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ADM - Archer Daniels Midland Co at Consumer Analyst Group of New York Conference

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PRESENTATION

Rob Moskow *- Credit Suisse - Analyst*

Okay, if I could ask everyone to take their seat so we can move to our next speaker, Archer Daniels Midland. Okay, so before I introduce Archer Daniels Midland I want to thank the management team for sponsoring our dinner tonight. Thanks very much to ADM. Really looking forward to it.

CEO Juan Luciano has presented at CAGNY before, but this will be his first in the role of CEO, a role he took when Pat Woertz retired just a few months ago. Since joining ADM Juan has brought a disciplined approach to ROIC, cash flow, and operational efficiency that investors have applauded and ADM employees have embraced. Having shed non-core assets and turned the business into a true cash flow machine, ADM took a big step toward growth a few months ago with the acquisition of the leading natural flavorings company, WILD. Here to tell us more about why ADM is on the brink of something bigger is Juan Luciano; Ray Young, CFO; and Greg Morris, the Head of the WILD Flavors and Specialty Ingredients Division. Thank you.

Juan Luciano *- Archer Daniels Midland Company - CEO and President*

Thank you, Rob. Thank you very much. Thank you, everybody, for being here today. As Rob was saying, by mid-2012 we started an adjustment in our strategic plan at ADM, an adjustment trying to improve returns and reduce the volatility of earnings. So we are very pleased to be here today to report on the progress we have made against those strategic initiatives.

But before we do that, if you can please refer to our Safe Harbor statement, take a minute to read it, and you can also find it at our website, ADM.com.

So today, I'm going to cover an overview of the Company and the strategic thinking behind the plan we put together. Also are going to have -- I'm joined by Greg Morris, Business President of the new WILD Flavors and Specialty Ingredients Division, and he will formally introduce it to all of you. And then our EVP and CFO, Ray Young, will talk about some of our financials and also our balanced approach to capital allocation that I think it will be pretty interesting for you to listen to. After that, we're going to have Q&A.

So let me start by talking a little bit about a snapshot on ADM. So ADM, as of December 31, was about $33 billion market cap. It's certainly a global leader in origination of grain, processing of grain and ingredients. We have more than 750 facilities around the world. And it's a Company that, you can see here, has been growing its profitability from $1.6 billion in 2004 to $3.7 billion last year, so $2 billion of operating profit over the last 10 years in terms of growth. And we look, to be honest, at profitability as an indicator much more than revenue because revenue tends to fluctuate with commodity prices, so obviously we get a different revenue if corn is $8 per bushel than if it is $4 per bushel. So I think operating profit is a better indicator of that.

The other detail you can pick up here is it's a company that not only have growth in terms of OP but it's also been diversifying into some value-added adjacencies. So you can see the pie to my left shows basically the pro forma of what that unit will represent. Obviously, that unit just started January 1. We are pretty excited about it. And again, Greg will give you more of a flavor of that.

So maybe before I get into the strategy, the things we do before the strategy is because we invest for the long term and we are [somehow] capital intensive, and we need to make sure we invest on plans that are very solid, not fads that are going to have upgrades in the short term. So one of the things we look at is demographics and what are those inexorable trends that will be with us for the next 20, 30 years as we depreciate our assets.

So one of them is the global middle class that is growing. For the first time in history a truly global middle class is emerging. And this has profound implications in the sense -- in the way people eat. So with increased protein consumption we see an increase in the demand for our products to feed those animals. So this is a very important trend for our commodity business. And this middle class is expected to double in size by the year 2030. So we feel very comfortable that we have this underlying global growth behind our commodity business for the years to come.

The other trend that is important, again looking at demographics, is it's a little bit has more to do with specialties and with the health-conscious consumer, is within the next five years the number of people in the bracket of 65 and over will exceed, for the first time in history, the number of people under the age of five. Obviously, this is a very health-conscious group of people and it's a very affluent population with trillions of dollars of spending power. So obviously we can bring also the millennials and their desire for healthier products and different foods. But I thought in a conference like CAGNY smarter people than me will be touching on the millennium and savvy marketeers, you will hear about it. So I decided to focus in these two global trends that are fueling our business.

What's happening with this trend of healthy products is that it is driving changes in our customers. And as we see our customers cutting costs and trimming organizations, we still see the consumer's desire for innovation. So we have positioned ourselves here a little bit of the outsourcer of R&D for our customers. And we would like to think of some of our customers focusing much more on understanding the consumers, on driving their brands, managing their channels, and, more and more, relying on companies like us for basic supplies, for getting the sourcing of the right audits, for traceability, for quality, for risk management, for R&D and even for some basic processing. So we think that that's the space that we can contribute significantly to the profitability of the overall industry.

And as such, we like very much the ingredients. You see these trends about natural ingredients, about the simple labels, about forward-thinking nutrition. So we think that there is a very, very good space to be in, in ingredients. It gives us a lot of flexibility to contribute to many, many formulations and innovations in this industry.

So how are we positioned to profit from these trends? This chart here exemplifies a little bit the ADM advantage. So everything starts with a formidable grain company, a company that basically can source grains from farmers and is very, very much integrated into logistics. That provides us an excellent raw material availability position, but also a great cost position.

On top of that, we have a very, very strong basic processing unit. This very strong basic processing unit provides us with an incredible customer franchise. We supply basically everybody that you will hear during this week here. And it provides also with very cost-advantaged building blocks that then we can use to provide ingredients and solutions as some of these customers decide to innovate.

