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EDITED TRANSCRIPT

ADM.N - Archer-Daniels-Midland Co at Sanford C Bernstein Strategic Decisions Conference

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

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Alexia Jane Burland Howard *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

PRESENTATION

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Okay. Good afternoon, everyone. I'm Alexia Howard covering the U.S. food producers at Bernstein. And I'm delighted to have with me on the podium Juan Luciano, who is the CEO of ADM since 2015.

Now under Juan's leadership, the company has evolved meaningfully and now boasts a burgeoning global nutrition business, which is poised to tap into some of the transformative changes in the global food supply chain over the coming years and decades. In the meantime, the ROIC across the company has also improved materially as one has built a financial discipline around resource allocation and tapping into value-creating profit pools.

Now obviously, the last 3 years have been a whirlwind of challenges and opportunities between the pandemic, the war in Ukraine, global supply chain issues and of course, inflation. And meanwhile, we, as investors, are trying hard to figure out from the outside, which of these changes is structural and which may be more cyclical in nature.

QUESTIONS AND ANSWERS

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

So with that, as we get into the Q&A, and I would encourage any of you in the audience to type in questions into the Pigeonhole link so that we can get work those into the conversation as well. Maybe I'll hand it over to you to just give us some opening remarks and context. Thank you for being here.

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

Thank you, Alexia, and thank you for inviting ADM to this forum. So for those of you not familiar with ADM, just simplistically, ADM is an indispensable link between some of the farmers and the consumer products in terms of the food chain. We don't participate in farming. We don't farm, but we procure, we originated more than 10% of all the crops in the world, half of those we process into ingredients, into systems, into nutrition all the way to biotics and enzymes.

So last year, the company celebrated 120 years. We are about $100 billion in revenue, and we celebrated, I guess, with a record year of profits for the company. So in that environment that you described, I think the company executed very well and continues to do so. We've been doing that, as I said, for 120 years so through administrations, through several crises. So when we think about our first quarter, first quarter was a record first quarter for the company, so strength continues. And as you said, more importantly, we have set this target of 10% ROIC, and we achieved 14% ROIC.

Given this performance in these circumstances, our cash flow has been stronger than ever, and we've been, over time, created more growth opportunities for the company. We continue to invest in those. What I think they will propel our structural margins certainly higher. If you think about it, we have aligned our portfolio with 3 main trends, food security, health and well-being and sustainability, and we continue to invest beyond those.

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The first materialization of that growth is our Nutrition division, that is in the way to get to our target of maybe $1 billion operating profits very soon. When you think about our capital allocation, of course, the first thing we do is to fund our organic plan, our organic plans, think about this in 3 buckets. One is automation for all our facilities. That's a big opportunity in terms of operational excellence of yield, energy, all that. The second is all about the organic growth. We have capacity expansions coming in each of our businesses during 2023. And the third one is decarbonization.

As we improve our own carbon footprint, we realized that as a platform to help our customers to also deal with their Scope 3 emissions and it's opening up opportunities for ADM to continue to grow that business. Given our strong cash flow and our great balance sheet, we have a lot of flexibility what to do with this. Our intrinsic plan calls for about 30% to 40% of reinvestment of our free cash flow to fund the opportunities I mentioned before, leaving 60% to 70% of that cash flow to potentially do acquisitions or other return funds to shareholders. So we've done that in terms of dividends. We've been paying dividend for 90 consecutive years, and we've been increasing that dividend for 50 consecutive years, which we have done this year as well.

And this year, given that we haven't found any opportunities worthwhile pursuing in terms of M&A, we have started with buybacks. We bought back, I think, $1.4 billion of shares last year. We were planning to buy back $1 billion this year. We have done about $300 million and changed in the first quarter. So we are -- we have very strong conviction and believe in our intrinsic plan, and we believe that, at this point in time, buying back shares has been a good exercise.

