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CORPORATE PARTICIPANTS

Juan Ricardo Luciano *Archer-Daniels-Midland Company - Chairman, CEO & President*
Ray Guy Young *Archer-Daniels-Midland Company - Executive VP & CFO*
Victoria de la Huerga *Archer-Daniels-Midland Company - VP of IR & ADM Ventures*

CONFERENCE CALL PARTICIPANTS

Adam L. Samuelson *Goldman Sachs Group Inc., Research Division - Equity Analyst*
Benjamin Joseph Kallo *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*
Benjamin Shelton Bienvenu *Stephens Inc., Research Division - MD*
Heather Lynn Jones *Heather Jones Research LLC - Founder*
Kenneth Bryan Zaslow *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*
Michael Leith Piken *Cleveland Research Company - Equity Analyst*
Robert Bain Moskow *Crédit Suisse AG, Research Division - Research Analyst*
Thomas Marc Alfred Simonitsch *JP Morgan Chase & Co, Research Division - Analyst*
Vincent Alwardt Anderson *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*
Vincent Stephen Andrews *Morgan Stanley, Research Division - MD*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the ADM First Quarter 2020 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded. Now I'd like to introduce your host for today's call, Victoria de la Huerga, Vice President, Investor Relations for Archer Daniel -- ADM. Ms. de la Huerga, you may begin.

Victoria de la Huerga *Archer-Daniels-Midland Company - VP of IR & ADM Ventures*

Thank you, Jack. Good morning, and welcome to ADM's first quarter earnings webcast. Starting tomorrow, a replay of today's webcast will be available at adm.com. For those following the presentation, please turn to Slide 2, the company's safe harbor statement, which says that some of our comments and materials 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 and materials are based on many assumptions and factors that are subject to risk and uncertainty. 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 report.

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 webcast, our Chairman and CEO, Juan Luciano, will provide an overview of ADM's actions and operations in the current situation, our plans for the future and our view of market conditions. Our Chief Financial Officer, Ray Young, will review financial highlights and corporate results as well as the drivers of our performance. Juan will then share some closing comments. Afterwards, they'll take your questions.

Please turn to Slide 3. I will now turn the call over to Juan.

Juan Ricardo Luciano *Archer-Daniels-Midland Company - Chairman, CEO & President*

Thank you, Victoria. Thank you to everyone who's joining us. I hope everyone listening is staying safe and healthy. These are obviously extraordinary times. So I would like to take a little time today to share with you my thoughts on 3 important topics. First, how ADM is working to protect our teams and how we are continuing to provide nutrition to the world; second, how we're thinking about our strategy and long-term plans in these unique times; and third, some views of the near and medium-term demand environment and market conditions.

Let me start by offering my thanks to our global team and partners. Across more than 800 facilities and thousands of transportation assets around the globe, ADM colleagues in the first quarter not only maintained our operations, but in some areas, set production records. These men and women are supporting the global food supply chain, and because of them, millions, even billions of people who

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don't know ADM can eat every day. We are grateful for that commitment.

Thousands of other colleagues have been enabled by our IT team to work remotely and are showing their flexibility and ingenuity to keep the rest of our business running smoothly. Just a month ago, we were having discussions about whether we'd be able to have this earnings call on our normal quarterly schedule or whether we should delay a week or more. Thanks to our global business services, IT and financial teams, we closed our Q1 books, and we're ready to have this call with you today. Take this across 38,000 colleagues, and you can see why, as of today, ADM is continuing to fulfill our purpose by providing nutrition around the globe without any significant operational interruptions due to COVID-19 outbreaks. I'm honored and grateful to be part of this great team. And I hope all of our ADM colleagues who are listening on this call are proud of their achievements as well.

Our leadership team is doing everything we can to support our colleagues. Circumstances change fast. So every morning, since early February, our cross-functional leadership team has met to review the global situation, evaluate new risks and make timely decisions to protect our teams and our business. We put in place strict guidelines to protect our employees and contractors from enacting travel restrictions early in the year to a critical focus on enabling social distances in our production facilities, to ongoing remote work. When colleagues do develop symptoms, we have protocols designed to protect them and others who might have come in contact with them, as well as support continuity of operations. This includes paid leave for all colleagues during required quarantine periods where necessary, to support them and their families. So far, only a relatively small number of ADM colleagues have tested positive. Tragically, we did suffer our first COVID-related fatality 2 weeks ago. Our thoughts are with everyone who has been personally impacted by this disease. Our ADM colleague emergency fund is available for team members who are facing economic hardship due to the crisis. And through ADM Cares, we have committed funds and other resources to support others in communities around the world who are serving on the front line in the fight against COVID-19.

We also made some early decisions in order to strengthen ADM's position during what was sure to be a challenging operational and economic environment. For example, our balance sheet has historically been a source of strength for ADM. And in March, we further enhanced our cash position and reduced our exposure to short-term credit market risks by issuing $1.5 billion in term debt. We are taking other actions, including reducing capital spending to reflect practical limitations in these environments -- in this environment, while still completing projects necessary to maintain our facilities in safe and productive order and advance critical strategic projects.

Our team is delivering. Our first quarter adjusted earnings per share was $0.64. Adjusted segment operating profit was $643 million, and our trailing fourth quarter adjusted ROIC was 7.6%. Our performance is a testament to our team's ability to fulfill our critical role in the global food supply chain and deliver results to our shareholders despite incredibly challenging circumstances.

Please turn to Slide 4. As you can see, even amid these global challenges, we're also continuing our work to ensure ADM remains strong and vital in the years to come. We are not slowing down in our commitment to delivering our strategy, nor in our focus on the business drivers under our control and our actions to improve the company. I'm proud that even as our team was keeping our operations running under difficult circumstances, we also made great progress advancing the strategic imperatives we've defined this year. With accomplishments like improving capital efficiency in Ag Services and Oilseeds, advancing our center of expertise structure with a new global supply chain organization and delivering on our Neovia synergies more than 2 years ahead of our target.

