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Conference Call Transcript

ADM - Q2 2010 Archer Daniels Midland Company Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the second quarter 2010 Archer Daniels Midland Company earnings conference call. My name is Josh, and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question and answer session towards the end of this conference. (Operator Instructions)

I would now like to turn the presentation over to our host for today's call, the Vice President of Investor Relations, Dwight Grimestad. You may proceed.

Dwight Grimestad *- Archer Daniels Midland Company - VP IR*

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Thank you, Josh. Good morning. Welcome to ADM's second quarter earnings conference call. Before we begin, I would like to remind you we are webcasting this presentation on our website adm.com. The replay will also be available at that address.

For those following the presentation please turn to slide two for the Company's Safe Harbor Statement which says that some of the comments constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, company performance, and financial results. Statements are based on many assumptions and factors including availability and prices of raw materials, market conditions, operating efficiencies, access to capital, and actions of government. Any changes in such assumptions or factors could produce significantly different results. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events. Slide three lists the matters we will discuss on our conference call today and I will now turn the call over to our Chairman and Chief Executive Officer, Patricia Woertz.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Thank you, Dwight. Turning to slide four, good morning, everyone. I will begin with safety first. Through our second quarter we reduced lost workday injury rate by 32%, and our total recordable injury rate by more than 9% compared to the full fiscal year 2009. Thanks to the ADM employees and contractors for their continued attention to safety.

Turning to our financial results, this morning we reported quarterly net earnings of $567 million or $0.88 per share. I am very pleased with the performance of our people and with our results this quarter. While our earnings in total were comparable to last year's strong second quarter, the market conditions and the mix of earnings were markedly different. This once again I believe demonstrates the ability of ADM team to utilize the geographic scope and diversity of our asset base to create value for our stockholders. Steve will talk about our segment results in a moment, but first an update on our profitable growth strategy.

We have brought online this quarter our Columbus, Nebraska, ethanol dry mill, adding 300 million gallons of annual capacity, our Clinton, Iowa, co-generation planted, our Brazilian JV sugar cane ethanol plants, our first production line at Hazelton, Pennsylvania, the cocoa processing plant. Also we have increased ethanol production capacity at our Decatur, Illinois, corn wet mill and we brought online incremental processing capacity at several of our North American oil seed processing plants. We have integrated our recently acquired soft seed processing plant at Olomouc in the Czech Republic. We started up the boilers at Columbus, co-generation plant. We are in start up at the bioplastics plant in Clinton, Iowa, and we are on track to start up our propylene glycol ethylene glycol plant in Decatur later this quarter. Lastly, our Cedar Rapids dry mill is scheduled to come online this summer rather than in the fall.

Looking at current operating conditions, we're seeing demand improving in some of our key markets we serve. We also see the US ethanol market reasonably balanced, and in South America growers are harvesting what appears to be a bountiful crop. We'll discuss more on these topics during our operating results discussion. Now I will turn the call over to Steve who will look at our segment results.

Steve Mills - ***Archer Daniels Midland Company - CFO***

Thanks, Pat. Good morning, everyone. Turning to slide five, slide five reflects our financial highlights for this quarter. Segment operating profit was $970 million for the quarter, up $155 million or 19% from the $815 million from a year ago's quarter. In a moment I will discuss those segment results in a little bit more detail. Quarterly net earnings and earnings per share both decreased 2%, and our tax rate has been reasonably steady. As you can see from the waterfall chart for the quarter, on the lower left of the slide, we didn't have -- did not have any notable items this quarter other than LIFO which had a $34 million or $0.05 a share after tax negative impact on earnings and EPS. Last year's quarter include $0.12 a share of LIFO income. Please turn to slide six where we show the quarter and year-to-date summary of our operating profit by segment where you can see our results in a bit more detail. We'll turn to slide seven to begin a review of each individual segment.

Starting with oil seeds processing. The oil seeds operating profits this quarter were $352 million, another good performance from this business unit. Crushing and origination results increased $6 million to $193 million for the quarter due to stronger crush margins in North America and the absence of last year's South American fertilizer write downs. These results were partially offset by weaker year-over-year European results. Our crushing volumes were higher in the quarter as our recently completed plant expansions positioned us well to meet the increased demand for North American export meal and oil as the industry adjusted for the lack of soybean supply in South America. Refining, packaging, biodiesel and other results decreased $10 million in the quarter to $76 million. Improved South American margins and volumes were more than offset by weaker European biodiesel earnings and lower North American results. Oil seed results in Asia rose $37 million to $83 million for the quarter. The results of our equity investee, Wilmar International Limited continued to be strong.

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The growth update for oil seeds processing, as Pat mentioned, our sun flower and rate seed crushing plant in the Czech Republic is now integrated into our European operations, expanding our presence in central and eastern Europe. Our recently expanded fertilizer blending operation in Paranagua, Brazil is operating and our new fertilizer blending facility in Paraguay should be online by mid-year.

Crop update. This year's US soybean crop was 3.4 billion bushels, and the projected carryout is 245 million bushels. As you will recall the soybean supply was considered very tight coming into this US harvest. This US harvest together with a large harvest expected in South America should raise the carryout and provide an ample supply of soybeans.

Current market conditions, we're seeing some improvement from previous low levels in meal and oil demand. However, globally meat protein customers continue to be fairly cautious buyers and are operating and amount. For the crop year 2009/2010 industry sources project anywhere from 1% to 4% growth in global protein meal consumption. Demand for protein meal is growing in Asia and South America, but is relatively flat in North America and Europe. Vegetable oil inventories are stable at elevated levels. Biodiesel demand is strong in Brazil after the implementation of a V5 mandate in January of this year. Biodiesel demand in the EU is improving as Spain, Italy, and the UK have implemented biodiesel programs. EU biodiesel demand for 2010 is projected to increase 20% to 30% based on implementation of EU mandates. There is little US biodiesel production so far in 2010 as the industry awaits the implementation and funding of RFS 2 with both biodiesel mandates and blending credits. We will adjust crushing rates between regions as soybean supply shifts. We expect to run at high capacity utilization rates in North America until April or so when the new crop soybean supply in South America should allow increased crushing rates in Brazil and Argentina.