With that, probably I'll pause, and I know you probably have questions in the audience as well, so I will give you plenty of time to do so.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Great. So -- you talked about the 3 sort of main drivers of growth in there. How would you choose which opportunities ADM should invest in and which you'll let pass? I mean this is the real definition of strategy, what are you going to do and then what are you not going to do? As you think about resource allocation, how do you make those choices? And where are the specific examples?

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

Yes. So the first what we try to look is there is so much noise coming at you. And I think that -- how to differentiate what is a true trend that will stay as for long enough that we can recover the capital. When we invest, we put money that would depreciate over the next 30 years. So that's the main thing is that we're very deliberate about thinking about the 3 trends. And our marketing department comes with 50 trends and then from 50 you go to 8 and 8, you to go to 5 and you end up saying, okay, these 3, we believe. We believe that we don't know exactly when it's going to happen, but if we invest in these, we're not going to regret it at the end.

Food security, when you think about -- we were 3 billion people when I was born. We were 5 billion when I got married, we were 8 billion last November. We're going to be 9.5 billion by 2050. We have never done this experiment of trying to fit 10 billion people into the world. So we think that is secure. Health and well-being, over the next 5 years, the population under -- the population over 65 will be bigger than the population under 5 for the first time in history. We're all getting older. We're all living longer. We want to add quality to our lives. Health and wellness continues to be and sometimes exacerbated by things like the pandemic, we became more sensitive about what's happening to us, what we put in our body.

And the third one is sustainability, which we all see, what we need to do is we want to continue. So -- and they are all linked. One of the things that I like with us when we pick those 3 is because they feed on each other, if you will. So the first is that strategic lens. The second lens is, are we adding quality to our portfolio? We spent too much time cleaning our portfolio to start bringing things that are not perfect. So we spend a lot of time in, can the people think and run the businesses the way we think about it? And those assets have -- or the quality or the technology that will allow us to do so.

Let me run -- and the third is the financial consideration. But I would say that we can always find a way if the other 2 are aligned.

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Let me give you an example. When we get excited about the microbiome, and we believe strongly about the connection about food and the microbiome, we acquired first a company for less than EUR 20 million, and we acquired basically 65 PhDs. That's what we acquired. Of course, then we didn't have a lot of capacity. We didn't have a lot of ability to sell. So we bought Protexin in the U.K., which was a marketing machine to be able to take the technology that these people did with clinical trials and all that into the market. Today, ADM has the number one bioactive selling brand in Amazon with Bio-Kult that is one of those brands, so protect -- you don't relate ADM to having the number one brand in Amazon selling bioactive, but we do have that.

Then from there, we didn't have U.S. capacity. So we bought the airlines last year. So we bought Biopolis, we bought Protexin, we bought Deerland. And now after we completed that, now we are building the organic growth, so we just inaugurated in Valencia, Spain, our expansion for probiotics. And I never expanded this. I have 35 years in business is we expanded capacity by a factor of 5. I never expanded capacity by a factor of 5 on anything in my life, but that's how much growth we're having.

If you think about probiotics, just to give you an example, goes, is synergistic because they go half into pet or animals and half into humans. So we think nutrition, you have that dual role. And if you think about head space, in supplements, vitamins, for example, the penetration in homes in the U.S. is between 80% and 90%. And you go to the doctor and most of the time they tell you, I'm not sure you need that vitamin, I mean, and you -- I'm not sure you can -- you need to use it. In probiotics that are 100% certified with clinical trials. The penetration in homes is about 10% to 15%. So the head space that people become more familiar with that is spectacular. So that's just one example of how do we build the businesses, and how do we think about it.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Can we just come back to more of the cyclical versus structural nature of the business. So the business overall has displayed record strength in light of a global pandemic and the supply chain problems in the war in Eastern Europe. Against this backdrop, are there segments of your business that benefited from that unusual global backdrop, and what might need to normalize from here?

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

Yes. Some of them have. It's difficult to know how many of these things need to be normalized and how many are the way they are today. If we think about climate, and we have this discussion sometimes with our insurance company that says, well, it's funny that you classify these things are one-offs when we've been discussing these things for the last 10 years, and you always come with a similar claim only in different parts of the world.

