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ADM.N - Q2 2025 Archer-Daniels-Midland Co Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the ADM second-quarter 2025 earnings conference call. (Operator Instructions). As a reminder, this conference call is being recorded.

I'd now like to introduce your host for today's call, Megan Britt, Vice President, Investor Relations for ADM. Ms. Britt, you may begin.

Megan Britt - Archer-Daniels-Midland Co - Investor Relations

Welcome to the second quarter earnings conference call for ADM. Our prepared remarks today will be led by Juan Luciano, Chair of the Board and Chief Executive Officer; and Monish Patolawala, our EVP and Chief Financial Officer.

We have prepared presentation slides to supplement our remarks on the call today, which are posted on the Investor Relations section of the ADM website and through the link to our webcast.

Some of our comments and materials may constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These statements and materials are based on many assumptions and factors that are subject to numerous risks and uncertainties.

ADM has provided additional information in its reports on file with the SEC concerning assumptions and factors that could cause actual results to differ materially from those in this presentation and the materials. Unless otherwise required by law, ADM assumes no obligation to update any forward-looking statements due to new information or future events.

In addition, during today's call, we'll refer to certain non-GAAP or adjusted financial measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are available in our earnings press release and presentation slides, which can be found in the Investor Relations section of the ADM website.

I'll now turn the call over to Juan.

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Thank you, Megan. Hello, and welcome to all who have joined the call.

Please turn to slide 4. Today, ADM reported adjusted earnings per share of \$0.93. Total segment operating profit was \$830 million for the quarter. Our trailing fourth quarter adjusted ROIC was 6.9%, and cash flow from operations before working capital changes was \$1.2 billion for the first half of the year.

The team's focus has been on managing what we can control in a dynamic environment, and we continue to drive positive momentum in those areas in the second quarter. Our Carbohydrate Solutions team again delivered steady results with a strong execution and disciplined risk management.

The Nutrition team drove another quarter of sequential improvement, led by our Flavors and Animal Nutrition portfolios. We also made important progress in getting our Decatur East plant back online, already ramping to our planned run rates.

Ag Services and Oilseeds performed in line with our expectations. The team worked to offset lower margins this quarter through targeted organizational realignment and network consolidation, enabling us to be well positioned to take advantage of expected improved conditions in the second half of the year.

Across our global operations network, our efforts to improve operational resilience delivered outstanding results. We achieved our best performance in limiting unscheduled and unplanned downtime in more than five years. We're also proud to have been named as one of America's greatest workplaces in manufacturing, a testament to the tireless efforts of our colleagues across the ADM operations workforce.

The external environment became clear in some critical areas for our business throughout the quarter. The US administration drove positive tax and biofuel policies that are helping biofuel producers make better decisions about production rates and feedstock demand, while also supporting an uplift in crush and biodiesel margins.

The agility in which we managed the first half of 2025 demonstrates our team's ability to drive our strategy forward and manage the dynamics of the external environment while focusing attention on the self-help and execution excellence agenda we outlined earlier in the year.

Let's take a closer look at our progress on key strategic objectives in the quarter. Please turn to slide 5. We're making strong progress against the areas of self-help we identified at the beginning of the year. The balance of efforts across cost management, execution excellence, targeted simplification, strategic growth and capital discipline are providing an important foundation to work from.

Let me share a few examples of what we accomplished in the quarter. We are continuing our portfolio management activities. We made decisions to cease operations at certain facilities that no longer align with our long-term goals, including several AS&O origination sites globally, a port transload facility in Florida, an aquaculture plant in Ecuador, a pet and animal nutrition plant in Brazil and two assets no longer strategic to the Specialty Ingredients business.

We focused on optimizing our AS&O network and aligning our asset base to the most critical parts of the business while ensuring we effectively manage uptime and production capacity, and we announced our intention to move our Lubbock, Texas cottonseed plant into a joint venture.

As I mentioned earlier, we achieved a critical milestone in recommissioning in our Decatur East facility and are currently ramping up to planned production levels. This will have a positive impact on costs within our Specialty Ingredients business, as we move through the back half of the year. Through a combination of these efforts and others throughout the first half of the year, we remain on track for our targeted \$500 million to \$750 million in aggregate cost savings over the next three to five years.

