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ADM - Q4 2015 Archer Daniels Midland Co Earnings Call

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OVERVIEW:

ADM reported 4Q15 GAAP net revenues of $16.4b and reported EPS of $1.19.

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Ray Young *Archer Daniels Midland Company - CFO*

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PRESENTATION

Operator

Good morning, and welcome to the Archer Daniels Midland Company fourth-quarter 2015 earnings conference call.

(Operator Instructions)

As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's call, Mark Schweitzer, Vice President Investor Relations for Archer Daniels Midland Company. Mr. Schweitzer, you may begin.

Mark Schweitzer - *Archer Daniels Midland Company - VP of IR*

Thank you kindly, Stephanie.

Good morning, and welcome to ADM's fourth-quarter earnings webcast. Starting tomorrow, a replay of today's webcast will be available at adm.com.

For those following the presentation, please turn to slide 2, the Company's Safe Harbor statement, which says that some of our comments constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, Company performance and financial results. These statements are based on many assumptions and factors that are subject to risk 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 you should carefully review the assumptions and factors in our SEC reports. To the extent permitted under applicable law, ADM assumes no obligation to update any forward-looking statements as a result of new information or future events.

On today's webcast, our Chief Executive Officer, Juan Luciano, will provide an overview of the quarter. Our Chief Financial Officer, Ray Young, will review financial highlights and corporate results. Then Juan will review the drivers of our performance in the quarter, provide an update on our scorecard, and discuss our forward look. Finally, they will take your questions.

Please turn to slide 3. I will now turn the call over to Juan.

Juan Luciano *- Archer Daniels Midland Company - CEO*

Thank you, Mark. Good morning, everyone. Thank you all for joining us today.

This morning we reported fourth-quarter adjusted earnings per share of $0.61. Our adjusted segment operating profit was $599 million. For the calendar year, our adjusted earnings per share was $2.60.

Global dynamics reduced margins across the US agricultural export sector, the US ethanol industry, and in the soybean crushing industry worldwide. Adverse market conditions that impacted many of our businesses earlier in the year continued through the fourth quarter. Despite the challenging conditions, we achieved 2015 adjusted ROIC of 7.3%, 70 basis points above our annual cost of capital, generating positive EVA.

In the fourth quarter, we advanced our strategic plan by expanding our international Corn Processing footprint with the acquisition of Eaststarch, progressing our destination marketing strategy with the announcement of the Medsofts Egyptian joint venture, and strengthening our European Olenex refined oils joint venture. And today we are announcing an investment in a controlling stake in Harvest Innovations, a leading producer of non-GMO, organic and gluten-free ingredients. From a portfolio management perspective, we completed the sale of our global cocoa business.

In addition, 2015 was the safest year in the history of ADM, with the lowest level of recordable and lost-time injuries. I'm pleased with how our discipline, focus and process improvements have translated to these safety results in 2015.

With current headwinds likely to persist, we remain focused on the areas within our control. We will continue to implement our pipeline of operational excellence initiatives with an objective of an incremental $275 million of run-rate savings by the end of the calendar year. As part of the evolution of our strategic plan, we're also taking a fresh look at the capital intensity of our operations and portfolio, seeking innovative ways to lighten up and redeploy capital in our efforts to drive long-term returns.

In 2016, our balanced capital allocation framework remains a priority, including a quarterly dividend rate increase of more than 7% to $0.30 per share, and share repurchases of between $1 billion to $1.5 billion, subject to strategic capital requirements. With a strong balance sheet, we will also remain opportunistic for investments, especially bolt-ons, in this more challenged macro environment. I'll provide more detail on our 2015 accomplishments, as well as perspectives on 2016, later in the call.

Now I'll turn the call over to Ray.

Ray Young *- Archer Daniels Midland Company - CFO*

Thanks, Juan.

Slide 4 provides some financial highlights for the quarter. Adjusted EPS for the quarter was $0.61, down 39% from the $1 last year.

We've been busy this quarter as we continue to manage our portfolio to drive returns, which has resulted in a larger-than-usual number of specified items. Excluding specified items, and also excluding net timing effects, adjusted segment operating profit was $599 million, down $529 million.

The effective tax rate for the fourth quarter was negative 2%, compared to 29% in the fourth quarter of the prior year. Our reported tax rate was negative this quarter due to the low tax rates on the gains related to the cocoa and the Eaststarch transactions, together with a one-time favorable $66 million valuation allowance impact.

If we excluded specified items, their related tax impacts, and the valuation allowance, the effective tax rate for the calendar year was approximately 27% in 2015, in line with 2014. The rate has been slightly lower than the recent historical tax rates due to a more favorable geographic mix this year and some favorable discrete tax items this year. For 2016, I would expect our tax rate to be in the 28% to 30% range.

Our trailing four-quarter average adjusted ROIC of 7.3% is down 170 basis points from the 9% at the end of the fourth quarter last year. The 7.3% adjusted ROIC is above our 6.6% annual WACC for 2015, but below our long-term WACC of 8%, as reflected in the graph on slide 20 in the appendix. Our objective remains to earn 200 basis points over our WACC. In the fourth quarter, we did create value based upon our trailing four-quarter average EVA, which was positive $173 million.

On charts 18 and 19 in the appendix, you can see the reconciliation of a reported quarterly earnings of $1.19 per share to the adjusted earnings of $0.61. For this quarter, we had gains on sales, and revaluations of assets, amounting to $0.70 per share, primarily related to the cocoa transaction and Eaststarch. We had charges related to impairments, restructurings and settlements amounting to $0.24 per share, the largest being related to our Brazilian sugar operations.

We also made an adjustment to Q4 adjusted earnings to reflect a reallocation of the biodiesel credits to the previous quarters when shipped of about $0.05 per share. And there were two tax adjustments in the fourth quarter: the valuation allowance impact of $0.11 per share that I mentioned earlier, and the true-up of the quarterly tax rates to the calendar year adjusted rate of $0.03 per share.

Slide 5 provides an operating profit summary and the components of our corporate line. Before Juan discusses the operating results, I'd like to highlight some of the unique items impacting our quarterly results.

In the Corn Processing segment, we had a $185 million gain on the revaluation of the Company's previously held investment in Eaststarch, our former European joint venture with Tate & Lyle, in conjunction with the acquisition of the remaining interests. This transaction closed in early November. We also recorded impairment and restructuring charges of $102 million, primarily related to our Brazilian sugar operations.