So climate is becoming part of that. Climate is enhancing the value of our optionality, if you will. We are in 160 countries in the world. We have 800 facilities, and we have transportation companies. So we have, for the same product, several options where the product comes from. And then we have extended our destination marketing, so our offices to cover more people closer to those people.

So that brings a level of security of the supply chain because we control all the supply chain, the port, the vessel, the barges, the truck, the railcar and all the facilities. So some of those, you will argue that as things get tighter and food security and supply chains become more challenging due to geopolitics, they should earn higher returns anyway. There are some things that sometimes is if you have this specific product like lysine, in which your Chinese competitors disappear for a year because they are in lockdown, when they come back, that normalizes. But I will say it's probably, I don't know, a small percentage when you compare to the percentage on which things are becoming more complicated. And you get the revaluation of margins because of the complication of executing in that more complex world.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Who do you consider to be your key competitors? And what are your competitive advantages over those competitors? And I guess that might be at a segment level?

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

Yes. So we have too many competitors to count or to enumerate. And I tell you why, because ADM has this very long value chain. And as I said, we start all the way from being a grain and transportation company, and we go all the way to being an enzyme and probiotics company. So I could be doing -- I could be approving a barge line in the morning and reviewing a clinical trial for my probiotic in the afternoon. So there are a lot of people that are competitors in those verticals for us that compete in one line of product, which I think we have very few that can offer the length of the value chain and the versatility and the breadth of the product line that we can offer to customers, whether you are a CPG company or an animal feeder.

So I would say, given that, I'm trying to think more about us and the conditions and us versus us yesterday, we're executing better than yesterday, and do we have the ability to learn fast enough in order to match those conditions. So I don't think there is one competitor or two competitors that I worry that much about, it's more like, can we keep that model? And can we keep reacting to our consumer demands fast enough?

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Can we focus on the Ag Services and Oilseeds segment for a moment. It's obviously seen a big step-up in profit in recent years. How much of that was structural, and how much is more transient in nature given what we've been talking about in terms of supply chain disruptions?

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

Yes. So a lot of things we fix ourselves. So we merged those 2 businesses to do better risk management, better integration into the way that we're thinking. So there are natural synergies on that. We fixed some things like our global trade unit, and we changed the way they traded -- they trade. We changed our destination marketing strategy to pursue more markets. We invested a lot in differentiated some of our capacity in terms of having switch capacity. So we can switch from crushing soy to crushing rapeseed and things like that.

We have the ability to crush different grains to provide different high-oleice characteristics of some products. Those margins, in a large business like we have, if we originate 130 million tonnes of grain, and we trade 60 million tonnes of grain, if we increased $2 per tonne times 60 million tonnes is a lot of money to be made.

So some of those incremental things we have fixed ourselves. But in the process, there have been some structural changes, as you described. Part of the structural change is the number of people that we have in the world to be fed, and they all like to be fed and the animals that they're going to feed us. That's a big tall order in a geographic area that should not increase because then you get to the limits of deforestation or biodiversity damage.

So there is that limit. Then the second issue is the climate has become more aggressive. Think about Argentina. A typical crusher, a big exporter of soybean meal, have a crushing capacity of 70 million tonnes, crushing capacity because they started with 50 million tonnes of production this year because of weather, they're going to be sub 20 million tonnes of capacity. So all of a sudden, you have 70 million tonnes of soybean meal capacity installed, and you're going to get only 20 million tonnes.

So that is changed in the market. And I think the other thing that happened is more professionalization in terms of feeding in China after ASF, Asian Swine Fever. I think that half of the raising of pigs, what happened in family farms with some leftovers being fed and all that. Now it's much more professional feed. So that have improved the amount of soybean meal in the Russians.

