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## Conference Call Transcript

ADM - Q4 2011 Archer Daniels Midland Co Earnings Conference Call

Event Date/Time: Aug 02, 2011 / 01:00PM GMT



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## PRESENTATION

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### Operator

Good day, ladies and gentlemen, and welcome to Archer-Daniels Midland fourth-quarter conference call. My name is Carmen; I'll be your coordinator for today. At this time all participants are in a listen-only mode. (Operator Instructions). Later we will conduct a question-and-answer

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session. I would now like to turn the call over to your host for today, Mr. Dwight Grimestad, Vice President of Investor Relations. Please proceed.

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**Dwight Grimestad - Archer-Daniels Midland Company - VP of IR**

Thank you, Carmen. Good morning, 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 website, (technical difficulty).com. (Technical difficulty) will also be available at that address.

Those following the presentation, (technical difficulty) slide 2 (technical difficulty) the Company's Safe Harbor statement. (Technical difficulty) says that some of the comments constitute forward-looking statements that reflect management's current views (technical difficulty) estimates (technical difficulty) for economic circumstances (technical difficulty) company performance (technical difficulty).

Statements are based on many assumptions and factors (technical difficulty) availability and prices, raw materials, market conditions, (technical difficulty) operating efficiency, access to capital and actions (technical difficulty) assumptions, (technical difficulty) factors (technical difficulty) and permitted under applicable law the Company assumes no obligation to update any forward-looking statements (technical difficulty) future events.

On slide 3 -- lists the matters we will discuss on the conference call today. And now please turn to slide 4 as I turn the call over to our Chairman and Chief Executive Officer, Pat Woertz.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thank you, Dwight, and welcome and good morning, everyone, to our fourth quarter conference call. I will begin, as always, with safety. During our fiscal year 2011 we reduced our lost workday injury rate by almost 7% and our total recordable incident rate by 17% compared to fiscal 2010. However, we're still not at zero incidents, zero injuries or even fatalities, so we must and we will continue to make meaningful progress on safety.

Turning to our financial results, this morning we reported fourth-quarter net earnings of \$381 million or \$0.58 per share on a fully diluted basis. Segment operating profits were \$888 million, up 11%. Excluding LIFO and other specified items, particularly some tax items, which Ray will discuss in a moment, ADM earned \$0.69 per share.

Despite a challenging environment in several key markets, ADM delivered solid operating results across all of our businesses for the quarter. We earned record operating profit for the fiscal year with our growing global asset base, diversified product portfolio and the acumen of the ADM team.

Since our last call we've continued to execute on our strategy to drive profitable growth and shareholder return. I'd like to recap seven expansions, acquisitions or projects from the quarter.

In North America we announced expansion of our lysine and threonine production capacity to meet animal producers' growing demand for amino acids. Second, we acquired Cattleman's Choice Loomix, a liquid animal feed supplement business taking our entrance into the business and complementing our broad line of dry feed offerings. And we are adding two joint venture shuttle train loading elevators in the Dakota's as well as an ADM owned facility in Minnesota. These will primarily serve the export market to Asia.

In South America we announced plans to construct a port facility in Nueva Palmira, Uruguay to enhance our ability to connect South American crops with the global market. In Asia we opened our feed remix plant in Tianjin, China to serve the growing Chinese market for animal nutrition products. And two in Europe, we acquired a grain elevator on the Elbe River in Riesa, Germany extending the reach of our origination capabilities.

And today we are pleased to announce this morning with a later press release a network project we've been working on for some time. It will increase our origination and transportation capabilities along the Danube River. We're adding 12 river elevators, one inland elevator, an export elevator on the Black Sea port of Constanta. And this seamless origination and export link is similar to our other networks, those along the Paraguay River or in fact in the North America along the Mississippi.

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We've also continued to work to strengthen the ADM organization to drive this profitable growth. This is the first call this morning in which Juan is joining us. Since he came to ADM in April, Juan's been learning our business in perhaps the best way -- visiting our operations around the world, meeting with people and working with his team to develop our fiscal year 2012 business plan.

For today's call I've asked him to highlight a few of the key areas of focus for this new fiscal year. Those areas are driving operational excellence, accelerating growth and sustaining ADM's outstanding risk-management performance. So after Ray reviews our financial results for the quarter and the year, Juan will provide an update on current market conditions and discuss those 2012 focus areas.

Looking ahead, we are confident in our people, our assets and our financial strength to deliver profitable growth and value for our shareholders as we serve the vital needs of a growing world. Now I'll turn the call over to Ray.

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Thanks, Pat, and hello to everyone on the call today. Let me share with you our fourth-quarter and fiscal year results. Slide 5 lists our financial highlights for the quarter and the full fiscal year.

For the full fiscal year segment operating profit was \$4 billion, a 24% increase from fiscal year 2010. Our return on invested capital on a four quarter trailing average basis was 9%, representing a 30 point year-over-year increase over a four quarter moving average WACC.

This quarter financial results were good despite the weak underlying margin environment in many of our businesses. Segment operating profit was \$888 million, up 11% from a year ago and in a moment I'll review those results on a segment-by-segment basis.

As you'll see on the slide, in the fourth quarter we recorded additional tax expenses to bring our cumulative effective tax rate for the full fiscal year to 33%. This additional tax expense caused our quarterly net earnings to decline 15% to \$381 million. This resulted in quarterly earnings per share of \$0.58 on a fully diluted basis compared to last year's \$0.69.

During the first three quarters of our fiscal year we estimate our full-year tax rate. In the fourth quarter we determine the actual tax rate for the year and we adjust the fourth-quarter tax rate accordingly.

As you know, we generate earnings in multiple jurisdictions around the world. Our geographic mix of earnings varies quarter to quarter and year to year. And our effective tax rates vary by jurisdiction. Last year's fourth-quarter tax rate was reduced after the reconciliation while this year's fourth-quarter tax rate increased significantly.

This fiscal year's rate was atypical and was impacted by, one, a geographic mix of earnings more tilted to the US, including, as you will hear later, in our fourth-quarter earnings. Two, a higher US effective tax rate as a result of type of earnings generated and the availability of various deductions and credits. Three, higher tax expenses due to a stronger than estimated Brazilian real currency on June 30, generating remeasurement gains that are tax-affected. And four, true-ups of various deferred taxes that resulted in higher tax expenses in the current period.

For fiscal year 2012, based on current estimates, we expect our effective tax rate to be in the 28% to 30% range.

Slide 6 is a chart that we have added to highlight adjusted earnings per share, where we have called out certain unique items we believe will help you better understand our results. First, let me walk you through the fourth-quarter column.

We recorded a LIFO credit of \$32 million after-tax, or approximately \$0.05 per share, compared to a \$0.02 charge in the same period last year. We incurred some small amounts of start-up costs, about \$0.02 a share, related to our [PGE] and PHA plants. We would expect these start-up costs to go away in the first quarter of this fiscal year.

We benefited from a \$78 million gain related to our equity investee, Gruma S.A.B de C.V., disposing of its holdings of [GF Norte] bank worth \$0.07 per share.

We discussed the book tax affects earlier. To better reflect the underlying earnings performance of the fourth-quarter, if we adjusted the actual fourth-quarter effective tax rate of 50% to the fiscal year tax rate of 33% there would be a \$0.20 per share benefit to earnings for the fourth quarter.

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In last year's fourth-quarter we showed an adjustment of negative \$0.06 per share to reflect a favorable fourth-quarter tax adjustment to bring the cumulative tax rate in line with the fiscal year rate of 26%. Therefore there are adjustments of \$0.11 per share positive for fourth quarter 2011 resulting in adjusted earnings of \$0.69 for the fourth quarter compared to \$0.75 in the fourth quarter of 2010.

For the full fiscal year you see a similar walk and put some of the items that we've called out in prior earnings quarter earnings calls. LIFO turned out to be a \$0.35 charge for the fiscal year due to rising commodity prices. We've talked in the past about the gain on Golden Peanut in our second quarter.

We also highlight the dilutive impact of if converted accounting for the equity units that we discussed in the third quarter earnings call. It results in approximately \$0.04 per share additional solution for the 2011 fiscal year. Taking the above into account, fiscal year 2011 adjusted earnings were \$3.45 per share or 8% higher than adjusted earnings for 2010 despite the 7 points of higher effective tax rate in 2011.

Slide 7 shows the breakdown of our segment operating profit. Let's turn to slide 8 to begin a review of each segment in greater detail.

Slide 8, oilseeds operating profit in the fourth quarter increased \$20 million to \$379 million. Crushing and origination operating profit increased \$14 million to \$232 million for the quarter.

