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EDITED TRANSCRIPT

ADM.N - Archer-Daniels-Midland Co at Bank of America Agriculture and Materials Conference (Virtual)

EVENT DATE/TIME: MARCH 03, 2022 / 2:30PM GMT

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PRESENTATION

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

We're up. All right. Very good. Welcome back. It's a pleasure for me to host this next fireside chat with Archer Daniels. With me up here, I have Greg Morris and Vikram Luthar. So please jump in with questions as we go through.

Maybe I'll kick it over to you guys for some opening remarks, and we'll jump in. Vikram?

Vikram Luthar - *Archer-Daniels-Midland Company - Senior VP, Head of IR & CFO of Nutrition*

Thank you, Steve and Bank of America. We're delighted to be here today. And just before we get started, I wanted to give you a quick reminder that we've got a safe harbor statement, which is on our website at adm.com, part of our Q4 earnings day.

Over the last decade, ADM has undergone a significant transformation, and we have fundamentally changed our earnings profile as well as our growth trajectory. First, we focused on strengthening the core with a strong emphasis on improving the returns through reducing capital expenditures, monetizing noncore assets and businesses as well as optimizing our structural costs.

Then we pivoted to positioning and investing for growth, during which we formed the Nutrition business, and enabled multiple new adjacent revenue streams. Those actions as well as other key structural changes in the ag industry have delivered strong financial results. We had record EPS in 2021 and 10% ROIC, and we raised dividend by 8%. And just in case you did not know, we have been raising dividends every year for over 40 years.

We have significantly dampened the volatility of our business and expanding -- expanded the earnings power of the business. And we are very well positioned in 2021 for a very strong performance -- in 2022 for a very strong performance as well as driving high single-digit earnings growth to $6 to $7 of EPS by 2025. And we have significant more upside even beyond that $6 to $7 EPS.

With that, Greg, I'll turn it over to you to talk about AS&O.

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

Yes. Thanks, Vikram. So we were one of the contributing factors that led to the record performance last year. And in Ag Services and Oilseeds, we finished the year with the best ever operating profits. We finished the year with the best quality of earnings in terms of return on invested capital that we've ever had.

And it was really the end result of the last several years of really focusing on having a returns-focused strategy, thinking about how do we grow operating profits, but how do we minimize the invested capital that's required to achieve those earnings? So we've gone through a portfolio transformation in our business unit.

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We've exited volatile poor-performing businesses like cocoa, chocolate and South America fertilizer. We've added to the portfolio with acquisitions like Algar Agro in Brazil, our Egyptian joint venture with Cargill called SoyVen. We've expanded organically into destinations around the country -- around the world that add incremental value as we lengthen the value chain.

And as we think about the future, certainly lots of opportunities as you think about the trends of global trade flows growing 130 million tons over the next 10 years. Sustainability has certainly become front and center in a lot of conversations that we have as it relates to our value chain. And on top of that, we also have a very robust productivity agenda and innovation agenda.

So thinking about in the current environment with high commodity prices, high energy prices, the value that unlocking the full potential of our centers of excellence can have in terms of maximizing yields, minimizing energy consumption, minimizing costs in our plants. But also thinking about from an innovation perspective, how do we participate in some of these faster-growing markets like renewable green diesel?

So we have some capital projects to expand our crush capacity, our refining capacity to participate in some of those markets. But also even thinking more holistically about how does the ag value chain participate in this whole transition economy and positioning the ag industry and our value chain as part of the climate solution?

Thinking about, how do we leverage the entire network in new and different ways, unlocking differentiation opportunities, expanding margins across the entire network? And so with that, maybe we just turn to questions.

QUESTIONS AND ANSWERS

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

I'd like to start off by getting your views on what looks like a rather massive amount of disruption globally in crop production. And I had that view increasingly over the last couple of months. First was based on drought, South American drought. You got some drought in Europe. You got some drought in the Western Prairies of Canada.

We got a tripling or quadrupling of fertilizer prices that is going to affect crop production in some way. Some of it might even be intentional. And then now we have the conflict and sanctions against Russia, an enormous producer of Europe -- of wheat and what happens to the Ukrainian corn crop.

My question for you is how disruptive, in your view, is that likely to be in terms of global crop grain and oilseed production? And then maybe more importantly, how do you benefit from that?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

Yes. So a lot to unpack there. And obviously, the market has a challenge to try to figure all that out. But as you say, we came into this year with high expectations in the South American oilseed crop, and even the South American corn crop. And what we saw was drought-like conditions in Argentina, Paraguay, Uruguay, the southern part of Brazil. And so we've certainly reduced the crop supplies in the Southern Hemisphere.