And we continue to advance readiness, which since the program began, has unlocked $920 million in run rate benefits on an annual basis. All told, thanks to our team's great work, we have achieved about 30% of our $500 million to $600 million in targeted improvements for 2020. And we continue to feel good about reaching our goal by the end of the year.

We're also ensuring we live up to our critical role as a steward not just of our company, but of the natural resources that are vital to our business and our future. In 2011, we announced our "15x20" plan in which we committed to per unit improvements in energy use, greenhouse gas emissions, water and waste to landfill by 2020. We met each of those goals ahead of schedule. And this year, we were proud to unveil even more ambitious commitments to reduce our absolute greenhouse gas emissions by 25% and our energy intensity by 15% in the next 15 years.

Finally, I'd like to talk a little bit about our view of the markets and our future. With major Western economies shut down, we are

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encouraged by the actions many nations are taking to contain the spread of COVID-19 and enable an eventual recovery. How that recovery unfolds, where and at what pace is something we'll be monitoring very carefully. And while precise predictions at these points are difficult, there are a few ways we can categorize some of the market impacts we are seeing.

We saw short-term acceleration in demand for certain products, such as flour or staple packaged goods that we provide flavors and ingredients for, as consumers loaded their pantries in advance to stay-at-home orders. Many of these products have reached or will reach saturation point, and we expect demand to normalize. Then there are products that have been impacted as a direct result of the various national and local stay-at-home orders. For ADM, that includes refined oils for food service, as well as biofuels like ethanol and biodiesel. As you know, we made the difficult decision last week to idle two of our dry mills amid continued low gasoline demand. We will expect to see some of this demand build back in as economies reopen, though there will be a significant variability depending on when and how those reopenings occur.

We're also seeing volatility in margin environments for certain commodity products as the markets constantly reevaluate global supply and demand balances due to a variety of factors. One key element we're following closely here is the Phase 1 trade agreement with China. We've seen good buying of U.S. agricultural products by China so far this year, which could bode well for future purchases in the back half of the year. Equally as importantly, our global footprint gives us continued confidence in our ability to support global trade flows of food and agricultural products. Then there are the change in behaviors which might have longer-term impacts. For example, in the food market, we are seeing a 'back-to-basics' approach-- a desire for comfort foods, snacks and staple goods, while consumers are staying home. We're seeing consumers increasing their purchases online, which impacts demand for industrial starches used to make cardboard. And we're seeing an increase in interest in products that support health and wellness. There are many unknowns. What we do know, however, is that the transformation that ADM has undertaken over the last several years is now helping ensure that we're well equipped to pivot to whatever our customers require and whatever the world needs. We built up our product portfolio, our footprint, our innovation and our agility. And we're planning for the future. For example, as we thought about the potential for longer-term changes in how we all interact with each other, our team launched virtual innovation sessions with customers in order to ensure we can continue to meet their needs. We aren't immune from some of the negative effects of the pandemic and its economic fallout. But we're confident in the ability of our great team to continue to provide nutrition around the globe.

Now Ray will take us through our business performance before I come back to offer some final comments before we go to Qs and As. Ray, please?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Thanks, Juan. Good day, everyone. Please turn to Slide 5. I'd like to start by echoing Juan's thanks to our ADM colleagues around the globe. We're fortunate to have this team and very grateful for their dedication.

As Juan mentioned, adjusted EPS for the quarter was $0.64, up from the $0.46 in the prior year quarter. Excluding specified items, adjusted segment operating profit was $643 million. Our trailing 4-quarter average adjusted ROIC was 7.6%, higher than our 2020 WACC of 5.75%. And our trailing fourth quarter adjusted EBITDA was about $3.5 billion. The effective tax rate for the first quarter of 2020 was approximately a positive 4% compared to an expense of 26% in the prior year. The favorable current quarter rate was due primarily to the impact of U.S. tax credit signed into law in December, including railway maintenance tax credits. The tax credits primarily benefit our business partners and are substantially passed on to them through the prices of goods and services we negotiate to support their respective businesses. That maintenance expense is reflected in the cost of goods sold line of our GAAP statements and in the other charges line in the management statements.

Looking ahead, we're now expecting effective tax rate to be in the range of 13% to 15% before any discrete tax items. We generate about $800 million of cash from operations before working capital for the year, higher than 2019. Return of capital for the first quarter was about $315 million, including about $110 million in opportunistic share repurchases that will offset dilution for the year. We finished the quarter with a net debt to total capital ratio of about 29%, down from 32% a year ago. Capital spending for the quarter was about $200 million. As Juan said, in view of a more challenging environment to execute capital projects, for example, due to social distancing consideration, we're reducing our capital spending plans. We expect spending for the year to be closer to $800 million, down from our initial guidance. We'll continue to advance projects and invest in maintenance necessary to run our operations safely and effectively, of

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course, but some discretionary projects will be put on hold.

Next slide, please. Over the past several years, we have been diversifying our sources of funding, particularly working capital funding, so as not to be reliant on any one source. These new sources of funding include Euro CP facilities, U.S. and international receivable securitization facilities, and the structured trade financing facilities. In March, we added to this diversification by putting in place a U.S. inventory financing facility. As it became apparent that the COVID-19 situation could disrupt capital markets, we put in place additional global credit facilities as well as issued $1.5 billion of term debt in order to minimize rollover risk of our commercial paper program. The term debt was rated solid single A. In addition, we have been approved for the Federal Reserve's commercial paper funding facility, which would serve as an additional backstop to our U.S. commercial paper facility. As a result, at the end of March, we had cash and marketable securities of $4.7 billion and available untapped global credit facilities of $5.9 billion. The $4.7 billion of cash is much higher than the normal $1 billion that we would normally carry as a precaution due to dislocations in the short-term credit markets we saw in the month of March.

