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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the ADM Fourth Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I'd now like to introduce your host for today's call, Victoria de la Huerga, Vice President, Investor Relations for Archer Daniels Midland Company. Ms. De la Huerga, you may begin.

Victoria de la Huerga ***Archer-Daniels-Midland Company - VP Investor Relations & ADM Ventures***

Thank you, Jack. Good morning, and welcome to ADM's fourth 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 reports. 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 Chief Executive Officer, Juan Luciano, will provide an overview of the quarter and the year and important actions we are taking to meet our strategic goals. Our Chief Financial Officer, Ray Young, will review financial highlights and corporate results as well as drivers of our performance. Then Juan will discuss our forward look. And finally, they will 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. Good morning, everyone. Thank you all for joining us today. This morning, we reported fourth quarter adjusted earnings per share of $1.42, up from $0.88 in the prior year quarter. Our adjusted segment operating profit was slightly above $1 billion. Our return on invested capital was 7.5%, above both our 2019 WACC of 6.75% and our long-term WACC of 7%. We're continuing to drive towards our long-term ROIC goal of 10%.

The team delivered solid results this quarter, and I'm proud of how they performed both over the last 3 months and throughout the year. We managed through a difficult external environment by keeping our focus on strong execution, continued improvement efforts and by providing winning solutions for our customers. And given our performance, we are today announcing a quarterly dividend increase of

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$0.01 per share to $0.36 per quarter. This dividend will be our 353rd consecutive quarterly payment and an interrupted record of 88 years.

I'm proud to look back on a year in which we delivered significant advancements in each of our strategic pillars. In our optimize pillar, we advanced key business improvements and are seeing the results of our work at the Decatur corn complex and in our Golden Peanut and Tree Nuts business. We reshaped our North American wheat milling footprint, closing all less efficient mills and opening our brand-new, state-of-the-art facility in Mendota. We completed the significant global organization redesign, including offering early retirement for certain North American colleagues and reducing management layers that is helping us enhance productivity and efficiency. And just in the fourth quarter, we entered into an agreement to sell our palm plantation operations in Brazil and sold our investment in CIP, advancing our ongoing efforts to ensure our asset portfolio maximizes returns and aligns with our core competencies.

In our drive pillar, we launched the Ag Services and Oilseeds business unit. And we're delivering on the synergies created by simplifying the business model including capital reduction efforts. More widely, as part of our readiness efforts, we introduced a company-wide simplification initiative, which is streamlining decision-making and processes in order to drive accountability and realize additional value in the way we work. And we continued to drive standardization and efficiency by centralizing critical activities, including our new global operations organization.

In our expand pillar, we expanded on our leadership position in the fast-growing alternative proteins through our partnership with Marfrig and by working with many other customers to create systems and solutions to meet their needs. We enhanced our global citrus platform with the addition of Florida Chemical and Ziegler, and we cut the ribbon on our expansion and enhancement of our flavor production capabilities in Beijing. We created an unparalleled global leader in animal nutrition, thanks to the addition of Neovia. And I'm extremely pleased with the integration, including running ahead of our internal targets for synergies. And just in the last 3 months -- in the last few months, we further expanded our animal nutrition capabilities with the opening of our state-of-the-art technology center in Decatur and our new feed production facility in Vietnam. We continue to build our leadership position in the key market of food, beverages and supplements that enhance health and wellness with the acquisition of Brazil-based Yerbalatina Phytoactives, a pioneering leader in plant-based extracts. And we further enhanced our global destination marketing footprint this time expanding into Turkey, capping a year in which our overall destination marketing volumes grew by 10%.

Please turn to Slide 4. A year ago, I called 2019 the year in which readiness would accelerate moving beyond the introductory phase to become a driver of our culture and how we do our work every day. The enterprise has been laser-focused on readiness, which shows in our execution. By the end of 2019, we had completed 435 readiness initiatives that, in total, will account for $815 million in run rate benefits on an annual basis. We remain on target to reach $1.2 billion in annual run rate benefits by the end of 2020. For 2019, specifically, readiness has contributed approximately $250 million in accrued net benefits in line with our goal. I'm also proud that we achieved an important internal goal. As of the end of 2019, 31,000 colleagues have completed our comprehensive Ability to Execute training since the program began.

We continue to implement new innovative initiatives as a result of readiness. For example, this quarter, we launched 2 new technologies. The first will help us more efficiently interact with our customers by providing new tools to our sales team. The second is allowing us to centralize and automate our truck dispatch and tendering in North America. What is even more impressive to see, however, is how our team has integrated readiness and its recurrent discipline into their everyday work. Our readiness evaluation and tracking system is now routinely applied to projects, large and smaller alike. The "what else can we do to be better" mindset is helping to guide actions and investments, become a part of who we are as a company, which was one of our goals from the start.

Now Ray will take us through our business performance. Ray?

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

Thanks, Juan. Please turn to Slide #5. As Juan mentioned, adjusted EPS for the quarter was $1.42, up from the $0.88 in the prior year quarter. The adjusted EPS number includes a benefit of about $0.61 per share related to the impact of the retroactive biodiesel tax credits, representing an approximately 50-50 split of retroactive benefits for 2018 and 2019. Excluding specified items, adjusted segment operating profit was about $1 billion, up 20%. For the full calendar year, our adjusted segment operating profit was

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approximately $3.1 billion and adjusted EPS for the full year 2019 was $3.24. Our trailing 4-quarter average adjusted ROIC was 7.5%, higher than our 2019 annual WACC of 6.75%.