We're also continuing our capital discipline focus with an eye on returning capital to shareholders. And following our Q1 earnings call, we announced our 374 consecutive quarterly dividend. And while we've been keeping our efforts in cost and capital management at the forefront, we have never stopped smart organic investments that provide us options to accelerate growth at the appropriate time.

ADM's integrated business model provides significant advantage to generate value across our entire production ecosystem. A few examples include repositioning coproducts from our operations into new solutions such as converting fatty acid residues, found in waste materials into biofuels; addressing a growing carbon economy through the expansion of our decarbonization capabilities in Carb Solutions; and taking advantage of available capacity in nutrition plants to expand product lines and enter new markets.

All of these represent ways ADM can reduce waste, accretively deploy capital and increase returns. As we look to the back half of 2025 from an external perspective, we anticipate increasing biofuels and trade policy clarity that accelerate our ability to create positive economic opportunities and drive additional investments such as these throughout our business and the agriculture sector.

As public policy increasingly supports the agricultural sector, ADM is poised to play a pivotal role in driving that progress. In the US, for instance, as policies are finalized to accelerate the adoption of renewable fuels, ADM is ready to lead, advancing innovative solutions that open new, high-value markets for American farmers and strengthen the broader bio economy.

We will also continue to shape our own path through the self-help agenda that is already driving impact that help offset some of the market dynamics seen in the first half of the year. Because several external factors and self-help efforts will activate in the third and fourth quarters, we are tightening our expectations for adjusted earnings per share and expect it to land around \$4 per share for full year 2025.

We believe ADM is in a solid position to exit 2025 with operational momentum, and we are confident that our team's ability to execute against our strategy will set the company up for a strong finish to the year and launch into 2026.

With that, let me hand it over to Monish to share a deeper dive into the second quarter financial results and our 2025 outlook. Monish?

Monish Patolawala - Archer-Daniels-Midland Co - Chief Financial Officer, Executive Vice President

Thank you, Juan. Please turn to slide 6. AS&O segment operating profit for the second quarter was \$379 million, down 17% compared to the prior year quarter as limited clarity on legislative and biofuel policy continued to impact margins in the segment.

In the Ag Services subsegment, operating profit was \$113 million, down 7% versus the prior year quarter, driven primarily by lower global trade and South American origination results. Global trade results were lower relative to the same quarter last year, largely due to the lower trading volumes, partially related to the trade policy uncertainty as well as lower margins due to lower commodity prices, negative freight timing and currency impacts.

South American origination results were lower primarily due to lower volume and margins stemming from the loss of operations at a key port facility in Brazil and foreign exchange impacts. North American origination results improved in the quarter due to higher margins and volumes as well as from a timing benefit associated with receiving \$19 million in proceeds from a USDA grant earlier this year compared to in 2024.

There were net negative timing impacts of approximately \$27 million year-over-year. In the Crushing subsegment, operating profit was \$33 million, down 75% from the prior year quarter. Consistent with our expectations for the quarter, both global soybean and canola crush execution margins were lower than the prior year quarter.

Global executed crush margins were approximately \$7 per ton lower in soybeans compared to the prior year quarter and approximately \$29 per ton lower in canola. By region, crush margins were down significantly in North America. North America soybean crush margins were negatively impacted by higher crush rates and lower soybean oil demand stemming from biofuel policy uncertainty early in the quarter.

North America canola crush margins were approximately \$50 per tonne lower due to headwinds from trade policy and lower canola oil demand for biofuel production. There were net positive timing impact of approximately \$37 million year-over-year.

In the Refined Products and Other subsegment, operating profit was \$156 million, up 14% compared to the prior year quarter as positive timing impacts offset lower biodiesel and refining margins.

In EMEA, margins declined due to significantly lower biodiesel export volumes. In North America, positive timing impacts offset lower biodiesel and refining margins, which were negatively impacted by additional industry crush capacity and lower demand for vegetable oils due to biofuel policy uncertainty.

There were net positive timing impacts of approximately \$119 million year-over-year. Equity earnings from the company's investment in Wilmar were \$77 million, up 13% compared to the prior year quarter.

Turning now to slide 7. For the second quarter, Carbohydrate Solutions segment operating profit was \$337 million, down 6% compared to the prior year quarter. In Starches and Sweeteners subsegment, operating profit was \$304 million, down 6% compared to the prior year quarter.

