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

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PRESENTATION

Unidentified Participant

I want to thank the ADM management team for coming and joining us today. CFO, Ray Young, has presented at CAGNY before, but this will be his first time running solo without his CEO with him. Ray and CEO, Juan Luciano, joined ADM about five years ago and in that time, they brought a disciplined approach to ROIC, cash flow and operational efficiency that investors have applauded and ADM employees have embraced. Having shed a bunch of non-core assets and turned the business into a true cash flow machine, ADM took a big step forward a little more than a year ago with the acquisition of WILD Flavors and turning them into more of a value-added company. The operating environment for grain processors isn't so great right now, but when the cycle turns, ADM will be better positioned than ever. Here to tell you more and introduce his team is Ray Young.

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

Thanks and good afternoon, everyone. It's good to be back here at CAGNY again to kind of share the ADM story with you. Our theme today is really talking about creating value while feeding the world. Clearly, as you know, ADM is a global company and we're involved in all aspects of feeding the world. What we're going to share with you this afternoon is really talk a little bit about our journey on value creation during the past few years, our progress to date, as well as what we're going to be focused on over the next few years.

One of the key components of our value-creation journey is to actually grow our ingredients business and we call it WILD Flavors' and Specialty Ingredients, or WFSI for short and Vince Macciocchi, our President, is going to share with you the journey on WFSI, what we've done during our first year as a business unit and what we are going to be doing going forward. And then, lastly, Mark Schweitzer will help coordinate the questions and answers.

I'd like to remind everyone about the Safe Harbor statement. We are going to share with you some forward-looking statements that reflect our current views of our business in the economic circumstances. The full Safe Harbor statement is available on our website, www.ADM.com.

So ADM, I know many of you know what Archer Daniels Midland is, but I suspect quite a few folks probably don't know exactly all the details of what we get involved in. So I thought we'd just spend a few moments to give you an overview of ADM.

For more than a century, the people of ADM have transferred crops into products that serve the vital needs of the growing world. Today, we are one of the largest agricultural processors, food ingredient companies, in the world. We have more than 32,000 employees serving customers in more than 160 countries. Our global value chain includes more than 420 crop procurement facilities, 280 food and feed ingredient manufacturing facilities, 40 innovation R&D centers in the world's premier crop transportation network.

We truly connect the harvest to the home making products for food, animal feed, industrial and energy uses. In fact, ADM originates more than 15% of the global corn crop, about 30% of the global soybean crop and about 15% of the global wheat crop. We are organized in four distinct businesses -- ag services, oilseeds processing, corn processing and our newest business unit called WILD Flavors and Specialty Ingredients, or WFSI for short.

We participate in a significant portion of the global food and value chain, from sourcing crops, transportation and distribution, processing those crops into food, leveraging our flavors and specialty ingredients for nutrition, function, texture and taste and everything in between. We truly are a one-stop shopping for the food and food ingredient industry.

This core model is well-positioned for the future with global population growth that will have ADM play an increasingly important role in feeding the world. Through 2050, the world's population is expected to increase from over 7 billion people today to almost 10 billion people who will require an estimated 70% more food to meet their nutritional demands.

But more than just population growth, growth in the global middle class is also a critical piece of the story. Since 1990, the global middle class has grown by about 35%. During that time, we saw food staples like wheat and rice grow by about the same 35%; however, pork consumption grew 70%, poultry and soybean meal consumption grew by 180% and fats and oils grew over 200%. The global middle class today stands at about 2 billion people and is expected to reach nearly 5 billion people in the next 15 years. Rising income levels in emerging markets is driving demand for more protein-intensive diets further driving demand for corn and other grains that serve as animal feedstock.

I know you just finished seeing the Tyson presentation and just want to remind people who are probably less knowledgeable about our industry, but the conversion factor for animal feed is about 2 pounds of animal feed to 1 pound of poultry meat, 4 pounds of animal feed for 1 pound of pork and about 8 pounds of animal feed for 1 pound of beef. So you can sense that with protein demand growing in the future, we're going to play an increasing important role in terms of servicing the protein producers. All these trends play very, very favorably for ADM.

Now let's just do a brief overview of our four business units. Ag services, we, ADM, are one of the premier global ag services companies in the world. The ag services division plays a key role in our efforts to really feed the world. We utilize our extensive US grain elevator, transportation network and ports in order to buy, store, clean and transport agricultural commodities such as oilseeds, corn, wheat, milo, oats, rice and barley.

Of the crops that we originate in today's market, about 40% of the crops are further processed internally in our various ADM businesses into food and feed ingredients in industrial products. The other 60% we sell outside of ADM domestically and internationally. Our grain sourcing, handling and transportation network provides reliable and efficient services to customers and to our own agricultural processing operations.

Our global transportation network includes more than 2500 barges, 28,000 railcars, 600 trucks, 1400 trailers and 30 oceangoing vessels under charter or under ownership. In addition, the ag services segment also includes the activities related to our milling operations.

Now turning to our corn processing, we are the world's largest corn processor. Our corn wet milling and dry milling operations produce about 30 different products. This includes ingredients used in the food and beverage industry, including sweeteners, starches, syrups, glucose and dextrose. We also produce biofuels, industrial products and the feeds derived from corn. We have 14 different corn processing plants in seven countries, 37 feed and pre-mix facilities in six countries with the capacity to grind over 3 million bushels per day.

