REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ADM.N - Archer-Daniels-Midland Co at BMO Capital Markets Growth & ESG Conference (Virtual) - Renewable Diesel Panel

EVENT DATE/TIME: DECEMBER 09, 2020 / 2:00PM GMT

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Kenneth Campbell *Archer-Daniels-Midland Company - President of Specialty Ingredients*

CONFERENCE CALL PARTICIPANTS

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

Randall Stuewe

Robert Kent

PRESENTATION

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

Good morning. My name is Ken Zaslow. I'm the food and agri business analyst at BMO Capital Markets.

First and foremost, I want to thank our panelists for taking the time to share their insights with us today. Second, I'm excited to host the renewable diesel panel. There's a substantial increase in renewable diesel demand and capacity likely we will have in ripple effect across the entire food supply chain and agri business sector for years to come. Third, we're fortunate to have 3 of the foremost experts with different perspectives on the future of renewable diesel and its implications.

Let me just provide a brief background for each of the panelists. We have Randy Stuewe, CEO and Chairman of Darling. Randy has been and continues to be a visionary within the renewable fuels industry. Specifically, Darling continues to enhance its position within renewable diesel through its integrated business model, has become the largest, most efficient, low-cost producer of renewable diesel with Super Diamond Green in 2021 and DG 3 in 2024.

In addition, we're fortunate to have Bob Kent to provide insights into the investment process and execution of renewable diesel. He is the President of REK Energy, a consulting firm that provides assistance and problem-solving for downstream companies as well as a Board member for Sinclair Oil Corp.

To round out the group and provide perspective across the supply chain, we have Ken Campbell, President of North American Oils for ADM. With nearly 24 years of experience at ADM, Ken has deep knowledge and experience across all aspects of the supply chain, and he has had various roles across the oilseed complex.

With that, I'm going to kick it off with an overview question for everybody.

QUESTIONS AND ANSWERS

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

The first question, and we'll just start with Ken and just because that's how I see the screen. So it will be just easier to just go in that order.

How does the renewal diesel fit into the ESG trend? And how does your company play into the ESG role within that?

And then for Bob, obviously, you're not in the company, but what have you been hearing from your customers and your clients as it relates to ESG?

So first, let's go with Ken, and then we'll do Randy and then Bob because that's the order I see you guys.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Yes. Ken, I think for the ESG trend, it's getting a lot of attention. And to me, it goes much more broader than just renewable green diesel and the role it plays in a lower, cleaner environment.

I think companies are gravitating towards this for a couple of things. I think it's the decarbonization, let's improve the planet, be good corporate citizens, but there's a lot of internal pressure from investors to -- for companies to ramp up their focus and attention around ESG. And I think what it's going to lead to is potentially higher multiples for the company.

There's an environmental impact. There's a social impact. A lot of our companies have programs in place. ADM just recently launched our Strive 35, where we're really focused on greenhouse gas reductions, energy reductions, water reductions and also diverting landfill.

So it's the right thing to do. I think it's going to lead to higher multiples in the future for companies that are on the forefront of it.

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

And Randy, if you...

Randall Stuewe

Yes. No, first off, thanks, Ken, for having us, and I love to share our view on it. Obviously, for Darling, we've been at it for 138 years. And we look at the world from an ESG perspective is building a better tomorrow and finding solutions that sustain.

And really, in the renewable diesel world, it's just one of our portfolio items that we're doing to make the world a better place. And if you think of the renewable diesel business, it's the conversion for us of waste fats and greases into an 80%, 85% lower greenhouse gas reduction fuel.

It's a drop-in solution today. It's a beautiful thing. If you think of our core rendering business around the world, it's the largest carbon avoidance system in the world. If you let an animal out in a pasture, it would decompose to methane. Methane is bad for the environment, ultimately causing global warming. So we've married the 2 messages into building a better tomorrow for the people and the planet.

And then at the end of the day, we're also responsible for making better returns for our shareholders, and I think they all align very nicely as we go forward. The ESG side for Darling, 2 years ago, I would say we were 5% held by, what I would call, ESG impact related or oriented funds. To date, I would tell you, we're over 25% home and gaining momentum.

And I agree with Ken, I think long-term valuation, a sustainable solution that we're providing, it's going to lead to higher multiples and a better value for the company. It's just part of the DNA of who we are going forward.

