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Moderator: KRISTOFFE CAMPBELL
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OPERATOR: This is Conference # 4994515

Operator: Ladies and gentleman, thank you for standing by, and welcome to the Ingredion Virtual Fireside Chat.

At this time, all participant lines are in listen-only mode. After the speakers' presentation – please be advised that today's conference may be recorded. If you require any assistance during the call, please press "star", then "0", and an operator will be happy to assist you.

I'd now like to turn the conference over to your host today, Mr. Robert Moskow. Please go ahead.

Robert Moskow: Hi, thank you. Yes, this is Rob Moskow. I'm the crude analyst at Credit Suisse, and I have on the call today, Jim Zallie, CEO of Ingredion. I want to thank you all for participating in what is extraordinary times and disturbing times. And actually, I have a series of questions here, thank you for sending many of them my way.

But one question – I just wanted to set the tone here. Jim, given the racial demonstrations and all this outpouring of grief, and how it's affecting the Chicago area – you're headquartered there – can you tell me what you're telling employees internally right now? How are you communicating to them, especially given we can't all be together? A lot of you are working virtually.

Jim Zallie: Yes, thank you Rob, first of all, for the opportunity to engage with you in a discussion about our business, but you're absolutely right. Right now, we're living through extraordinary times, following on from the pandemic. We're now dealing with incredible pain of society. And so, one of the things that, throughout the pandemic and then through this situation, that we've done as a company is lean very heavily on the work that we've done within the last two, two and a half years on our purpose as an organization, as well as on our values.

And we launched a purpose two years ago that is really, at its essence, to make life better. And then one of our foundational human values is everyone belongs. And we have really leaned on that value very heavily right now during this time of societal pain, and so, what we did – I felt very moved to do when I saw the events in Georgia, Kentucky, as well as in Minneapolis on Friday morning of last week.

I issued a statement to all U.S. employees that it was really a message to the African American community as well just in relationship to reiterating our position towards racism, discrimination, and injustice, and that we stand united against that. And that we were standing very firmly with the black community in relationship to the pain and suffering that they were enduring and going through.

And that I made a request to be facilitated by my CHRO as well as the head of diversity equity and inclusion for our company to have our employees reach out to our African American brothers and sisters to show the support and love that really is needed at this time to bring about healing. So, we've also issued two days ago on our LinkedIn page as well as our Twitter page, which you can go to see, what our stance is on this.

And, I won't read it verbatim, but it just talks about that value of everyone belongs, the position that we have taken against racism, discrimination and injustice, and really the culture that we're trying to build at Ingredion built around diversity equity and inclusion, and asking everybody, really, just to try to show some empathy, understanding, and compassion, and learn from one another as we endure what we're going through right now.

But that's what we're doing. I had been asked to actually be part of a panel with the Governor of Illinois on Monday morning of this week, with a couple of other CEO's from the Chicago land area, and that was going to be about the pandemic and the reopening of Illinois, and that cancelled late on Sunday evening by the Governor, and it will be rescheduled. But that's the time that we're living through right now, things are just so fluid, but we're going to do what we need to do and can do for the Chicago land community.

I reached out to one of our former CEO's actually, Sam Scott, who's been very prominent in the African American community. He was our CEO before my predecessor, and really very actively civically. And he and I will be meeting and talking and we're going to do what we can do to, again, support the black community, not only in Chicago, but throughout the United States at Ingredion.

Robert Moskow: All right, well thank you for those opening comments. All right, so getting to the business. In the last earnings call, Jim, you – with some guidance, much like a lot of other companies because of the uncertainties related to COVID-19, but you did say that you (peppy) – you thought that demands might return back to normal in the back half of the year, especially in QSRs and then hopefully broader food service, and there was a lot of discussion about that at about whether that – the degree in which that has to happen or it can happen.

Do you think you can be a little more specific about what you were – what you want to communicate about the pace of recovery?

Jim Zallie: Right, I mean, what I – what we were indicating in the earnings call and the reason for withdrawing guidance is just due to the uncertainty that we saw going forward, primarily in the second half. And specifically what we have seen and what we're still seeing is strong demand for food at retail, center of the store where many of our specialty starches and other ingredients go into those packaged foods.