Next, oilseeds processing. We are the world's most diversified oilseeds business, producing more than 60 different products from 8 different oilseeds. A lot of people assume that we're just a soybean processor, but, in fact, we process soybeans, canola, rapeseed, flaxseed, cottonseed, sunflower seeds. So we've got quite an extensive portfolio of products that we convert into meal and oil and other products.

We have oilseeds processing assets in 16 different countries and we also have a 19% ownership interest in Wilmar, a major Asian oilseeds processor and food ingredients company. Oilseeds products produced and marketed include ingredients for the food, feed, energy, industrial products industries.

In addition within oilseeds, our agricultural services business in Brazil is also reported in this particular segment because the origination business in Brazil is highly integrated with our oilseeds processing business. Our oilseeds division also produces natural health and nutrition products and other specialty food and feed ingredients, and we're a major supplier of peanuts and peanut-derived ingredients to both the US and the export markets.

Then, lastly, in 2014, we completed the acquisition of WILD Flavors GmbH and Specialty Commodities Inc., making it one of the world's leading flavors and specialty ingredients companies when it was combined in January 2015 with our existing ADM ingredients business. WILD Flavors produces flavors, colors, sweeteners and health ingredients, as well as the rate-to-market concepts and complete solutions.

Products produced at WFSI create value and innovation for customers in the beverage, dairy, savory, energy bar, confectionery, baked goods, ice creams, cereal, snacks, pet foods and oral care markets. My colleague, Vince Macciocchi, will follow me with an in-depth look at WFSI.

So now that I've gone through a brief overview of the four segments, let me talk about how we've been performing from a financial perspective. This chart lays out our adjusted segment operating profit, our history since fiscal year 2006. A couple of comments here. First of all, you will notice looking at the bars that we're quite a diversified set of businesses. The four businesses that we have here, they are not 100% correlated with each other, so there are going to be certain years whereby one segment performs extremely well, another segment does not perform as well, but basically with this balanced portfolio, it serves as a shock absorber in terms of weathering certain conditions that occur over the period.

The second observation is that we've grown this business dramatically since fiscal year 2006, going from roughly a $2 billion operating profit rate to over $4 billion in fiscal year 2011. So some good growth numbers. In calendar year 2012 and calendar year 2013, we actually were subjected to really the residual impacts of the great US drought, which occurred in 2011 and 2012.

For those who remember, we had two consecutive years of dryness in the US Midwest culminating with the drought in 2012, which was really a drought of 60-year proportions, which significantly reduced production of grains in the United States and also causing commodity prices to significantly spike up.

Usually what happens is there's a one-year lag impact between the time of a drought and the impact on our operations and so in calendar year 2012 and calendar year 2013, our financial results actually suffered a bit due to the drought impact. But as you see in calendar year 2014, when conditions actually normalized, we returned back to a more normal level of profitability.

Now in calendar year 2015, a couple weeks ago, we announced our quarterly earnings and we outlined that a lot of the macroeconomic headwinds that a lot of companies have been facing actually significantly impacted those as well. For example, the strong US dollar had an impact on our US exports when it was combined with the fact that a lot of the currencies of the major crop-growing regions around the world, namely the real, the Argentine peso, the Ukrainian and Russian currencies, those currencies actually fell about 50% over the course of the calendar year compared to the year prior. So the fact that the stronger US dollar, but more significantly the very weakened currencies of these crop-growing regions gave them a lot of competitive advantage in the global market and that was also combined with the fact that there was ample supplies of grain around the world.

What's interesting is over the past couple of years, there has not been a major dislocation in the global markets in agriculture caused by weather events. So it's been actually two remarkable steady years, which actually has caused global grain supply to actually increase. This, by the way, is actually highly unusual, but nevertheless the fact that we have ample grain supplies, global grain supplies, combined with a currency that's relatively less competitive for a US exporter causes our ag services division particularly to not have as strong of a year as normal.

In addition, crude oil prices actually fell dramatically over the course of the year. That's actually brought down the prices of the entire energy complex and that naturally had an impact in terms of pricing of our biofuels, whether it be biodiesel or ethanol, and that had some impact in terms of our profitability in those particular areas as well.

Now going forward, we'll spend more time talking about how we're going to deal with these headwinds. From our perspective, we believe these headwinds are cyclical or temporary in nature; although we do believe that they will probably persist through most of 2016, but really our game plan is really to focus on actions that we can control in order to continue to drive the earnings power of this Company so that when conditions normalize, you'll be able to see the benefits of all these improvements show up in terms of both our earnings and cash flow.

So in terms of our value-creation game book, there's really three areas we're focused on. First of all, driving returns; secondly, growing earnings and EVA; and thirdly, a balanced capital allocation framework. So looking at driving returns, for those who have been following us, you've seen us go through a journey over the past four or five years, really transforming the focus of this Company towards driving returns. When we talk about driving returns, it really is a cultural change within our organization to have the entire organization understand that the primary financial metric for this Company is to actually drive returns above cost of capital and not simply just growing the business.

And so case in point, in 2012, we launched what we call the CCC program -- capital, cost and cash -- whereby we engage the entire organization to try to unlock about $1 billion worth of assets in order to bring down our invested capital base. The program did engage the entire organization around the world. Our target was $1 billion and in fact, over a two-year period, we actually achieved about $2 billion of reductions by monetizing non-core assets, significant efforts in terms of reducing working capital. So that really got the entire organization engaged in terms of understanding the balance sheet of the Company.