The effective tax rate for the fourth quarter of [2019] (corrected by company after the call) was approximately a positive 1% credit compared to a positive 2% credit in the prior year. The calendar year 2019 effective tax rate was 13% compared to 12% in 2018. The low 2019 tax rate is primarily due to the impact of the U.S. tax credit signed into law at the end of the year. The low 2018 rate is due primarily to the impact of favorable true-ups related to U.S. tax reform. In the absence of the tax credits and specified items, the effective tax rate for calendar year 2019 would have been about 19%. Looking ahead, we're expecting a full year 2020 effective tax rate to be in the range of 16% to 19%.

We generated about $2.3 billion of cash from operations before working capital for the year, lower than 2018. Return of capital for the full year was about $940 million including about $150 million in opportunistic share repurchases. We finished the quarter with a net debt-to-total capital ratio of about 29%, up from the 25% in the year ago quarter but continuing to improve from the first quarter high related to the acquisition of Neovia.

Capital spending for the year was $828 million, in line with our guidance and considerably below our depreciation and amortization rate of about $1 billion as we focused on harvesting our prior investments. In 2020, we expect to continue to spend below our depreciation and amortization rate but higher than 2019 as we make investments in our business transformation program.

Next slide, please. Our business results were $13 million, significantly above the prior year period. Captive insurance results were negative but significantly improved year-over-year. ADM Investor Services results were up versus the prior year period. For 2020, we expect claims and underwriting performance to improve for our captive insurance operations, resulting in the expected Other segment performance to be about $100 million for the calendar year.

In the corporate lines, unallocated costs of $193 million were higher year-over-year principally due to increased spending in IT and business transformation and higher benefits accrual costs. Other charges increased due to a $50 million railroad maintenance expense that had a corresponding exact benefit in tax expense, partially offset by improved foreign hedging results in our intercompany funding. For 2020, corporate unallocated should be approximately $800 million, with the increase from 2019 due to investments in IT, 1ADM business transformation, R&D and innovation, transfers from the business segments into corporate to centralize key activities, the return to normal incentive compensation accruals, offset by the full year impact of savings from our workforce restructuring.

Net interest expense for the quarter was lower than last year, benefiting from lower short-term interest rates and proactive management of the debt portfolio despite overall higher debt levels to fund the Neovia acquisition. For 2020, we expect net interest expense for the calendar year to be slightly below 2019.

Corporate results also included a $0.24 per share loss on the sale of our interest in CIP comprised of a pretax loss of $101 million and the $32 million tax expense. It should be noted that we received pretax proceeds of $210 million in December from the sale from an original investment of $38 million made in 1988. You can see more data and background on the transaction in the Additional Facts and Information section of this slide deck. In addition, in corporate, there were noncash early retirement and global workforce restructuring charges of about $0.01 a share and a $0.04 per share LIFO charge.

Next, I'll discuss our business segment performance for the quarter. Please turn to Slide 7. Ag Services and Oilseeds results were higher versus the fourth quarter of 2018. Ag Services results were slightly lower year-over-year. In North America, the delayed U.S. harvest contributed to lower export volumes, driving lower margins. In South America, results benefited from improved margins driven by good export demand and farmer selling. In crushing, results were lower year-over-year. Overall, margins were solid though lower than the extremely high levels in the year ago period when global margins were being supported by the very short soybean crop in Argentina. Strength in the vegetable oil market contributed to a very good canola crush margin environment in North America. Year-over-year results were impacted by negative timing effects this quarter versus positive timing impacts in the prior year quarter.

Refined products and other results were substantially higher. The impact of the passage of the retroactive biodiesel tax credit for 2018

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and 2019, which contributed $270 million net to segment operating profit, was a major driver. However, even absent the tax credit, RPO delivered its best Q4 and, in fact, its best full year in recent history. We continue to see strong global demand for both biodiesel and food oils. In addition, the Algar Agro acquisition in Brazil contributed positively to results. Wilmar results were slightly higher year-over-year with its diversified business model performing well even with the backdrop of African swine fever impacting feed demand in China.

Looking ahead, we expect overall Ag Services and Oilseeds results to be lower in Q1 2020 than Q1 2019. Ag Services results should be in line with the year-over-year period. Crushing will be strong but still lower due to the very high crush margins, driven in part by positive timing impacts in the year ago period. RP&O should be slightly higher on continued good oil demand. We expect the impacts of the biodiesel tax credit to continue to support the biodiesel industry, although the normalized impact for ADM in 2020 will be lower. For preliminary modeling purposes, we assume about 1/6 of the combined 2018 to 2019 impact, but the actual net benefit will be a function of market conditions as we move through the year. Additionally, we expect to see the ramp-up of agricultural exports to China in the second half of the year.

Slide 8, please. Carbohydrate Solutions results were lower than the fourth quarter of 2018 and similar to the third quarter of 2019. Starches and Sweeteners results were up year-over-year. Improvements in manufacturing costs, including at our Decatur corn complex, helped support strong results as did higher income from corn coproducts in North America. In EMEA, we began to see some improvements in margin conditions, but results were lower year-over-year. Wheat milling results were up around globally. Bioproducts results were down compared to last year's fourth quarter due to continued unfavorable ethanol conditions and some risk management hedging losses.