And the last thing is sustainability. All of a sudden, you have now renewable green diesel, bring a big push into soybean oil, and that's a leg that crush needed. For years, we were crushing for soybean meal for protein demand, and we didn't have the ability to have that pull from oil. Now we have those 2 robust things. So I think there are plenty of reasons for which crush margins should be higher in the future than they were over the last 10 years.

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Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Makes sense. Can we keep with that renewable diesel theme. How big is the long-term opportunity here? And what about the aviation fuel opportunity? Is that for definite, or are there still hurdles to that becoming a reality? How do you think about that?

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

Well, nothing is for definite. It's just the number of years you look at your horizon. So I would say, renewable green diesel, big opportunity. We are 2 billion gallons. By the end of this year, we're going to add another 1 billion gallon. We believe in 2025, we will be 5 billion gallons. Globally, by that time, we'll be about 8 billion, 9 billion gallons. So big opportunity, of which soybean oil can only probably fulfill 30% to 40% of that. So it's an enormous market with no roof, no ceiling for soybean oil, if you will.

In terms of sustainable aviation fuel, which -- that's another path for soybean oil, is certainly an opportunity. There are, I don't know, more than 70,000 airlines -- aircrafts out there. Sustainable aviation fuels allows that industry to reduce carbon intensity by about half if we can go from jet fuel of 90 carbon intensity to about 50 or 40 or something in that range. So it allows you to fulfill that without having to retrofit all the airlines. At this point in time -- all the aircraft, at this point in time, it's difficult to conceive something electric or something that goes for more than commuter flights. So if you have a medium-range, long-range flight, this seems to be the best solution that the industry had found.

We are working on that as many companies are. And I think that there is an opportunity for an upgrade of all these plant-based oils, if you will, or oils in general or alcohols into sustainable aviation fuels over time.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Makes sense. Okay. I've got another question from the audience about the competitive dynamics that we were just talking about. How will the potential combination of Bunge and Vitera change the competitive landscape in your view?

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

Yes. So I guess it brings some consolidation. We are -- in our M&A, we were not thinking, we don't have aspirations of becoming bigger. As I said, we are already 160 countries. We are in crushing everything and milling everything that you can mill. So we were thinking more in terms of bits and selective pieces here and there that makes sense for us that we can add to our footprint, and we can really significantly increase the value of that.

Large acquisitions sometime bring the problem of the impurity of it that you like X percentage of that and then you need to clean up part of that. So we are not in that period. We are a period in which we fixed a lot of our commodity businesses, if you will. So this is a good commodity business. But -- so I would say, to the extent that brings some consolidation, it may be -- it may bring changes to some pockets of that. Other than that, I can't comment anymore. I don't know much about it.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Okay. Just coming back to renewable diesel. It seems though the capacity build-out seems to be somewhat lumpy. What does that do to your performance?

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

Yes. It is lumpy. So for the people that want to check at this business on a quarter-by-quarter basis, it may get a little unnerving. I'm looking at this at least from a yearly perspective, and on a yearly perspective, you will see the capacity come in. So these are big plans. It's not easy in the U.S. to get people to run your own operations much less an extra project.

Some of these projects are in location that we need to bring people to that. So I think that the lumpiness is related to technical issues, manpower issues. I don't think it's just lack of funding or commitment. I think everybody is committed to this. So it happens to that when -- every time we look at this list, you always apply a percentage. Not everything that is announced will come onstream exactly the year or exactly the ways, naturally. So I don't think it's anything to be surprised at this point.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Makes sense. Could the whole electric vehicle market sort of put a cap if the jet fuel business doesn't really take off? Is there still enough demand for there to be the growth in renewable diesel over the next 5, 10 years?

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

Yes. A lot of the renewable diesel push came from the difficulties in electrifying all the trucks and all the big transportation, if you will, more than the electric. So I don't think that the electric is -- still electric is relatively a small percentage. But the drive came more from the big biodiesel trucks versus the passenger cars, if you will.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

I've got another much broader question coming in. What are the key growth drivers in the next 5 years in your view? And at what level could ADM grow sustainably over the longer term?