In Oilseeds, [real] quarter had $206 million of gains on sales of assets, primarily related to the sale of our global cocoa business. We also had impairment and restructuring charges of $34 million for various underperforming businesses within the segment.

In the corporate lines, net interest expense was down due to lower interest rates and the favorable effects of the debt restructuring we affected earlier this year. Unallocated corporate costs of $89 million were lower than the run rate for previous quarters due to favorable foreign exchange translation, favorable people-related costs, and some timing effects in 2015 spend, offset partially by higher project costs.

I'd also like to comment on our GAAP net revenue number that can be found in the appendix. GAAP net revenues for the quarter of $16.4 billion were down significantly from last year, driven by large declines in commodity prices, and foreign exchange translation. But these factors also favorably impacted our cost of goods sold, as our input costs were lower.

Turning to the cash flow statement on slide 6, we generated $2 billion from operations before working capital changes, lower than the prior year. Total capital spending for the year was $1.1 billion, up from the prior year's $900 million, but in the lower end of our $1.1 billion to $1.3 billion capital spending guidance we provided earlier in the year. Given the more challenging business conditions we encountered in 2015, we're even more prudent in our capital spending.

We made acquisitions totaling $0.5 billion in 2015, which included AOR, the European bottled oil company; Eatem Foods, and our remaining interest in a Romanian port, and also Eaststarch. The other investing activities line of the cash flow statement mainly reflects the proceeds from divestitures such as our global cocoa and chocolate businesses, and the sale of our 50% stake in our port in northern Brazil, less the incremental investments we made in the Wilmar, or approximately $1.5 billion of net divestment proceeds.

During the year, we spent about $2 billion to repurchase shares, finishing up at the high end of our $1.5 billion to $2 billion target. Our average share count for the year was 621 million diluted shares outstanding, down 35 million from the time one year ago. At the end of the year, we had approximately 601 million shares outstanding on a fully diluted basis. Our total return of capital to shareholders, including dividends of almost $700 million, was more than $2.7 billion for 2015.

When I think about our capital allocation framework for 2015, if we take our operating cash flows before working capital, plus the net divestment proceeds, or approximately $3.6 billion in total cash flows, we spent about 30% of that amount on capital spending, and returned about 75% of that amount to shareholders. This is in line with the capital allocation targets, with a bit more tilted towards capital returns to shareholders in 2015.

Slide 7 shows the highlights of our balance sheet as of December 31, 2015 and 2014. Our balance sheet remains strong. Our operating working capital of $7.1 billion was down $700 million from the year-ago period.

Total debt was about $5.9 billion, resulting in a net debt balance -- that is debt less cash -- of $4.5 billion, up from the 2014 net debt level of $4 billion, in part reflecting the issuance this year of EUR1.1 billion -- of euro debt -- or about $1.2 billion in US dollar terms, and a subsequent repurchase of about $900 million of US debt.

Our leverage position remains healthy, with a net debt-to-total-capital ratio of about 20%. Our shareholders' equity of $17.9 billion is $1.7 billion lower than the level last year due to the shareholder capital returns in excess of net income by $900 million and the cumulative translation account, which was down about $800 million due to the strength of the US dollar.

We had $6 billion in available global credit capacity at the end of December. If you add the available cash, we had access to $7.3 billion of short-term liquidity.

Next, Juan will take us through a review of our business performance.

Juan Luciano *- Archer Daniels Midland Company - CEO*

Thank you, Ray.

Please turn to slide 8. In the fourth quarter, we earned $599 million of operating profit, excluding specified items, down from the $1.1 billion results from last year's strong fourth quarter. Operating conditions in the fourth quarter deteriorated from the already challenging conditions we faced earlier in 2015. After last year's large harvest around the world, and with a strong US dollar, a lack of dislocation significantly reduced US exports and limited merchandising opportunities in AG services.

In December, we saw further downward pressure on global soybean crush margins as a result of Argentine government policies. Also, the dramatic declines in crude oil prices impacted ethanol margins. As a result, full-year segment operating profit was down nearly 21%.

Now I will review the performance of each segment and provide additional details. Starting on slide 9, in the fourth quarter, Ag Services results were down significantly compared to last year's very strong fourth quarter where we handled record volumes and had record exports from the large 2014 US harvest.

In Merchandising & Handling, despite the large US crop, low commodity prices limited grain movements, resulting in fewer merchandising opportunities. In addition, a strong US dollar, along with ample global crop supplies, limited US export volumes and margins. For perspective, Ag Services US export volumes this fourth quarter were down about 20% compared to last year.

These declines were partially offset by improved performance and expanded reach at the ADM's global trade desk. For example, in Argentina we benefited from higher volumes and margins with the changes in the export taxes and the depreciation of the currency.

In transportation, lower US export volumes reduced barge freight rates and volumes. High water levels on the Mississippi River system in the later part of December had some small negative impact on our transportation results for the quarter, but a greater impact will be felt in the first quarter of 2016.

Milling and other, again, had another solid quarter.

For the year, we generated $684 million of operating profits on an adjusted basis, and below our historical levels. There were a number of factors that impacted our results, including a lack of global dislocations and a strong US dollar versus the weakening currencies of other major crop-growing areas. This reduced both volumes and margins.

Please turn to slide 10. Corn Processing results declined from the year-ago period. Sweeteners & Starches continued to perform well, with low input costs and good demand. Results also were impacted by costs related to the ramp-up of commercialization at our plant in Tianjin.

Bioproducts results were lower, as the steep declines in crude oil prices drove lower ethanol prices. This, combined with continued high industry production levels, progressively reduced industry margins through the quarter.

Our ethanol profitability reflects fourth-quarter ethanol EBITDA margins estimated at around $0.18 per gallon. In addition, lysine operating profits were challenged by excess global supply, resulting in declines in pricing and margins, and some production outages in our plants.

For the year, Sweeteners & Starches performed well, with solid demand throughout the year in a well-balanced supply/demand environment for the industry. On the other hand, lower crude oil prices and high industry production levels created a challenging margin environment for the US ethanol industry, despite growth in US domestic demand for ethanol brought about by increasing US gasoline consumption.