In EMEA, Sweeteners and Starches volumes and margins declined as higher corn costs due to crop quality issues continued to negatively impact results. In North America, Sweeteners and Starches results were up slightly as higher liquid sweetener and corn co-product margins offset the negative impact of weaker starch margins and volumes and lower wet mill ethanol margins. Global wheat milling margins and volumes also improved relative to the prior year quarter largely due to volume growth with key customers.

In the Vantage Corn Processors subsegment operating profit was \$33 million, flat relative to the prior year quarter as higher ethanol volumes and improved risk management largely offset lower ethanol margins. Overall, ethanol EBITDA margins per gallon were positive in the quarter, though lower than the prior year quarter.

Turning to slide 8. In the second quarter, Nutrition segment revenues were \$2 billion, up approximately 5% compared to the prior year quarter. The increase includes a \$55 million benefit from a contract cancellation in Health and Wellness, the full amount of which is not included in the Nutrition segment operating profit.

Excluding this benefit, Human Nutrition revenue was up approximately 4% primarily driven by Flavors growth, partially offset by headwinds related to supply challenges from Decatur East. Animal Nutrition revenue was down 2% as negative currency impacts and lower volumes offset mix benefits.

Nutrition segment operating profit was \$114 million for the second quarter, up 5% versus the prior year quarter. Human Nutrition subsegment operating profit was \$92 million, down 11% compared to the prior year quarter, as improved performance in Flavors was more than offset by declines in Specialty Ingredients and Health and Wellness.

In Specialty Ingredients, operating profit declined due to lower margins and impacts related to the Decatur East plant. In Health and Wellness, higher margins from Biotics and improved product mix were more than offset by reduced tolling margins from a contract cancellation.

Animal Nutrition subsegment operating profit of \$22 million was higher than the prior year quarter due to higher margins supported by ongoing turnaround actions.

Please turn to slide 9. For the first half of the year, the company generated cash flow from operations before working capital of approximately \$1.2 billion, down relative to the prior year period due to lower segment operating profit.

We continue to make progress with our actions to ensure working capital excellence through stronger rigor on working capital planning, inventory rationalization, improvement of key accounts payable metrics and more timely collection of past due balances.

For example, inventories decreased by \$2.2 billion during the first half of this year as compared to a \$1.4 billion decrease in the prior year period in part due to improved management of volumes. Solid cash generation and our strong balance sheet remain important differentiators for the company. Our leverage ratio was 2.1 times for the quarter end, and we will continue to seek opportunities to further strengthen our balance sheet to enhance financial flexibility.

We are dedicated to organically investing in the business to elevate returns and create long-term value. To this end, we have been very prudent with our CapEx spending. Year-to-date, we have invested \$596 million in capital expenditures and have lowered our expected CapEx spend range to \$1.3 billion to \$1.5 billion for 2025, down from previous expectations of \$1.5 billion to \$1.7 billion.

At the same time, we remain steadfast in our commitment to returning cash to shareholders and we returned \$495 million to shareholders in the form of dividends during the first half of 2025.

Turning to slide 10. We have provided details to support our 2025 outlook. With greater visibility regarding the third quarter and additional clarity on emerging policy tailwinds, we have tightened our range and now expect adjusted earnings per share to be approximately \$4 per share for the full year 2025.

Tax and biofuel policy proposals introduced towards the end of the second quarter and beyond have now created market insight to incentivize higher biofuel and renewable diesel production levels.

In June, the Environmental Protection Agency released its first Renewable Volume Obligation, or RVO, proposal for 2026 and 2027 with favorable provisions for domestic feedstock. In July, the tax reconciliation package signed by the Administration improved and extended the 45Z biofuel producer tax credit for an additional two years to 2029 and clarified that the credit is limited to fuels created from North American feedstocks.

With the favorable proposed RVO and finalization of the 45Z producer tax credit, soybean oil has rallied and board crush margins have improved. Combined with the focused actions of our teams on network consolidation and cost savings, we expect to be in a better position to capture opportunities as we enter the fourth quarter and move through the final months of the year.

Let me provide some color on several assumptions for the second half. We are closely monitoring customer demand and have embedded expectations for lower volumes in certain pockets and geographies in our guidance.