We also did a lot of work on what we call active portfolio management and what we're talking about here is really analyzing each of our businesses, understand the returns profile, understanding their future returns potential as well. And what we've done through active portfolio management was actually made some tough decisions, which in the past the Company never really took on, but we actually made some tough decisions in terms of certain businesses where we felt that these businesses would not be able to achieve a returns profile that would justify us continuing to invest in those businesses.

So we actually divested three businesses -- the South American fertilizer business in 2014, the global chocolate business in 2015 and just recently, in the latter part of 2015, the global cocoa business. We unlocked that capital and redeployed the capital either into investments in other parts of our businesses or into share buybacks.

Now, lastly, we are managing ROIC over cycles. Our objective is really to make sure that we achieve cost of capital at the bottom of the cycle and then over the cycle achieve at least 200 basis points over our cost of capital. And you actually see this in this chart here. The blue line represents our weighted average -- our return on invested capital, our adjusted ROIC. The dark black line represents our annual cost of capital. You can see that, even in the trough of the cycle in 2012, 2013, we were able to at least achieve our cost of capital in that period. Then in 2014 when conditions became more normal, we actually exceeded the 200 basis points. In fact, we were up approximately 260 basis points above our annual cost of capital.

What's also interesting to note in this graph is when you take a look at 2011, we actually earn more operating profits in 2011 compared to 2014; yet our spread was actually higher in 2014 and this really was attributable to all the work that we've done in terms of focusing on capital efficiency and driving returns over this intermediate period. Now, in 2015, we just finished up the year whereby we did earn a return above our cost of capital despite all the macroeconomic headwinds that are facing us that basically we faced in 2015.

The other point to note is we do have a line at 8%. We actually define our long-term cost of capital at 8%. We drive derive this by actively looking at historical 20-year interest rates and so the assumption is, over the long term, interest rates will normalize and so therefore in terms of our hurdle rates for projects, they are really established well above these particular targets.

For perspective, an 8% cost of capital actually assumes that 10-year treasury would achieve its historical 20-year rate, which is actually 5%. I know it's hard to believe that we'll ever get to 5% 10-year treasury when we're trading at 1.75% right now, but again our assumption that is over the long term this is something that we as a company need to strive for.

The second area for value creation is really growing earnings and there's three areas I want to talk briefly about -- optimizing the quarter, operational excellence and strategic growth. We all know that once you are above your cost of capital in terms of returns, it's important in order to create EVA to drive earnings growth within the Company. In the areas of optimizing the core, it really means looking at our existing business and determining what else we can do to drive the efficiency of the business and grow earnings.

A good example of this is really Toepfer. Toepfer was a joint venture that we had on international merchandising headquartered out of Hamburg, Germany. It was with a minority partner. We weren't able to actually achieve our objectives in terms of driving a lot of synergies and coordinating

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international merchandising around the world. So in 2014, we actually bought out our minority partner and we started the process of integrating Toepfer within our ag services division.

And so what we did was actually we eliminated a lot of redundancies in terms of staff between the Toepfer organization and our European operation and we actually combined our trading operations and created a global trade desk. By doing that, we actually eliminated a lot of costs from our international merchandising operation.

And secondly, we got the best of both worlds from our existing international merchandising platform and the Toepfer merchandising platform so that in 2015 we actually showed significant improvement in terms of our international merchandising results by affecting this type of integration.

In the area of operational excellence, this is the area by Juan Luciano, our CEO, has been very adamant about and really providing great leadership in order to help us focus on getting efficiencies out of all of our assets. We've identified over $1 billion of opportunity in terms of cost reductions within the Company. These are involved in areas such as indirect procurement, it involves yield improvements within our processing plants, involves chemical usage, maintenance. So we've got a program within our Company focused on driving improvements within our organization.

Last year, we actually achieved about $200 million of improvements on a run rate basis and this operational excellence initiative is really getting ingrained within all of our business units right now. It's being led by a core team of individuals, but working extensively with all the different businesses. That's going to be a major focus of our earnings growth over the next couple of years as well.

Lastly, on strategic growth, we've actually done a lot of bolt-on acquisitions and organic growth initiatives over the past couple of years. Specialty Commodities Inc., AOR, the bottled oil operations over in Europe, organic investment that we made in Brazil and China. And so what we're doing right now is really focusing on harvesting these investments right now and that's going to be another key pillar of growth for us over the next couple of years.

When you take a look at the earnings trend history, and this blue line actually shows a two-year moving average adjusted EPS line and the reason why I use the two-year moving average is to kind of show the trends in order to iron out some of the timing affects and market-to-market impacts that may impact us on any given year. But you can see that we've been growing earnings up until fiscal year 2011, consistent with our operating profit trends, went down during the two years of the US drought impact and then recovery in 2014, 2015.

A couple of takeaways here is if you eliminate the shaded gray area then you can see that historically over the past few years we've been averaging around $3 a share as a base earnings for this particular company. Now in calendar year 2015 -- and again, we just recently announced our earnings -- earnings came in at $2.60 per share due to the factors that we've talked about, but clearly the macroeconomic headwinds have had an impact in terms of our base, and again, from our perspective, we recognize that these headwinds will persist for a while longer. We believe this is cyclical in nature. We'll get through it, but our focus really is on driving what we can do to really grow the earnings power of this Company in the future so that when the base actually returns that we're going to see a good earnings growth in the future.

