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Moderator: Robert Moskow
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OPERATOR: This is Conference #: 4160837

Operator: Presenters, you may begin your conference.

Robert Moskow: OK, thank you to investors on the line who have joined us here today. I'm Robert Moskow from Credit Suisse. I'm the food analyst.

And we have members of the ADM management team joining us for a fireside Q&A format. Joining us are Vince Macciocchi, who runs the Nutrition business; and Rachel Hudson, who is executive V.P. – I hope I got that title right – within the Carbohydrate Solutions division.

Our format is going to be Q&A. I have a list of questions that I'm going to go through. But for those of you on the call who want to ping me during the call with additional questions, please do and we'll try to sprinkle them in. I think we're going to have maybe 45 to 50 minutes of time, just in case you're curious.

So I actually want to kick off with a question to you, Vince. This is a really disturbing time in our country. You and your colleagues there are headquartered in Chicago. There's a lot of protests, and a lot of violence and a lot of anger. Can you tell me what ADM leadership is communicating to people internally during this time?

Vince Macciocchi: Yes, good morning, Rob, and thanks for the opportunity to participate in the fireside chat. Rachel and I are pleased to be here.

So yes, obviously between the pandemic and then the events of the recent days following the tragic death of George Floyd, really trying times across the country and certainly, as you mentioned, in the city of Chicago.

And we've tried to take the viewpoint of understanding the emotions that our – that our team and our colleagues are feeling, I mean, and they range – sadness, concern, shock, fear, anxiety, and even anger. It leads us, from a senior management perspective, to really remind us of what's important culturally at our company. And it's something that we're really focused on. And focusing on diversity, inclusion, respect, and integrity and really making sure we value the fundamental differences between our colleagues. And make sure we continue to learn from each other, make sure we listen to each other, which is obviously critically important in this point in time.

We're learning every day and addressing topics of conversation that at times may be uncomfortable. But what we're really doing as a leadership team is encouraging all of our teams to keep the lines of dialogue open, the communication open, frequency of communication with our team.

As I mentioned to the executive committee and global senior leadership, we're investing a lot of time and energy on the critical topic of diversity and inclusion. And I think maybe if I – if I summarize, we're staying vigilant, we're staying safe, we're focused on our colleagues and we're making sure our eyes, ears, and hearts are open. But it's certainly not easy for anyone to navigate.

Robert Moskow: OK, thank you very much for that intro. I appreciate it.

So Rachel, I'm going to switch it over to you within Carb Solutions. I think several of us were a bit surprised on the last call to hear ADM management calling out declining food service volume as a challenge to the 2020 outlook. I think there was a perception that, well, if food service is down it might be offset by stronger retail demand. Maybe consumers are just eating the same amount as they would before.

So can you speak a little bit about the percentage of sales for your end markets? What percent is retail and what percent is food service? I don't know if that's possible, but maybe speak to why it – why this would be an impact on starches and sweeteners.

Rachel Hudson: Sure. Well, maybe what I can do is ask Vince first to just sort of conceptually cover the differences in demand that we see or the blend between – the mix between food service and consumer. And then I can speak specifically about Carbohydrate Solutions on that topic if there's anything to elaborate on. Vince?

Vince Macciocchi: Sure, happy to. So when we look at our business, Rob, I think grocery sales – grocery store sales remain strong and it's partially compensating for some of the offset of food service. On a net basis, we really do see a bit of a negative impact to ADM.

And I think if we quantify what it means to us from a food service perspective – or qualify, I should say, QSRs, quickserve restaurants, casual dining, fine dining, but also sporting events, movie theaters, concerts, festivals, et cetera, which are not yet resuming.

And so, when you think about some of the areas, food service demand, when we hit our trough in probably late Mach, early April QSRs were probably down about 30 percent and they have since recovered. Casual diners, fine dining was down more to the 50 percent to 70 percent. And obviously, there's still challenge in terms of comebacks.

So obviously, all of this impacts our portfolio, including high fructose corn syrup for beverages, or vegetable oil for frying, or some of the solutions we provide in nutrition for main menu items. So we're continuing to see there is a slight offset, as I mentioned, but we're also monitoring project pipelines in terms of comeback.