North American results increased across the oilseeds portfolio, particularly in soft seeds, despite the weak margin environment. European and South American results were lower and were partially offset by positive mark to market timing effects of slightly less than \$100 million which we called out on our last earnings call. Refining, packaging, biodiesel and other generated a profit of \$86 million for the quarter, up \$7 million from last year as improved results from North America offset lower results from Europe and South America.

Oilseed results in Asia for the quarter were in line with last year principally reflecting our share of the results from equity investee Wilmar International Limited. For the fiscal year oilseeds operating profit of \$1.52 billion represented a 9% increase from 2010 (technical difficulty) set an all-time record. Crushing and origination results of over \$1 billion demonstrates strength across all oilseed categories (technical difficulty) soy, cottonseed, canola and sun. And our share of Wilmar earnings declined about \$100 million to \$178 million in 2011 compared to \$280 million in 2010.

Moving to slide 9, Corn Processing. For the quarter Corn Processing operating profit was \$118 million, a decline of \$22 million from the same quarter last year. While process volumes were up 15%, net corn costs increased significantly from last year's fourth quarter.

Sweeteners and starches operating profit of \$9 million was down \$110 million as higher average selling prices and sales volumes were more than offset by a higher net corn costs. Export demand for sweeteners remains strong.

We want to remind listeners that we generally run a hedge book for our Corn Processing business. And with higher pricing we had favorable margins for the 2011 contract year for our sweeteners business. However, we recognized a lot of the benefit of our economic hedges when marking to market in the prior quarters. In addition, we allocate the gains on these hedges between the sweeteners and starches business and the bioproducts business based upon grind volume.

Bioproducts profit in the quarter rose \$88 million to \$109 million driven by higher ethanol prices, (technical difficulty) ownership decisions, strong demand for value added food and feed ingredients, particularly lysine and other amino acids. For the 2011 fiscal year Corn Processing profits of \$1.1 billion represented a 47% increase from 2010 levels.

Again, it's important to be cautious about making any direct conclusions about the magnitude of the changes between bioproducts and sweeteners and starches year over year because of the varying impact of hedge allocation. This year bioproducts benefited disproportionately from the allocation of hedging gains on corn. Going forward we are looking at various approaches to better align the accounting results and the economic results within this segment.

Now let's turn to slide 10 and review of the operating performance of our Ag Services business segment where profit of \$193 million was an increase of \$15 million from last year's results. Merchandising and handling earnings increased primarily due to strong results from a North American [interior] elevators and export operations, which were partially offset by weaker international merchandising results.

Earnings from transportation operations were essentially flat compared to the fourth quarter of last year. For the 2011 fiscal year Ag Services operating profit of \$922 million represented a 38% improvement from 2010 levels, (technical difficulty) strengths across both merchandising and handling and our transportation businesses.

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Slide 11 is an operating profit analysis of our Other business unit. In the fourth quarter profits increased \$76 million to \$198 million. In Other processing, which includes wheat milling, cocoa and ADM's share of Gruma; profits were \$192 million, an increase of \$64 million from the year-ago quarter. ADM's portion of Gruma's results included a \$78 million gain on the disposal of the bank assets I mentioned earlier.

Other financial increased \$12 million mainly due to improved results of ADM's captive insurance subsidiary and ADM investor services. For the 2011 fiscal year Other business units improved to \$513 million. Those results benefit from the gain on the sale of the GF Norte bank assets which offset declines in Gruma's operating performance.

Slide 12 shows the major components of our corporate line. I just want to highlight the LIFO line. Market prices for our LIFO-based inventories declined in the fourth quarter resulting in a credit of \$52 million compared to a charge of \$23 million last year. For the fiscal year market prices for our LIFO-based inventories increased resulting in a pre-tax charge of \$368 million which was \$410 million unfavorable to the prior year. Other items in the fourth quarter were more per less in line with the prior year with the exception of last year's loss on interest rate swaps.

On slide 13 we're comparing selected balance sheet highlights at June 30, 2011 against our June 30, 2010 balance sheet. I'll walk through the major changes of the various asset and liability categories in the following cash flow statement. However, I do want to highlight here that despite rising commodity prices during the year we have maintained a strong balance sheet and access to liquidity.

Inventory includes approximately \$7 billion of readily marketable commodities as of June 30, 2011 compared to \$4.9 billion at the end of June 2010. At the end of the quarter we had in place a \$4.6 billion commercial -- US commercial paper program of which \$4 billion was unused. In addition, we had \$2.3 billion of other global credit lines of which \$1.7 billion was available.

Slide 14 shows the significant items impacting our cash flows for the past 12 months compared to the prior year's 12 month period. Cash generated from operations before working capital movements was \$2.9 billion compared to \$2.7 billion in the prior year.

Higher commodity prices drove the use of \$5 billion in cash in our working capital accounts. This is a sizable outflow of cash over a 12-month period. However, in the fourth quarter we saw a net inflow of working capital of almost \$2 billion.

Investments in property, plant and equipment were \$1.2 billion for the past 12 months. Including acquisitions we spent \$1.5 billion on CapEx and M&A activities in 2011. The increase in working capital and capital expenditures and investments were funded by a net increase of debt of \$2.5 billion. In addition, on June 1 we received \$1.75 billion related to the conversion of the equity units.

Also in a 12-month period we brought back 9.4 million shares for a total spend of approximately \$300 million. As I've indicated in our second- and third-quarter earnings calls, our intent is to mitigate the impact of the dilutive impact of the equity unit conversion over a two-year period from June 1.

We've already bought back 12 million shares since the original equity unit issuance in 2008 net of benefit plan linked issuances leaving 32 million shares to buy back. Of course we'll want to ensure our balance sheet remains strong enough to help drive strong business results in a period of elevated commodity prices and to undertake significant strategic investments. That could have an impact on the timing and the number of shares we repurchase.

Turning to slide 15 which depicts our financial return measure. Comparing our historical four quarter trailing ROIC against our trailing four quarter WACC; as you see, our ROIC was 9.0% and our WACC is currently running around 6.5% for a 250 point positive return over our cost of capital. As you know, our ROIC objective is to earn 200 basis points above WACC over the long-term.

For the fourth quarter our return on equity on a trailing four quarter LIFO adjusted basis was 13.3%. Our long-term ROE targets the range of 12% to 14%.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Ray, let me interrupt you here before you turn the call over to Juan. We understand from our conference call service that there was a stop or a hold on our call for the first few slides. So what I'd like to do is summarize briefly my opening comments on slide 4 and also ask Ray to cover the highlights from slide 5 and 6. And then we'll go back to the order of Juan covering the current market conditions and then some looks ahead to our 2012 focus areas.

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I began with safety, covered that, turned to the financial results which were in the press release and noted that despite a challenging environment in several of our key markets, ADM delivered solid operating results across all our businesses for the quarter. We earned a record operating profit for the fiscal year with our growing global asset base, our diversified portfolio and the acumen of the ADM team.

Since our last call I covered seven projects that were part of executing our strategy to drive profitable growth and shareholder returns, these were either project expansions or acquisitions. If you do review the script you'll see that there were three in North America, our expansion of our lysine and threonine production, our acquisition of Cattleman's Choice Loomix, and adding joint-venture shuttle train loading elevators as well as ADM facilities to expand our export capability to Asia.

In South America our port facility in Nueva Palmira in Uruguay to again connect the South American crops with global markets. In Asia the premix feed plant in Tianjin, China. In Europe the grain elevator in the Elba River in Riesa, Germany. And then this morning we will announce with a further press release this morning a network project we've been working on for some time.

It will increase our origination and transportation capabilities along the Danube River. We're adding 12 river elevators, an inland elevator, an export elevator on the Black Sea, Port of Constanta. And this seamless origination and export link is very similar to our networks along the Paraguay River in South America or even along the Mississippi River here in North America.

We've also continued to work to strengthen the ADM organization to drive this profitable growth. And since this is the first call where Juan is joining us, I thought I'd mention that since he came to ADM in April he's been learning our business in perhaps the best way, visiting our operations around the world, meeting with our people, working with his team to develop our fiscal 2012 business plan.

So after Ray finishes the financial results, which he just concluded here, I'd like Juan to talk a bit about not only the current market conditions, but the focus areas for 2012, which include driving operational excellence, accelerating growth and sustaining ADM's outstanding risk management performance.

So looking ahead we are confident in our people, our assets and our financial strength to deliver profitable growth and value for our shareholders as we serve the vital needs of a growing world. So, Ray, perhaps you could summarize your comments associated with slide 5 and 6. I believe they were able to join the call, from our indications, at slide 7.