Moving to corn processing on slide eight, for the quarter corn processing results increased $261 million to $290 million on significantly improved bioproducts results. The bioproducts results increased $230 million for the quarter due to improved ethanol margins and higher sales volumes resulting from a combination of lower net corn costs, decreased manufacturing costs, and favorable gasoline blending economics. Bioproducts results also reflected improvements in our lysine and citric acid businesses. And as a noted, in the quarter bioproducts included about $34 million collars in costs related to the start up of our new plants, the ethanol dry mills, the industrial chemical plants, the new co-gens and our sugar cane ethanol facility.

Turning to sweeteners and starches, operating profits increased $31 million over the prior year to $171 million for the quarter. Sales volumes were down slightly. Operating profits increased due to the lower net corn and manufacturing costs. We've completed our sweetener and starch contract negotiations for 2010 and we saw a decrease in selling prices for sweeteners and starches. On a weighted average basis this decrease was in the high single digits, but we do expect a lesser impact on margins.

For a growth update in corn processing, as we have mentioned we're finishing up our major products. The Columbus ethanol plant is nearly through start up. Our conservative design estimates had put the capacity of this plant at 275 million gallons per year. However, based on initial runs we believe this plant will be able to operate at a 300 million gallon per year rate. Our Clinton co-gen plant is up and running and we started up the boilers at our new Columbus co-gen planted. We're in start up at the PHA bioplastics plant and our propylene ethylene glycol plant will begin PG production in March. Work on our Cedar Rapids ethanol dry mill is going well, and the plant is on track for a start up this summer. We've had an ongoing project to expand our ethanol capacity in Decatur, Illinois, to give us additional flexibility at this corn wet milling plant. This project is now complete, and we have cost effectively added another 50 million gallons per year of ethanol capacity.

Looking at current corn crop conditions, last year's US corn crop was 13.2 billion bushels, the second largest crop on record. The projected carryout of 1.8 billion bushels is considered an ample supply. Looking at current market conditions, ethanol spot prices were similar to unleaded gasoline in the second quarter, but are currently running $0.10 to $0.20 below unleaded gasoline. With the $0.45 tax credit ,the blender currently has a significant incentive to buy additional gallons. Given these economics, we are seeing discretionary blending above the levels required by the RFS. Industry sources show 11.8 billion to 12.3 billion gallons of ethanol capacity online, 1 billion to 1.2 billion gallons of capacity that's idled and 1 billion to 1.4 billion gallons of capacity currently under construction. In 2010 RFS requirement calls for 12 billion gallons, up from the 10.5 billion gallons in 2009. Lysine demand remains strong driven by both the increasing use of DDGs in feed and by increasing inclusion rates in feed rations. Lysine pricing is also improving. Lower levels of CSD consumption have resulted in reduced corn sweetener volumes in the US. However, increasing corn sweetener volumes to Mexico are expected to largely offset this decline.

Let's now turn to slide nine and review the operating performance of our ag services business segment. Ag services results decreased to $150 million from last year's record levels. During last year's second quarter favorable positioning coming into the quarter, volatile commodity markets and tight credit markets presented attractive volume and margin opportunities which did not repeat themselves. Merchandising and handling results were lower than the year ago quarter, but were still solid in light of the late wet US harvest, and in the quarter we saw strong US export demand for soybeans. Operating earnings from our transportation operations declined on lower barge freight rates and decreased utilization levels

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resulting from the extended North American harvest. Looking at current market conditions for ag services, we do expect exports from the US to be reduced, soy exports to be reduced, when the large south American crop is harvested. However, with large global crops and improving demand, we will see opportunities to utilize our global ag services network.

Slide ten is an operating profit analysis of our other segment. This segment reported an overall profit of $178 million this quarter, up from $173 million from last year's second quarter. Our other processing businesses had higher results. As the year ago quarter reflected $40 million of currency related losses at our equity investee Gruma SA. This quarter's other processing results also benefited from improved wheat milling margins. In addition, other processing earnings for the quarter included mark-to-market gains of $46 million related to certain forward sales commitments that we accounted for as derivatives. Other financial results increased $65 million due to the absence of losses experienced last year by our captive insurance operations and we also saw improved results from our ADM investor services business. Current market conditions show wheat flour production generally balanced in the milling group, and we have a good supply of wheat. Production in cocoa has slowed as the industry experiences both reduced demand and high cocoa and sugar prices. Customers have continued to be cautious in forward contracts.

Turning to slide eleven, slide eleven shows the major components of our corporate line and the most significant item you see here is is the impact from changes in our LIFO inventory reserves where rising commodity prices this quarter generated a charge of $54 million compared to a year ago income of $123 million for the quarter.

Slides twelve shifts to the financial statement view and shows statement of earnings highlights for the quarter and six months. I will highlight the key changes here. Net sales and other operating income decreased 5% for the quarter to $15.9 billion. Sales quantity of merchandised commodities and to a lesser extent of ethanol and wheat flour increased for the quarter. However, the continuing effects of year-over-year declines and underlying commodity market prices drove average selling prices lower for many of our products. Gross profit decreased $159 million for the quarter due mostly to the change in our LIFO inventory reserves. SG&A expenses increased 6% to $358 million, and other income and expense increased $147 million. A lot of items run through this line, but the biggest amount of changes were from gains and losses related to our affiliates and from a swing in our minority interest eliminations.

Slide thirteen, we're comparing selected balance sheets highlights on this slide as of December 31, and compared against our June 30 year end balance sheet. The biggest changes to point out here are the increases in net property plant and equipment which continue to increase mainly due to the spending on our major capital projects and the increase in operating working capital due primarily to an increase in inventory.

Slide fourteen shows a significant items impacted our cash flows for the six months, cash generated from operations, before the impact of changes in working capital remain strong at $1.66 billion and is up about 6% from last year's first half. Cash flow from changes in working capital are relatively minor and CapEx spending was just under $1 billion dollars for the quarter or for the six months and similar to last year. The pace of this CapEx spending has begun to slow as we bring our large Greenfield projects online. Our financial position and key operating cash flows remain very strong. We're focused on maintaining a strong balance sheet and financial flexibility. We are in good position to respond to strategic opportunities as they arise.

