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Conference Call Transcript

ADM - Q4 2010 Archer Daniels Midland Company Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentleman, and welcome to the Archer-Daniels-Midland fourth quarter earnings conference call. I will be your facilitator for today's call. At this time, all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of the conference. (Operator Instructions). I would now like to turn the presentation over to your host for today's call, Mr. Dwight Grimestad, Vice President of Investor Relations. Please proceed .

Dwight Grimestad *- Archer Daniels Midland Company - IR*

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Thank you, Operator. Good morning and welcome to ADM's fourth quarter earnings conference call. Before we begin, I would like to remind you that we are webcasting this presentation on our web site, ADM.com. The replay will also be available at that address.

For those following the presentation, please turn to slide two, the Company's Safe Harbor statement, which says that some of our comments constitute forward-looking statements that reflect Management's current views and estimates of future economic circumstances, industry conditions, Company performance and financial results. Statements are based on many assumptions and factors, availability and prices of raw materials, market conditions, operating efficiencies, access to capital and actions of government. Any changes in such assumptions or factors could produce significantly different results. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events.

Slide three lists the matters we will discuss in our conference call today. I will now turn the call over to our Chairman and Chief Executive Officer, Pat Woertz.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you, Dwight, and good morning, everyone. Thank you for joining us on the call today. As you turn to slide four, as I usually do, I'll begin with safety. As we closed out our fiscal 2010, we reduced our lost workday injury rate by 26% and our total recordable injury rate by 9% compared to 2009. I would like to thank ADM colleagues and contractors alike for your efforts and commitment to improve safety. Turning to our financial results, the ADM team finished strong, capping a very good year with very good fourth quarter performance. This morning, we reported annual net earnings of $1.9 billion, or $3 per share, and quarterly net earnings of $446 million or $0.69 per share.

Our large projects are nearly finished. We have started up our dry ethanol mill in Cedar Rapid, Iowa, which should be fully operational by the end of this month, and we are moving toward completion of our propylene glycol plant in Decatur, Illinois, though we've slowed the pace as we work through some startup issues. We expect this plant to be fully operational in the fourth quarter of this calendar year.

As we begin our new fiscal year, we commit to use our strong balance sheet and cash flow to deliver shareholder value. In the past we've discussed with your our strategy to expand the volume and scope of our core model. Now, as we start the year, I want to give you a clear sense of how and where we intend to grow over the next five years. I plan to provide some detail each quarter. So let me start this quarter with global oilfeeds. We will grow crush volumes over the next five years at a compound annual growth rate of 7% to 10%. This is about double the predicted market growth, and we will achieve this through both organic growth and acquisitions. Toward that goal, we have begun construction of a soybean crush plant in the port city of Villeta, Paraguay. The plant will have a capacity of 3300 metric tons per day and is targeted to be operational in 2012. This plant adds more than 25% to our South American crush capacity, and we'll provide more information on this project in an announcement later today. In future quarters, we'll detail how and when we plan to grow AG services, corn and sugar.

Using our strong balance sheet and cash flow to generate shareholder value demands a strong capital allocation process and a pipeline of good projects. We have built that process, and we continue to fill that pipeline. We will invest in projects that when fully-integrated into our business, enable us to meet or exceed Company return rates of 2% over our weighted average cost of capital. As you may know, we have a substantial authorization for share buyback. We have recently spoken with the rating agencies and have regained some flexibility for share repurchase. We did buy back $100 million of shares in the fourth quarter. Going forward, as we look at uses of cash flow, share repurchase is now among our options.

Our performance this quarter again demonstrates the success of ADM's ongoing balanced business model and the substantial growth objectives we've set focus our energy and investment for the future. As we deliver on the objectives, we will make ADM and even stronger Company, better able to serve the world's growing demand for agriculture. I'll turn the call over to Steve, who will review our segment results for the quarter. Steve?

Steve Mills - ***Archer Daniels Midland Company - CFO***

Thanks, Pat. Good morning, everyone. If you'd turn to slide five, please. Slide five lists our financial highlights for the quarter and for the fiscal year. Overall, financial results rebounded strongly this quarter from the depressed levels of a year ago, when we were feeling the impacts of the weak global economy. Segment operating profit was $799 million, up $591 million from a year ago. In a moment, I'll review these results on a segment-by-segment basis. Quarterly net earnings were $446 million, up $388 million from last year's fourth quarter, and earnings per share were $0.69, compared to last year's EPS of $0.09.

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Looking at our effective income tax rate, you'll note that our full-year rate came in at just under 26%, mainly due to a slightly more favorable final geographic mix of earnings than we had been forecasting. Finalizing this full-year rate then resulted in a tax rate for the quarter of about 19%. And as a reminder, last year's income taxes for the quarter and year included charges of $61 million and $158 million, respectively, related to changes in the holding Company's structure of our equity investee Wilmar International Limited.

As we look forward to fiscal year 2011, we're estimating at this time a tax rate of about 28%. As you can see from the waterfall chart for the quarter, on the bottom left of the page, we've called out a couple of items. LIFO had a negative impact this quarter of $15 million after tax, or approximately $0.02 per share, due to rising commodity prices; and with the start-up of our new plants being so significant in fiscal year 2010, we thought it would be useful to call these costs out for you. We encourage start-up costs this quarter of $24 million after tax, or $0.04 per share, Relating mostly to our new Cedar Rapids dry mill, our PHA facility and our Brazilian sugar cane ethanol operations. And you can see the full fiscal year start-up costs on the right-hand side of the page. Slide six shows the quarter and fiscal year summary of our operating profit by segment. You'll note that for the quarter, each of our segments showed an increase in operating profit.

Let's now turn to slide seven to begin a review of each segment in greater detail. We'll start with Oilseeds processing. Oilseeds operating profit was $359 million, up from last year's fourth quarter operating profit of $227 million. Crushing origination results increased $77 million to $218 million for the quarter. Year-over-year crushing volumes increased in the quarter, with decreased North American volumes more than offset by increases in South America and Europe. Good positioning favorably impacted our North American and European soybean and soft seed crushing margins.

Refining, packaging, biodiesel and other results increased $58 million to $79 million for the quarter. Recently expanded biodiesel production capacity at Rondonopolis, Brazil, allowed ADM to capture good margins and volumes amid strong demand. Last year's quarter also included charges related to the formation of our Stratus Foods packaged oil joint venture. Asia results of $62 million for the quarter reflect continued strong performance of our equity investee, Wilmar International Limited.

For crop update, the projected soybean carryout for crop year 2010-2011 is 360 million bushels. The July 9 USDA Planting Intentions report showed that US farmers planted 78.9 million acres of SOYbeans in 2010, up from the 77.5 million acres planted in 2009. The crop is progressing well and with good August weather, we would expect a large US harvest this fall. This year's South American SOYbean crop was a record 134 million metric tons, up 37 million metric tons from last year's harvest. The Canadian canola crop is projected to decline from 12.6 million metric tons to 10.3 million metric tons, it looks as if the canola supply will be tight. And the European rape seed crop is projected to decline from 21.6 million metric tons to 19.3 million metric tons.