So this is a very tight net of activities, one of them basically synergistic with the other. And that basically creates a very coherent strategy, all the way from the risk management to the decisions that our teams make to the logistics involving to this to some of the sharing of the products that are coming from the different reactors. All that overseen by a very strong team of people with a strong knowledge of the industry, with a very lean structure that allows them to make very quick decision-making.

So we feel very good about this model. As I said, it's very well fine-tuned. And is one of the reasons for which every now and then you will see us doing portfolio management, because something that doesn't quite fit this model and where we cannot fit the advantage and all the linkages in that -- maybe we are not the rightful owners. But key to that, when you run an integrated model the key piece you need to be worried in order to protect and create shareholder value is to make sure that each piece is actually earning its return, that you are maximizing each piece. You cannot allow for subsidies going between the divisions.

So one of our key goals in this strategy is actually to set the competitive standard by industry. We want to be the best grain company out there. We want to test ourselves against the best processing companies out there. And certainly we want to set the competitive standard in ingredients. And this is key not only from an operational perspective but also from a returns perspective. And our team is very committed to delivering on that.

Some of the thinking behind this -- so how are we going to do this in the grain business? Geographic diversification is key. We don't want to be worrying about the weather. And as we have assets around the world, we can balance much more the impact that the weather brings on our earnings. So you see us with a strong origination and sourcing position in North America, Europe, and South America. But South America we continue to growth, and we are expanding in Eastern Europe, and we are expanding in Australia or places where maybe we are underrepresented.

And also we said here about expanding destination markets. Not only we can grow volumes through our origination marketing and more stability of earnings and we don't depend that much on the weather, but destination marketing-- today we take about only 15% of our grains all the way to the final customers. So we originate, let's say in the United States or in Brazil, and then we ship it all the way to, let's say, [a port in Egypt] where only 15% of all that volume we actually taking to the final consumer.

And that's an opportunity for us to increase margins. So we put together a plan to increase that number from may be 15% to 30%, 40%. And for you to have an idea, there is like -- if we make, let's say, $2 per ton in the first part, we can make maybe between $8 and $10 per ton in the second part. So we believe that there is a big opportunity for us. All it takes is boots on the ground, is people on the ground, is credit risk. And this is part of the reason for which we acquired the 20% of Toepfer that we didn't have, and now we are integrated because now we have that channel to market to achieve this destination marketing. And we think it will change significantly the profile of earnings of our ag services business.

In processing you heard me talking before about operational improvements. Certainly, your conversion cost there is critical and it will continue to be reduced, and we have a big plan on that. And we are shifting a little bit to rejuvenate our product mix. So we are investing much more in R&D, and we are fighting very hard to bring new products to make sure, again, we rejuvenate our product mix. ROIC is a critical look here as these businesses are a little bit hairier in terms of capital investment.

And in ingredients and solutions we certainly -- and you will hear this year in the call a week here capitalize on healthy trends and leverage these flavor capabilities we acquired with WILD. WILD Flavors certainly has been a change in history terms of ADM, not only our largest acquisition ever but certainly provides a platform, a platform for us to be able to provide solutions to customers that will significantly accelerate our ability to deliver some of these ingredients into solutions that customers can implement.

As we look at this strategy and what are we going to do and what's in, what's out, we have defined also what are the things that we're not going to do as part of this strategic plan. So the four things that we are not going to do is that we are not farmers. So we're not going to go into farming. We're going to continue to trade with farmers and source products from them, but we are not going to go into farming.

By the same token, we are not going to go aggressively into sugar per pound. We have a partner, Wilmar, that is our window into that. We don't feel that we have capabilities right now to be successful in that space.

We're also not going to trade on anything that we don't have a strong core competency. So we are not a trading company that will trade in metals or coal whatever. So we stick to doing risk management for what we know well and for this very tight value chain that we run.

And the fourth thing is that we have decided that we are not going to go into animal protein. And again, this is all within our next five-year plan, and we still allow our businesses to have some experimentation and piloting of things. But in general terms you will not see us deploying big amounts of cash into any of these four categories.

So, again, our objectives when we put together this plan were twofold. We are always thinking of shareholder value creation, but everybody tries to drive shareholder value creation. The trick is to find the one or two financial objectives that actually has the biggest impact in your shareholder value creation. Obviously, when you study ADM, increasing returns and driving EVA and dampen volatility of earnings, we believe, are at the core of what we can bring to improve shareholder value for ADM.

So with these objective in mind, we put together a strategy. And when you take on the strategy for a very successful company like ADM, you want to preserve some things that are very strong in the model and then adjust other things that needed [adjournment] so the things that are not going to change in ADM -- I think you're going to see in Ray's presentation, ADM is very strong in cash generation.

And we want to make sure that we reserve the keys to the strong cash generation. And they are -- I consider they are four key things. One is our intellectual capital, the group of people we have and the way in which they make decisions is unparalleled. You know I have the past in other companies, and I've never seen something like that. And it is something that we invest a lot of time and a lot of money in our people to preserve that. And we continue to have ADM as the school of merchandisers that we can have around the world.

The second thing is a lean organization. The way they turn this information into knowledge and into cash is only possible because of how lean we are and how quickly these people can decide based on a very structured process but actually that runs very, very fast. So again, intellectual capital, lean organization.