And this really gets back to really what we're doing right now over the medium term. We still believe that we can achieve $1 to $1.50 of earnings power improvement over the medium term. It's really in four particular areas -- the operational excellence area that I talked about. This is the $1 billion of pipeline of opportunities over the next five years that we're going to implement. Secondly, execution of the key projects. Again, harvesting the investments that we made. There's a tremendous focus right now on the team in order to try and deliver on these projects. Some of these projects got launched over the past year. There's going to be quite a few projects being launched in 2016. There are certain M&A deals that we've announced that will close in 2016. We will start getting the benefits of those as well over the medium term.

The third bucket is actually the WILD Flavors acquisition. Vince will talk more about the WILD Flavors acquisition. In fact, Vince was actually one of the acquisitions because he was one of the people from WILD Flavors that we were able to bring onboard to our team here. But the WILD Flavors acquisition is a significant acquisition for our Company in terms of our transformation and growth, as well as the synergies related to that particular acquisition, both on the cost side and the revenue side.

And then lastly share repurchases. One thing about ADM is that we generate a lot of cash. This is a business that even during the challenges that we had last year, we generate about $2 billion of operating cash flow and so we've been actually buying back shares using some of this cash and over the medium term, based upon our plans and the cash flow generation of the plan, we expect also to continue to buy back the number of shares that we have outstanding in the Company.

So with these four buckets, we believe that the $1 to $1.50 is clearly achievable over the medium term. Approximately each of the four, roughly about $0.30 a share benefit in terms of executing each of these. Some may be a little higher, some may be a little lower, but again this is the area of focus that we have over the medium term in order to drive earnings power and growth for this particular company.

Lastly, in terms of priorities for value creation it is really the balanced cap allocation. Here I want to talk a little bit about our CapEx trends, as well as what we've been doing on the dividends. We actually rolled out the balanced capital allocation framework in 2014 as part of our Investor Day and basically we said that we are going to reduce capital spending from roughly 50% of operating cash flow level to about 30% to 40%, which will approximate more the depreciation and amortization rate of this Company. And then we would actually increase the amount that we would devote to our strategic M&A or return on capital to shareholders up to 60% to 70% of cash. So that's the framework that we've laid out and we've been actually executing to this framework in 2014 and 2015.

With respect to capital spending discipline, you've seen that we've reduced the amount of CapEx we've been investing in this Company from a $1.9 billion level in the -- at fiscal year 2009 to about $1 billion. That's our approximate target for 2016. The reason why we did this is you do have to be very careful in our business about building a lot of new assets. The supply/demand balance in many of our industries is actually very, very delicate and so you don't want to build and add new capacity and distort the industry supply/demand balances.

Of the $1 billion that we have in terms of CapEx spending in 2016, about 30% will be devoted towards maintenance and compliance CapEx. The rest will be devoted towards operational excellence initiatives, which actually have very, very good payback, as well as certain targeted growth opportunities that we may have.

With respect to the dividends, with the increase in our payout ratios, you've seen how we've progressed in terms of our dividend trends. Historically, we've been around 20% to 30% dividend payout ratios between calendar year 2009 and calendar year 2013. So you saw a steady progression in terms of our annual dividends during this period. In 2014, we announced a new dividend payout range, 30% to 40%. And as a result, you saw a dramatic step-up in terms of our dividends in both 2014 and 2015.

A couple weeks ago, we announced our dividend rate -- our dividend payouts -- our dividends for 2016 and we announced basically a 7% increase in our dividend rate for calendar year 2016 and that brings us to about $1.20 a share over a calendar year period.

Now with the increase in our dividend payout ratio, as well as the increase in the absolute level of dividends, you've seen our dividend yield actually move to above 3% and in fact, with the recent pullback in terms of the stock market, as well as our own stock price, our dividend yields actually have gone above 3.5% at this point in time.

Other important aspect of ADM is that we have a fantastic balance sheet. You see here on the left-hand side of this graph our net debt to total capital ratio. We've de-levered significantly from really a level of 40% net debt to total capital to roughly a 20% level at present. You see available liquidity remains very, very strong with about $6 billion of available credit lines and about $10 billion if you include readily marketable inventories. So this gives us a lot of liquidity, a lot of balance sheet strength to weather macroeconomic headwinds, as well as also allows us to basically take advantage of strategic opportunities.

And so with 2016 -- again, these are our focus areas -- operational excellence, additional targeted savings of $275 million on a run rate basis; secondly, portfolio management, addressing low returning assets. These, for example, may not necessarily mean selling assets, but it may be restructuring assets as we have announced in India whereby we're going to idle certain facilities there. We also announced a review of our dry mill ethanol assets. It will be a full strategic review and we're going to look at all options in order to determine what the best use of that capital would be and how do we maximize the returns on those particular assets.

We've also announced a program to reduce the invested capital of this business. We do believe there's opportunities to further improve asset utilizations of various assets, so it's going to be a $1 billion multiyear program that we announced. And then, lastly, with a strong balance sheet, we're going to continue to look at targeted growth opportunities, both on the bolt-on side, as well as any opportunistic M&A if it makes sense and it meets our return hurdle and meets our strategic priorities.