And then you add to that the conflict in Ukraine and certainly before we size up what that means for the business and what it means for supply and demand, our thoughts and prayers go out there, our Ukrainian colleagues. We run a relatively small business there as compared to the rest of our global network, but nonetheless, there's real people making tough decisions every day, and we want to keep them in top of mind.

In terms of the Ukrainian situation, you have a few things that I think are important to think about. You have the near-term disruptions where you have port facilities, the grain industry, a large sunseed crushing industry essentially shut down as people prioritize their time and attention to do other things like protect their families, protect their country. But that industry shut down.

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So you have a near-term disruption and the market is trying to figure out how do I continue to have trade flows to service customers? There will be a growing concern as we go through the next 30 days-or-so in terms of crop production, and what crops get planted, how much area gets planted, does the crop get planted? Are the farmers even in a position, with fuel, with equipment, with seed, to be able to plant the crop?

So the corn crop and the sunseed crop essentially go in about the same time, so that will be a concern as we get into the month of April. You've got a winter wheat crop that is certainly a concern in terms of their ability to harvest. We've got a rapeseed crop that's of concern as well. So you have concerns about crop production.

But then even if you plant a crop, what's the extent of the damage on the infrastructure? How much damage have the roads taken? The bridges taken? Are there certain facilities that have taken damage? How long does it take to rebuild those?

Do you have a workforce in a post-war environment that's willing to come back, to actually -- to come back to Ukraine? And how do they prioritize their time when you have critical infrastructure that needs construction, rebuilding? Do they come back into -- when does the ag industry have a workforce that allows it to run?

So it all kind of depends on your view of how long this lasts and how bad it is. And that helps shape your view of how big of an impact it could be. In terms of the size and scale, I mean, you're talking about -- the drought in South America will limit the ability of the largest soybean processor in the world to run, which is the Argentine industry.

That's the biggest supplier of meal and oil to the world. They have challenges with the crop production, they have challenges with reluctant farmers -- a reluctant farmer to bring this grain to market in an inflationary environment. And so that has limitations. And then in the Ukraine, you have a sunseed crush industry that processes 16 million tons a year. 16 million tons a year.

So somehow the markets have to adjust to that reality. That industry is off-line and the Argentine industry has limitations as it relates to the crop problems, and it's going to put value and crush capacity elsewhere in the world. And we're starting to see that in the margins that we see in North America, Europe and even in Brazil.

How it plays out long term, again, though, it just depends on what happens, how long does this conflict last, what sort of damage is done and how long does it take to get a workforce back into position to be able to restart the industry.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Do you think that has more of an impact on your origination and transport around the world? Or your crushing capacity and crush margins?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

Yes. So maybe let me size up too. I mean, our presence in the Ukraine, I mentioned, is relatively small. We have 1 crush plant. We have 1 port facility, and we have a handful of grain elevators and river terminals to feed those assets. So relative to other parts of the world that we operate in, it's relatively small.

We could see -- I mean, so as you take 4 facilities off-line, as you take crush capacity off-line and you see other port facilities and crush assets around the world reflect the better value, I would say there could be opportunities as it relates to global trade flows and improvement in elevation capacity in our North American assets and our South American assets.

You'll see improvements in crush margins as the world tries to figure out how are they going to substitute for all the sun oil that used to come out of the Ukraine. Where is that going to come from? So I would say it will be reflected, should be reflected in both. But again, it's a tragic situation that we're trying to help our team navigate through. And it's -- certainly, we hope for a quick ending to this so that we can get our team back in position.

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Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

I also wanted to drill into your outlook for the feedstock for renewable diesel capacity expansions in the U.S. Where do you see the majority of that feedstock coming from? And how does that benefit you? Is it less oil export, more crushing of U.S. soybeans, et cetera? What do you expect to happen?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

Yes. Well, as you can imagine, it's a little bit of all that, right? So it's more aggressive aggregation of low CI score oils, so used cooking oil, animal fats and tallows. Low CI score oils to feed into renewable green diesel. It will be additional crush capacity as we've announced and others have announced to help feed that flow.

It will be a reconfiguration of things like animal fats that used to go into feed rations. In the future, maybe -- they're probably going to go into the fuel stream and feed rations will have to get reconfigured a bit. Maybe you feed a little bit more corn for its fat content instead of just for your traditional logic. And so it's going to be a little bit of all of that.

In addition to that, I think there'll be some stand-alone biodiesel plants that will struggle. Maybe some of those turn into pretreatment facilities for aggregation of low CI score oils to feed downstream renewable diesel plants. It could be a more aggressive aggregation of low CI score oils elsewhere in the world, brought into port-based facilities to process. So it will be a little bit of all of that.