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

So I think the Nutrition business continues to be -- the nutrition business is halfway being built. So we need to continue to do that. There is huge opportunity in health and wellness and all what I mentioned before about microbiome. We are a very successful human nutrition company, but only in North America and Europe. So we've been growing the fastest in the most mature markets. We're still are very underrepresented in the developing world.

So certainly, we built a plant in China, but we don't have anything in Southeast Asia. We don't have anything in Africa or India. We don't have any flavor capabilities in Latin America. So nutrition is to continue to grow. Certainly, pet food and pet treats will continue to grow. So that's a growth area of significant. Certainly, all the area of decarbonization and BioSolutions, that's an area that we are investing a lot.

And we have started to -- we believe that the world will be fed by animal protein, by plant-based protein and by cell-based protein. So we have invested already and we have relationship with more than 30-something companies, I think it's 38 companies in the area of precision fermentation and cell-based meat and all that. And I think that, that will be another area where that is in the next 5 years on the next 10 years. Those are probably the 3 drivers that will bring the extra growth to ADM besides what we have talked already in the conventional businesses.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Another question that's coming in. We've got a lot of interest from out there at the moment. Is soybean oil a good long-term solution for sustainable aviation fuel and renewable diesel, all it seen is diverting from its use as food?

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

Yes. I think we saw that when it happened to ethanol, in which when the government put the program, all of a sudden, we saw 5 billion-bushel more ethanol being planted. So -- that they were not there before. And I think, with soybean oil, the funny thing is this molecule, which is a soybean, if you split it in 2, you get half oil, half milled. So yes, you may not be able to have that much soybean oil for food, but you're going to have palm oil and canola oil and several blends, but you're going to have much more meal to feed protein.

So to a certain degree, a little bit the same happened to ethanol. You have ethanol, but you also have DDGs with you feed animals. So I think society finds a way to value -- the different values in the molecule based on what matters to you at this point in time. There is a study in the Purdue -- from Purdue University that basically shows that the ethanol industry does more for food inflation, to fighting food inflation, reducing food inflation than not having it because you have more component of packaging and transportation in the food than you actually have in terms of the protein content that you may not feed.

So I think that's a little bit of a problem that relative prices tend to fix, and they give us the right signals to say, what should we buy based on what society values the most.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Makes sense. If we move on to the Carbohydrate Solutions segment, where are the high-margin opportunities for long-term growth there?

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

I think -- the margin opportunities. So first, we have the BioSolutions business, which is, we take similar products to what they go today, that they are produced today, that they are finding opportunities into cosmetics and adhesives and all people trying to reduce oil-based products. Every chemical company or every materials company that have a promise to decarbonize or to be carbon neutral by 2040, 2050 is to do something like that. So our partner, for example, LG Chem make that promise for 2040, I think it is for them.

And there are tenants for that decarbonization is recycled or a plant-based solutions. So in plant-based solutions, they need -- they have a big product for them, which is PLA. When PLA, they need to find like lactic acid, so a feedstock for that, that is plant-based, we're going to be building that. As you find that company, many companies are thinking the same way.

So what we're doing is -- so BioSolutions grew like 24% last year. It's growing double digit this year as well. And then all the issue of decarbonization, the ability to put carbon underground and being able to supply these low carbon intensity fuels, whether it's for sustainable aviation fuels of other things, that will be another driver of Carb Solutions growth.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Can you talk about your productivity and automation efforts to optimize the use of labor and energy? How much cost will that save and how much investment is required?

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

Okay. So as I mentioned before, we have many large plants. The largest plants are about 70 or 80. We have put together a plan to automate these facilities to bring automation and more digital into this facility for 2 reasons. First of all, because our -- as I'm getting older, our employees that are joining the company are probably people that were born with an iPad and then sometimes they go to our operational environment, and they cannot relate very much with the equipment they have.