Turning to slide fifteen where we provided update of our current financial performance using return on equity and return on net assets, the four quarter rolling returns, shown here in purple and blue, remain relatively low due to last fiscal year's weak second half when earnings were adversely impacted by the global recession and downturn in demand. As you can see from the green and orange lines on this chart, which reflect annualized quarterly returns, these returns have rebounded in the past two quarters. At this time I will turn the call back over to Pat and we will be glad to take your questions. Thank you Steve. John Rice will join Steve and me for the Q&A. So, Operator, if you could please open the line for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Our first question comes from the line of Robert Moskow from Credit Suisse. Robert, you may proceed.

Robert Moskow - ***Credit Suisse - Analyst***

Thank you. Very strong quarter. Congratulations.

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Patricia Woertz - *Archer Daniels Midland Company - Chairman, CEO*

Thank you.

Robert Moskow - *Credit Suisse - Analyst*

I have a question about corn syrup pricing. It is -- the contracts have been negotiated at lower prices than a lot of us expected. And I always thought of the industry as being pretty well disciplined in terms of price, but then you're also looking at capacity utilization levels that are a lot lower than they were before. Do you see any change in your view as to whether this is a disciplined industry in terms of pricing or are our concerns well founded that pricing might continue to drift lower?

John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

I will start by answering. We have lower volumes in the industry, so I think that had a little bit to do with the lower prices. Also we're picking up a little bit of volume in Mexico which helps offset, and I can't comment on the discipline in the industry or anything like that. We're just really looking at the total supply and demand, and in our case we're always looking at, as Pat and Steve mentioned in their prepared comments, more flexibility in our being able to make other products. So as far as the discipline goes, I guess I can't comment on that.

Robert Moskow - *Credit Suisse - Analyst*

What you're saying in your guidance here is that you expect pricing to be down, but you also expect your corn costs on a net basis to partially offset that lower price realization is that correct?

John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

Should see lower costs and we expect to see lower operating costs also, lower corn and manufacturing costs.

Robert Moskow - *Credit Suisse - Analyst*

Okay. And then just one more factual thing. You mentioned the exact number, $34 million of start up costs in the bioproducts line. When do these start up costs start to ease off? How much more in terms of costs should we expect for the rest of the year and then also volume for ethanol for the quarter, was your volume up a lot because of the new production facilities or was it up because of the higher demand?

Steve Mills - *Archer Daniels Midland Company - CFO*

I will start with that and let John or Pat fill in. On the start up costs, based on what I know today I think the $34 million will be the peak of start up costs as we bring these plants online and get them going and we should see them taper off some in the next two quarters, but there is no question we have start up going here for at least another two to three quarters. At least based on our estimates today we think we've peaked.

Robert Moskow - *Credit Suisse - Analyst*

Okay.

Steve Mills - *Archer Daniels Midland Company - CFO*

The ethanol volumes were certainly a mix of the new plant coming online from Columbus. I am thinking back already over a month now we're using volumes that go back through December, but we included volumes there, and we have been merchandising volumes all along the way, so it was a mixture.

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John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

Also you can see in the appendix we have our process volumes and our corn grind is higher. That is due to ethanol and then also lysine, we're seeing better lysine demand which we can divert more of our grind over there as this time of year where the sweetener volume tends to slow down a little bit, even though we are seeing a little more pick up in Mexico.

Robert Moskow - *Credit Suisse - Analyst*

John, can I cheat a little bit? You mentioned or I think Steve mentioned, you said that you thought that you would see more opportunities to utilize your asset base in ag services for the back half of the year despite the late wet harvest. Can you tell us what that means? Are you seeing more opportunities like you said that were absent in the first half of the year?

John Rice - *Archer Daniels Midland Company – EVP commercial and production*

The slow drawn out harvest our transportation assets were not taxed as much. We weren't able to see a little bit of volatility in the transportation assets. Also the ability to handle a large volume of grain all at once affected us, but as the harvest keeps going on, as a matter of fact they're out harvesting corn around Decatur yesterday, help finish up, we will see opportunities come, and we will be exporting more beans out of South America. Wheat and corn will come out of eastern Europe and central Europe and western Europe, and then also more corn exports will probably start coming out of the United States here as we see less soybean exports in the next, after April just due to the south American crop.

Robert Moskow - *Credit Suisse - Analyst*

Great. Thanks so much.

Operator

Your next question comes from the line of Vincent Andrews from Morgan Stanley. You may proceed.

Vincent Andrews - *Morgan Stanley - Analyst*

Thanks. Good morning, everybody.

Steve Mills - *Archer Daniels Midland Company - CFO*

Good morning, Vincent.

Vincent Andrews - *Morgan Stanley - Analyst*

I want to follow up a little bit on the bioproducts piece and make sure I understand. You have start up costs, but does that also mean you're not running those plant full out or are you running them full out at this point?

Steve Mills - *Archer Daniels Midland Company - CFO*

It is a mixture, Vincent. We look at it in two buckets. We have just pure start up costs to get we've got plants that aren't even running yet, for example, or running in stages of propylene ethylene glycol, bioplastics plant, and we have plants such as the Columbus dry mill that is coming up over a bit of time, and so we're incurring some costs until we get that up to full capacity. So it is a mixture of those. So we look at that and from our perspective we include that $34 million includes bits and pieces of both of those and we'll stop including them in those costs when those plants are at their designed capacity.

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Vincent Andrews - ***Morgan Stanley - Analyst***

I guess maybe what I am really trying to get at as it relates to ethanol, there has been a lot of volatility in that line over recent quarters and just trying to get a sense of if this quarter's results if we looked at where things were on a cash basis and assumed all on a go-forward basis, is this about what you should be doing in that segment on a go-forward basis assuming nothing changed?

