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EDITED TRANSCRIPT

ADM - Q1 2014 Archer Daniels Midland Company Earnings Conference Call

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OVERVIEW:

Management discussed 1Q14 results, reporting net earnings of $267m or $0.40 per diluted share.

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PRESENTATION

Operator

Good morning, and welcome to the Archer Daniels Midland Company first-quarter 2014 earnings conference call. (Operator Instructions). As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's call, Mr. Case McGee, Vice President, Investor Relations for Archer Daniels Midland Company. Mr. McGee, you may begin.

Case McGee *- Archer Daniels Midland Company - VP of IR*

Thank you, Michelle. Good morning, and welcome to ADM's first-quarter earnings conference call. Starting tomorrow, a replay of today's call will be available at ADM.com. For those following the presentation today, please turn to slide 2, the Company's Safe Harbor statement, which says that some of our comments constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, Company performance, and financial results. These statements are based on many assumptions and factors that are subject to risk and uncertainties. ADM has provided additional information in its reports on file with the SEC concerning assumptions and factors that could cause actual results to differ materially from those in this presentation, and you should carefully review the assumptions and factors in our SEC reports.

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To the extent permitted under applicable law, ADM assumes no obligation to update any forward-looking statements as a result of new information or future events.

On today's call, our Chairman and Chief Executive Officer, Pat Woertz, will provide an overview of the quarter. Our Chief Financial Officer, Ray Young, will review financial highlights and corporate results. And our President and Chief Operating Officer, Juan Luciano, will review the drivers of our operations performance in the first quarter, provide an update on actions to improve returns, and discuss factors that could influence future performance. Then they will take your questions.

Please now turn to slide 3. I will turn the call over to Pat.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

Well, thank you, Case, and welcome everyone to our first-quarter conference call. This morning we reported first-quarter net earnings of $267 million or $0.40 per share on a diluted basis. Our adjusted EPS was $0.55 per share. Segment operating profit was $691 million.

Our businesses delivered mixed results this first quarter. Our ag services business again generated weak results due to a low margin environment, as well as logistics and weather challenges that we saw in the United States.

Continued strong performance in corn was supported by the robust ethanol market, and the sustained solid results in oilseeds were driven by good margins and volumes in North and South American soybean crushing. We also continued to make very good progress during the quarter in our ongoing portfolio management and our other key initiatives to improve the earnings power and returns of the Company.

I will now turn the call over to Ray.

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Thanks, Pat, and good morning, everyone. Slide 4 provides some financial highlights for the quarter. Adjusted EPS for the quarter was $0.55 compared to $0.46 last year. Excluding the specified items in adjusted EPS, and also excluding net timing effects, adjusted segment operating profit was $780 million, up $111 million or nearly 17% from last year. To help investors analyze the underlying earnings trends, we will be highlighting in the next chart the mark-to-market timing effects that were significant this quarter.

The effective tax rate for the first quarter was 27% compared to 28% in the first quarter of the prior year. Our trailing four-quarter average adjusted ROIC of 6.9% improved from the 6.6% at the end of the fourth quarter, and also significantly improved by 140 basis points from the 5.5% at the end of the first quarter last year. This year, we're introducing the annual WACC concept that we will be using to establish a WACC for calendar year planning, reflective of a single-A target capital structure and the interest rate environment at the beginning of the year.

Our 2014 annual WACC is 6.4%. Our long-term WACC is 8.0%, and is reflected in the graph on slide 19 in the appendix. Our objective remains to earn 200 basis points over our WACC. In addition, we have introduced economic value-added to our key metrics. In the first quarter, our trailing four-quarter average deviate was $134 million, based upon adjusted earnings and the annual WACC.

On chart 18 in the appendix, you can see the reconciliation of our reported quarterly earnings of $0.40 per share to the adjusted earnings of $0.55 per share. For this quarter, LIFO was the only adjustment to adjusted EPS, $159 million pre-tax charge as commodity prices increased through the quarter. We also noted in the appendix the net timing effects for the quarter, primarily related to ethanol and cocoa. In total, the net timing effects for this first quarter were about $0.09 per share negative. In the absence of these net timing effects, the adjusted EPS for this first quarter would have been $0.64 per share.

Slide 5 provides an operating profit summary and the components of our corporate line. I would like to highlight some unique or specified items in the operating results. Juan's discussions of operating results will exclude the specified items and the net timing effects so that you can understand

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the underlying trends in the business. In the oilseeds segment, mark-to-market timing effects in cocoa resulted in charges of approximately $24 million for the quarter, or $0.03 per share, versus a gain of about $5 million in the same quarter last year.

We were expecting some significant negative mark-to-market timing effects related to our canola hedging program, as we locked in forward margins in our rising margin environment, which I previewed at an industry conference at the end of February. However, in March, the forward canola margins came down, and our mark-to-market impact was significantly reduced by March 31, such that the amount of the net effect was consistent with the ranges in a more normal quarter.

In the corn segment, we are separating out again our net timing effects. In this first quarter, we had a combination of hedge ineffective gains and mark-to-market losses on our ethanol hedging program. The net impact was a loss of $65 million in timing effects or $0.06 per share, which we expect to recover in the second and third quarters.

In the ag services segment, included in results was a gain of about $20 million related to a partial reversal of a loss provision that we settled in the quarter. We had previously set up and disclosed this loss provision in the second quarter of calendar year 2012.

Now let me also touch on a few items of significance in the corporate line. In the fourth quarter, interest expense was lower, due to lower borrowings. Unallocated corporate costs were slightly down. And in the first quarter of 2013, we had some other charges related to the initial FCPA provision.

Turning to cash flow statement on slide 6, we present here the cash flow statement for the quarter ending March 31, 2014, compared to the same period the prior year. We generated $0.2 billion from operations before working capital changes in the first quarter of 2014 compared to $0.4 billion last year. Working capital changes were a use of $0.6 billion of cash in the period, compared to last year, when they were minimal. Total capital spending for the first quarter was $188 million, which was lower than our 2013 spend of $248 million. After changes in working capital and investments, our free cash flow for the first quarter was negative $546 million compared to positive $93 million last year.

In February, our $1.15 billion convertible debt matured, and we paid down this debt, contributing to our overall debt reduction for the quarter. In the first quarter, we spent $175 million in share repurchases, as we repurchased about 4.3 million shares. And we increased our common dividend rate by 26% in the first quarter. And with the $158 million we paid in common dividends, we returned $333 million of capital to shareholders, and are on track to return to shareholders the $1.4 billion that we indicated in our 2014 capital plan. We finished out the quarter with an average of 663 million shares outstanding on a fully diluted basis.