And I think I get a lot of questions about the crush capacity in the U.S., and it's interesting to think about all the expansions that have been announced in North America. It certainly gets your attention. But when you look at the rest of the world, there's no significant expansions happening in Argentina. There's no significant expansions happening in Brazil. So when I think about what this is doing to the U.S. crush industry, it's repositioning the U.S. crush industry in a more competitive position to compete for destination soybean meal business.

So you have the domestic story on veg oil demand growth, but you have the opportunity to participate more heavily going forward in the export market for meal, to participate in global demand growth, which has been 2% to 3% a year, kind of the world outside of China that is an importer of meal. And so that's how I kind of see the feedstock store, but also the crush expansions fitting into trade flows.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Does it lead you to consider accelerating that crush capacity?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

Certainly. When you look at what we've announced, the significant announcements would be Spiritwood, North Dakota, which is a new crush plant and refining capacity. We've announced debottlenecking at Quincy to take export crude oil and divert it into the domestic refined market.

Debottlenecking is always on our mind. We've done that for 20 years, debottlenecking where we can. Sometimes that depends on when projects come up and you have the opportunity to replace an older piece of equipment, you think about what sort of bottlenecks you have in your facility. So it's -- it can be situational.

But I think also, it's part of what we do every day in terms of trying to extract more out of the existing seed. So thinking about how do we improve our yields in our existing facilities? Can we get just a little bit more out of everything?

And when you do that, you can start to have a material impact on the overall business, too. I think we do a pretty good job as it is, but there's always opportunity to kind of bring things to another level.

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Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

I'm sure we could continue down this path on these topics, but I also wanted to get a couple more things out of you before we open it up.

And that is many, many years ago, you developed a Class VI injection well. It was way ahead of the rest of the industry. What provoked that? And do you have an interest in doing it again?

Vikram Luthar - *Archer-Daniels-Midland Company - Senior VP, Head of IR & CFO of Nutrition*

Yes. So this is about 10 years back. And yes, one thing that's a fact is ADM has the only carbon capture and sequestration facility that permanently injects carbon into this geological formation. All the other facilities are enhanced oil recovery.

So this was a project with the DOE, and they'd come to us and there was a recognition that there was this geological formation under Decatur, and they wanted to partner with us to try to make it work. So think about it. It's -- we've got a competitive advantage from that perspective because it allows us to reduce the carbon intensity of the feedstock and all the products that we can serve our customers.

And we have 2 wells, we've injected 3.5 million metric tons. And clearly, that geological formation has the capacity to inject multitudes of that. It will require new wells to be dug. And clearly, there's appetite for that in the sustainable world today, and we are actively considering all of that going forward as part of the many announcements we've also made.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Very good. The last panel, I don't know if you were in here, we had a panel on renewable fuels. And I just would like to hear an update from you guys on your interest in converting ethanol into sustainable aviation fuel.

Vikram Luthar - *Archer-Daniels-Midland Company - Senior VP, Head of IR & CFO of Nutrition*

So one of the biggest opportunities we see going forward for the ADM, I talked about we see a lot more upside beyond the $6 to $7 EPS target we've established for 2025, is related to the evolution of the Carbohydrate Solutions business. And that is primarily driven by pivoting from fuel-based ethanol into other types of renewable fuels, in this case, sustainable aviation fuel.

So we are looking at potentially taking out 900 million gallons of fuel-based ethanol to make about 500 million gallons of SAF. And you think about the demand, the addressable market. Right now, there's only about 4 million gallons of SAF produced in the U.S., and the expectation is that's going to go up to about 30 billion by 2050.

Where is that going to come from? Ethanol is going to be an important feedstock for that. So we are working with various partners, Gevo and others, to develop the most value-creating opportunity for us. That includes leveraging the carbon capture and sequestration facility.

A little bit of background. Today, the SAF, for it to become profitable, we've got to reduce the carbon intensity by 50% and the carbon sequestration itself provides -- gets us a long way to be able to do that and make it a profitable opportunity. But we're exploring various partnerships, Steve.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

So Greg, back to you on crush margins. What's your outlook for that? Is -- aside from all of the disruptions that we have just been talking about, is it a sustainable uptrend pretty much in every scenario you look at?

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Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

So we talked at Investor Day, which was before the South American crop deterioration, before the Ukraine conflict, we talked about a structural improvement in soy crush margins. We talked about $5 a ton improvement. We talked about a $10 improvement in canola crush margins. And I still believe that.

