities that come out of the carbon-focused energy economy that will continue to develop over the next decade.

With that, I will send it back to John Kraus for questions.

John Kraus

Thanks, Bill.

Our first question today comes from Ben Bienvenu of Stephens, and this one's for Pat. "What areas of your business would you expect you'll be deploying the most incremental growth Capex over the next five years?" and the follow-up is, "Along those same lines, what areas of your business have the most attractive investment opportunities for projects that could move the needle on the earnings power of your overall business?"

Pat Bowe

Thanks, Ben, for your question, and for all of you out there, continue to send your questions in. We're receiving those online here and we'll try to answer as many as we can.

Let's first start with your question, Ben, about our capital investments going forward by looking back a little bit. Bill talked about some of the investments we made. Obviously, the biggest investment was in the Lansing Trade Group, and that really helped us broaden our portfolio with Lansing and Thompsons, but we also made some investments in core business, like the lease of the Houston Elevator, that's paid off really well, given the export market right now, and other core trade lanes at our core grain business, but what is also interesting is the capture of some of these emerging trends.

Bill mentioned in grain non-GMO and organic in the food space, or lentils and pulses, as well as other things we've done in the pet food space. So, these trends continue, and we want to continue to move quickly and take advantage of those. He gave an example of setting up an veg oil trading desk to supply renewable diesel and use our corn oil supply to do that. Those are good examples.

But, also, we have bolt-on products that we could add to our business, as well as opportunities at our plants. He mentioned in Ethanol wanting to add to our feed stream, moving up to higher value feed products. We already have that now at Denison, at a new plant in Colwich, Kansas. We just want to build upon that success and moving up the value chain in feeds on the Ethanol side.

You'll be hearing later from Joe, and I won't steal any of his thunder, talking about growth opportunities in the Plant Nutrient business, but, again, we talk about it isn't a massive M&A type deal we would need to do to really move the needle, but to bolt on new products and add some capabilities to the assets we have to generate incremental profits in each one of those businesses. In our past, those kind of projects have really high IRRs and we like to invest in those kind of capital projects in the business.

So, the answer is we'll probably be investing a lot in our fertilizer and grain business as we go forward, probably less so in buying new railcars, and in Ethanol, really focused on the feed segment.

John Kraus

Our next question comes from an institutional investor. "In your press release this morning, you announced a goal to achieve EBITDA of $350 million to $375 million by 2023. Can you provide some color as to how you plan to get there?"

Pat Bowe

Sure, good question, and let's go back in history, let's start out by going backwards again. It was almost on this date three years ago, in 2017, I'd just been with the Company a couple years, and we set a very ambitious goal. We were going to finish that year at about $150 million of EBITDA, and we said we would double and reach $300 million in EBITDA run rate by the end of 2020. After that time, we were able to complete a large M&A project with Lansing and consolidate the Ethanol LLCs, and also to continue to jettison some underperforming assets and grow in other areas of the Company. We drove $250 million of EBITDA in ’19, and we were well on our way in early ’20. We felt pretty good about hitting $300 million, when COVID struck and driving miles went down and the ethanol business took a very negative plunge there in the winter time. It’s come back some, but it’s really held us back from being able to hit the $300 million EBITDA goal this year. I think some of that economic news even slowed the rail market some, too, impacting lease rates. But, we’re optimistic now for the years going forward and, thus, have set this goal for $350 million to $375 million. We need to see a little bit more of a normal return in ethanol. Current markets right now have been a little bit negative during the COVID period. We hope we can recover after the pandemic is, hopefully, erased with a vaccine, or at least we see a clear light to the end.

But, more than that, you’ve heard stories about how we continue to add and grow in the Company, and we think that incremental growth will help us get there. We have a top focus on paying down debt. The first thing we’ll is working on—we made a good move on paying down some debt this year. We’d like to get that number below 3 times to our target of 2.5 times EBITDA, and we feel confident we’ll do that, pay down $200 million, $250 million of debt over the next three years, and still have ample capital to invest in the growth of each of our product lines. So, we feel pretty solid about our path forward, again set another ambitious goal, and we think we’ll do it. That won’t be with one big splash M&A, but maybe smaller bite-sized projects and smaller M&A deals.

John Kraus

Pat, our next question is a question about ESG. How would you like to handle that question?

Pat Bowe

For ESG, I’d like to turn it over to Christine Castellano, our General Counsel, who’s been leading our ESG effort for the Company and done a great job so far, so I’m going to bring Christine up to the podium now to answer the question. Thank you.

Christine Castellano

Thank you, Pat. We were very excited to publish our first ever Sustainability Review last month, and although The Andersons has a long history of service to others and is active in a number of initiatives to reduce the effects of agriculture on the planet, we really had not communicated much about this externally. As a new employee, I was really excited to learn about our commitment to innovation, to investment and to partnerships with customers and other organizations in the ESG and space. You’ve heard a little bit about that today. The Sustainability Review is just the beginning. We look forward to bringing you along as we continue this journey.

John, let me turn it back over to you.

John Kraus

Thank you, Christine.

We’re going to do a little tag-teaming here, because we have a lot of questions for Bill as a result of his presentation this morning. Bill, the first question comes from an institutional investor, and that question is, “Where do you see the growth opportunities in Trade?”

Bill Krueger

Thank you, John. I believe that there are growth opportunities in Trade both in our current business and in, as I mentioned in my presentation, asset-light capital investments. Let's talk about the current business and some of the more obvious ones.

As I mentioned, we had a substantial reduction of EBITDA due to the lack of carry in the soft red wheat market. We believe, with the increase in acres this upcoming harvest, we will go back to 2015/16, in order to see the amount of soft red wheat that will come onto the market. We believe that that will have a very positive impact for the last half of 2021. In addition to that, now with the combined businesses, our Ontario assets, which is also seeing a sharp increase in planted acres, will allow us to enhance any opportunities that we see in the wheat markets going forward.

Another area of growth that we have in our current businesses is continuing to leverage the synergies that we have with our Eastern assets in merchandising, our wheat flows that we were able to take advantage of a lot of opportunities with our Houston Export Elevator the last couple of years, and then, again, just the relationship between feed ingredients and grains. As Pat mentioned, the substantial export demand has raised the prices of the underlying grains and grain products, which always allow opportunity for merchandising businesses.

To step outside of our current business, I believe that focus on continued consumer demand, such as organics, alternative proteins and cage-free eggs, are just examples of growth areas that will fall under our food and specialty group. We always continue to look at markets that provide higher margin opportunities, that are usually less mature markets, that we're able to quickly enter and find the opportunities.

John Kraus

Thanks, Bill.

Our next question comes from Ken Zaslow of BMO Capital Markets. "How much of the improvement in Trade and Ethanol is self-created and how much requires improved industry fundamentals? It seems more weighted to internal initiatives."