Slide 7 shows the highlights of our balance sheet as of March 31 for both 2014 and 2013. Cash on hand was approximately $1.5 billion, compared to $1.6 billion in the prior year. Our operating working capital of $11.6 billion was down $2 billion from the year-ago period. Of this reduction, about $1 billion was related to lower inventory prices, and about $800 million was related to lower trade receivables, due in part to the international securitization program. Total debt was about $5.7 billion, resulting in a net debt balance -- that is debt, less cash -- of $4.1 billion, down significantly from the 2013 level of $7.2 billion.

Our shareholders' equity balance of $20.1 billion is slightly over $1 billion higher than the level last year. Our ratio of net debt to total capital -- that is assumed cash from gross debt -- is 17%, much lower than the March 31, 2013, level of 28%. We had $6.6 billion in available global credit capacity at the end of March, as we reduced our revolving credit facilities in December 2013 by $2 billion due to the strength of our balance sheet and the lack of need due to the GrainCorp acquisition not moving forward. If you add the available cash, we had access to slight over $8 billion of liquidity at the end of March. Clearly, we have a lot of financial flexibility related to our balance sheet.

Next, Juan will take us through an operational review of the quarter. Juan?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Thanks, Ray, and thank you all for joining us this morning. Please turn to slide 8. I'll start with segment operating profits, and then move on to discuss the three major segments. In the first quarter, our underlying and segment operating profit was up by 17% year-over-year, but down

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sequentially. During the quarter, we advanced our work to improve the performance of the business through cost reduction efforts, through portfolio management, and through growth efforts. I will provide more details on those in a bit.

As Pat mentioned, segment results were mixed. Generally, oilseeds was consistent with our expectations; corn was better than we expected; and ag services was weaker than we expected.

I'll walk through the results now. Starting on slide 9 with the oilseeds team, who performed well this quarter -- in North America, strong export and domestic demand drove good soybean crushing capacity utilization and margins. In South America, we also ran hard with good margins, crushing ample supplies to serve solid demand. We also exported large South American harvests, without a repeat of the logistical issues that affected the industry last season. In Europe, solid demand for both oil and meal translated to good performance in the region. Cocoa results recovered, as the work by the team to improve performance continued to pay off, and the margin environment continued to improve. I'll talk later about our plans to sell our chocolate business.

Please turn to slide 10. The corn processing segment delivered another strong quarter. In our ethanol business, logistical challenges and weather conditions kept some industry production offline. At the same time, economics drove strong export demand. This combined to create the steady, rising prices and margins through the quarter. We worked every logistical angle and ran our plant hard, delivering large volumes amid record industry margins. We also took advantage of the very favorable forward pricing environment and locked in good ethanol margins. Overall, a really strong performance here.

In sweeteners and starches, volumes in the quarter were down slightly but better than we expected, driven by exports, primarily to Mexico.

Slide 11, please. In the first quarter, ag services delivered a weak performance overall. In US merchandising and handling, we exported the steady volumes year-over-year, but the inverted corn, soybean, and wheat markets limited our merchandising and storage opportunities. And for the volumes we did move, our margins were hit by higher logistics costs due to rail delays and weather problems. Unfortunately, this all occurred at the end of the US grain export season. So while transportation conditions should improve in the coming months, overall US export volumes will see their seasonal decline as the world looks to South America for soybeans.

In international merchandising, we saw the initial results of our actions to improve the Toepfer business, and performance improved sequentially. We also announced plans to acquire the remainder of Toepfer, which I'll discuss in a moment. In milling, feed and grain merchandising opportunities were limited by the absence of the seasonal carry that normally exists in the weak market. In transportation, the harsh weather hindered river traffic and limited barge tow sizes. That constrained our ability to move barges early in the quarter, but it also created pent-up demand for barge freight. And once river traffic returned in March, we were prepared to handle large volumes at good rates.

Now, on slide 12, we wanted to briefly update you on our recent progress towards improving the returns of the Company. We focused those efforts in a few areas: strengthening the business, managing our portfolio, and growing the business. In the area of strengthening the business, we had set the goal of achieving $200 million in ongoing cost savings by the end of 2014. I'm pleased to note that our team has met that goal ahead of schedule. We continue to look for more savings and we are setting new targets, which we'll share with you soon.

In the area of managing our portfolio, earlier this month we announced an agreement to sell our South American fertilizer business to Mosaic, a move that will allow us to profitably exit a business that has not been meeting our return objectives. We also announced that we have engaged advisors to facilitate the sale of our chocolate business. We plan to retain the majority of our cocoa press business, a business we have taken actions to improve, and for which we see a promising outlook. Also in April, we announced an agreement to acquire the remainder of Toepfer. This will allow us to continue our efforts to strengthen this business and fully integrate it into ADM's global origination network. Each of these actions improves our ability to deliver returns, and better aligns the Company for the future.

Our efforts to improve returns also involved investing to grow the business. During the first quarter, we announced plans to construct a $0.25 billion specialty protein plant in Brazil. That plant will serve the region's growing demand for protein, with high-value, plant-based protein ingredients our customers use in a range of foods. We also announced an investment in Rennovia, a privately held firm with a complementary portfolio of

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low-cost, high-yield catalysts and processes for making chemicals from renewable feedstocks. This investment is part of our ongoing effort to strengthen our corn business by creating a fight for the grind.

These are among the many steps we are taking to strengthen the organization and prepare it for a future of even stronger returns.

And finally, on slide 13, and we wanted to discuss some of the factors we think will influence our business in the coming quarters. In oilseeds, global protein demand continues to be strong. The seasonal shift from North to South American soybean supplies is underway, and the South American harvest is large. And we continue to see strong demand for our growing portfolio of high-value specialty food ingredients.

In corn, we continue to see good ethanol demand translating into healthy margins, and the full effect of 2014 pricing will challenge profitability in the sweetener business. And in ag services, there is a lack of significant carries in the corn and wheat markets, and we believe it's likely to continue. US farmers are planting what could be a large harvest, which could reset the margin environment. With the improvement of weather, we expect to see transportation issues to continue to improve, and we expect to see the seasonal volume increase in our wheat milling business.

Pat?