Steve Mills - ***Archer Daniels Midland Company - CFO***

Well, we still -- Columbus was not completely up in the December quarter end, so we don't have that up --

Vincent Andrews - ***Morgan Stanley - Analyst***

Can you give us a sense how far up it was or wasn't?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

We're basically starting it up. As of yesterday we're pretty much close to full capacity. Now, there is still issues any time you start up a huge plant. You may shut down a line for a little while just to tweak, make sure you get the energy efficiency in the operations. So to quantify it exactly, it is a little tough. I think the better way to say this is we'll have more capacity in quarters going forward but have you to look at what the margins are doing in the industry to try to align our second quarter with our third quarter.

Vincent Andrews - ***Morgan Stanley - Analyst***

Sure. Understood. Maybe I just ask one last question on ethanol and pass it on. This is maybe a question familiar from this call two years ago. There is no issue, if I am correct, in terms of blending infrastructure as we move into 2010 to make the mandate or potentially blend above it, John, is that correct, the bottlenecks we used to see two years ago, are you not anticipating any of that during 2010?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

No, we are not.

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. Thanks. I will pass it along.

Operator

And our next question comes from the line of John Roberts from Buckingham Research. John, you may proceed.

John Roberts - ***Buckingham Research - Analyst***

Good morning.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Good morning, John.

Steve Mills - ***Archer Daniels Midland Company - CFO***

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Hi, John.

John Roberts - ***Buckingham Research - Analyst***

Will there be a three year capital spending cycle coming up next or do you think you're going to handle it a year at a time as you come off this current three year period?

Steve Mills - ***Archer Daniels Midland Company - CFO***

John, I think that we're going to have a different CapEx profile going forward. We're at the conclusion, nearing the conclusion of this large Greenfield effort. We don't have projects like this on the books at our Greenfield, so we expect CapEx going forward to have a higher mix of acquisitions, than we do Greenfield. So it is going to be a little less predictable than we've had the last couple of years where we were able to pretty much lineup where we thought CapEx was going to be based on these Greenfield projects, so we'll see where that lands us.

John Roberts - ***Buckingham Research - Analyst***

Do you have an early thought on where fiscal 2011 will drop to?

Steve Mills - ***Archer Daniels Midland Company - CFO***

No, other than right now we think that the Cedar Rapids dry mill will be done about the end of this fiscal year. I am sure we will have some expenses flopping over into fiscal 2011. We have been running what we call our maintenance CapEx, our recurring CapEx at about $600 million. So sitting here today with what I know today, that number will start to trend a lot closer to that maintenance CapEx than where we are today. That's with a big asterisks to potential acquisitions and other things that are going to come along.

John Roberts - ***Buckingham Research - Analyst***

Lastly, and then I'll get back into queue, but you're running a 13% return on assets which is near your target with, I assume a significant drag from the new capital coming in that's not fully productive yet? Do you know how much that drag roughly is or how much of a lift you would get if you had full productivity from the new capital?

Steve Mills - ***Archer Daniels Midland Company - CFO***

I don't have that calculation, and as you point out, we have seen a lot of volatility in those return metrics, and we look at it over time, so every quarter has a little different mix. I don't have that number.

John Roberts - ***Buckingham Research - Analyst***

I will get back in the queue.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Thanks, John.

Operator

Our next question comes from the line of David Driscoll from Citi Investment Research. David, you may proceed.

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David Driscoll - *Citi Investment Research - Analyst*

Thanks a lot. Good morning, everyone.

Steve Mills - *Archer Daniels Midland Company - CFO*

Hi, David.

David Driscoll - *Citi Investment Research - Analyst*

Congratulations on the quarter and a good first half. Looking at the oil seed processing side, can you talk a little bit more? I actually took a couple of your comments maybe more negatively on the -- what you said about the slowdown in US exports. As I calculate the pacing right now, we're going to have excellent US exports out of the country, it is just the pattern has shifted so it is much more up front, and then I would say that the decline in the shipments in terms of post April is really a function of not a lot of beans left in the United States, so it is not an issue of demand. John, would you agree with that?

John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

Demand, as Steve commented, we see growing also here in the United States. If you look at the cold storage, inventories are down I think 15%, 18% from last year, so we are seeing a little bit better demand. I think our comments are more aligned to where we see the South American crop and the crush coming on line in Argentina and Brazil. When the pipeline totally gets filled, the North American -- we anticipate the North American crush will slow down a little bit. Does that answer your question, David?

David Driscoll - *Citi Investment Research - Analyst*

I was maybe just trying to point out it is not really a negative, almost sounded negative in your prepared comments, but it looks to me like the shipments of beans, the exports of beans out of the United States right now have been all time record levels, and this is just a different pacing than what we had seen in the past, the shift to South America. It feels natural, so again I just wanted to make sure I was tracking with what we're seeing in those markets correctly. Do you agree with my statement?

John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

I agree.

David Driscoll - *Citi Investment Research - Analyst*

Super. On crushing margins, obviously we have been running at very high levels at the board crush. When we get into April, it seems to me that we should see, and again you just mentioned this, a significant slowdown in the United States. Again, I think it is because of a lack of beans. I argue that that continues to maintain good crushing margins globally. Does that seem logical with the set of facts as you know?

John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

I don't believe that there is going to be a bean shortage in the United States. We had a fairly large crop. There is a fairly good carry over, I thought 245 million bushels. The market usually says anything over 200 million bushels is more than adequate carry over. So I think it is more the additional crush we're going to be seeing in South America coming online. Margins still should be good because of different biodiesel demand throughout the world. I think it is just going to be a switch where the crush is going to be operating.

David Driscoll - *Citi Investment Research - Analyst*

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Okay. Pat, on ethanol, you made a lot of nice comments and so did Steve. Can you just give us maybe a bigger picture comment here. Does it feel as if the ethanol business has really come through the worst of the downturn where we had those negative margins and it honestly felt like the business was -- so many of competitors were going bankrupt? It was fairly awful. Does it feel like you can honestly look forward over a couple of years and say that the outlook is actually good?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Well, first of all, David, we have an optimistic view of the ethanol business or we wouldn't be building the capacity or haven't built the capacity that we did. We have been in the business for quite a long time, so we have seen cycles as you know, and there is an RFS that gives you some set of certainty related to demand. You have the opportunity to have additional demand due to incremental blending. So the big picture is we are optimistic about the ethanol business, and we think that the scale and the scope and the low cost producer that we are is the way to go about it. So I won't say it will be successful for everyone, but through its ups and downs, a low cost, large producer should do very well.