Looking ahead, in Q1, we will begin reporting the Carbohydrate Solutions business in 2 subsegments: Starches and Sweeteners and Vantage Corn Processors or VCP. VCP is our newly created dry mill ethanol subsidiary, which will also market ethanol produced at our wet mills. The results of VCP will best cover the reduction of the 3 dry mill ethanol plants and the income from distribution of wet mill produced ethanol. The Starches and Sweeteners subsegment will include the results of all wet mill operations, including ethanol production. For the first quarter of 2020, in Starches and Sweeteners, we expect to continue to see the benefits of our improved manufacturing costs and anticipate EMEA results to be higher than the first quarter of 2019. We expect VCP to continue to be impacted by challenged industry ethanol margins. Absent any improvement in the ethanol industry margin environment for the rest of the first quarter, we will expect the Carbohydrate Solutions segment results in Q1 to be down versus Q4 2019.

On Slide 9, Nutrition results were substantially higher year-over-year, capping off a full year of 23% OP growth in the business and record results for WILD. For the quarter, WFSI results were significantly higher than the prior year period, with sales 8% higher on a constant currency basis and operating profits 40% higher year-over-year. The WILD team delivered another outstanding quarter as strong sales and margins in North America, EMEA and APAC drove positive results.

In Specialty Ingredients, lower sales and margins in emulsifiers and reduced margins in edible beans were partially offset by continued margin growth in plant-based proteins. Health & Wellness results were up driven largely by a new strategic agreement for fermentation capacity. We believe that our leadership position in fermentation will continue to provide benefits for ADM in the coming years as our expertise and production capability will prove extremely valuable to cutting-edge companies who are looking for new sustainable ways to create a wide variety of consumer and industrial products.

Animal Nutrition was up substantially versus the prior year period as Neovia continued to contribute positively to results, partially offset by a continued weak pricing environment for lysine globally.

2019 was an impressive year of growth for Nutrition, and we expect that growth story to continue in 2020. For the first quarter, we anticipate overall Nutrition segment results will be substantially higher than the first quarter of 2019 with growth in operating profit at around 20%. WFSI should be up on the continued customer demand for our on-trend ingredients and our unparalleled expertise and service. Animal Nutrition will continue to benefit from our Neovia acquisition and the execution of the synergies we've identified, though we expect the global lysine pricing environment to remain challenged in the quarter. In addition, year-over-year comparisons will benefit from last fall -- last year's first quarter Neovia purchase price adjustment on inventory costs, which negatively impacted results one time.

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Now I'll turn the call back over to Juan.

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

Thank you, Ray. Please turn to Slide 10. Earlier this month, we unveiled a new corporate identity for ADM. The new identity builds on our purpose to unlock the power of nature, to enrich the quality of life and reflects our evolution as a company. I'm proud of what we have accomplished in the 5 years since we purchased WILD both in terms of our Nutrition segment results, including our 23% year-over-year operating profit growth in 2019, but also in the unparalleled value proposition we offer our customers.

Today, our ability to work with our customers, offering an industry-leading array of products along with expertise and innovation to help them deliver unique solutions along with ADM systems, sets us apart and put us in an unequaled position to meet global consumer trends. And we're building the same capabilities in our Animal Nutrition business. Only a year in, Neovia is performing above our expectations, and we remain far ahead in the timing of achieving our synergy goals. We're going to continue to deliver on that growth story and drive margin growth in that business, the same as we have done with WILD.

With the momentum we have in the Human Nutrition business, the accelerating growth of our Health & Wellness business and the second year of Neovia as part of our Animal Nutrition business, we expect another year of 20%-plus growth in profitability in our Nutrition segment in 2020. At the same time, we are continuing to drive results in the Ag Services and Oilseeds and Carb Solutions businesses, which are critical value creation engines for the company. These businesses have leadership positions in their respective markets, but we know we can further improve. We remain focused on capital efficiency, portfolio management and the use of technology and analytics to help drive cost and margin improvements in those segments.

Despite all of our accomplishments, it's important to also focus on the things that did not go as planned in our execution in 2019. Our planned improvements in the Decatur corn and amino acids complexes, although substantially complete, took longer than expected, and their overall results in 2019 were well behind their targets. Our new centralized operations center of excellence will help make sure plant improvements are implemented more effectively going forward. And despite the impressive results we have achieved with some of our recent investments, those growth projects have not reached their full potential. That is why in 2020, we're going to start to pivot our readiness focus, initially placed more on efficiencies toward harvesting our investments and driving commercial improvements and revenue growth.

So as I look ahead to 2020 and beyond, I see significant opportunities. We feel that external conditions should improve in the back half of the year particularly as impacts from the Phase 1 agreement between the U.S. and China take hold. Nevertheless, we are planning conservatively and focused on driving our own results for the year. We are focused on opportunities for business improvement, including our ongoing strategic review of our dry mills and addressing lysine. We are advancing readiness, and there is still more to harvest from our recent growth initiatives. We'll be acting on all these opportunities in 2020 while remaining focused on disciplined capital allocation and M&A as we continue to drive towards our 10% long-term ROIC objective.

With all of these factors and without taking into account the benefits of the biodiesel tax credit, we are targeting the delivery of pretax improvements of $500 million to $600 million in 2020 compared to 2019.