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

Thank you, Juan. So, in summary, the challenges presented by the US grains environment, notwithstanding corn and oilseeds, look good. Very good work by the team on strengthening the business, whether it be cost, cash, or capital discipline; managing the portfolio; and in investing to grow. So, longer-term, I believe this work will lead to improved returns and value creation for shareholders.

So, with that, operator, would you please open the line for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). David Driscoll, Citi Research.

David Driscoll - *Citi - Analyst*

I'd like to start off on ethanol. I think the $154 million number excludes the hedge timing effect. That seems to translate into profitability of something like $0.35 a gallon. Historically, this would be a good number. But with spot margins that were well over $1, can you just discuss how the quarter played out, and what the implications are for the ethanol margins going forward in second and third quarters?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, David. This is Juan. Good morning. Obviously, as we saw opportunities and better margins than we expected, we were booking some forward margins. So maybe what you see in the first quarter is also a combination of part of the businesses that we have booked before. Also, don't forget that our bioproducts is a combination of several products inside that portfolio, not only ethanol.

So, you describe it correctly. We see a strong environment for margins into the business. In Q1, we not only booked margins for Q1, but also booked some for Q2, which bodes well again into the future. So, all in all, we see ethanol margins with optimism for the rest of the year.

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David Driscoll - *Citi - Analyst*

That's very helpful. On oilseeds, can you just explain the sequential weakness in profits? You guys described the business as doing very well, but when you look at the fourth-quarter numbers relative to the first-quarter numbers, there's a significant sequential slowdown in profitability. And I always think the Northern Hemisphere drives 4Q and 1Q, and that they are pretty reasonable to put those two quarters together.

I would like to understand that, and just little bit more of -- Ray, is there any mark-to-markets at all? I think you said canola was not. So was there anything here to suggest that there is a timing issue, that the profitability gets better in the business, going forward?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, David. I'll start, and then I'll pass it to Ray to answer the second part of the question. Three things that made the difference between Q4 and Q1. One is the biodiesel, with the expiration of the credits, certainly it was not that strong as it was in Q4. Second, we had some weather issues, and that impacted some of the canola operations. And, third, we have lower Wilmar results this quarter than the previous quarter.

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

And, David, on your question whether there are any mark-to-market impacts, as I indicated, we thought we were going to have a fairly sizable canola mark-to-market impact. And as we went through the month of March and we closed March, we still had a negative mark-to-market impact on canola, although the size of that mark-to-market impact was consistent with our normal ranges.

Again, you asked me what our normal range is. We could see plus or minus $20 million to $30 million mark-to-market impacts on canola. And that's a normal quarter, and that's because of our mark-to-market accounting on canola.

So, I guess what I can say is, we did have a negative mark-to-market on canola. We didn't think it was outside of our normal range. That's the reason why we didn't highlight it as one of the items on our timing effects chart in our press release and in our earnings deck.

David Driscoll - *Citi - Analyst*

If I could sneak one last one in. Can you give us any comments on what the potential is for the integration of Toepfer into the operations in terms of any kind of synergies? I've always thought that there was potentially a large number here, but any dimensionalization of this that you could give us would be helpful. Thank you.

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, David, I think when we were having it before, obviously we owned 80% before, it was easy to align the company, but we couldn't have a full integration. Now we think that that's going to be fully realized, so there are some cost synergies, certainly. But also more importantly, probably, we're going to have a full value chain all the way from origination to destination markets, when we include Toepfer origination and destination units into our ag services business.

So I think it's going to serve to strengthen our ag services business. We are treating this internally as an acquisition, so we have a very disciplined implementation plan and integration. And as we get more comfortable into realizing some of those, maybe we will disclose some of those numbers.

David Driscoll - *Citi - Analyst*

Thank you.

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Operator

Tim Tiberio, Miller Tabak & Company.

Tim Tiberio - *Miller Tabak - Analyst*

Juan, I guess over the last year or so, you have framed ag services that if we get a large corn crop within North America, that there was the potential for ag services to get back to normalized, historical levels. Based on some of your initial commentary, it sounds like that may not be the case. And correct me if I'm wrong. But maybe you can just frame it up for us. Excluding weather and logistics issues, do we need another large North American corn crop until we can actually start getting back to historical levels in ag services again?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, Tim, good morning. I would say yes. I think we need -- we still need another strong corn crop for the pipeline to be refilled, and for us to have the full potential of the ag services earnings. When we think about ag services, part of our income comes from acquiring cheap basis at the harvest, and that didn't happen this year. But part also -- part of the income comes from wheat carries, and we didn't have that either. So when you have all these inverses and you don't have the break of the basis, I think it presents a difficult environment.

When we look at the -- and we look very deeply at the ag services -- none of the KPIs are indicating any deterioration in our position. We export more than last year, the volumes that we handled, so we feel comfortable. Our operations costs are under control, or better than last year; our volumes are in check. So it's just a matter of we haven't been presented with the opportunities. And we believe that that will happen in the second half of this year.

Tim Tiberio - *Miller Tabak - Analyst*

Thanks, that's very helpful. And then just moving back to oilseeds, looking out into second half, what is your confidence level for protein demand out of the Far East? We're obviously seeing pretty weak Chinese crush margins. I think there's been some questions around the sustainability of feed demand within China, as the hog herds have improved, and still some of the issues on the poultry side. Are you still as confident in the second half for Far East protein demand as you were a quarter ago?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, I would say, in general, demand for feed in China, with these up-and-downs, continue to be very solid. I would say the fundamental trend is still there. You're going to see adjustments that they are overshooting one direction or the other, but I would say -- medium-term, second half -- I still consider it very, very solid.

Tim Tiberio - *Miller Tabak - Analyst*

Okay. And just one last question on your increased focused on value-added products, health and wellness. Are there any critical pivot points or milestones that we should be aware of over the next 6 to 12 months, in how you're thinking about accelerating that business? Thanks.

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, this is a business that quietly has been growing inside ADM and inside the oilseeds business. And obviously with some of the trends in terms of people wanting to add more protein and fiber into their diets, that kind of accelerated. And it's increasingly becoming a more important contributor of earnings for the business, and also a very solid type of earnings; earnings that don't have that much volatility quarter to quarter. So,

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you will see us trying to grow that business organically, and maybe through acquisitions over time. We need to continue to expand our product mix. We need more capabilities. So you will see us very active in that business.

Tim Tiberio - *Miller Tabak - Analyst*

Great. I'll pass it along, but thanks for your time.