We think QSRs have largely come back and we're starting to see some project activity. But I think when you look at it across our entire business, we have great diversity in our portfolio and we're still much more heavily geared toward retail than we are food service as a company. I don't know the exact

breakdown but it's certainly well north of 50 percent in the retail channel. So it's a bit of give and take, as you might expect.

Robert Moskow: OK, as a follow-up to that, if you look at how stocks are performing, there's been a lot of sector rotation into reopening stocks, stocks that are leveraged to reductions and social restrictions and reopening of the economy. Your stock is up a little bit off the bottom here but it really hasn't rebounded with the rest of the market. Can you speak a little bit about – do you – after the economy is reopened, are you looking at the business as capitalizing on that?

Vince Macciocchi: Yes, I mean, obviously as economies reopen we're trying to understand what that's going to look like. It's hard to predict.

We know people will be driving more. We know people will continue to be focused on health and well-being. They'll continue to focus on the safety and sustainability of the supply – the food supply. They'll continue to use e-commerce and food delivery options.

And obviously, what we're trying to do is – at ADM we're trying to feed the world. We hope that some of that sustainability, and quality, and broad capabilities across the entire food supply chain are going to help people recognize that we're a stable company, we're an essential company, we're a vital company. We're looking at being more agile. We're looking at being more innovative. We're looking at the transformation to remove some of the volatility in our respective businesses.

So hopefully that will be reflected, as the world opens back up, in our stock price. I mean, obviously, we've done a lot. And we're really proud of the work that we've done in, first and foremost, keeping our colleagues safe during this time.

And we have people that have worked every day. We have people that have worked on an alternate schedule. And we have people that have worked completely from home. But I think we stayed very close to our customers, very close to the consumer, and we tried to do some things. And we take very seriously our commitment to providing nutrition to the world.

So hopefully, with all that being said in the strong performance we have demonstrated will be reflected in our stock performance.

Robert Moskow: OK, thank you for that. So Rachel, if I could pivot back to you, without us getting too deep, Carb Solutions is sweeteners, starches, ethanol.

Can you give us, maybe, more of a breakdown into the end markets for these three parts of the business? And tell us, what's doing well right now and what's doing poorly? I mean, ethanol is its own thing and we'll go a little deeper into that. But can you break it out to us that way?

And then, secondly, ADM has competitive advantages in terms of scale, but maybe you could give us a little more color as to how that plays out every day in Carb Solutions.

Rachel Hudson: Sure, absolutely. Thanks, Rob. So as you said, the Carbohydrate Solutions division is really comprised of a few different parts.

We have an extensive corn-milling network where we produce a variety of sweeteners and starches, as well as nutrition ingredients. In addition, we also have a robust ethanol footprint. And then, we are one of the largest wheat millers as well, with a diversified footprint there.

So we've got really an extensive reach into both the food and beverage space, both on the retail and food service side. You asked early on what's the exact split, it's – frankly, it's hard for us to tell in some ways because a lot of the – a lot of the customers that we have are reaching both into the retail and food service space. So it would be complicated for us to really try to distinguish between what goes where ultimately with those customers.

But in general, in the food and beverage space we're reaching there from both sweeteners, starches, and flour products. And we also have a really robust industrial customer base. Generally, that focuses on providing feedstock for fermentation-based processes like brewing. We also provide feedstock for sustainable materials as well in the industrial sector.

In terms of the ethanol space, in addition to fuel ethanol, which we all know goes into the gasoline pool, we've got a substantial reach into the industrial and beverage alcohol markets. So that's going into everything from industrial application of alcohols, as well as beverage alcohols and now, of course, hand sanitizer is a big market for us.

And then our co-products in our business from both the wet and dry mills are important base ingredients for animal nutrition customers.

In terms of competitive advantages, you asked about how we distinguished ourselves. And really, I think about our advantage in three buckets, probably cost position, geography, and then the integration that we have with our broader ADM portfolio businesses. It's clear that the scale and the optionality that our manufacturing footprint provide us with really give us an advantage in terms of cost.

And then you think about the geographic diversification of our footprint both on the corn and the wheat milling side, we're really able to leverage that to, first of all, take advantage of our extensive origination and logistics network which helps us to control our feedstock costs on corn and wheat. And then it also gives us an advantage in terms of reliability servicing our customers through the optionality we have through multiple product lines being produced at multiple locations, as well as the freight advantages that we can offer our customers.