Bill Krueger

Okay. It's a little different for Ethanol than it is for Trade. So, let's take Ethanol first. Obviously, COVID has created a situation where we've lost gasoline demand. I think we all believe that some time in Q1, there will be a vaccine available, and really all we need to do is get back to a relative normal driving demand. We don't need to go to the highs, but just get back to something that's relatively normal, that will help the ethanol space. We all know that we have a new policy that'll be put in play in the White House. E15 growth in the U.S. and Canada is a very real opportunity.

The side of the Trade Group, it's also a combination of both continually needing to advance what we're doing as a group and make ourselves more better. It's been quite amazing over the last two years, how we've been able to do that. But, quite honestly, I think finding the right capital asset-light investments that allow us to leverage our core competencies is something that over time we've been very, very good at. I would tell you that I don't know that there'll be a very large capital expenditure placed on the Trade side of the business, Pat hit on that.

Hopefully, I kind of answered that question, that it's a combination of the two, with Ethanol being a little bit more market-driven than Trade.

John Kraus

Great, thank you, Bill.

I'm going to combine a couple of questions that I think are kind of related. They have to do with exports, and maybe both for Trade and for Ethanol. The first question is, "How has the increase of exports to China affected The Andersons?" Then, the second question is, "What are the key drivers to boosting exports to the markets you mentioned when you were discussing ethanol exports, and do you expect industry consolidation or permanent closures of ethanol capacity in the United States?"

Bill Krueger

To hit on the first portion of that, the increased export demand, primarily driven by China, is one that has benefited us in several ways. First is that our export facilities have had much more demand, both Houston and Maumee, and the margin structure, as has been well documented by many people, is as high as it's been in a number of years. So, we are seeing the benefit of direct export sales out of both Maumee and Houston. We're also seeing a positive impact across the entire supply chain, as volatility is something that tends to provide us more merchandising opportunities. Lastly, on increased exports, I would say the export programs are just good for the farmer and U.S. ag.

Now, going back to the next question on increasing export demand for ethanol primarily, the first one—and, quite honestly, the most important—is the increase of the Brazilian real versus the U.S. dollar. As we continue to see exports fall in the California market due to both the carbon intensity, but, more importantly, the weak real, that is one direction that we need to be paying attention to. The other one is, in order to get China and India's imports up, I think it's just continued trade negotiations. There have been rumors this week, and last week, about seeing some ethanol being exported to China. So, I think, once that starts, it'll become a real good opportunity.

The last question that I believe you asked, John, was talking about industry consolidation. That's a very difficult question to answer, because, as we all watched, we saw a slowdown at the beginning of 2019, a substantial slowdown, and, yes, we saw plants not come back online, some of the largest ethanol producers have not brought plants back online. But, I think that's a key indicator that any time that you have an industry that has a supply/demand imbalance, you're either going to have consolidation or the higher cost operators will be forced to shutter their operations, which is one of the reasons why, only being in the ethanol business for six months now with Jim, I am very impressed with our ability to run as a low-cost provider, like we are, and still being able to run at the ethanol yields that we're able to achieve.

John Kraus

Great, thanks, Bill.

Our next question comes from Ben Klieve of National Securities, and this is also an ethanol question. "What assumption do your 2023 ethanol targets make regarding the regulatory environment, particularly regarding expansion of E15, reduced or eliminated SREs, and an expansion of state tax incentives?"

Bill Krueger

I'll hit those in (audio interference). Let's talk about the 2023 numbers for regulatory changes. We believe that the Biden administration will definitely focus on more environmentally friendly regulations. What those look like, I'm not certain that anyone knows that for sure, but what I am certain of—and this will hit on your SREs and the state tax question. I believe that if we truly want to reduce the carbon footprint, the CI scores, we have to realize ethanol is the quickest, most efficient way to get there. EVs are here to stay, nobody's suggesting that they're not, but if we really want to pick up the pace, ethanol is the way to do that, and making sure that the ethanol industry has a path to do that financially, I think is something that's very, very important, and we do expect to see that over the next two or three years.

John Kraus

Okay, thank you, Bill.

Our last question, before we take a break, is from Eric Larson of Seaport Global, and Eric's question is, "Does the current rebound in global ag markets have sustainability over the next several years?" Pat is going to take that question.

Pat Bowe

Thanks, Eric, for your question. I think this is a broader question. Of course, it applies to the grain business that Bill spoke of. Yes, we're really glad to see open trade lanes back to China, and that's made a huge turnaround to the overall ag economy, as it's lifted commodity prices recently, both soybeans and corn. So, seeing a more robust trade outlook is exciting, and we think that's sustainable. As Bill mentioned, of course, we have to track weather in Latin America, and currencies and freight, etc., but I think the U.S. is back in position to be a key supplier to Asian markets. That lifting of commodity prices also helps our fertilizer business. Getting more income back into the farmers' hands to spend money on good nutrients and returning nutrients to the soil is important for our Plant Nutrient business. The big picture answer to a robust export environment is it really helps everyone up and down the ag supply chain. Bill also mentioned bringing some volatility. It's really important for our Trade business. We like to see volatile markets, and that helps us with our merchandising in all of our commodities. So, a robust export platform is pretty much good for everyone in the ag space, and particularly for The Andersons.

Thanks, everybody, for your questions. We have a few more that came in. We'll have another Q&A session after Joe and Brian will present, and we'll take questions about the Plant Nutrient and Rail business, and our financials, as well as any other ones you have.

Right now, we're going to take a five minute break, so give you a chance to regroup. We'll be back in five minutes. Thanks again for your attention.

(Short Break)

Joe McNeely

Good morning, everyone, and welcome back. I'm Joe McNeely, President of The Anderson's Nutrient & Industrial group, which includes both Plant Nutrient and Rail segments.

As Pat said earlier, I joined the team in 2018 as President of the Rail Group, and this past July took over leadership of our Plant Nutrient business. Formerly, I was the CEO of FreightCar America, a publicly traded railcar manufacturing, leasing and parts producer. Prior to that, I held various finance and sales leadership roles at GATX and Mitsui Rail Capital, and started out my career with Arthur Andersen & Company serving various manufacturing and distribution clients on both test and consulting engagements. It's my pleasure to be with you today to talk about both the Plant Nutrient and Rail Groups, and I'll start with the Plant Nutrient Group.

The Plant Nutrient Group is made up of several businesses focusing on manufacturing and distributing various plant nutrients and related products by taking raw materials from others, enhancing value through all steps of the manufacturing and distribution.

As indicated on this slide, there are four keys to Nutrient's long-term success that I hope you take away with you today. First, we have a significant presence in the Eastern Corn Belt, plan a large variety of fertilizers and crop protection products to growers of corn and soybeans. Our three business pillars, which I'll explain in a moment, have had steadily improving results by applying disciplined operational and commercial practices. We produce high-performance products for golf course and turf applications, and have leading positions in a number of other engineered granule products. Lastly, our strong innovation pipeline allows us to bring new products to market for all of our businesses.