Robert Kent

I would agree with Randy and Ken that there certainly is an ESG component. But I think probably maybe a more immediate stronger driver are the substantial subsidies and incentives offered by the federal government and states, particularly in California.

A few years ago, we saw refiners generally make agreements with producers of renewable diesel to -- for a third party to produce a product and they would purchase it, and they would use that to meet their low carbon fuel standard requirements in California.

What I've seen in the last year or 2 is a change to where the refiners themselves are making that investment. Some are converting existing assets within the refinery to produce renewable diesel, and others are building brand-new facilities.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

So I think it's shifting from a, I'll contract with you to make it for me, so I'm going to make it myself, and that's probably driven more by the ESG component. And also with refining assets that may not be as valuable as they once were and finding a better use in the production of renewable diesel.

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

Bob, can we keep on expanding on that? What do you think the key drivers are to create this whole new capacity that we're seeing? And is it sustainable? How do you think about that?

Robert Kent

Well, again, I see the immediate driver being the federal program, RINs, which is steady and constant and a good program. They also have blender tax credit, which is $1 a gallon. That is firmed through the end of '22. And then come '23, there's some question as to whether it be renewed, phased out, dropped, whatever. I think -- most think it will be gradually phased out.

And then you have the state program driven by California, low carbon fuel standard. And I think the key there is that there's enough capacity announced and coming online that it probably will satisfy California's requirements, unless they continue to reduce standard. But I think there's other states that are probably going to join that, probably more on the West Coast, Colorado and then perhaps some on the East Coast as well. And there's also potential for a national program.

I think when that happens, the lid's off and it's going to be a substantial increase in demand for these types of fuels that are low carbon intensity.

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

Randy, what is your take -- what do you think the progress among the government roles have been? And where do you see all these -- the West Coast, Colorado, New York, and what are the milestones that we're looking for? And where do you see that going given that you have a good handle on all that legislative issues as well?

Randall Stuewe

Yes. I think I have a little different view than Bob on it. I would tell you that renewable diesel is a global business today. While California may be part of the narrative, it's really not the narrative. It's a North American, it's a European business with demand equal on multiple continents today and growing.

The momentum underneath this is, is you have a drop-in solution today that can reduce greenhouse gases immediately.

Climate change, no matter what your perspective on it, is absolutely real in the sense that population is growing, industrialization is growing, and therefore, a solution is needed.

So as we go forward, while California may have gotten the main narrative, you've got a little bit in Oregon and Washington, not enough to be meaningful. You're going to have a national program in Canada that could move up to nearly as large as California today. You're going to get a Northeast program that could be 1/2 to 2/3 the size of California. And then you step offshore and the programs are even larger than that, that are being driven by the Scandinavian countries and also on the continent.

And what's fun about this, as we go forward, we're talking heavy industrial road transportation fuels today. And ultimately, the narrative that's being developed out there right now is we've embarked now on sustainable aviation fuel, and that's in its infancy right now. I mean, I think it's

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

fairly easy to say that you're not going to put a battery pack on an airplane and plug it in. So ultimately, as we go forward here, we're just at the start of the global demand for this product as we go forward.

How the industry evolves and who's going to be the low-cost player when the assets in the right place, it will -- long term, that will play itself out. But in the near term, it's pretty obvious to us. Demand, it's there. It's very transparent to us on out to 2030, and then we'll see where we go from there.

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

Are there any milestones that we should be playing out just to see -- you said you mentioned Oregon. You mentioned Canada. You mentioned Northeast. You mentioned Scandinavian countries. I didn't write as quickly as probably you said it. But are there milestones that we would be looking for or introductions in legislation that we would be able to track? What do you think?

Randall Stuewe

Yes. I mean, Ken, that's -- really, if you call, that's the challenge for the marketplace to either understand or digest renewable diesel. I mean, clearly, California has been very transparent about the step-up or step down in demand there.

Oregon is out, Washington is out there. Canada has a national program that is on the desk, if you will, in Ottawa today. And so I think that's the next big stone to haul here, if you will, in the next 18 to 24 months. After that, you're looking at the Northeast. If you take the tri-state area of New York, New Jersey, Pennsylvania, that's the second most industrial-heavy transportation area in the U.S.