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Okay, well, thanks, Pat. Again, on slide 5 we gave an overview of the financial highlights for the quarter and also for the fiscal year. You see the segment operating profit for the quarter, 11% growth to \$888 million, but that was offset on a net income basis by higher tax expenses with our effective tax rate for the quarter going up to 50% in order to get our fiscal year rate in line at a 33% rate.

Just wanted to kind of highlight that when we estimate tax rates we do these estimations over the course of the quarter. And then in the fourth quarter we actually term the actual rate and we effectively true up in the fourth quarter.

As you know, we're a global operation; we generate earnings in multiple jurisdictions around the world. Our mix of earnings varies quarter to quarter and year to year. And our effective tax rates vary significantly by jurisdiction. And so in last year's we did the similar type of reconciliation and we had a reduction in terms of respective tax rate with the fourth-quarter reconciliation. This year when we did the fourth-quarter reconciliation our tax rate increased.

For 2011 our fiscal year rate was atypical and was impacted by the geographic mix of earnings more tilted to the US. Again, I'll -- I talked about the segment trends earlier in this call. And secondly, a higher US effective tax rate as a result of the type of earnings that we generate and the availability of various deductions and credits in any given year.

Thirdly, higher tax expenses due to a stronger than estimated Brazilian real currency at the end of fiscal year on June 30, generating re-measurement gains that get tax affected for book tax expense purposes.

And lastly, we had various true-ups of the deferred taxes that resulted in higher tax expenses in the current period. I also indicate that for fiscal year 2012, based on current estimates, we do expect our effective tax rate to be in the 28% to 30% range.

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On slide 6 we actually, in order to help understand earnings for the quarter and for the fiscal year better, we actually have a slide showing adjusted earnings per share. You can see the various line items in this particular walk, including the LIFO credit we had in the quarter, it was a LIFO charge for the fiscal year.

We had some start-up costs in the quarter which we expect to go away in the first quarter. We had a gain from our share of Gruma related to their disposal of shares in a bank that generated a gain that we reversed out for adjusted earnings per share.

And then most significantly, just because of the high effective tax rate for the fourth quarter, if we adjust the 50% effective tax rate for Q4 to the actual 33% fiscal year average rate, there would be a \$0.20 per share favorable adjustment for our adjusted earnings per share purposes. This is in contrast to last year where we actually had a favorable fourth-quarter adjustment to the tax rate. So for adjusted EPS we backed that off and that would be a negative \$0.06 adjustment.

So after -- considering all these different adjustments, our adjusted EPS for the fourth quarter 2011 would be about \$0.69 a share compared to \$0.75 in the fourth quarter of 2010. And similarly, we do the similar exercise for the fiscal year, we estimate adjusted EPS for fiscal year 2011 to be about \$3.45 a share, in contrast to 2010 at \$3.20 per share. Basically 8% higher for the fiscal year despite the 7 points of higher effective tax rate in 2011 compared to 2010.

So, with that let me turn it over to Juan who will provide an overview of the current market conditions as well as insights into 2012. Juan.

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

Thank you, Ray; good morning. Could you please turn to slide 16? I'll try to speak slowly today so you can get used to my South American accent I guess.

First, I'll provide an update about the market conditions as we see them today. On the supply-side US corn and soybean supplies are tight. Overall global crop supplies remain adequate following a good world wheat harvest and a record soybean harvest in South America. And we continue to monitor crop progress and harvests in Europe, North America and China.

In the corn market the USDA projects the US all crop corn carry out at 880 billion bushels, which is tight. The USDA projects the current US corn crop at 13.5 billion bushels with a carry out of 870 million bushels for crop year '11 and '12.

Oilseeds -- projected oil crop US soybean carry out remains at 200 million bushels, also relatively tight. The current US soybean crop is projected to be 3.2 billion bushels, a carry out of 170 million bushels. In South America soybean crop was a record 136 million metric tons. Our farmers have been reluctant sellers of oil crop beans. The global rapeseed crop is projected to be 58.8 million metric tons, down from 59.2 million metric tons last year.

Wheat -- world wheat production for the '11/'12 crop year is projected at 662 million metric tons. Global wheat ending stocks are projected to be 182 million metric tons, an adequate global supply, although we have seen some quality issues. In cocoa conditions in the Cote d'Ivoire are substantially stabilized and we have resumed our sourcing and processing operation.

On the demand side we see continuing good global demand for grain. We are continuing to adjust oilseed crushing rates between regions to meet our customer demand in the most margin effective way. Global Oilseeds Processing capacity is more than sufficient to meet current markets requirements, which is depressing the spot crush market. New capacity additions have slowed and the industry will grow into this capacity over time.

The US biodiesel industry is running to meet market needs and is helping reduce US vegetable oil inventories from record levels. Biodiesel demand remains strong in South America and Europe. There has been little forward buying by protein meal customers. Global demand for oil protein meal is projected to grow by 4% for the '11/'12 crop year.

Ethanol spot prices are similar to unleaded gasoline. But while the excise tax credit adds a \$0.45 per gallon benefit to the buyer. These attractive economics, customers are blending ethanol to the maximal allowable levels. Spot ethanol margins are positive and regional margin challenges and dislocations in the US corn supply have caused some plants to reduce production. ADM's unsurpassed logistical capabilities have assured consistent supplies of corn to our processing facility.

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EPA has finalized the labeling requirements for E15. We expect to see implementation on a regional basis as early as this fall led by the farm states. Implementation of E15 will help improve capacity utilization and should be positive for industry margin structure. Adoption of E15 will be driven by blender economics.

By the way, studies show that 10% ethanol blending is reducing US gasoline prices. But lender's rates of 15% have the chance to mitigate gas prices to an even greater extent. US corn-based ethanol remains the cheapest ethanol in the world. Industry exports, which do not receive an excise tax (inaudible) are at 400 million gallons for the first half of this calendar year.

Pricing demand and margins remain strong. Corn sweetener demand, driven by exports to Mexico and Canada, remain strong as well. Industry sweetener export volumes are on pace to grow by 15% or more in 2011. As such, corn sweetener capacity utilization is high and supplies are tight. Good demand for our corn wet mill products, we are optimistic about sweetener and starch pricing for the 2012 contract year.

Wheat milling (technical difficulty) capacity utilization in the US and Canada with softer conditions in the UK. Local powder demand is strong and spot cocoa processing margins remain strong as well.

As this is our first conversation of the new fiscal year, I thought I'd give you a sense of our focus areas for fiscal year 2012. Let's turn to slide 17.

Last month we completed our annual business planning process in addition to developing specific plans to grow our business, to review our existing operations and identify the opportunities for improvement. We will drive operational excellence through our core model. We have room to meaningfully improve our safety, energy efficiency, procurement, logistics and maintenance. We will drive results in this area by focusing on clear accountability and rigorous measurement.

We will accelerate growth. We will grow our core model outside the US by executing region specific growth plans and by enhancing the ability of our regional leaders to identify and pursue opportunities. We'll work with customers to explore opportunities to expand our value-added businesses and this growth will all be supported by our enhanced capital allocation processes Ray has detailed in prior investor presentations.

During the annual planning process we reviewed about \$3 billion of CapEx projects and we've decided to target our fiscal year 2012 CapEx at about \$2 billion. Approximately half of that will be non-US investments and a significant portion of the US investment will be to serve export markets.

Of course as we grow, vital that we do not lose beat on risk management. One of the core competencies of ADM, and it remains an essential capability going forward. To ensure continued performance in this area I have appointed a 35-year veteran of ADM and the President of our Agricultural Services business, Craig Huss, to chair ADM's risk management committee.

The committee meets regularly to coordinate ADM's overall positioning strategies comprised of our business units president, key merchandiser John Rice and me. We have an exciting opportunity to grow our Company and I believe we have the right priorities to drive results for our shareholders. Now I turn the call back over to Pat.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thank you, Juan. I think the work that you and your team are doing to ensure operational excellence, drive growth and sustain our risk management success will accelerate our progress in 2012 and strengthen our performance in the long-term. Now, John will join Juan, Ray and me for the questions and answers. And, operator, please open the line for questions.

## QUESTION AND ANSWER

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**Operator**

(Operator Instructions). Robert Moskow, Credit Suisse.

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**Robert Moskow - Credit Suisse - Analyst**

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Hi, thank you. Juan, I was curious about your slide when you pointed out the focus areas for fiscal '12 for driving growth. And I know you don't give guidance, but if you looked at the areas of the business that you think are poised for growth in fiscal '12, what areas would you point to?