Financially, Nutrient has produced solid earnings and good operating cash flow. Despite the multiyear low in crop prices and just awful weather for 2019's planting and harvest seasons, we made significant improvements in all three of our businesses, which has translated into trailing 12-month gross profit of $99 million and adjusted pre-tax income of $17 million, and, more impressively, six consecutive quarters of year-over-year improvements.

Now, despite these commodity price pressures and weather events, Nutrient has been a consistent generator of operating cash flow, as you can see from the historic levels of EBITDA. This consistent performance reflects our well positioned assets in the Eastern Corn Belt, our technically advanced engineering granules and special liquid products, and continue to develop new products, strong customer relationships, each of which I will touch on. However, before I do that, I'd like to explain each of our three business lines, or pillars, in more detail.

Plant Nutrient is organized into three pillars: ag supply chain, specialty liquids and engineered granules. Ag supply chain receives, stores and markets nitrogen, phosphate and potash fertilizers, it's one of the largest independent wholesale distributor networks, and through our nine farm centers, both of which serve the corn and soybean growers in key Indiana, Ohio and Michigan markets, our network is large enough to allow us to compete with manufacturers' (inaudible) networks, but small enough to be nimble and build long-lasting individual grower relationships.

Our engineered granules business utilizes technically advanced formulas and manufacturing to produce leading-edge granulated dry products used in professional lawn, turf, animal bedding, industrial and consumer end markets.

Lastly, specialty liquids manufactures and distributes yield-enhancing liquid fertilizers and micronutrients for growers throughout the Midwest, which not only improve soil conditions and yield, but as a component of their sustainable agriculture programs. Specialty liquids also manufactures industrial liquids used in power generation, industrial scrubbers and wastewater treatment operations.

On the strength of our products and service, we move an impressive 2.3 million tons of product annually.

From a geographic perspective, we are well positioned. Our ag supply chain and specialty liquid operations are strategically located to serve the Eastern corn and soybean growers. With rail access at all of our specialty liquid manufacturing sites, we can ship liquid agricultural and industrial products across the U.S.

Lastly, our turf and professional lawn products are shipped across the country and our contract manufacturing sites are well positioned near raw material sources and end product destinations. Our geographic footprint allows us to reach our current and future markets with the assets we currently have and without the need to invest significant new capital.

There are a couple of truths. Farming depletes nutrients in the soils that need to be replaced in order to achieve high crop yields. People also want to eat healthier, recycle more and be better stewards of the environment. The Plant Nutrient group is well positioned to capitalize on these truths.

The Fertilizer Institute's 4R Nutrient Stewardship program encourages the adoption of best practices through the four Rs of the right product at the right rate, at the right time, in the right place. We are an active advocate in this program, not only working with growers and retailers, but by supplying the highly efficient plant nutrients that, when coupled with the use of technology, is a key component in reducing the impact agriculture has on the environment. Our organic fertilizers for growers, lawn and turf, consumer and lawn and garden support the growing demand for healthy organic foods.

Lastly, we can leverage our patented granulation technology and apply that to develop the next generation of products for turf, home and garden, agriculture, and other applications, such as developing new lightweight kitty litter from recycled corncobs.

What makes me so confident we can meet these changing needs? It's our durable business model.

First, we've demonstrated the ability to develop new products to meet customer's needs across all of our businesses. We have developed and brought to market nearly a hundred new products, generating over $4 million in revenue in just the last two years.

Our relationship with the Eastern Corn Belt growers not only provides an outlet for our products, but allows us to partner with them on a whole suite of agronomy services, including adoption of 4R practices utilizing our specialty liquid products. Our well-placed assets allow us to be a cost-effective manufacturer and keeps our shipping costs low.

Lastly, similar to what Bill was doing with ANDExcellence, we are focused on driving towards best-in-class manufacturing across all aspects of production, safety, plant efficiency and quality. To date, we have a hundred people in yellow belt training, about 20 of them certified, and 10 green belt certified. Changes to date have helped us improve our OEE by 10% in just the last 12 months.

As I said, we have a strong business model which drives our steady cash flow.

There's probably no better example of this business model than the relationship we have with one of our top three customers. The customer markets various insecticides and herbicides in the retail space under their own marketing brand, but they don't have dry granulation manufacturing assets. Our 20-plus year relationship has allowed us to take our geographically well-placed assets and utilize our patented products to manufacture and package over 400,000 tons of product for them and generate over $20 million in revenue for us annually. Two decades of consistent, reliable performance is a clear sign of a solid business model.

Looking forward, our strategic initiatives will increase our profitability of all three pillars through targeted growth in select core markets, leveraging our already strong dry granules expertise, and sell new products into existing markets and applying to new markets, and improve the profitability of our specialty liquids business. I'll dive into each of these in a little more detail.

Growth in profitability for ag supply chain will come from leveraging our well-placed Eastern Corn Belt assets, to pull more product through existing facilities by partnering with key suppliers and by selectively adding retail farm centers in our core Indian, Michigan and Ohio territory, where we can supply them from our existing wholesale facilities. We will also grow our share with existing growers and add new growers by leveraging our active role in 4R efficacy, and having a full suite of environmentally sustaining products, including our organic fertilizers. These will strengthen our already solid position.

Our engineered granules business, despite being smaller than the large guys, does a really job at developing new high-value products. Our patented dispersible granule products are leading-edge, as is our incorporation of humics in fertilizer and the development of organic fertilizers. We will not only develop new products for our existing markets, but also develop products for new markets, such as taking our dispersible granules technology to agriculture and other markets, such as consumer, home and garden.

We'll expand our product reach in new ways to reach new customers. While continuing to support our additional distributor network, we will grow revenue by selling direct to select customers, capitalize on the growth in e-commerce and look for customers outside of our normal geographies. Today, we sell some of our products internationally, mostly to Australia, and we see an opportunity to selectively expand on this.

Finally, we utilize technology and CRM to improve our overall customer experience and deepen our relationships to become our customers' supplier of first choice. Importantly, we can do all this with our existing manufacturing footprint.

Lastly, as you may be aware, the use of premium liquid fertilizers, such as our low-salt starters, have provided significant kick to germination and initial growth, have been hampered by persistently low corn and soybean prices, and that has negatively impacted the profitability of this business. Despite what corn and soybean prices do in the future, there are several ways we are improving specialty liquids profitability.

First, we'll take our expertise in advanced low-salt starters and micronutrients for corn and soybeans to other crops and expand the reach of our industrial products across the U.S. Through 4R advocacy, we will promote the adoption of precision application technology and use of our liquid fertilizer into micronutrients to reduce the impact farming has on the environment, especially water quality in the Lake Erie watershed. Lastly, through ANDExcellence, we'll improve the overall operations of our manufacturing plants by increasing efficiencies, improving safety and quality. The result will be a portfolio of next generation products by sustainable and profitable cropping systems.