David Driscoll - ***Citi Investment Research - Analyst***

Final question for you is you have a number of people talked about it, you have talked about it yourself, all of these capital projects that are coming to completion. The way I know a lot of us on the outside think about it is we look at the capital spending number over a multi-year basis, supply some kind of expected return against it, and that's how we come up with an EPS impact. It feels very crude to me to do it in such a fashion. Are you willing to provide any kind of guidance on what the impact of all these projects are, especially those projects that are cost reduction projects, like your co-gen projects? I think it would be very helpful for the investment community to get a sense as to what kind of returns you see on it. I don't know if you're prepared now, but I maybe wanted to start the ball rolling on that.

Steve Mills - ***Archer Daniels Midland Company - CFO***

That's a good question, David, and how you think about it is not all that crude because as you can appreciate that there is a lot of volatility in our business, whether it is on a cost savings project like co-gens where we look at coal versus natural gas and other products which have a lot of volatility as well as the other types of product that we're going to produce from our new plants. And, we do look at our returns over a period of time knowing that we're going to have some cyclicality and volatility to the business. So we continue to look at returns and metrics, but no matter what we do here, it will be based on a number over time, and a set of assumptions that we know will be over sometimes and below others. So it is a great question, something we look at all the time, and we'll continue to refine that and as we can share that with you and others, we certainly will.

David Driscoll - ***Citi Investment Research - Analyst***

I really appreciate the comments again. Congratulations on the quarter.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Thanks, David.

Operator

Our next question comes from the line of Christine McCracken from Cleveland Research. Christine, you may proceed.

Christine McCracken - ***Cleveland Research - Analyst***

Thank you. Good morning.

Steve Mills - ***Archer Daniels Midland Company - CFO***

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Good morning, Christine.

Christine McCracken - ***Cleveland Research - Analyst***

Pat, I think you said you were optimistic on the blend rate increasing. I am wondering EPA had initially said they were going to punt the decision until the fall, and in comments I think as recent as last week, it now sounds like they could make a decision earlier than that. What's your outlook and how do you plan for a moving target like that?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Well, I think I have to comment at the highest level so to speak as opposed to trying to predict what day or month we might get a response. As you know, the EPA has undertaken a formal review of an application, and that application was about a 15% blend rate, and they did announce they were postponing it until the middle of 2010. I think we're still optimistic that the view is, and in fact comments they have made was felt like it was an inevitable discussion about higher blend rates, whether or not that will go to full 15, whether it will go to 12. Some of the discussions we have been having with folks is related to allowing customers to not have to distinguish by cars or model year, but have something that the market doesn't have any -- the market is sort of can deploy the higher blend rate within the current structure, within the current chain, distribution chain. So I think we're still optimistic, and I think it will be by the middle of the year that we'll hear.

Christine McCracken - ***Cleveland Research - Analyst***

Okay. And then when you look, I would say over the last quarter or so you've heard of numerous plants coming back online, a lot of new capacity it looks like will be maybe a billion gallons or more online by mid-year. I am wondering when you look at the supply demand balance then, going through 2010 and into your next fiscal year, are you concerned at all that there would be any over supply again? That's a lot of capacity to come back online and I know the economics are very favorable right now. I am just wondering what your outlook is.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Maybe I will start and, John, do you want to jump in? I think the estimate that is the markets have noted are for total capacity both built or idled is between 13 billion and 13.7 billion-gallons. So the opportunity to continue to blend, blend at higher rates those that should have good economics to run will probably run. I think we see a balance, is the best way to say it, as opposed to an over worry or under supply, fairly balance.

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

Timing has a lot to do with everything in this business, too, and bringing on more capacity like you said, but we are seeing export business out of the United States. The next sugar cane harvest and the increase in the ethanol production won't happen until April/May time period in South America which we will start bringing on more summer driving here. So you always have that little bit of supply and demand balance, half a billion gallons here, half a billion gallons there can make a difference, but we still believe in the long-term of 15 billion gallons, and the industry seems like right now we're going to be built to that in the long-term.

Christine McCracken - ***Cleveland Research - Analyst***

And you're not worried at all by some of these accounts the low carbon fuel standard and Wisconsin I guess filing a similar petition, any of those environmental constraints a concern for you longer term?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

I would say you always have to make sure the education process goes on with each jurisdiction. So to say there are no worries, no, or we wouldn't have people trying to spend time to understand and provide information to various jurisdictions as they have discussions about the thing.

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Christine McCracken - *Cleveland Research - Analyst*

I will leave it there. Thanks.

Patricia Woertz - *Archer Daniels Midland Company - Chairman, CEO*

Thanks, Christine.

Operator

Our next question comes from the line of Christina McGlone from Deutsche Bank. You may proceed.

Christina McGlone - *Deutsche Bank - Analyst*

Thank you. Good morning.

Steve Mills - *Archer Daniels Midland Company - CFO*

Hi, Christina.

Christina McGlone - *Deutsche Bank - Analyst*

Just following on Christine's question, Pat, I would love to get your take on -- I am confused somewhat buy California's low carbon fuel standard and what's going on in some of the Northeast states with adopting similar language and then including indirect land use. How does that reconcile with the fact that we do have a federal biofuels mandate? How do you meet the 15 billion gallons if they're going to start restricting carbon and including indirect land use?

Patricia Woertz - *Archer Daniels Midland Company - Chairman, CEO*

I think that kind of question is what one poses to the regulators and legislators when you have discussions about the same. What California has adopted, one of the things that we tend to talk about is the science is not quite ripe on indirect land use to have it so formally noted as far as a piece of legislation. So there is discussions about what it really means, how you really calculate it, what kind of production can fit into a low low carbon environment, how a plant could qualify or not. All of these are yet questions to both answer and have the specific jurisdictions work through. So the optimism about the 15 billion gallons nationally is that if we had a general standard across the US, and not necessarily the individual jurisdictions that are sort of spending a little time on this subject.