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

Sure, Robert, yes, thanks for your question. We see the international expansion of oilseeds and that has continued. It's going on in Paraguay with our processing facility that will be on stream mid-2012. We continue to make investments in India, as we have announced, and we're looking at more opportunities in Eastern Europe, as we announced early on today.

Ag Services is also expanding global footprint. We highlighted the port in Nueva Palmira in Uruguay. This is again around the infrastructure we are building around the Paraguay and Uruguay region to capture all the origination in that area.

Obviously in South America we report Ag Services within the oilseeds division, so you might (inaudible) inside the oilseeds highlights. And then you see -- in all this Black Sea activity that we have, you see the announcement this morning about Ag Services building some elevators to create our network around the Danube River as we have it again, reproducing what we did over the year -- the Mississippi River and in the Paraguay (inaudible).

So I think those are the highlights, if you will. Obviously all the businesses have their respective growth plans. But I will consider those the highlights, Robert.

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**Robert Moskow - Credit Suisse - Analyst**

And then the CapEx budget is higher than I expected at \$2 billion. Is there going to be a return on that capital investment as early as fiscal '12? Because I think Ray laid out that some of these projects have a pretty quick return. Maybe it's a question for Ray you know. What percent of the CapEx do you think has a positive return in '12 and is it consistent with historical rates of return or is it kind of pushed out? Thanks.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Rob, let me start this and then we'll go around here; I think we all have something to contribute here. I think the strength of thinking about having \$3 billion or even a little more than \$3 billion in a possible pipeline for the year is good news. That means there are positive return projects that well exceed our cost of capital, that whether they be longer-term projects or even acquisitions or incremental expansion we have quite a pipeline.

So then we might look at our scenario associated with the cash that we're willing to spend outside of -- maybe a major acquisition or something like that -- we'd be willing to spend in this arena that has not only positive returns for the short term, we actually prioritize a fair number of them that would have shorter payout periods -- you know, in a shorter payout timeframe than longer.

So our \$2 billion is a combination of the priorities that associate with that. Some are actually -- we've talked about pillars of organic, some are new construction, some are acquisition. And the timing of the profits certainly will vary, but our pipeline is full enough that we can prioritize along those lines.

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Yes, let me build on Pat's point. I've mentioned in prior investor presentations, we went to really look at this as a portfolio approach. When you look at a portfolio approach you're going to have a combination of a lot of investments that generate short-term returns. I've highlighted in different presentations that we've done a lot -- we're good at doing a lot of these smaller projects with -- paybacks are fairly short, generating good returns. We do not intend to slow down on those.

We have a good pipeline of those smaller investments that generate good returns in the short term, so we'll continue to do that. And as Juan indicated, we do want to -- also want to focus on some investments strategically outside of North America in order to drive growth.

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And so, from our perspective, the nice thing is with \$3 billion worth of opportunities we can actually do a sort prioritization in order to come up with a portfolio that balances our short-term considerations and long-term growth.

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

Yes, Robert, let me give you some granularity. As I said when we went through the 2012 planning process, we wanted to highlight all the opportunities available to us and we highlighted this \$3 billion. As Ray was describing part of our balanced approach, certainly look at the selection, the prioritization of these opportunities based on the immediacy of their returns and balancing ROIC with operating profits forecast.

To give you a flavor for its -- of the different projects we have, in the fourth quarter we implemented 60 of these small projects that Ray was referring to. These are projects that maybe are in the range of \$10 million each, but this gave us very -- gives as very quick returns. In the same quarter we executed six M&A projects that are larger projects and maybe they have a little bit longer payback. But we constantly are looking at that with a lot of discipline to make sure that we are allocating the capital in a balanced approach.

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

Is there any way you can give us some clarity on at least the \$2 billion or even the \$3 billion, what percent are these small projects with high returns and what percent are kind of longer-term?

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**Ray Young** - *Archer-Daniels Midland Company - SVP & CFO*

Yes, Rob, we really can't give you any guidance on that. I think the guidance that we wanted to convey in this conference call is that there is going to be more of a priority in terms of the international investments as we just drive growth there. And even on the international side there are a lot of smaller investments which basically generate near-term returns.

So the model that we've applied here in North America, we want to also apply that model in our international operation. And we've got good operations in South America, they're well-established. So again, they're looking at these are organic growth opportunities to drive incremental earnings in the short-term as well.

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

Got it. All right, thank you very much.

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**Pat Woertz** - *Archer-Daniels Midland Company - Chairman, CEO & President*

Operator, could we have the next question? Operator?

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**Operator**

David Driscoll, Citi Investment Research.

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**David Driscoll** - *Citigroup - Analyst*

You guys are having a tough time with this conference call this morning.

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**Pat Woertz** - *Archer-Daniels Midland Company - Chairman, CEO & President*

We must not have paid our telephone bill or something.

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**David Driscoll - Citigroup - Analyst**

Yes, I tell you, I know the earnings come in late and the conference call is not working. So it's curious. Pats, just a quick statement here and then maybe you'd respond to it. But I mean I've covered this thing for more than a decade. I don't recall a period of profit variance in corn sweeteners quarter by quarter that's been this extreme.

Because it seems to be a mark to market issue, it seems like the Company should have known that this was likely to be an issue this quarter. I mean \$9 million of profit is almost zero, that's quite a surprise I think to the market and all of us on the outside today. But there was really no guidance given on this particular issue.

I mean I realize you guys have difficulties on some of these topics. But it does seem like giving some guidance on very specific and large magnitude items does not seem to be unreasonable. ADM stock has gotten killed in the last three months and I would argue that some of it is going to be related to these issues.

And I hear just an enormous number of comments from people talking about visibility and it's on days like today that people say, well, do you see? You can't predict it. And sure, I can't predict it if there's big mark to market corn gains that are taken in fiscal Q1 and Q2, but they're not called out so that we then are almost by definition going to get our forecast wrong.

So honestly it's a little frustration on this side of the fence and would really appreciate it if you guys would consider it. Plus I believe it would be in your own interest to do so given your stock's performance. So that's a statement. I don't know if you want to respond to it at all.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Well sure, David, I think your comment about visibility into a volatile area, whether it's Corn Processing or you kind of made some comments that are quite broad. I'd refer to some of Ray's comments earlier on the Corn Processing operating profit segment itself and the sub segments related to sweeteners and starches and bioproducts.

And that we have reminded listeners before that we generally run a hedged book for our Corn Processing business and how the -- and with higher pricing we had favorable margins in the 2011 contractor year for our sweetener business.

However, sometimes we recognized a lot of the benefits of our economic hedges in -- when marking to market in prior quarters and when we allocate those gains on our accounting basis between sweeteners and starches and the bioproducts business based on grind, it doesn't always align the accounting results with the economic results.

We not only acknowledge that, but thinking about going forward, having a way to look at various approaches that do align better with economic -- with those economic results and the accounting results. I think we're making an effort as well each quarter to provide more transparency to what we can and where we can.

And I know that's one of the efforts that Ray has undertaken both with our returns both on looking at segments, looking at GAAP adjustments, which we've added several slides and papers and primers associated with some of our GAAP adjustments. It's not an area that is even as transparent as it could be to us sometimes as obviously as market move.

And particularly as you get to quarter and of particular markets, there are adjustments in the crop prices, etc., and those things can swing quite a bit. We can have quite a bit of variability.

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**David Driscoll - Citigroup - Analyst**

I'll say one more comment and then I'll just move to my quick question. It would just be that if in Q1 and Q2 of this fiscal year you had very large mark to market gains on corn that was to be used in a future period, I think you should have called that out.

Whether you know the allocation between sweeteners or bioproducts -- I understand that maybe you don't, but if you knew that you had roughly \$750 million of operating profits in Corn Processing in Q1 and Q2 and yet a significant portion of it was due to mark to market corn that would

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be used in later quarters, that information is extremely helpful and those of us on the outside really can use that and that was not apparent to us. And I believe I can say that for consensus. So I would ask you to consider that.

In terms of just going forward, my question then on this business is, since we saw relatively no profitability in corn sweeteners because of mark to market, your high fructose contract year is a calendar year and doesn't of course correspond to your fiscal year.

Since I'm seeing like no profitability in that business right now, does that mean that in the next two quarters I should continue to see no profitability because all the profits were booked earlier in fiscal Q1 and fiscal Q2 of '11 because of the corn mark to market?

So we should -- I'm thinking that what we need to do then is to go to basically \$0 million to \$10 million in profits on corn sweeteners for the next two quarters until you get into the next contract -- real contracts on the calendar basis. Hopefully that question was clear.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Yes, I'm going to ask John to comment about two things here.