Operator

Michael Piken, Cleveland Research.

Michael Piken - *Cleveland Research - Analyst*

Just wanted to follow up a little bit more on oilseed; and, again, kind of a follow-up to David Driscoll's question. If we just look strictly at what you guys reported in oilseed crushing, as opposed to excluding Asia and biodiesel, it still seems like the results maybe should have been a little bit stronger. Could you break out maybe between canola or the soybean, like the general contribution from each of them? How big was the canola impact?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Again, we don't usually break that out. But as I indicated, the canola impact in terms of the timing affects, it's within our normal ranges, but it was negative this month. And again like I said, the normal range is $20 million to $30 million. The way I look at the oilseeds business is that we recorded, in the absence of timing effects, about $358 million for the quarter. I think that when I analyze and look at the canola effects and some other unique items, I actually felt that we were really running at around a $400 million quarterly rate for the oilseeds business for the quarter, which I thought was actually pretty good performance for the first quarter.

So, all in all, as Juan indicated, it was consistent with our expectations. And when I analyze it and break it down, I think that was more along a $400 million first-quarter run rate for the business.

Michael Piken - *Cleveland Research - Analyst*

Okay, thank you. And then as we look out ahead over the rest of the year, in terms of your thought process in terms of capital allocation -- I know you guys definitely outlined some steps a couple weeks ago. But could you talk a little bit about how you're thinking about dividends and share buybacks, and even potentially getting back down in Australia? It sounds like the government is potentially giving you guys a second look in terms of getting involved in completing that acquisition down there. So, could you provide any update on that?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Mike, as we indicated earlier, we were approaching this year on what we call a balanced approach towards capital allocation. So we're going to invest about $1.4 billion in CapEx and return about $1.4 billion to shareholders in the form of dividends and share buybacks. That still remains our objective for calendar year 2014.

While we've gotten a slower start on the capital spending rate -- which, by the way, normally, the first quarter is a slower run rate in terms of CapEx within our Company -- and was further exacerbated by some of the weather issues that we saw on the first quarter. But I don't think we've changed, we've deviated in terms of our approach towards this balanced approach for 2014.

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I think maybe Pat will have a few more comments to say, too, here.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

You asked the question, Michael, about Australia. And I think our strategic rationale remains the same, about our look at that part of the world's production region, its proximity to Asia. I think long-term, we are committed to that region.

We hold an ownership stake, as you know, of just under 20% of GrainCorp. I think we have, as we've said before, they are looking for a new CEO, so they have an interim situation at the moment. And we are very respectful of that process. And I think once a new CEO is in place, we'll have the opportunity to work more closely, perhaps, with the management team to find additional ways to work together and drive value. I think the -- you mentioned outreach from government, et cetera. I don't think I have any news, or anything to report this quarter on that state.

Michael Piken - *Cleveland Research - Analyst*

Okay, thank you very much. And then, finally, just on sweeteners and starches, I know the volumes have been off a little bit in terms of Mexico. What are your expectations as we move through the rest of the year? Do you expect Mexico to improve at all, or remain a little bit softer? Or what sort of impact are you seeing from the soda tax? Thanks.

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, Michael, as we look forward, we see domestic demand pretty flat, and Mexican volumes a little bit softer this year.

Michael Piken - *Cleveland Research - Analyst*

Okay, thank you very much.

Operator

Farha Aslam, Stephens Incorporated.

Farha Aslam - *Stephens Incorporated - Analyst*

Starting with ethanol, a bigger-picture question about where we are in the ethanol industry. We've noticed increased volume shipments to areas that we've never seen shipments before in size, in places like Mexico, et cetera. Could you share with us how the ethanol industry has matured, and if we have really developed an active export environment that can be sustainable, beyond Brazilian sugar up or down?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, Farha, I think -- the way I tend to think about the ethanol industry, obviously price drives a lot in the energy markets. And I think when we saw this kind of pricing, ethanol from the US was basically the most competitive fuel in the world; and, as such, it made it into a lot of formulations. When you run a refinery, you are always running an optimizer project, if you will, in which you are trying to get the cheapest formulation available. So these people have connections to every possible fuel component that you have. And, as such, as the US will always be competitive from time to time, even very, very, very competitive, you will continue to see that.

So I think that the good thing is that this has opened several markets to us that we will be able to come back frequently. From the domestic perspective, I see the industry maturing. I see the industry expected to be relatively flattish in volumes but growing into its capacity. So we believe

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the period of us being able to achieve good returns is here. So, in these exports, we believe now that it's giving us a billion gallon type of amount, if you will, of markets that we have developed. And that, with a stable 13 billion, 13.5 billion gallon of US market, makes us very optimistic about the future of the ethanol industry.

Farha Aslam - *Stephens Incorporated - Analyst*

Great, that's helpful. And then on biodiesel, while earnings were down sequentially, they were up year-over-year, and were surprisingly high in the quarter, given that you don't have the biodiesel tax credit.

Was there something in the quarter that allowed those profits to be higher than normal? Or is that a run rate that we can think about for the subsequent three quarters of the year?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Yes, I think -- you're looking at refining, packaging, and biodiesel, which sequentially is up quarter-over-quarter. Like I said, there's a lot of items in that particular amount there. So, some of the other businesses in that segment actually did very, very well on a sequential basis. We also had some pretty good performance in European biodiesel this quarter as well, which kind of offset some of the impact on the North American biodiesel reduction.

Farha Aslam - *Stephens Incorporated - Analyst*

And how sustainable is that European biodiesel profitability?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Generally, I think that it's shown some recovery. I think, also, the absence of Argentine crush showing up into the world markets is also help -- allows the European operations to generate some good margins, both on the crushing and the refining area.

Farha Aslam - *Stephens Incorporated - Analyst*

Okay. And my final question is on cocoa. Clearly, you've separated the process between your press and your chocolate. Could you give us any idea, in terms of the size of the press business versus the chocolate business, either in terms of sales or in terms of percentage of profitability over a normal period?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes. So, we have about six chocolate facilities and about 10 cocoa processing facilities. And in terms of value, the chocolate business is about one-third of the value of the total cocoa business, if that gives you a flavor for it.

Farha Aslam - *Stephens Incorporated - Analyst*

That is very helpful. Thank you very much.

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Operator

Ann Duignan, JPMorgan.