With policy developments coming at the end of the second quarter, we had already booked a portion of our third quarter business, which will limit our ability to take full advantage of higher expected margins from these developments in the third quarter.

We expect soybean crush margins in the third quarter to be in a similar range to the second quarter. We expect improved AS&O margins will primarily benefit our fourth quarter results where we project global soybean crush margins to be in the range of \$60 to \$70 per metric tonne and global canola crush margins to be in the range of \$55 to \$65 per metric tonne.

We also expect improvement in Ag Services in the fourth quarter as we expect strong crops in North America and a solid North American export season supported by increased trade policy clarity.

We expect Carb Solutions to continue to be impacted by softness in starch demand for paper and corrugated box and higher corn costs in EMEA related to corn quality issues. Robust industry-wide ethanol production is expected to sustain pressure on margins and we anticipate for the year 2025, a mid-single-digit decline in overall ethanol EBITDA margins compared to the prior full year.

We anticipate continued improvement in Nutrition through a focus on supply chain excellence and our Decatur East plant returning to planned full production.

Finally, just a reminder, during the second half of 2024, we had \$231 million in insurance proceeds with \$96 million in the third quarter and the balance in the fourth quarter. The third quarter insurance proceeds were largest in Carb Solutions and will impact third quarter year-over-year comparisons in that segment.

To close, we are making progress. My top priority coming to ADM was to remediate the material weakness. And this quarter, we announced that we have successfully remediated the material weakness in internal controls for segment disclosures related to reporting, pricing and measurement.

Going forward, we will continue to focus on broader initiatives that will enhance our transparency and compliance processes while maintaining an effective operating environment. We have also aggressively acted on opportunities to improve operational performance and lower costs. And we are seeing through these actions that our assets are running better, and we are benefiting from the restored and ramping operations at our Decatur East plant.

We also continue to work in a measured manner to simplify our portfolio to enhance focus on core competencies while unlocking additional capital to drive value and position the company for long-term success.

In particular, on cash, we have delivered an improvement in working capital efficiency, and we have taken actions to further optimize our CapEx. These efforts position us in our ability to navigate the current dynamic environment and reinforce our confidence in delivering on our commitments.

Before I hand it back to Juan, I want to take a moment to thank all my ADM colleagues for their dedication and focus in delivering for our customers and helping to create long-term value for our shareholders.

Back to you, Juan.

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Thanks, Monish. Let me wrap up by highlighting some of the ways we are setting our business up for the back half of 2025 and into 2026, along with the positive signals we see that are providing momentum. Overall, we will continue to drive operational excellence through our focus on cost savings and cash and by simplifying our business through targeted portfolio optimization including the recent examples I mentioned earlier in today's call.

In Carbohydrate Solutions, we will continue to drive operational excellence and closely monitor both consumer sentiment and broader economic signals, while maintaining momentum around our decarbonization and cost reduction initiatives.

For Nutrition, the ramp-up of Decatur East and optimized portfolio will support continued recovery of the business. While we focus on building upon our strong opportunity pipeline in segments like Flavors and Health and Wellness.

In Ag Services and Oilseeds, our active network optimization and operations focus is positioning us with the agility to capture opportunities from improved market conditions in the back half of the year. Additionally, we're closely monitoring global trade developments, particularly in relation to China and broader export market dynamics, as we head into the critical US harvest season later this year. These factors will play an important role in shaping opportunities in the months ahead.

We are seeing selective market share increases that are offsetting sluggish markets elsewhere, and we are sharpening our focus on good risk management practices.

Looking to the fourth quarter of 2025 and onwards, we see several reasons for optimism. Clarity in biofuel policy and legislative support for agriculture are creating a favorable environment for market access for our farmer partners and enhance ADM's ability to deliver economic value to the broader sector.

The foundational work we've done in the first half of 2025 sets us up for stronger operational momentum. Our investments in innovative spaces such as postbiotics, natural flavors and colors and decarbonization position us to capture growth in high potential markets.

We have recalibrated many variables as we navigate the current complexities and our confidence in ADM's resilience stems from the dedication and expertise of our team. Their ability to adapt to challenges and execute against our strategy has been evident throughout the year. We are a company built to endure cycles and our unparalleled asset network, combined with the ingenuity of our workforce, ensures we remain a source of strength for our farmers, customers and partners.