And those obviously saw atypical accelerated growth in March, and even into the first half of April. And food service at the time was still holding up, but we knew that that was obviously being shutdown in various locations around the world and going through different phases where the pandemic was impacting those regions differently.

What we were pretty clear on the call to say is that we really didn't know how the second half of 2020 would evolve. However, what I was trying to indicate was that we do believe within food service, you have different segments of food service. You have certainly hospitality and food that's consumed when people travel in airports and/or in hotels and hospitality, and clearly those have been impacted very hard and likely will continue to be impacted significantly in the second half of this year.

And slowly, but steadily begin recovery as consumers travel and – and that's going to, again, be different in different parts of the world. And then what I was saying was that in the restaurant trade, you have obviously fine dining, and that typically caters to an older clientele, not necessarily, but for the most part older folks are probably going to be more cautious in relationship to how they venture out, so fine dining is probably going to be impacted pretty hard, even through the second half.

Fast casual will be impacted probably next, and then quick service restaurants, which are the most value for money for consumers during times of recession, or when you have 40 million people out of work, will likely see more traffic, and especially through drive-thrus, those QSRs that have more drive-thru – and we're seeing that now, we're seeing people that just want to go and drive to a QSR, pick up food, and eat it in their car, for example.

And that's coming back, and that will continue to come back, and then as people go back to work in various phases, in their commutes, that QSR business will do well. I had spoken to somebody who's heavily networked into that segment, and they were telling me that through the Great Recession in '09 and '10, the QSRs, because of the value meals and value consciousness of the consumers, experienced sales growth of 8 to 10 percent.

There's different dynamics that work here now, but the QSRs will recover faster certainly, and that could bring back some growth. But overall, nobody knows how it's all going to – what it's going to look like as a patchwork throughout the United States, but we think food service will slowly, steadily come back in the second half, but at what pace and in different regions, it's been impacted differently.

And just a reminder, what we indicated as globally, we believe that about 20 percent of our volume is ultimately exposed to food service consumption.

Robert Moskow: OK, thanks for the clarification. Just a big picture though, when I think about your end markets, I could've made the case, maybe, that total demand might stay the same, people have to eat, what you lose in food service might get picked up in retail. Are there any broad generalizations you can make about this period in time where maybe the volume is just people just naturally consume less because they're not going to restaurants and volume tends to be higher in that channel?

Jim Zallie: Right. It's people, ultimately, still have to eat, and that's one of the beauties about being in the food industry and the food ingredient industry where people will continue to eat. Now, their buying behaviors though are going to change and have changed through this pandemic.

People that are ordering through Instacart, for example, are having to perhaps not receive the brand that they normally receive or the particular type of product, and thus there's more experimentation and trial going on, which represent opportunities for various companies to get their products in the hands of consumers. That's one thing.

But, an important statistic to not lose sight of when it comes to volume is the volume that's being impacted also by the sudden shutdowns of restaurants just due to health concerns, and obviously hospitality and travel that I talked about, but for example for us, in the case of brewer – brewing or – in brewing.

In Mexico, for example, which is a large market for us, the north – the Mexican government declared the Mexican brewing industry nonessential, which was very, very surprising and is still confusing to this day, April 1st. And that continued through about June 1st, and just now, the Mexican brewing industry is starting to come back.

So, consumers were clamoring for beer in Mexico, but couldn't get it because of some unique dislocations related, in this case, to the government. The other thing I want to just point out though, in relationship to the premise of your question about people still have to eat, is just remember, it's not something – it's not a statistic that many people know or think about, but that is food that's consumed in food service, anywhere from 25 to 33 percent it's been reported goes to waste.

Robert Moskow: Yes.

Jim Zallie: So from a volume standpoint, when food service declines significantly, the volume decline overall is disproportionate across food at retail and food – and food service. The other point I would just make is if you go back to 2016, a reminder, that was the first time that food – the value of food consumed away from home had exceeded food consumed at retail, and that obviously was boding very, very well for food service just due to the convenience economy, people on the go, households, dual-income households, et cetera.

Now we're seeing a shift back in a very abrupt, sudden way. So the impact on food service is significant when you think about those two factors, larger overall purchase relative to food consumed at home from '16 to the early part of 2020, and then equally the wastage that exists in food service just typically, just by the nature of the way that food is consumed and that. So just to help you with how you're thinking about it.