Looking beyond 2020, as we continue to advance our strategy, I'm excited by the growth opportunities offered by evolving consumer trends and by the improvements and efficiencies we are continuing to execute across ADM.

With that, Jack, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Eric Larson with Buckingham Research.

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Eric Jon Larson ***The Buckingham Research Group Incorporated - Director of Equity Research***

Yes. So I guess the first question here is when you look at, obviously, you've -- we've had biodiesel tax credits coming back into the market, would that ultimately help your oil demand in 2020 and be more of a tailwind to your crush margins for the year?

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

Yes, we are very positive about oil demand into the year. We've seen demand outpacing capacity or production for most of the 8 oils. We've seen, Eric, biodiesel, not only the support of the tax credit in North America but also biodiesel mandates going up around the world. We are also seeing good demand for food oils. And we're seeing a decline in the production of palm oil due to weather and fertilizer application. So that has been tightening the market. So we've seen oil prices coming up. And also remember that we had a small rapeseed crop in Europe, so that's also tightened a little bit the balances. So I think that the oil story will support crush going into 2020 is our view.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Director of Equity Research***

Yes. And then just a little more flavor. I've been anticipating with the Phase 1 trade deal that it would be a gradual increase throughout the year. But it seems to me that the setup for the fourth quarter when we're in harvest this year, and hopefully, we have much better conditions and a much better environment to operate in, it seems like the fourth quarter setup could really be quite good because that's when our -- we're most competitive on global pricing. Is that thought process in sync with how you would look at that?

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

Yes. The way we have estimated it for ourselves is back-end loaded, so the exports to China coming in the second half of the year. So yes, we expect at the time that we have all the pressure in the system, this export could come, and that could improve margin by that point, yes, in the Q4 of 2020, yes.

Operator

Ben Bienvenu with Stephens Inc.

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

I want to ask, starting on crush and in Argentina in particular, I know you guys don't have crushing operations there, but that's a pretty dynamic market, obviously experiencing significant financial distress. And there are a number of crushers that are experiencing acute financial distress. I'd just be curious to hear how you guys think Argentina is setting up for 2020? And could that ultimately be a market where crush is constricted and helps to support a global crush environment across the other geographies?

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

Yes. Thank you, Ben. Listen, as you said, Argentina starts 2020 with a number of challenges that are historically economic. They need to tackle the $100 billion debt, higher levels of poverty inflation, and the government has very little room to maneuver. So they have implemented all the export taxes. And as such, the farmer has taken a very defensive position. So the farmer is at this point in time, they sold a lot of grain in anticipation of export taxes. And today, as an Argentine, you cannot buy dollars to hedge against your devaluation. So basically, you need to hold to the grain. So I think that the farmer will focus on financial management and cash flow management during the year. So they sold a lot in anticipation of the export taxes, and they're going to be a reluctant seller for the rest of the year.

So you're going to see and we're seeing right now the impact of that of Argentina being less of exporter of meal. We've seen the U.S. meal going into Europe recently, whether it's Spain or Germany, also going to Philippines. So U.S. meal being the most competitive feed for places where there are nontraditional export markets for the U.S. So yes, we see this, if it were to continue, to be supportive of crush margins in North America and Europe for that market.

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

Great. And then I'd like to switch gears to the Starches and Sweeteners business. You talked about some improvement in coproduct values that you've seen. I'd be curious to hear kind of your outlook in the backdrop of the potential for U.S.-China trade improving, that being supportive of coproduct values. And then also, if you could provide any commentary on how the contracting season fared for 2020 and kind of what our expectations should be looking out to this year for pricing on the sweeteners basket.

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

Ben, on the coproduct values, a lot of it has been driven by the demand for vegetable oil. So corn oil values have gone up. And so that's really supported our overall coproducts from that business.

As we kind of think through the rest of the year, we do believe that with the contracts completed, we'll be able to maintain the margins that we had through the negotiations. Our overall Starches and Sweetener performance, improvements will be directly resulted by things that we can control. So the recovery of Decatur, some of the improvements that we're doing over in EMEA, there is recovery in sugar prices over in Europe as well, so a lot of those factors will help drive improvements in our Starches and Sweetener business in 2020 compared to 2019.

Operator

Tom Simonitsch with JPMorgan.

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

So you mentioned the benefits of Phase 1 will be back-end loaded this year. But can you just give us some more detail as to actually how the agreement has altered your outlook for regional soy crush margins and U.S. exports of soybeans and ethanol. And if you can layer in your latest assumptions around ASF, that would be helpful.

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

Yes. When we look at oilseeds, in general, crush margins, I would say, from an Oilseeds and Ag Services perspective, as I explained to Eric before, we think that the exports will be back-end loaded. So from an export elevation margins, if you will, that's where we think it's going to happen. From a crush perspective, we are positive in general to crush. Demand has been very good for the -- so far, and I would estimate rates for meal are in the range of 3% to 4% for the U.S. So we feel good about that. As I mentioned, we've seen record weekly soybean meal exports recently to Spain, Germany and the Philippines, and that will be supportive of crush margins here in the U.S. So we think that meal basis will remain strong. And even if all these China purchases come, we should be able to offset that potential basis gain for soybeans.

Europe, we have seen soy margins have firmed in recent weeks. And they are in the $30 to $40 per metric ton, so a little bit on the Argentine not being that aggressive into Europe. And of course, rape margins are under pressure since we have a small rape crop there.