Each of these strategic growth activities will result in solid financial growth across all three pillars, with a 16% increase in revenue and tons, new innovative engineered granule products and expanded ag supply chain footprint in Indiana, Ohio and Michigan, and improved profitability of our specialty liquids business, all of which should result in a more than 20% increase in EBITDA from historic levels.

To wrap up the Nutrient business, let me finish where I started. What's important to remember is that our past and future success reflects our strong Eastern Corn Belt presence and deep portfolio of products to support corn and soybean growers and sustainable agricultural practices reflects our execution of operational and commercial best practices that will continue to improve profitability and grow market share. It reflects our high-value golf and professional turf products, as well as in other engineered granules products, and, lastly, reflects our ability to continue to develop new high-value products across all three of our businesses.

Overall, I'm excited about each of our businesses and what their future holds for The Andersons. I look forward to your questions later in the session, but now I'd like to switch to our Rail Group.

As many of you know, rail transportation and the railcar market is currently soft. Despite this, I'm optimistic about our future because of four key factors: first, we're a top 10 railcar leasing company with a well-diversified portfolio of midlife railcars, which allows us to effectively compete against both large and small lessors; while railcar leasing is capital-intensive, we are focusing on lowering capital needs and improving returns by growing our capital-light railcar management service offerings; we have strong customer and industry relationships that allow us to provide a full suite of railcar services; and, lastly, lastly, complementing our leasing business, we have a nationwide railcar repair network that we are confident we can continue to grow in a disciplined manner. I'll address each of these, but let's first look at Rail's financial contribution to The Andersons.

As you look at the financial performance of Rail, we have to remember that railcar demand is cyclical and closely tied to the general economy over the long -term. Recently, with the drop in energy prices, the advent of precision scheduled railroading, or PSR, and COVID-induced economic shutdowns this year, rail transportation and railcar demand are well off of prior year levels. This has had a direct impact on our utilization and on the lease rates we can charge. As a result, our trailing 12-month gross profit of $44 million and pre-tax income of $8 million is down from prior years. Despite the cyclical nature of the railcar market, our Rail business has produced good cash flows, as can be seen by the consistent $60 million of annual EBITDA. Today, our railcar fleet stands at over 23,000 railcars owned and under management, and our repair network has expanded to 28 repair locations across the U.S. This success is built on our deep customer relationships, integrated maintenance network, diverse railcar fleet to reach multiple commodities, but perhaps most importantly, being good at buying midlife railcars and operating them through their end-of-life.

Diving into our leasing business, as I mentioned, we own or manage over 23,000 railcars. With two years of declining railcar loadings, 26% of the national railcar fleet is idle. Despite this, our utilization has remained strong at 87% in this very weak market. Our current utilization is well above what we saw in the 2008 to 2010 trough, when our utilization was near 70%. This improvement is really attributable to excellent commercial execution, leveraging those strong customer relationships I previously noted, and a better mix of railcar types in our fleet; that is, more tank cars and specialty covered hopper cars, and fewer of the older, smaller cubit capacity grain cars. Overall, our portfolio mix closely mirrors the national fleet, but with a higher concentration of covered hoppers, given our history of growing out of the grain business.

I'd also like to point out we have minimal flat intermodal cars in our fleet, as these are supplied by the railroads themselves or through your captive (phon) leasing company, TTX Company, which, as you can see from the next slide, is the largest North American railcar leasing company.

Today, there are 1.7 million railcars operating in North America. Sixty-five percent of those cars are owned by somebody other than a railroad, and we are a significant owner of these privately owned railcars. In fact, if you exclude TTX Company, we're the seventh largest private railcar owner. The top six lessors are either railcar manufacturers or big banks and have very large fleets, and then there's a big drop to the next tier, of which we are the largest. Why is that important? Being smaller than the big guys allows us to be more nimble and focus on markets that may not get their attention, but are still of substantial size, still provides enough scale to be sufficiently diversified across more commodities and markets, and allows us to offer more services and be more efficient than the smaller players.

As you can see, most of our income is generated from our leasing business. Aside from leasing income, we also generate income and cash flow by periodically selling railcars and attached leases. Over the last couple years, we've sold fewer railcars and leases as we focused on growing and diversifying our portfolio. Going forward, we expect to resume some railcar trading to lower investment capital, raise cash and generate car sale income. Also, as I noted at the beginning, we are focused on growing our capital-light railcar management services that complement our traditional asset-based lease income.

Lastly, while income from our repair business is much smaller than leasing, its return on investment is very high, as most locations run very asset-light, which I'd like to touch on.

Our repair network of 28 locations spans the entire U.S., from Queens, New York to Bakersfield, California, and is somewhat unique in the industry. While, like others, we do have a network of full service shops to support the maintenance needs of our own railcars and third-party railcars, we're the only one that also operates a large agent for the railroads network. Our full service repair shops in Maumee, Ohio, Danville, Illinois and Kansas City, Missouri are key to maintaining our own fleet, especially our growing tank car fleet, and most of their revenue is from The Andersons.

The other repair locations are predominantly agent for their railroad sites, where we are a contract repair agent for a short-line railroad. These are more like a mobile repair operation with a crew of two to three operating out of a repair truck. Instead of railcars being sent to a repair shop, our crews go to the railcar, saving the railcar owner transportation costs, ensure railcars are safe to move on the railroads, and help our short-line customers operate efficiently. This is a very capital-light, high-service business model, with most of the revenue at these sites coming from working non-Andersons-owned railcars.

I'd now like to shift to what we're seeing in our markets and our ability to adapt to these trends that will provide a solid future…

Folks, sorry about the technical difficulties, but I think we're back online.

With this backdrop, I believe that the Rail Group's unique position in each business provides a competitive advantage and the ability to succeed over the long railcar cycle. Being a full-service railcar lessor, coupled with a lower cost, diverse fleet of mature railcars, allows us to be competitive and win leases. Our size allows us to be nimble, yet big enough to serve big and small customers. Lastly, similar to as Bill described for his business, our deep customer relationships allow us to better understand our customers' needs, which allows us to develop creative solutions to address those needs and for us to win business.

A good example of how we succeed at this is a recent three-way transaction. A customer desired to replace 10 older railcars that were not the right configuration for their needs. A second customer was looking for railcars similar to the ones leased with the first customer. We engineered a transaction where we swapped out those 10 older railcars for 30 frac sand cars that were destined to storage and placed the 10 swapped out railcars with the other customer. With our knowledge of rail transportation, we accomplished that without incurring additional transportation costs for our customers or us. But, more importantly, we were able to utilize frac sand cars in an alternative service, thus avoiding putting those in long-term storage. As a side benefit, the length of the frac sand cars were shorter than the cars they replaced, so more railcars can be put on a loading site at one time. The customer liked this so much they took another 20 railcars, and we continue to work on replacing their other railcars currently leased from other lessors. A win-win-win solution.