The third thing that we like is we like very long value chains all the way from the origination, the sourcing from the farmer all the way to the ingredients going from processing, transportation, refining, distribution. And we like that because with the ability that this long view gives us we can make better decisions, but also we participate and we can capture value as value sometimes shift from one place in the value chain to the other. So this long view allows us to profit a lot from our system.

And the fourth thing is very integrated size. We are very deliberate when we invest capital, and we tried to continue to build on sides that are very well integrated, whether it is energy, in terms of energy, or whether it's a refinery for a oilseed processing plant. But that's the key because it reduces significantly the fixed costs into that facility. It improves the efficiency of the operation and allows us a big advantage in transportation as we can pull trains out of our facilities and we can set them up with logistics that sometimes a smaller facility cannot afford. So those are the keys to cash flow that we will preserve from what we inherited and not only preserve but actually enhance.

The things that we are changing or adjusting are reflected in this chart in front of us now. So the first thing we did, and this is the gray horizontal bar, which is align operating metrics -- we spent a lot of time over the last two or three years socializing the concept of ROIC, capital discipline, capital stewardship, and EVA inside ADM. And we have tied that to not only our reporting system but also our incentive systems to make sure that people's rewards are aligned to the strategic initiatives and the financial objectives we have. And then we think that the value creation will come from these three big buckets. One is optimizing the core of operations, and I think I touched a little bit on that before. But this is all about increased destination marketing to improve the margins that we make and the stability of earnings that we make from our ag services, our grain business.

The second is portfolio management. I said before about strategy, and this is strategy that needs to be one block building on the other and be very coherent. And we want to make sure that we have businesses that can really profit from the system and not businesses that are little bit one-off And when you have an $80 billion company, sometimes you collect businesses that sometimes you wonder what do they do for you. So we have been very strict about portfolio management and I will cover in a couple of slides what are the things that we divested.

And then again, we are rejuvenating the product mix. Some of our products maybe have stopped growing and we need to continue to introduce -- we introduce new products to follow our customers' demand. The part in the middle, drive operational efficiencies -- a large company like ADM, and we've been at this for a while, continues to have opportunity to get better, not just by just being frugal -- that may be the past of ADM -- but bringing technology, introducing technology for competitive advantage -- technology for improving yields, technology for driving energy efficiency but also processes.

Standardization for scale -- we have done a terrific job in terms of procurement, reduced the number of SKUs, reduce the number of suppliers. And also we are looking at all the processes. How do we do business? To simplify that and continue to keep a lean organization as we grow, as we become more global and more complex, we are trying to do a lot in terms of process management to try to keep that company very, very tight and that organization very small.

And then expand strategically -- we talked about geographic expansion. And you will see of the seven projects that we are running, I think six are outside the United States. And we continue to aggressively build outside not only in origination but also in processing and also in ingredients, and grow the market-facing units. Three years ago we decided that we were going to organize ourselves in market-facing units to make sure that we were very receptive to the customer input.

And they were food and wellness, we called it that at that time, and now it evolved to a new division. We called it animal nutrition, and we now call it renewable chemicals. So they are continue to be there developing themselves and growing faster than our commodities program. And all along, obviously we're building the talent base around the world. This is something we spent, again, a lot of time. It's key to our model, the people we have executing this, and making sure that they are trained here at the core indicator, in the United States, and then we can export them around the world to manage our operations globally.

So we started to implement this, as I said, a couple of years ago. And we continue to accelerate our plan and we will continue to tweak it. We just presented recently at our Investor Day in early December, also our latest modification of the strategy. But it's all this, strategy and returns.

So what have we done? 2014 was a very successful year and a very busy year for us. And as you can see in the list here, we announced a cost-cutting program or a cost improvement program of $200 million on an ongoing cost savings in 2014. And very quickly we have to adjust that number to $400 million and I think we delivered like $439 million, something like that. So a very successful program that has legs, that is just getting started. So we are targeting an incremental $550 million over the next five years. We have a portfolio and, I will say, a pipeline of projects going forward, and we feel very good about it.

We did a lot last year in terms of managing the portfolio. We not only acquired WILD; we also acquired the 20% of Toepfer we didn't own. We announced the sale of the cocoa business. We announced also the sale of the chocolate business, and we divested our fertilizer business. Again, businesses that are not bad businesses that we just didn't consider we were the rightful owners of those businesses to achieve the returns our shareholders and ourselves are expecting.

And we also continue to invest for growth. You can see that we opened a sweetener plant in Tianjin, China. And we are in the process of concluding a fiber plant, again all these driven by some of the new trends. We are opening a feed premix plant in Nanjing, China. We are investing $250 million in a protein specialty plant in Campo Grande, Brazil, also part of the new division. The new division is also expanding the Fibersol plant in Clinton, Iowa. And we are starting two new non-GMO lecithin units in Latur, India; and Hamburg, Germany.

So a lot of activity into the team and, again, very successful year in 2014. And we expect 2015 will be even better for us, though.

So that was kind of a brief overlook of the strategy and the progress we've made so far, and my colleagues will cover it with more details in their respective areas. So maybe if I walk you through some of our businesses, and for you that maybe are not that familiar with some of them I introduce. So we have -- originally, we have three businesses. Now we have a fourth, since January 1.

The first business we consider as the first link on our value chain is our grain business of our global ag services business. The ag services business is in charge of basically the sourcing of grain and then the export of those grains as we have all the international merchandising. In that business we also have wheat milling, we also have rice milling, and we have all our transportation network where there is truck and railcars and barges. It's a business that is doing very well. We are very proud of it and it continues to expand geographically and continues to become more efficient.