So in conclusion, I'm actually really excited about where we are right now as ADM as a company right now. Despite the macroeconomic headwinds that we're facing, we have an incredible portfolio of businesses and products and a geographic footprint that's really unparalleled in our industry here. You combine that with the exceptional balance sheet that we have that gives us tremendous flexibility in terms of handling weather, macroeconomic headwinds or opportunistic growth opportunities. We have a very disciplined capital allocation framework that we have been practicing for the past two years that's very much returns-focused. And lastly, we've got a strategic plan that's very much focused on earnings and EVA growth. With that, we believe that we have the recipe in order to allow us to drive shareholder returns in the future.

Now an important part of our earnings growth story is really WFSI. So now I'd like to invite Vince Macciocchi to talk a little bit about WILD Flavors and Specialty Ingredients. Vince.

Vince Macciocchi - *Archer Daniels Midland Company - SVP & President, WILD Flavors and Specialty Ingredients Business*

Thank you, Ray. Good afternoon. It's a privilege to be here. I'm very excited today to talk to you about WILD Flavors and Specialty Ingredients, or WFSI. In the next 20 minutes or so, I want to do a deeper dive into WFSI and talk about the component structure of the business, the businesses that make up WFSI, our geographic global footprint. I want to speak with you about our deep and broad product portfolio, our differentiated technical capabilities, as well as our unique service offering. And then we'll switch gears and we'll talk a little bit about our aspiration from the time we introduced the business and then more importantly what we've accomplished to date. And then at the very end, we'll give you a sneak peek ahead as to what our future looks like.

Throughout the course of my comments, I will also speak a great deal about innovation. So we've heard -- from the start today, we've heard a lot about cost optimization and the innovation associated with cost optimization. We just heard from the Tyson folks about new product innovation. We will also talk about outsourced innovation, or outsourced R&D. All these types of innovation and the many facets of innovation we can serve at WFSI.

So this is a slide you saw earlier in Ray's presentation. I thought it was very important to bring this slide back and talk about the value chain at ADM, where WFSI fits and how well it fits. When you look at the other businesses that Ray spoke about, our ag services business focused on origination. We have a great deal of projects with our milling colleagues in ag services. When you think about oilseeds, we share numerous customers with our oilseeds colleagues and we're continually trying to find ways to leverage our combined power with the power of our customers and bring value.

When you look at the corn business, many of the products that are produced by the corn business serve as inputs for flavors, flavor systems and specialty ingredients inside of WFSI. All of these factors, plus the power and the resources of the ADM brand, allow us to play very effectively, very aggressively in the $50 billion ingredients space. This is a space that's growing approximately 5% to 7% per year depending upon the category.

Some of the things that we're focused on in this space obviously are meeting the needs of consumers and our customers around clean label, around natural, health and wellness, non-GMO, organic and some trends as well when you think of convenience, on the go and serving all ranges from millennials through baby boomers. So again, a very, very effective value chain. WFSI has been a very good fit inside of ADM.

When you look at the fourth business unit that's housed inside of ADM, I think it's important to take some time and understand how we've built this business from a foundational standpoint. So when you look at ADM inside the house, in the businesses I just spoke about, ag services, corn and oilseeds, there were value-added specialty ingredients businesses inside of each of those businesses. We put those together under our foods and wellness platform to form ADM Specialty Ingredients. That is a foundational piece of WFSI. That piece of the business focuses primarily on nutrition, function and texture. There's one piece missing. That piece was taste, hence the WILD Flavors acquisition. WILD Flavors heavily focused in natural flavors, natural colors and flavor systems, which we'll talk more about. So really you have ADM Specialty Ingredients and WILD Flavors as the two foundational pieces of WFSI, those two pieces worth a little bit more than $2 billion combined.

Shortly after the WILD acquisition, Ray mentioned Specialty Commodities Inc., focused on nuts, seeds, ancient grains, very much of an on-trend portfolio and a nice fit when we talk about ingredient systems. Some of the other pieces you see depicted here we'll talk about in greater depth, but we're already showing evidence of our M&A execution strategy when you look at the bolt-ons we completed in 2015 and early 2016 of California Gold Almonds, Eatem Foods and most recently Harvest Innovations. The whole business again allows us to focus in four areas -- nutrition, texture, function and taste.

So we talked a little bit about the component structure of the business. It's important to note also we're a global business and talk with you a little bit about our global structure. We have over 3500 employees worldwide in WFSI, 30 processing facilities -- north of 30 processing facilities -- just to give you a look outside of North America, processing facilities in India, China, Germany, Brazil, the Netherlands, so truly a global footprint.

And also when you think about if there's 30 plus R&D and application centers, this is a technically-based, a technology-based business. We have R&D centers, our hubs -- Decatur, Illinois; Erlanger, Kentucky; Valencia, Spain; Shanghai, China; Berlin, Germany as technology hubs. And also when you think about this business and our global reach, our structure also speaks to that global reach. We have a very seasoned experienced leadership team running WFSI from all walks of the value-add specialty ingredients business and we've structured ourselves in a global fashion. We have a global head of strategy and marketing. We have a global head of sales. The people that run the respective businesses inside of WFSI have global responsibilities. So as our customers globalize, we're there ready to meet their needs.