When we see China, margins have been steady, around $30, $35 per tonne. Crush has been robust. Meal demand actually has been surprisingly resilient there and mostly on more feed into hogs but also in poultry and aquaculture that requires a lot of soybean meal.

I will say, if I go to Brazil, we have very good margins in Brazil. These are the best margins we've seen in quite some time in Brazil mostly due to all the exports that they're going to China. So with ASF, we've seen all those slaughterhouses exporting a lot to China. So that keeps a very robust demand there in Brazil.

We have seen margins dropping in Paraguay to maybe -- crush margin to maybe $20 mostly because we've seen Argentine crushers going to Paraguay to procure beans. So that has been the biggest, if you will, negative impact that this Argentine situation we have had in crush margins.

So that's how I see the world right now. With respect to ASF, we think that probably the worst is a little bit behind us in maybe 2019. The scenario developed a little bit as we predicted or as the experts predicted in which we saw that protein gap of maybe 20 million tonnes being filled mostly with imports and we're seeing Brazil being very aggressive filling up those imports, and we see the crush margins impact of that. We've seen also China reacting to that with more chicken and aquaculture, and we see the crush margins there as well. We think that we're going to see the impact of U.S. exporting as well now with the Phase 1 because although U.S. exports grew, it was still relatively small given that there were still import tariffs in place.

So we see a progressive shift in the industry in China towards more professionalized farming in that regard and that use more soybean

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meal. So we see that as a positive. But we expect also for imports to continue our more elevated rates than in the past even in a -- on a long-term basis. So we expect the recovery toward 2021 and 2022 becoming normal, but the new normal will be slightly different.

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

That's very helpful. And if we could just switch to U.S. corn exports, the USDA is forecasting 2019, '20 exports down 14%, but shipments are running down 53% to date. When do you expect the U.S. corn exports to turn a corner? And maybe you can just discuss the factors that have contributed to the weakness up to this point. We're hearing there have been some quality issues for this year's corn crop in the U.S. And if that is true, how is that impacting ADM more broadly?

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

Yes. I would say with respect to the corn question on when we are becoming more competitive is right now. Right now, we're becoming more competitive, and I think that for the next 2 or 3 months window, the corn is -- the U.S. corn is the most competitive in the world. So you're going to see those exports pick up right now.

With regards to quality, yes, there are quality issues with this late crop, and we're working through that. Quality is an issue, not yet a huge issue, but this is an issue that at one point in time, will -- could start driving farmers selling basically to get those products out of the piles. So yes.

Operator

Ken Zaslow with Bank of Montreal.

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

I just want to touch base on the $500 million to $600 million improvement. How much of that improvement in fact is actually either harvesting investments or savings coming down to the bottom line?

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

Yes. I would say that the -- if you remember how we build this kind of algorithm, this kind of math, we were going to have -- we had in 2019 about $125 million of very unusual weather events. We normally have weather events, but this was one-in-40-years kind of event. So we're counting $125 million hopefully with more normalized weather we will not have. Then we have all these leakages that we were fixing Decatur, we were fixing lysine, we were fixing Golden Peanut. And some of those leakages, we didn't complete, as I said before, on time. And some of them have an overspill, and we have an opportunity to get an extra maybe $50 million or a little bit north of $50 million in terms of leakages.

Then we have the interventions that we made last year, the restructuring. There was about $200 million of potential savings, so we capture only $80 million last year, so $120 million are coming in full fruition in 2020. Then we have the readiness that's going to contribute, give or take, another $250 million like they contributed this year, something between $200 million and $300 million. Just take $250 million to make it easy. And then we have the harvesting of some of the investments that we made. And that originally, we have said something around $100 million to $150 million. It's probably going to be a little bit higher than that since we underperformed a little bit on that in 2019.

So those kind of the algorithms. So that's why we feel comfortable, Ken, because these are things that we have invested already for. We just need to bring them to the P&L. Readiness is a pipeline of projects that we have identified. It's not that we need to come up with those projects. We just need to execute into that. The interventions, I mean, these are things that we normally transition into. And the leakages are well controlled. The Decatur plant has the highest corn grind in 2 years in December. Our wheat milling has been having great yields also in the Q4. Golden Peanut and Tree Nuts is working well. So we feel good about our algorithm, I would say.

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

So you're not really actually incorporating a material improvement in actually underlying fundamentals. It's more internal -- of the $500 million to $600 million, the majority of that is still internal operating improvements. And if you were to get improvements in the trade exports from China -- imports from China or exports to China for ethanol or corn or basis, all that stuff, that's not as much included in the numbers. Is that a fair assessment?

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

That is correct. When we plan and when we describe this number, this is all things that we can control. If we have a benefit from expansion of margins on a Phase 1 deal because of exports or other things, that will be on top of this. We have planned some exports, of course, a part of the deal, but we didn't plan a significant expansion of margin. We've done the $500 million to $600 million on all the things that we can control as if the scenario wouldn't change.

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

My last question. If I do the math also and I do the 20-plus percent on the WFSI and Nutrition business of the growth that's associated with it, obviously, it's overindexing of the $500 million to $600 million relative to what the business represents as part of your core. What are the longer-term plans for that business? Is that a business that should be part of ADM? Is that a business that should be separated? How do you think of that as part of your portfolio? And how does it work within the portfolio? Or can it be a stand-alone to extract the incremental valuation? Can you talk to that?