Slide 11, please. Oilseeds results were down in the quarter versus a very strong quarter one year ago. In Crushing & Origination, we saw declining global soybean crush margins throughout the quarter, as buyers anticipated more competitive South American soybean meal entering well-supplied world markets following the presidential elections in Argentina. Ample global meal supplies in combination with a strong US dollar further pressured US meal exports.

Brazilian origination results were lower as grain commercialized earlier in the year compared to the prior year. In addition, the very volatile real exchange rate in the fourth quarter slowed grain movement as well.

Refining, Packaging, Biodiesel and other was down in the quarter, as declining crude oil prices and weaker global demand pressured global biodiesel margins. Cocoa and other results decreased, reflecting the sale of the cocoa business in October 2015.

Results from Asia fell from the year-ago period due primarily to non-operating charges including Wilmar's Q3 results. For the year, there was a strong global and US demand for protein, and as a result, our global oilseeds operations set a crushing volume record in 2015. However, with more ample global supplies of meal through the year, in combination with the strengthening of the US dollar, we saw our soy crush margins begin softening in the third quarter with a more substantial drop in the fourth quarter, caused, in part, by the impact of the Argentine policy changes.

Slide 12, please. In the fourth quarter, WFSI earned $47 million, with positive contributions from WILD Flavors, SCI, and Eatem Foods. As a reminder, the fourth quarter is generally the weakest quarter of the year for WFSI due to seasonality impacts. This result helped offset declines in some of our legacy specialty ingredients businesses where we saw weaker sales overseas and some FX hedging costs related to our Brazilian specialty protein project.

Since the WILD acquisition, the team has implemented about $40 million in annualized run-rate cost synergies. We remain confident that the team will deliver EUR100 million of run-rate synergies from the WILD acquisition by the end of 2017. And in its first full year as part of ADM, WILD Flavors contributed $0.10 of earnings accretion to ADM.

Now on slide 13, I'd like to update you on how we are strengthening and growing our Company. This is the scorecard we presented at Investor Day in 2014. It lists the actions we were taking to help grow our Business and our returns. We have highlighted some of the areas in which we have made significant progress in 2015. I'll discuss a few.

In Ag Services, for example, we've seen the benefits of our Global Trade Desk we created after we acquired Toepfer. We advanced our global port strategy with actions in Romania and Argentina, and we're growing destination marketing with our Medsofts joint venture in Egypt. In corn, we continued our geographic diversification, in Europe with the Eaststarch acquisition, and in China with the Tianjin Sweeteners and Soluble Fiber Plants, and with the feed premix plants.

In oilseeds, we sold our global cocoa and chocolate businesses, allowing us to improve [four quarter] returns. We created a joint venture to quadruple the size of our port in northern Brazil. We acquired the AOR oil bottling business in Belgium, and ADM and Wilmar agreed to turn Olenex into a full-fledged joint venture, helping us to drive additional efficiencies into that business. And in WFSI, we acquired Eatem Foods, a leading developer of savory flavors, adding deep expertise in savory flavors and ethnic cuisines.

And this morning we are announcing that we have reached an agreement to purchase a controlling stake in Harvest Innovations, a leading producer of non-GMO, organic and gluten-free ingredients that consumers are demanding in increasing numbers. We will continue to update you on our scorecard progress each quarter, and over time you should expect to see the results of these actions in improved earnings and returns.

Now before we take your questions, I wanted to offer some additional perspective as we look forward. The global macroeconomic situation has been extremely volatile. We continue to face headwinds related to currencies, crude oil, Argentine policy changes, and a growing supply of commodities.

Barring any material changes to the macro situation, we expect the environment in 2016 to be similar to the second half of 2015. Whatever the conditions, we remain focused on driving improvements in the Business.

For Ag Services, we expect the strong US dollar to continue through 2016. The large South American harvest that's forecast would add to already strong global crop supplies. And Argentine exports will be more competitive in the near term following the recent policy changes. All of these present continued challenges for our US export business, though it will support our Argentine export business. We do expect an improvement from Ag Services in 2016, but it's not likely the segment will reach a historical operating profit range this year.

For corn, Sweeteners & Starches will benefit from the improved pricing environment, the flexibility at our wet mills, solid demand, and low input costs. And Eaststarch will be accretive to earnings. In ethanol, industry margins remain uncertain, with low crude prices and high industry production levels.

While we continue our efforts to reduce costs at our corn dry mills, we are now also undertaking a study of the strategic options for them. We do expect overall corn operating profits to improve from 2015 levels, though this will depend on ethanol industry conditions in the back half of the year.

For oilseeds, with current global soy crush margin down significantly from 2015 levels, the continued strength of the US dollar, and with low crude oil prices impacting global biodiesel margins, we expect 2016 to be lower than 2015. We continue to take actions to improve our oilseeds operations around the world.

For WFSI, with the robust pipeline, continued realization of synergies, and accretion from recent acquisitions, we expect double-digit percentage growth in operating profit in the 15% to 20% range in 2016. We are pleased that WILD Flavors contributed to results in 2015 despite macroeconomics and FX headwinds.

In this challenging environment, we remain focused on the areas under our control. We continue to execute our strategic plan to grow our earnings power, which will translate into stronger earnings when conditions normalize.

From a cost management perspective, we have made significant progress on our operational excellence initiatives. By the end of 2015, we have achieved more than $200 million of run-rate savings. We continue to execute on our pipeline and have set an objective of $275 million in additional run-rate savings implemented by the end of 2016.

As part of the continued evolution of our strategic plan, we are taking a fresh look at the capital intensity of our operations and portfolio. We will be seeking innovative ways to lighten and redeploy capital in our Business.

Unlike the $1 billion challenge launch in 2012 where we look at unlocking value from non-core assets or from ways to earn efficiencies in working capital, now we are embarking on a multi-year program to examine which assets are underutilized or where the ownership structure could be more efficient, while maintaining an appropriate level of operational control. In some instances, a partner may be able to help us better utilize the asset.

We started this process by selling a 50% interest in our Brazilian port in 2015. We believe we can reduce the asset intensity in various businesses, which will help improve our long-term returns even in a more challenged operating environment. We have set a preliminary target of reducing the invested capital of our businesses by at least $1 billion over time. In 2016, our balanced capital allocation framework remains a priority.

In terms of returning capital to shareholders, we have announced a 7% increase in our dividend rate. Our Board recognizes the importance of the dividend to our investors. We also plan to repurchase $1 billion to $1.5 billion of shares in 2016, subject to strategic M&A opportunities. We believe the shares are a very attractive investment at current levels.