You are aware we own almost 20% of GrainCorp in Australia and we continue to grow in Eastern Europe, as you can see all those green dots over there. So a very successful business, and we expect very good things as they increase the destination market, as I referred before.

In terms of the corn business, the second business we have, so think about this -- maybe I go back a little bit. The grain business -- of all the grains that we originate, about 50% of it we sell it to destinations. We sell it to people where demand exceeds supply. And about 50% of all the grain that we originate we actually process ourselves, either in the corn processing or wet milling or in oilseed processes. So one of the processors is this corn processing business.

Corn processing -- we have 14 corn plants, and, as you can see, it's mostly a North American business but expanding globally. We have facilities, part of a joint venture in Europe, and we are creating facilities now in China, as I described before. It's a business that have a very, very good cost position, that continues to drive the cost position. When you hear me talking about things like energy efficiency, it's critical for this business as it's a big energy hog. And we have achieved significant improvements in that sense.

It's a business that is also, we'll call it, fight for the grind. In our wet mills we produce more than 22 different products from corn. And the starch that we generate there have different uses. And we continue to see some of the newer uses growing around the world. We are very excited about the future of some of the new applications that we have.

When we generate, again, all this grain 50% is processed, part in corn, part is in the oilseed business. The oilseed business is the most globally diversified and diversified also in terms of their product mix. We crush soy, we crush canola, we crush sun and flaxseed, and we have peanut processing, and we have cotton processing. And I'm probably forgetting a couple.

This business was very busy doing portfolio management. This business used to house the cocoa business and the chocolate business. So those businesses were divested. And also this business housed fertilizer business in South America that we divested through Mosaic late last year.

As part of this business we also include our Wilmar share. We have 17.3% equity stake in Wilmar, an excellent relationship and a growing relationship, a growing collaboration that gives us an incredible view not only into Asia and soybean crushing in China but also in parts of the world that we are not that represented like maybe Africa and palm oil and sugar. So very good relationship that dated for many years.

So you've heard me saying before that all these improvements -- we're just getting started. And there is a lot of runway. So a couple of things here -- first is operational excellence. You can see we achieved $240 million on this in combined 2013 and 2014, and we are thinking about an extra $350 million of additional savings. We are very confident about these numbers because we've done these. It's part of the same pipeline of products. We have more than 100 technical people working on all this, so we feel very good about that. There is a capital plan behind this. And the same is happening in procurement savings, not only about efficiencies in terms of reducing the number of SKUs but also reducing the number of suppliers.

And we are doing things like we are joined procuring things with Wilmer, for example, things that sometimes we don't mention that often. We expect to, again, receive an additional $200 million in ongoing savings from procurement that will put all this in a little bit over $0.5 billion million by the year 2019.

And all those technical people that we have around the world -- they are also very busy working on the other customer-facing units and whether we are thinking about food and feed, and you see specialty proteins, alternative sweeteners, but also specialty oils or omega-3's.

And also we have seen recently with everybody is talking about fracking and shale gas, and what's happening in the United States now is that we haven't built a refinery in maybe 20 years. And with all the natural gas there are left -- some molecules that are actually in short supply because people are not cracking Naphta anymore. So we are seeing a big opportunity for making some molecules bio-based. That is not that much because people have turned green but because those molecules are very difficult to be produced on demand in the petrochemicals cycle, but here we can produce those molecules on demand.

So we are seeing good opportunities for either super absorbent polymers, or industrial coatings, or packaging and fibers, or home and personal care products. So exciting opportunities, and we are foreseeing that maybe with all that we will have combined sales of new products of about $1 billion within our pipeline. So all good stuff.

If I take you back to maybe what happened in 2014 and how we are seeing 2015, before I pass it to my colleagues here, 2014 -- as I said, it was a very strong year. Oilseeds was strong, as always. It's our more stable business and it delivered a very, very solid performance. Corn actually delivered their best year ever on the backs of very strong year for sweeteners and starches and, certainly, very good ethanol margins.

And ag servicing had a very strong recovery from the previous year as finally we have good crops and good volume running through our systems. So all in all, the team executed very well, $3.7 billion of operating profit, again, 9% ROIC -- very proud of that.

As we look into 2015, we still see a strong crushing margins and vitamin in the US going into February and maybe slowing down a little bit on March forward as we transition to the southern hemisphere. Crush margins are much better in South America. Biodiesel margins are better in South America. So South American things are looking up. And we need to continue to finalize with the divestitures of chocolate and cocoa.

In corn, we foresee a stable sweeteners and starches volume demand, and actually that business is going to make -- we expect to be even more profitable than in 2014. We see exports growing. Not only we are building a new plant in China but exports from the United States have grown.

We see a balanced supply-demand for ethanol in 2015. We've seen, with this reduction in gasoline prices, that gasoline consumption is expected it to grow 2% to 3% during the year in the United States. With that we see domestic demand something in the range of 13.9 billion, 14 billion gallons. We see 800 million gallons of exports. We have a very good pipeline of exports that gives us a lot of visibility into the robustness of that demand. Ethanol continues to be much, much cheaper than any of the oxygenate alternatives that will replace on exports.

So we feel, with all that, we are going to be something in the range of 14.8 billion gallons for the year, which is very much where the annual capacity should run. We are starting the year with heavy inventory levels that have reduced temporarily the margins for ethanol, but we are very optimistic about the year going forward.