Looking at current market conditions, as the South American soy crushing industry runs hard to process a record crop, North American soy crushing has slowed. At the same time, the South American farmer has been a reluctant seller, which has put pressure on crush margins. We see growing, long-term demand for protein meal, but short-term excess processing capacity is resulting in softer crush margins. Global protein meal demand is projected to grow by 5% for the 2010-2011 crop year, up from a 3% growth rate in the 2009-2010 crop year. The projected increase in demand is driven primarily by Asia, although growth is expected in all regions. Without a blending credit in place, the US biodiesel industry is essentially shut down, resulting in high Soybean oil inventories. We have seen some vegetable oil exports from the US. Biodiesel demand in South America and Europe is growing, driven by increasing mandates.

Moving to corn processing on slide eight. For the quarter, corn processing results increased $151 million to a profit of $140 million, on stronger bioproducts' performance that was partially offset by weaker results from sweeteners and starches. Sweeteners and starches' operating profit decreased $30 million from the prior year to $119 million. This decrease reflects lower average selling prices that were only partially offset by lower net corn costs. Sales volumes, however, were up due to strong export demand. Bioproducts' profit in the quarter was up significantly from last year's loss due to better margins for both ethanol and lysine. And in the quarter, bioproducts products recorded $37 million in costs related to the startup of our new plants, and for the 12 months, bioproducts reflected $107 million in startup costs.

Current crop conditions, the USDA Planting Intentions report on July 9 showed that US farmers planted 87.9 million acres of corn in 2010, up from 86.5 million acres in 2009. This crop was planted early, and we've seen favorable weather conditions. The projected carryout is 1.4 billion bushels for crop year 2010-2011.

Looking at current market conditions, ethanol spot prices are $0.40 to $0.60 below unleaded gasoline, and with the $0.45-per-gallon tax credit, the blender has a significant incentive to buy additional gallons. This $0.45 tax credit is in place through the end of the year, and like other tax provisions, Congress is considering how to extend it. We are seeing some discretionary blending above the levels required by the RFS, but the 10% blend restriction is limiting incremental blending, resulting in excess supply and a challenging margin environment. The EPA is reviewing a request to allow gasoline blends up to E-15, which will likely apply only to certain vehicle model years. Our technical team has met with the EPA

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and provided our analysis of publicly available data in support of blends up to E-12 for all cars. Demand for lysine and for corn sweeteners has been strong, and we're running our corn wet milling assets hard. In corn sweeteners, we expect industry exports, primarily to Mexico, to be close to 1.4 million metric tons this calendar year, and that's up over 700,000 tons from last calendar year.

Let's now turn to slide nine and review the operating performance of our agricultural services business segment. Ag services results were $178 million, up $195 million from last year's fourth quarter loss. During the quarter, we saw a good global supply of grains and oilseeds and modestly improving demand, especially from Asia. Merchandising and handling profit improved significantly over last year's numbers, due principally to more favorable risk management results. And earnings from our transportation operations declined on lower barge crate rates and higher fuel costs. As we look at current market conditions, the USDA is projecting near record US corn and soybean crops, and we preparing our facilities and transportation assets for a large harvest this fall, and we are certainly monitoring changing global crop conditions.

Slide 10, slide 10 is an operating profit analysis of our other business units. Overall profit was $122 million this quarter, up $113 million from a year ago. Our other processing businesses were up $108 million, reflecting improved results of our cocoa and flower milling operations, and from our equity investee, Gruma. Other processing earnings for the quarter include mark-to-market gains of $63 million related to certain forward sales commitments accounted for as derivatives. Other financial results increased $5 million due primarily to the absence of losses experienced last year in our managed fund investments.

Current market conditions, flower production is pretty well balancing wheat milling, and the North American wheat supply is ample. Cocoa and chocolate demand has improved, although low industry utilization has kept pressure on margins, and the cocoa bean supply should be sufficient to meet demand.

Turning to slide 11, which shows the major components of our corporate line. Changes in our LIFO inventory reserves due to rising commodity prices generated a charge of $23 million this quarter, compared to a year-ago LIFO charge of $54 million. The most significant item in corporate for the quarter is the $59 million unrealized loss on interest rate swaps that we entered into to lock in the interest rate for a portion of the $1.75 billion remarketing of debentures planned for calendar year 2011. Since this loss is unrealized, it will fluctuate with interest rates until we issue this debt. As 30-year rates go up from the June 30 levels we will show gains on the swap.

Turning to slide 12, slide 12 shifts to the financial statement view and shows our statement of earnings highlights for the quarter and 12 months. Net sales and other operating income decreased 5% for the quarter to $15.7 billion, as average selling prices were lower this year, partially offset by higher sales volumes in the corn and oilseed segments. Gross profit increased $565 million this quarter, mostly due to improved results across all segments. Our SG&A expenses increased 3% to $331 million for the quarter. Other income and expense was a $45 million expense this year compared to $13 million of income in the prior year's quarter. The current quarter results include the $59 million unrealized loss on the interest rate swaps, higher interest expense as we are capitalizing less interest on our construction projects, and higher non-controlling interest eliminations. Partially offsetting these charges were improved results of our equity affiliates, and I did cover the income tax changes earlier on the call.

On slide 13, we're comparing selected balance sheet highlights at June 30 against our June 30, 2009 balance sheet. Our cash balances of $1.4 billion are comparable to last year's numbers. Property, plant and equipment net of depreciation has increased as our new Greenfield projects have been completed or are near completion. Operating working capital has decreased approximately $0.5 billion due principally to lower receivables balances. Total debt is down. We have no commercial paper outstanding, and shareholders' equity grew by about $1 billion during fiscal year 2010.

Slide 14 shows the significant items impacting our cash flows for the last 12 months. Cash generated from operations before the impact of impact of changes of working capital, is up $500 million this year to $2.7 billion, mainly due to the increase in current-year earnings and higher depreciation and amortization expense. As I mentioned, year-over-year changes in working capital were essentially flat. FX and acquisitions were approximately $1.7 billion, down from last year as the pace of spending at our large Greenfield projects has slowed as we near completion of the program. We anticipate capital expenditures in fiscal year 2011 to be approximately $1 billion, excluding acquisitions. We did use some of the strong cash flows to buy back $100 million of our common stock in the fourth quarter; and, as Pat mentioned, we have regained some flexibility from the rating agencies to buy additional shares back. In summary, our financial position and key operating cash flows remain strong. While remaining focused on maintaining a strong balance sheet of financial flexibility, we are positioned very well to pursue strategic opportunities to deliver shareholder values.