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**John Rice - Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman**

David, your assumptions are going to be correct there, just because of how the hedges were executed with the Company. So the next two quarters you'll still have some mark to market with our corn positions. And as you know, at the end of June, and just how the market closes on one -- at the end of one quarter or the next quarter, it can have a material effect on how that is brought in the sweeteners. But, yes, you should see that same effect for quarter three and four.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Some of that effect.

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**John Rice - Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman**

Some of that effect, I'm sorry, for quarters one and two.

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**David Driscoll - Citigroup - Analyst**

Of the next -- fiscal '12?

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**John Rice - Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman**

Yes.

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**David Driscoll - Citigroup - Analyst**

Okay, I understand. Thank you for the comments. I'll pass it along.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thank you, David.

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**Operator**

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Christine McCracken, Cleveland Research.

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**Christine McCracken - Cleveland Research Company - Analyst**

Yes, good morning. You hadn't talked much about the outlook for ethanol policy aside from your E15 comments. It looks like now with the ethanol tax credit kind of out of the current legislation and pushed out until maybe the end of the year gives you a little breathing room.

I'm wondering, how are you -- are you doing anything differently to run this business today in light of the fact that that tax credit perhaps could go away at the end of the year? And then what is your outlook for biodiesel going into next year in light of the political uncertainty?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Maybe I'll start, then Juan may want to build on this. We are kind of -- you're right, the debt ceiling agreement did not include a provision which alters the V tax, so with it due to expire at the end of the year, I think that's -- we'll continue to educate Congress about the importance of ethanol, etc.

But I think the opportunity to -- as you know margins are a bit up at the current period, so I think this will be an important time to think about E15 as being the more important of the public policy issues and implementation, I should say, of public policy issues related to getting more fuel into the system.

We do see that the Midwestern Governors Association and the farm states, so to speak, are looking at quicker ways or a way to be the leaders in implementing E15 and it will take some of that leadership to get it into this network. And maybe I'll let Juan comment on the biodiesel question.

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

Sure, Christine, yes. Biodiesel at the moment is -- we have a strong demand. You know the mandate required 800 million gallons 2011 that's helping to reduce veg oil inventories. And we're seeing good demand from South America and Europe in that sense too. So that is helping our oilseeds business.

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**Christine McCracken - Cleveland Research Company - Analyst**

And essentially no change in the mandate as you see it going into next year -- at least at this point?

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

The number of gallons increases for next year, so that's all we're seeing at this point in time.

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**Christine McCracken - Cleveland Research Company - Analyst**

Great, thank you so much.

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

You're welcome.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thank you.

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**Operator**

Ken Zaslow, Bank of Montreal.

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

Good morning, everyone. In the spirit of greater transparency, can you tell us how much mark to market was in the oilseed business? I know last quarter you told us that it was roughly going to be roughly about 100 million, is that still the case for this quarter? And what about going forward?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Yes, in the oilseeds business there's probably less mark to market effects there. We actually see the results in the oilseeds for this quarter -- we actually, as I indicated, we had strong results in North America. And so that -- that really helped in terms of results.

And then I also highlighted that there was a GAAP timing reversal, which we had called out in our last call. If you recall, I called it out saying that it would be similar to what we saw in the second quarter. As it turned out we were actually fairly accurate actually in terms of our estimation here. So it was slightly less than \$100 million in terms of favorable GAAP timing adjustment.

Going forward -- in the spirit of transparency, going forward we still have some to reverse out in the oilseeds division. It's not as significant as what we reversed out in the third quarter. And this would probably reverse out over the course of the first two fiscal quarters in 2012.

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

So would it be relatively fair to say that somewhere between about \$50 million benefit for the next -- each of the next two quarters just to kind of -- and then we can model based on what we think the (technical difficulty)?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

(Technical difficulty) it's the order of magnitude. I think for your purposes you can go with it for the purposes of modeling.

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**Operator**

Horst Hueniken, Stifel Nicolaus.

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**Horst Hueniken - Stifel Nicolaus - Analyst**

Good morning. The fourth-quarter results show that margins in the oilseed industry remain under pressure. You're saying now and have said in the past that this industry segment's supply/demand balance should eventually improve driven by demand growth exceeding capacity additions.

That said, we're not yet seeing evidence of improvement in ADM's numbers, which leaves me wondering if oilseed margins may compress further first before expanding later. Are you able to comment on when the oilseed industry margins might begin to consistently expand?

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

Yes, good morning, this is Juan. Obviously, as you described, the margins in the oilseed industry remain challenged. Demand continues to grow into capacity, but there is overcapacity. And we're going to have to see how demand evolves first before calling for a recovery on this. So our forecast is that margins will remain challenge for the foreseeable (technical difficulty).

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**Horst Hueniken - Stifel Nicolaus - Analyst**

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Do you see them compressing even further?

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

I think, as I said, it all depends on how the demand evolves. At this point in time meal supply is light -- meal demand is light especially for export. And biodiesel is the positive side. As I said, I would say within the range it continues to (technical difficulty) and I won't call it one way or the other.

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**Horst Hueniken** - *Stifel Nicolaus - Analyst*

Thank you.

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**Operator**

Ken Zaslow, Bank of Montreal.

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

Good morning again. Juan, I have a question for you. What are the key findings so far that you're finding when you're going through the operations? And how much operational improvement, excluding whatever the change in the market conditions are, do you expect to actually see as a result in the next call in 12 months, 18 months? How do you see the operational improvement and can you put some sort of quantification on it?

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

No, I won't, but I can qualify some of my findings. Listen, I think you see there is margin compression both in oilseeds and in ethanol and I think it's critically important that we keep a very good cost position. These are very complex facilities, highly integrated and where efficiencies need to be pursued every day.

So I think that the team is very cost conscious, but I think there's always opportunities, as I described in my remarks, to improving energy efficiency and maintenance, everything a little bit better -- our global scaling procurement. So we're working at all that. I think again we are confident that we have probably the best cost position and we want to maintain that (technical difficulty).

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

Great, thank you.

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

You're welcome.

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**Operator**

John Roberts, Buckingham Research.

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**John Roberts** - *Buckingham Research - Analyst*

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Good morning. I thought one of the other accounting issues that we had in prior quarters with some of the Ag Services activities showing up in the processing segment, stuff out of Latin America not being maybe allocated to the right segments. Do we have any of that in the current quarter and I ask that because China has had a lot of -- at least rumored ordering activities recently. Did that benefit you at all in the current quarter? Or do we have some of that coming in the quarter coming up?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Hey, John, this is Ray Young here. First of all, we didn't have a [problem] in terms of the allocation of Ag Services' profits. We've been very transparent that when we look at our Ag Services segment South America, the result of Ag Services are booked in the oilseeds division. So therefore we've been very, very transparent about that point.

On Ag Services, I think maybe what you're referring to is the fact that when we're looking at the Ag Services results in the prior quarters we indicated that our run rates are really about \$150 million to \$200 million per quarter. But we emphasize that separately any of the Ag Services profitability related to South America, that's over and beyond the \$150 million and \$200 million and that's really booked in the oilseeds division of South America.

Secondly, in terms of Ag Services, the reason why we have the Ag Services operations in the oilseed division in South America is the fact that we run an integrated operation in South America. So really the team runs the oilseeds group in South America also runs Ag Services and that's the reason why we include that in that particular segment.

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**John Roberts - Buckingham Research - Analyst**

So did we have any strength in that Ag Services activity that was helping oilseeds I guess in the quarters just reported? And in the current quarter will we see strength in either oilseeds or corn related to China activity?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

In terms of -- are you referring to South America here, John, or --?

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**John Roberts - Buckingham Research - Analyst**

Well, I was referring to the issue that we had last quarter. So was anything stronger -- did we have strength in merchandising activity out of South America that would have helped your reported results in oilseeds? And then the second part of that question is with the strong ordering in corn at least in China in the last quarter -- in the current quarter coming up -- this is a separate issue -- will we see some strength here in Ag Services this quarter because of that activity that China has reportedly had?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Well, first of all, again, I just wanted to emphasize, John, that we didn't have any issue in terms of how we booked Ag Services profitability. In this particular quarter in South America, I did mention that we had some weaker results in South America compared to last year's fourth quarter. That was really driven primarily due to a wheat crush margin environment in South America. So we've been under margin pressure.

As Juan indicated, the farmers have been reluctant sellers of beans. So that's kind of hurt our crush margins in the South American operation. In addition, we've had some start-up issues related to our barge operations in Paraguay, those things are going to go away. So therefore in terms of our South American results, I have to say that really the weakness really is primarily driven by the weaker crush margin environment (technical difficulty).