Ag services -- we continue to see export opportunities going forward and we continue to see some of the benefits of the integration of Toepfer and the better destination marketing that we have. So all in all, a solid year for our businesses in 2014. And we expect an overall improvement in 2015. And on top of that you need to add the new division, WFSI, which is enhancing us geographically but also from a margin perspective.

And with that I think that I will let Greg take it from here since he knows much more about this as I will ever.

Greg Morris *- Archer Daniels Midland Company - SVP and President, WILD Flavors and Specialty Ingredients Business Unit*

Thanks, Juan. So it's my pleasure to be here today to introduce the new business unit to everybody, the business unit we're calling WILD Flavors and Specialty Ingredients. Maybe first out just tell you a little bit about myself. I've been at the Company a little over 20 years. I've spent time in our oilseeds group, our corporate risk management group, as well as our corn division.

About four years ago I got involved with our specialty ingredients business that were housed within the North American oilseeds group. And through that four-year time period we spent a lot of time working on strategy and developing the roadmap to really accelerate the growth in this business. And one of the significant strategic activities that we pursued was the WILD Flavors acquisition, which we announced back in July and then closed on, in October.

When we decided to put together the WILD Flavors organization into ADM, we talked about reorganizing the Company, too. And we announce that back in July as well. And we evaluated a number of different businesses within ADM to come up with the right group of businesses to pair with the WILD Flavors organization to create a new platform for growth within the corporation. So we pulled together seven ADM legacy businesses along with WILD Flavors that I mentioned we closed in October, along with another organization called Specialty Commodities that we acquired and closed in November.

This group of businesses in total has day one revenues of about $2.5 billion. It's got a global footprint as well. We're doing businesses today with processing facilities, 32 processing facilities around the world, 36 R&D and application centers globally. We've got over 50 sales offices doing business in over 130 countries. So very much a global business.

When we look at the businesses we brought together and the enhanced capabilities that we have now as an organization, we've created a world-class specialty ingredient business. And the strategy that we used to get us to this point is going to be the strategy that guides us into the future.

It's really focused on four key pillars -- growing geographically, so looking at what we do well in North America and looking for opportunities around the world to scale up those capabilities. Expanding the specialty portfolio, so looking at complementary and adjacent products, products that make sense to our customers but also products that make sense given our core competencies and our processing capabilities. And then building the brand -- we want to make sure that we position ourselves us the supplier of choice for our customers. With the products and capabilities that we now bring, we want to be the first call when they need help. And then expanding structural capital -- making sure that we have the right people on the team, making sure we have the right tools in their hand, make sure that we can deliver and execute against our growth plan.

Now, Juan mentioned earlier the importance of our specialty ingredient business operating as an extension of the long value chain that ADM operates in. And I just want to explain a little bit as to why that's so critical. When you are basic in the raw materials that you are processing, it allows you several opportunities. First, it allows you to drive cost out of the entire supply chain. It allows you to look at process innovation. So how do you make the same product in the most efficient manner? How do you improve the yield? It also gives you the opportunity to pursue product innovation, making small modifications to your plant to produce a different functional product, for example, for your customer.

But probably the most important thing that it gives us is the opportunity to represent the entire supply chain with a lot of integrity, to deliver quality products for our customers that they are looking for. I thought maybe just an example would help illustrate what I'm really talking about.

So let's say, for example, we have a beverage customer in Europe that wants to buy non-GMO soy protein isolates. We can sell that product to the customer knowing that our ag services group can contract the acres in the Midwest to grow those non-GMO soybeans and then, at harvest time, they will originate those beans, store them in our elevator, and at some point in time transport those beans using the ADM transportation network to the processing plant in Decatur. In Decatur, we will process those beans and we will turn them into soy protein isolates, we will bag it, we will put it on a pallet and we will move it into a shared warehouse that our transportation group, again, runs in Decatur.

When it comes time to ship the customer, we will take that product from the warehouse. We will put it in an oceangoing container; we will take it over to the inland port terminal in Decatur that our transportation group also runs. But we will load it on a rail car, send it off to a port on the East Coast, load it on the ship, then it will move overseas to Europe. In Europe we will take it off that container, move it into an ADM warehouse and then eventually finally get the product to the customer. So just an example of how ADM maintains integrity throughout the entire supply chain.

So let's look at the size of the market that we are talking about. The specialty ingredient market is said to be about $50 billion in total. Now, depending on how you define specialty ingredients that number will change a bit. But it's important to see that the ingredients and flavors make up the two components of that $50 billion. So $30 billion in ingredients, $20 billion in flavors, and growing at a rate of 5% to 6% long-term. Certainly different regions of the world are going to have different growth rates, but over the long term, 5% to 6%.

The trends -- a lot of the trends that you've heard a number of our customers talk about throughout the course of this week are the same trends that we are conscious of and that we are watching. So health and wellness, for example, where 23% of all packaged foods and beverages sold last year carried some sort of health claim. Protein, global protein demand, whether it's animal protein or vegetable protein, growing at 5% to 6% a year. Consumers want convenience. They want to be able to eat their food on the go.

They want to know that when they get home from a hard day's work they can prepare a meal very efficiently and quickly. They want clean labels. They want to understand what's in their food. There's more information available today for consumers, both good information and bad information. And so they are armed with more information than ever before. So they want to understand what's in their foods. So they are concerned about simple labels, in some cases minimally processed. They want healthy ingredients.