Turning to slide 15, slide 15 provides an update of our recent financial performance using various financial measures. Trailing four-quarter return on invested capital, ROIC, was 9.7%, shown here as the yellow line on the chart. And our trailing four-quarter return on net assets, RONA, shown as the green line on the chart, was 12%. And as you can see, our rolling average ROIC shows the same general trend as RONA. We

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believe ROIC it is a more transparent measure and it is more easily calculated, and it can be more easily used to compare our returns to other companies, as well as against our cost of capital.

As we turn to slide 16, where we're comparing our historical four-quarter trailing ROIC against our weighted average cost per capital, you can see our returns have typically been well above lack, as we generate shareholder value across our business model. As Pat mentioned, we expect our ROIC to be at least our weighted average cost of capital plus 2%, as it did this fiscal year. Going forward, we will be reporting on ROIC relative to lack and updating this chart quarterly. I've included in the appendix five years worth of ROIC calculations. At this time, I'll turn the call back over to Pat, and we'll be glad to take your questions.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you very much, Steve. John Rice will join Steve and me for the Q&A, so, Operator, if you'll please open the line for questions.

QUESTION AND ANSWER

Operator

Yes. (Operator Instructions). And your first question comes from the line of David Driscoll of Citi Investment Research. Please proceed.

David Driscoll - ***Citi Investment Research - Analyst***

Thanks a lot. Good morning, everyone.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Hey, David.

David Driscoll - ***Citi Investment Research - Analyst***

Congratulations on a good, solid result. Pat, I wanted just to start off with the big picture question here on oilseeds. Obviously we saw a fairly different result at one of your key competitors last week, and I just wanted to ask whether or not the basis issue that seems to have affected that company would in any way affect you in any future periods, or if it was just simply ADM was positioned differently, thus the different results. So could you make some comments to perhaps alleviate some fears out there about what may or may not happen going forward?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you, David. Well, I'll start and then maybe I'll ask John to comment, as well. We can't comment about our competitors' business, but we can say that our ADM team looks holistically at our business, and from a risk position, I think we take a very conservative yet smart view of the markets. And going forward, I think you heard our views about cro conditions and market updates, and I think there's a good story here to tell about both our balanced view of it as well as our geographic look at it. John?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

I would just add to what Pat said. We don't really pay a lot of attention to what our competitors are doing in the market. We really manage our own book. But there's a lot of things, David, as you well know that go into processing margins. It can be bean basis, it can be long beans to meal, oil to meal, beans to oil and everything else. So there's a lot of moving parts in that. Just to be able to pick out one part just gets a little bit tougher. I think our group and our team managed through this last quarter's market and for the year very well.

David Driscoll - ***Citi Investment Research - Analyst***

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Would you say that out the look going forward would be consistent with results generated this quarter?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, we don't like to give forward guidance, but right now, as in Steve's comments, we do see a fairly steady and growing world protein demand. Now that North American oilseed operations are running slower than the rest of the world, and also we have increased capacity coming on in Canada. And, as you well know, conditions are constantly changing. What the August weather is going to do, what the corn harvest comes out and also how the soybean harvest comes out in here in September.

David Driscoll - ***Citi Investment Research - Analyst***

Okay. Those comments sound a bit cautious relative to where we've seen the last few quarters of excellent profitability in oilseeds. Hopefully I'm taking you right. I just wanted one more question on the balance sheet. You made comments, Steve, about the increased flexibility to do share repurchase. Can you quantify this for us in any way, and I apologize if you said it, but I missed the number on readily marketable inventories. Can you give us that number and then comment on the balance sheet and your ability to take on new debt?

Steve Mills - ***Archer Daniels Midland Company - CFO***

Okay. There are several questions in there. The first one is, you know, we didn't give you readily, Mark, I'll give you these in no particular order. The ready marketable inventories -- I didn't give the readily marketable, The total inventories were about $7.7 billion for the -- at June 30.

From a flexibility perspective, that's exactly what we have. We have flexibility within our current ratings to buy some shares back. It's not -- we're going to do that in an opportunistic way and we're going to do it in a way that maintains that credit rating that we have. So that share buyback opportunity is going to be in the mix with our acquisition program and CapEx program. So we're not going to lay out the exact number, but it's going to be a number that certainly fits within our current credit rating.

David Driscoll - ***Citi Investment Research - Analyst***

I suppose --

Steve Mills - ***Archer Daniels Midland Company - CFO***

Sorry. Go ahead.

David Driscoll - ***Citi Investment Research - Analyst***

I suppose what I was trying to draw, the idea that if net debt -- you know, total debt minus cash is $6.5 billion, and readily marketable inventories, I think last quarter it was over $5.5 billion. That would put -- if you treat readily marketables as a cash equivalent, then it would put ADM's balance sheet as one of the lowest-levered multiples I have seen in a very long time. So I think, quite frankly, that you're -- maybe some people wouldn't understand that you're being very understated when you say that you have flexibility. Thus the question goes to right to the heart of the share repurchase. It would feel like you should have significant capacity to do share repurchase, but your comments would maybe seem a bit more tempered than that. So I was simply trying to draw out a little more.

Steve Mills - ***Archer Daniels Midland Company - CFO***

Well, I think there's two points. First of all, readily marketable inventories are just that. We do use them to market and make profit. So as they are considered in our rating, it has a little different feel than just cash and other financial flexibility. And, as you're well aware of, and as we've demonstrated in the past, we do like to have a little bit in reserve just in case of volatility in the commodity market. So we do have more flexibility, we continue to have ongoing conversations with the rating agencies. We're just pleased to have that lever in share buyback of the arsenal.

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David Driscoll - *Citi Investment Research - Analyst*

Okay. I'll pass it on. Nice job.

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Thanks, David.

Operator

Your next question from the line of Mr. John Roberts of Buckingham Research. Please proceed.

John Roberts - *Buckingham Research - Analyst*

Good morning.

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Hey, John.

John Roberts - *Buckingham Research - Analyst*

Could you provide a little more color on the EPA's evaluations going on? Sounds like you're expecting, or at least they're working on a split approval here for different years of car?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

I'll start, John. As you know, they're reviewing a request to allow gasoline blends up to E-15, which is likely to be only applicable to only certain model years. While we support that, we're also concerned that any regulatory outcome that cannot be applied to all cars or might not be applicable to all cars will not be widely accepted. So we have formerly requested that the EPA consider up to E-12 in the context of its E-15 waiver request. So that you could use E-12, they would be allowed for use in all vehicles.

And we've studied the available technical data and our technical team has provided the analysis to the EPA in support of blends up to E-12 for all vehicle model years, and so we think we've shown the EPA they have likely -- they have multiple options to punch through this blend wall, but I can't predict the outcome. So we're hopeful, but we'll see.

John Roberts - *Buckingham Research - Analyst*

And then, secondly, back on the -- you said you regained financial flexibility for share repurchase. Do you have to maybe buy back debt equal to equity, or do you have any constraints like that? Maybe characterize what flexibility means?