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

Sure, yes. We are very excited, of course, about the Nutrition business. If you think about the Nutrition business evolution, Ken, and I think that -- I talked about the evolution because it's important in terms of the linkage with ADM, if you will. This is a business that started from having specialty proteins out of oilseeds and a lot of fibers and emulsifiers and other products out of the corn. So these are businesses that are tied to that, and they created the Nutrition business. And then of course, we added WILD Flavors for Human Nutrition, and Human Nutrition is growing nicely. Then we added Neovia to complete our Animal Nutrition business, and that's growing very, very well.

And now we are very excited about 2 development areas that we have. One is the Health & Wellness area with all the microbiome, and that's very synergistic with all the other stuff. That's very synergistic with Human Nutrition. That's very synergistic with Animal Nutrition as well. But we have a lot of opportunities there with -- and running clinical trials. And we -- you saw the acquisition of Biopolis, the acquisition of Protexin, the acquisition now of Yerbalatina Phytoactives in the area of botanicals. So that's an area that is going to receive a lot of attention and a lot of resources to grow.

And then we have the incipient area of fermentation that Ray described before, which is all these companies that are looking for sustainable materials. We are a fermentation company. We have a lot of capabilities, not only technical but also asset-wise. And that's an area that continues to grow. If you notice, Health & Wellness have grown 44%, and I think that it's still a small base, but you will continue to see. So not only we have a vibrant and growing Nutrition business, but we have the roots of maybe the next Nutrition business with us. So at this point in time, we continue to invest in that. We think that they're going to become a higher percentage of ADM operating profit. And hopefully, valuation will reflect that at the proper time. If we see that growth is not reflected in valuation, we will look at how to unlock that value. There are no sacred cows, and you know us, Ken. And we're going to be very focused on unleashing that value. But at this point in time, we feel that the integration works well. We feel that the different business models don't conflict to each other, and they are very synergistic at this point. So we feel good about it.

Operator

Michael Piken with Cleveland Research.

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

Yes. I just wanted to dig a little bit deeper in terms of the Sweetener and Starches. I know you said -- you mentioned you're going to hold -- you're hoping to hold the margin. But maybe you could provide us any sort of update on how the high-fructose corn syrup negotiations have gone.

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

Like we mentioned, I mean they're completed. And I think in general, we will be able to maintain the margins that we had last year from a gross margin perspective, which, by the way, are healthy, right? I mean we've been able to sustain that over the past couple of years. Really, driving the improvements really is to -- the things that we can control. And as Juan indicated, we did have leakages in the Decatur corn complex. It took us a while in order to kind of get the complex to be running at the rate that we want to. We got it done at the end of the year, but frankly, we thought we could get it done sooner in the year. So that's going to be a positive delta for us in the Starches and Sweeteners segment. We had weather issues, as you know, earlier in the year. The high water conditions which shut down some of our corn plants, we're hoping that doesn't repeat itself. That should be a positive delta also in terms of our Starches and Sweeteners segment. And then we've had some issues over in EMEA, over in Europe, whether it be at our Chamtor facility or over at our Central European facilities. We've had an improvement in terms of market conditions as we moved to the back part of the year. And so hopefully, that will continue. That should present a positive delta also in terms of our Starches and Sweeteners segment.

So again, on things that we can control or some of the factors over in Europe, those are all positive tailwinds for our Starches and Sweetener business in 2020.

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

Okay. Great. And then I know it's a little bit early to tell, but with the coronavirus spreading throughout China, I mean what impact or potential impact could that have on your business? And I guess more specifically, I guess, if you could break it out a little bit between your Ag Services and maybe kind of the potential Wilmar business and whatever, but just trying to understand how this might have any impact on your business would be helpful.

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

Yes. So Mike, of course, our hearts go out to those that have been impacted by the virus, and we are monitoring the situation and the safety of our employees very closely. Actually, ADM have donated $150,000 to the China Red Cross to help their efforts to contain the virus.

At this point in time, the impact to us in ADM is very difficult to assess. So early on, we have about 1,100 employees in China, but our direct profits in China are small. Of course, our exposure is through Wilmar. Wilmar has 2 locations in Wuhan. And of course, they are currently shut down because of Chinese New Year, and then we will wait for the authorities to see how those operations will come back. Shanghai is shut down until February 9. We know that no employees from Wilmar have been infected. And of course, since Wilmar was going to shut down for Lunar New Year, they had inventory of products. So for normal demand, we can -- they will be able to supply. We don't know exactly what's happening with distribution at this point in time within China since information is relatively scarce. So at this point in time, Wilmar issued a press release saying that we don't expect any significant impact to their businesses. So of course, probably people going out, that type of entertainment and dining, will be reduced. So some of the bulk products, maybe bulk consumer products, could be impacted in demand, but people will have to eat inside anyway. So in that sense, more the packaged goods will probably pick up a little bit.

So at this point in time, we don't expect a significant impact in our business. How could that impact ADM in general? We are in a very fundamental business, which is the business of food. So I think that we will be impacted to the extent that GDP, the global GDP will be impacted for. And that will depend on the magnitude of that. And hopefully, the very high alert and the very high response of the Chinese government will contain this. So we -- again, we are trying to make everything possible, even contributing funds, to help with the containment of this virus.