Those discussions are beginning. We're at the table. We're helping people craft. I think it will look very similar to California, but I still think it's a couple years out. So as far as direct milestones announcements, no, you've just got to watch it develop over the coming time here.

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

Ken, I suspect that you've had some conversations with your -- with refiners and new entrants coming in.

What are they saying? And are they coming to you? How many conversations are you having with them? Is it -- has it accelerated over the last couple of months? What are you seeing out from your -- because everybody is going to be needing some -- either soybean oil or some feedstock from you as well. What are you hearing from your customers?

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Yes. They're all chasing the same thing, right? It's about feedstock and feedstock supply security. And we've been embarking and having conversations with merchant refiners and petroleum companies for over 1.5 years now.

During the pandemic, I was quite actually surprised in terms of still the high level of interest from a feedstock perspective as we think about maneuvering through the pandemic and all the announcements that have been made.

I think part of it early on was, it was a bit of -- we're going to build it and it will come mentality. And I think that when you are accustomed to pulling something out of the ground for 10, 15, 20 years. And then thinking about the supply of a feedstock where you've got weather patterns to deal with, you've got growing patterns, you've got farmer decisions. There's a lot of volatility, and the supply isn't maybe as secured.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

So we've been looking at it from an opportunistic standpoint. We -- this is something we participated in. We have 4 biodiesel plants. We're a feedstock supplier to some of our strategic customers in the biofuel place. That's a market we'll always participate in. I just think that for us, this renewable green diesel topic has really been, for ADM, a catalyst to get even closer to our food customers, Ken.

And we've got a dominant position in oils globally. We have a dominant position with our entire portfolio. And then you think about our food customers and all the pantry of ingredients that we have with Carb Solutions and the platform we've built out with our Nutrition business over the past 6 years, the real benefit to the enterprise is key account management, innovation and cross selling the portfolio, which all ties to renewable green diesel being a catalyst for that.

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

Great. Bob, and anybody who wants to add on to this as well, what do you think the return characteristics of the new capacity is? And how does it differ for new entrants and refiners?

And then kind of just -- kind of adding to that is, what do you think the key determinants to determine the likelihood of success is? If that -- if you go through those questions, that would be great.

Robert Kent

Yes, I'm going to put it in 2 buckets. For people that are building a new grassroot standalone facility, with the blender tax credit, I think they have a very high return using feedstock like soybean oil.

I think what they're contemplating down the road, those perhaps competition heating up for soybean oil, prices perhaps going a little bit higher, whether or not the BTC continues or not. And so they're also looking at diversifying their feedstock, moving into a lower carbon intensity feedstocks that, frankly, are lower priced currently and also offer you a higher LCFS credit from California and other programs that are modeled on that. And to do that, there's a little additional investment needed, a cleanup step. But all in all, it's a very high-return project.

For a refiner, if they have the right hardware, which is typically a large hydrotreater or large hydrocracker, the conversion cost is surprisingly inexpensive, and the time to do is surprisingly short, i.e., less than a year. So it really comes down to what's the alternative value of the refinery.

If the refinery is viewed as not profitable or breakeven, you'll pay for your conversion cost in a matter of months. If your refinery is profitable, then you have to compensate for that as well. And I think that's why you're seeing at least a handful of refiners announce refinery closures and converting their refinery to renewable diesel production. It's driven by economics, I think, and also the benefit of an ESG impact on your company stock price and multiple, as Ken mentioned.

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

So this is open ended question for whoever wants to answer it. There is a planned 4 billion gallons of incremental renewable diesel capacity by end of 2023.

Is there a view that more or less than 50% will be produced, 100% will be produced? How much do you think this is going to be produced? And obviously, this is -- I expect some ranges of answers rather than an exact percentage, but any sort of thoughts would be greatly appreciated.

Randall Stuewe

Yes, I'll go first, Ken. A little different view than Bob has. Obviously, he's a petroleum expert, and I respect that.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

The reality is the economics for a freestanding refinery-converted facility running soybean oil that's out of position and then ahead of the California with having the run refined bleached soybean oil, or RBD, and then having a carbon intensity score in the 50s versus the 20s, you're somewhere between $1 and $1.50 a gallon disadvantage on day 1.

So the economics aren't real compelling to make that capital play. But even with the BTC today, yes, it can make sense. No BTC, it's just out of position capacity going forward there. So that's number one view.