After a strong cash flow generation, monetization of assets, and a strong balance sheet, we continue to look at the strategic growth opportunities. Our priorities are growing our geographic footprint and expanding our specialty ingredients business. With our strong balance sheet, we will be looking for opportunistic acquisitions around the world, including bolt-ons, with investment decisions driven by a hard look at the returns and inherent risks.

We continue to believe that by executing our strategic and capital plans we can achieve $1 to $1.50 per share of earnings improvements over the medium term. And we are encouraged by the fact that global demand for grains, oilseeds and proteins remains solid. What we don't know is when the macro and business conditions will improve, returning our earnings base to more normalized levels. And so we continue to focus on what we can control to grow earnings and create value for our colleagues, our customers, and our shareholders.

With that, operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Farha Aslam with Stephens.

Farha Aslam - *Stephens Inc. - Analyst*

Good morning.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Good morning, Farha.

Farha Aslam - *Stephens Inc. - Analyst*

Three questions for me starting with Ag Services. One, last quarter you'd highlighted slow farmer selling and noted there's much of the 2015 crop that still needs to be sold. Could you highlight when you expect that to come to market and how ADM could and when it could benefit from that?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Sure. Let me talk a little bit about North America. Farha, grain movement continues to be slow, behind the pace of last year as low prices are not incenting farmers to commercialize their crops yet. So movements of soybeans was, obviously, a little bit more risk maybe in the late Q4 and continuing to Q1, mainly maybe due to farmer cash flows.

We have seen in the past that US' stocks will be commercialized through the year, either through a strong demand for US production, cash flow needs for the farmers or spikes in board prices. That's how we're seeing it right now. Right now we're seeing farmers selling in board rights.

If you go to Brazil or Argentina, we've seen a strong dependency on what's happening with the currencies. We've seen in Brazil we have a day in which the dollar is $4.18, and we see a lot of farmers selling. It moves back to $4.11 or $3.97, and we see farmers selling is slowing down.

We see a little bit of that in Argentina. We saw a little bit more farmers selling of corn and wheat, a little bit less of soybeans as the farmer maybe was not that happy with that reduction in export retentions that they have over there. Still I would say, with these low prices subdued and customers -- farmers will sell through rallies on when they have cash flow needs.

Farha Aslam - *Stephens Inc. - Analyst*

Okay, subdued selling. And then when you look at Crushing & Origination, you had highlighted that 2016 looks tough. We've seen crush margins continue to deteriorate here in the first quarter. Should we count on any hedges for ADM as we model forward, or just think about whatever we see in the crush margin as kind of what we should expect in earnings throughout the year.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Let me give you some perspective here. So in the US, we have seen a big deterioration during Q4 and some deterioration also into January, and now we're seeing the industry adjusting operating rates and things starting to ease off from the lows, if you will, that we hit in January.

Obviously, this is the low season in the US anyway, so there is a shift to crush margins into South America. South America still haven't expanded crush margins because they haven't been having had the benefit of the harvest, but will get that soon in Brazil.

Europe, we see okay, kind of stable until maybe March, April and then we have the dynamics that we'll probably see more exports from South America. But, also we have the rapeseed harvest in Europe and we have the ability to switch our assets a little bit between soybean and rapeseeds over there. So that's kind of what we see the evolution of crush margins at this point in time.

Farha Aslam - *Stephens Inc. - Analyst*

That's helpful. And finally on ethanol, today you marked a change in your commentary regarding your dry mills. Historically you thought that they were an integral part of ADM's operations. Can they be run independently, given that they are so integrated in ADM? Could you share with us a time horizon of how you're going to evaluate those assets?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Sure, Farha. What we are seeing here is we continue to be implementing our cost reductions in the dry mills that we have seen, but margin continues to be historically low. And even with our improvements in cost, we are concerned about the long term from the dry mill ethanol part of the industry, if you will, so we have asked the team to undertake a strategic review of that.

They have an advisor helping them on that, and we're going to run through the different scenarios all the way from one extreme to the other when we will explore all the scenarios. So we have no rush for this. The whole operation is having positive cash flows, positive contributions, so there's no need to panic.

We just want to be prepared to look at the industry long-term and see, can this industry present the returns that we expect and what are the options to maximize our return for ADM? So there is not a clear timeline or real clear direction in what we really want to see. We want to see the analysis of the options that the team will bring.

In the meantime, the improvements in costs continue. And we have seen in 2015 improvements in enzymes, improvement in yields, improvements in corn oil recovery. So we're very pleased with what the teams are doing in that. It's just we have an industry problem and we want to see how we can participate in addressing that through strategic options.

Farha Aslam - *Stephens Inc. - Analyst*

That's helpful. Thank you.

Juan Luciano - *Archer Daniels Midland Company - CEO*

You're welcome.

Operator

Adam Samuelson with Goldman Sachs.

Adam Samuelson - *Goldman Sachs - Analyst*

Thanks. Good morning, everyone. Maybe, first of all, the comments on the capital intensity of the portfolio. I want to dig a little bit deeper there in terms of the targets and opportunity set, and understand, is that separate from the discussion about the dry mills first?

Second, parts of the portfolio that you're looking after, is this maybe taking a more rent and lease versus own on your transportation logistics assets, or taking a fresh look at different processing assets for what you want to have full ownership of in the Company?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Yes. Listen, Adam, if you look at our evolution and our focus on returns, we're very pleased with the pipeline we have in operational excellence. We think we have a very good cost position in the Company. We have addressed the portfolio with the divestitures of cocoa, fertilizer and chocolate. We have set up a lot of growth engines through M&A or CapEx projects.

The next evolution in this is that we look at the way we operate and we see we're very productive from a people perspective. We make north of $600 million of earnings this quarter with 33,000 people, so we feel we're very productive from a people intensity perspective. When we look at the asset intensity, we don't feel that great about that. We think that there is still some ability to flex our assets a little bit better.

Part is the nature of the industry, which has some seasonality and you need to have some assets for some peak periods, but we have started to undergo an analysis of all our businesses in value chain. You have to realize sometimes we keep assets that we think about them as cost centers, if you will, and we're trying to look at them more as businesses in itself and having to provide a return.