Operator

Heather Jones with Heather Jones Research.

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

My first question is just as a clarification on 2 points. First, Ray, did you say that A&O operating income is anticipated to be flat for the full year in '20 versus '19? Or were you referring to some subsegment of A&O?

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

You're referring to Ag Services and Oilseeds?

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

Ag Services and -- yes.

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

No, I was referring to basically...

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

Did you say -- did you have some kind of full year...

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

No, no, we didn't provide any full year on Ag Services and Oilseeds. We were saying that basically, looking at -- for Q1, overall, Ag Services and Oilseeds should be lower. But Ag Services, so the Ag Services part of Ag Services and Oilseeds, should be in line with the year-over-year.

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

For Q1.

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

For Q1. All this is Q1, correct.

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

Yes, okay. And your -- another clarification. On your $500 million to $600 million for the year, you're not including the benefit from the BTC in that?

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

No, we're not. That's right. I mean all that is excluding biodiesel tax credit impacts. So the year-over-year comparison does not have the BTC in '19 and doesn't have the BTC in '20. Just to make it an easy comparison for you.

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

Okay. Good. And then my other question is in Argentina. So thank you for the new slides in the slide deck. They're very helpful. Was a little confused by the Argentina numbers. You're actually showing them a little lower than they were in -- at the time of you all's call for Q3. And everything we're seeing and reading and then the dynamics there with Vicentin and all, it's all pointing to higher. So I'm just wondering if there's something I'm missing or if you could just help us understand that.

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

Yes. So as you know, we're not crushers there. So -- but everything we see at this point points to those nearby margins of about maybe single-digit margins. Of course, if you look at the April or when you have the harvest, you're going to -- you see more $10 to $15 maybe per tonne, but that's on paper right now because right now, the farmer is not selling the new crop. So we're seeing some people crushing unpriced beans. And as I said, we've seen crushers going all the way to Paraguay to get the beans. So that's not an inexpensive way to supply yourself. So that's what creating the compression, to be honest. But that's all we know at this point in time, Heather.

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

But is it your anticipation that given the export taxes you mentioned earlier, these issues with Vicentin and all, is it your thought expectation that Argentina will crush less this year? Or would you expect -- or how are you thinking about their full year activity?

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

Yes. I think that Argentina maybe will crush the same amount, but I think it will be difficult to convince the farmer to give away the beans. As I said, as an Argentine, you can -- the only way to protect yourself from inflation and devaluation is to be in dollars, and you cannot

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buy more than $200 today. So if you sell your crop, you cannot buy dollars. So people are holding to the crop because the crop preserves the value in dollars. So unless the government does something different and changes the conditions that they are today, today, the farmer will be a hoarder of their grain for the rest of the year. So my point is you will have to pay up so -- because the farmer will only sell it when the price are impossible to ignore. So that's kind of my view at this point in time.

But things are very dynamic, Heather. I mean it's so difficult to project a year in Argentina. So I would say that's the situation right now. In -- by the end of March, Argentina concludes or supposed to conclude the negotiation with the IMF in their restructuring of the debt. That will be a very important time to assess the year for Argentina because then you're going to know what could be done from a government perspective. At this point in time, there's very little room to maneuver, and it's very difficult to predict in a highly political environment.

Operator

Robert Moskow with Crédit Suisse.

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

Juan I think you said that China took in about 20 million metric tons of soybean meal. I couldn't tell if that was all from Brazil or a lot from Brazil. As the U.S. becomes a bigger part of the export market after Phase 1, do you think it's kind of a zero-sum game where Brazil exports less? Or do you think that, overall, China is just going to have to export or import more based on the timing of the herd rebuilding? And then I have a follow-up.

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

Yes. Let me clarify, Rob. I didn't mention that the U.S. send soybean meal to China. I said 2 things. I said that the U.S. has been exporting meal to nontraditional destinations like Spain and Germany and Philippines. And then I said that the soybean meal demand in China has been resilient because of feeding more pigs and actually poultry growth and aquaculture growth there. So sorry if I confused you with all those things.

Regarding shifting between Brazil and Argentina -- or Brazil and the U.S., listen, I do believe that China intends to comply with the Phase 1 conditions of the deal. So in that sense, that has to come at the expense of Brazilian exports. So I think to a certain degree, it's going to be a zero-sum game in which Brazil will export less if the U.S. will export more to China.

Operator

Steven Haynes with Morgan Stanley.

Steven Kyle Haynes ***Morgan Stanley, Research Division - Research Associate***

I think SG&A on a GAAP basis was up close to $100 million. Are there any kind of onetime items in there? Or is that just the year-over-year comparison issue with Neovia being in the results now? Yes, so how should we be thinking about the SG&A kind of on an underlying basis is what I'm getting at.

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

Yes, you're exactly right. And when you think about comparison looking at GAAP SG&A on a year-over-year basis, there's been -- actually, the acquisitions that we made, Neovia, FCC, Ziegler, basically, their SG&A costs actually come into the 2019 GAAP statement. So that accounts for the majority of the increase that we've seen in SG&A. We've also had some investments in '19, the business transformation. And then that's partially offset by the savings that we've had regarding our workforce restructuring.

The other thing just to note is in SG&A, when we start bringing in more of the Nutrition business into ADM, naturally, the SG&A will go up because there's an S component associated with Nutrition on SG&A. So as our business mix continues to move towards more Nutrition, you will see a little bit more on the SG&A line, and that's primarily driven by the S part of it.