Christina McGlone - *Deutsche Bank - Analyst*

Okay. And then I guess further to that, Shell's agreement with Cosan that was announced yesterday, what do you think of that? It gives Shell the ability to distribute sugar based ethanol in the US which does, I believe meet the low carbon fuel standard. Is that a threat to corn-based ethanol?

John Rice - *Archer Daniels Midland Company - EVP Commercial and Productions*

We've always had the ability to import Brazilian ethanol in the United States. So I don't think that potential joint venture changes anything at all coming into the United States just because they have the distribution, they're in the business to make sure they're making money. So they're going to be buying the lowest cost ingredients they can.

Christina McGlone - *Deutsche Bank - Analyst*

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Okay. Makes sense. Just a housekeeping issue. On 50 million gallons that is you added in Decatur for ethanol, where did that grind come from? Did you pull it out of fructose?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

It gives us more flexibility, it can be lysine, it can be fructose, it can be corn syrup. Any given two month period, during the wintertime we'll run more gallons and less fructose. It's not that simple of an answer, it's just one or the other.

Christina McGlone - ***Deutsche Bank - Analyst***

Last question, John, can we go back to oil seeds? I was confused by an earlier line of questioning. If we do get this large Brazilian and Argentine crop, you have a better alignment in global supply and demand in soybeans and soybean products. How does the global margin structure not come down and now that you have higher plants up in the US, wouldn't your utilization fall in the US and what does that mean for ADM as a whole given your geographic footprint?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

As Steve mentioned in his remarks, we do expect utilization to fall in North America. That is not unusual during the summer months around the United States, but with the growing profitability, hogs are actually making a little money on a spot basis right now. Poultry numbers being a little down. We do anticipate better crush margins this year than we do last year because of world economics and better demand.

Christina McGlone - ***Deutsche Bank - Analyst***

Down sequentially, but still up year-over-year for crush margins?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

(Inaudible)

Christina McGlone - ***Deutsche Bank - Analyst***

Okay. And then in terms of the biodiesel demand in Europe, that's very strong. Will we ship 19 from the US and will product come from Argentina or will that be supplied by European vegetable oil?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

What tends to happen because each government has their rules and regulations, we'll see an increase in biodiesel demand in Europe, rapeseed margins should be better, we'll be importing soybeans, Argentina will make up the difference there, and we will start shipping more vegetable oil for the food market out of the United States.

Christina McGlone - ***Deutsche Bank - Analyst***

Great. Thank you.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Christina.

Operator

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Our next question comes from the line of Ken Zaslow from BMO Capital Markets. Ken, you may proceed.

Ken Zaslow - ***BMO Capital Markets - Analyst***

Good morning, everyone. Just a quick housekeeping. The $34 million start up costs, is that total for the Company or is that just for the ethanol?

Steve Mills - ***Archer Daniels Midland Company - CFO***

It is in the bioproducts Group, and that is the preponderance of the start up costs for the Company. We have some other odds and ends in cocoa and others, but it covers ethanol, co-gen, PHA, propylene ethylene glycol, sugar cane.

Ken Zaslow - ***BMO Capital Markets - Analyst***

I knew you sorted out the cocoa as well. You're saying that's modest?

Steve Mills - ***Archer Daniels Midland Company - CFO***

It is relatively modest, that's right. We only call this out because it is the only significant number.

Ken Zaslow - ***BMO Capital Markets - Analyst***

Pat, I take a step back and we only have crude measures as well and abacus and stuff like that, but we're coming to the idea you're going to have a lot of cash. It seems like if you have a lot of cash there is a lot of things you'll be able to do with it. Can you go through your priorities of how you're going to deploy the cash and to what extent that cash will be used for growth opportunities versus debt reduction and how you think about it?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Ken, as we talked before, it is always a discussion, so we have dividends. We have strategic growth opportunities. We certainly are finishing up our capital expenditures. We do have the opportunity for some debt reduction. We have, as you know, some restrictions related to share buybacks because of our discussion with the rating agencies, but we continue those discussions with them. So it is a -- profitable growth remains the key priority because that's what we think will benefit our shareholders in the long-term.

Ken Zaslow - ***BMO Capital Markets - Analyst***

But with the significant cash, is there a region, is there -- how do you expect to deploy? Is there something in the near future? Should we wait twelve months? How should we be thinking about the cash? It does seem like a significant amount of cash coming to you.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

One of the things if the world was perfect you would be able to kind of predict each quarter or when the opportunities would present themselves. We have a funnel as we talked about before of opportunities as far as where in the world we have priorities to grow is to continue to fill out our global footprint. So staying within that value chain, but areas continued in South America, and eastern and central Europe, Asia. We also have priorities to continue to diversify our feed stock, as you have seen with getting into sugar, greater investment in palm and biomass, as well as filling out that diversified product slate, so it is also a focus area for the investment growth. It is the opportunities that present themselves when they do, so it is not as if we can say it is going to happen largely this year or in next quarter, but it is our objective to continue to grow.

Ken Zaslow - ***BMO Capital Markets - Analyst***

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In terms of ag services was $150 million which to us was a seemingly a strong number, but you seemed a little bit more push back saying it wasn't as great and laying out the opportunities going forward that may actually be more opportunities. Is that the interpretation we should think about this $150 million for the quarter was not as good as you would have wanted and there is actually more opportunities because I thought if I do a regression model going forward, the 150 seems to be in line with your growing asset base. Is there something I should be thinking about the next turn on your ag services should be another leg up?

Steve Mills - ***Archer Daniels Midland Company - CFO***

I will start with this one. It is always interesting how one interprets what one hears. We were pleased with our quarter. Around here it was a challenging quarter for this division with the delayed late harvest and I think we felt good about what we accomplished during the quarter. Every quarter we reset and go and based on the asset network we have and the opportunities that present themselves, so --

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

We have added assets, though, to your point and whether they be in South America or ships, et cetera, we do expect those assets to perform.