So I want to change gears a little bit and talk about our product portfolio. So when you think about the products and what we just outlined, you look across the top and you see specialty proteins. Specialty proteins came from the ADM specialty ingredients side. The other businesses in our portfolio that came from there would be edible beans, emulsifiers, nutritional supplements, fiber, hydrocolloids and polyols. That would be the specialty ingredients side. In the center, you see flavors and extracts. Obviously, that came from WILD, natural flavors, natural extracts. You see natural colors. Also you see mint. Mint capabilities come from the A.M. Todd acquisition in 2011.

When you look on the right, you see nuts, seeds, ancient grains. That's part from the SCI acquisition and that business dovetails very nicely with edible beans and peas from the legacy ADM side. So this is a very deep, unique portfolio. This portfolio consists of products that most of our customers would have to go to four, five, six different suppliers to supply them these unique ingredients. We can supply all of them.

The one point on this slide I have not mentioned to date and it's where I want to spend a considerable amount of time is in the lower right when you look at ingredient systems. For those that have heard me speak previously, you've heard me talk about ingredient systems, flavor systems, customized turnkey solutions. What is an ingredient system? It's a very unique offering that truly differentiates WFSI in the marketplace. So we've built a chart to depict a system and I will walk you through it. If you look on the left, there's many of the ingredients we just spoke about -- flavor, color, extract, protein, fiber, etc. I think it's very important to note that, as a single ingredient supplier, we will sell our customers any of these ingredients individually and we will compete in that space as an individual ingredient supplier.

However, what makes us unique and differentiates us is our ability to take these ingredients, put them together in some combination -- some of these ingredients, all of these ingredients, other ingredients -- in a concentrated format where they are essentially manufacturing ready. We can put them into our customers' manufacturing environment, our co-manufacturers' environment for our customers where essentially all you have to do with the system is you can add other ingredients, you can add sweeteners, you can add water as a dilution, put it in the manufacturing environment and essentially out comes a full finished turnkey ingredient system.

So we have a generic energy drink shown here. When you think about some of the areas where we have already completed systems, not that we aspire to, but we are already selling and completing systems, when you think in the beverage arena, energy drinks, CSDs, fortified waters, juice, juice drinks, isotonics, low proof alcoholic beverages, so the full range of beverage offerings and also on the food side with our expanded portfolio -- soups, sauces, side dishes, meals, bars -- so essentially the full range of service offerings and segments from a food and beverage standpoint.

So where are we selling our product portfolio and where are we utilizing our systems? It's really in our customers' needs and we serve as an extension of our customers' resources. When you think about speed to market, in new product innovation, really it starts at the front end with consumer insights. We can provide primary research from a consumer standpoint, we can actually take the product, develop it for you. We can prove out the product in a commercial environment and commercialize the product and we can essentially manage the entire supply chain. So again, broad and deep portfolio. Very unique capabilities around building systems and the ability to do full finish turnkey product development. Those are the types of innovations that we can execute at WFSI.

So we talked a little bit who are we serving. We talked earlier when I mentioned about building a system and some of the end markets that we serve. So we talked about beverage, baked goods, health and nutrition, snacks. One piece that I'd like to point out is personal care in oral care. It's a very important market for us, fast-growing market and when you look back to the product slide, the portfolio slide and you saw polyols and mint. They serve together very well in combination to serve the oral care market where we have made significant headway since we've been part of WFSI. And again, we just saw a few minutes ago in the prior presentation the importance of protein in the diet and protein moving forward and we obviously play a huge role in terms of meats and ready-made meals. So those are some of the segments in which we play.

If you ask who our channel partners are, it starts at the very foundational level, entrepreneurs and start-up companies really woven into the fabric of WILD and how WILD started their business in terms of when you think of a start-up entrepreneurial type of company, particularly in the beverage arena, there's no R&D resources, there's no consumer insights, there's no product development, there's no manufacturing environment. It was essentially, okay, WILD, over to you. Please tell us -- define the market. Please build the product. Please prove the product. Please manufacture the product and we'll ship the product. That's been kind of the roots of the entrepreneurial side of things.

We focus on regional CPG accounts, local tastes, local profile, local innovation, very important to our customers and consumers. Direct sales accounts, multi-level marketing accounts through the Internet, big business. Private label, growing. Foodservice, very, very interesting market for us when you really think about the QSRs, the casual diners and the vast supplier network to each of those and the number of partners required to serve. And then obviously the multinational CPGs.

So where are we at with the multinational CPGs? It's really an interesting time when you hear about cost optimization, supplier reduction, resource reduction. What we've really seen is the multinational CPGs in a fast adaptation of systems and wanting to do systems, wanting to reduce suppliers, wanting to take cost out of their system, being asked to continue to do innovation with less resources, asking us to become their outsourced innovation partner and essentially take over a brand and line extend that brand and do the work. So again, a broad range of segments and a broad range of channel partners to go along with a broad productline.

So I want to change gears and talk a little bit about our aspiration. So when we first introduced this business in December of 2014 in Chicago at our investor day, we talked about an aspiration of going on that day from slightly over $2 billion to $10 billion in sales. What you see here is a depiction of our strategy. Ray referenced these points earlier in the corporate strategy, but here are the five strategic pillars inside of WFSI. What does this look like in terms of execution? If I distill it down, it's three things. It's organic growth; it's delivering synergies and we'll talk about synergies further in a moment; and it's executing smart, bolt-on M&A. So again, organic growth, synergy delivery, smart bolt-on M&A.