Robert Moskow: OK, yes, and I appreciate that. If I could focus on the soft drink side of the business, you sell a lot of high fructose corn syrup to the soft drink industry. Maybe it's not as much as the (inaudible), but I would imagine that the volumes there have been negatively impacted more so than most of your end markets. Can you talk a little bit about what you're seeing there and what that might mean for pricing in the future or demand planning for the future?

Jim Zallie: Yes, from a standpoint of food service – the exposure to food service on HFCS that would go, say, into fountain beverages, that is where you're seeing a decline in volumes. For us, just a reminder, HFCS for us is about 12 percent of our net sales, and we would logically see the impact there. But we're really focused on kind of just managing that risk to our customers and just basically focusing on the value added products that we provide in the manufacturing and delivery of our products.

So the HFCS volume, I think that you're going to see with food service impact, that'll be mainly in quarter two and will, again, slowly, steadily, like other food service come back in the – in the second half, and I think that as restaurants continue to open up again, you'll see more of that come back as well.

Certainly HFCS into retail, even full calorie, is up quite significantly in relationship to the pandemic, so that's an offset.

Robert Moskow: OK. I think the reason that investors keep harkening back to HFCS is that there's been a long-term negative trend in the sweetener industry. You're just – consumers are cutting back on sugar. But I would argue that the industry has been very rational, (ADM) had a very significant cutback in capacity last year. Can you give us a sense of the degree to which capacity cutbacks helped the price negotiations in 2000 and – for 2020? Will that – will another cutback be necessary, however, to maintain that pricing or not?

Jim Zallie: Yes, just to remind everybody that what we had said about contracting in 2020, that it did – our – the pricing for the (corn) sweeteners did meet our pricing expectations for 2020.

Robert Moskow: Yes.

Jim Zallie: And the industry in North America, we think right now, is operating with a utilization in the low to mid-80s in relationship to capacity utilization. And I've been in this industry a long time, and I think the industry went through a very painful period 25 years ago, back in 1995, where capacities were well in excess of demand and there was a dislocation.

And since then, the industry has, for 25 years, behaved very rationally, and I think that there's been a number of actions that you can point to, some of which we've taken, some of which our competitors have taken, and you just highlighted one example last year where there is this slow decline in high fructose corn syrup consumption of what has been around 1 to 2 percent per annum negative (cap ended) annual growth rate that has taken place, and the industry has reacted very rationally to that, and I think that will continue. I just think that the industry has operated that way and then that will continue.

The only thing that I would point to, though, is something that – I'm hopeful is something that helps in the short term stabilize things is that the value proposition for high fructose corn syrup is around cost in use vis-a-vis sugar. It's really – that's why it's used.

And you are going to absolutely see a drive and push for more affordable formulating, even as it relates to QSRs, as we just talked about, where value for money for consumers is going to be very important. And HFCS vis-a-vis sugar is a very – has a very attractive value proposition.

But no question, the pressure has been on HFCS for the last decade but the industry has always responded and reacted very rationally. We've closed two factories in five years that we producing high fructose corn syrup. And our sales as a percentage of HFCS from 2015 to 2019 has went down from 16 percent to 12 percent, as I indicated.

Robert Moskow: OK. I'm going to pivot over to the sexier side of the business, the value-added side. You've invested (recently) over the years in value-added capacity, in particular of the plant-based meat venture that looks promising.

Have you – do you think in this environment, with the United States probably heading into a recession, is there anything that needs to be tweaked in terms of that strategy or is it untouched by a broader economic background?

Jim Zallie: We're very confident in the five growth platforms that we have for specialties growth. So specialties for us is about 30 percent of our total revenue. We want to take that to 34 percent to 36 percent by 2023.

And the five growth platforms as they stand today overlaid by the impact of COVID-19, I would characterize as following. The starch-based texturizer portfolio is the broadest and deepest in the industry across corn, tapioca, potato, and rice.

And historically, those ingredients find themselves in all types of food products and they go into all channels. And they are known for their cost-effective use. They're used at low percentages, typically with very high functionality, so great affordability. So we think that's going to continue to do very well through this – the impact of the pandemic.