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So part of that, we need to change to be able to talk to the younger people there. But part of that is because we run big facilities. And in these facilities, think about this. We mill 165,000 tonnes, 165,000 tonnes of corn per day. So if you get a little bit better yield, a little bit better energy, a little bit better water is an enormous amount. We crush 125,000 to 135,000 tonnes of soybean per day. So again, a little bit here, a little bit there makes a big difference.

So we need to -- so we started with a big plant of a few plants for about $250 million. I think doing the 70 or 80 plants that we need to do will cost like about $1 billion, and we're getting double-digit returns in the ones that we have done so far. So we expect that to give us an incremental run rate of about $200 million, $250 million per year every year as we bring them along.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

You've had a rich history of M&A over the years. What are the main takeaways of these previous acquisitions? What has worked and what hasn't? And how does that shape your approach today?

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

Yes. So we've been trying to stay disciplined. And I think the pace is important. So we did WILD Flavors in October 2014, we didn't do another big one until 2019. We did a couple of smaller ones in 2021. We didn't do anything in 2022. So give the organization enough time to absorb this. At the beginning, I probably focused too much on cost synergies because nobody believe the revenue synergies. Cost synergies become onetime wonder and then it's difficult to do what you do next. So we are leaning much more into becoming more comfortable in putting revenue synergies and looking at what do they bring to the table, what technologies or what new markets they bring to the table. So I think that's what we learned.

I think our track record has not been bad since we've been prudent, but it's certainly -- you need to be comfortable with the law of averages. And I'm not saying we -- but 50% is better than 50%, but it's certainly not 90% or that bad. So we continue to learn on that.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

On the ESG side, how have you managed to recruit so many farmers into your regenerative Ag program? I've been hearing from other companies in my coverage in the packaged food space that the farmers are very reticent to do that. There's a lot of resistance. So -- but you've been very successful in ramping that up.

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

Yes. Well, a couple of reasons. So first of all, we have a 120-year-old experience and with a lot of people, we know them from very, very, very long time, that helps. Second, the way ADM has the relationship with the farmer, the farmers trust ADM, not that much because of our own qualities, but because we pay them. We are not people that need to sell them something. We are the people that give them a check.

So in general, they are -- they trust us. We have that opposite relationship. We're not trying to sell you anything. And then we have relationship with 200,000 farmers around the world, again, relationship that lasted, that dated from 50 years or more. So -- and then we speak their own language because if the farmer is not successful, ADM doesn't exist. That I said at the onset, we don't own farms, we don't farm, so if they are not successful, we cannot source those 130 million tonnes, we cannot use that 60 million tonnes into our facility.

So there is a symbiotic relationship. If we kill them, we die, basically. So we need to make sure they survive. So we always think about, is it money for you long term on this? And if it's not short term, we give you a bridge like we're doing today. But we have a very realistic assessment of what the economics of the farm are, so.

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Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Sticking -- well, weather patterns around the world are becoming more erratic and have hit new extremes in recent years. And I think you talked about how that's becoming kind of the new normal with climate change. Where are you most concerned about crop disruption long term? And how are you positioning yourselves to best alleviate that disruption and benefit from that if that's a way of looking at it?

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

Yes. What we're trying to do, I always said humidity is unevenly distributed with population. So we have more humidity that people need in Latin America. So Argentina produced 450 million people, we got only 45 million inhabitants. So Latin America is the Midwest in the U.S., if you will, then it's the Black Sea. And then the rest of the world has deficit of that. So China, 22% of the world population, 6% of the water, 8% of the land. So you're always going to have that. So I worry about these 3 places that are key places, so the Baltic area and the Midwest and Latin America.

Look at what happened in Argentina. Again, a crop can be reduced by half on the largest exporter of soybean meal in the world. That's not tiny, that's a big issue. So I worry on those issues, and I try to get, I wouldn't say redundancy, but I say optionality in which we can send you wheat from Constanta in Romania. We can send you from Kansas City. We can send you from Australia. We can send you from Argentina. So you build a little bit those capabilities and you have a trading group that knows how to place those and modify the trade flow. So we try to work on that, that the supply chain.