As we move forward, our focus on self-help initiatives, execution excellence and disciplined capital allocation will continue to drive value for our shareholders and position ADM for success in 2026 and beyond.

With that, let's open the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Strelzik, BMO.

Andrew Strelzik - Bank of Montreal - Analyst

You gave a lot of helpful color for the back half of the year, but I was hoping you could maybe a little bit more explicitly give us kind of the earnings split between 3Q and 4Q or at least a little bit more guide kind of at the total company level?

And if I take that, does it make sense to, as we start to think about 2026 annualized 4Q as kind of a starting point? I know it's a bit of a bigger quarter, so we can make some mental math adjustments around that. But is there any reason why that kind of doesn't make sense to you?

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Thank you for the question. As you said or as are you implying in your question, we see the prospects for ADM improving and getting more clear as we go into the second half. Of course, first half had a lot of headwinds; second half, with the benefits now of a little bit more clarity on RVOs and 45Z, we certainly see the potential for soybean oil to be much more demanded and that will be the preferred feedstock for North America.

Unfortunately, by the time this was announced, we have already contracted most of our Q3. So you will see the impact for us mostly in Q4. So as such is probably going to be something in the, I don't know, 35-65 type of split between Q3 and Q4.

If you think about what are the things that we have in Q4 coming for us? We continue with our improvement in cost position. We're going to see an improvement in crush margins if all these RVO numbers are finally confirmed. We're going to see the benefit of our Decatur East plant in Nutrition being back into production.

And we're going to see better earnings from Ag Services as we get into our export season from a global trade perspective as well. So we have high expectations for that quarter, provided all these RVOs are confirmed. In terms of 2026, probably too early, but most of the time, we said the rate that we exit 2025 becomes the rate that we entered 2026, whether that's going to be multiplied by 4, too early to speculate at this point.

Monish Patolawala - Archer-Daniels-Midland Co - Chief Financial Officer, Executive Vice President

Just Andrew, a couple more data points to Juan's point, 1/3, 2/3 split Q3, Q4. Secondly, just as you're modeling, just remember, last year, we had \$230 million of insurance proceeds, \$96 million of it was in Q3 and the balance was in Q4, and you can see the segment. So in Q3, Carbs will be the biggest impact on a year-over-year basis.

If crush margins don't move up or the replacement curve doesn't move up, that's another \$0.15 headwind if the curve doesn't move. Corporate, usually second half is usually higher than the first half due to some naturally seasonal item will continue to drive our cost and cash initiatives that we have.

Ethanol. When you think about Ethanol, it's still lower on a year-over-year basis, while the second quarter was positive, it was still lower than last year and so we continue to see ethanol to be a little softer in the second half.

But all of that is currently baked into our guide, except of course the headwind if the replacement curve doesn't work. And timing is another item that could move between quarters or where our mark comes at the end of the year. But hopefully, that answers your question.

Operator

Ben Theurer, Barclays.

Benjamin Theurer - Barclays Services Corp - Analyst

Congrats on the solid results for the second quarter. I wanted to dive into the outlook for the Nutrition segment into the back half. Obviously, with Decatur East coming back, as we look into this and kind of like have like an LTM run rate kind of, call it about \$400 million operating income now in that segment.

But clearly, with all these headwinds, what would you suggest us assuming has been kind of like that incremental cost that you called out for not having Decatur East over the last couple of quarters? And as we ramp this through 3Q into 4Q and then particularly into 2026, where do you think like kind of like a current run rate is for that business on a stand-alone basis?

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Yes. Thank you for the question, Ben. Let me address Nutrition and how it is going. So Nutrition continue its recovery. We're very pleased with that. If I take it into pieces. If you take Human Nutrition. Human Nutrition is being driven by flavors, strong revenue growth. We are holding to our EBITDA margin. So we are very pleased with that, mostly driven by beverages in North America, but also strength in Europe. And we have an opportunity to grow geographically as our plants in Asia Pacific are increasing output.

In terms of Health and Wellness, Biotics has grown so far 9% revenue. So that's going very, very well, and we are very pleased with that. And we will releasing some data of studies that we performed in 2025. We're going to be releasing it in '25 and '26 that will give much more opportunities for us to penetrate more applications, especially in the heat-treated post biotic area where ADM is one of the leading companies.