Turning to the future, our strategic plans are to grow both the railcar leasing and rail repair business.

For the leasing business, we anticipate a slight shift from our historical practice of buying railcars on the strength of Andersons' balance sheet and a less capital-intensive model. With an older fleet, there is a consistent need to replace railcars that hit their end-of-life. Instead of using our balance sheet to buy replacement railcars, we will partner with established investors and banks, where we'll sell them the railcars but retain the management of them. This allows us to monetize our railcars, but also allows us to retain those key customer relationships, while earning a monthly management fee for managing the railcars and leases. Today we manage around 3,600 railcars for third parties, and we feel we can grow this platform by offering this service to the many small investors and lessors in the marketplace.

For our repair network, we continue to see good opportunities to expand our repair services with the current short-line partners and add new short-line customers and locations. We are confident we can continue to add two to three new locations each year. In addition, at our major shops, we are focused on continuing to make them more efficient and expand capabilities to support the maintenance of our own fleet in a cost-effective manner.

Execution of these plans will allow us to maintain our current level of railcars owned and managed, while reducing the capital investment in the business. It will also result in a larger repair network, both of which should keep our EBITDA at a consistent healthy level, near $60 million, on a lower invested capital base.

As I began, despite the current state of the railcar marketplace, I'm quite optimistic about Rail's future. Our large, diversified fleet and ability to maintain our own railcars allows us to compete with large and small lessors. We will grow our railcar management model, which will increase profits without the high level of capital investment we have seen in the recent past. Our strong customer relationships, ability to develop creative solutions, and a growing repair business will drive our future success. All of these will keep Rail as a significant contributor to cash flow, with EBITDA at a healthy level, near $60 million, and as I said before, on a lower invested capital base.

I'd now like to turn the presentation over to Brian Valentine, The Andersons' CFO.

Brian Valentine

Thanks, Joe, and good morning everyone.

Just by way of introduction, I joined The Andersons about two-and-a-half years ago. Prior to that time, I spent the last 20 years of my career with the Lubrizol Corporation, which is a specialty chemical company based in Cleveland. Lubrizol was a standalone publicly held company until about 2011, when it was acquired by Warren Buffett and Berkshire Hathaway in a transaction valued at just under $10 billion. While there, I worked in a variety of financial roles, including serving as finance partner to various business groups, and then also spent about eight years in Treasury, and, in fact, was Treasurer at the time of Berkshire's acquisition of Lubrizol. As Pat mentioned, I then served just under seven years as CFO at Lubrizol. I had the desire to return to a public company, really enjoy the financing side of things, engaging with the investment community. When I learned about The Andersons, I was really impressed with the strong culture and values. I've been learning a lot since joining Pat and the team, and I'm excited to be here.

Now, that Bill and Joe have provided some insight about the various business group strategies, we wanted to provide a financial overview, including some history, our key focus areas and our thoughts around capital allocation going forward.

Beginning with some of our key messages:

In 2019 and 2020, we've done a significant amount of work in integrating Lansing and Thompsons to capture synergies, and also on optimizing our overall business structure to achieve additional cost savings. This includes the recent business group reorganization that Pat spoke about previously, combining Trade and Ethanol under Bill's leadership, and Plant Nutrient and Rail under Joe's leadership. We've made really good progress and have been able to significantly reduce our general and administrative costs, both at the corporate level and also at the business unit levels.

We've also revised our key metrics and incentive plans to include a more balanced scorecard, and the Leadership Team and Board are aligned on the key metrics.

Long-term debt reduction is a priority for us. We took on additional leverage to fund a portion of the Lansing acquisition, so now we're focused on debt repayment to ensure that we have a flexible, efficient capital structure going forward.

We're focused on positive cash flow generation, and as part of that, we've re-emphasized our efforts on working capital management. We're taking a disciplined approach to capital allocation, where we're targeting a balance of investment and growth projects, while also ensuring that we reward shareholders. And this is evidenced by our long history of dividend growth.

The next slides provides an overview of our financial performance.

Now, it's important to note that 2019 and beyond reflect the full impact of the Lansing acquisition, which was previously a one-third equity investment share. Also, the last 12 months reflect the consolidated results of our Ethanol entities following the merger of these entities with Marathon.

I would just point to a few items.

In 2017, Pat spoke about a $300 million EBITDA run rate target by the end of 2020. We were making really good progress towards that goal, and, as you can see, in 2019, we had EBITDA of almost $250 million. Now, over the last 12 months, we've seen the impact of a weak 2019 harvest, particularly in the Eastern Corn Belt, followed by COVID-19, which has had a particularly large impact on our Ethanol and Rail businesses. This is reflected by our lower gross profit this year. However, we've been very diligent in managing costs, as evidenced by a decline in our operating, administrative and general expenses of roughly $30 million., and more recently, we've seen strong elevation margins driven by strong export demand. Also, on the right side of this slide, you can see that despite some of the challenges, we're generating strong and increasing operating cash flows, and we've been really pleased with our cash flow results, especially in this challenging operating environment this year.

For 2020, we've refined our key financial metrics. Historically, our emphasis had been primarily on earnings before taxes. We used return metrics when evaluating internal projects, but it was not included in our total Company performance scorecard. So, beginning this year, our metrics were revised to add return on invested capital and free cash flows. This provides a balance with earnings before taxes and EBITDA, and will help improve our focus on generating positive cash flows and appropriate returns across all of our businesses and the Company as a whole.

Now, as you can see, our return on invested capital has not been particularly strong and our returns have been below our weighted average cost to capital. Over the past two years, we've made some large investments. This includes some capital that was deployed in Rail between 2016 and 2018, and also some Ethanol projects, which included the new ELEMENT plant. Of course, we completed the Lansing acquisition right at the beginning of 2019. We've completed these investments and now we're determined to generate the expected performance. We were making some good progress pre-COVID and we're committed to generating returns that are above our weighted average cost to capital.

Now, as I mentioned, we also have added free cash flow to bring a focus on positive cash generation, reducing our long-term debt, and a balanced capital deployment approach between growth projects, and then also redeploying capital and returning it to shareholders.

We've also renewed our emphasis on effective working capital management. This slide provides some historical data regarding our working capital, our readily marketable inventory, and our short-term debt. Now, our working capital and the related short-term borrowings can move around significantly. This is really due to the seasonal nature of our business, and it's particularly true in grain markets with the harvest, as well as in our Plant Nutrient business with the timing of the planting season. Typically, our highest borrowings are in the first and second quarters, but we can also see movement due to changes in commodity prices, and the recent rally in corn and bean prices that Pat mentioned earlier is a good example.