In future quarter ends, you should expect us to carry significantly lower cash balances as we now have the other liquidity facilities in place. We also had $5.6 billion of readily marketable inventories, which, if needed, we could sell very quickly and turn into cash. When taken together, we feel confident that we will be able to comfortably weather any prolonged downside economic scenarios and continue funding all of our financial and capital spending obligations, including dividends, in the foreseeable future.

Please turn to Slide 7. Other business results were slightly down year-over-year. Future commission loss provisions were partially offset by improvements in captive insurance operations. In the corporate lines, unallocated corporate costs of $189 million were slightly higher year-over-year principally due to the continued investments in IT and business transformation. Other charges increased due to the railroad maintenance expenses that I referred to earlier that we funded on behalf of U.S. short line railroads, and which had an offsetting credit in tax expense, partially offset by improved foreign hedging results on intercompany funding.

Net interest expense for the quarter was lower than last year, benefiting from lower average borrowing costs from liability management actions taken in late 2019. Effective January 1, we decided to discontinue LIFO inventory valuation method accounting. And the corporate results include a LIFO credit of $91 million or $0.12 per share due to the reversal of the LIFO reserve balance.

Please turn to Slide 8. The Ag Services & Oilseeds team did a great job to deliver strong results. Ag Services results more than doubled versus the first quarter of 2019, which was negatively impacted by high water conditions in North America. Excellent performances in destination marketing and structured trade finance drove extremely strong results in global trade. Robust farmer selling in Brazil drove higher year-over-year origination volumes and margins, which are partially offset by weaker results in North America. Crushing results were lower than the prior year period. The team delivered high overall crush volumes, including a Q1 record for soy crush. Execution margins were solid, though below the high realized margins in the first quarter of 2019, which benefit from the short crop in Argentina. The prior year quarter also benefited from about $75 million of positive timing impacts.

Refined products and other results were higher versus the first quarter of 2019. Higher margins in both biodiesel and refined oils in North America were offset by lower biodiesel margins in EMEA. Peanut shelling results were significantly improved versus the prior year period, as our improvement actions continue to strengthen that business. Wilmar results were significantly higher year-over-year due to stronger performances in Tropicals and Oilseeds and Grain.

Slide 9, please. Carbohydrate Solutions results were lower than the first quarter of 2019. As a reminder, starting this quarter, we are reporting different subsegments within this business. The new Starches and Sweeteners subsegment, including wet mill ethanol results, was down year-over-year, largely due to about $50 million in negative mark-to-market impacts on forward sales of corn oil, much of which could reverse over the balance of the year. Absent those impacts, results were higher due to improved manufacturing costs, driven in part by improvements made at the Decatur complex last year, strong results in wheat milling as customers filled pantries and improved performance and conditions in EMEA, including stronger demand and lower input costs. Vantage Corn Processors or VCP, which includes our dry mill ethanol results, was slightly higher versus the prior year pro forma results. Effective risk management, combined with the lack of severe weather impact seen in the first quarter of 2019, helped offset weaker industry ethanol margins caused by significantly decreased demand. To bring the transition -- to bridge the transition this quarter, under the prior segmentation of

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Carbohydrate Solutions, the old Starches and Sweeteners would have reported about $160 million of operating profit, and the Bioproducts subsegment would have reported about negative $92 million of losses, including the $50 million of negative mark-to-market impacts, which would have been split roughly equally between the 2 subsegments. We have also included a pro forma 2019 restatement of Carbohydrate Solutions in the appendix to this presentation.

Slide 10, please. Nutrition continued its growth trajectory with record results. Our Human Nutrition business, formerly known as WFSI, delivered strong performance and growth across the broad portfolio, including flavors, Specialty Ingredients and Health & Wellness. Increased sales revenue in North America and EMEA flavors, continued sales growth in alternative proteins and additional bioactives income helped drive improved results. As Juan mentioned earlier, we did see higher demand in some Human Nutrition areas as a result of new wins as well as some pantry loading effects. Animal Nutrition's improved year-over-year results were driven by a strong performance from Neovia, good volumes and margins in feed additives and solid sales in pet care. The prior year quarter also had been negatively impacted by about $10 million in upfront purchase price adjustments related to Neovia. Amino acids were negatively impacted by a year-over-year decline in the global pricing environment, though prices were directionally improved over Q4 of 2019. We are also very pleased that we met our Neovia synergy targets more than 2 years early.

Our forward look includes some uncertainty as the impacts from the COVID-19 pandemic continue to reverberate through the global economy. Despite this uncertainty, as Juan indicated earlier, we remain focused on the drivers under our control and we're on track to deliver to that targeted range of controllable benefits this year.

Now turning to the second quarter. Directionally, for Ag Services & Oilseeds, we expect segment results to be lower than Q1, subject to mark-to-market impacts, as Ag Services seasonally normalizes, crush margins have come off the highs and the RPO business has some headwinds on near-term demand. In Carbohydrate Solutions, we expect the second quarter to be slightly better than Q1 of this year but much lower than the year ago quarter as ethanol industry demand and margins continue to be a negative driver, and food service demand negatively impacts Starches and Sweeteners. For Nutrition, we feel confident that the business will continue to advance to another calendar year of 20%-plus growth. Now please turn to Slide 11. And I'll turn it back over to Juan.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Thank you, Ray. I spoke a lot at the beginning of the call, so I'll just close by saying this: The core of our existence is the belief that food is fundamental. It sustains us, fulfills us and fuels our wellbeing. Today, our role in providing for that need is more critical than ever. All our teams are putting safety first as they support the global food supply chain. We're meeting needs that have changed dramatically in just the last few months. And we'll be there to continue to provide nutrition to the world as we emerge from this challenge. I've never been prouder to be part of this team and this company, and I've never been more confident about our ability to meet the challenges of today and tomorrow. With that, Jack, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ben Bienvenu with Stephens.