Steve Mills - *Archer Daniels Midland Company - CFO*

Flexibility means that I can buy back shares right now with my current balance sheet, to a certain level. Once we get past that, then there's all the moving parts, such as buying back debt, et cetera. So at this point in time, we have some flexibility to buy shares back as is.

John Roberts - *Buckingham Research - Analyst*

Thank you.

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Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thanks, John.

Operator

Your next question comes from the line of Vincent Andrews of Morgan Stanley. Please proceed.

Vincent Andrews - ***Morgan Stanley - Analyst***

Sure. Thanks, good morning, everyone and congratulations. Just a quick housekeeping question, and then I've got another one. Just on your processed volumes, can you remind me, Corn Processing, is that just the sweeteners and starches and bioproducts or does that encompass the corn component of Ag Services?

Steve Mills - ***Archer Daniels Midland Company - CFO***

It does not include the corn portion of Ag Services. That's the volumes of corn we're processing through -- (inaudible -- multiple speakers).

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. And the huge step-up in volume is just a function of the new ethanol plants? That we saw both in the quarter and in the fiscal year?

Steve Mills - ***Archer Daniels Midland Company - CFO***

Yes.

Vincent Andrews - ***Morgan Stanley - Analyst***

That's the majority of the change. Okay. So that's no issue with crop quality or anything else that's driving more corn through the plants?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

We had a slight increase in the wet mill grinds that we try every year. But the majority, as Steve said, is through the dry mills.

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. And then maybe, Pat, I'll ask a follow-up on the ethanol issue. Everything I hear out of Washington on going to an E-12 suggests EPA would want to do their own testing. Is that -- I understand that you're presenting the work that you guys and others have done. Is that sort of the response you've gotten from them as well?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Well, they have asked the DOE for additional testing, which has taken some time. It's not complete, as I understand it. So they've also asked if we had any additional data to provide it. So we used all of the data of record and scoured more publicly available data and put that in a format that -- with our analysis, to support as well.

Vincent Andrews - ***Morgan Stanley - Analyst***

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And do you have any insight from them as to why they're not sort of looking at it on their own, or if this is something that they'll want to open up and do on their own in the future? Is there general receptivity to the idea?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Well, the EPA staff and our technical staff and any time we've met, there's been receptivity to good signs, good data, good discussion and analysis. So we'll see. We're hopeful.

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. And then maybe my last question will just be on what's going on with the global wheat crops. Maybe John, if you could just sort of give us a compare and contrast what's taking place today relative to what took place sort of around the 2007 timeframe; and how far are we from getting through the Ag Services band back together and starting to see a real pickup in profitability in that business?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, the difference between those two different timeframes -- and I want to quantify that, as of today, since we have a lot of moving points right now, is we do have bigger crop carryout when it comes to wheat and other oilseeds also, which should help with other blending opportunities. But just like we come in Monday, the Russians are not going to export wheat. We come in today, the Russians are going to export wheat. So it's a constantly moving target. We're going to have to watch the weather, we're going to have to watch the Australian weather, that's going to be the next key crop, and then I think we're just going to have to see how the harvest comes to really get a determination on what kind of disruptions of any flows we'll see.

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. But is it fair to read from your comments that you're expecting to see some opportunities, you're just not sure the extent to what they're going to be based on the status quo?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

We just don't know. If there is a poor wheat crop, the world will have to come back to the United States for wheat exports, as they did back in 2007, 2008.

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. Thank you very much. I'll pass it along.

Operator

Your next question comes from the line of Christine McCracken of Cleveland Research. Please proceed.

Michael Piken - ***Cleveland Research - Analyst***

Hi. This is Michael Piken in for Christine. Just a couple of questions. Just continuing on in the theme in terms of the global wheat supply situation, if, in fact, we do end up seeing a reduced Russian wheat crop in some of the other areas, Canada also coming in weak, do you think -- what type of impact do you think that might have on corn exports and how should we think about it net-net if we do see an increase in US corn exports given that your ethanol business and some other opportunities here in the US are also reliant on that corn?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

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Well, as the price of wheat has been -- here in the last month, has raised a lot compared to the price of corn, you will see people switch from feed weed into corn, as prices come back down. You could build a case coming out of the United States. You can see more corn exports and more wheat exports.

Michael Piken - ***Cleveland Research - Analyst***

Okay. Great. And turning back to some of the ethanol policy issues that are out there, what is your opinion given the current favorability of blending economics? I mean, if we see that blender tax credit expire at the end of this year, would you expect to see any sort of reduction in consumption given the favorable blending economics, or what is your view in terms of industry-wide volumes if that blender credit were not extended?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, currently, and as Steve comments, we're way below the mandate. So at that point in time, we would not see -- I would not anticipate any blending cutbacks with the refiners. But, as you well know, this is always a moving target, it changes from, as the price of corn moves, as the price of gasoline moves. But at the current economics, it wouldn't change, in my opinion.

Michael Piken - ***Cleveland Research - Analyst***

Okay. And then just lastly on two other policy questions. Have you heard anything regarding the extension on the Brazilian ethanol tariff? I mean, I've seen it included in several bills that are trying to do multiple things, but is it possible that we see that tariff extended on a stand-alone basis? And then finally, if you can give us any update on California and what's happening out there? Thanks.

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

On the tariff itself, I think that could be separate from the blender's credit. Like we said in the past, we're all for free trade. We -- as long as everybody plays by the same rules, and that's our view on the import tariff, as long as other parts of the world will honor our -- will take our imports or our exports, I should say, then that's what our concern is on the import tariff. But I think that will be a separate issue than the blender's credit.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

And California may be -- you want me to take that? California, Michael, has, as you know, adopted a low carbon fuel standard, and it's to go into effect in January 2011, I believe. And they're talking about extending it a year. It set a high standard, but certainly there's -- you need to calculate the individual plant's carbon intensities for -- and we believe that good science is part of that process, and I believe there's new studies from the same university studies they used the first time that revised the science, and so hopefully that will be part of the work going into the extension. So still stay tuned on the California Resources Board's work there .

Operator

Your next question comes from the line of Ken Zaslow of BMO Capital Markets. Please proceed.

Ken Zaslow - ***BMO Capital Markets - Analyst***

Good morning, everyone.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Good morning, Ken.

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Ken Zaslow - *BMO Capital Markets - Analyst*

Pat, you said on the -- early in your remarks that you, on a quarter by quarter basis, you're going to be telling us a little bit about your strategy. Is there a reason why you wouldn't want to tell us all at once? What's the reason for the progression like that?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Well I think it's more of the progression of the specificity of growth targets, Ken. So we've talked about our holistic strategy, and, as you know, filling out the global footprint and what we're attempting to do in each segment we've talk about in many of our both conferences as well as presentations. I think the example with global oilseeds of the 7% to 10% growth and exceeding predicted market growth and having some information about specific projects that are used as sort of the back-up and the clarification of that, I think lines up well when you have the projects to announce. So we're going to do that as they come forward. And it has more clarity for you, I think, and more specificity as you have more information.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. Great. The other question I have was, are the current ethanol margins sequentially higher than the quarter, and do you have any more up-front costs to be had -- to be incurred during the next couple quarters?