In terms of Specialty Ingredients was the headwinds for the Human Nutrition part. And as you said, we have mentioned before, the headwinds in terms of cost or having the Decatur plant down was about \$20 million to \$25 million per quarter, that will be hopefully behind us as we go into 2026.

So then you have the Animal Nutrition. The Animal Nutrition side has been an improvement story, if you will, a margin-up story. Remember, I mentioned that from the time that from like three or four years ago, and they've been executing on that. They've been executing for the last, I think, seven quarters, they've been presenting better results based on self-help.

The market is a relatively good market in the sense that all the protein customers are making money. Feed is relatively cheap right now. So profitability is there. And our portfolio is slightly shifting into more specialty products as we go along. So we are deemphasizing some of the commodities and emphasizing a little bit more our innovation in those segments. So we feel good about that piece continue.

So I think we are setting up well for continued growth into 2026. Numbers-wise, a run rate, I wouldn't like to venture at this point in time. But I think you can, for sure, add about \$100 million of Specialty Ingredient headwinds that we're not going to have in 2026. The plant so far is running well since it started up back. The team brought it back safely. So we're very proud of the team. So, so far, so good.

Operator

Manav Gupta, UBS.

Manav Gupta - UBS AG - Equity Analyst

Monish, I just want a little bit of a clarification. I know you had been working very closely with SEC responding to all their queries. And now basically, you're putting out a statement that the material weakness is no longer there. So am I -- are we to understand that you reached out to SEC, you gave them what they wanted and then they did not come back with additional questions.

So at this point, would it be fair to say that SEC is okay with where your financials are being constructed? And what can also be done to make sure this never happens again, if you could just talk about those things.

Monish Patolawala - Archer-Daniels-Midland Co - Chief Financial Officer, Executive Vice President

Yes, so Manav, I think there are two different points that maybe I can make. Number one is, yes, we did remediate the material weakness this quarter. And the team did a really heavy job. They had created -- if you think it's 18 months that the company has worked on this. Robust remediation plan. So we designed and implemented a lot of enhanced internal controls, especially in related to our intersegment policies, pricing and measurement controls, which was the reason for the material weakness.

We improved our training, we upgraded talent, we have tested these controls -- and we test them over multiple periods. And right now, we believe these are effective. The way we do this, Manav, just for your benefit, is management tests it, they have their controls, they test it.

And then at the end of the day, we consult with the Audit Committee as well as our auditors to make sure that what we are doing has robust internal controls. So we have actively engaged our auditors and while the audit will not be complete until the 10-K is filed, the auditors do have an obligation to make sure that what we are publicly disclosing is accurate as well as they feel good that our internal controls have been met.

So based on all of that, that we have made sure that our controls are working, we as management feel that the material weakness has been remediated. And as I said, it's in consultation with our auditors and the Audit Committee.

I would say going forward, we will continue this journey. So we will continue to keep focusing on broader initiatives that will enhance our transparency and compliance processes while continuing to maintain an effective operating [environment] (added by company after the call).

So hopefully, I answered your question, Manav, this is based on a robust remediation plan, and we have tested it and we feel that over the last few quarters that these -- our controls have been effective, and that's why we felt that we are in a position to remediate the material weakness this quarter.

Operator

Heather Jones, Heather Jones Research.

Heather Jones - Heather Jones Research - Analyst

I had a two-part question on Crush. And first part was just a clarification. Wondering when you say if the replacement curve doesn't move up from here, are you referring to physical?

And then secondly, more a big-picture question. If the RVO SREs play out as benignly as expected, just wondering the benefits to your biodiesel business, but more importantly, to your global Crush business. When we think about how that business was doing in '22-'23, how would you think about how ADM with the decision going into '26 and '27, if that plays out -- if the policy picture plays out as we're expecting?

Monish Patolawala - Archer-Daniels-Midland Co - Chief Financial Officer, Executive Vice President

So just a quick one, Heather, to answer your question. When we think about the replacement curve, yes, we do look at board crush. But at the end of the day, margins have to show up on the cash side, and that's the curve that I've mentioned. So we're combining both, and that's where I came up with the math that I gave you. Now that will move every day depending on how markets move, but this is where we are at this point in time.