The second growth platform is clean and simple ingredients, where – the more natural appealing ingredients. And those have done well through recessionary periods as well as through benign periods. And so we think that that's going to continue to do very well.

Plant-based proteins is the third growth platform for us. And that is something that I think is going to continue to do very well, when you think about just the trends towards health and wellness and mindful consumption, about how consumers are thinking about the effects of the environment, animal welfare, et cetera.

And one of the things obviously, unfortunately, that this pandemic has exposed is the challenges that the meat industry has and it shined an even brighter light on the whole meat processing situation.

And plant-based products certainly at retail did exceptionally well during the shutdowns. And we think that through food service that it's going to continue to do well. I think you're going to see and you right now still see, despite the investments that we're making and other people are making, that demand is outstripping supply.

So we feel very good that (when) our capacity comes on stream later this year that there's going to be a deficit situation on supply and that demand will exist. So that's the third platform.

The fourth platform is sugar reduction. And what we're seeing is that despite the two months of March and April, where people were pretty much cocooning in their house and maybe slipping on their diets or the way they had typically eaten more towards the health and wellness, we're seeing health and wellness coming back now even stronger.

And sugar reduction, when you think about obesity and diabetes and those being two comorbidities that were very much highlighted during the pandemic, we think that that's going to just further support sugar reduction. And the acquisition we made of PureCircle, the market leader in Stevia, we think bodes very well for us there as well.

So really every one of our growth platforms, honestly speaking, we think are made for the times. They're made for the pandemic times and will stand the test of time from a standpoint of them being extremely on trend and enduring.

Robert Moskow: Got it. Can I ask, what data do you look at when you say that health and wellness is coming back in terms of people looking for lower sugar options?

Jim Zallie: I just think it's the number of new product introductions. It's the rate of growth relative to, say, full calorie, (when) we looked at (it) just very recently internally.

We looked at some data on the consumer purchases through the pandemic of carbonated soft drinks that were either full calorie, or diet, or low calorie. And continuously, the diet and lower calories are, at retail, still surpassing the full calorie. So I think that's one example of sugar reduction.

And just the reformulations that are taking place, again, for overall calorie intake as well as just sugar intake the trends are pretty strong towards consumers right now. I mean, there are some statistics, 81 percent of global consumers are checking their sugar content of food and beverages, and right now, 54 – our numbers that we look at, 54 percent of global consumers are reducing sugar intake because it's one of the number one concerns that they have among all their dietary needs.

Robert Moskow: Got it, OK. We've all visited your R&D facility in New Jersey, and I – you talked about this on the last call, but to what extent has the pandemic disrupted the pace of new product testing, if at all, for the degree to which your customers are coming to you with requests for proposals?

Jim Zallie: Yes, this is one of the areas that represents logistically, just logistically, one of the biggest challenges for food companies and those ingredient companies, like ourselves, to service those customers when you have an innovation process that's designed a certain way where people need to be, typically, in proximity to one another in a laboratory environment or a pilot plan environment formulating, running taste tests, and then iterating formulations.

That's obviously extremely challenging in a situation like that. What I would say is that first, the way we're looking at it is, our ingredients do go into a number of the larger established brands that have done very well for the food at retail and packaged foods growth that we've seen.

We think that that is – and what we've seen from that is that the big branded players are leaning on those big brands, and making sure they can market those and just get product on the shelf, and make sure that they're there for their consumers right now for some of those big, established brands, of which we're formulated into.

So that's served well. We're looking at – and we're reaching out to customers continuously, and each one is thinking about it differently as to how they can continue their innovation pipeline selectively and prioritize it.

And then how do we work with them along with other co-suppliers, whether it be a flavor company, for example, in a fast tracked innovation way, and there are examples of that where we're doing that both virtually, where we're having digital innovation sessions, virtual innovation sessions, setting up live webcams where we can actually do some things and then ship product to customers for taste tests.

It's not ideal. It's keeping the whole process and system alive. And then we're looking at how do we make sure our content for customers is very available and readily available both online and then through live chat. And so, it's one of the things that you'll see a pull back, just based on the logistical challenges on the number of new product introductions, in say 2020 in comparison to prior years, and that will start to slowly and steadily pick up.