Benjamin Shelton Bienvenu ***Stephens Inc., Research Division - MD***

I want to ask a question. I'll start with crushing. I appreciate the color that you all gave. A 2-part question. One, if you could quantify what the mark-to-market impact was for the quarter? And then two, when we look at the data relative to what we can track, the results in the quarter were quite a bit lower than we would have expected. And I'm wondering, perhaps there's something we can't track, whether it's basis or some sort of utilization dynamic in the facilities that limited your ability to generate a little bit higher crush margins. Any color that you can provide to elaborate on what's happening there would be helpful.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Let me start, Ben, and then Ray can touch on the mark-to-market. So I think what happened -- what you see in the first quarter is that the bean market was supported basically by Chinese buying simply by -- while the meal value is impacted by demand issues. So you see a cash margins in beans, they tend to track board crash. But this quarter, the impact of soybean basis, as the ability of the farmer to

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hold the beans increase, impacted our margins. So margins are down year-to-year by about $15 per ton. So I think that, that's what explains the situation. Of course, we have expectations that the overall temporary adjustment of the shift in demand will subside as some of this -- some of our customers manage to this adjustment. But I think in North America, that was the biggest impact, if you will. Soybean, crush soybean basis high and meal values being a little bit soft due to lack of demand in food service. With regards to the mark-to-market, I think Ray can provide some more granularity on that.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. On the mark-to-market impact. As I indicated, last year, if you recall, we had some very favorable mark-to-market impacts, about $75 million. This quarter, we didn't -- I didn't highlight anything on the call because it was not material. But if you recall, like we entered the quarter with a fairly large balance in terms of deferred gains. But what happened, as you know, is the board crush actually went up during the course of March, right? And so therefore, we actually had mark-to-market losses there. And so when you actually take into account of the deferred gains coming into the quarter, and then the mark-to-market -- the new mark-to-market losses that we took as board crush went up, they netted out to be fairly immaterial. I mean, just old index, it's really not meaningful in terms of the overall results there. I do want to remind you, it's actually in the supplemental information that at the end of the first quarter, we still have about $80 million of deferred gains that will be recognized as we kind of move through the rest of the year there. So hopefully, that will help you in terms of understanding where the mark-to-market currently stands.

Benjamin Shelton Bienvenu ***Stephens Inc., Research Division - MD***

It does. My second question is related to the Starches and Sweeteners business. Appreciate the bridge back to apples-to-apples results. And appreciate the 2Q commentary. I'm curious, when you think about the COVID operating environment, the stronger demand for containerboard, stronger demand for the packaged foods consumption, netted against weaker demand for foodservice. Do you think this environment is net positive or negative for Starches and Sweeteners. And then the big move down that we've seen in net corn costs, while I realize you all hedged a significant component of your cost there. How impactful is that to the business?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I would say as we look at the demand for Starches and Sweeteners, Ben, we see that the demand was strong for us, at least in January and February. So I think that we saw some decline in demand in March, but not that significant. We see -- we saw more significant demand decline in April. Over the last 2 weeks -- I'm talking about mostly Sweeteners and Starches. Over the last 2 weeks, we have seen orders pick up back a little bit again. So maybe there is a little bit more energy in the foodservice markets around the world right now. So I would say from a demand of Sweeteners and Starches, we're going to see a bigger impact in second quarter than maybe we saw in the first quarter. Of course, the second quarter, we have less of a mark-to-market corn oil issues, and we will continue to enjoy some of the improvements. The operational improvements were strong. The improvement on European operations were strong and milling had a very good quarter. And we're going to have some, as you said, lower net corn cost of all that. So -- but when you take all the puts and takes with the slower demand, we probably see a slight improvement versus Q1 into Q2, but not a significant one.

Operator

Robert Moskow with Crédit Suisse.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

There's increased consumption of food at home. Is it your message here is that, that only partially offsets the decline from consumption of food away from home? And I guess, that flows through vegetable oils, Starches and Sweeteners? Maybe you can talk a little bit about the impact on animal care also. Maybe there was a pull forward in the first quarter. But is that the big food consumption message that you have here?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Rob, I think that it depends on the business and our exposure to foodservice versus retail. So if you go to the milling business, the milling business had a very good first quarter, and we had good demand everywhere in the world. If you see the Nutrition business, I have less exposure to foodservice, was a very strong quarter, and that continues to grow. So I would say the offset depends on your mix. When we go to things like, for example, the corn oil, corn oil goes more to retail, so we saw better demand for things like chips. On the other hand, soybean oil goes to more to foodservice. So we see a little bit of weakness there. When we're talking about foodservice, we think, though,

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that probably, we saw the trough in late April, maybe the orders at the -- for the beginning of May. And we started to see over the last 2 weeks, things becoming a little bit better. So I think we are a little bit more optimistic. As some of the economies start to reopen, we start to see that we have the benefit of being a global company. We see the pandemic evolving from East to West. So we've seen already foodservices in Asia, getting back to maybe 70% to 80% of where they used to be. Of course, more -- much more on food deliveries and takeout and things like that than actually in-room dining. But we see a little bit of that come back. So again, I think you should think about for ADM, the impact has been more in foodservices North America in terms of oil. Because even packaged oils in Europe and South America, since South America and Europe has less impact to foodservice, we have been a little bit more robust.