Number two view, this is a very complex process. We've been at it for 10 years. We noted a few in the world that have got it right, really don't want to tell you what we got right, what we got wrong. But I can tell you all paths aren't created equal and everybody is going to learn that eventually.

And so at the end of the day, just a slapping in what's called a pretreat and partially treating, and that's maybe 10% of it. So very, very complicated from that standpoint.

Then you get to the next level of what I think will be built. We spend very little time around Darling and Valero, worried about conversions and what other people are going to do because, ultimately, you spend your time saying, "If I was to build one, what's the optimal location to have it?"

We've built the 2 facilities on the South Coast now in St. Charles. It will be up this year this fall, up to 700 million gallons and then about 1.5 years later up at 1.1 billion to 1.2 billion. So I can guarantee it, that's 100% real.

The Marathon plant up in Dickinson, Ken might have to tell us a little more about what's going on up there, but I think they found out the process is a little more complex than originally thought.

The rest of the capacity out there really hasn't pushed dirt yet. And so at the end of the day, if it comes on, it won't be 2023. It maybe 2024, 2025, and then you're dealing with the unknowns of the government programs, the carbon intensity issues of your margin structure.

So we kind of look at it and say all we can worry about is first-mover advantage. We've got the customer base. We've got the global demand, and we've got the integrated supply chain in waste fats and 10 years of knowledge to bring us to the forefront.

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

That's great. Just -- let me just go back to Ken for a second. What do you think the Biden administration and Republican-controlled Senate and Democrat-controlled House, how does it all play out? How does that happen to the renewable diesel? And how does that play -- what do you think the policy of the new government, assuming that President-elect Biden does actually take office?

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Yes. I -- it's going to be difficult to predict what that looks like, right? The Senate's got to play out. I think it's going to be really difficult for Congress to do anything meaningful. I don't expect a lot of administration.

I think it's fair to say that the Biden administration is going to be focused on climate change. That means a lot -- there's a lot to that, which should support the RFS, which is clear on volumes as the law intended.

And I think lastly, we're going to potentially see more of these wider states adopting a similar California program. So I think the Biden administration is going to be supportive for climate change and what it does for renewable green diesel and biofuels.

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

Bob and Randy, anything to add to that?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Robert Kent

Yes. I'd like to go back to the capacity question. I think there's a number of refiners that have announced plants, Hollyfrontier, CVR, Philips 66 and Marathon on California, I think those 4 are virtually 100% certain.

I think there's a number of third-party plants that are, frankly, struggling a little bit with getting their financing. But I believe, at the end of the day, they will get it. So I think 1/2 or 2/3 of that 4 billion gallons is likely to be built.

I would agree with Randy. It may not be quite as quickly as people think, but I think it will happen eventually.

I would also maybe just offer that I participated with refinery conversions, and the payouts are less than a year. And the time to do the conversion is less than a year, and there is a learning curve on the operating side. And so maybe your first run is not going to be quite what you expect, but people learn quickly and they adapt.

So I think it's a relatively straightforward conversion with a learning curve, but it works and it's being done. So I think it's highly likely these refiners will do what they said they wanted to do, and the economics are outstanding, frankly.

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

Okay. Great. What do you think -- again, going to each one of you guys, and I'll go in the order -- go back -- go Ken, Randy, Bob again. What is the largest barrier to entry into the renewable diesel production. Ken, if you could start off. Then we'll go to Randy and then go to Bob.

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Well, I'm not here to get into a debate about what the returns are, obviously. Randy and Bob can speak to that a lot more eloquently than I can.

But the limiting factors to me are large capital outlay, permitting issues. And obviously, the easy one is the feedstock supply. And I think, ultimately, there's a bit of posturing here, too. I think some of these companies are making these announcements just to kind of check the box on ESG, so we'll kind of have to wait and see what that looks like.

But feedstock to me is going to be the limiting factor. Obviously, there's a huge amount of focus and attention around low carbon intensity feedstocks. I think Darling has got a fantastic model. I think the North American market were somewhat very efficient in terms of how we aggregate low CI feedstocks.

I think the question remains and the market needs to sort out is what does it look like from a global perspective. Are there untapped opportunities for further aggregation in Southeast Asia or China or LatAm? And I think that potentially could satisfy some of the new demand.