It's also important to note that a significant portion of our working capital represents readily marketable inventory. Basically, this is grain inventory that's easily convertible to cash. This inventory is mark-to-market and it can bring volatility in our borrowing and our reporting. In all periods, the value of our readily marketable inventory exceeds our short-term debt, but we now provide these amounts in our quarterly filings, so you'll be able to see the proportion of our inventory that is RMI.

As noted in the lower left, we've implemented dashboard to track key metrics and overall efficiency. As Bill noted earlier, we also utilize a profit center reporting model, and we utilize direct drive incentive plans that include direct charges for working capital usage to drive greater accountability.

Next, we want to talk about free cash flows, which is another key focus are for our team, and we're pleased to report that we're on track to generate positive cash flows in 2020, and going forward. When you look at the historical data, you can see that we were a net borrower during several of these periods. As I noted earlier, our cash from operations, before working capital changes, has been consistent and strong.

This graph also reflects some of the large capital investments that we've made in Rail and Ethanol between 2016 and 2019, with our capital expenditures reaching roughly $200 million in 2019. Now, we're targeting capital expenditures of roughly $100 million this year, and we will maintain capital discipline going forward. We expect a go-forward run rate in capital expenditures between $100 million and $150 million per year over each of the next few years, and I'd say that roughly $60 million to $80 million of that could be characterized as maintenance capital.

We'll continue to look at smaller bolt-on transactions that fit with our growth strategies, and we'll also be diligent in addressing underperforming assets, and look at situations where perhaps others might be a better owner for certain assets than we are.

We've also consistently paid dividends, and we remain committed to continuing to pay dividends in the future. Overall, we expect to generate positive cash flows in excess of $100 million per year, which will enable us to simultaneously reduce debt and redeploy capital to drive our strategic growth initiatives, which leads us to an overview of our overall debt profile.

Our total debt as of September 30 was $1.1 billion, with roughly $980 million of this amount being long-term debt. A couple of important points of note. Our long-term debt increased in 2019 to fund a portion of the Lansing and Thompsons acquisitions. Since that time, we've been working to reduce our debt, and we're making good progress, our long-term debt has been reduced by $100 million since the end of last year. Now, as mentioned previously, we tend to focus on the long-term portion of our debt. Short-term debt can fluctuate with seasonality and with commodity prices, and is used to finance readily marketable grain inventory. We are targeting long-term debt to EBITDA of less than 2.5 times, and we anticipate reaching that target within the next couple of years, which implies additional debt reduction of $200 million to $250 million. We believe this will provide us financing flexibility to fund future growth investments, which brings us then to a discussion of capital allocation.

This slides provides a summary of our historical and expected uses of cash, broken down between debt payments, investments in capital and acquisitions, and also cash returned to shareholders. As you can see, between 2016 and 2019, our capital allocation was heavily skewed towards capital investments and acquisitions. We consistently paid a dividend during that time. But, overall, we were a net borrower. Going forward, we're targeting debt reduction to achieve long-term debt to EBITDA of less than 2.5 times, and a balanced approach to capital investment, which will include internal growth projects, and may also include bolt-on acquisitions where they fit with our growth strategies. We also plan to continue returning cash to shareholders. We expect to continue paying quarterly dividends, but we may also consider share repurchases, as appropriate, in the future, when we've reduced our debt to appropriate levels.

The next slide provides our dividend payment history. We have a 24-year track record of paying dividends, and, as you can see, we've had a dividend growth rate of 13%. We're proud of this history. When evaluating our dividend, we take into consideration things like peer group yield comparisons, and we also monitor the portion of our operating cash flow that's being allocated to dividends.

Next, we wanted to talk a little bit about our approach to growth projects. We take a disciplined approach and utilize a stage-gate process to ensure that there is a thorough review of both capital expenditures and acquisitions. It's a process that we refer to as The Andersons growth process, and it includes development of a detailed business case, financial modeling, project approvals and execution. The pipeline that we have is reviewed regularly with Leadership to ensure alignment with our goals and objectives. Currently, there's a small Business Development Team that partners closely with the business groups to assess, evaluate and champion those ideas, and we plan to make this function even more robust in the future as we refocus our efforts on growth.

Now, when looking at potential acquisitions, we evaluate several strategic filters, including the fit with our business strategies and growth plans, our ability to meet customer needs, alignment with our geographic footprint, and whether it provides a differentiated competitive advantage, which of course is key. We are focused on deals that fit with our strategies and align with the right verticals to grow margin. From a financial perspective, we target them being immediately accretive to margins and cash flows, accretive to earnings per share within two years, and generating returns that are 200 basis points greater than our weighted average cost to capital.

A positive example that you've heard us reference frequently over the past two years has been the Lansing acquisition. The acquisition of Lansing and Thompsons closed right at the beginning of 2019, and this included the remaining 67% of Lansing and the other half of Thompsons. This was the largest acquisition in The Andersons' history, and has been very successful to date. The pro forma results exceed our original model. Lansing was complementary to The Andersons. Lansing was predominantly trading and merchandising and less asset-intensive, with more of a Western Corn Belt footprint, whereas, The Andersons, historically, was more heavily weighted towards assets, with a strong presence in the Eastern Corn Belt.

There have been many learnings. We utilized an outside consultant to assist with the integration, and as part of this process, we established an Integration Management Office. The team that went weekly and they were able to escalate and resolve issues very quickly. We also adopted a best-of-both approach with regard to people, processes and technology, and we encouraged our teams to assume positive intent when questions were raised. This enabled us to result in a healthy balance of Andersons and Lansing business practices.

Now, on the right side of this slide, there's some updates. Our cost savings were achieved ahead of schedule. The integration continues to provide benefits as we identify further revenue synergies, and we believe there will be even more opportunities with the combination of Trade and Ethanol under Bill's leadership, and that this platform will contribute to our near-term incremental growth.

Before wrapping up, we wanted to provide some updated financial milestones. This slide includes our historical and projected EBITDA by business segment. When we originally established our $300 million EBITDA target back in 2017, our EBITDA was roughly $150 million. We've made really good progress toward our goal. However, COVID-19 has resulted in a delay. Achieving this milestone in 2021 is still possible, but will be heavily dependent on a meaningful improvement in the ethanol market, and if miles drive and gasoline demand decline due to COVID, we'll fall short of this goal. That said, we remain optimistic about our growth prospects and are targeting to achieve EBITDA of at least $350 million in 2023, including some modest growth from bolt-on acquisitions. We are focused on generating strong cash flows and reducing our long-term debt. We've reduced long-term debt by $100 million so far this year, and we're targeting additional debt reduction of $200 million to $250 million over the next few years, which will enable us to achieve our long-term debt to EBITDA target of less than 2.5 times. We also will continue to be disciplined in our approach to capital deployment, as we work to improve our return on invested capital and exceed our weighted average cost to capital by 200 basis points.