I think what's happened since that time though, since the first week of December has been even more positive as it relates to crush margins on the back of the challenges with the crop in South America and the conflict in Ukraine. So I would say, in the near term, we're even more optimistic today about the crush margin environment, at least in the regions that we operate in as a result of what's happened since we communicated those structural improvements.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Anybody want to jump in here with a question? Right here.

Unidentified Analyst

Greg, you gave some good comments about the different puts and takes between what's going on in the Ukraine and Russia. But as you think about the longer-term implications of what this means for your business, is there anything structural that's changing with the way that you would have to maybe market products going forward? That you would -- you would able to be either a benefit or a negative for you? I mean what are the potential longer-term implications in your view?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

I guess the longer-term implication is going to depend on what impact does price have on demand? Because today, you have this near-term disruption, you have the potential to disrupt the crop production. And how does that play out with consumers around the world, with customers around the world that are trying to navigate higher energy prices, higher commodity prices, et cetera?

And what's that impact? And how long -- so I guess my concern on longer term would be what's the impact on demand? Is it a short-term impact? Is the crop cycle -- next year's crop cycle help resolve it all and come back to a more balanced environment with demand resuming? Or is it a longer-term impact? I suspect it's more of a short-term impact.

But in terms of how we run the business, we've done a lot over the last couple of years to evolve the business model where our clear focus is on trying to create more repeatable earnings, less volatility in our earnings profile. I talk a lot about trading with a purpose, increasing the velocity of our trade flows, but doing it with a smaller net risk position, and trying to leverage the extended value chain from basic origination all the way to our destination marketing customers to capture the full value.

So for us, I think having those destination contacts helps to allow us to have origin optionality. So when you have a disruption because of a problem or a conflict, you have the overall network that you can flex to accommodate, and you aren't so dependent on flat price positions, directional bets on the market where you have significant or outsized headline risk.

And so I think the work we've done over the last several years has allowed us to navigate a global pandemic. It's helped us to navigate Hurricane Ida in New Orleans. It's helped us to navigate droughts in South America and other parts of the world. It's going to help us navigate the unrest that's happening in the Ukraine today. It's the resiliency of the model and the way that we operate it.

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Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

With respect to sustainability, is that a -- are you seeing demands for that from your customers? And I'm curious as to how you see you can drive that benefit to the farmers that you end up buying your grain from. How do you provide that intermediary between the farmer and the end user to drive sustainability goals?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

So when we made our Scope 3 reductions in December, that was kind of a call to action for the organization. When you think about where carbon gets created in the entire ag supply chain, 75% gets created on the farm. The rest of it happens through the supply chain processing distribution.

And so if you're going to really try to drive change across the ag supply chain, you have to have an influence on farming practices, which means you have to have the right incentives around that, too. So we've got lots of energy in the organizations today around trying to leverage our network to incentivize farmers to do things like no-till, cover crops, et cetera.

But importantly then, that also gives us an opportunity across all 3 business units to think about going to market with new products. Climate-smart products, environmentally-friendly products, products that could be represented as helping our customers live up to their Scope 3 reductions, because it all starts on the farm.

So yes, we have to have a very deliberate focus and effort on trying to drive change on the farm. But then we also have to be -- we have to be able to quantify that and calculate through the value chain what that means for our customers that have all made significant commitments.

And I'd made a comment to somebody earlier today, and it is interesting when you think about some of these commitments that have been made by our customers to reduce their Scope 3 emissions by 2030. Think about that. That's 8 crop cycles away.

And so how long can you wait before you actually start to try to drive change at the farm gate? You have to do something today if you're going to live up to the significant commitments that governments and companies have made for not too far in the future.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

And it can take several years, several seasons for that sequestration into the ground to actually occur.

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

There's a lot to make it happen, right? There's education, there's incentives. There's a whole lot of extra work that's involved, which means you have to have incentives, too. And you see -- even with Vilsack's announcement around making $1 billion available for what he viewed as a portfolio of opportunities to try to kickstart change. And it takes government action to -- or government incentives, sometimes, to get the ball rolling.

And so I think it will be interesting over the next couple of years to look at what sort of change we can help drive at the farm gate because, again, the majority of the carbon gets created at the front end of the whole value chain. And if you don't need something different there, then how do you ever live up to the goals that you've committed on in your Scope 3 reductions?

Unidentified Analyst

Question. Or if you don't mind, I've got 2. First one is short term. Looking immediately, ADM is considered one of the leaders out there in providing insights toward what do you think the farmer is going to do this year. So I'm really curious about your projection for 2022 U.S.-planted acres, corn, soybeans. That's the first question. So I'll let you answer that one, and then I want to come back with a second one, if you don't mind.