I think soy will satisfy some of the new demand. I think oil, like canola oil, which is in the process of getting an approved pathway, is also going to satisfy some of the demand. So it's really going to be -- the market channels are going to change. Trade flows are going to change. It's going to be definitely beneficial to ag services and oilseeds within the inside of ADM.

Randall Stuewe

Yes, Ken, and I would echo, I think, what Ken Campbell said is really spot on to -- it will be an interesting time as we develop here.

I mean, ultimately, in the decision here is the supply chain and supply chain management, I mean, if we look at the development of renewable diesel, I mean, we started on it in 2009. We started on it as a method to fulfill the renewable fuel standard with a product that, I would say, our

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

customers want it. And when we say our customers, it's not the the '72 diesel, Mercedes diesel, it's the big oil company because of the fungibility, the transportability, the pipeline readiness of renewable diesel.

And so our first 5 years were geared at supporting the road fuel business through the pipeline and then on comes the low carbon fuel standard. So when you look at one of these facilities, the greenfield side, and we will -- we have engineered and we've built 2, we're getting ready to build the third. So we pretty much have a good feel for cost. We're between $3.25 and $3.50 a gallon if you've got shared infrastructure.

So it's a big capital outlay. But ultimately, as I looked at it, and Ken Campbell, I go back to the veg oil days, and the salad oil business is going to get wonderful here. You should enjoy that finally again.

So at the end of the day, feedstock is going to be diverted, and this may mean people may have connected the dots, maybe they haven't. But Generation 1 biodiesel, from my perspective, I wouldn't want to be in that business. And we are very little from the standpoint that, ultimately, if you say 30% to 40% of the biodiesel in North America today is made from waste fats and greases, those margins today are near 0, if they're not negative today.

And so very quickly, if you look at that -- at renewable diesel today, with $1 a gallon, we're about $2.25. And ultimately, feedstock into that business today is about $0.40 a pound. So we've seen a nice rise. We've kept the margins. But yes, biodiesel have set us somewhere between, if you say, out of the 2.4 billion gallons, 700 million gallons, 8 -- 7.5, 8 pounds a gallon, there's 6 billion pounds of feedstock that will be available in renewable through renewable diesel if we get into a competition somewhere down the line.

It will always take longer than you think it will, and people are more resilient, and they have longer staying power than what a spreadsheet says. But that's ultimately where the feedstock comes available.

And then as Ken says, ultimately, we saw a lot of used cooking oil available from China here in the last year. Well, what's interesting now was when palm oil got cheaper than soybean oil, which we all know it really wasn't used cooking oil, but at the end of the day, the aggregation of feedstocks from South America, Australia and Southeast Asia, and the 0.5 million tons we sit on in Europe today become available to the right located renewable diesel producer in North America.

Robert Kent

Yes. I would say the barriers to entry for the third-party independence is probably financing, and I think the people doing the financing probably have concerns over feedstock security, particularly if they're dependent solely on the high-quality soybean oil.

I think for the refiner, it's probably more of a feeling of is this a trend, is this a fad that may go way someday or is it a long-term trend that's just beginning. And I think they're coming to the realization it's the latter.

And I think their concern should be what's the alternative value of the refinery I have. And again, I think feedstocks are always a concern. I think you have to recall that the hydrocarbon business is several orders of magnitude larger than the plant and -- plant, oil and animal oil currently produced.

So for -- at some point, we're going to run into a feedstock issue, and I think the question may be, how does the plant and animal oil industry respond to that. Well, there being kind of an ethanol-type revolution with corn where productivity increases and yields increase, and I think there's probably a good chance that will happen driven by the demand. But I think it's financing to third parties, a concern as to whether the trends are real or not for refiners. They tend to be a little bit old fashioned. And I think for everybody, it's feedstock.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

In terms of the feedstock, Ken, can you help us understand what will -- how will ADM respond to this? Will there be -- will you start building more capacity? Will you be sourcing it well?

How do you -- from that part of the supply chain, I mean, you're a critical link to the whole renewable diesel. What are your plans? How do you handle the shortage? I know you'll enjoy higher prices, but that's not your final answer, I'm assuming.