We're excited about the positioning of our business and our future growth prospects. We've made good progress the past few years to integrate the Lansing acquisition and optimize our business structure, refining our metrics to include a balance of earnings, cash flows and return on invested capital, and achieve stronger cash flows through effective working capital management and a disciplined approach to capital spending. This combination will enable us to reward shareholders through continued dividends and appropriate returns.

If we bring this all back and come back to something that Pat and Bill spoke about earlier, 2019 included a transformational acquisition and integration, a transaction that was very complementary to The Andersons' footprint and nearly tripled our top line revenues. 2020 has really been more of a year about cost and COVID-19, and we've been really pleased with our strong cash flow generation throughout this period. In 2021, it's about getting back to growth.

We thank you for your time and your interest in The Andersons.

With that, we'll open things back up for questions, and so I'll turn things back over to John Kraus to moderate this session.

John Kraus

Thanks, Brian.

Since you're at the podium, we'll ask you a couple questions first. This one's from a sell-side analyst. "What is the long-term growth or shareholder value creation algorithm, growing the underlying EBITDA base at x percent via organic or inorganic growth, or steadily growing the dividend, or something else? Should we think about bridging to the sustainable discretionary cash flow available to you in order to achieve those goals?"

Brian Valentine

Well, that's a great question. Overall, I'd characterize it as a balanced approach. As I mentioned, we're targeting long-term debt reduction of $200 million to $250 million over the next three years, so that implies, call it $75 million to $100 million a year, to ensure we have a capital structure that provides us with the financing flexibility going forward, but we're also looking to grow organically, as well as through some bolt-on acquisitions. From an M&A perspective, that modeling would probably layer in, call it $20 million to $50 million of EBITDA over the next few years. We'll evaluate projects based on returns, and we want to make sure that we're targeting those that have the greatest return and are, of course, in excess of our weighted average cost to capital, and we'll continue to compare those projects to our next best alternatives and use of cash. So, I would say, on the whole, kind of an overall layered approach, a combination of organic growth and some bolt-on acquisitions.

John Kraus

Great, thank you. We have another question about RMI, or readily marketable inventory, from a sell-side analyst. “What is a reasonable level of RMI you would expect to carry and finance through the cycle?”

Brian Valentine

That’s a really good question. I would say two things on that. Number one, in all periods, our readily marketable inventory has been in excess of our short-term borrowings, and I would say—and John, I think we’ve talked about this previously— probably in the zip code of about $250 million, I think is about what we’ve talked about on the whole. I see some heads nodding around me in the room, so I can say $250 million.

John Kraus

Okay, good. Thank you.

Our next questions are for Joe. Joe, the first question is a Plant Nutrient question. “How will improved crop prices and farm incomes impact fertilizer demand?”

Joe McNeely

Good questions. I think the simple answer is it helps demand. Any time crop prices and farmers have more disposable income, it gives them more money to spend putting nutrients back into the ground. I think if you look at what the USDA just came out and reported here a few days ago, that net farm incomes are up 43%, or $36 billion, from 2019 levels, so that bodes well, but I think you’ve got to remember, of that piece, $24 million of that is coming from increased government payments. It is up here in the short-term, but I think more importantly, if we see sustained higher crop prices and sustained farm gate income, that bodes well for the application of our higher cost, higher value specialty liquids and micronutrients, which we could then see some probably accelerated adoption of some of those for our practices and application of those products.

John Kraus

Okay, good. Thank you.

We have a question from a sell-side analyst. “Fall application season was good this year. How was demand and pricing in the Eastern Corn Belt? The outlook for next year should also be good. Can you please comment?”

Joe McNeely

Sure, sure. Fall application was good. Both the spring and fall applications, we probably could not have had better weather, and when we track days suitable for field work, they were about as good as you can get, so we definitely saw that. As we look into next year, past practice, if you’ve had a good fall, it usually translates to a good spring, but a lot of that is really going to be weather-dependent, and also where we think the long-term crop prices are going to be before farmers commit a lot of their disposable capital into applying new fertilizers to the ground.

John Kraus

Okay, we have one railcar question, a Rail question. “When will railcar loadings, or railcar demand, improve or get back to normal, or to pre-COVID levels?”

Joe McNeely

Good question. Actually, railcar demand has improved from the COVID-induced lows of the mid-summer. In fact, if you take coal car loadings out of it, last month the railcar loadings were just below pre-COVID levels. But, keep in mind, those pre-COVID levels were not good through end of ’18 and ’19, railcar demand kept dropping. For railcar levels to get back to that normal level, I think we’d have to anticipate sustained economic growth across a number of the commodities that railroads transport, which most economists don’t expect in the near term. That’s late ’21 or ’22, and some even think maybe ’23.

John Kraus

Great, thank you.

Joe McNeely

Thank you, John.

John Kraus

We have some follow-up questions for Bill. Give me just a second. Bill, the first question comes from a sell-side analyst. “When looking at Trade Group EBITDA goal of $135 million, and that’s the midpoint of our range, in 2023, versus the trailing 12-month EBITDA of $88 million, can you please quantify the buckets that make up the bridge to get to that goal from where we are today? How much is market conditions normalizing, how much is cost saving, how much is optimizing grain asset profitability, etc., and is there any M&A included in this EBITDA goal?”

Bill Krueger

Thank you, John. That is a good question also. Let’s start with the cost reductions. I believe that, over the course of the last year, we have Andersons Trade and Processing right-sized for the business going forward and set up for growth. Specifically, on Trade’s EBITDA to go from $88 million to $135 million, a piece of that will be—and “normalization”, I think was the word used, which would include bringing carries back into the corn and wheat market. We do a very good job of performing in our merchandising businesses with volatility, in general, lack of carry markets, but when you’re the sixth largest elevator company and you have over 210 million bushels of space, we really do need the markets to normalize and bring some carry back.

We also believe that a big piece of that growth in EBITDA will come from continuing to add organic growth and asset-light capital. Specific to the question about, do we have capital for growth included in that number, the answer is yes. Over the three-year period of ’21, ’22, ’23, we have $90 million identified as capital to spend. We have it currently scheduled at about a third each year, but we are both not in a rush to spend money, but if the right opportunities come along, we’re certainly not afraid, and believe that with the recent integration and the lessons we’ve learned from that, that we’ll be able to do that very quickly.

John Kraus

Great, thanks, Bill.

We had a question come in from one of our investors to ask you to speak about your efforts to retain your traders after the Lansing/Andersons integration.

Bill Krueger

That's also a good question. Quite honestly, we've had very, very little turnover of the Lansing merchants since January 1 of 2019, and the reason for that is we create an environment where our profit center managers feel like they have ownership of their business. As Brian mentioned, there's an equity charge that utilizes a cash usage piece of it, which really allows us to continue to recruit and develop merchants who want to run their business. We have a very transparent and accountable business model that, in fact, we're actually interviewing more external candidates today than having any conversations in terms of people wanting to leave. It's also important that most, if not all, of our profit center managers are stockholders, and we believe in the long-term success of The Andersons, and truly our focus on developing shareholder return.