Steve Mills - *Archer Daniels Midland Company - CFO*

I'll take the up-front costs, and John can talk to you about the market. We do have our Cedar Rapids plant up and running. It's not to full capacity yet, so we'll have some additional costs related to the Cedar Rapids plant, and, as Pat mentioned, we're still working out some start-up issues in our propylene/ethanol glycol plant. So we'll have some, but I expect the -- certainly the pace of those costs to be dropping pretty significantly.

John Rice - *Archer Daniels Midland Company - EVP Commercial & Production*

As far as the ethanol margins, with the price volatility we've seen here in corn, I'd still say it's somewhat -- they're not real profitable. By the time you get plants that can run in a profit, but I think the whole issue still is we have about 14.6 billion gallons of capacity that will be ready to come online at the end of this year, and we're running at about 13 billion. So I'd call it close for a lot of plants, close to maybe a breakeven, depending on what the price of corn is any given day.

Ken Zaslow - *BMO Capital Markets - Analyst*

And my last question, I know this is not the biggest of all of your businesses, but wheat cocoa, you always have a hard time forecasting and getting your hands around that. Can you tell us -- and quarterly it goes all over the place, can you tell us where you see this business going? Are we at a run rate the last -- three of the last four quarters have been north of 100, and then prior to that it was like in the 50s, 80s on a quarterly run rate. Can you just tell us where you think this business should be doing? Are we above or below the typical run rates? And just put some parameters around the cocoa and wheat business, if that would be possible.

Steve Mills - *Archer Daniels Midland Company - CFO*

I appreciate the question, Ken, and just as you, we do have some difficulty predicting what the bottom-line result will be for that segment, because it is somewhat dependent on how markets close and how positions move. And as we point out in the description there, that some of the results are impacted by some of these forward derivatives that we have, and that, from an accounting perspective, have to bring to market.

All that being said, as we pointed out here, we had a gain in this particular quarter that was higher than what I would call the market -- or the economics of the business. And we've tried to point those out when they got significant in the last couple of quarters. So to say that it's the run rate is not accurate. That's why we give you those numbers, to try to help cushion that back and forth. So we have some of that in all of our divisions. That happens. We're calling it out in the other, because it is so significant to that particular segment.

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Ken Zaslow - ***BMO Capital Markets - Analyst***

Is the wheat environment improving, and is the cocoa environment improving, or are they both kind of status quo? That will be my final.

Steve Mills - ***Archer Daniels Midland Company - CFO***

Well, the wheat market, our wheat business has had a very good year, and they continue to do well, again subject to some of the same market conditions that all of us face. The cocoa business has been improving, and as I pointed out, but it's still a tough operating environment on the cocoa side. John, is there anything you'd like to add?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

No.

Ken Zaslow - ***BMO Capital Markets - Analyst***

Great. Thank you.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thanks, Ken.

Operator

And your next question comes from the line of Diane Geissler of CLSA. Please proceed.

Diane Geissler - ***CLSA - Analyst***

Good morning.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Hi, Diane.

Diane Geissler - ***CLSA - Analyst***

Congratulations on your quarter.

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Thank you.

Diane Geissler - ***CLSA - Analyst***

You know, when you reported your March results in the Corn Processing unit, you had talked about mark-to-market, and I think that at that time, it was estimated that if you had not had the mark-to-market, you would have had an operating profit sort of similar to previous levels. Was there a flow back on that mark-to-market in the said quarter; and if so, how much was it?

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Steve Mills - ***Archer Daniels Midland Company - CFO***

The answer is there was a little bit of a flow back, but not enough to mention.

Diane Geissler - ***CLSA - Analyst***

Okay. So if we look at the operating results in this quarter, that's a pure, for the most operating number.

Steve Mills - ***Archer Daniels Midland Company - CFO***

That's fair.

Diane Geissler - ***CLSA - Analyst***

And when would we expect that mark-to-market then to flow back into the P&L.

Steve Mills - ***Archer Daniels Midland Company - CFO***

Well, as I think we've pointed out on the last conference call, that some of that mark-to-market did come into this quarter; but you have to remember it's a position that is constantly moving, so -- and then part of that flows back to prior quarters. So it was a mixture of both. There was some hedging effectiveness in there. So we did bring the results of that position, or part of that into the quarter. As I said, though, it just wasn't a significant impact.

Diane Geissler - ***CLSA - Analyst***

So I guess what I'm asking is, for the next two quarters, should we expect a benefit left over from the March quarter, or is it wash away?

Steve Mills - ***Archer Daniels Midland Company - CFO***

No. There's not much -- nothing significant there going forward.

Diane Geissler - ***CLSA - Analyst***

Okay. Perfect. And then on the plant you're building in Paraguay, is that included in $1 billion CapEx budget you gave, or could you help us understand how much it will cost to build that facility?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

We'll probably not give you the full cost, but yes, it is included,the amount of spending we will make in 2011, Diane, is included in that rough $1 billion spending.

Diane Geissler - ***CLSA - Analyst***

And I assume you'd have some spending in fiscal 2012 for that plant, as well. Is that correct?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

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That's correct. We expect to have it online in 2010, so it would -- additional spending would move into 2012, too.

Diane Geissler - ***CLSA - Analyst***

Okay, perfect. And then the remarketing of the debt securities, can you -- I think you said when you expected to do that, but could you just remind me? I missed that.

Steve Mills - ***Archer Daniels Midland Company - CFO***

That will be in 2011. I think it can actually be done over a period of time, and I believe -- I'm guessing, I'd have to look at it, but I believe it starts in March.

Diane Geissler - ***CLSA - Analyst***

Okay.

Steve Mills - ***Archer Daniels Midland Company - CFO***

I think I get between March to June that I've got that window.

Diane Geissler - ***CLSA - Analyst***

So the volatility on the interest rate swap will swing quarter to quarter between now and March of 2011 based on where interest rates are?

Steve Mills - ***Archer Daniels Midland Company - CFO***

That's correct.

Diane Geissler - ***CLSA - Analyst***

Okay. Perfect. Thank you.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thanks, Diane.

Operator

Your next question comes from the line of Robert Moskow of Credit Suisse. Please proceed.

Robert Moskow - ***Credit Suisse - Analyst***

Hi. Thank you.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Hi, Rob.

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Robert Moskow - *Credit Suisse - Analyst*

Pat, maybe you can take a step back and help us understand the overall corporate strategy here. On one hand you're saying that there's a lot of cash and you're leaning toward buying back shares, but on the other, you're saying you're going to double the growth rate for Oilseeds Processing at a time when there's actually kind of a weak crop in Canada, and we already hear about some excess capacity sitting around in North America. And then we have the same kind of situation in ethanol where you're opening up a plant at a time when there's excess supply of ethanol.