Also technology is providing some tools. We have today software -- if I give you an example, ADM, because it's a large Company, we have many, many warehouses around the US and around the world. Today we have software that allows us to look at the freight rates, look at the inventory needs, and look at the number of warehouses and can provide a significant optimization to our warehouses' network, if you will, that could end up in selling some of those properties.

You mentioned some of the transportation. We do believe we have a very tax-efficient ownership of our transportation assets, but there may be aspects of that, maybe ports that where we have opportunity to do something better. So, again, this is a multiyear process and we're going to be looking at several parts of our operations, but we have looked at that with a target of about $1 billion, and we believe that is a realistic target over time in looking at what I just described.

Adam Samuelson - *Goldman Sachs - Analyst*

Okay, that's some helpful color. And then maybe just focusing in on 2016 a little bit. And you gave some numbers on cost savings, both the exit run rate in 2015 and what you're targeting to exit 2016 at. I was hoping you could tell us or give us a sense of the year-over- year cost savings that you're assuming in the plan in 2016 versus 2015, as well as the kind of net impact of M&A, 2016 versus 2015?

There's obviously a number of divestitures, as well as some bolt-on M&As scattered throughout the portfolio. And maybe a net M&A number would be helpful as we think about the bridge year-over-year.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Yes. When we look at the -- to give you an idea of the operational improvements, when we finished 2015 with $200 million of run rate savings, we approximately realized in 2015 about $90 million of those $200 million, just because the way the projects are implemented during the year.

So as we are talking in 2016 about $275 million in our pipeline that will be executed during 2016 run rate savings of $275 million, we should expect about $100 million, $120 million, give or take, that will be realized during 2016, if that helps. And I will let Ray talk a little bit about the accretion of some of our M&A.

Ray Young - *Archer Daniels Midland Company - CFO*

Just on the M&A question here, just a couple things. This year, as you know, we actually had a lot in terms of net divestment proceeds from the cocoa and chocolate business. As you know, those businesses were not really generating much profitability and being extremely volatile.

We actually believe that, and we did some analysis that it actually is going to be positive towards our forward ROICs by divesting those businesses and taking the proceeds. And we bought back shares to reduce our invested capital base, so that's going to be actually positive towards our ROIC going forward.

In terms of 2016, you asked what is the M&A divestment kind of look like? Generally, as you expect, we are budgeting or planning CapEx around $1 billion for 2016. On the M&A front, we always have a little bit in terms of just bolt-on acquisitions, probably a couple hundred million dollars. Net divestment proceeds -- divestitures, we've achieved a lot already in terms of divestitures, and so at this point I'm not planning for a large divestitures number there.

But in general, when I think about the impact of our recent M&As that we did in 2015, as an example, and we did quite a few bolt-ons, including Eaststarch, those have been accretive and will continue to be accretive to our earnings going forward. It's part of our bridge towards $1 to $1.50

of improvements. If you recall, these types of strategic projects, over a three-year period, will add probably around $0.30 a share towards our earnings power over a three-year period when you kind of accumulate what we've already announced, plus some of the projects we're working on right now.

Adam Samuelson - *Goldman Sachs - Analyst*

Just to be clear there, I was really targeting on the net earnings impact of the M&A actions, both sale and purchase, in 2015, and what year-over-year benefit or headwind that represents to 2016 profit number?

Ray Young - *Archer Daniels Midland Company - CFO*

When you take a look at for 2016, approximately on a net basis you probably pick up around $0.05 a share.

Adam Samuelson - *Goldman Sachs - Analyst*

Okay, got it. That's very helpful. Thank you.

Operator

David Driscoll with Citigroup.

David Driscoll - *Citi Research - Analyst*

Thank you and good morning.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Good morning, David.

David Driscoll - *Citi Research - Analyst*

Juan, I wanted to go to -- I think it was the last statement you made in your prepared script. I think you said that over the medium-term you expected to see $1 to $1.50 in EPS improvements. Should I take that off of this year's base of $2.60, thus you're giving a long-term EPS algorithm of $3.60 to $4.10?

Juan Luciano - *Archer Daniels Midland Company - CEO*

You heard the second part of my commentary was that really the base has reduced. And the base probably has reduced a little bit more than the $2.60 you describe. The $2.60 has already probably between $0.20 and $0.30 of that $1 to $1 50, of the new strategy that's bringing, so maybe the base is more like $2.30, $2.40, something in that range.

We feel good, as I described before in my comments, and I think Ray just mentioned, about the progression towards this $1.00, $1.50. We have a little bit less visibility on when the bases will recover, because it's more impacted by macro factors that we really don't control. We control many more of the factors in the strategy.

David Driscoll - *Citi Research - Analyst*

Okay. Understood on that. I had two specific questions; one on ethanol, one on crush margins. Just ethanol, Farha asked it a little bit here, but I am taken aback a little that you would put these assets up for review right now with oil at $30. What's your view here on this, Juan? What's your view on what kind of oil price do we need for these ethanol assets to make sense?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Remember when we were talking, I think you asked me this question before when we were at about $50, and we said at $50, this was going all right. And at $40, we were still doing relatively good. I don't think -- part is the oil prices, but part is, to be honest, the behavior of the industry. The demand continues to be solid, David.

Domestic demand has increased because of low oil prices and high gasoline consumption and export demand has been very good. We expect it to be even better to 2016. It's just a matter of that the production in the industry has kept this industry margins very, very low and we are really surprised by that.

We've been running our plants for yield. As I said before, we've seen improvements in our operations based on that, but these margins continues to be stubbornly low. So we want to analyze what happen at lower oil prices, what happens if these things recover. So we have an internal review to see the difference scenarios and what do we do under those different scenarios?

It's just a matter that you look at how much can you improve your cost position. We have a good view now into how much we can improve our cost position, and we want to test that against lower oil prices or higher industry rates, if they don't go down, so.

David Driscoll - *Citi Research - Analyst*

Okay. Last question for me is just back to soy crush. When you look at what's really changed, because margins, I think as the previous caller mentioned, they've really plummeted. But what seems to have changed is the South American currencies but, then maybe if we really zone in on here, it's Argentina.