Ken Zaslow - ***BMO Capital Markets - Analyst***

Okay. My last question is cocoa, relative numbers your other business did quite well. I guess what I am trying to figure out is you have been the last couple of quarters a little bit cautious on the return to profitability or the growth in the profitability for cocoa. If you listen to [Barry Callebeaut], they also seem to be saying there is a turning point there, too. Is it fair to say that this business has begun to turn around and although demand could be relatively flat globally, at least that's what they have said. Is there an improvement? Have we hit bottom as we have hit bottom in ethanol or two quarters in a row doesn't make a trend?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

Two quarters in a row always doesn't make a trend, but we have seen cocoa prices drop 30% here in the last couple of weeks and we are seeing more demand come. It is still too early to say that's an increase in demand or people are just starting to fill their pipelines. We are running -- seeing a little bit more positive signs, but it is really still tough to say. We still have over capacity and it is down a little bit.

Operator

(Operator Instructions) Our next question comes from the line of Ann Gurkin from Davenport. You may proceed.

Ann Gurkin - ***Davenport & Company - Analyst***

Good morning.

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

Good morning, Ann.

Ann Gurkin - ***Davenport & Company - Analyst***

Wanted to start with the potential for shipping ethanol from the US into Brazil and the potential the tariff could be lifted. Any update on that?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

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I don't have any update on it. There is a little ethanol moving around the world to different destinations, some to Europe, a little bit to India, maybe a little bit to Brazil, but Brazil has a tariff on our ethanol going down, going into Brazil plus they have reduced the blending from 25 to 20, so those all are factors and when the harvest comes in. So I can't comment on the tariffs. I have not heard anything new is what I should say.

Ann Gurkin - ***Davenport & Company - Analyst***

Okay. Great. Pat, I was wondering since you have been a significant participant in the world economic forum, any comments you can share with us or any comments on world economies or changes in strategy for ADM or anything you have brought back that is additive to the outlook right now?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

One of the reasons I agreed to co-chair this year is to add a spotlight to some of the issues around agriculture, particularly the need for investment and infrastructure around agriculture. Some of the discussions that the world economic forum are this combination of business of governments of NGOs and of trying to make the world a better place, and if one of the wins or one of the ways that talking about the current economic conditions coming out of the recovery, so to speak or recession in a recovery, is in former recoveries maybe investment in agriculture was left behind or agriculture was left behind. So not to have investment in agriculture left behind in this recovery was one point, and then in the longer term to add optimism about the ability of agriculture to meet the demand, particularly by the middle of the century with more population on the earth there is going to be higher demand for food, feed, fiber, industrial products, et cetera, and with productivity, investment, infrastructure, with bringing on some new arable land sustainably with reducing post harvest waste. All of those things can contribute and create optimism again around agriculture to be able to do that. That was one of the areas that certainly relates to our business and the reason I was participating.

Ann Gurkin - ***Davenport & Company - Analyst***

Okay. Thank you.

Operator

Our next question comes from the line of Diane Geissler from CSLA. You may proceed.

Diane Geissler - ***CSLA - Analyst***

Good morning.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Good morning, Diane.

Diane Geissler - ***CSLA - Analyst***

Thanks for taking the question. I wanted to ask could you remind me what your policy is regarding hedging behind your fructose business, now that you have your prices locked in. Corn prices are down. Normally we see corn prices bottom around the time of the harvest. I am trying to understand how this roll off in corn prices, how I should look at that from ADM's perspective?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

We generally run a hedge position at ADM. We have specific limits throughout the Company that we're constantly monitoring every day, is the best way to answer that question.

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Diane Geissler - *CSLA - Analyst*

Okay. And then just a question, I am looking at what you posted for the first half of the year, $1.65, and what I like about it besides just the level of earnings is that you didn't do it in a perfect environment, not everything worked your way. So when I look at the back half of your fiscal year, not everything is going to be perfect, but it is not going to be terrible either. Fructose pricing is down, but corn costs are down, probably see margins run off a little in oil seeds as you move to the South American harvest, export demand seems to be solid. Is that a logical conclusion that this is like a new level of earnings for ADM and we should get comfortable thinking that's replicable?

Steve Mills - *Archer Daniels Midland Company - CFO*

That's a great question.

Patricia Woertz - *Archer Daniels Midland Company - Chairman, CEO*

First of all we liked your comment about, yes, we liked our first half, too, and we feel good about our business, but it is very difficult to talk about new levels of earnings. We certainly have had some new investments, and our investments are starting to come on stream, so a piece of that and opportunity to think one area is up and another is down and how we can perform in difficult environments as well as maybe more robust growing environments is a great observation. I think it is hard to -- you almost need to make sure the averager your calculator is working as one goes from quarter to quarter, year to year because sometimes there will be lumps in it. All right.

Diane Geissler - *CSLA - Analyst*

I appreciate you don't give guidance. Probably as far as you're going to go, right?

Steve Mills - *Archer Daniels Midland Company - CFO*

I just think the only thing I would add, Diane, is that every point in time that you look ahead, you're looking at a certain opportunity set that you hope you're building your base and continue to prepare for the future, and you can take points in time and maybe see out there a little ways. The problem is it gets a little less clear the farther out you go, other than some of the what we think are some of the certainties or givens that there is going to be more and more demand for what we do here at ADM over the long-term.

Diane Geissler - *CSLA - Analyst*

Okay. Thank you for your commentary.

Patricia Woertz - *Archer Daniels Midland Company - Chairman, CEO*

Thanks, Diane.

Operator

Our next question comes from the line of Ian Horowitz from Rafferty Capital Markets. You may proceed.

Ian Horowitz - *Rafferty Capital Markets - Analyst*

Good morning, everyone.