But I'll tell you the other thing, that necessity is the mother of attention, and there are certain pockets of growth and pockets of opportunity that food companies have identified and they're amazing on how nimble and agile they've been to want to get products out that consumers – that are packaged differently, that consumers will relate to differently.

And so, we're seeing our products that they're familiar with, just because we provide very good tech service, that were formulated into those products, and those products that are being very agile formulated and marketed were benefitting from those. But, we're trying to figure this out together, to be honest with you, with our customers, it's a challenge.

Robert Moskow: Yes, I get it. What percent of your employees can actually come back to your R&D facility physically in New Jersey?

Jim Zallie: Yes, so, we have, throughout the pandemic, identified what we felt were the most critical projects that needed to continue, and we've developed office or lab protocols with physical distancing, hygiene standards and sanitization, and just simply controlling office density.

And throughout the pandemic there's been 20, 25 percent of our laboratory staff that have been working through the pandemic on what we would say are the most essential or critical projects that are in support of our growth platforms and-or customer projects if they were actually moving ahead. We're starting next week, actually, the week of June 8th, to dial all of that back up to maybe 40 percent, and then slowly, steadily evaluate from there.

But we're going to take a very cautious, thoughtful approach to this and the reset of the employees will work remotely, and we've divided teams – A teams, B teams by discipline – by scientific discipline and that's the approach that we're taking. So it's – again, it's a slow, steady approach but it's enabled us to maintain continuity – business continuity and momentum around the big, more critical projects.

Robert Moskow: Got it. Complicated process.

Jim Zallie: Yes.

Robert Moskow: A lot of the questions I've got, Jim, revolved around Latin America, are not alone in terms of warning about the path of COVID in your markets there and how it's accelerating. Can you give us an update on what you're seeing in your end markets there in terms of, I guess demand in the brewery industry in particular in Brazil – and then I guess also in the soft drink industry in Argentina?

Jim Zallie: Yes, I'll just start off saying we started the year, if you remember, with a pretty bullish outlook on South America, and it was the region that we saw percentage-wise to actually be up the most year on year. And never did we imagine that South America would be enduring what it's enduring now.

And unfortunately at this very moment it's going through – from a regional perspective, the most acute effects of the pandemic, just due to the nature that it is flu season down there now, and equally we can question some of the government's response to the pandemic which has, unfortunately led to, in the case of Brazil, being pretty hard hit.

So what we had said on the earnings call, and I can give you an update since – if we take Brazil for example, and the brewing industry, that was very hard hit starting at the end of March through all of April, it was really hit very hard with volumes down as much as 70 percent. And we were very concerned about May, and what May would look like. And since May, May has come back extremely strongly.

And so that's a great sign, and we think a lot of it has to do with obviously inventory replenishment and our factories have been running well. We are obviously managing through the challenges that COVID-19 represents in our manufacturing facilities, but again, we've been very vigilant from the very beginning on how we had changed our protocols and practices in manufacturing for frontline workers, so that's all met going through very well.

But it's going to be choppy, is what I would say, Rob, it's probably going to be choppy going forward, but we're glad to see that the dramatic falloff that we saw in April month has really bounced back fully in May and so far we're reasonably optimistic on June – we don't see June in any way falling back to

April, for example, we're not seeing that. It may not be as strong as May, but it's doing OK.

As far as South America – as far as Argentina goes, the southern (cone). Soft drink consumption typically at this time of the year as they go in to their winter season, typically would fall back a bit. And that's just seasonal. And the unfortunate thing about Argentina is the default and the concerns about what that means for a very acute recession.

GDP will be negative in Argentina this year, and that will impact consumer behavior. And so we're seeing probably a little bit of consumer behavior being pressured on volumes, but it's not that much more than you would expect related to the seasonality just related to the fact that it's winter down there as it relates to soft drink consumption.

Robert Moskow: Got it. Getting back to Brazil, actually, you said you're optimistic in June. To what (stint) are restaurants and bars open again in the country, or is that demand coming from grocery?

Jim Zallie: No, you know – grocery did exactly what we saw in March in the United States, and at the end of March and in to April a lot of pantry stocking for food at retail in Brazil. But what I've been told is that food service establishments are opening back up, again, in the month of May, and that they are surprisingly slowly getting back.