And then, it's interesting. For many customers, we actually leverage our origination network not just help to control the feedstock side but also to support some of their own programs for sustainable sourcing. So this is a great competitive advantage for us for those customers who are focused on those types of programs.

And then, furthermore, on the – on the end side – on the customer side, we've got great customer technical services. We have a strong link with R&D to help to provide new products and different solutions. And then we have a great connection with the nutrition business. So we're able to offer sort of collectively as a – as a united front a broad range of solutions for customers.

Robert Moskow: OK. I think you gave some color on the last call as to how starches and sweeteners performed separate from ethanol. Can you break that down for us as to how first quarter played out? And what is the sweeteners and starches outlook for the year, how are you viewing it?

Rachel Hudson: Sure. The first quarter frankly started off rather strong for the sweeteners and starches sub-segments. Obviously, the ethanol environment was quite complex in the first quarter. But in terms of the sweeteners and starches sub-segment, we started out the year rather strong. We were happy with the pricing that we had on the sweetener side coming into 2020. And on the starch side, we've been continuing to grow.

In the wheat milling space, we've really been benefitting from a lot of the self-help actions that we've taken over the last year in that business. And so across the board, we started out Q1 frankly in a very strong position. March has really went, as Vince noted, we started to see impacts to demand across our sweetener and starch portfolio, sweeteners in particular at first.

As food service had to go down in this COVID-19 environment, demand for sweetener in particular for sweetened beverages really declined substantially. And at the same time, we did see a real spike in terms of demand for our flour products, which home baking is back, I suppose, in a big way. And starch actually in Q1 remained just reasonably solid.

Although towards the end of March, we started to see some impact, principally in some areas around where we provide starch for feedstock. But starch in Q1 was reasonably solid.

The real shift that we saw in March, frankly, in sweeteners and starches from the pandemic was around this difference between consumer and food service demand in oils, which I know we don't frequently talk about corn oil in our carbohydrate solutions results. But in this case the shift in demand was so substantial that we ended up having some mark to market losses that were substantial in corn oil.

Corn oil is a product that comes from our wet mill. We, in fact our Oilseeds division handles the sales as part of our portfolio of oils. But there's a difference in terms of demand for oils across food service and consumer.

Corn oil is frequently used to fry chips and things like this and I don't know about your pantry but mine has an unusually large amount of chips right now. Whereas things like bean oil are typically used more in food service applications. So we really saw a run up in corn oil prices and demand which negatively impacted us in Q1.

We do expect that some of that negative mark to market will come back to us later in the year as timing difference in the form of lower net corn costs. But some of it really was an impact to our bottom line. So that's kind of how our Q1 unfolded.

In terms of outlook, we'll have to see how things evolved, as Vince said, it appears that March and let's say at least the first few weeks in April were perhaps the trough in terms of sweetener demand. We have started to see thing pick up substantially certainly from the lows that we were in. We are seeing more demand on food service from, as well as from the large sweetened beverage producers.

Milling demand has remained very robust. We do talk about summer as bun season in the milling business so this is when typically you'll see a seasonal peak in demand. So we'll have to see how that unfolds. But in terms of milling what I would say is that overall the self-help actions we have taken should certainly allow us to deliver a solid year and a year-on-year improvement either way.

And then on starches, we've seen a little bit of decline as Mexico did have to shut down its brewing industry or it decided to shut down brewing industries. So you saw frankly some change in terms of our export position across our sweetener and starch portfolio, although that has started to pick up again as well.

So I think the outlook in terms of pandemic impacts to demand is recovering but there's still some unknowns there.

Robert Moskow: OK. Can you remind me how the mark to market charge works with corn oil? Is your forward position hedged using soybean oil as a proxy? Like soybean oil futures is that the nature of the mark to market charge?

Rachel Hudson: So the mark to market we hedge our open sales of corn oil as well as any – as well as any futures position which would be in soybean oil typically. The way corn oil is priced to our customers varies. Some customers price it as a spread against bean oil. Some use some other market reference indexes.

And so it's kind of a mixed bag, there's not a lot of course liquidity in this end market. There is not derivative for corn oil, so it's a mixed bag. But we mark to market our entire forward book.