Ann Duignan - *JPMorgan - Analyst*

My question is more on the ag services side, and the cyclical versus the structural changes going on out there. The USDA recently reported that on-farm storage for corn is now running at the silo to -- well, for storage in general, is running about 13 billion bushels, and that's up from about 11 billion bushels a couple of years ago. So, why wouldn't we anticipate that ag services margins are going to get inverted themselves; that there may not be the same opportunities at harvest time anymore; but maybe the opportunity for margins comes right before harvest, as farmers panic to get rid of the crops before the next harvest?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, Ann, I think that, certainly, all farm storage tends to be highlighted much more when there is a small carry out during the year. So big carry outs, we don't see that. When we look at the years in which we had peak profits for ag services, as we look into the past, these were years in which we had two consecutive years of very good crops in the US. So we truly expect the margin situation to change now with the resetting of the new crop coming in August, September, whenever it comes.

So we believe on-farm storage was basically empty at this point. It was refilled. We believe there's going to be a more normalization of margins as we go into the third quarter.

Ann Duignan - *JPMorgan - Analyst*

So you wouldn't agree with the hypothesis that more on-farm storage gives farmers more pricing power? You think it's just seasonal?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

No, I think there is an element of that, certainly. Yes.

Ann Duignan - *JPMorgan - Analyst*

Okay. And just as a follow-up on your investment in Rennovia, could you just explain to us the strategic rationale for an investment in the developer of catalysts for renewable chemicals?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes. When we look at the corn business, we are always looking for opportunities to do more with the grind of corn. And one of the large opportunities is in to make some very selective number of chemicals. And Rennovia presents some catalysts and some technology that is very applicable for us to do so. So, I think for us it's very important to have an alternative beyond ethanol or sweeteners, and we're always investing in that. So you have to see that as support of the corn business, and the profitability of returns of the corn business going forward.

Ann Duignan - *JPMorgan - Analyst*

Okay, that's helpful. And are you anticipating any impact on the oilseeds business, on the back of the PED virus?

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Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, I think we haven't seen it yet, but this is looming in the horizon. Obviously, it hasn't gone away. So I would say, at one point in time, we may see it, maybe in a couple of quarters or something. But we haven't seen it yet.

Ann Duignan - *JPMorgan - Analyst*

You haven't seen it yet. And when would you -- would you anticipate it, maybe, if it does impact your third or fourth quarter?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, something maybe at the end of second quarter, early third quarter, something in that range.

Ann Duignan - *JPMorgan - Analyst*

Okay, okay. Thank you very much. I'll get back in queue. Appreciate it.

Operator

Vincent Andrews, Morgan Stanley.

Vincent Andrews - *Morgan Stanley - Analyst*

Thanks. I have a larger, longer-term question about ag services. I'm staring at an ADM model that I built back in 2007. And this was long before ethanol got that big, and corn exploded, and stocks to use got super-tight. Back then, in the trailing years -- and I recognize that the segment is reported slightly differently now -- but you weren't making that much money in ag services. You were making -- I'm looking at some of these years -- full-year, you are making between $250 million and maybe $500 million. And now the expectation is that you should be getting to some $1 billion number on a full-year basis.

Should we really expect, in a market today that is well supplied globally -- multiple points, whether it's the US, South America, or Eastern Europe -- should we really expect you to have really outstanding margin opportunities in this segment?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, certainly. Obviously, we have -- the opportunities in front of us depend a lot on discontinuities. With markets are very well supplied, as you describe, sometimes there are less opportunities in front of us. But as I said before, when we see the two big deltas versus the profitability that we were expecting, we saw the lack of wheat carries that has been a big source of income for us over the last two, three years. And also, this year's lack of basis break, and it didn't get us the ability to get a lot of cheap ownership, if you will, as we have done other years.

So, with the farmer not selling, and the basis not breaking, and then the weather getting in the way, I think that was the combination. Whether we are going to come back completely to the $1 billion and whatever, we feel good about it because we have increased our footprint. We have made some investments in Eastern Europe and other places. And I think that we think, also, with the combination of Toepfer, I think we're going to be able to provide even more services through the value chain. We want to extend the value chain, all the way from origination to the destination markets.

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So we are working very hard to make that a stronger business. We are very confident into the future of ag services. Yes, the business changed; the dynamics of the industry changes. We still believe that we are very well positioned to reap the rewards for that into the future.

Vincent Andrews - *Morgan Stanley - Analyst*

Okay. As a follow-up, one of the things that we read a lot about in the quarter, but you didn't mention -- the issue of China rejecting the US corn because of the Syngenta biotech trait. Was that something that affected you in the quarter? Or was that just not even noticeable in your results?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

It didn't affect ag services per se, our grain business. It impacted our Toepfer subsidiary, and the impact was between Q4 and Q1. So, we just finished with that. There is some charge in those numbers, but it was not that significant, to be honest.

Vincent Andrews - *Morgan Stanley - Analyst*

Okay. Thank you very much. I'll pass it along.

Operator

Adam Samuelson, Goldman Sachs.

Adam Samuelson - *Goldman Sachs - Analyst*

Maybe a higher-level question on returns and the targets. In the first quarter, it looks like, on an annualized basis, it would've been about a 6.5% ROIC. That target for the full year, 200 basis points over WACC, would be about 8.5%; and, on a long-term basis, 10%. And maybe any thoughts on how we should bridge the first-quarter performance to those shorter- and longer-term targets. I appreciate ag services is going to be a piece there. But how we should think about it in terms of costs, capital efficiency, investing in new growth businesses, et cetera?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Yes, a couple comments, Adam. First of all, clearly, we had a few drags on our earnings in the first quarter. And as we highlighted, the ag services was not performing to the levels that we normally would expect, associated with a company that will earn 200 basis points over WACC. And so that's point number one.

Point number two is the fact that it is a -- ROIC is a four-quarter trailing average basis. And so as we still work through the remnants of the four-quarter trailing average, and you get into more normal conditions, we're confident that the returns on the four-quarter trailing average will continue to improve as we move through calendar year 2014.