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Yes. Heather, on the big picture perspective, as you said, the RVOs have been very positive for soybean oil, and that can certainly increase demand. There are going to be adjustments. If you think about at this point in time or in the first half, we were exporting soybean oil, and we probably won't do that. And some of our customers are already -- some of our food customers we are already offering different mixes of products.

Of course, we have peanut oil and cotton oil and rapeseed oil, and we have many different blends because soybean oil will be a preferred feedstock for biofuel. So I think that we will adjust and we will maximize the profitability for the envelope. If you think about where the margins will fall, so I think initially, we will probably have to see RINs popping up.

We will see probably the benefits landing in the crush because we're going to have these very strong legs in terms of oil but also in biodiesel. I think refining will probably be a little bit squeezed refining margins because of all the pretreatment capacity, and we will have to see how many people run this pretreatment capacity, how many of the refineries come on stream.

But that's the way we see it. We feel very comfortable that the places where we have a crush, where you have Brazil and you're going to have B14 to B15 and then the progression of increasing that, the US will have the RVOs. And then in Europe, Germany has abolished the double accounting, which also is going to be good for oil.

So all in all, you can see about 6 million tonnes of extra feedstock coming into the biofuel area that you add about 800,000 tonnes of growth in the food it gives a very good perspective for this. You will see oil taking about 50% of the share of the crush, which hasn't happened in quite a while. And every time that happens, of course, margins pop up. So we will have to put pencil to all that when the RVOs are done. But I think if all this is confirmed and the SREs are kept in check, I think it plays very well for ADM going forward.

Operator

Pooran Sharma, Stephens.

Pooran Sharma - Stephens Inc - Analyst

I was wondering, if maybe we could get a little bit more detail on the network optimization plan? I know you mentioned some detail in your prepared remarks, including some facilities that you had shut down in different geographies. But you also mentioned that there's some room to go. And so was, a, just wondering, where do you see the most room for kind of your further optimization? Is it more Ag Services, processing? I would just love a little bit of color there?

And then also how does this optimize your processing kind of OpEx? Should we be looking at like a \$5 per metric tonne improvement or how should we think about it from a crush perspective?

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Yes. Thank you. Yes, I think that performance improvement around operations is one of the things that we highlighted early in the year, we were going to focus on, and we are delivering on that. I'm very proud of the improvements of the team. We were preparing our footprint for all these potential RVO improvements and the ability to have to crush at full rates going forward.

So thankfully, we have the means to do that, and we needed to have the plants in good shape. So we spend a lot of time optimizing the network. I'm pleased to report, as we said in our prepared remarks, that some of our unscheduled downtime is on rates that we haven't seen since 2000. So it's been -- 2020, sorry, not 2000, it's been very good in that regard.

I would say, selectively, we tend to look at -- we have many plants, and we tend to look instead of having individual plants and pockets of that. We tend to look at the network and what optimizations can we do to keep plants or expanding plants that are -- that have lower cost position and maybe retiring plants that have a challenged cost position.

We do that across the portfolio. We've done it in Milling, we do it in Oilseeds and Ag Services. In Ag Services, we constantly shifting the elevators that we own. At times, we sell them, at times we trade them or we swap them for others. At times, we shut them down or we sell them.

The same happened with the facilities. We announced the Kershaw shutdown. We announced in the joint venture of Lubbock which is for cottonseed oil. So you're going to see that no spectacular announcement, but a continued trickle down of optimization. We have a large footprint, and we have targets to optimize our cost base.

I'm not going to disclose them right now. I want to see more stability of the run rates, and we still have a few things that we need to get done before maybe we give those numbers. But needless to say, we're very happy with how our plants are operating in the face of, again, hopefully a few years of very high crush rates.

Operator

Steven Haynes, Morgan Stanley.

Steven Haynes - Morgan Stanley & Co Ltd - Analyst

I wanted to come back to something on the RVO. It seems like since the proposal, RD margins have kind of remained pressured and almost all the value has kind of accrued back to the crush complex. So would be curious to hear some thoughts on why you think that is and whether or not you would expect that to kind of remain that way?

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Yes. Well, this is a very difficult period, you need to understand. We were giving an indication of what it may happen. But then there are a lot of rumors one day or the other that are shifting this because the whole numbers have not been confirmed.