So are you trying to make kind of an aggressive stand here and saying that you're going to build while others are contracting? So maybe you can just give maybe a general comment about your market share objectives here. Are you trying to take advantage of an environment where everyone else is kind of pulling back?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

There's a couple questions in there, Rob. So let me start with we have very strong cash flows, cash from operations, as you know. And as we've wound down this organic capital spending, our cash will be very strong. When I talk about our strategy, it's an investment for the future. It's growing and it's growing over a five-year period. So, as and example, the growth in global oilseeds is an annual -- compound annual growth rate of 7% to 10%, but it's over a five-year period.

So yes, it's important to invest, sometimes even when you're on a little bit of a down cycle or not. Timing isn't always perfect, but sometimes timing can be very perfect relative to acquisitions and when things come online, so strong cash flow, good investment for the future, good opportunities. We have to continue to look at the pipeline and be disciplined about those investments. But we feel good about our opportunities longer-term.

Robert Moskow - *Credit Suisse - Analyst*

And if I could drill down in oilseeds, then, this plant in Paraguay, to what extent is that going to be contributing to this 7% to 10% estimate you're making? Is it half of that incremental growth rate? And then to what extent do you think you need to make acquisitions to hit that 7% to 10%?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Well, I think, to hit the 7% to 10%, we will -- it will be both organic and acquisitions. It represents about 25% of the South American crush and about 3.5% of total global crush. So it's a move, but it's not the whole piece. So we'll continue to build. We've talked about Eastern Europe. We've talked about South America. We continue to have Indie on our radar screen. So you'll hear more in the future as things are specific in those regions. But yes, we'll need more than just this plant, but it's part of the puzzle.

Robert Moskow - *Credit Suisse - Analyst*

And how aggressively are you pursuing acquisitions right now? Is there a big pipeline of perspective deals, more so than there was a year ago?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Well, I'd say that we have both process and deal flow has increased, and process is to allow both a capability internally that we have as well as people on the ground, and our evaluation process et cetera is strong, and we continue to look and fill the pipeline with opportunities, obviously, things not necessarily that we can talk about, but yes, we're improving that pipeline. I'd say there's more than there was a year ago, yes.

Robert Moskow - *Credit Suisse - Analyst*

Okay. Well, thank you.

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Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Thank you, Rob.

Operator

Your next question comes from the line of Christina McGlone of Deutsche Bank. Please proceed.

Christina McGlone - *Deutsche Bank - Analyst*

Good morning. Just following up on Rob's questioning, I mean, you talk about in the short-term excess capacity in oilseeds globally. I think one of the reasons the US has excess capacity is because of your plant expansions that you've done. So I'm curious, how do you know that the market is going to be able to absorb the capacity you're adding in Paraguay and perhaps other places?

John Rice - *Archer Daniels Midland Company - EVP Commercial & Production*

Well, we feel that this plant is very well-located and it's really a long-term trend, like Pat was mentioning. Global demand will keep increasing as the population keeps increasing. We look for a 5% compound and annual growth rate when it comes to that. So we're always looking at where we feel the best investment is, where we could -- where these assets would fit into our global value chain, and, we're not going to hit every quarter right on when the plant comes on, but we still believe in the long-term.

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Christina, I'd add, too, to Don's point , that soybean production in Paraguay has been growing, it's been growing at double digits, I think 13% for the past 10 years. Our strategy has been to increase our origination and the logistics in the region. So building the plant is actually an important move and a continuation of that strategy. I think the market absolutely is both asking for that plant and I think we'll have a good position

Christina McGlone - *Deutsche Bank - Analyst*

Okay. Thank you. And then, Pat, for E-12, if it was applicable to all vehicles, you wouldn't have that liability in terms of splitting up the vehicle fleet, but would there be other liability issues in terms of pumps and underground storage or do you think if E-12 were approved by the EPA, that immediately it would be adopted?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Well, I think if it's applicable to all cars, all cars in the fleet, The issue of substantially similar comes into play, so it works through the gasoline coal in the same way as E-10 does today. You don't need additional labeling, there' no additional issues related to pumps, infrastructure, et cetera. It merely flows through the system the way E-10 does today. So that's the positive side of having any amount of ethanol in the entire fuel pool, that there's not this bifurcation, so to speak, in it.

You asked how readily adoptable. I think eight out of 10 of our customers talk about blending economics. I think they would like to be blending beyond the current rates, because the economics are there. So I believe it would be acceptable in the market as increases have been in the past.

Christina McGlone - *Deutsche Bank - Analyst*

Okay. Thank you, that's helpful. And then my last question is on -- in terms of starting up Cedar Rapids, given the fact that corn does seem to be tighter in the US than expected based on the last stocks report. Are we looking at any sort of procurement issues or basis issues in the near- term in order to get that plant up and running?

John Rice - *Archer Daniels Midland Company - EVP Commercial & Production*

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We do not see it. The USDA is still calling for about a 1.4 billion-bushel carry out this year and next, fairly close. The rough rule of thumb is anytime it's over 1 billion bushels, there's plenty of stocks.

Christina McGlone - ***Deutsche Bank - Analyst***

Okay. Thank you. Thanks, Christina.

Operator

Your next question comes from the line of Bryan Spillane of Bank of America. Please proceed.

Bryan Spillane - ***Bank of America - Analyst***

Hi, good morning.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Morning, Bryan.

Bryan Spillane - ***Bank of America - Analyst***

Just two questions. One, working capital was, I guess, slightly favorable or a slight benefit to cash flow this year. So if we're thinking about working capital in fiscal 2011, can you just talk a little bit about what some of the variables might be from where we stand today? I guess the thing I'm thinking about, more specifically, is just given where crop prices have gone recently, is it going to be difficult -- would working capital actually be a drag this year?

Steve Mills - ***Archer Daniels Midland Company - CFO***

It's a good question, Bryan, but as we look at it, the most significant factors -- well, certainly is price and the volatility in the price. So assuming we can carry the same quantities, we've got the price both in the inventory as well as in the underlying receivables, as we collect those. So that's always the biggest wild card for us by far.

I think the other interesting component is the quantities themselves. Of course, we're adding a bit more processing capacity in the Company; but I don't believe that will significantly move the working capital per se. The question more likely is -- the phrase we use here is, what is the market telling you to do with inventories? We see with some of these large crops, especially here in the US, we could have more peaks and valleys in the working capital as the harvest all comes potentially at one time, and we could see more inventory quantities as the market conditions dictate.

So it's a real wild card. That's one of the reasons we leave ourselves with as much flexibility in our balance sheet as possible. The good news with that is that it always runs through a cycle, right? These commodities are purchased and processed in a period, and it does flow through. So sitting here today, it's hard to predict, but we have both the price and a quantity question here.