It's not obviously going to be something that there's going to be a rush back like there isn't a rush back here. There's going to be a cautious step back, but the point is it's not in total lockdown like it was in April, and we're seeing food service coming back in Brazil, in May and in June. And I can't put a percentage on it right now, but it's slowly, steadily getting back.

Robert Moskow: Have you ever given a number as to what percent of your business in Brazil is geared toward brewery?

Jim Zallie: I don't believe we have. I don't think we've given that number.

Robert Moskow: OK. And you had some initiatives to expand your (inaudible) stock rooms in Brazil last year, can you give an update on that, is that still feasible?

Jim Zallie: Well, specialties actually had a very good year last year in South America, and equally in the first quarter of this year. So I think the trends that we see for consumption of dairy products, snack products, and gluten free products, for example – believe it or not, were doing very well in Brazil, and those products that are sold at retail will continue from a standpoint of the specialties that are sold there.

And brewing is not necessarily a specialty, it's an adjunct for the fermentation process. So the impact there is not really impacting our specialty sales. And the other sector that, of course, in South America has been impacted just because it's exposed to what we call the informal food channel is confectionary.

And then the only other thing I would say, even though we don't disclose for South America per se, the percentage exposure of brewing of our overall Ingredion sales, the sales in brewing in Brazil would be 2 percent or less of our overall sales globally.

Robert Moskow: OK, got it. All right, I'm going to shift over to Asia-Pacific. Things are changing rapidly in a lot of countries, but maybe you can give us kind of a country-by-country look as to what you're seeing on economies reopening and demand in that region.

Jim Zallie: Yes, in Asia-Pacific, obviously China and Korea were impacted by COVID-19 earlier. That was in the first quarter. And I have to tell you, we have been pleasantly surprised at the strength of the comeback in Asia.

In quarter two, China has recovered or nearly recovered so far, so far, so good. Logic tells you that this is going to be a choppy recovery, but so far what we've seen from the first quarter in China is it's been – it's been pretty strong.

Korea, the business continues to be impacted by the recessionary effects in the country. And that will likely continue.

Thailand is just coming out of stay-at-home restrictions. But we have a great tapioca franchise in (Isani) and in Thailand. And we expect (everyone) to continue to do well throughout this period.

And just some things to think about when you think about when you think about our business in Asia-Pacific, so our operating profit and our investment base that we have there is really impacted by two drivers. One is the domestic demand and the sales intra-region – so at a country level – as well as inter-region, and then the exports of those ingredients, primarily tapioca and specialty rice-based ingredients to other regions.

So as an example, our investments in Thailand that we've made to expand capacity are for export outside of Asia-Pacific and the benefit does show up in the other regions' operating income. And so, that's just an important thing to think about when you think about our Asia-Pacific business.

Robert Moskow: OK. I'm going to – in the past week when we've done (these), we've gone country-by-country kind of around the world. So I'm going to ask you to keep going, if you could.

Can you do Western Europe for us? I mean, I would imagine you saw significant (pantry loading) in Western Europe on a retail basis. I'm – maybe you can refresh my memory about what the balance was with food service and how your performance was impacted.

Jim Zallie: Yes. So we had a very, very good first quarter, I think you'll recall, in EMEIA for the first quarter. And that was despite a falloff in the latter part of March in Pakistan. And so, Europe actually did very, very well.

And I would say, through April, Europe sales of specialty starches and specialty ingredients – and a reminder in Europe, about 80 percent plus of our – of our business is specialties. We're a very specialty oriented portfolio for our European business. And that did very well really through April.

And we saw a little bit of moderation related to the comparison to the heavy pantry loading and stock building that occurred in March and April starting in

May. But we're pretty confident that that business because it is so heavily insulated with specialties will continue to do well.

We do have – just a reminder, our EMEIA business does consist of a large business of Pakistan. And Pakistan is probably somewhat like South America from a standpoint of the impact of the pandemic now. It's going through just the lifting of the lockdown.

That has impacted primarily the textile sector. And so, we've seen a volume reduction in textiles there, which is probably going to take some time to bounce back because it relies on exports. And we see that as being slow and steady, again, going forward in the ensuing months.

But overall, our European business has done well, very strong first quarter. Strength through April and into May, but some moderation, I would say, in volumes – just natural, related to the pantry destocking and just consumers consuming what they have at home. But we think we're in a very good position with our European franchise.