On the last part of your question on regarding Animal Nutrition, our Animal Nutrition, with the acquisition of Neovia has become very global and very much diversified into many, many applications and business subsegments. So we saw strength on that, and we expect a lot of that strength to continue. North America has been more impacted and yes, we're going to see some of that reduction in feed in North America, probably in the second quarter more immediately than in the first.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Okay. And then a follow-up, if I could. There's been a lot of news flow about liquidations in U.S. livestock. It sounds like a temporary thing. But at what point does that become a risk to domestic soy meal demand here in the U.S.? Do you have any outlook on that?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Of course, that, I mean, it's unfortunate all this impact that COVID has been having in so many people and so many industries. And when we look at the demand for soybean meal, with everything that's happened, of course, it's going to be lower than we have anticipated before. But I think you need to think about this as a temporary adjustment. Most of our customers are shifting as quickly as possible from foodservice to retail. That's probably is going to be -- there is still a strong demand in the retail area. And we started to see much more the increase of China imports from the United States in terms of pork and poultry, and that will help medium-term also to exacerbate the demand for soybean meal. So medium term, we are constructive. I think in the short term, we need to go through this volatility of customers shifting their patterns. And we will have to go through that probably in Q2.

Operator

Ben Kallo with Baird.

Benjamin Joseph Kallo ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

So I have 2 questions. Just one, kind of going back to the last time you talked after the Q4 results. Could you just talk about maybe just generally how you view the market going forward and your level of visibility, if you're better or worse, then? And then can you just talk about the Nutrition business? Because I think it gets lost kind of in all the other parts of the business, and you made significant improvements there. Just -- I know you said that there's -- the growth will continue next year. But can you just talk more in-depth about how we should think about margin expansion and then the different trends that are driving that business? Because I know you've put a lot of investment into it. And so I think that maybe just reminding us how we should think about that business, especially in this uncharted territory, about how that holds up? And I know there's a lot there, but thank you.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

No, that's all right. Thank you, Ben. So let me start with COVID and how I see the world now versus how I saw it the last time we spoke. First of all, I'm proud and also a little bit surprised how well we managed to keep the operations going through all this. If you would have told me that we will be running more than 800 plants around the world with minimum staffing, with people in quarantine and running the rest of the company remotely, I mean, I think it's testament of the resilience of the ADM people and business model. So very proud of that. Second, I think fundamentally, we remain very confident because, first of all, we hit the ground running this year and almost ahead of schedule in most of our improvements. Remember, we call for $500 million to $600 million of self-help here. And as I said in my remarks, we are through 25% of the year, we're probably 30% accomplished there. So I'm happy with that. I'm happy with we are executing in Neovia. We achieved synergies 2 years ahead of schedule. So the team is clicking on all the boxes that we promised to shareholders and to the Board that we were going to do. In terms of demand, I'm normally a little bit more relaxed because we are in the food industry. We are blessed with that, and there is the same number of mouths out there eating. So our role of feeding the world continues to be as important as before. We need to go through this shift, and this shift benefits some businesses and creates short-term

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disruptions in some other business. But the fundamental impact of COVID in the first quarter was to the Carbohydrate Solution business in terms of the ethanol. There was some biodiesel, but biodiesel North America navigated it better. South America and Europe was a little bit more impacted in terms of biodiesel. But I would say the big impact was Carb Solution in ethanol and that is something that it was a very big impact because we were coming already in a situation of high inventories and the industry has negative margins already by the time we got into that. And -- but you see us, again, focusing on what we can control then. So what we did in crush, for example, we have adjusted crush margins in North America -- crush rates in -- operating rates in North America to offset the little bit there, the short-term issue on demand that we're having. And we took the difficult decision of take 2 of the dry mills down in North America. So I see fundamentally the demand being solid for us, margins are still good margins. And I still see all the things that the business has been, and the management team has been focused on, hitting on all cylinders and going a little bit ahead of schedule as of Neovia, or the $500 million to $600 million and the readiness efforts.

When talking about Nutrition, I said to all our investors over the last 1.5 years that they've been supporting us through all the investment phase in Nutrition. And Nutrition have not been showing that in the P&L because this was organic growth, and we have some growing pains into some of these assets as you build them and you have to finance them. But when you see now what's starting to happen is when we predicted before, is all those wins, all that innovation, we always said, we have our value proposition is resonating with our customers. We had that. That line was a little bit masked by all this organic growth that was coming. Now all that organic growth is hitting the P&Ls because these investments are maturing. And you're going to see that, and we grew 23% profit last year. We are growing -- we're going to grow another north of 20% this year. You see WFSI during this. So take Neovia and Animal Nutrition out for a minute since the first quarter is a little bit of a strange comparison because we acquired this last first quarter. So -- but if you take WFSI, WFSI has grown earnings at 28% in the first quarter. So we continue a little bit the rhythm of 23% that we delivered last year. And flavors are growing at revenue at 7.8%. So we feel very good about that business. It's a very diversified business. And if anything, we're experiencing COVID with people that come back from this pandemic, like we've seen in Asia, is that people come back with the more -- with an enhanced focus on health and the importance of quality nutrition for their well-being. So we've seen the probiotics.

Our Health & Wellness segment is up like 24% in terms of revenue, because the sales of those products are, for humans is, has been probably reemphasized by all this COVID. So we think that we are in the right segments. We think we have the right product mix. So we feel very bullish about, continue this performance for the Nutrition business.

Benjamin Joseph Kallo ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

And I will sneak 1 more, if I can. To Ray, just on capital allocation. And how are you looking at just because I'm sure there's some distressed businesses out there that could fit into your portfolio. And so has that started to happen yet or is that you have bigger fish to fry? Or how do we think about that fitting in just from an acquisition front?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

From a capital allocation perspective, as you know, this year, we are focused on further deleveraging the balance sheet to get towards our low 2s target range in terms of debt-to-EBITDA. At the same time, as you point out to me, there could be opportunities out there, and we're always looking at opportunities out there. So nothing clear right now, but I think we'll just keep an open -- keep our ears and eyes open. But again, priority, at least in the near term, is to get our balance sheet into -- a little bit lower in terms of the leverage position.

Operator

Tom Simonitsch with JPMorgan.