Bryan Spillane - ***Bank of America - Analyst***

Okay. So is it fair for us to assume that in the conversations that you all had with the rating agencies that they asked a question about some outlook on working capital? That's a factor they were thinking about in terms of the flexibility?

Steve Mills - ***Archer Daniels Midland Company - CFO***

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I think certainly, Bryan -- and it goes back to the last couple of years and the reasons why they've been very conservative with us. They certainly have memories of 2008 when commodity prices went as high as they did, and that's factored into their thought process as they evaluate our credit, just as it goes through ours as well. So there's no question that's part of their consideration.

Bryan Spillane - ***Bank of America - Analyst***

Okay. And then just one last question. In terms of -- as you're thinking about decisions today to build new facilities or make acquisitions, can you talk a little bit about today, just construction costs? I'm assuming relative to where it was a few years ago when you started building ethanol facilities, construction costs may be a little bit more favorable today than they were then, and if you can just think about if that has been a factor in terms of driving your decision in terms of build versus buy.

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, the reason we're building in Paraguay, as Pat mentioned, it's a growing area. We're building a fertilizer plant. It just really fits into our total infrastructure in Paraguay. But as you go around the world, we will be, I would say probably more acquisitions than on the Greenfield sites. But we've been many places. We've talked to many people, and we will decide what makes the most economic sense at the time.

But to your point -- to your other question, as costs come down, it depends on the country and the unemployment situation. So it's kind of tough to just put a cart blanche statement out there on the costs. We've seen steel prices go up and down. So it's -- I would say it's a little bit lower globally than the peak, but not substantially.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Maybe adding to John's point there, just a moment, Bryan. Also it depends on -- if you recall, we had quite a tight contractor work force issue in the US three years ago when we started this plant construction, and that became a bit of a higher cost for us, but that has subsided now.

Bryan Spillane - ***Bank of America - Analyst***

Okay. Great. Thank you.

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

You're welcome, Bryan.

Operator

Your next question comes from the line of Ann Gurkin of Davenport. Please proceed.

Ann Gurkin - ***Davenport & Co - Analystr***

Good morning.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Good morning, Ann.

Ann Gurkin - ***Davenport & Co - Analystr***

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Just wondering, trying to get a better understanding on the Ag Services segment and how we should look at volume with these record crops as we look out for that segment. Looks like this quarter benefited from the favorable risk management. Can you help me understand how I should look at it going forward?

Steve Mills - ***Archer Daniels Midland Company - CFO***

I mean, I'll start here, and let John or Pat chime in. I think, as we look at Ag Services as we sit here today, we are anticipating near-record US corn and soybean crops, and here in the US specifically, where we have a tremendous amount of storage and capacity, that should bode well for our handling and storage side of the business. That's in contrast to last year, though we ended up with a large crop, it was more -- it came over more ratably during the year as well as much wetter. So there's always a different set of opportunities. We have seen good demand, which is really the driver of all in the end. We've seen good demand recently. That's encouraging, and then the question that we -- that's the most hard to predict is how much volatility in the market and where are you positioned relative to that volatility. John, I don't know if you want to build on that at all?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well to Steve's point, that we've been able to export soybeans out of the United States this summer, which here six months ago, I don't think many people would've thought would happen. And as we talked earlier, on the global wheat crop, what happens in Russia and Australia, that will have an effect on the exports of wheat out of the United States, and also the relationship with the price of wheat to the price of corn. Will we see more corn exports, plus how is the Chinese weather? I mean, with their corn crop? So there's still a lot of variables. But right now looks like have a very good crop in the United States.

Ann Gurkin - ***Davenport & Co - Analystr***

And then picking up on the Chinese comment, how do you look at China in the global supply and demand picture and can you help us walk us through your thought process?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, the bean exports have been better than people have expected throughout the year. And they have been importing a little bit of corn, but no major -- no big numbers, I should say, and I think it's going to depend on their crop size.

Ann Gurkin - ***Davenport & Co - Analystr***

Great. Thank you, all.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thanks, Ann.

Operator

Your next question comes from the line of Ian Horowitz of Rafferty Capital Markets. Please proceed.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

Good morning, everyone.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

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Good morning, Ian.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

Can you just talk a little bit, Pat, I guess, about the biodiesel tax credit issue? You said basically for the US, you're pretty much shut-in now due to the lack of economics for blending. First of all, is this progressing at all? Do you see kind of an end to this? Will your North Dakota assets kind of come back and starting producing to the income statement? And secondly, does this make you at all concerned about -- the reluctance of putting the credit back on, does it make you at all concerned about the $0.45 blender credit on the ethanol side?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Well I think, as Steve said in his remarks, that without the blending credit in place, it's sort of the industry, the US biodiesel industry is essentially nonexistent. We have seen some vegetable oil exports from the US. There have been several discussions in Congress or members of the staff that have tried to put the extension in various bills, but with the discussions in Congress today, I guess -- to find a bill to attach it to, which may be a similar situation for the ethanol tax extension upcoming here at year-end. I think there's positive signs that people want to extend it. They understand in an overall energy policy that this is part of the mix and should be a strong part of the mix. But again, you need a bill to get it through.

So more time left to do the one on ethanol and perhaps the biodiesel credit could still be retroactively applied. That's -- some are still discussing that.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

And then the second part, is this a concern when you look out at the $0.45 ethanol credit and its expiration here at the end of the year?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Well I guess, as I said, there's -- depending on where Congress is, there's a discussion about the extension of the tax credit and finding a way to pay for it, so to speak, and having it as part of another bill. So there's always a concern when a tax credit is about to expire, but I think there's good discussion, and think those that are involved understand the issue and understand how many jobs are at stake and how much of the ethanol business contributes to the rural economies, et cetera. So I think there's very good understanding.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

Okay. Then the next question, the south American farmers' reluctance to sell into the market, it seems to have caught a couple of people by surprise this year. How -- I guess can we quantify a little bit to some degree, how much of a surprise this was, how typical -- has this happened in the past? And what can be done in future years to kind of hedge out this risk of reluctance to sell?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, throughout the world you'll have different scenarios and different timings on when farmers will sell the crops. It can be tax reasons, it can just be inverses in the markets, it can be different carries, it can be just transportation issues. So -- and currencies can also come into play.

So I don't think there's a real rule of thumb on how farmers sell their crops throughout the year. It's kind of a little bit of a moving target all the time. It's more about how you position, how you make your sales. You have X amount of demand going on globally all the time, and how you cover those positions. I guess I don't really know how else to answer the question.

Steve Mills - ***Archer Daniels Midland Company - CFO***

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I'll jump in a little bit. It's also dependent on how the farmers have done in the prior year, availability of credit. It's a long list of subjects. When I think about Brazil specifically, the question of currency is a big one, because soybeans are priced in dollars around the world, and that strengthening of the Brazilian currency just cuts into a Brazilian farmer's margins. So they're big farmers, and -- many of them are big farmers, and part of it's their ability to be able to hold the crops. Some can, some can't. So it all fits into their own risk management profile.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

And, Ian, I'm jump in here, too, Ian. We take a global view of this, ADM's risk management is a very global system where we consolidate daily, if you will, in one spot and one view and share that view. And I think it helps to understand what's going on in lots of different markets, as well as what farmers are viewing in any particular region. So I'd just say it's part of our overall way we look at risk management.