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**Operator**

Bryan Spillane, Bank of America.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

Hi, good morning. Just a couple of follow-ups. Just on first, Ray, on the tax rate for the full year in 2011, just how much of the -- I guess the variance relative to what you were budgeting was geographic mix and how much of -- what affected the tax rate in the full year was just a few discrete items I guess from settlements of deferred tax issues in the past? I'm just trying to sort out how much of it was just the natural course of the business and how much of it was more just one-off events?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

I mean I think there's a multitude of factors. I mean I listed like four of them, but within each of these there's a bunch of other factors. So it actually was a complicated reconciliation process that we had here. And clearly the geographic mix was one of the factors.

Fourth quarter of this year turned out to be significantly -- surprisingly strong for North America. I mean I think I mentioned the margin environment in North America is somewhat challenged in oilseeds, but it (technical difficulty) extremely well in North America.

And one thing I do want to emphasize, oftentimes we focus a lot on soy crush, but we had strengths really with this entire portfolio. And I just want to emphasize that point is where the soft seed portfolio really performed well in the fourth quarter and the fiscal year. So that really kind of exceeded our expectations in terms of how North America performed.

In a similar vein, I mentioned that we had some weakness in South America due to really a tough margin environment there. We also had weakness in our European crush operations. Again, rapeseed margins are somewhat challenged in Europe right now in the fourth quarter. And lastly, international merchandising was not as strong as we had thought.

So I'd say geographic mix I would say was the largest contributor in terms of the tax rate variance. The other factors, like I mentioned, the Brazilian currency movement, deferred tax issues and there's also a number of US effective tax rate issues. These are like permanent items that showed up during the reconciliation process and these items came up as we kind of closed our fourth-quarter books and we're in the process of finalizing our 2010 US tax returns right now.

And so we discovered a lot of information when we actually went through the fourth-quarter close process that resulted in our US effective tax rate also being higher due to some of these unique items, permanent items. After we considered all that and then we thought about 2012, that's the reason why considering the business plan that we're working through right now for 2012, considering a lot of these unique items that will not replicate itself in 2012, that's the reason why we provided guidance of a 28% to 30% range in order to help you guys with your modeling.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

So that partially reflects some band of where you think geographically where your profits will come from. And then whatever you've discovered in terms of more permanent changes in taxes, that's all reflected in that net figure?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

That's our best estimate considering the adjustments we made in the fourth quarter, considering what we know regarding our business plan for 2012. And so everything that we know is how we arrived at the range. And frankly that's the reason why we came up with the range as opposed to (inaudible) estimate because it is difficult to forecast.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

Yes, just given the geographic mix that you have it would be surprising if your tax rate wasn't volatile.

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Exactly, exactly.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

And then on that capital spending plan, the \$2 billion, is that all pure CapEx or does that also assume some acquisitions? I just wanted to make sure that I was -- I thought I had caught somewhere in your comments that that also includes maybe making some acquisitions or would acquisitions be on top of that?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

That would include acquisitions as well.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

Okay.

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

It would include our normal course of acquisition -- actually we look at a major strategic acquisition, that's a different story altogether, right. So [on top of] \$2 billion we include in our normal course of capital spending and normal acquisitions that we would be making.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

Okay. And then if I understood your response I guess to Rob Moscow's question in terms of trying to understand earnings accretion and/or kind of return profile for that mix, based on the mix being roughly 50-50, it may be neutral this year to returns, but then begin to add or be accretive to returns and earnings for 2013. Is that roughly right?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

It's tough to estimate that. I mean I really would be cautious (inaudible) on this particular issue. I mean we're still evaluating the projects right now. So we're working it through it ourselves in terms of how we want to set up the portfolio, the balance, the short term and the long term.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

Okay. And then just one last one I guess for Juan. I understand the fourth quarter came in a little bit differently than maybe what people were thinking.

But if you look at the whole year, and ADM had a pretty good year, and I guess if you look today at all of the variables in the market, kind of where crop conditions are and supplies and of certain -- of certain crops and just is the environment any different as you look out over the next 12 months than it would have been standing where -- a year ago?

I mean it seems like -- you know, there's always some moving parts, but the overall operating environment is actually pretty good. Is that fair?

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

Bryan, let me tell you because I've been studying this and obviously the environment changes daily and it's probably different today the scenario than when we put together the 2012 plan (inaudible) [20 minutes] ago. But I would say that what I notice is that regardless of the scenario the ADM team has been able to deliver.

So as you look at the class of earnings growth over the last four or five years, all those years and the different crops, different scenarios, different volatilities. And the way those profits were created were always different. But the team was (technical difficulty) able to deliver. So I would say, yes, it's volatile. I think we put together a plan that (inaudible). So I'm comfortable about it, I'm confident about the plan.

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**Bryan Spillane - BofA Merrill Lynch - Analyst**

Okay, great. Thank you.

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**Operator**

Diane Geissler, CLSA.

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**Diane Geissler - CLSA - Analyst**

Good morning.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Good morning, Diane.

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**Diane Geissler - CLSA - Analyst**

Hey, I just -- I was one of the ones who sort of missed your first section of the call. So I'm just -- in Corn Processing, I guess I look at the quarter and your commentary today's question about what you expect over the next couple quarters. I guess I'm just questioning -- you talk about exports to Mexico are strong, I think we're -- you've got pretty good pricing this year.

I guess my question is, if profitability on a spot basis is so low in Corn Processing, why don't you dial back what you're -- how you're operating your plants? Because wouldn't -- if you dialed it back wouldn't that drop the price of corn? I guess I'm just -- I'm like why are you shipping so much to Mexico if you're not making that margin is I guess my question, and how can -- what can you do to improve it on a spot basis?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

I'm going to ask John to comment here; he looks anxious.

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**John Rice - Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman**

Good morning, Diane. How the corn was brought to market, we have -- when we made our sweetener contracts we bought our corn and then as the market was rising we were bringing a lot of those profits to market. And as I mentioned with David, you saw the futures market close down limit due to a government crop report, that also has an effect on how we bring our corn to market.

When you look at a spot margin, new sales to Mexico or to Canada, you have very good margins. We have commitments on our fructose that we are shipping against corn already hedged and bought. So on an absolute spot basis when we're making sales we do have very good margins. But if you take a look at what your -- our forward contracts are and our commitments and relating that to spot corn, the margins are not as good.

When you look at the rest of the portfolio, lysine, all of our bioproducts have good margins in that business and that -- you'll tend to sell lysine three to six months out forward, that corn is also hedged. When you take a look at ethanol we have, as you've probably seen in the last 30 to 40 days, we've had very good margins in the ethanol business.

So -- but your original comment was correct, if we had very bad spot margins, yes, we would look at shutting down our operations. But we have commitments that we have to do and any new business we are doing we have very good margins.

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**Diane Geissler - CLSA - Analyst**

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Okay, and then -- I'm sorry, did I interrupt you?

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

I was just saying, did that answer your question?

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

Yes, I think -- pretty clear. And then I guess on the ethanol side, do you have any intelligence on how much you think blenders are kind of blending ahead of the expiration of the credit, what that might do in terms of as we move out of 2011 and the credit is not renewed, was it would do to your expectation on margins in calendar 2012?

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**Pat Woertz** - *Archer-Daniels Midland Company - Chairman, CEO & President*

I don't think we can (multiple speakers).

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

It's going to be a capacity issue again. The mandate its goes up, but we still have excess capacity. The reason we're seeing good margins nearby is we've seen a lot of that capacity shut down due to the availability of corn supply.

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

Okay, so, how much do you think has been taken off-line in the last three months because of tight corn into say eastern -- the eastern part of the belt?

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

Yes, Diane, I think it's about 400 million gallons to 600 million gallons on an annualized basis.

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

Okay, do you think that stays off if the crop is not so hot? And as we move into 2012 we are just at a lower level of total production on ethanol?

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

I think some of that could come up with the harvest and some of that may stay down.

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

Okay, but still too early because we don't really know what the corn crop will look like, is that your message?

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**Juan Luciano** - *Archer-Daniels Midland Company - EVP & COO*

(Technical difficulty).

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

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Okay, I think that's it for me. Thanks.

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**Operator**

Ann Gurkin, Davenport.

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**Ann Gurkin - Davenport & Company - Analyst**

Good morning. I wanted to return to the discussion about demand globally and with continued challenges in many markets and a continued challenge consumer in also many markets, have you made any changes to what you're thinking about for demand globally for products for fiscal '12?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

I think we assume that, as you know, global protein demand is projected to grow at about a rate of 4% and it is a global business. So we look at the opportunity to balance by region and we have the flexibility to do that going forward. So I think our plans are scenario plans, so to speak, that allow flexibility by region depending on how demand continues to progress.