Thomas Marc Alfred Simonitsch ***JP Morgan Chase & Co, Research Division - Analyst***

So just given the fall in fuel demand, can you comment on the outlook for biodiesel demand and production relative to your earlier expectations for this year? And is there a potential for a double negative for ADM if you cut U.S. production and forgo tax credits? Or are those credits just embedded in the margin structure?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

I think on biodiesel demand. What we're seeing, Tom, is in Europe, we're actually seeing more of a hit in terms of our biodiesel demand. Part of it is just simply due to the fact that, as in Europe, passenger cars actually use diesel a lot, in addition to commercial vehicles. And

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so when you have to shelter and place orders come in for Europe, it really negatively impacted the demand environment over there. What's interesting in the United States, we actually have not seen that drop off. In fact, in the early part of the quarter, we actually saw strong demand for diesel. Because as you know, trucks -- the trucking industry, were actually running very, very hard in order to keep the warehouses supplied. And as airlines kind of shut down, a lot of the goods actually start moving on the truck front. So we've seen on the biodiesel front, which is tied to the really diesel demand that United States actually has held up reasonably well. In terms of our book, our biodiesel book, we've got it, a lot of it already sold out into the second and third quarter. So we feel good about this part of the business actually holding up right now.

Thomas Marc Alfred Simonitsch ***JP Morgan Chase & Co, Research Division - Analyst***

Okay. That's helpful. And just a clarification on the railway tax credits. You noted that the cost of acquiring those tax credits reduced your pretax profit. Can you just confirm that all those associated costs are recognized in the same quarter as the tax benefit?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes, I can confirm that. Again, on a GAAP statement, it's in the cost of goods sold. On the management statement, so you can look at the other charges line and that full amount -- and if you look in the appendix, you can see all that information there, like the $73 million of tax credits, it's fully reflected in the other charges line of the management statement there.

Thomas Marc Alfred Simonitsch ***JP Morgan Chase & Co, Research Division - Analyst***

That's great. And just one last one for me. If you could maybe just give us some more color around the negative mark-to-market in corn oil? I don't think I've seen that before. So why are we seeing that this quarter?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes, you're right. I've never really talked about mark-to-market on corn oil before in prior earnings calls. And frankly, the last time we actually saw this was about 10 years ago. So what happened was, as ethanol plants slowed down around the country, then as you know, corn oil is a by-product of ethanol production. So we actually saw a reduction in terms of supply of corn oil. At the same time, as Juan indicated earlier, we actually saw a significant demand for fried snacks like chips, so the actual demand for corn oil actually went up. And so we actually start seeing a divergence between soybean oil prices and corn oil prices, which, again, historically tracked very closely with one another. And so as corn oil prices -- and this really occurred, start occurring at the end of March. As corn oil prices moved up, we have a forward book of sales contracts in corn oil, and some of those sales contracts are actually indexed to bean oil, right? And that's just because of history in terms of how these prices have correlated. So when we actually marked the book at the end of March, for the forward sales contracts that were indexed to bean oil, we actually had to take a mark-to-market loss on that. Now I do expect, as I indicated in my comments, that part of this mark-to-market impact should reverse. It could reverse as we kind of move through the year, due to two factors: One, with higher corn oil price, that means the corn product credit will actually go up as we kind of move through the year, which means net corn costs, compared to where we were at the beginning of the year, should actually come down; and then secondly, as we move through the year, as ethanol production actually starts ramping up due to gasoline demand returning, and as the shelter-in-place orders come off and maybe chip demand starts to come back off a little bit, then you should actually start seeing the historical correlation start returning back again. And so that's the reason why I feel that as we kind of move through the next 12 months, probably in the back half of the year, I should expect about half of the mark-to-market to come back in the form of other lower net corn costs or mark-to-market reversals.

As Juan indicated, I think for the second quarter, I do probably expect that the negative mark-to-market to kind of -- it's not going to be the same magnitude, $50 million, but we may have some slightly negative mark-to-market in the second quarter as well in Carb Solutions.

Operator

Ken Zaslow with Bank of Montreal.

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

Just a couple of quick ones. On the vegetable oil side, are you still making favorable spreads? Or have they gone to a negative? And is there any thoughts of maybe pulling back capacity or anything like that? How is that playing out?

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Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Well, as I said before, we have adjusted crush in North America a little bit. So we ran hard in the first quarter. And then at the end of March, we adjusted crush into April a little bit. So we're monitoring all that. In -- and as I said before, I think that soybean oil, mostly has been affected in the oil side in North America. It has been more a biodiesel impact in the other places, but packaged oils has been more robust in the other 2 geographies, in Europe and South America.

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

And can you also take us around the world? Are the crush margins in Europe, China, Canada holding up better than that of the U.S.? And if so, what do you attribute that to?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I think in Europe, margins are $25 to $35 per ton. So a little bit better. And I think that a couple of things, Argentine crush is still not a major threat to Europe. Maybe in 6 to 8 weeks when the product of all the harvests start hitting the shores of Europe, maybe. And then I think that having the meat -- meat is in very good demand in Europe for all that retail issue, the retail segment. And meat packers in Europe have smaller plants. So I think that they have fewer people in all the plants so the issue of maybe COVID spreading among workers have been less of an issue there. The issue in Europe has been, of course, the biodiesel, as Ray mentioned before, biodiesel is used more for passenger transportation in Europe. So that was absolutely shut down. And so we adjusted rate to some of those plants. At the moment, we are running as much soy crush as we can in Europe, of course, given our advantage there. Brazil margins are more in the $15 to $25 per ton. There, that the big farmer selling. Demand for oil has been -- for packaged oil has been good. Our -- and then biodiesel, we've been able to move enough biodiesel there in Brazil. It's tied to economic activity. And less of a passenger car there. And we've been able to manage more of that. The demand for meat has continued to be very strong. Most of our customers, they are exporting a lot of their meat to China. So that demand has been very strong. And other than one announcement of a plant with some issues in poultry a week ago, all the plants of our customers have been running in Brazil. So, so far, so good in Brazil. So I would say one of the big things that you -- that we noticed this quarter, in terms of soybean oil has been the great benefits of having the global trade desk actually working together to facilitate that we continue to crush hard, because basically, they took care of the oil, that -- exporting that oil. And did you see the one of the benefit of the combination between the Ag Services business and Oilseed business is that the global trade works either to place a little bit more of North America meal into export markets or a lot of the oil into the export market. So our plans can continue to run. That has been very beneficial to us.