Operator

Adam Samuelson with Goldman Sachs.

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

I was hoping, Juan, Ray, if we could talk a little bit about on the corn side, just where we are on the strategic review of Vantage and just help think about kind of the process there and what you see as the pathway to maybe separating that business over time and just -- and time line there.

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

Yes. So Adam, I think the team has done a good job on creating the wholly owned subsidiary, VCP, that was launched on December 1 as a subsegment of Carbohydrate Solutions. I said it publicly, and we still are discussing with a few parties. I can characterize those discussions in an advanced stage. So hopefully, we will get to a resolution on that. We have a couple of alternatives of different type of deals that we're looking at.

In the meantime, we think that some things have clarified itself since the last time we talked or at least present a little bit of a better medium-term perspective for this business. Of course, ethanol is included in the Phase 1 agreement with China. So that's encouraging news. We have seen recently the court's issue on the SREs waivers. And that's a positive that spike RINs. The day that, that happens is -- sets a good precedent. And we have seen also sugar prices come up over 20% since September, which is another important thing. As you know that ethanol competes with sugar in Brazil for the production of that.

So I think some encouraging signs for the medium term. And there are a lot of -- despite the short-term difficulties, there seems to be significant interest in various parties to gain scale of economies. And we have 2 of the largest dry mills out there, so this is very important for consolidation plays. So we're still optimistic about getting something done.

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

All right. That's very helpful. And then just a quick one for Ray. On the unallocated corporate expense going up to $800 million, any way you can kind of just -- some of the key pieces of that year-on-year increase, I think you noted you're going to take some cost out of the payments. Specifically, how much is that? And where would that be coming out? Just so we're clear on the moving pieces.

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

Yes. I mean basically going up by roughly $150 million, but I mean a lot of it is the business transformation whereby we're making the investments. So we are putting in the S/4HANA as investment into the company. So that's going to be a chunk of it. R&D in Ventures, we continue to invest in innovation, which is very important for the company. And then centralization. As we centralize global operations, as we centralize purchasing, as we centralize some of the global business services, that's going to be a shift in cost from the business units over to the central and corporate unallocated. So those are the main components of why the number will be going up overall.

Operator

And we have time for one final question. Eric Larson with Buckingham Research.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Director of Equity Research***

Okay. Just 2 really quick follow-ups. One, first one's for Juan, the Nutrition business, it's really kind of a follow-on to Ken's question. The Nutrition business is really starting to hit full stride here, consistent with your comments that, that would happen several years ago. And I think your goal is that -- or your belief is that this division can be as much as 25% of total corporate profits. So if you look at last year's number of your total segment profits, that's roughly a double from here at some point. Can you share with us your thoughts as to the cadence of how that would come over without obviously giving guidance per se, but how does that flow of earnings look for you over, let's say, the next 2 to 3 years for Nutrition?

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

Yes. The objective is still there to get Nutrition to be about 25% OP. Of course, we don't want to do it by reducing the OPs of the other businesses. So that's why we focus on how much Nutrition grows year-over-year.

As you heard Ray saying before, we grew operating profit 68% on the quarter and 23% year-over-year. So basically, every year, Nutrition is kind of having a quarter to the year, if you will, which is very impressive. And we plan to do it the way we build it so -- all the way to

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now. So every now and then, we have a major acquisition like we did with the WILD Flavors in 2014 then we did Neovia in 2018. So it was 4 year apart. And in the meantime -- in the in between, we did some bolt-ons, and we did some organic growth. And we're going to do the same based on our capital allocation and our returns discipline. So we are very, very mindful of that, and we want to stick to that.

The time -- so think about it, again, our 3 main thrusts. One is human nutrition. That will continue to grow aggressively more than the market. Then we have animal nutrition. That's the same with the Neovia boost and the margin improvement story there. And then we have where we're probably going to be putting more money is the area on health and wellness and the area of fermentation. Those are areas that are growing very fast, but they are still very, very tiny today. And that's where you're going to see the acceleration.

But I would say the strategy will not change significantly in the sense that we're going to have some transformational deals every now and then but then bolt-ons and organic growth, and that's the way we build it. We expect to get to 25%, if that's the question, probably within the next 3 to 4 years.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Director of Equity Research***

Okay, perfect. And then one final question. This is for Ray. Ray, you took a large asset impairment charge in the quarter. Where did that charge come in? Was it ethanol assets?

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

No, no. There's mainly Ag Services/Oilseeds assets as we kind of have -- we call it -- there's a term we use, precision EVA, whereby we're looking at all the assets very carefully, determining what makes sense for us to keep, sell or fix or basically dispose. And so we took some charges related to some vessels, ocean-going vessels. We took some charges related to some businesses that we're going to divest. And we took some charges related to some operations, which we're going to restructure. So I view it as part of the overall precision EVA that Ag Services and Oilseeds team is working on right now.

Operator

The Q&A session is now ended. I'd now like to turn the call back to Victoria de la Huerga for final remarks.

Victoria de la Huerga ***Archer-Daniels-Midland Company - VP Investor Relations & ADM Ventures***

Thank you for joining us today. Slide 11 notes upcoming investor events in which we'll be participating. And 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 Fourth Quarter 2019 Earnings Conference Call. We thank you for your participation. You may now disconnect.

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