Ian Horowitz - ***Rafferty Capital Markets - Analyst***

Okay. Great. Thank you.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you.

Operator

(Operator Instructions). And your next question comes from the line of David Driscoll of city investment research. Please proceed.

David Driscoll - ***Citi Investment Research - Analyst***

Thanks a lot for taking the follow-ups. I see the time, I'll try to be quick. Steve, can you talk about the acquisitions just in terms of like a dollar figure that you would be comfortable in handling? Would $500 million to $1 billion in acquisitions be kind of a reasonable guess? Obviously I know this is kind of a hypothetical. It depends on they actually can -- if you can come to terms with them. But I'm just trying to get a sense of scale.

Steve Mills - ***Archer Daniels Midland Company - CFO***

Well, we certainly have that capacity to do that, and if we think about -- and maybe even more than that. The pipeline easily supports that level of acquisition. It just depends how many are out there. So I don't think I have anything to add beyond that.

David Driscoll - ***Citi Investment Research - Analyst***

Can you comment on the depreciation and amortization for fiscal 2011 given the new plants that you guys have completed and will complete?

Steve Mills - ***Archer Daniels Midland Company - CFO***

Well, yes, I can. Let me just -- I'm going to cheat here because I have a piece of paper that helps me with the new plants. The depreciation -- and, again, it's a moving target, but we ought to be up $70 million or $80 million from last year, just thinking about the new projects year-over-year. I have to think about the rest of them. But we'll certainly be up on the cash flow.

David Driscoll - ***Citi Investment Research - Analyst***

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And last question, can you say what the increase in volumes was in the starches and sweetener unit? Obviously the segment itself was up. The way you guys report the overall segment, it blends in both pieces, but i'm just curious, can you give us any sense to what the increase was in volumes in starches and sweeteners?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

Well, I can tell you that we're running our fructose assets at full capacity and we've actually slowed down our ethanol here in Decatur, but we are -- I mean, it's kind of a little bit of a moving target, but right now we're running our assets hard.

David Driscoll - ***Citi Investment Research - Analyst***

Thank you.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thanks, David.

Operator

Your next question comes from the line of Vincent Andrews of Morgan Stanley. Please proceed.

Vincent Andrews - ***Morgan Stanley - Analyst***

Thanks for the follow-up. Pat, just a quick follow-up on the E-12. A substantially similar ruling, would that automatically change the automobile warranty, which right now is 10% to 12%, or does something else need to happen to incentivize the automobile manufacturers in that instance?

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

I don't know. I don't think there's and automatic to any liability issue, but I think there are -- I can't speak for the auto manufacturers in total, but there are ones that support the E-12 in the full carpool because they know their fleet is capable of it. So I can't comment about the liability issues, though. I don't know.

Vincent Andrews - ***Morgan Stanley - Analyst***

Okay. Thanks very much.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you.

Operator

Your next question comes from the line of Ken Zaslow of BMO Capital Markets. Please proceed.

Ken Zaslow - ***BMO Capital Markets - Analyst***

Another question, you said that your process for acquisitions has changed. Can you talk about what changes that you've made, when they took place?

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Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Well, we've been building -- trying to get better all the time, first of all, Ken, and I think we've expanded our team that includes those that both evaluate both on the ground and the business units coordinated with our team at the center, our evaluation process, our due diligence process, as well as we've added -- we made an announcement this quarter on opening an office in Beijing, one of our strategy folks and business development executives will be leading that office and moving there, so there's been both a geographic and a capability increase in the overall process.

Ken Zaslow - *BMO Capital Markets - Analyst*

Would you say the majority of it is done in terms of how much changes that have been made, or are you still evolving to a new level of -- in terms of resources?

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Well I think we'll always continue to evolve and get better. A quick example, we're doing look-back processes. John and his team have looked back on what we spent on both capital projects, small acquisitions, larger ones. We'll look back, learn, feed it into the system for the next one. We're always getting better.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. So really wasn't an inflection point over the last couple of months? There's nothing that significantly -- it's an evolution that's changed or is there -- ? I'm just trying to figure it out, because the last Company that said they change their processes, three months later they bought National Starch. So I'm just trying to figure out how much of a change has been

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

I think it's been a focus. So I'll call it a change that's stepped us up because of the focus, and I think it's a focus for a greater number of leaders.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. Thank you.

Pat Woertz - *Archer Daniels Midland Company - Chairman of the Board*

Thank you.

Operator

Your next question comes from the line of Christina McGlone of Deutsche bank.

Christina McGlone - *Deutsche Bank - Analyst*

Thank you. John, I forgot to ask you, can you talk about how the short rape seed crop in Europe, what are the implications there? Is it a net negative because of lack of availability, or will you see maybe more SOY products going to Europe and it could be a positive?

John Rice - *Archer Daniels Midland Company - EVP Commercial & Production*

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It will have an effect on the rape seed crush in Europe. So they will need to import some more protein. There is some talk that they will actually import some more corn, maybe some more corn byproducts. But it will have an overall protein effect on them. But I think so much still so much still depends on how the wheat harvest comes, on what their total needs are going to be.

Christina McGlone - ***Deutsche Bank - Analyst***

And in terms of your positioning to deal with that, should we think about it as a threat, an opportunity? How would you categorize it?

John Rice - ***Archer Daniels Midland Company - EVP Commercial & Production***

We like to come in every day and say there's new opportunity out of that.

Christina McGlone - ***Deutsche Bank - Analyst***

I'm surprised that was the answer. Okay. And, Pat, the other question I had is there's been talk by Peterson and I think Growth Energy about maybe, instead of having an ethanol tax credit, using the funds to actually fund infrastructure build-out to use ethanol. I was curious what your stance is on that.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Well, we haven't studied it thoroughly. I think every time you have an opportunity for an innovative idea or using innovation or current ideas, it's helpful to talk it through. We think support associated with the V-tech is important here, and if there are suggestions to get that kind of support in another way around, we'll certainly look at it.

Christina McGlone - ***Deutsche Bank - Analyst***

Okay. Thank you.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you.

Operator

At this time, there are no further questions in the queue, and I would like to turn the call back over to Pat Woertz, Chairman and CEO, for closing. Please proceed, ma'am.

Pat Woertz - ***Archer Daniels Midland Company - Chairman of the Board***

Thank you so much for your time, everyone, and all your questions today. As you close out a year, it's sometimes good to take a moment to reflect, and I would like to say bravo to the ADM team and thank you for a very good year. We have slide 18 showing a couple of upcoming investor conferences and we'll look forward to talking with you in November. Bye now.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a wonderful day.

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