So, you're right -- our annual WACC is 6.4%, and we'd like to get up to 8.4% for this calendar year. We've got some more work to do. We've got, frankly, some margin recovery in certain segments. And I still think that we've got growth opportunities in the rest of the year in certain segments, as well. So, how we're going to get there this year; it may be, to be determined. But we're still working hard, and are trying to achieve that.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

And if I may add a few things, just related to some of the work the Company has underway to really reinforce this focus on returns and on EVA, or economic value add. Obviously, it is a return over WACC times your -- the invested capital. And each of our businesses are looking more granularly

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at every one of those businesses within the business, and even within the sub-segments. So that this improvement -- Juan talked, I think, very astutely about the three pillars of improving: the strengthening and improving the core business, working on our portfolio, and on selected growth. And I think the business is working hard on particularly improving the core; and on some of this selected growth, taking a very disciplined look at that capital spend.

Adam Samuelson - *Goldman Sachs - Analyst*

Okay. And then on that point, the $200 million of cost out that you alluded to being ahead of plan -- any place in particular in the model that we should be thinking about realizing those cost savings sooner than expected?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

There are two main drivers. One is energy efficiency, and you can put a big part of that in corn. The second is procurement, and a lot of that is chemicals, and things like that. There is a little bit of distribution between oilseeds and corn, if you will.

Adam Samuelson - *Goldman Sachs - Analyst*

Okay, that's helpful. And then maybe last one for me, in the forward outlook, and I guess in the last couple of calls, you made even more discussion about that specialty proteins and specialty foods businesses in the Company. Any way of quantifying how big that is today within oilseeds? It's hard to really parse out how big of an earnings contributor that is today, and what you aspire that business to be in the future.

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes. At this point, we don't want to disclose that number. It's providing us very good returns; certainly it is in the high end of the returns, and it has potentially -- so, we're very happy with the business.

Adam Samuelson - *Goldman Sachs - Analyst*

All right, thanks. I'll pass it along.

Operator

Paul Massoud, Stifel Nicolaus.

Paul Massoud - *Stifel Nicolaus - Analyst*

First off, maybe this is a follow-up on the China rejections. I know you mentioned that you didn't have any impact from China rejecting corn shipments. But mid- to late-quarter, we started seeing shipments of beans out of Brazil being canceled, or rolled forward, that were -- tended to be -- to go to China. So I was just curious if you could comment on that.

Was it purely just an issue of weak environment in China during the quarter? Or do you think it might have been tied to some of the deleveraging that we saw that really impacted some of the other commodities that are out there?

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Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, I think it was an issue of people learning from last year, in which it was very difficult for Brazil to ship, and people with very tight inventories. I think they placed orders more than once, and then Brazil did a good job this year in actually shipping everything. And margins at that time, in the crush margins in China were very, very negative, so we started to see some of those cancellations.

Thankfully, those cancellations didn't impact us. We got paid in all our shipments. So that's why we didn't report on that, because it was not an impact that we had this quarter.

Paul Massoud - *Stifel Nicolaus - Analyst*

Okay. And then shifting towards ethanol, at the start of the year -- I've seen estimates out there, and I think you had mentioned that you expected about 1 billion gallons of ethanol exports out of the US. We've seen some third-party estimates climb to 1.2 billion gallons for this year, and estimates as high as 1.5 billion gallons into next year.

And so my question is, at what point does the US logistical system start to get constrained? Are we anywhere close to that? Could the US export 1.5 billion gallons, or are we near capacity at the 1 billion gallon mark?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

No, we are not, and we can export at 1.5 billion gallons. Other than that the vagaries of the weather -- and ice or snow, or something like that -- logistically, we can do it.

Paul Massoud - *Stifel Nicolaus - Analyst*

Thank you.

Operator

Christine Healy, Scotiabank.

Christine Healy - *Scotiabank - Analyst*

I've got a couple of questions to ask you on the sale of the fertilizer business, so probably for Ray. The first, I know it's currently in the oilseeds processing segment, but can you just tell us if that's tucked into the crushing and origination? And then, second, can you give us a sense for the earnings, so we can strip it from our numbers? I'm assuming it will be classified as a discontinued op next quarter.

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Well, first of all, it is in crushing and origination. Second, we haven't disclosed the specific magnitudes. As we go through the process, we'll make a determination as to whether we will classify it in the future as discontinued ops or -- and so, we'll let you know, as we move through our earnings next quarter.

Christine Healy - *Scotiabank - Analyst*

Okay. So when do you expect the transaction to close?

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Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Again, as you know, in Brazil, there's always the regulatory approvals and all that stuff. But we would like to get it done by the end of the calendar year, if possible. That's what we're trying to strive towards. Again, there's a lot of work to do, in terms of the segregation aspects and their regulatory aspects.

Christine Healy - *Scotiabank - Analyst*

Okay. Okay, great. And then on the soy protein plant in Brazil, can you give us a little bit of color there on expected capacity of the plant, and when you expect the work to be completed on it?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, it's difficult to talk about the capacity of the plant, because it produces many, many different specialty products, and it has several units of operation. Every plant that we build around the world is different, and will depend the output on the product mix as we develop the market. And the plant will probably take 15 to 18 months to be completed.

Christine Healy - *Scotiabank - Analyst*

Okay, great. Thanks so much.

Operator

Diane Geissler, CLSA.

Diane Geissler - *CLSA Limited - Analyst*

I wanted to ask you about the concept of the annual WACC. You gave your long-term WACC rate at 8%. And I'm assuming that is what you're using when you run your hurdle rates for your investments. But is the annual WACC target -- so you're targeting ROIC, 200 basis points above your annual WACC? Is this what you're using to compensate management? Because I guess what I'm not understanding is, if your long-term WACC is 8%, your goal on your return should be 200 basis points on top of the 8%, not 200 basis points on top of a WACC that's been benefiting from low Treasury rates.

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

A couple comments, Diane. First of all, 8% is our long-term WACC, and you're absolutely right -- when we make long-term investment decisions, and we make hurdle rates -- you use hurdle rates to determine long-term investments, M&A -- we use 8% WACC in order to help establish those hurdle rates. And so we had a spread on top of this 8% to arrive at these hurdle rates for investment purposes. And as interest rates environment in the world increases eventually back to more normal levels, the annual WACC and the long-term WACC should converge. So that's point one.

Point two, in the current environment, where interest rates are low in the world, and our commodity markets -- when you think about how commodity markets are pricing carries, et cetera, et cetera, it is based upon short-term interest rates. So in order to evaluate our teams, you have to use current conditions. And that's the reason why we use annual WACC in order to try and evaluate current performance, based upon how the market factors are. But, again, I'm convinced that long-term, as interest rates in the world converge to normality, both the annual WACC and the long-term WACC will converge.