Robert Moskow: OK. I guess the reason I'm asking is soybean oil and vegetable oil, I think palm oil too remains very weak in relation to corn oil, in fact historically weak. If that relationship continues does the – what happens to the accounting of these mark to market charges? Does it take longer to unwind as a result?

Rachel Hudson: Well as you referenced, the spread between bean oil prices and corn oil prices has widened dramatically and it hasn't been at this type of variance in many, many years, I think. At least seven years I think if not longer.

In terms of the mark to market though really the way we mark to market corn oil specifically is based on the market for corn oil. When you think about just basic principles on that we're always, we're looking at the market for corn oil and considering what those prices are. So that's how you mark to market any product. To the extent that we have contracts that are linked to bean oil then of course we have to look at those reference prices. So it's a little bit of mixed bag there Rob in terms of how we look at this.

In terms of that spread sort of narrowing, it'll depend very much on how bean oil demand evolves which of course will be a function of the return of food service as well as biodiesel demand. And then of course we would expect corn oil prices to adjust based on again sort of a shift then in terms of demand between food service and retail later in the year.

But again we will see some of this come back sort of speak simply in the form of lower net corn cost later in the year.

Robert Moskow: Got it. OK. You said before that you were very happy with how price negotiations went for sweeteners at the start of the year. Also at the start of the year in the middle of '19, you shifted some capacity from your Marshall facility more towards food and industrial starches, liquid feedstock instead of sweeteners.

Can you give us a sense of how significant that shift was in terms of your internal capacity for sweeteners? And is that what helped your negotiating power for the sweetener business?

Rachel Hudson: So, I guess, first of all, you're right we did announce last year that we were going to be stopping production of sweeteners at our Marshall Minnesota facility. Actually we're going to be stopping that in the second half of the year, as planned. And we're going to be increasing production of liquid dextrose, which is a feedstock for various fermentation processes, while we begin some of the more intensive construction phases at Marshall to enhance our capacity for other product lines.

So that process is underway and it's on time. In general, what I would tell you about the industry and about ADM is that the North American sweetener and starch industry and corn milling is very disciplined. And the industry itself has been adjusting capacity over the years to match demand patterns that we see. So I think this really – it's a very healthy industry structure and really enables us to manage and balance the supply and demand.

In terms of Marshall, it represents about 30 percent or our high fructose 42 capacity which we've stated before. So it is meaningful in terms of the shift that we are undertaking right now on the production side.

Robert Moskow: Is there any way of quantifying what that shift at Marshall meant to your total HFCS42 network?

Rachel Hudson: Well it's about 30 percent of our capacity, right. So it is meaningful. I guess I'm sure what else – what (inaudible).

Robert Moskow: My question is, if it's 30 percent of your HFCS42 and you shifted some of your capacity away from sweeteners last year does that mean you reduced – that doesn't mean you reduced HFCS42 capacity by 30 percent? I imagine at ADM, your total HFCS42capacity was reduced less than that at ADM?

Rachel Hudson: We've reduced it by the 30 percent. We have not – we haven't added capacity anywhere. So our total production capacity for 42 has now declined as a result of this – as a result of this shift. And we've been moving then that feedstock flow, the dextrose flow from the wet mill into other product lines that we grow again on our feedstock business for fermentation customers and starch customers.

Robert Moskow: OK. So it is a 30 percent reduction in HFCS42for ADM. That's more than I expected. OK. Maybe shift over to ethanol for which have had – had been really challenged by excess capacity and weaker demand just in terms of the people driving around and fuel demand. Can you give us an update on what's happening in spot margins right now? I think corn costs are down a lot so maybe that's more attractive for ethanol. How is the industry – how have your competitors reacted to that? Has it resulted in any creep back of capacity in ethanol? And how are you looking at your own ethanolmilling strategy?

Rachel Hudson: Sure. So I think you know that we announced in April that we were temporarily idling our two large dry mill facilities at Columbus, Nebraska and Cedar Rapids, Iowa. And this was really in direct response to the historically negative margin environments that we saw emerging over the beginning months of the pandemic here in the United States. and the resulting plummet of gasoline demand.

And so we frankly idled probably more of our – more capacity on a percentage basis than some others. However we did see that the industry in general because of this intensely negative margin environment did react in a constructive way. And production came down and stocks did decline. So I think we reached peak stock levels in the middle of April around 27.7 million barrels based on the EIA data. And the last report suggested that we're down to 23.2 million barrels of inventory – of stocks for the industry.