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Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

So I would have given you a different answer before the conflict, and I would have said beans are probably gaining a few acres on corn. Today, I think that's all changed. I think we need more corn, we need more beans, we need more wheat. We need more of the minor grains.

So I'll say given commodity prices, I'll say, we'll have more total acres but how that splits between the different commodities, I think it comes down to who has input costs already locked in, who's in position to make a decision about switching. So I'm not going to commit on each particular commodity, but I'd say in this environment, we need it all. The world needs a big crop.

Unidentified Analyst

Okay. So now the second question is looking forward. So last fall, through the winter, there was a lot of discussion around green energy, soy fuels, even articles calling for 30 million more acres of soybeans over the next 5 to 10 years. Curiosity I've got from ADM's position in that space, anywhere a 5 million- to 10 million-acre shift in soybeans would all of a sudden shift the environment in the U.S. moving from a raw bean exporter to a meal exporter. Is ADM prepared for that? What's your view on that? And do you think that is reality when we look out 5, 10 years?

Gregory A. Morris - *Archer-Daniels-Midland Company - Senior VP and President of Agricultural Services & Oilseeds*

I think we will be a heavier meal exporter in 5 years than we are today. I think that needs to happen as a result of the crush expansions as they come online. Whether that comes straight out of soybean exports will depend on what the yields do between now and then, and do we grow a bigger crop to allow us to do both? If we don't, then certainly, we have an exportable surplus where today we crush about half the beans that we produce, we export about half the beans we produce.

As crush rates go up and our bean exports have the potential to come down, then you'd expect trade flows would reconfigure. Maybe Brazil or maybe Argentina becomes a bigger supplier of beans to China or the rest of the world. But for me, the one thing is for sure. We're going to be a bigger meal exporter going forward. What that means in relation to beans is going to depend on bean acres, bean yields and overall global demand for soybean flows.

Unidentified Analyst

I wanted to touch a little bit on your Nutrition segment and just get your view on how you view Health & Wellness as a growth driver for ADM.

Vikram Luthar - *Archer-Daniels-Midland Company - Senior VP, Head of IR & CFO of Nutrition*

Well, I think Health & Wellness within Nutrition is one of the biggest opportunities we have. And if some of you had a chance to listen to the Global Investor Day, we highlighted that as a major opportunity for not just the next 5 years, but beyond that as well. And why is that?

If you think about what the Health & Wellness business is primarily focused on is the health of the microbiome. And the consumers are gradually recognizing actually more rapidly now that the health of the microbiome is linked to their overall health, different types of health conditions. In the Health & Wellness business, we have developed functional probiotics that allow us to meet those health conditions.

An example that we also talked about is personalized nutrition. That is going to take off. It's already started making inroads and it's going to take off for the next 5 to 10 years. Think about when you go online and you know what your nutritional needs are, you can customize a specific pill with the right amount of probiotic as an example.

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We're already participating in some of those opportunities right now. So you think about the growth of the microbiome segment as a whole across human and animal as well as our position from a functional perspective and a science-based perspective as well as our go-to market. We are very well positioned to capitalize and grow that significantly over the next 5 to 10 years.

Unidentified Analyst

You also seem to be moving into more on Animal Nutrition and pets and so forth. Is that a more logical direction given it's tied in so much to Greg's business?

Vikram Luthar - *Archer-Daniels-Midland Company - Senior VP, Head of IR & CFO of Nutrition*

So within Animal Nutrition, we've essentially divided the business into 2 distinct markets. One is pet solutions, focused on pet and the other is the rest of the Animal Nutrition business. We see a significant opportunity for growth and margin expansion in the pet solutions business.

You think about the synergies between pet and human through the humanization of pets. We have built a very significant human nutrition business focused on systems and creation development design. We can leverage that for creating customized pet solutions and treats. We made certain acquisitions to further accelerate our capabilities.

We see that market exploding and ADM is very well positioned to capitalize on that, not just in the U.S. but across the world. We've got a good presence in North and South Lat Am and a gradually growing presence in China as well. On the Animal Nutrition side, that's much more of a margin up opportunity.

Leveraging what Greg does, from a risk management perspective, the integrated network that he has in the AS&O business as well as our ability to leverage some of our functional ingredients to create unique solutions, even on the Animal Nutrition side for our business, we see that as a growth, but primarily from a margin up perspective.

Stephen V. Byrne - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Very good, fellows. We are out of time. (inaudible) Greg or Vikram, if you have more questions, but join me in thanking them for their presentation.

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