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Diane Geissler - *CLSA Limited - Analyst*

But wouldn't you agree if the interest rate environment is below its historic rate, that lower returns then look artificially better, simply because you're comparing it against some unsustainable level -- some unsustainable bar?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Diane, if the whole market is basing pricing on the basis of short-term interest rates, then that's the comparison to use. Because that's how the market is pricing everything right now. Price of carries -- you calculate carries in the marketplace, that's all based upon short-term interest rates, not long-term interest rates.

Diane Geissler - *CLSA Limited - Analyst*

Okay. All right. Can I just get you to comment on the fructose business? I think you said volumes were flattish in the US. You expected them to be down in Mexico.

What's your long-term view on the impact of the beverage tax in Mexico? And also, to the extent that we've heard increasing commentary that something is coming down the pike in the US, similar to what we have in Mexico, what does that mean for the sweeteners and starches business, longer-term?

And then, if you could also -- where are your contracts priced at, this year? I don't think you gave an outlook on the pricing environment.

Juan Luciano - *Archer Daniels Midland Company - President and COO*

So, in terms of the impact of the soda tax in Mexico, it's too early to tell whether it's curtailing demand, or what's going to be the impact on demand. Some people obviously are increasing prices of the beverages. So to what extent -- what is the elasticity of that, is too early. We will see.

So, at this point in time, I'm repeating myself here, we see kind of flat for the US and slightly down in Mexico. Flat to slightly down in Mexico has a correlation to the margin environment. Obviously, capacity utilization is a little bit more lax this year than other years, and that has impacted pricing discussion. So, that's the environment as we see it. And the businesses have done a very good job, Diane, in balancing on that the lower cost that we have, and the ability to swing to more profitable products. So we were very happy with our results so far.

And you heard me about Rennovia investments. We continue to do a lot in order to bring more grind to improve the competitive position of corn business, so we have other options as well. So this investment in Rennovia is also to develop some chemicals that we can continue to add more swing capacity so we can make sweeteners; so we can make ethanol; we can make chemicals. So as we broaden the portfolio, we improve our options.

Diane Geissler - *CLSA Limited - Analyst*

Where is Rennovia in the stage of development of new products out of the grind?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Rennovia is actually -- it's a collaboration in which we invested in them to get catalysts and some processes. We will take those catalysts and bring into our plants. So this is probably 18 months away, if you will, in terms of something happening on our side. It's more a research investment.

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Diane Geissler - *CLSA Limited - Analyst*

Okay, thank you.

Operator

Robert Moskow, Credit Suisse.

Robert Moskow - *Credit Suisse - Analyst*

A follow-up here on Mexico-US sweeteners. I think US sugar industry groups recently filed something with the ITC, saying that Mexico is dumping sugar into the US market. Is there a risk that Mexico follows up, and issues some kind of a ban on imports of HFCS, or restrictions on imports as a result of this?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, Rob, this is Juan. We obviously -- we oppose the petition, because we believe it interferes with the intent of NAFTA, and we are all for free trade here. Beyond that, it would be speculative to comment on the impact this petition may or may not have in the different markets and in the different governments. So we are watching it very closely. We are cooperating with the authorities and participating, giving our statements where we are required. Other than that, it's too early, probably.

Robert Moskow - *Credit Suisse - Analyst*

Is the next step here a decision by Mexico's agricultural ministry; what they decide to say about allowing imports? Is that what we're waiting for?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

No, I think it's a US decision, but you're taking me into areas that I'm not an expert, Robert, so --.

Robert Moskow - *Credit Suisse - Analyst*

Okay. Well, neither am I. All right. Thank you very much.

Operator

Eric Larson, CL King.

Eric Larson - *CL King - Analyst*

Just a quick question on CapEx. Obviously you were below last year in the first quarter. Is it a timing difference? Is it timing, why the CapEx was a little lower in Q1? And is it -- are you still sticking with your original CapEx budget for 2014 going forward?

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Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, Eric, it's a combination of factors. First of all, when we give an indication at the beginning of the year, it doesn't mean that we will invest that amount if we don't find good opportunities. Normally, we have a slow ramp-up, just because the weather -- with the weather we have in the first quarter, it's not very conducive to be doing external work. But I will say, the way we're going this year, it's probably closer to maybe $1.2 billion or something in that range, that we are spending at this -- but it will be back-end loaded, if you will.

Eric Larson - *CL King - Analyst*

Okay, thank you. And then just a quick comment on the current grain markets. Obviously it looks like we have our first weather premium in grain prices right now. And the curves are inverted, flat, down, up -- it's just a very strange grain market right now, in virtually all of the grains. Can you give us your perspective on where you think planting progress is at the moment?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes. Corn seems to be 19% this week. I think it's below the five-year average, but certainly ahead of last year. We saw a significant improvement this week, and I think that we feel good. We saw, last year, the ability of the US farmer to plant; and to make planting progress in a week is fantastic. The weather forecast looks all right, so there may be a couple of days in which it's raining right now here, so we may have a little bit of a delay. But we feel very good about it. There are no issues, at this point in time.

Eric Larson - *CL King - Analyst*

Are you starting to see farmers -- with current cash prices up fairly sharply over the last eight weeks or so -- are you starting to see the farmers depart with their corn? Because they've got to have their bins empty by the end of July or early August, if they plan on refilling them.

Juan Luciano - *Archer Daniels Midland Company - President and COO*

We saw, as prices spiked in March and the weather improved, we saw some increased corn selling, yes. More opportunistic, kind of. Yes.

Eric Larson - *CL King - Analyst*

Okay, thank you.

Operator

Ken Zaslow, Bank of Montreal.

Ken Zaslow - *BMO Capital Markets - Analyst*

I'll start up with some cleanup questions. Are you guys hedging ethanol this quarter?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Sorry, can you repeat the question, Ken, again?

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Ken Zaslow - *BMO Capital Markets - Analyst*

Were you going to have the same a hedging issue that we had last quarter that we will have in this quarter on ethanol? Are you guys hedged or are you guys letting it float?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

What we've done, Ken, is we've actually been able to change, in the middle of March, our approach in terms of the accounting for the hedges on ethanol. So we were able to get a cash flow hedge accounting treatment in the middle of March. So, going forward, you should not expect to see from us any significant timing effects on ethanol, as we will be able to defer any gains and losses to the period of execution.

Ken Zaslow - *BMO Capital Markets - Analyst*

So, so far in this quarter, your ethanol margins are running higher than last quarter. Is that fair?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Yes, generally, that's correct, that's correct.