And then greater variety. It doesn't take long when you walk through any supermarket, especially if you go down the beverage aisle, if you go down the snack food aisle or the sauces and dressing aisle, you can see an extreme explosion in variety out there. So consumers want more variety in terms of choices.

But no matter what trend is driving or influencing your business, there's one thing that trumps all of them. The food still has to taste good. And so when you think about our desire to be a world-class specialty ingredient business, we knew some time in our strategic future we needed to add taste capabilities to the organization. This is where WILD comes in.

So I want to highlight just some of the businesses that we've brought together. Remember earlier I mentioned to seven ADM legacy businesses along with WILD Flavors, and along with Specialty Commodities? So these are the different groupings of businesses. And I want to just highlight a couple of them that I believe are critical to our future and that we will probably talk about more in the future.

Protein specialties -- our protein group is really one of the flywheels of the entire business unit. We have been in soy proteins for decades. Understanding vegetable-based proteins even beyond soy is really a core competency of ADM. When we look at our portfolio of soy products, it's broader than any other company in the world. When we look at our integrated facilities, we believe we have a cost structure that second to none. And when you look at the markets that soy proteins, for example, fit into, we sell product into processed meats, to baking applications, to nutrition bar users, to powdered beverages. Soy proteins find themselves in a number of different consumer products.

Edible beans -- you've heard some talk earlier today about gluten-free and the influence that's had on consumers. Edible beans are gluten-free, they are non-GMO, they are allergen-free, and they've got a great sustainability story. We've been in edible beans for decades. When you look at some of the big volume drivers for us in edible beans, we're talking about navy beans, pinto beans, red beans. And if you look at the applications and the products that are being launched that contain edible beans, just in the last five years alone, products that contain edible beans as an ingredient are up 380%, so some significant growth in products that contain edible beans.

WILD Flavors -- so with a very comprehensive portfolio of natural flavors, natural colors, extracts, juice concentrates, and probably just as important as the portfolio of healthy ingredients that they bring to the table is the business model that they pursue, a made-to-order business model seeking to provide customized solution for their customer base. They've got innovation capabilities that allow them to take concepts to market in weeks, not months, so very quick turnaround time, very intimate relationships with their customer base. The WILD acquisition is going to help us accelerate our ability to help our customers pursue products and to live up to some of the consumer trends that I just mentioned.

And if you think about WILD with respect to some of the trends, whether it's health and wellness, whether it's clean label, whether it's leveraging their innovation capabilities to help create greater variety -- again, that's going to help accelerate our growth in terms of helping our customers.

And then Specialty Commodities -- we've acquired an organization that now allows us to sell a broad range of basic healthy ingredients. Healthy ingredients like ancient grains such as quinoa, amaranth, teff; products like seeds, Chia seed, flaxseed, sunflower seeds; a variety of tree nuts; dried fruits. These products come from hard-to-originated parts of the world, in some cases parts of the world where we already operate significant businesses. It allows us to have a broader portfolio to represent to our customer base. And as many of you know, these products are finding themselves in more and more consumer products. For example, products launched with quinoa over the last five years are up 20% year on the compound annual basis globally. Products launched with Chia seeds are up 40% a year on a compounded annual rate. And products launched with the overall ancient grains label are up about 50% a year globally on an annual basis.

So it gives us the opportunity to participate in some very rapidly growing markets. When you look at the total portfolio of products and the capabilities that we now bring, it really increases our relevancy to our customer base.

So I want to talk about our customers for a minute because as our customers pursue a business that allows them to live up to the consumer of tomorrow, we have a role to play. And our customers are looking to their suppliers for more than what they have in the past. They want us to help protect the integrity of the supply chain. They want us to be even more reliable than ever before. And they want us to be true innovation partners.

And with the combination of products and capabilities we believe we can help them in a number of different fronts. And so whether a customer wants to buy a single ingredient from us or a single flavor, we've got that. Whether they want to buy a basic combination of a few products, we've got that. Whether they want to buy a flavored ingredient, we've got that as well. Or if they want to buy a complete turnkey system where all they have to do is add water or some other basic ingredients, we've got that now as well, too. So it gives us the opportunity to compete across a very broad landscape of customers and a very broad set of demands from our customers.

So as we look forward, obviously we've brought these businesses together because we see significant growth potential. And we see a lot of organic growth. We see a lot of whitespace around a number of the businesses that we are currently operating in. So we're going to look for opportunities to scale these businesses up organically. We are going to look for opportunities globally to expand both volumes and margins in a number of our businesses. We're going to look to expand the customer franchise because we know if we have boots on the ground and we have customer contacts and real interaction, it will help us make better investment decisions in the future.

We committed to EUR100 million of synergies when we acquired WILD. Happy to say we got a number of significant projects and, more importantly, we've got plans to execute against those projects, and we feel like we are well on our way to capturing that.

And then staying the course with our capital project, we've got some of the most significant capital projects in the Company happening in our group. We've got the Tianjin soluble fiber plant. We've got the Brazilian protein complex in Campo Grande, Brazil. Juan mentioned the non-GMO soy lecithin plant in Latur, India. We've got the rapeseed lecithin plant in Hamburg, Germany. We've got the omega-3 DHA fatty acid project in Clinton, Iowa, along with the soluble fiber expansion in Clinton. We just expanded dry blending capabilities in Erlanger, Kentucky, at the WILD facility. And we are looking at a number of opportunities to scale up the Specialty Commodities in terms of both volume and margin.