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Well, listen, Ken. This is nothing new for us. This is not a new process. We always are reviewing our footprint. We're always partnering with research and development, thinking about how we can make our plants more efficient, how we can optimize them, increase the quality of our products, think about yield enhancement.

So we've been doing this for a number of years, right? And I think now, as this ESG agenda, renewable diesel plants start coming online, it's really an opportunity for us to, one, take action with our refineries, right? There's quite a bit of crude oil or crude degummed oil that gets exported out of the U.S. market. I don't -- I'm not implying that, that goes to 0, but I think that, over time, that's going to whittle away and probably be consumed domestically.

I think the other thing that the industry is going to address is unlocking capacity at refining assets, right, which then what -- in essence, you're doing, you're monetizing that crude, soybean oil or crude degummed soybean oil, so you've got the toggle to almost a finished refined product where you can satisfy your food customers' demand or potentially satisfy the demand of renewable green diesel. So I think it starts with the refinery unlocks.

I think the other part of this is, is looking at how we can incrementally move the needle on carbon intensity scoring from our elongated value proposition, going back to the farmer, where we can influence farming practices -- sustainable farming practices, where, actually, we become the bridge between the farmer and our customers. So there's a lot of ongoing activity inside of ADM, which is going to be a net benefit for us.

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

Do you think there's a possibility to have more canola oil? I know canola oil is not a U.S. product, but is there a possibility that we could bring some production to the U.S.?

Is there other possibilities? Or is that slim to 0? How do you kind of play that? How much from that add to the supply of feedstocks?

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Well, I think just from an economic standpoint, right, crush -- soy crush is built on the backs of protein demand, right? Oil is typically the byproduct. Higher-bearing oilseeds like canola, the economic driver from a margin perspective is the oil itself.

So again, canola oil is in the approval process for a pathway. I am confident that, over time, that we're going to get that approval. And then from there, we're going to have to see how the market reacts with existing trade flows and diverting those streams into the U.S. market.

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

Randy, I'd be remiss if I didn't talk about your competitive advantage on getting feedstocks, and I want to make sure that gets out there.

What is your competitive advantage? How do you do that? And how does that relate to the carbon intensity scores?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Randall Stuewe

Look, a couple of comments here. Number one, I just want to echo something Ken said -- Ken Campbell. I mean, at the end of the day, I mean, we're just not going to crush more beans to make more oil for renewable diesel because you've got to get rid of the other 48 pounds.

So ultimately, you're going to -- if the capacity is built, the lines will cross, there'll be some type of food versus fuel argument somewhere down the road, unless some of these heavier oilseeds of canola can come in.

For the waste fats increases, I mean, clearly, the Darling system is built around 200-plus factories around the world, bringing waste to a factory converting it into proteins and fats. And so clearly, the advantage there is, number one, we're the largest in North America. And number two, we're largest in the world, and it gives us the ability to not only aggregate and bring, as we said, cargoes, from offshore into New Orleans or into the Houston ship channel as we go forward. But it also allows us to partner with our farmers and our producers around the world and create better value for them and help the U.S. and North America and Europe heat production systems even become more and more efficient.

I mean, what's interesting is when you look at the fats and oil prices 3 months ago, we were $0.12 a pound lower. 3 months ago, the margins in Diamond Green Diesel were $2.25 a gallon. Today, we're $0.12 higher and the margins are still $2.25 a gallon.

So there is an inelastic demand for this product today. I think a different way of saying it is we're selling a compliance product around the world, and those margins continue to be very strong as we go forward. And our supply chain is extremely resilient.

What's interesting when people start talking about saying, I'm going to Phillips 66 in California, I'm going to rely on waste fats and oils, and I'm going to bring used cooking oil. Well, California is probably the lowest production side of waste fats and oils and the most expensive place to get them there. And ultimately, you're originating, you have to have your own tank cars, your trucking fleet. These are products that are just not -- you can't call -- I could call Ken Campbell up and buy a 100 car unit train of soybean oil, but you have to aggregate 1 or 2 cars of animal fat at a time. So it's a whole different business when it comes to scale here than what most people understand today.

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

And Bob, are there any potential technologies, if introduced, could relieve some of the supply pressure for any of the inputs over the next 5 years?

And your customers, clients and what you're hearing, do they think they'll be able to source some of the other feedstocks besides soybean oil? And what is the method to which they'll be able to do that? There's a little bit of discussion on that.