Ken Zaslow - *BMO Capital Markets - Analyst*

How much of ag services was penalized this quarter by weather?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Difficult to say, but maybe in the range of $20 million to $30 million.

Ken Zaslow - *BMO Capital Markets - Analyst*

Do you expect basis to come back in the summer?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Later in the summer, maybe.

Ken Zaslow - *BMO Capital Markets - Analyst*

Even though the farmers will sell corn throughout the summer? So that would be a surprise to you, if the basis actually weakened into the summer, as farmers sold -- like, June, July?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, I think it's too soon to tell. We've been making prognostications, and we've been disappointed about the ag services and the weather market.

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Ken Zaslow - *BMO Capital Markets - Analyst*

And just going back to Eric's question real quick, I doubt his question was actually what the USDA said. What you guys think about the planting progress, relative to the 19% that they reported? Do you think that's accurate? Do you think that's low? Do you think that's high? Could you just talk about that? [The US] market intelligence?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

Yes, the team, as I said, is very optimistic about that. I think that it's pretty much in the range. I think that they are not concerned about that.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

Certainly around here, Ken, Illinois planted a lot in this last dry week, and so that's an example of -- I think we feel very good.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. And then, look, you guys have done a lot with value-added, cost savings. There seems to be still a lot of liquidity and cash. How do you guys look at the timing to which you guys will deploy cash to a meaningful level that investors should be able to see something returned back to them?

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

Well, some of this is opportunistic, Ken, as you know. If it's about some opportunities that relate to small or even sizable strategic M&A, that depends on where you are in that opportunity, or in that discussion. Certainly we talked about a balanced approach to use of cash. So on just a straightforward basis, our dividend and share repurchase is on track to what we have talked about over the year, being each quarter ratable. And I think that $1.4 billion for this current year is what we're looking at, for returns to shareholders.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay.

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

I think it's also fair to say, Ken -- and we've talked about this in the past -- our balance sheet is extremely strong. And, frankly, when you take a look at how we're going to deploy capital and generate returns for our shareholders, there's no doubt that we are looking for opportunities to further grow the business aggressively and generate value from it.

So, while, again, our capital spending was at a slower rate in the first quarter, we do have a lot of different projects in our pipeline that we're analyzing. And, frankly, as we move through the rest of this calendar year, we're confident that we'll be able to actually announce some of these projects, and talk more about the returns that we're going to generate from the projects.

At the same time, we are going to be disciplined. We're not going to invest for the sake of investing. We are focused on returns. And, frankly, as you get to the end of the calendar year, and if we conclude that there are not that as many projects as we would've liked to invest in, we're going to look at returns of capital to our shareholders again, beyond what we've talked about initially.

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Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

(multiple speakers) I'll add to Ray's point here, to just make the point that we have a lot of optimism about these pillars that we plan to improve the business, work on the portfolio, and invest for growth. And often these quarterly calls, you don't get the chance to talk about that investment for growth as much.

So, as Ray said, I think we feel very good about this pipeline of looks we have, and we'll probably plan for an Investor Day much later in the year. And we're looking at the chance to do some deep dives into both our look backs on capital spend, on our progress that we've made on improving the business, on the churn of the portfolio, as well as on these investments for the future.

Ken Zaslow - *BMO Capital Markets - Analyst*

So let me ask two follow-ups. One is, why wait till the end of the year? The calendar year is just an arbitrary year end, right? It doesn't really mean anything. Why wait till the year-end to buy back stock?

And second, you have the floor in terms of growth. What do you think all this is going to add up to in terms of earnings? It gives you the option to be able to say -- where do you guys think your earnings are going to go?

Ray Young - *Archer Daniels Midland Company - SVP and CFO*

Yes, Ken, if we can feel confident that we have good investment prospects in front of us for the rest of the year, then we would be buying back stock more aggressively. So, the fact that we're not buying back, beyond what we've indicated, indicates that we do have tangible projects, tangible projects out there that we are looking at. And as we indicated, I think we'll be able to announce some of these as we move through the calendar year.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

And, Ken, also to your point of our earnings power, we have plateaued at this $3 level. And we're hopeful that not only this year, but this year and beyond, had that pivotal point to be able to have that earnings power at a much higher level. So, that's our intention. That's our plans. That is where, not only the numerator needs to grow, but the full returns level needs to grow. And that's what we'll do.

Ken Zaslow - *BMO Capital Markets - Analyst*

You're still holding hope that you can get over $3 this year?

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

You know we don't get that specific with it. But, certainly, the latter half of the year has good opportunity for us. Absolutely.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. Thank you very much.

Operator

David Driscoll, Citi Research.

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David Driscoll - *Citi - Analyst*

Thanks for taking the follow-up. Just one question for me on ethanol. On the RFS, do you expect the EPA to raise the 2014 RVO on its final rule?

And then, second -- and perhaps this is even more important -- do you expect then 2015 RVO to step up ethanol demand? And will this be enough to drive significant implementation of E15?

Juan Luciano - *Archer Daniels Midland Company - President and COO*

It is difficult to speculate on what the EPA will do, David. As I said, I think we look at this industry as having matured, and getting to the point in which there is some discipline in the industry. There is people feeling good about running it at almost capacity. And we have developed enough optionality -- whether it's E85, E15, or export markets that the economics have been driving -- that actually we feel very optimistic about being able to achieve our return objectives in the ethanol market.

David Driscoll - *Citi - Analyst*

Okay. But you can't really make any statement about support from Washington. I still feel like support from them is important, or even critical, for the development of E15, and would just like your thoughts.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

Well, we do expect them to say something by June. I think the number will change, but what it will change to, I can't say. Think about it as providing a floor on demand, and the economics drive all the upside to that. So, yes, stay tuned. We'll see what comes out.

David Driscoll - *Citi - Analyst*

Okay. Thank you.

Operator

Thanks, everyone. That brings our Q&A portion to a close. I would now like to turn the call over to Ms. Patricia Woertz, please, for closing remarks.

Pat Woertz - *Archer Daniels Midland Company - Chairman and CEO*

Okay. Well, thank you, everyone, for joining us today. We do have a list of our upcoming investor events on -- I think it's slide 15. And, as always, please feel free to follow up with Case if you have any other questions. Thanks so much for your time and interest in ADM.

Operator

Thank you, everyone. This concludes today's conference call. You may now disconnect.

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