So really the industry did respond accordingly in terms of reducing production. At the same time now, driving miles have started to make quite a recovery, and so we're seeing that some plants continue to remain down.

Our two dry mills are – continue to be idled. And this is overall been supportive to improving margins substantially from where they were. So right now, spot margins are positive for us.

We do produce ethanol at our wet mills as well. So we are benefitting from that improving margin environment even as we continue to idle the dry mills.

Of course, our third dry mill in our Vantage CornProcessing unit remains open as it is heavily geared towards producing industrial and beverage alcohol which has – of course – been a real lift for us during this period.

Robert Moskow: All right, I think that's encouraging. To what extent does this industry need exports to reaccelerate – last year a bull case on this was that ethanol exports to China would be the thing that really improves the supply and demand dynamic and maybe get some margins back to normal again. Is there any news on that front especially in correlation to the U.S trade agreement with China?

Rachel Hudson: Sure. So you're right in that really to sustain positive margins into the more foreseeable future, right? The industry really needs some catalyst. I think part of that frankly may come in the form of the domestic market with enforcement of the blend mandate domestically. But we need really more than that and so China could be one of those catalysts. So as we move towards the back half of the year, there is this variable and we're going to have to see what happens in terms of China purchasing ethanol.

I think you're aware that they – China does have a mandate really around this area with the objective of frankly controlling the air pollution, right? And so ethanol is a way to help that.

Although they have – they have decided to extend the time frame for meeting some of their goals. But we do have substantial demand possibilities for

China and certainly the U.S ethanol industry would participate in that. So we're just going to have to keep our eye on it.

Robert Moskow: Got it. OK. Back to follow up question here from the group here. I think you said that starch demand has recovered some in Mexico. Is that because the breweries are starting to reopen? Or are they breweries in Mexico still closed?

Rachel Hudson: Actually just in the last couple of – I'd say maybe the last week – there was an announcement that breweries will be reopening in Mexico. And of course, we're in touch with our customers and we are – we do expect – maybe be today frankly. But we do expect to see demand to start – to start a recovery there.

Robert Moskow: Got it. OK. And before I switch over to Vince, can you talk about the long term strategy for the dry mills? I know that you – you've segmented about into a – its own subsidiary. Can you talk about the rational for that? And how has it changed your operating of it internally? (Inaudible).

Rachel Hudson: Sure. So as you pointed out, we established Vantage Corn Processors as a subsidiary – a wholly owned subsidiary of ADM last year. And Vantage Corn Processors owned our three dry mills in the United States at Cedar Rapids, Iowa, Columbus, Nebraska, and Peoria, Illinois. The Peoria facility is heavily geared towards industrial and beverage alcohol, whereas the other facilities are large fuel ethanol production plants.

And really the strategy behind that move and our subsequent plans is to continue to advance our efforts – as Vince pointed at the beginning of the call – to reduce volatility overall ADM's earnings. And when you think about ethanol and as we just talked about – it is a very volatile business. It has a rather pulverized industry structure. And so in an effort to really continue our overall corporate strategy to move towards higher value – more stabled earnings streams – we've decided to reduce our participation in the ethanol business.

And so these facilities as I noted, they don't have other types of carbohydrates – carbohydrate product lines – are naturally what we are looking to monetize. So we embarked on this process.

We have been very open that – that we had a process underway. But frankly, we were very encouraged by at the end of Q3 moving into Q1. But unfortunately with the event of the pandemic, we needed to take a pause on that.

With that said, our strategy has not changed in this regard. And we continue to have a plan to continue with that monetization effort after things settle down a bit and we were able to find an opportunity to execute against.

In terms of how we manage Vantage, now Vantage is actually distributing all of the wet mill ethanol as well. So there's a little bit of a shift in terms of how we are looking at results and how we're reporting results. So the sweeteners and starches sub-segment now – the wet mills simply sell ethanol to Vantage and Vantage is our single face to the industry in that regards. So a bit of a shift in terms of how we report earnings and where the risks of distribution is as well.

Robert Moskow: OK. What are the options – I imagine you could pursue if you monetize this over time with the – to enter into joint ventures rather than sell it all together. Is that an option that is on the table? And how do you weigh the willingness of the buyers to do that type of thing?