Robert Kent

Yes. I'm going to agree with Ken and Randy on that topic. What the refiners will do is they'll put in a good cleanup facility, so they're capable of running a multitude of feedstocks and maybe some of the lower carbon intensity, lower cost feedstocks.

Collecting it, that's going to be an issue for them, and I don't see them doing that themselves. I'm seeing them relying on third parties to do that. That's not a case a refiner has. I mean, we're used to dealing with a ship that brings 500,000 barrels of crude oil to your dock, or a pipeline that delivers 100,000 barrels a day every day.

Bringing feedstocks in by rail is unusual for a refinery. It's not the economy. It's not the scale we're used to. Soybean is seen as, yes, that's a problem bringing things in by rail, we make it work. And I think Randy's point to, if you go further down the chain and are looking at fats and byproducts, it becomes even a greater competition and more difficult. That's why I think they worry a little bit on feedstock, where is it going to come from, will the volumes be there, how far backward, do we have to integrate to ensure that we'll have our supply, and I think those are yet to be answered.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Ken, I'd just like to maybe add to it. I think the market always tends to underestimate the ability of technology advancements. And if you think about seed technology, genome editing, CRISPR technology, I firmly believe that the bean of the future could look a little bit different than the bean that we're processing today in terms of oil content, that's first and foremost.

I think that there's another untapped opportunity and really in question is how scalable are cover crops and what does that look like to address the demand in renewable green diesel. And I also think about current vegetable oil refining today and the waste products like soap stock and acid oil, which could be interesting from a pathway approval process to satisfy the demand, too.

So lots to think about, but I think that, over time, there are going to be things that look a little bit differently in the future than they do clearly today.

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

Do you also think -- just staying on that path of oil -- veggie oil, do you think that palm oil is a potential solution? Do you think rapeseed oil is a -- I know we talked about canola, but what about those 2 options? And how does that play out?

And is ADM either thinking about maybe expanding capacity in soft seeds outside of the U.S. and shipping in? Can you just talk about those kind of dynamics? I think it's an interesting potential.

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Well, I think it's an opportunity for ADM to flex on our capacity that we have that exists already in North America and Europe today, whether we crush more soybeans or more canola or rape. So we've already kind of got that toggle.

To your other question about palm oil, obviously, palm oil doesn't meet the 20% greenhouse gas reduction, so it's got a bit of a black eye. I think the big question is, what does the food customer do? Do they lean towards more palm? It's abundant in supply. You've got some issues with some bad actors in that part of the world when it comes to sustainability and labor laws. But I think, going back to the customers' preference, it really comes down to the application of the veg oil and the functionality and the taste profile. So we'll have to see if there's a major shift there.

Palm oil is interesting to me as a replacement in feed rations. You still have to satisfy that demand. But if I'm the poultry producer or the hog producer, a lot of my rendered fats are actually going out into the marketplace to satisfy renewable green diesel, but a good portion of them are going back to the feed mill. And at some point, the market is going to pull those away from the feed mill, so what the feed rations of the future look like.

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

Okay. And then just a quick question on biodiesel, and then we'll wrap up with one more question after that is biodiesel, do you think we will lose a material amount of capacity there in order to supply the renewable diesel industry? Or do you think that they will become resilient and the dollar biodiesel tax credit will keep them kind of in survival mode?

I will ask anybody who wants to join in on that, that's a pretty open-ended question, and I think you all probably have an opinion.

Robert Kent

I can jump in. I agree with Randy's comments. I think, as the renewable diesel plants get built and the competition for feedstock heats up, I think the biodiesel people may be at a disadvantage.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

The quality of their product isn't seen as high as renewable diesel. And I just think when you're competing, you probably have some disadvantages compared to the renewable diesel people. So I think maybe in a number of years, that might be a more difficult business.

Randall Stuewe

Yes. And I think -- Ken, this is Randy again. It gets to be an academic intellectual discussion. But ultimately, gen one technology moves away, it doesn't mean that renewable diesel doesn't fulfill the renewable fuel standard.