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**Ann Gurkin - Davenport & Company - Analyst**

And how should we think about Europe? The weakness has been persistent in Europe, how should we think about that in '12?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

We really haven't seen any reductions in demand for our products right now. I mean clearly we are monitoring the situation. I mean I think that, like all of us, any business in the world right now is monitoring the economic developments over in Europe. But basically when you look at all the products that we are shipping, we haven't seen any reductions (technical difficulty).

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**Ann Gurkin - Davenport & Company - Analyst**

Okay and then one more question on the corn segment. Fiscal '11 benefited from solid volume and pricing. Do you think those dynamics can continue in fiscal 12?

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

I think that on the sweetener side, I think that we see that continue, we see that tightening continue, we see the exports to Mexico continue to grow. We expect sugar prices to be high. That provides an advantage and also you don't only have the cost advantage, but you have the handling advantage of high fructose corn syrup. So we expect that to continue and if it has been -- going to be implemented, it started in the fall, we see that as a positive too to balance (technical difficulty).

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**Ann Gurkin - Davenport & Company - Analyst**

Great. That is great, thank you.

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**Juan Luciano - Archer-Daniels Midland Company - EVP & COO**

You're welcome.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

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Thank you, Ann.

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**Operator**

Vincent Andrews, Morgan Stanley.

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**Vincent Andrews - Morgan Stanley - Analyst**

Thank you, and good morning, everyone. I just have a sort of consolidating question on some of the earlier questions and it relates to the way the word growth has been used in the slides and in the call and in the Q&A. Maybe, Pat, when you guys put your fiscal '12 plan together, is it fair to say that you anticipate operating profit growth and EPS growth off of that sort of adjusted base that you guys used in the slide?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Well, it's always a trick question to ask about guidance. So we won't provide guidance, but I will say that our expectations over the long term, when I use the term growth, I am talking about profitable growth or earnings growth. So our longer-term objectives are for staying on a glide path of earnings growth and I think it is important to note that that is both the objective because we believe it drives shareholder value, as well as returns that are strong over our WACC.

So earnings growth plus those strong returns over WACC and a compelling strategy in this international area that we have been talking about growing out our footprint, those three factors are what drives shareholder growth. So in the short-term environment, one can -- that is always the reason why a company like ours doesn't provide guidance, but our objective is for that earnings growth, yes.

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**Vincent Andrews - Morgan Stanley - Analyst**

So you're not willing to commit because that is what is in your plan for '12, but you are obviously willing to say that that is what you are going to try to do and one could read that to say that you believe it is possible?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Exactly, yes.

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**Vincent Andrews - Morgan Stanley - Analyst**

Okay. And then secondly, just some questions on oilseeds, particularly in Europe. There is some stuff in the press about the EU maybe changing the emission standards on biodiesel in a way that would not favor rapeseed. Could you comment at all about what you think that might do to European margins?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

There's always new legislation coming out of Europe when it comes to a lot of biodiesel programs, whether it's sustainable -- how you define sustainability. At the current time we don't see that to be an issue right now. But when you talk about different legislations, Europe is and has had a long-term policy of trying to buy more renewables. And with the farmers there it's been such a big issue I personally don't think that they will change out of that.

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**Vincent Andrews - Morgan Stanley - Analyst**

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Okay. And then just lastly on biodiesel. In the US, John, I think you said earlier that -- or someone said earlier that the view was that the mandate next year is enough to keep the demand from biodiesel on the oilseeds side status quo. And I just want to clarify that if the tax credit associated with biodiesel expires as well at the end of the year you don't believe there will be a change in margins due to that? Is that fair?

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

Well, it is, but you also have other variables in there. You have how many [rims] are carried over. So I think that will come into the equation if the tax credit goes away. But as long as you have the mandate we still see that demand should be coming.

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

Okay. And then, John, maybe I can ask you one more on exports to Brazil. I've seen some people writing about the potential that Brazil might need to actually import a substantial amount of US ethanol in the coming years based on sort of where their balance of ethanol and sugar is. Is that a view that you think is realistic?

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

Brazil tends to change their blending rates a lot. So any time that they tend to get a little short on ethanol, which we're seeing right now, they tend to reduce their blending rates. If they would keep their blending rates high, yes, I could see them importing a lot. But the infrastructure really isn't set up for them to be importing very much. So it would make it a little tougher. But as long as you keep the blend rates high and with their shorter crop and the demand, yes, that could happen.

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

Okay. And then just the last question on the Corn Processing side. I guess the thing that I'm just trying to reconcile in my own head is that if I could go back to '07 or '08 when we had high and volatile corn prices, I just don't remember the --.

I guess my question is, did something change about the way the accounting treatment that you're using in the Corn Processing segment today versus let's say '07/'08 in terms of how you're booking things? Just because I don't remember there being such huge swings in where the hedge gains or what have you were being reported. Or was there something else different entirely between those two time periods?

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

I hate to say I don't totally recall back to how the operating profits were broken out back then. But how we really look at things, as we've mentioned in the past, is a global book on how we want to look and how we want to run our business. If we think ownership is better than something else as opposed to what another commodity is over another, we'll take a look at that.

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**Pat Woertz** - *Archer-Daniels Midland Company - Chairman, CEO & President*

Well, we've certainly had more grind since 2007/2008 when more bioproducts grind. So that's one aspect of it that would have changed in the allocation of the hedge against the grind. So that would be different. But the process would have been (technical difficulty).

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

And is that just also because the bioproducts tends to be more spot oriented relative to the sweeteners and starches which tends to be more forward sold?

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**Pat Woertz** - *Archer-Daniels Midland Company - Chairman, CEO & President*

Exactly (inaudible).

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**Vincent Andrews - Morgan Stanley - Analyst**

Okay, all right, I think I get it. All right, thanks, everybody.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thanks.

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**Operator**

Christina McGlone, Deutsche Bank.

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**Christina McGlone - Deutsche Bank - Analyst**

Thanks, good morning. I guess, Pat, when you're talking about the CapEx, that is a little bit higher than what I was projecting. And I'm thinking about other investments that you noted like your biodiesel facility in Santa Catarina in Brazil.

And I guess my question is, this quarter Ray noted that in the biodiesel area profits were lower in South America. So I'm just curious whether -- if the market can handle that capacity? I think it increases your capacity 50%. What are the dynamics like in biodiesel there? I think we're at B5. And if the market doesn't go to B7 next year are margins in biodiesel still going to be strong enough to basically handle that capacity?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

I'll start here, Christina. I think the biodiesel business in Brazil is a good one longer term. We feel very comfortable with that even if their view is -- if we go through a few bumps to get to the higher blend levels I think both our locations of our plants as well as our investment and what we've seen in the regional demand should be good for the -- good for the foreseeable future. If anybody wants to add to that.

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**John Rice - Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman**

I think long-term Brazil has been looking at increasing their biodiesel blend rates all the way up to 10. So even if they wait maybe a year just because of crop supplies or something like that I'd be surprised if they don't eventually increase it (technical difficulty) 7% up to 10%.

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**Christina McGlone - Deutsche Bank - Analyst**

Okay, thank you. And then I guess just last question because I know we're late. Following up on Christine's line of questioning. So if the tax credit does expire at the end of this year, which does look very likely, and I think it does put a lot of importance on E15, especially with ethanol trading in line with gasoline. Pat, what sort of incremental investments need to be made?

It seems like it may not be necessarily an easy adoption, and now I'm seeing a lot of legislation come out to prevent any sort of federal funding for E15 infrastructure. So I'd just appreciate your take on that.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Well, there's a couple of things that would support -- continue to support E15. I mentioned that the states expected to be early adopters in the farm states. There's registration associated with the actual health effect of the fuel, there's state regulatory issues to get through, there's some octane certification, there's some fire code issues, etc.

The actual investments that blenders need to make or at the retail site is actually conversion of whatever tankage they might have and then the actual labeling, which I think the labels have now been approved and they have the appropriate language on it, etc.

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So I think there's as much administrative push -- even more so than investment push -- to get the states in line and get the leadership going. We expect that to begin sometime in the fall. So it's something that we should see start to happen even before the year end.

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**Christina McGlone - Deutsche Bank - Analyst**

Okay. Thank you very much.

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**Operator**

Tom Graves, Standard & Poor's.