Would you agree that's been kind of the major change in terms what's disrupted these markets so much so that we've seen crush margins go from $1.10, $1.20 down to $0.40? Is it Argentina? And then the process here is that, as this capacity gets absorbed into the markets, that would be the recovery process in global crush margins?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Yes, David, if you compare last year with this year, last year North America came into the export season with a big book of export on nontraditional destinations, which we didn't have this year. So I think that when I look at Argentina, the farmers selling in soybeans have been disappointing for what everybody was expecting, so crush has improved but not that much. But, I think it has created the expectation in a lot of the buyers that maybe Argentina will increase crush and will become a bigger player in meal worldwide, and maybe it was wise to wait a little bit and wait for all that to come to market.

Again, it hasn't come yet. If you look at what crush rates in Argentina is about 3 million tons per month, capacity is maybe 4.5 or something like that. We are still thinking about 40 million tons of crush in for next year, so we haven't seen the explosion.

But, I think it has been the psychological impact in all the buyers of nontraditional destinations for the US. So we continue to supply the traditional destinations to the US. We have lost that ability to sell aggressively to nontraditional destinations.

Partly the US dollar, partly the expectations that Argentina will come into that. So long-winded answer to your question is probably yes, although not yet because of increased production, more for psychological impact of their ability to produce more.

David Driscoll - *Citi Research - Analyst*

Very helpful. Thank you.

Operator

Robert Moskow with Credit Suisse.

Robert Moskow - *Credit Suisse - Analyst*

Thank you. Two questions. The first one is about the strength of the US dollar and how damaging it's been to your business this year. I've covered the Company for a long time and there's been periods where the dollar has been strong before, and it appears that it's having more of an adverse effect this time around than in the past. Hurting your merchandising programs out of the US.

Can you explain to me why it's so much worse this time around? And then I had a follow-up about the Argentina situation.

Ray Young - *Archer Daniels Midland Company - CFO*

Yes, hey, Rob. A couple observations. There's different currency impacts that impact us. If you look at just pure translation impact, Rob, over the calendar year, this is the classical accounting translation. Translation impact on our operating profit was about a roughly $130 million negative impact for us. Just pure currency translation.

So therefore, it was an impact. It was not -- I would say it's not a dramatic impact. The bigger issue is really the competitive issue. And the competitiveness issue is really driven by not just the strength of the US dollar, but also the fact that two other factors -- we've got large crops around the world, right? So the fact that you got well-supplied inventories of crops around the world had an impact.

Then secondly, for the major crop-growing areas, their currency is actually devalued far more than what the basket of currencies that the US dollar is weighed against. So when you saw what happened this year, you saw the [real] because of the political situation, really depreciate. You saw the Argentine policy changes. You've seen what happened with Russia and Ukraine.

So what happened was for the major crop-growing areas, their currencies actually devalued significantly relative to the basket of currencies, and then you also had just a lot of supply around the world. Under normal situations, Rob, when the US dollar strengthens -- let's say under a normal cycle of US dollar strength, and when there's a more balanced supply of crops around the world, the world will still come to the US for the crops.

So that's what -- in my mind, that's what really changed this year. I don't believe this is structural. This is temporary. We're going to go through the cycle here. I do believe at some juncture the US dollar will correct itself. Timing to be determined, but I don't think it's a structural issue. It's a cyclical issue that we're going to have to manage through here.

Robert Moskow - *Credit Suisse - Analyst*

Right. And then that leads to the next question. Is the inventory situation -- do you have a sense of how long it's going to take for all that excess inventory in Argentina to move through? It sounds like the farmers aren't that eager to sell. They're kind of being more opportunistic. What do you think?

Juan Luciano - *Archer Daniels Midland Company - CEO*

I think it's not going to be an immediate crush of all those soybeans. Obviously, Argentina will try to consume those soybeans as much as possible through crushing. So I think it could take a big part of 2016, almost all of 2016 to do that.

If you think that they have -- take your pick, between 12 million tons, something in that range and, again, if the delta between what they crush -- 3 million tons per month, and there is capacity of 4.5, and the farmer not that interested in selling, the situation is not going to change that much in Argentina in the short-term. So I think it's going to be a gradual period in which we might have to suffer with increase in North America -- suffer with increase crush margins from Argentina for a while until they advocate all this inventory.

Robert Moskow - *Credit Suisse - Analyst*

Right. So this is the bigger issue above and beyond the US dollar getting strong is just the oversupply situation?

Juan Luciano - *Archer Daniels Midland Company - CEO*

That's correct.

Robert Moskow - *Credit Suisse - Analyst*

Okay. Thank you.

Juan Luciano - *Archer Daniels Midland Company - CEO*

You're welcome.

Operator

Ken Zaslow with Bank of Montreal.

Ken Zaslow - *BMO Capital Markets - Analyst*

Good morning, everyone.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Hey, Ken.

Ken Zaslow - *BMO Capital Markets - Analyst*

Couple questions. One is, is there any interest for you guys to buy or bid on the ports in Brazil that are being privatized? Is that something that interests you in terms of trying to diversify and be able to capitalize on the South American market?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Ken, ports are important in Brazil, as you well know. One of the reasons we are expanding our terminal in Santos and we created this port in the northern part of Brazil. We have to be careful though that -- there is a lot of port capacity being created. And as we see it in North America, in order for you to get good elevation margins there needs to be some tightening of that capacity as it continues to be a supply-demand game.

We're evaluating, our teams are evaluating, but we need to make sure that we look at the potential for over building in certain areas, so we continue to be with our focus on returns and looking at that. We're building a port in Argentina, in San Lorenzo, because we think it makes sense.

We built a port in the northern part of Brazil. We thought it made a lot of sense. The other ports we continue to analyze. There's a lot of activity. In some places, maybe even too much activity.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. What do you think is the path for ethanol margins to recover? What are we looking for? Do we need oil prices to do better or would it be better if the industry just entered into such extreme losses that there would have to be production cuts? And just following up on that, what is the outlook for ethanol exports, call it, Mexico, India and China

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Juan Luciano - *Archer Daniels Midland Company - CEO*

The first part is I think there are two ways at this point in time to improve ethanol margin. One is expand export markets. I think we know what the domestic markets will be, so is expanding export markets, thankfully.

The second is probably cutting in rates, domestically. I think as people -- we are seeing it ourselves, when we run these things for yield, our cost position becomes better, so when you have thin margins, you want to be able to have your lowest cost position, your best cost position. And it's not necessarily through volume that you get that. And we have proven that in our own facilities. But anyway, those are the two main factors.