Robert Moskow: OK. Did you give guidance for how EMEIA would perform in 2Q? I think you said you'd expect a continued headwind, but I guess that's really just – that's just Pakistan, it's not Europe.

Jim Zallie: Yes, I think what we said is that Europe would benefit from the food that's consumed at home, just related to the stay-at-home restrictions, but that Pakistan would be down in volumes just related to food service – whatever is exposed to food service, also some of the informal economy exposure and textiles.

Robert Moskow: OK, got it. Oh, and then just to clean up something on Mexico. You said that the breweries are now reopening and there's been – I think there's been some inventory reloading in Mexico. Is that – is that the right way to think of it?

Jim Zallie: It is. It is, fortunately. Again, fortunately when you have a shutdown of an industry as sizable and significant as the brewing industry – and how important brewing and beer is to the Mexican culture and you have that declared non-essential for nearly two months. You're seeing a bounce back as these industries come back on stream. So they're slowly rebuilding their inventories and we think that will continue. And the products that go our export to the United States will continue to do well.

And just going back as a high-level refresher, Rob, from what we said on the earnings call, which is pretty consistent with what I would say still is the case, we said that our adjusted operating income for quarter two would in three of the four regions likely be down mid-teens in operating income.

And the exception to that would be South America. That we just felt and knew would be impacted more given where the pandemic was having – going to likely have the most impact. And that's proving to be the case, just related to the flu season. But equally, Brazil has gotten hit pretty hard. So we're still kind of sticking with that.

And again, just to answer your question on Mexican brewing and that opening up June 1st of the brewing industry, it's slowly rebuilding inventories. But right now, Mexico City is still in lockdown. So again, very different and localized related to how the pandemic is playing itself out in various locales.

Robert Moskow: Right. Thanks for the clarification. OK.

Well, I think I've made it to the end of my list of questions. Is there anything else, Jim, that you want to communicate to (the TheStreet) about the long-term vision for the company or the tactical changes that you're making at this time?

Jim Zallie: I would just say that we have a strong focus on growth and we are continuously executing our strategy and being directed by what we call our (driving Roche roadmap), which is really, I think, serving us extremely well.

Companies talk about their purpose and performance-driven culture, but with how you opened up the call today, I would tell you that values and purpose mean a lot and they matter a lot. And we feel very good about having those and having invested a lot in our culture and leaning on that right now. So we're doing that.

The second thing is a focus on commercial excellence, which is really around a commitment to customers. And it's been fascinating to talk to customers through this experience. And we have very high standards for ourselves and we want to delight our customers, we want to exceed their expectations.

And so, for example, as it relates to this innovation challenge that all companies are going through and we pride ourselves as being an innovative company and an innovation partner for our customers – the customers have said to us, listen, we know that you want to help us in that in that regard. But right now, honestly, what you've done for us through this pandemic to keep product on the shelf and allow us to be there for our customers' matters so much. And we can't thank you enough.

So we really recognize the business continuity, and the blocking and tackling and the service piece around being easy to do business with, and commercial excellence. That's been important.

Third is Cost Smart and really looking at organizational transformation and business process simplification. So one of the things that I would say that we didn't talk about but you should be mindful of is we've had – we did last year our Cost Smart savings target based on really a tremendous amount of effort we were putting into business process simplification.

And I think that COVID-19 presents that same opportunity to further reorganize the business, and streamline it, and optimize it for the new normal. And we're already working on that. And so, we're excited about what the opportunities are there to deliver savings and drive simplification and efficiency.

And then lastly, it's really about driving our specialties growth. And those are really squarely aligned with those market trends. And I told you that we really feel very strong despite the pandemic that they're going to hold up very well through the pandemic. So that's what I would say in summary.

Robert Moskow: OK. Yes, I thought your points about specialty being well positioned during this time period makes a lot of sense. So look, Jim, thanks a lot for joining us on – in a (inaudible) (this) week.

And people on the call, if you have any follow up questions for me, please do or with Tiffany Willis from IR at Ingredion. So thanks again.

Jim Zallie: Thank you very much, Rob, appreciate it.

Robert Moskow: All right, (so long).

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating, you may now disconnect.

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