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**Tom Graves - Standard & Poor's - Analyst**

Yes, I'm an equity analyst at Standard & Poor's. Thank you. Just to clarify on the ethanol situation, would it be your anticipation that if the tax credit goes away it would potentially have a larger net impact in the first half of the new fiscal year with possibly some offset from E15 coming favorably into the mix in the second half of the year?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Well, it's actually blender economics that drive the full blending rate. So the expiration of the tax credit probably would have little impact where you would see E15 having the more beneficial impact. And again, the farther through the year you go, the more states that adopt it, the more it gets into the market the better that will be. So you argue that would be for a continued improvement.

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**Tom Graves - Standard & Poor's - Analyst**

Thank you.

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**Operator**

Amon Wilkes, Gabelli & Company.

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**Amon Wilkes - Gabelli & Co. - Analyst**

I had a question -- a few questions. I guess first just to follow up on the ethanol. Is there any fear that there -- beyond the tax credit I think you removed the tariff on ethanol and would potentially get imports from Brazil and I guess at what price do you think ethanol needs to be at before that's economical?

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**John Rice - Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman**

If the tariff comes off currently in Brazil, Brazilian ethanol on an FOB Port basis is so much higher than US ethanol. So it will not come into the United States. As a matter of fact, like I mentioned earlier, we're seeing exports from the United States down to Brazil.

That's why in the thoughts of free trade we'd like to see Brazil keep their blending rates high. So in terms of years like this we would be exporting a lot more ethanol and really make it more of a free trade in the ethanol business instead of them lowering and raising their blend rates accordingly.

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**Amon Wilkes - Gabelli & Co. - Analyst**

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Okay. I guess the real question -- the crux of the question was, do you see -- at what price does US ethanol need to be at before it's economical for Brazilian -- do you have an estimate of that or do you (multiple speakers)?

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

Currently I do not right now. But as the market is constantly moving all the time, since our ethanol prices have gone up here \$0.45 compared to gasoline here in the last month we're not as economical as we were 30 days ago. Now as that starts -- if it comes down as more plants come on it would be economical, it could actually happen within the next 30 days.

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**Amon Wilkes** - *Gabelli & Co. - Analyst*

Okay. I guess -- and the next question, just --.

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

I'm sorry, were you talking about Brazilian ethanol coming to the United States?

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**Amon Wilkes** - *Gabelli & Co. - Analyst*

Yes, I was, I (inaudible).

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

I'm sorry.

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**Pat Woertz** - *Archer-Daniels Midland Company - Chairman, CEO & President*

It's the other way (inaudible).

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

I do not see that happening this year as tight as the balance sheet for ethanol is in Brazil.

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**Amon Wilkes** - *Gabelli & Co. - Analyst*

Okay. The question really goes around if -- at what price it would happen what US ethanol needed to be at for that to happen? I've heard estimates of anywhere from \$3.25 to \$3.65.

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**John Rice** - *Archer-Daniels Midland Company - Vice Chairman, Office of the Chairman*

Well, it depends what the price of unleaded gasoline is, it depends on what the government sets the price of gasoline in Brazil and it depends what the harvest and the supply situation is in Brazil at any given time. It's not -- it's a very fluid market, it changes every day.

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**Amon Wilkes** - *Gabelli & Co. - Analyst*

Okay, fair enough. I guess my next question just centers around the tax increase for this year. So, I just wanted to get a sense of -- at the end of fiscal year 2010 what did you expect your tax rate to be and how did that I guess progress from quarter to quarter? Why was this last quarter I guess a shock to what your estimates were?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

During the course of the year we had an estimated tax rate of approximately 27% for the fiscal year based upon available information that we had at the beginning of the year. I think again in the fourth quarter, that's when we normally do the reconciliation and (inaudible) process, looking at a multitude of different issues and [as I indicated] geographic mix.

The fourth quarter turned out to be a lot more tilted towards US than international. We also again true up our US effective tax rates based upon information that we have from our US tax returns. And then again I outlined that the pricing adjustment was based upon June 30 exchange rates. And then lastly, deferred tax true ups which is something that we were going through the validation process in the fourth quarter.

So there was a multitude of different factors that entered into our fourth-quarter reconciliation and true up process. Frankly I'll have to say, this is atypical in terms of the type of adjustment. Because normally when we go through these adjustments there are pluses and there are minuses. And oftentimes they kind of wash themselves out.

But for this particular quarter, as it turns out the reconciliation true up processes result in the factors basically going in the other direction here. So that's the reason why we want to make sure we provide guidance to you for 2012 fiscal year is after we factor in -- analyze these factors and considering where our plan is going for next year, that's the reason why we want to provide some guidance to you at a 28% to 30% effective tax rate for 2012.

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**Amon Wilkes - Gabelli & Co. - Analyst**

Okay, that's fair. I guess my last question just goes around these current corn (technical difficulty) I guess increased gross corn prices. Is that just that you're not seeing the sales of co-products at where you thought they would be or are they not trending with the price of corn or it is it --? I just want to get a sense of where the -- I know obviously corn is increasing, but are co-products not offsetting it any?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Co-products tend to follow the price of corn and they are coming up in relationship, they tend to follow a little slower. But we're not seeing any major difference between this year or any other normal year. It just partially offsets it.

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**Amon Wilkes - Gabelli & Co. - Analyst**

Okay. All right, that's fair. That's all I had, thank you.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thank you.

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**Operator**

David Driscoll, Citi Investment Research.

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**David Driscoll - Citigroup - Analyst**

Thanks for taking the follow-up, just a quick one. This \$2 billion CapEx number, when you said that part of it -- I was a little thrown off when you said that capital spending also has in it acquisition monies.

When you say normal, Ray, I've always thought normal for the business was not the last few years, the last few years were like an abnormal rate of capital spending on greenfield projects and that normal was something less than \$1 billion, maybe something around \$800 million.

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Is that what you mean when you say normal? And that would mean therefore that something in excess of \$1 billion is what you're putting into the acquisition line on the statement of cash flows?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

No, I wouldn't say that. I mean when I use the term normal for acquisitions, I'm talking about non-large strategic acquisitions. So therefore, I mean when you take a look at our cash flow statement for this year, you see that our acquisitions this year amount to a little over \$200 million, right. So again, in our 2012 plan there's quite a few of these opportunities that we're analyzing right now. So I'd be cautious when I make the comment "normal". I'm just referring to the fact that non-significant strategic investment.

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**David Driscoll - Citigroup - Analyst**

All right, so bottom -- go ahead?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

I was going to add to that, David, that I think it's fair to say our -- what you'd call our targets that are included in this \$2 billion opportunity set include a higher level of acquisitions.

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**David Driscoll - Citigroup - Analyst**

All right, but still --?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

And not some -- not the strategic large ones that might be of a [special] nature.

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**David Driscoll - Citigroup - Analyst**

I think it's fair to say though that maybe from where you guys were six months ago, the spending on greenfield projects or brownfield projects is fundamentally higher than it used to be. And maybe I think that one of your messages is that you found opportunities out there that are attractive. Is that the right message?

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

I think we are evaluating opportunities, yes, that are attractive. And I think -- when you think sometimes one of the best things that ADM can do is buy a plant, which you'd call an acquisition, and then fix it and get it into our system and it becomes a synergistic opportunity. So with that is a little bit of brownfield upgrade -- or greenfield upgrades or upgrade that is capital in nature but it came from the acquisition.

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**David Driscoll - Citigroup - Analyst**

Understood. Thank you.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Thank you.

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**Operator**

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(Operator Instructions). John Roberts, Buckingham Research.

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**John Roberts - Buckingham Research - Analyst**

Ray, you made a comment on the remaining share repurchase program that had some caveats depending on crop prices and no major acquisitions. But if crop prices are stable and if you don't make any major acquisitions do you have a time frame for using up the rest of the share repurchase authorization?

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**Ray Young - Archer-Daniels Midland Company - SVP & CFO**

Again, we indicated over a two-year period -- I mean, we'd like to mitigate the impact over a two-year period. But again, subject to us ensuring that we have a strong balance sheet to handle investments, working capital, and other factors. So I've been fairly consistent over the past several calls that this is the time frame that we like to work through.

In the month of May, in the fourth quarter we found for example the share price attractive. And so that's the reason why we increased our share repurchase in the fourth quarter of fiscal year 2011. (technical difficulty). I just want to emphasize, I mean it's not our authorization to offset the equity. This is basically our intent of management to mitigate the impact of the equity unit dilution.

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**John Roberts - Buckingham Research - Analyst**

Thank you.

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**Pat Woertz - Archer-Daniels Midland Company - Chairman, CEO & President**

Operator, I think we'll call the call here. Thank you very much for all of your questions and interest and we'll talk to you again in November.

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**Operator**

This concludes the presentation for today, ladies and gentlemen. You may now disconnect. Have a wonderful day.

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