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

And then my last question is, will we finally get a consolidation or a reduction of number of players in ethanol? Is this an event that could really change the structure of the ethanol industry? Or is it one of those -- you'll see a -- production cuts, everybody goes down and then it just kind of rebounds? How do you think about that? And I'll leave it there.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, Ken. That's a good question. I think it depends on probably the duration of this situation. The industry is working at lowest production rates ever. And I think that we saw more than 70 plants going down. And for somebody that have run plants before, it depends on how long it takes for that plant to be down. After a few months, things start becoming complicated and maybe fewer of those plants will be able to come back. So it depends how quickly margins rebound. But I would say if there is a prolonged activity or low gasoline prices and margins continue to be down for a while, I think that you would see some players not coming back. Whether that's enough to restructure the industry is probably a tall order question there, but I would not guess to answer at this point.

Operator

Heather Jones with Heather Research.

Heather Lynn Jones ***Heather Jones Research LLC - Founder***

I know we're running out of time, so I'll just do this quickly. Has your corporate expense outlook changed at all given the deterioration of economic outlook?

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Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

No, Heather. I know we were a little lower in the first quarter, but a lot of the initiatives that we announced in our fourth quarter call in terms of our business transformation, we have not slowed that down. In fact, Juan argues that these business transformation initiatives are actually very, very important for the long-term of ADM. And so we have not diverted from those particular strategic initiatives there. So the guidance that we provided to you in the fourth quarter for the calendar years, remains in place. I think the only thing that's changed in terms of below line is like interest expense. I think that with the additional long-term debt that we put on to the balance sheet, you should expect probably our net interest expense probably would be similar to where we were last year.

Heather Lynn Jones ***Heather Jones Research LLC - Founder***

Okay. And then, Juan, you had mentioned that you guys moderated your crush rate coming into Q2. Lately, I've been hearing multiple reports that bean oil storage in the U.S. has become constrained. And so just wondering if you could walk us through that and how serious it is? And if so, is further moderation going to be required?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I think that during the first quarter, we saw with -- I mean, as you see March, when we saw the decline in economic activity around the world. That became the limiting factor for crush. It was like, do you have an offset, do you have a house for soybean oil? As I said, we have been good at using our integration to make that soybean oil disappear and keep crush margins up. Of course, the longer this takes, inventories start to pop and not everybody has the same ability to place those things with us. And there's a lot of people fighting for liquid storage these days in North America. So -- but I would say, I think we are comfortable with the level of adjustment in production that we have at this point. We adjusted about 5 percentage points and I think for now, that's good. So we don't foresee more at this point. And as I said before, we started to see. Yes, I'm talking about ADM specifically, I wouldn't venture about what's going to happen for the rest of the industry. But as I said, we have that benefit of that integration with the global trade. But I would say, over the last week and 2 weeks, as China started to reopen and as Europe prepares to reopen, and in some cases, they have done. So we started to see a little bit more activity. And I don't know if people replenishing the pipeline in preparation for the summer or what. But orders have perked up a little bit over the last 2 weeks in general for ADM.

Operator

(Operator Instructions) Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

I'll keep it to one. Could you just remind us how the -- what we used to call WFSI, how that business did during the last recession or in economic slowdowns in general? I'm just thinking, once we get past COVID, there's really still going to be a recessionary environment for who knows how long, but long enough. So any help there would be great.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. Well, we didn't have a WFSI on the last recession, so it's difficult to compare. But I think it's a good question in the sense that the business is relatively less exposed to foodservice than maybe other segments that we have in the company. And it's very, very diversified because the systems and the flavors and the pantry is so broad that goes into almost every product, whether it's a food or a beverage. So I would say pretty resistant in that point. I think that the thing that we are watching very careful, Vince, is not that much the absolute demand, which we feel comfortable whether in a -- it maybe softer in previous quarters than it was in Q1. Maybe there is some adjustment to pantry filling. But I think what we are seeing is our win rates, our ability to place new orders or bring new products had been strong. Our ability to provide existing sales of existing products to existing customers have been good. And I think that what we may see because we saw that in Asia, is that a little bit of deceleration in innovations, in food services in the first quarter because logically, companies, as they focus more on delivery or pickups or e-commerce, they tend to emphasize their traditional products. You're not going to go to a foodservice restaurant and order take out something new. You normally go to something that you know. So we've seen a little bit a decline, and that started to come back slowly, but that probably will be the shift. The shift that maybe that we sell more of existing products than the proportion we used to sell of innovative products. So we think that the impact of the recession may be a little bit of a delay in the introduction of our new products.