In terms of growing exports, we do see places like India and China that are dealing with environmental issues, due to smog, that how they are increasing the use of ethanol to fight their environmental -- their air issues, air pollution issues. We see that demand growing.

We see how demand has grown in China. And we expect for next year to be even bigger, so we expect 2016 net exports from the US to be probably between 50 million to 100 million gallons higher than what they were in 2015, driven by all these two main markets.

Ken Zaslow - *BMO Capital Markets - Analyst*

If that's the case, then why wouldn't ethanol margins in a year from now, or two years from now be at a 10% return on invested capital business?

Juan Luciano - *Archer Daniels Midland Company - CEO*

Again, Ken, if you have asked me last year with the volumes of this year, I would have guessed that margins would be better. And yet we continue to still only run at high rates and maybe people bring in creep in their plants and producing as much as they can.

This is a commodity industry and you really need very, very tight capacity utilization. So maybe low 90%s doesn't make it. You need to be like 96%, 97% on that. And if every time we get to that level somebody brings a little bit more capacity, we continue to hover in this level that doesn't benefit anybody.

To me, we continue to be optimistic as we were before. We continue to improve our operations. It's just that at one point reality needs to match our optimism, and so far it hasn't done it.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. I appreciate it. Thank you.

Juan Luciano - *Archer Daniels Midland Company - CEO*

You're welcome.

Operator

Sandy Klugman with Vertical Research Partners.

Sandy Klugman - *Vertical Research Partners - Analyst*

Just a follow-up on your comment that ethanol exports will likely increase this year. I was wondering what type of crude oil price is embedded in your assumption, because despite ethanol discounts to other octane enhancers, it seems that exports could be challenged to rise if crude prices remain at current levels.

Juan Luciano - *Archer Daniels Midland Company - CEO*

At this point, we are forecasting this type of level, if you will. $30, if you want, in the absence of any more information than that in a very volatile environment. We still believe that, as I said, from an acrylates perspective, as you said, from some oxygenates were still cheaper and we still see continued demand from our destinations.

We see, as I was answering to Ken, gladly that there are new markets. Like, again, India and China that are increasingly taking base on air pollution issues and the benefit of ethanol to do that. At this point, we are estimating on a flat crude oil environment, if you will.

Sandy Klugman - *Vertical Research Partners - Analyst*

Okay, great, thank you. And on WFSI, could you discuss the pipeline? And has the current economic environment done anything to push back your longer-term targets for the segment?

Juan Luciano - *Archer Daniels Midland Company - CEO*

I would say 2015 was kind of a noisy year or a dirty year for WFSI. We integrated the acquisition. We put several businesses together. We have a couple of bolt-ons. And then we have emerging market issues that move our demand and even our seasonal high periods, they move a little bit. So it was a very unusual year with also a lot of customers focusing much more sometimes in cost reductions than in revenue enhancement opportunities.

We are very pleased though with the way the customers have reacted to our value proposition and we see that in the engagement that we have in our customers. So our expectations for the pipeline and the deliverance of synergy have not changed. Maybe has changed a little bit the composition of that in the shorter term.

I think if we are going to be talking in the year-three of these, we will probably be reporting a little bit higher cost synergies than we originally expected. And we will still be targeting the same amount or more of revenue synergies, maybe a little bit longer in the timeline, just because we continue to incorporate products to our product line and our value proposition. And that continues to open doors with customers, but the customer projects are normally a little bit slower, or less in our control from a timing perspective than the cost synergies.

But the response to customers to our value proposition has been very, very good. We have -- when we originally target this, Sandy, we had $94 million originally target on revenue synergy. We have built a pipeline of already $67 million to $70 million, and we have more than 700 projects in the pipeline. So we feel very, very good about having created these pipelines that we're turning into execution, and into wins and you will see that accelerating in 2016.

Sandy Klugman - *Vertical Research Partners - Analyst*

That's very helpful. Thank you.

Operator

Ann Duignan with JPMorgan.

Ann Duignan - *JPMorgan - Analyst*

Good morning. Most of my questions have been answered, but I'd like to just take a step back to the currency discussion. If currencies remain about where they are today, could we see additional downside pressure around the world just from places like South America, Eastern Europe, all the various countries that are concerned about deflation of their own currencies, just planting more crops, just because they need to get their hands on dollars versus we're needing more crops?

I guess my question is could things get worse before they get better if currencies remain as is?

Ray Young - *Archer Daniels Midland Company - CFO*

As you know, Ann, it is difficult to forecast currencies, right? It's a lot of factors that enter it. There's the political factors are also impacting, presumably the Brazilian currency at this point in time. You also have to remember that, in some respects, a lot of these countries are getting a windfall right now in terms of the competitiveness of the crop, because they've got the devaluation that occurred this year, yet your input cost was prior to the currencies devaluing, so they were able to still get competitive input costs in terms of whether it be seed or chemicals.

That's going to change as you go into 2016, because what will happen is they'll have to buy that at a higher cost because a lot of this is actually denominated more in US dollar terms. A lot of these countries are going to have to grapple with higher input costs in terms of their grains going forward, whether it be seeds, chemicals, et cetera, et cetera.

So we'll have to see. Is the worst behind us? It's difficult to predict. What we do know is currencies go through cycles. And so from our perspective, we're going through a cyclical downturn with some of these currencies, political influences have some impact.

Our job is to manage this. And we will continue to focus on expanding our footprint in South America as, for example, and we've made investments down there and we're going to continue to manage our costs.

The other factor, Ann, is really the balancing the global supply/ demand of grains. And oftentimes that low prices solve a lot of issues, and so with the current low prices, expectation is that you should see a lot more consumption around the world and that could probably help us in terms of the global supply/demand balance, which will also be important in terms of getting the situation back to normal.

Ann Duignan - *JPMorgan - Analyst*

Okay. I appreciate the color. And then just one follow-up on ethanol. Could you comment on the Chinese government's latest round of anti-dumping charges against US DDGs? Is that impacting your business already on the dry mill side or is that yet to come?

Juan Luciano - *Archer Daniels Midland Company - CEO*

This is obviously the second time that we've gone through this with the Chinese government. Yes, there's been more -- there will be less activity obviously going of DDGs into China, so they are staying domestically and they are adjusting prices to find their way into Russia, so a little bit hurting soybean meal in that sense and -- but I would say, obviously not a positive for ethanol, but we've seen the impact already.