Rachel Hudson: Well we haven't cornered ourselves into any single exit path. What I would say is that we have considered different types of joint venture structures. However, our ultimate objective is to exit, right?

And so any structure that we have considered and would consider involves a finite period as well as a firm exit strategy whether that be in the very short or more medium terms. So exit is the objective – certainly, any JV is as well where we're looking to at least get to a place where we can take these investments off balance sheets, so more of a minority participation. But again, with a firm exit strategy in place.

Robert Moskow: Got it. OK. So I'm going to shift over to Vince. Vince, I was hoping you could give us – take a step back – and give us a back drop on the Nutrition division within ADM. It came together largely through a series of acquisitions. And I think the objective here is to shift more towards value added, less volatile businesses, higher growth – makes a lot of sense.

But I think investors are a little confused as to how it all comes together. What are the competitive advantages of each of the business units? And whether or not there are synergy within those units. Maybe you could start there and just give us the back drop as to how you manage this business and how you break it down in terms of end market.

Vince Macciocchi: Sure. Happy to talk about it. So obviously, if you think about ADM nutrition route maybe in our former structure – we are in year six. So really there was an existing portfolio under the legacy ADM business that came from the other businesses - primarily plant based proteins, fiber products, polyols, emulsifiers, so some of those things.

And then 2014 came to a platform acquisition of flavors – Wild Flavors. So we put those two businesses together known as WFSI. Really focused on food and beverage and we continued to grow.

Obviously, we did some bolt-ons in that space really focused on profiles such as vanillas, such as citrus, such as savory food bases for culinary. And then we continued to grow that business nicely.

And then you look at the macro trends in the world and you talk about the humanization of pets, clean to clear label, plant based proteins, holistic health and well-being, sustainability and good for you. And we saw some more opportunities, so we had an existing animal nutrition business, rimarily focused on amino acids and complete feed mostly in North American, and then a little bit in Asia Pacific – kind of particularly.

So we saw an opportunity to take a bigger foot hold into animal nutrition, and value up the animal nutrition space with the acquisition of Neovia, which came in 2019. So when we look at the business – you asked from the end

market perspective – we focused on human nutrition which is the earlier portfolio I spoke to.

Animal nutrition and animal for us is feed additives, aqua feed, amino acids, pet – companion animal, and obviously complete feed. So now we have a global business centered really around the platform deal in 2019 of Neovia that has really given us a foot print.

And by the way, we delivered synergies on that business two years ahead of schedule. We promised EUR50 million in synergies and we've already delivered those two years ahead. So we like where we're going.

We have an opportunity to shift that portfolio a bit, margin up that portfolio and kind of follow a similar blue print to what we've done with while on the human nutrition side.

And then also we're focused on convergence of human and animal at the place of health and wellness – immunity, digestive health, and that's really – the holistic health – food before medicine is a key macro trend and we're well positioned.

We've done some small acquisitions in that area as well. Primarily in probiotics space or bioactives with (Inaudible) those acquisitions, so again, when you think about the convergence of becoming a world's leading nutrition company, it's focused on human, it's focused on animal, focused on health and wellness, capturing the macro trends. And really we have – you talked about differentiation – the breadth and depth of portfolio and technical capabilities are unmatched.

Our ability to sell single ingredients or do full term key product development or somewhere between with systems and solutions is really unmatched. And it's everything we're doing is backed by science.

So it's a business obviously in – from '18 and '19, we were at 23 percent. I think everybody saw our Q1 earnings where we're up 75 percent. We expect strong growth across the platform for the entire year. It's a business obviously we're proud of and really excited about.

Robert Moskow: I got it. Makes sense. Within Human Nutrition in that subdivision, is that – what percent of that is now the old WFSI? Is that all Wild Flavors or is there – are there other elements within there outside of flavor?

Vince Macciocchi: Yes, so how we report – actually when we report Human Nutrition it's the combination of the old WFSI, which was ADM Specialty Ingredients, Wild Flavors, and health and wellness, but when you look, health and wellness is actually still quite small and maybe represents 10 percent of the Human Nutrition reporting. Beyond that, it's really a 50-50 split between the flavor business and the Specialty Ingredients business. So it's a pretty well-balanced portfolio.