John Kraus

Great, thank you, Bill.

We had one Ethanol question come in from a sell-side analyst. "Could you discuss the bigger picture potential of the ELEMENT plant and how this could be a factor in the overall economics of the Ethanol segment?"

Bill Krueger

Sure. One thing I wanted to come back to just real quick on a question that I answered before the break that ties to ELEMENT, the question around consolidation in the industry. We not only expect some consolidation, but we're excited about it, because we are certain that any material consolidation discussions will include The Andersons, because as I mentioned, our core competencies are what's going to drive industry consolidation, whether that's being able to buy corn direct from producers, being the low-cost operators or our expertise in plant management. I don't know that I answered that question fully before the break.

ELEMENT specifically. So, as most of you know, ELEMENT's feedstock for energy is wood, and that goes across the burner, operates the gasifier, and from that result, we are able to create a very low CI score. As I mentioned earlier, the California markets, even today, with large Brazilian imports coming into California, it's substantially more profitable for us to hit specific California markets. So, yes, I don't know that ELEMENT in itself will change the ethanol industry, but what I can tell you is, once fully operational and CARB-certified, the ELEMENT plant is going to be able to produce and help us reduce our carbon footprint across the entire organization by producing the low CI ethanol.

John Kraus

Great, thanks, Bill.

Since we've been talking to you, Bill, we've had a couple questions come in about EBITDA that I would like to invite Brian Valentine to come back and address. The first one is, "Which segment's EBITDA include the contribution from bolt-on acquisitions included? Similarly, which segments likely will have the majority of the asset divestitures?" Then the second question, which is a little bit more straightforward, is, "The segment EBITDA targets for 2023 add up to $340 million to $370 million. Is the difference from the $350 million to the $375 million target total due to contribution from bolt-on acquisitions?" Brian?

Brian Valentine

I'll try to take those in order. With regard to the amount of acquisitions that we have in, I would say it's across, really, all of our segments, probably less so weighted toward the Rail segment, but we'll look at any place where we can generate appropriate returns, but I would say it's a balance across both our Trade and Processing, and also our Nutrient and Industrial businesses.

With regard to the difference on the EBITDA, some of the growth rates and the targets, I'd say it's two things. Number one, it is, indeed, the layering on of the bolt-on acquisitions, but the other difference between when you add up the segments and you look at the total would be our corporate segment, or call it our corporate overhead that comes through in that regard.

John Kraus

Thanks, Brian.

To wrap up, we have a couple questions for Pat. This one's from a sell-side analyst. "How do you feel about your current asset portfolio today? Do you have everything you need to achieve your five-year plan, or are there things you need to acquire or divest to achieve your intermediate-term goals?"

Pat Bowe

Okay, and thanks for the question. I think, first of all, I think what we talk about is our team. I think we have the right executive talent and management talent, as well as all the employees throughout our whole organization. I could not be more proud of our ANDE Team this past year, working remotely, and our essential workers at our factories sticking with it through all these challenges related to COVID. The people in this Company are really committed to our mission and are really committed to the Company. That's the first thing that helps us get there.

When we talk about the assets we need, I think Bill talked a little bit, as did Joe, about the core businesses in fertilizer and grain, that we feel will be strong, and we can continue to add trade lanes and product lines to build on those core, and we'll look for opportunities to do bolt-on acquisitions. When I use the term "bolt-on," it can either be something physical at a plant, to add a new line or a new product, or it also could be a complete new trading desk, where we start entering into a new product line. We mentioned vegetables recently, or in the past, propane, or pet food, or other businesses have been set up that way. We have the opportunities in each of our businesses to invest in opportunities to grow, and they won't be big, we don't need $100 million to $500 million of an investment to hit those numbers. We will see good opportunities, and Bill said, if they're a very attractive opportunity, we'll move quickly. That's what being nimble and innovative is all about. That goes to our investment strategy, too. We're excited about agriculture, the moves it's made.

When it comes to our Rail fleet, this has not been a great time right now to invest in railcars, so we're likely not to put excess capital into large rail fleet acquisitions in the near term.

In Ethanol, we talked about our feed product line as kind of our focus on investment for higher-value feed.

So, that's how it looks across our portfolio for investments that we plan in the next few years.

John Kraus

Great, thanks, Pat, and we have one final question and then we'll wrap up. "What makes you most excited about the future for The Andersons?"

Pat Bowe

Well, it’s a lot of the comments you’ve heard from everyone this morning. I’d first start off by mentioning our team. I’m really proud of our team, and excited about the people we’ve put together. We have a great legacy in the brand name, The Andersons, to carry forward, and we’re excited about what we can do in the next few years.

Also, this change in ag fundamentals is really a big shift. One thing from being around a long time in agriculture, I’ve seen a lot of these cycles come, and it feels like we’re building momentum now and volatility for a strong ag push here in the next few years.

Lastly, I like the innovation we have put in place here, a drive to put in new products and add new services for our customers. A lot of these take technologies or new IT systems to put in place to do that, we’re prepared to invest where it makes sense for our customers’ benefit. We have opportunities to really differentiate ourselves. We set this ambitious goal to be the most nimble and innovative North American ag supply chain, and that’s a challenge. We want to work hard to earn that in our mission every day. We’re excited about the opportunities we have in front of us, and we’re feeling pretty confident about leading into the next three years.

I think we’re going to wrap up now and move your time today. Thank you, everyone, for listening to our presentation. I mentioned in my opening remarks that by the end of the presentation, I’d hope you be able to understand our enthusiasm for the direction we’re taking the Company. I hope we’ve met that goal.

In closing today, I’d like to highlight several reasons why you should invest in The Andersons. We have a strong brand and presence in the North American ag supply chain. We’ve made the Company significantly larger and stronger in the last two years. We have a strong culture and the key talent and experience to lead the Company now and into the future. We have a broad asset and product portfolio and meaningful scale, yet we’re small enough to be nimble and innovative to meet changing customer needs. We’ve established a track record of driving for a leaner cost structure, and we have a focus on continuous improvement. We generate strong and consistent cash flows, which helps us to continue to run a strong balance sheet. We have deep customer relationships and expertise to drive future growth, with those customers and add new ones. We’re focused on continuing to reduce our long-term debt. We also take a disciplined approach to capital investment to continue to grow the Company. The ag industry, which was under pressure in the last five years, has recently turned positively and dramatically, with growing grain exports and rising commodity prices, which in turn has brought momentum back into the sector. Finally, we’re committed to achieving our vision to be the most nimble and innovative North American ag supply chain Company.

Thank you for your time and interest in The Andersons, and please be safe and take care.