And I think the industry has done a good job. Before the war, I would say -- and even during the war, for that matter, nobody thinks about where food comes from. It's interesting when we bring a new board member to our company, and we show them these are our elevators, and these are our assets, these are our transportation asset, these are our processing assets, then they realize how many people need to touch a molecule before it shows up here in the corridor in the second floor at noon.

And you take that for granted, but there are a lot of industries that you cover and that you don't cover that participate in that. And I think it's all those redundancies and the supply chain. So when people say the fragility of our food system, to be honest, I think the fragility in our food system comes more when people intervene in modeling the price signals on good intentions than the fragility of the system.

The fragility of the system, I think, has resisted, a lot of volatility over many years and have performed incredibly well as the population was growing. So I'm not a believer of that, but I'm a believer on free trade and allowing people to actually get the price signals, which are the markets and the farmers and companies like us. And that will bring a lot of reliability to the supply chains, if you will.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Can you talk about -- more about how you plan to participate in the growth of the alternative protein market? You talked about precision fermentation. Is it growth media on the carb side? Is it investing in the companies themselves and technologies? I mean, it could go in many different ways, I imagine?

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

Yes. So again, because of our long-term view, we said we're going to produce soybean meal and animal feed for animals, but it has to be plant-based. So we have -- not only we have soy plant-based, but we also have pea plant-based and we have wheat and corn. So we have all the proteins they are for plant based. But we also think about, okay, what happened when that is not enough. And if you think about it, an animal take years until you can raise it to the size that you're going to eat it.

A crop, it takes 6 months or a year. And then some of these new technologies, it takes about 10 hours to double the mass or something. So -- and you can do it in a plant 1/8 of the size of this room. So there is something there. So we've been investing. We invested in about 20-something companies on our ADM Ventures. And we only invested in companies where we can bring something to the table, where there is a technology,

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there is a fermentation technology that we can understand, either we can bring feedstocks, we have fermentation capacity that we can help them through the scale up of that period, and we have relationship with 38 of them.

Some of them, they need sugar to do that. Some of them, they bring protein from CO2. Some of them, they need a fungi. Some of them is with a microbe that they take in the Yellowstone National Park. So it -- some of them, they need certain assets that we own. Some of them need certain enzymes that maybe we own or certain products. So -- but we believe in that future, and we believe that's going to happen is, none of those products will be 100%, like it's happening today with plant-based protein.

I think we tend to think too much about the burger. There is a lot of mix and blends on this. There is a lot of meat-extension opportunities. There is a lot of bringing proteins in forms that are different than a steak or a burger, and it goes a lot into beverages. It's a lot about fighting sarcopenia, which is the loss of protein or muscle as we get older. There is a lot of workout drinks. There is a lot of supplementation for young people.

And it's a lot about your definition of health and how do you think about yourself, what are you going to eat? So what we know today is the consumer is much more attuned to try different things. I can see when we go out for dinner and my kids order something, I would never have ordered. And here I am not only paying for that, but sometimes even enjoying it. So there is a change in that.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Makes sense. Coming back down to earth to the ROIC. Your return on invested capital is at 7-year highs. Clearly, the environment might have contributed some of that improvement, but what operational improvements and efforts has the company taken that have contributed to that improvement in ROIC? And what do you see as your normalized return in the medium to long term?

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

Yes. We've been at ROIC for a long, long time, so probably since 2011 when we started -- when I started with the company. So I think everything we have done has been to improve ROIC. All the operational excellence fixes, all the portfolio reprioritization we've done, all the searching closer to customers for more merge and the buildup of the Nutrition division, everything has been to that. We have pushed the commodity businesses a lot to lift the ROIC as we try to squeeze under that, the investments we need to grow. So our ROIC is purely fully funded ROIC, so with all the goodwill, everything that we put there. So we will continue to do so.