We also realize we're going to get to a point where we need to do a larger deal and we'll do a larger deal where it makes sense for us to expand strategically from a capability standpoint, a footprint standpoint, and it makes sense for the WFSI business. Once we make that larger deal, we will again go back to organic growth, synergy delivery and bolt-on M&A. So that's a little bit about our aspiration.

When I showed up yesterday, someone asked me so how is it going, is this working and by the way, have you guys accomplished anything. So I want to talk to you a little bit about what we've accomplished in our first year as a business together.

So I mentioned a little bit about earnings and synergies. The WILD company had a synergy target or an accretion target of $0.10 in year one. So we achieved the $0.10 in year one from the WILD standalone business and what's also important to note when you look at the WILD performance, it was a record year in the history of the WILD company. So I think that serves to note that we're a very good fit inside of ADM and the combined power of WILD and ADM has been a very good fit and very appealing at the customer level.

Synergies, I talked about synergies. There's cost synergies and revenue synergies. On the cost side of the ledger, we have a run rate through year one of $40 million. We are ahead of pace on the cost side. I will give you a quick example of a great cost synergy. So when the companies came together, there was a building on campus in Erlanger, Kentucky, the WILD headquarters that was about 25% occupied. A little over a year later, that relatively unoccupied building now serves as an IP center of excellence for all of ADM, brought 200 jobs to the area and it was also a huge cost avoidance for all of ADM, so great execution.

Revenue synergies. Revenue synergies are a little tougher to come by due to long product development life cycles. We're very excited about where we're at. We have over 700 projects in our pipeline at a value of about $200 million. An example of a recent revenue synergy, one we're very excited about, is there's a national brand of a juice drink, a natural juice, that utilizes natural color, natural flavor and for the first time our clear soluble protein, CLARISOY. This product is going to launch in the marketplace in the very near future. So again, and as I mentioned earlier, a great deal of project activity comes from across all of the business units inside of ADM.

Organic growth and M&A. We've talked a little bit about this. It's also important to note that we're investing in our facilities. So in 2015, we've completed the increased capacity of non-GMO lecithin in India and in Germany. Right now, as we speak, we're in the midst of building a soy protein complex in Campo Grande, Brazil. A little bit more than a month from now, we will have a ribbon-cutting and a grand opening in our customer innovation center in Cranbury, New Jersey. So we are investing in our business, in our core businesses.

I talked a little bit from an M&A perspective about Eatem Foods and some of the bolt-ons. Eatem Foods really helps us in the savory arena, from a food-based perspective, savory reaction flavors and they bring tremendous culinary skills to the WFSI business. California Gold Almonds was a bolt-on early in the year. From a processing standpoint, they aid in manufacturing capacity for the SCI business. And most recently, Juan and Ray mentioned at the earnings day last week that we announced Harvest Innovations. We're hopeful that deal closes in the very near future, but really expands our presence from a specialty ingredients, specialty protein perspective, non-GMO, gluten-free, organic type of ingredients.

So again, year one, we have delivered. We have a long way to go but, we have delivered results in year one and we're very optimistic about where we are headed.

So a lot here in the last few minutes, but to summarize, really, the takeaways are you are looking at a business that is a very unique product portfolio, very deep technical capabilities, unique service offerings in a value proposition that makes sense across the full range of customers. We can support innovation in its many facets in any type of environment and this is a very tough marketplace. Obviously cost, cost, cost is what we hear about. We can play in that space as well and help solve issues there, as well as bring new innovations to life.

We talked about our aspiration and we also talked about our first year as a combined organization where we have delivered results. And then, lastly, a little bit of a look ahead. We're very optimistic about our year in 2016 where we're projecting 15% to 20% growth in OP going forward in 2016. So a lot to be excited about from a WFSI perspective. Appreciate your time today and I will turn it over to Mark for Q&A.

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

Thank you, Ray and Vince. Thank you very much for taking the time to [have] your schedules to listen to ADM's earnings journey and to hear about some of the changes we have going on in ADM and with the new growth opportunities at WFSI. So with that, we'll take a few questions and David, I looked over and saw your hand, so I'm going to immediately say, David.

David Driscoll - *Citi - Analyst*

Thanks so much. I appreciate it. Ray, wanted to ask about the capital allocation. So first off, you get a lot of compliments from me on this issue. Prior to your arrival at ADM, there really wasn't a very clear capital allocation strategy at all at the Company. So very clear what you've done. When we look though at the stock and we see just kind of how far the stock has come in, I'm just curious how you think about the share repurchase component of the capital allocation in an environment where you're trading very near book value. So I think you've talked about $1 billion to $1.5 billion of share repurchase in 2016. But that's down from the $2 billion of share repurchase in the prior year. So the balance sheet seems to have some flexibility in it and can you just give us your thoughts on how you come up with that range and is there maybe a rule for a larger amount of share repurchase just given the type of valuation we see?

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

David, part of the reason why last year 2015 we had a larger repurchase amount was the fact that we did divest of quite a few assets last year. The global chocolate business, global cocoa business. So in addition to operating cash flows, we actually had proceeds of divestitures. So when I actually looked at the 2015 results, we generated around $2 billion of operating cash flow, about $1.6 billion also in terms of net divestment proceeds, so as well as $3.6 billion of funds available in applying the capital allocation framework of 60% to 70% return on capital to shareholders. It actually works out to like $2 billion in share repurchases and $700 million in dividends really does kind of work towards that particular framework that we laid out.