And so, we are committed to growing our business from $2.5 billion to $10 billion. We've made that statement in the past. We've got a plan and a strategy to get us there. We are convinced that the projects we have ongoing along with some key opportunistic acquisitions over time that we can deliver against that $10 billion goal.

Now, before I turn it over to Ray, I wanted to just mention at dinner tonight you are going to have the opportunity to eat a number of different items. And many of those items contain ADM ingredients. But they also contain flavors and a little bit of creativity, complements of WILD Flavors. So please, enjoy your dinner tonight.

And with that, I'll turn it over to Ray.

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

Thanks, Greg. Good afternoon, everyone. What I want to do with you this afternoon is just go through a little bit about our historical recent financial performance, especially our journey on returns, and then spend a little bit of time on the forward capital allocation philosophy that we recently announced on Investor Day and review what our plans are for 2015 in this area there.

So this chart shows our operating profit history. And as Juan indicated, the best measure in terms of looking at our growth is actually looking at operating profits as opposed to revenue because our revenue numbers does fluctuate depending on the price of commodities. And as you've seen in this chart, our operating profits have hovered around between $3 billion to $4 billion. In 2012 and 2013 it came down a little bit due to the fact that we had the residual impacts of the great US drought of 2011 and 2012, which had an impact.

But the message I want to leave with you here, because there's a perception that ADM is a very volatile company, particularly for packaged food investors. But when you take a look at the diversity of our portfolio, the three major businesses, you can see that they are not correlated. One year, one business does extremely well. Another year, another does extremely well. They kind of offset each other and actually provides a good stability of earnings for this particular Company.

And when you take a look at earnings per share -- we like looking at earnings per share both an annual basis as well as a two-year moving average basis because it does show the trends and earnings for our Company. When you look at quarterly earnings, sometimes there's more fluctuations due to mark-to-market impacts on hedges, et cetera. So therefore, for an investor looking at annual EPS, as well as two-year moving averages, really show the trends of this particular Company.

And again, I shaded the area in 2012 and 2013, which, again, was negatively impact did by the US drought. But generally you can see that our earnings are rather stable. In fact, we've been offering at about a $3 per share earnings base over the past couple of years. And with the strong year that we registered in 2014 we were able to break through the $3 earning space. And now, frankly, we are now on a trajectory for earnings growth within this Company here.

The other aspect about ADM is the fact that we are a very strong cash generator. Think of our business. The demand for food, fuel, and feed is very stable. And hence, we do generate strong cash flows. On these graphs here we show the operating cash flows before working capital changes. You can see that generally we've generated between $2 billion to $3 billion of cash flows a year. And even during the great drought of 2011, which had an impact on our results in 2012 and 2013, we still generated well over $2 billion of cash flows in this Company. So again, this Company generates good cash flows.

Now, whenever there's working capital fluctuations due to commodity prices, you may actually see a little bit more fluctuations in terms of the cash flows. But that's the reason why we have significant credit lines in this Company. We've actually diversified working capital funding significantly over the past three years. We have about $10 billion of lines available for us to handle shocks due to price movements. Hence, from our perspective, we believe that our balance sheet is extremely strong. We are a single A, single A-rated access to tier 1 commercial paper. And we have significant financial flexibility on our balance sheet to undertake funding for strategic initiatives.

In terms of the returns, this has been a journey for this Company. We started the return journey, the focus on returns, back in 2010/2011. And on this chart here we show the three phases of returns that we went through. The first phase, during the great drought, was the fact that, hey, despite the fact there's a drought, we want to achieve at least short-term WACC. And we undertook a lot of initiatives, as you see here, including a lot of focus on cost, a lot of focus on cash. In fact, the $1 billion challenge was an initiative we had undertaken to unlock about $1 billion of cash from this Company. And frankly, the Company excelled. The team really exceeded. In fact, we unlocked about $2 billion of cash in this Company.

As a result, we achieved short-term WACC in 2012. We felt that short-term WACC was an important objective, but we felt that interest rates will eventually return back to normal levels. And hence, we established the objective that we need to achieve long-term WACC, which for our Company is 8% percent. It assumes the return to their historical short-term and long-term interest rates, which I know we've been talking about when will interest rates actually return back to normal levels. But nevertheless, we set the objective that we need to achieve long-term WACC.

And that was our objective over the 2013/2014 period and we undertook a lot of initiatives to drive operational excellence, to drive active portfolio management, which Juan talked about. And at the end of this 2014 calendar year we achieved 9%. So we actually achieved our objective of exceeding our long-term WACC.

And now the third phase, which is our medium-term plan, which is achieving spread of 200 basis points over long-term WACC, which puts us at 10% in the medium-term. And so we are going to continue to drive that number. Our medium-term plan does talk about achieving and exceeding that particular level. And as you see in this graph here -- we've shown this in our earnings call, our historical performance. Clearly, we are now increasing the spread over WACC and, frankly, generating EVA. And that's a concept that we brought into this Company; it is driving economic value-added growth. And in calendar year 2014 we generated about $670 million worth of EVA.

With the strong cash flows, we are able to focus on growing the dividend. Dividends represent a very important part of our return of capital to shareholders. You've seen here since 2009 we have effectively doubled the quarterly dividend rate for this Company. So this year we're expecting on an annualized basis about $1.12 a share.