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Operator

Michael Piken with Cleveland Research.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

I'll also limit it to one question. If you could just talk a little bit about kind of what's happening down in Brazil with the port infrastructure and obviously, a lot of talk about how they're managing COVID-19 a little differently. But how are your operations going down there? Are you seeing any port backups? And I know you got a slide on farmer selling being pretty good, but just the overall state of the Ag economy down in Brazil would be great.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I would say, listen, the team identified, of course, very early on, potentially ports could be a weak point in terms of the COVID issue. And we took all kind of precautions to make sure that, that was not the case, was not impact us. And I would say at this point in time, we have no issues in terms of being able to load. There may have been a little bit of an extra cost here and there, but nothing material that we should worry about. In Argentina, there has been a little bit -- even in the face, to be honest of, when I said we were preparing because we were preparing for a big export market because of course, China has a lot of appetite and Brazilian farmer was selling. So we saw that flow. We're going to have higher volumes, which we saw those higher volumes, and we seen it even during Q2, so I would say, given that they work in exceptional volumes, the performance has been stellar because, to be honest, minimal disruptions. Some disruptions in Argentina because the Paraná River is very low in water. So we have to move some of the loads to Bahia Blanca, a little bit more in the ocean side of the country, but also there, we've been loading well on the -- we changed the port. So I would say -- and then even around the world, Romania had record exports and the ports were there as well. So I think they will be happy -- we'd be happy there. In terms of how I see Brazil in general. This COVID -- I think May is going to be a tough month because we are fighting these to these two streams. On one side, the economy and the social pressure to come back to work and that the people basically need for their livelihoods. And then the -- but the number of cases is still going up. And I think that the ability to control that makes me a little bit worry about, in general, the health situation of -- in Brazil, in May. But other than that, I would say, so far, maybe dairy was the segment that has been impacted the most from our customers' perspective. But for the rest, so far, the business for us has been strong.

Operator

Vincent Anderson with Stifel.

Vincent Alwardt Anderson ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Just quickly on Neovia. I was hoping you could break out the improvement in the quarter between: One, the synergies, obviously, the $10 million adjustment from last year, broader revenue improvement and then maybe any seasonal factors. Just for the purpose of framing what the new baseline of earnings power should be for that business, all else equal?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, it's -- I'm not sure I have the breakout that easy, but let me say the following then. The Neovia, the way you need to think about it is because it's very diversified geographically and very diversified in the different subsegments. So is -- I don't want to go into a long explanation. But I think the important thing, if you remember, when we acquired Neovia, what I said, that the Neovia story was actually a margin up story. So it was very complementary to ADM from a geographical perspective and businesses perspective, but it was a margin up story. And although our business in Animal Nutrition was about 9% EBITDA margin on sales or whereabouts, the Neovia business was lower than that. And then our expectation was to start moving up that business in 2 or 3 phases. And I'm happy to report that margins are improving in Neovia, as we described. So we went from a margin of about 6.5% to about 9.5% in the Q1. So it's a business that is starting to get closer to our first original goal of about 10%. And then we were planning to go into the lower teens. So it's a business that again, has so many segments and so many geographies, and they are all recovering differently and being impacted differently. So I don't think that the Q1 yet is a very good quarter for us to go into a lot of analysis into the future because, again, we have all these economies, there is a lot of Southeast Asia that still is impacted by coronavirus. There is China that is coming back. There is Brazil that hasn't been impacted. There is Mexico that is being impacted right now. There is North America that is more impacted. So I think that second quarter will give us maybe a better time to make this analysis. But the business will continue to improve. We are revisiting the synergy numbers,

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of course, after we achieved the EUR 50 million target that we set for ourselves. So we're still -- there's still going to be growth rate, positive growth rate. There's still going to be increasing EBITDA margin on sales. It's just that the market at this point in time is too fluid to develop the algorithm right now.

Operator

And our final question comes from the line of Adam Samuelson with Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

I want to ask a question on Ag Services. Something you haven't talked about a lot on this call, just thinking about the outlook over the balance of the year, with what looks to be a much bigger U.S. supply of corn, potentially beans. Just given the planted acreage and the loss on demand in ethanol. And just wanted to get your sense of the outlook of that for that business is actually improving, probably more second half weighted, but just the view today relative to where you might have been 3 months ago?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes, I think --

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, go ahead, Ray.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

I think we're actually encouraged in terms of ag services in terms of how they started out in the first quarter, very strong results. We're also encouraged like the planting estimates in the United States are actually fairly strong, too. So it'd be quite an improvement in terms of the acreage this year compared to last year, where it was negatively impacted by weather. So we should actually have some -- assuming the weather holds up and the planting gets in, we should actually have a very good crop of both corn and soybeans as we kind of go through this year in United States. I think the big variable, Adam, is going to be the China in the Phase 1 deal. As Juan indicated, we're very encouraged in terms of China coming in the first quarter to buy frankly, a whole portfolio of agricultural products. You got sorghum, you got wheat, you got, up corn and then some soybeans also right now. So we're very encouraged in terms of what China is doing right now in terms of agricultural purchases. And all the signals that we're getting from both the U.S. side and the China side is that they will be executing their agricultural portion of Phase 1, consistent with what they talked about. So we think that as we kind of move through the year, that China will be increasing the amount of purchases of U.S. agricultural products. So you're already seeing that significantly in terms of animal proteins, pork, meat, chicken. I mean, the year-over-year purchases by China are in the area 300% higher in terms of pork and big numbers in terms of poultry and beef as well. But in terms of soybeans, we're still thinking that for the year, it could be 30 million to 35 million metric tons of purchases from United States as we move through the year. And that's going to be very supportive in terms of the Ag Services business, particularly in the back half of the year here. So overall, I have to say that we're very constructive. If China buys corn in addition to soybeans, that's going to be extremely constructive. And then the other variable, I just want to mention, is that ethanol as part of the Phase 1 deal, is being viewed as part of the agricultural basket in terms of purchases. So as China moves towards honoring the $36 billion of agricultural purchases, it's very possible that ethanol will enter the picture, particularly in the fourth quarter now.

Operator

I will now turn the call back over to Victoria de la Huerga.

Victoria de la Huerga ***Archer-Daniels-Midland Company - VP of IR & ADM Ventures***

Thank you for joining us today. Slide 12 notes some upcoming investor events in which we will be participating. As always, please feel free to follow-up with me if you have any other questions. Have a good day, and thanks for your time and interest in ADM.

Operator

This concludes the ADM First Quarter 2020 Earnings conference call. We thank you for your participation. You may now disconnect.

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