And obviously there's been bolt-ons at times, and when you think about – and again, those are really kind of more in the area of vanilla, citrus, savory food bases to really drive the solutions business on a worldwide basis as we expand into more global markets.

Robert Moskow: OK, on the last call, I think you said that some of that gain – some of those gains in the first quarter were results of pantry loading I think by consumers. But second quarter consumption rates for processed foods and processed beverages are still really high. Do you still think that there was pantry loading or do you think that demand continued into 2Q if I'm reading the tea leaves correctly here?

Vince Macciocchi: Yes, Rob. I think it's a bit of a trade-off. So we've seen some pantry loading has slowed a little bit, but if you think the early part of Q2, we still had some residual pantry loading and starting to get some product activity back, which I spoke to earlier. One minor offset is really the traffic as people weren't driving and a bit of a decreased demand from a convenience store perspective.

Obviously, we play – we play very heavily in the food and beverage sector, beverage in particular, and that's a big stop from a c-store perspective. So it's been a series of trade-offs, but when we look at our Q2 business, Nutrition is going to be quite strong.

And again, as we look ahead for the balance of the year and again back to my earliest comments when we were talking about pipeline, we're continuing to monitor our pipeline, stay close to our customers, manage products, and do some things from a technology perspective and virtual perspective with our customer base that hopefully continues to give a competitive advantage whether it's virtual innovation, virtual office hours with a multitude of ADM employees where the technology people can create and evaluate products.

And we're also doing some live teletastings whereby we send product samples that we've created to developers with our customers directly to their homes. They open the box, they taste the product. Our team's on the line and we teletaste together, and then we can quickly move into the iterative process.

So with all that – with the series of tradeoffs we've experienced, we still feel very good directionally about where this business is headed.

Robert Moskow: Is it – net-net, I would imagine that this environment is a positive to our – at least the Wild business in terms of processed food and beverage demand and the spike offsetting I guess? Any kind of delays in new product commercialization or is it kind of a cancelling further out because convenience stores are weak, food service is weak? How would you look at it net-net?

Vince Macciocchi: Yes. Yes, we look at it net-net, and one good way to manage that is we evaluate the level of erosion of this business. So while we may not see as many new product launches during this short period of time, we're also going to see less erosion and better staying power for existing brands and things that (made event) and line extended a year ago or new product launches a year ago, and trying to find the right water level between the filling of the pipeline and actual run rates of products.

So again, a series of trade- offs everywhere across the business whether it be food service or c-stores or pantry loading, so the net-net is – we remain extremely cautiously optimistic about this business.

Robert Moskow: Extremely cautiously optimistic. I think – I think…

Vince Macciocchi: Yes.

Robert Moskow: … that might be more than one oxymoron, but I'll (inaudible). OK. When you're talking about net-net, are we talking now about Human Nutrition all together or just Wild because I guess when things get a little bit murky is – look, I know what Wild is, but the other 50 percent within specialty – within Human Nutrition is harder for people on the outside to find.

Vince Macciocchi: No, no. Rob, it's total Human Nutrition as well total Nutrition. So key drivers in the other pieces non-Wild are really the Specialty Ingredients business, and we've seen great demand in plant-based proteins for example. And then on the health and wellness side, we've seen great demand for bioactives.

So Human Nutrition collectively, all pieces of it, we're optimistic, and then the total Nutrition business obviously because we've seen great strength in animal as well and not just from a synergy perspective, but we've seen growth and the ability to margin up the portfolio across the entire spectrum.

Robert Moskow: OK. Within plant-based, I think you even had an announcement recently about a partnership with Marfrig.

Vince Macciocchi: Yes.

Robert Moskow: Can you talk a little bit about that and just the overall plant-based strategy at ADM?

Vince Macciocchi: Yes. So maybe inverse order. A little bit about the plant-based strategy at ADM, obviously we've been playing in plant-based and meat alternatives for decades really, and but the market has really taken off obviously. Global market for plant-based proteins is growing about 8.5 percent. We expect that to accelerate and that really not to the detriment of animal protein.

And the other thing that we've seen is this is obviously one of the largest trends in the world, but it's really about texture and taste, and our capabilities enable us to design these products both food and beverage to provide a system

and provide those things – nutrition, function, texture, and taste – and across the ability to create those products really from concept to design to market.