And so while we're all talking low carbon fuels, it doesn't mean that soybean oil base with a higher carbon intensity doesn't support the renewable fuel standard demand that was being satisfied by waste fats and greases and basic biodiesel. Ultimately, you have to look at the whole margin structure around that business today. As I said, biodiesel, plus or minus, a little bit positive or negative depending on your location and your supply chain. But yet, renewable diesel, in the mid- to low $2 a gallon a day went $1 a gallon. Biodiesel is at $1 a gallon a day, and it still can't be profitable. So it's really passing as we go forward.

Also,as you move forward then, if you start replacing classic biodiesel with renewable diesel in the transition, then, ultimately, you're going to generate instead of 1.5 rins per gallon, 1.7. So then your margin structure then starts to change. No one here at Darling or Valero will tell you that we believe these margins will last forever. This is a beautiful thing right now, a first-mover advantage. Ultimately, they'll move back to some type of commoditization of that product as people build out capacity, if it builds down, and margins compress a little bit. But at least in the next 2 to 3 years, it looks pretty darn good.

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Ken, just a couple of comments. I think, of course, feedstock will potentially get diverted to renewable green diesel. I think the longevity of generation 1 biodiesel really hinges on post 2022 and clarity around the blenders credit. And I think that's what the industry needs is just some level of certainty, whether there's a phase down period post 2022 or no more BTC.

I also think, with our position, we've got 4 vertically integrated plants, so our cost position is a little bit more favorable versus a standalone independent. But I think the longevity of generation 1 biofuels really depends on how Midwestern states and the Northeast react to similar LCFS programs because, depending on how the renewable green diesel is set up, if they've got the downstream distribution and that market channel, I have to be thinking about how can I blend and extend and capture additional margin with my renewable green diesel and blending biodiesel with it because, today, it makes economic sense.

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

And my final question is, obviously, the renewable diesel industry capacity expansion will likely create structural benefit. What businesses outside of renewable diesel -- Randy, I know you alluded to the yellow grease and the fats. Ken, maybe the oilseeds. But let me just take it one by one.

Let's start with Ken. Let me -- what do you think the benefit will be? And how much will be felt? And how do you think about that? Starting with -- I'll start with Ken.

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

Yes. I think, obviously, it's really about the oil story, and we've talked about this oil story for the last 6, 7, 8 years. And really, the oil story to me really started kicking in, in 2019. In Q4, you had one major come online in the United States. So 2019 was our breakout year in terms of North American refined oils.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

There's a lot of good innovation that was happening with our food customers. I think the structural setup that we have to think about lower carbon intensity scores of our vegetable oils, the sustainability component, making smart and prudent' investments with our refinery assets, debottlenecking while it makes sense, I think that these are things that we'll be able to continue to address and capture.

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

And Bob, what's your take on it?

Robert Kent

I'm 100% with Ken. I think it's going to drive innovations in the production of plant oils. And like you said, maybe some genetic modifications to increase yield.

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

And Randy, I just wanted to finalize with you and what you're thinking is on which businesses will benefit, particularly within your organization.

Randall Stuewe

Clearly, our portfolio of animal-based oils are going to finally get the respect they deserve since McDonald's got away from frying their french fries in our wonderful product.

So we are really long-term bullish about low carbon intensity fuels. I think, ultimately, you're going to see some fun stuff develop with technology over time. When we talk about separating naphtha into -- in the plastics now, green plastics, we're looking at and also into the aviation fuel.

So I think the whole system is going to drive a lot more innovation as we go forward. And ultimately, the petroleum industry has gone through a really difficult time here with the collapse of COVID. But if you're long-term bullish back to $60, $65 a barrel, that once again changes the dynamics out there. It even makes the renewable diesel business look pretty darn strong for the freestanding independents like ourselves.

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

Actually, I lied. I'm going to ask one more question. So just a number of questions, sorry.

On a scale of 1 to 10, how much do you think renewable diesel will change the future? On a scale of 1 to 10, I just need a number. Go ahead, Ken. Let's start there and just -- and we'll end there.

Kenneth Campbell - *Archer-Daniels-Midland Company - President of Specialty Ingredients*

7.

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

Bob?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Robert Kent

I think to the refining industry, maybe a 3. I think to the plant and animal oil production, probably an 8 or a 9.

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

And Randy?

Randall Stuewe

From a guy that took the company over $0.65 a share, it's a 10.

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

That's what I figured. Thank you, guys. It's been honestly a pleasure. Thanks, everybody.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