Ann Duignan - *JPMorgan - Analyst*

Okay. I appreciate that. Thank you.

Juan Luciano - *Archer Daniels Midland Company - CEO*

You're welcome.

Operator

Michael Piken with Cleveland Research.

Michael Piken - *Cleveland Research Company - Analyst*

Thanks for the question. I just wanted to get an update on HFCS pricing to the extent you can talk about that as the negotiations are nearing a conclusion.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Thank you, Michael. As you said, the negotiations have concluded. We are very satisfied. You know the industry is very tight. I think we concluded with pricing across the portfolio of products in the high single digits, I would say, for 2016. So we believe that 2016 presents an opportunity for us to expand margins and see an even increase in volumes for us. So we are very bullish about that segment for 2016.

Michael Piken - *Cleveland Research Company - Analyst*

Great. And then you've talked in the past about trying to optimize your grinds on the wet milling operations. Would it be fair to assume that maybe you're shifting from a wet grind away from ethanol towards other products at this point in time, or how should we sort of think about the amount of swing capacity you have to move away from ethanol given the current market conditions?

Juan Luciano - *Archer Daniels Midland Company - CEO*

If you look at, for example, how much ethanol we're producing in 2015, we produced less that in 2014. And if you look at high-fructose corn syrup or all our Sweeteners & Starches, actually we grew our volumes, so there is a shift that we normally place [that helps] to optimize the assets and the fight for the grind is not only between those two things, but we also continue to introduce new products sometimes to a small convention, but we continue to see that fight for the grind, yes.

Michael Piken - *Cleveland Research Company - Analyst*

Great. And then last question is if you could classify within that $275 million bucket of cost savings, roughly how much is going into corn versus some of the other segments, that would be helpful. Thank you.

Juan Luciano - *Archer Daniels Midland Company - CEO*

I don't know that $275 million, top of my head, but traditionally corn takes about 50% of all our operational improvements. And that might change over time as we run out of some opportunities here or there, but I would say, a rule of thumb, you take 50%, apply to ethanol -- to corn, I'm sorry.

Michael Piken - *Cleveland Research Company - Analyst*

Thank you.

Juan Luciano - *Archer Daniels Midland Company - CEO*

You're welcome.

Operator

Eric Larson with Buckingham Research.

Eric Larson - *Buckingham Research - Analyst*

Good morning, everyone.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Good morning, Eric.

Eric Larson - *Buckingham Research - Analyst*

Again, most of my questions have been answered, but I want to actually talk a little bit more about the kind of the global supply situation. We're seeing in the US, estimates coming out that corn and soybeans will be 174 million acres, which is not demonstrably different from what it was last year. I think the US banks will probably have more to determine how much farmers get to plant and that might have an impact on planting numbers. But it doesn't seem like these low prices have at least started to discourage production in the US.

Then you've still got about 200 million metric tons sitting in China. They don't know what to do with it. I guess time with China would be -- with China, they have such poor storage that maybe it all just goes bad, which would be a good scenario.

Can you wrap up your thoughts on global supply as we put all these factors together, South America, what the US planting season might look like on acreage, what China might do with their corn? We're putting a lot of variables in there, but this is really kind of a key to what I think is going to be a turnaround for your industry fundamentals.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Yes, Eric. So let me take that by pieces. In the US, we expect probably acreage of corn and soybeans to go up a little bit and maybe at the expense of wheat acres. You said it well. The globe have increased their stocks this year in the tune of maybe 20 million, 25 million tons, so the world as well supplied. And, yes, China is sitting on inventories although we never know the quality of those inventories.

At this point in time, given that South America is probably not having any major threatening weather events, and the US seems to be forecasting a wet spring, and we have good soil moisture, so we will probably expect that there continue to be ample supply going into next year. There has been some dislocations.

We shouldn't forget El Nino created some problems and that's why we are exporting so much soybean oil to India, for example. Or we are exporting now more corn to South Africa because of the drought there. But probably this is locations where regionally nature didn't get to global levels. At this point in time, the scenario is for still plentiful supplies as we see forward.

Eric Larson - *Buckingham Research - Analyst*

Okay, thank you. And then just your comment that you're looking kind of at 2016, we should sort of begin our thought process that it might be similar to second half 2015. Obviously those were two pretty difficult quarters, and I see exactly where you're coming from on that. What would change it so that you'd look more like the first half of 2016?

Ray Young - *Archer Daniels Midland Company - CFO*

Eric, let me take that. I mean, when you look at what we've done in the back half of 2015, we've been running $0.60 a quarter, right, in terms of a run rate. So, I mean, you can't necessarily multiply by four, but what we're saying is the conditions are not going to be -- at least what we see in terms of just visibility at this point in time, not materially different.

As we move through the year, clearly you're going to have certain benefits there. As you would expect, we're going to start off low in the first quarter. I mean, this is based upon the conditions that we end up at the end of December where ethanol margins have ended up.

I mentioned to you the high water impacts that we had in the Mississippi River, that will impact us in January in the first quarter. We will start off slower in the front half of the year. We will start off slower in the first quarter and then we expect some gradual recovery as we move through the year.

We will get accretion from the investments that we've made. We will get accretion from the cost reductions that we're doing. Again, as Juan indicated, we expect the margin environment for ethanol should improve as we move through the year. Again, that's going to be a variable that we're going to analyze very, very carefully.

So as you look at how we think the year will play out, again, as Juan indicated, we do expect Ag Services to be a little better. We expect corn to be a little bit better. Again, a lot of that function of where the ethanol margins for the industry end up in the back half of the year.

We see [oilseeds] based upon the global crush margins right now to be worse off and then WFSI should have a good year. So with all those puts and takes, I think we make a judgment in terms of how we end up over all. But at least based upon what we see in terms of visibility, the front first quarter, front half will be tougher than what we think the second half will look like.

Eric Larson - *Buckingham Research - Analyst*

Okay. I think it's a very fair perspective. Thank you very much for that.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Thank you, Eric.

Operator

There are no further questions. I turn the call back over to Juan Luciano for closing remarks.

Juan Luciano - *Archer Daniels Midland Company - CEO*

Thank you for joining us today. Slide 15 notes some of the upcoming investor events where we will be participating. As always, feel free to follow up with Mark if you have any other questions. Have a good day and thanks for your time and interest in ADM.

Operator

This concludes today's conference call. You may now disconnect.