And so, we have a very aggressive plant-based strategy. We have five production facilities around the world that allow us to use different inputs from a plant-base, primarily soy and pea, but we're well-located for the global expansion of this space.

And I think obviously Marfrig is a great illustration. Our relationship with Marfrig is a great illustration. We've collaborated with them previously prior to the J.V. where we've launched products primarily in South America to the QSR space that have been hugely successful. So we look at it as – our J.V. is another opportunity to further penetrate retail, to further penetrate food service, and provide solutions.

So we will – obviously Marfrig will do the sales and the commercialization and the distribution of the finished products, and ADM will supply the technical knowhow. We'll supply the ingredients. We'll supply the systems. And we'll actually serve the J.V. as a customer similarly to how we would serve our other customers and really afford us the opportunity to expand and further penetrate in that space, but it's certainly a space we feel we have a competitive advantage, we feel differentiated, and obviously there's tremendous growth in the category.

Robert Moskow: Here's a bigger picture question for this and maybe different people within ADM would have different views, but the activists out there would say that plant-based meat is going to become so popular that it will displace animal protein. I think you even said it's going to come at the expense of animal protein.

Does ADM have a view on that longer-term as to whether, hey, is the number of cows going to decline, the number of pigs going to decline? Or what I thought was that people just eat more protein in general, that as the world gets wealthier there will be greater demand for protein and maybe red meat just stays flat while plant-base grows. What do you think internally though?

Vince Macciocchi: Yes, Rob. So just as a point of clarification, I said not to the detriment of animal protein going forward.

Robert Moskow: Oh, not.

Vince Macciocchi: Not to the detriment. So we look at alternatively today …

Robert Moskow: (Inaudible). Sorry. Go ahead.

Vince Macciocchi: The alternative meat category today is about 1 percent of the global meat, so about $14 billion in revenue. When we look over the next 10 years, we think alternative meat can represent about 10 percent of the meat category, and that would be about $140 billion in revenue.

However, the global meat category is expected to grow to over $1.4 trillion in the same timeframe and it's experiencing 1 percent to 3 percent compound annual growth rate or GDP rate. So we see plenty of room and plenty of opportunity for everybody. As meat consumption will continue to grow, meat alternatives will simultaneously.

Robert Moskow: Got it. OK. All right. I think I'm coming pretty close to the end of my questions here. So are there any other – oh, I do have one more here from the group. In regards to animal nutrition, how is just from an overall global basis, what are the puts and takes to that business from the pandemic? Are you seeing differences in terms of I guess applications for home, pet care, versus business-to-business? Is that the right way to think about how things break out?

Vince Macciocchi: Yes, we – again, we've seen a series of tradeoffs there. If we look at the animal nutrition business in particular our business, we've seen a huge jump in pet care obviously. Companion animal and pets and people and consumers have shown there's really no limit to the spending on their pets, so we've seen a nice boost in our pet business on a worldwide basis.

The feed additive business we've seen some strength in. Obviously geographic dependent, there's been some tradeoffs on the complete feed side of things. Where we've seen maybe some decreased demand in North

America or even parts of Latin America. We've seen some strength in Mexico. We've seen some strength in Asia-Pacific, the Philippines, Vietnam for example. So it's been a series of tradeoffs. We have strengthened the business.

Amino acids continues to be a struggle for us with the global oversupply of amino acids, but some of the things we've been able to do in integrated Neovia, shifting our mix to more of the value-add products and geographies, we've margined up that business. When we acquired that business, it was roughly in 6 percent EBITDA margin range, and we finished Q1 9.5 percent EBITDA margins, and we think we can margin up that business to the low double-digits, low-teens.

So we really like where we're going in that business, but again we're monitoring very, very closely with what's going on in the worldwide markets in the space.

Robert Moskow: OK. Well everyone, I'm going to stop it there, and I want to thank the participants on the call and especially the ADM management team for joining us today. Feel free to reach out to me or to IR at ADM for any kinds of follow up. Stay safe, everyone.

Vince Macciocchi: Thank you, Rob.

Rachel Hudson: Thank you, Rob.

Vince Macciocchi: Thank you, everyone.

Robert Moskow: Thank you. Bye-bye.

END