The focus on returns, the focus on ROIC, our ability to grow dividends has really translated to strong total shareholder returns for this Company. In this chart here we showed TSRs as of the end of calendar year 2014 relative to various indices. And as you can see here, whether it be one-year, three-year or 10-year, ADM TSR has exceeded the broader index S&P 500, and it is also exceeded the industrial index of S&P 500 including the consumer staples index S&P 500. So this focus on returns is important and has actually translated into strong TSR performance for ADM.

So going forward in terms of our cap allocation targets, you can see that with strong cash flow generation we basically outlined that going forward we will invest roughly 30% to 40% of our cash flows into capital spending. And increasing the amount that we are going to either return to shareholders in the form of share buybacks, or dividends, or look at strategic M&A opportunities such as the WILD acquisition we did in 2014.

And with respect to dividends we have indicated that our dividend payout ratio targets will also increase from the historical range of 20% to 25% to a range of 30% to 40% over the medium term. This is actually a significant move. In the agricultural processing space this a very, very high dividend payout ratio. And our objective is really to move ourselves into this range and provide more of the returns, more of the cash flows to our shareholders in the form of a dividend.

So when you look at 2015, our capital allocation targets, it basically tracks the philosophy that we have laid out. Capital spending in 2015 would be $1.1 billion to $1.3 billion, approximately 1.2 times D&A but within the 30% to 40% range of cash flows. And then in terms of dividends we announced a 17% increase in terms of our quarterly dividend rate. This will translate to roughly a 33% earnings payout relative to consensus earnings right now, and within our 30% to 40% range. And then share purchases to be in the $1.5 billion to $2 billion area, again subject to any strategic requirements that may come out this year.

So in summary, we expect to return $2.2 million to $2.9 billion of cash to our shareholders this year. That's well above the $1.8 billion dollars that we've returned in calendar year 2014.

So in summary, the investment thesis -- as both Juan and Greg talked about, clearly there are enduring trends that you have heard throughout the conference. We believe that ADM is going to capitalize on these enduring trends. We will continue to focus on driving returns and EVA. The active portfolio management has allowed us to really stabilize earnings volatility going forward. The strong cash flow generation is going to continue to allow us to return more of the capital to shareholders in the form of dividends and buybacks with this balanced allocation philosophy.

So with that let me stop here and I will ask Christina Hahn, formerly known as Christina McGlone, and I think many of you folks may have known her as being on the equity side of business, equity sell side. We were very fortunate to be able to have Christina join the ADM team in 2014, first of all in terms of corporate strategy and now recently as a Vice President of Investor Relations. So Christina will facilitate the Q&A session. Thank you.

QUESTIONS AND ANSWERS

Christina Hahn - *Archer Daniels Midland Company - VP, Investor Relations*

I think we have time for one question. David?

David Driscoll - *Citigroup - Analyst*

Great, thank you. A question for Greg -- can you describe whitespace opportunities that you see for the new business? And then, Ray, maybe if you can tie it together with -- I think there was a slide in there about the markets growing 5%, 6%-ish. But if you could talk about the operating profit growth rate of the new business over the course of time? But start with the whitespace opportunities. What's really going to drive this thing? And then give us some help OI path.

Greg Morris - *Archer Daniels Midland Company - SVP and President, WILD Flavors and Specialty Ingredients Business Unit*

Sure. So if you look at our total revenues today, and maybe I'll just split them regionally so you get some perspective as to where we are more mature than other areas, we are about 60% revenue in North America, about 30% in Europe, and then 10% in the rest of the world. We've got a number of capital projects that I mentioned that are going to come online. So that mix is going to change a bit.

But when we look at the combined organization between ADM and WILD and what we have today, we've got some scale-up opportunities in certain parts of the world, so specifically in China, Southeast Asia, Brazil. Those are opportunities where we are both, I'd say, in the early infant stages of our growth. So we will look to scale that business up together in those areas.

In the developed world, in North America and in Europe there are certainly opportunities to improve collaboration, to leverage the combined customer base. That's where, in large part, a lot of the revenue synergies will come from. When we look at Specialty Commodities, it's very much an import business into North America. So we will look for opportunities around the world to take those trade flows and divert them into Europe, for example, to turn that into more of a global trade flow business.

And then also with Specialty Commodities, I mentioned how important it is to be basic in the raw materials. We've now just become basic in a number of raw materials that are going to allow us now to pursue product innovation, leveraging our processing capabilities, for example in extrusion, to add value to those basic raw materials like ancient grains, to turn them into new texturized products for our customer base. So looking at a number of different product innovation opportunities to try to drive margins higher as well as opportunities to drive volumes in that business.

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

David, in terms of the operating profit, if you recall, we provide guidance on WILD earnings accretion, $0.10 to $0.15 a share, roughly $100 million of OP. The legacy business we outlined was about $250 million. So, therefore, a combined basis $350 million to $400 million business is a starting point. There is going to be some transfer price adjustments between divisions that will probably take out $25 million from this division. So my starting point for this division, for this calendar year, has been $325 million and $375 million of OP.

Going forward, as Greg outlined, this business is growing at 5% to 6% a year. The industry is. Right? We expect to actually be a to grow faster than the industry in terms of our business here. So that gives you some level of dimension in terms of our expectations in terms of growth going forward.

Rob Moskow - *Credit Suisse - Analyst*

And I think we're going to have to stop it there. So please join me in thanking ADM for presenting and for the dinner tonight. Thank you very much.