I think at one point in time, given that interest rates are higher, we're going to modify our long-term target of 10% ROIC to bring something higher. We haven't calculated that yet. We haven't disclosed that yet. But I would say, at one point in time -- and I don't think it's 14% yet, but at one point in time, we will have to see how much do we need to prioritize ROIC versus growth opportunities.

At the end of the day, you want EVA, you want area under the curve. So I made that mistake originally when I was so fixated in ROIC that I would say to people, your role is to maximize ROIC. Some people with 25% ROIC opportunities will be passing on 22% ROIC opportunities because that was not maximizing ROIC for them. So we corrected all that communication issues, if you will. We're in a better place, certainly now that we were -- when we started talking about this.

But I think it's ingrained in the culture of the company. And that's one of the reasons I'm also a little bit hesitant when I think about acquiring large companies having to go through the indoctrination about financial discipline again.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Linked to that question from the audience, the Carbohydrate Solutions growth seems to lag all your other segments. Why is that? And do you see any improvement coming?

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

Yes. Absolutely. It is absolutely correct. If you think about Carb Solutions, it's based on 3 products at this point in time. It's based on ethanol, just being very simplistic, high fructose corn syrup or sweeteners in general and flower. So those products are not growing. They are not shrinking. They come to a defensible core and their margins are very good, and their ROIC is very good because the industry has managed supply and demand.

But that's where we're going to -- we are investing in decarbonization because now some of those products have found opportunities to grow in BioSolutions. So -- and as I said, it grew 24% last year and it's growing double digits again this year. And all this decarbonization, whether it's SAF and whether it's the LG Chem and all these opportunities. So I think that we are taking those products that are not growing anymore, and we are finding growth opportunities based on the carbon intensity of them.

But not only that, what is happening now, those products that are going into these applications are tightening the market of those. So ethanol that goes into SAF is tightening the ethanol market. A dextrose that goes into the LG Chem opportunities tightening the dextrose market. So it's going to have a double whammy effect in terms of growing earnings. So we're very excited about -- that will be our next beautiful business coming up.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Great. Coming into the home stretch here, last couple of questions. What risks keep you up at night?

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

I think the most difficult part is to figure it out where the society is going and what the consumer is doing. Think about this, if we think about the consumer as a baby boomer, health products for the consumer means lower calories, lower fat, lower sodium, lower sugar. If we think about the generation Z people, healthier products for them means more protein, clean labels, natural and organic. So when we hear health and wellness, it's like for whom?

And we need to be knowing what society is growing into that, that times 160 countries. So that's what I worry about. But the same is what happened to our employees. You look after the pandemic. In the U.S., return to the workplace is a discussion. In South America, Brazil or some places of Southeast Asia, people wanted to come back to work even when our doctors were saying, please stay home, please, you haven't been vaccinated, that's not safe.

And people say, like, I want to go back. So they are 100% back since the beginning, and in the U.S., we're still discussing whether it's 3 days, what days. So my point is, all that -- being in tune to all that, that is happening in different, that worries me. And as I get older, am I still connected to all that, that I do worry.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

If we as investors were sitting in 2023 -- 2033, sorry, 10 years from now, and we're looking back at everything ADM had accomplished over the past decade, what would we say was the one big thing we had no idea was coming back, back in 2023 that made a huge difference to the trajectory of the company?

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

Yes. I think that when I talked about precision fermentation, people think I'm talking about science fiction that's going to happen maybe in 2050. And I'm saying we're making those products today. We are feeding those products to our Board of Directors. We know how to make those products. We need to scale up. We need to pick the winners. But at this point in time, we are not adjusting basic technology. We are adjusting color, we are

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adjusting texture, and we are adjusting cost position, that makes it very, very close to being commercially a buyer or alternative right now. So I think that's probably going to be the big surprise for whoever is here 2033.

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Makes sense. With that, we'll wrap it up. Thank you so much for being here. I appreciate the time. Thank you.

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

Thank you very much.

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