For 2016, your assumption is that we are not going to have significant divestment proceeds and so therefore when we apply the framework, the $1 billion to $1.5 million actually does represent the application of our framework. $1.5 billion would be on the more aggressive side, but with where the share price is right now, that's part of the reason why we created a range of $1 billion to $1.5 billion in order to take advantage really of opportunistic acquisition of our own shares based on where our stock is trading right now.

Farha Aslam - *Stephens - Analyst*

Vince, could you talk about the opportunity to further consolidate that ingredient industry? It's very, very fragmented. There's a number of small transactions that you could do. Could you share with us the geographic areas that you want to cover, the product areas you're focusing on and then valuation and payback as you look at that M&A? Thank you.

Vince Macciocchi - *Archer Daniels Midland Company - SVP & President, WILD Flavors and Specialty Ingredients Business*

Sure. So maybe I will take those in order in terms of geography, in terms of expanding our footprint, so we do have a co-global business, as I talked about. I think what's really important is making sure we have as many of our full capabilities available in each of the regions as possible. So further expansion of our savory capabilities into Asia, for example, might be something that would be of interest to us. We currently have very aggressive expansion plans and strategy in South America. I mentioned the protein complex coming in Brazil. We feel we have a very good hold on that market. The WILD Flavors business has a big presence in Brazil as well.

So I think if you look at South America and Asia in terms of geographic expansion, but equally important our capabilities. We won't buy just to buy. It needs to make sense technically, geographically from a people perspective and when you get into the return side -- there are a lot of things out there -- when you get into the return side, I think it's very important and we model all of our deals, as Ray would talk about, 2% over WACC. So in the ROIC area of 2 points over WACC, 8% ROIC on a three-year horizon.

Rob Moskow - *Credit Suisse - Analyst*

Rob Moskow, Credit Suisse. Ray, I remember going back to the analyst day that your ag services division was talking about making investments that would get you deeper into the value chain from the point of -- literally like a truck from a port going to customer locations. And it sounded like a lot of work and it sounded like it would have been an aggressive investment. Have you gone through with that investment and can you tell us how or has the environment caused some pause?

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

We just recently announced the intent to set up a joint venture in Egypt with a company called Medsofts Trading. This is actually a major destination marketing initiative for ourselves because right now basically we move the grains from operations all around the world to Egypt, our ports in Egypt, but we don't move it from Egypt into the inland. With this joint venture, which is a 50/50 joint venture we recently announced and hopefully will close in the first half of this year, this will actually allow us to start participating in what we call destination marketing within the country of Egypt.

So this is actually a major initiative within a country that has a large population growing middle class. We're also looking at this in Southeast Asia as well. So Southeast Asia is another area where we're exploring right now.

Just as a reminder, we actually do do destination marketing already for about 15% of our volume, so what we're trying to do is effectively double the amount of destination marketing from 15% of our volumes to 30% of volumes. And I think our Egypt joint venture and our Southeast Asia initiatives will help us make some significant inroads towards those types of numbers.

Rob Moskow - *Credit Suisse - Analyst*

And if you do double that capability, can you give us a sense of what kind of capital investment that would take?

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

You set aside acquisitions and joint ventures, so therefore there's an acquisition component to it. But set that aside, the actual incremental investment is probably more on the working capital side than anything else. So in effect, we do view this thing as more of an asset light type of strategy and we actually do believe the returns associated with destination marketing are actually quite attractive.

Unidentified Audience Member

Ray, you said today the global challenges are temporary, but on your conference call you indicated that your base earning was actually lower, so can you help us out? Those two statements seem to be not exactly parallel. So are we in a situation where your model is structured different given the environment, or is your base earnings really delayed?

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

We indicated that, with the current currency headwinds that we're facing, particularly with a very competitive South American currency and Ukrainian currency, in combination with lower crude oil prices, clearly, for example, ag services profitability. Ag services profitability last year finished up at around $684 million on an adjusted basis. That's far off from the $850 million, $950 million historical range that we talk about there. So again -- so those headwinds are impacting ag services. You've got the ethanol business being impacted by load crude oil prices and so clearly we've got these headwinds that are facing us right now.

I do believe the currency impact is a cyclical impact. At some juncture, the US dollar and the other currencies will balance itself out. When it will balance out, to be determined. So that's the reason why we didn't provide any guidance in 2016 with respect to how that will play out. So in the earnings call, we actually didn't indicate that. With these current headwinds, there's probably a $0.60 to $0.70 deterioration on our base associated with these headwinds, so these currency headwinds, the ethanol headwinds and then also the Argentine impact, which is having an impact on our global crush margins around the world there.

So from our perspective, these headwinds do exist. This cycle, this $0.60 to $0.70 headwind is going to persist for a while. When this will turn, again, tough to determine that because, as we indicated in the call, we can't really call when the currencies will turn or when the crop supply/demand balance will actually become more balanced in the future. So from our perspective, that's the reason why we say we're going to focus on what we can control, which is really the four pillars of driving earnings power growth -- operational excellence, getting returns on the key projects, getting returns out of the WFSI acquisition -- the WILD Flavors acquisition, synergies and share buyback. So that's what we're focusing on, Ken, on driving $1 to $1.50 at this point in time.

Unidentified Participant

Okay, great. We are going to end it there. 4:00 on the nose. Thank you very much ADM for presenting.