So although we feel optimistic about the future, we are in an uncertain period until the final numbers are clarified. What are the final RVOs, how we're going to treat SREs. So I would say we shouldn't take a lot of cues from right now what's happening. I think that we know what happened with industry crush margins when oil in the past have taken about 50%, 52% of the crush. So I wouldn't read that much right now until we get more clarity. This is still a forecast.

And I think you need to see we have produced very little to comply with the mandates in the first half as an industry. So we will have to pick up those rates in the second half when all this clarity is given. So we see accelerated production, and you're going to see RINs reacting first.

So at this point in time, there's still -- I mean they are much bigger and much higher than they were last year. They moved like from \$0.40 to \$1.15 or \$1.16 or whatever they are. So -- but we still have room to grow there. So I think that we are watching it closely. As I said, in the meantime, we're getting ready. There is a big crop coming. Our plants are ready to crush. So when we have the indication, we are well positioned to do so.

Operator

Salvator Tiano, Bank of America.

Salvator Tiano - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. Firstly, if you can -- I may have misunderstood or missed it before, if you can clarify a little bit the \$100 million benefit from the Decatur restart, is that '26 versus '25 or the eventual benefit, which includes 2025 tailwinds?

But my primary question is on high fructose corn syrup, we all saw the news a few weeks ago about Coca-Cola potentially shifting away into cane sugar. And I'm just wondering if you can help us a little bit better understand how big this business is for you in terms of perhaps anything like volume, revenues, EBIT as well as what is the risk if other companies follow suit to the industry?

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Yes, Salvator. So what's the first question?

Salvator Tiano - Bofa Merrill Lynch Asset Holdings Inc - Analyst

The Decatur if you can clarify that?

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Yes. Sorry for that. Yes, Decatur cost us basically when it was shut down about \$20 million to \$25 million per quarter. So Decatur is back up now. So you should consider that the start in Q4 for a full quarter, that's going to be an impact of run rate from that moment onward.

And then hopefully, if it continues to run and nothing happens, you will put that into it. But I would say for 2025, you should consider that we have like three quarter of that cost still with us because the plant is ramping up, and we still probably have inventory of material that we have bought that needs to go and run through the cost of goods sold.

On the high fructose corn syrup listen, this is -- we have relationships here in this market that go back decades with the key players. And we have relationship at every level. And at this point in time, we have no indication of any changes in their order pattern or their projections nor we have seen any volume changes based on any announcement.

So I would say in that regard, we are not planning on any change. I would say this business has been working on what we call the fight for the grind. We make more than 22 products in our wet mill. And if you think about it, high fructose corn syrup has been a slightly decline in 1% or 1.5% since I've been here. So -- and we've been managing to have a Carb Solution business that is very stable based on optimization, product mix, development of new products like when we highlight BioSolutions, products like glucose for fermentation.

So there are a lot of opportunities for us to do. This is a big market, and we plan to continue to supply it. But we've been servicing the beverage industry again for multiple decades. And we've always been very flexible and adjusting to the conditions and at times is with natural colors or flavors; at times is with high fructose corn syrup; at times is with other solutions to reduce sweetness. So we will continue to be a major player in that. But at this point in time, I want to tell you there's no change in our volumes in high fructose corn syrup.

Monish Patolawala - Archer-Daniels-Midland Co - Chief Financial Officer, Executive Vice President

Just one I wanted to add on the Specialty Ingredients Decatur East. As Juan mentioned, the operating improvement is the \$20 million to \$25 million [per quarter] (added by company after the call). At the same time, we have seen higher insurance premiums. And of course, we'll have to see where utility costs, et cetera, keep going and driving the cost out that the team is doing. So just keep that in mind. At the end, when we come to 2026, we'll give you the right guidance.

Juan Luciano - Archer-Daniels-Midland Co - Chairman of the Board, President, Chief Executive Officer

Salvator, maybe also I would say in terms of the segments in beverage and snacks and all that, we mentioned in our prepared remarks, we've seen some pockets of sluggish demand that I think that you can tell that there is a consumer out there that there is a little bit more stressed and maybe making more prudent choices where they're spending.

So I would say across ADM, where there is a snack and sweet, we have seen pockets of softness that I think our team has been very good to neutralize or navigator around, but there is some caution from a consumer perspective.

Operator

At this time, we currently have no further questions for today. So that concludes today's conference call. Thank you all for joining. You may now disconnect your lines.

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