Patricia Woertz - *Archer Daniels Midland Company - Chairman, CEO*

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Hi, Ian.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

A couple of quick questions. John, can you tell me what your thought process was with Cedar Rapids, is kind of moved up at least one quarter maybe two quarters, Columbus seems to expand a little bit. This used to be called a 275 and is now a 300. First of all, should we expect Cedar Rapids to also go from 275 to 300 and just what gave you the signal to kind of go with this growth in ethanol, especially bringing Cedar Rapids up as forward as you have?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

As Pat mentioned in her comments with the EPA and looking at the new blend rates, there is a possibility that that could change around June, but we thought it made sense if we could start our plant sometime this summer. It would help with the increased demand for ethanol, and when we are -- so that's the reason why we're looking at trying to get Cedar Rapids up and going and, yes, since these are the same plants we expect Cedar Rapids to also be at 300 million gallons annual capacity. When we build our plants we tend to be a little conservative. We said we expect we wanted to be able to run 275 million gallons on an annual basis, and when we got the plant up and going with our great construction crew and the engineers of the job they did, we found that this plant could run 300 million gallons a year. So I think it is just how we build and operate plants, makes our plant more cost effective, also. So I think it is just a better opportunity what we saw in the timing of what we decided to bring up the plants.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

So this also wasn't -- this wasn't a CapEx investment to get this extra (Inaudible) this is just realizing optimization.

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

No.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

And, Pat, with the recent question regarding the oil dutch Shell and Cosan event the other day, can you talk a little bit more about --we've had some large sugar events, Brazil recently, [Bell and Bunge]. How does this color your timing or enthusiasm for continuing along in Brazilian sugar if at all?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Ian, it was a little hard to hear your question, so let me respond to what I think it was and if it isn't, let us know. I think we're still very interested in the diversification of our feed stocks and in sugar and in sugar in Brazil and not only because it's for ethanol, but for the broad variety of products that we could bring as we do in our corn plants to be able to produce from cane. So what we're learning, in if you want to call our first effort here with the joint venture of these two plants, we're really learning from building the plant from the ground up, not investing in either old or already established plants, but really building them with a partner from the ground up and we'll see where that goes. You're probably right that acquisitions as we have probably seen every plant in Brazil as far as sugar goes, there are a lot of players that are interested. So we'll see where that takes us, but I think we're comfortable in our investment and continue to be interested in growing there.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

So these two transactions really don't change the color of your strategy at all down there?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

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No. Any time someone announces something you want to see how the thing plays, but we're still very interested.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

One last question. John, with this March resurvey event how does this change your approach in terms of hedging or cost containment if at all?

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

I am sorry, the resurvey?

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

The resurvey, how does this change your approach to hedging or --

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

With the USDA coming on?

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

Yes, yes, right.

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

It doesn't. We take all factors around the world. What the weather is like, what demand is like, so the resurvey, I guess we're not looking at that as going to be any big huge surprise. As I mentioned earlier we're still harvesting corn around Decatur. We have not seen yields go down as they go out and harvest the corn. There can always be a little bit of a surprise, but right now you're looking at a 1.8 billion carry out in corn. So even if they adjust 100 million bushels or 200 million here, there we still have plenty of corn.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

Great. Thank you.

John Rice - ***Archer Daniels Midland Company - EVP Commercial and Productions***

You're welcome.

Operator

(Operator Instructions) Our next question comes from the line of Alec Patterson from RCM. Alec, you may proceed.

Alec Patterson - ***RCM - Analyst***

Thank you. Pat, sort of asking a question Ken asked on capital decisions. Just want to get a sense that when you're looking at your various opportunities across debt reduction or M&A activity, capital spending programs and share repurchase activity, are they all held to the same return on capital standards or return on asset equity standards?

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

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Well, I would say we look at the opportunity for profitable growth at even a higher standard if I understand your question correctly, because it is going to be what investments we put sort of in the ground or in the Company for the long-term. So we want that strength and that opportunity to be there in perpetuity so to speak where some of the other decisions you speak about are more of a fix decision for that particular period in time. Steve, do you want --

Steve Mills - ***Archer Daniels Midland Company - CFO***

We look at them all in context, and also in context of what's going on in the marketplace to the extent that you buy things back or you shares in debt and then have you to evaluate the ability to get if you need capital how easy it is to raise and what the costs are. So sometimes it is an absolute as Pat said. Sometimes it is a more relative basis to what's going on in the marketplace.

Alec Patterson - ***RCM - Analyst***

Steve and Pat, my impression is you focus a great deal more on the numerator on return on capital analysis than do you on the denominator and the markets, commodity markets, what have you, will serve to swing that return on capital equation around without much focus on the denominator from you. So I guess that's why I am just trying to get a sense that you are managing the return on capital outlook and the numerator part of that outlook with the sense of balance between the two, and that's what I am trying to get at.

Steve Mills - ***Archer Daniels Midland Company - CFO***

I am listening. I am trying to absorb a little what you said because I look at it that we manage both the numerator and the denominator understanding that we have some points in time where the denominator gets some variability because of the market place, but we talk about it a lot internally. We want growth, but it's got to be with the returns that come with it, and again knowing that we're going to have to average that over some periods of time because of some of the variability in the denominator, but I think that we we're very thoughtful in that analysis. And I think maybe even the last year or so we haven't, or even more than that, several years, we haven't jumped at acquisitions to buy earnings, we continue to be very thoughtful and analytical to get the right investments done at the right price. And you always have to factor the risk in it, and again where we're more comfortable and confident in the areas that we play in and how that compares to some of the new geographies and new things we're looking at. So it is a whole mix of things, Alec, that we look at, and I think we think of course it is going to be a little bias, we do a pretty good job at it.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

I would add that the denominator is equally important and if you are only focused on the numerator you would again buy earnings or spend too much for acquisitions or run up certain aspects of the working capital, the places where we don't need to be. I am comfortable we're doing both.

Alec Patterson - ***RCM - Analyst***

Okay. Thanks very much.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

Thank you.

Operator

At this time we are showing no further questions available. Pat Woertz, you may proceed.

Patricia Woertz - ***Archer Daniels Midland Company - Chairman, CEO***

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Thank you, everyone, for your time and appreciate all the questions today. We did have a slide there I think slide seventeen that shows a couple of upcoming investor conferences, and we look forward to talking with you in the next call in May. Thank you.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a great day.

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