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Q3 2018 Archer Daniels Midland Co Earnings Call

EVENT DATE/TIME: NOVEMBER 06, 2018 / 2:00PM GMT

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PRESENTATION

Operator

Good morning, and welcome to the Archer Daniels Midland Company Third Quarter 2018 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, Victoria de la Huerga, Vice President, Investor Relations for Archer Daniels Midland Company. Ms. de la Huerga, you may begin.

Victoria de la Huerga ***WILD Flavors, Inc. - SVP of Beverage and Strategy***

Thank you, Jack. Good morning, and welcome to ADM's Third 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 report.

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 Chairman and 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 as well as the drivers of our performance in the quarter and our thoughts on the balance of the year. Then Juan will discuss our forward look. And finally, they will take your questions.

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

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

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

This morning, we reported third quarter adjusted earnings per share of $0.92, up from $0.45 in the prior year quarter. Our adjusted segment operating profit was $861 million, up nearly 60% year-over-year. And our fourth quarter trailing ROIC of 8.3% is more than 200 basis points above our annual WACC.

Our team continue to capitalize on robust global demand with good execution and great utilization of our global footprint. And while delivering another strong quarter, the team also did a great job advancing our strategic plan, executed on key growth projects and accelerating our readiness efforts as we build the foundation to take our performance even higher.

Looking back on some of key accomplishments. In optimizing the core, our South American Origination team manages risk positions well, including the Brazilian freight situation and is up substantially year-to-date over 2017. We continued to optimize our North American Origination footprint, monetize our investment in Agrible, and as mentioned last quarter, we completed the divestiture of our Bolivian Oilseeds business during the quarter.

In our efforts to drive efficiencies, our operational excellence initiatives have delivered cost savings of more than $200 million on a run rate basis over the first 3 quarters of the year, already meeting our full year 2018 target. We will, of course, continue those efforts.

In strategic expansion, our Origination business is making important investments in digital and innovation capabilities with our just announced Grainbridge joint venture, and our work with other industry players to modernize the global agricultural value chain. In Oilseeds, we announced that we are acquiring certain assets of Algar Agro, particularly 2 crush, refining and packaging facilities in Brazil, which will further strengthen our processing presence in that important region.

Our Carbohydrate Solutions business is working to add industrial starch capacity to several facilities to meet market demand, and we celebrated the opening of our modernized flour mill in Enid, Oklahoma this quarter.

And in Nutrition, we completed our acquisitions of Rodelle and Protexin. We'll close the Neovia acquisition in the coming months and opened the latest in our series of high-tech customer innovation centers in Shanghai.

We are also moving very quickly in advancing readiness. Readiness is central to our strategic goals. It underpins and supports each of our pillars of our plan. We are excited about the progress we are making and the opportunities we are creating with readiness. Around the globe, our colleagues are identifying, analyzing and now have begun executing on initiatives that are building a foundation for increasing earnings growth in the years to come.

I will be talking more about readiness on our outlook later on this call. Now I'll turn it over to Ray to talk about the quarter.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Thanks, Juan. Slide 4 provides some financial highlights for the quarter. As Juan mentioned, adjusted EPS for the quarter was $0.92, up from the $0.45 in the prior year quarter. Excluding specified items, adjusted segment operating profit was $861 million, up $320 million from the year ago quarter. Our trailing 4 quarter average adjusted ROIC continued its upward trajectory, reaching 8.3%, more than 200 basis points above our 2018 annual WACC, thus generating positive EVA of $546 million. The effective tax rate for the third quarter was approximately 15%, up slightly from the exceptionally low rate of 13% in the prior year. For the full year 2018, we expect our effective tax rate to be closer to the lower-end of the 16% to 18% range that we guided earlier in the year.

On Chart 18 of the appendix, you can see the reconciliation of our reported quarterly earnings of $0.94 per share to the adjusted earnings of $0.92 per share. For this quarter, we had a $0.01 per share charge related to LIFO, a $0.04 per share credit-related gains on sales of investments and a $0.01 per share charge related to discrete tax items.

Slide 5 provides an operating profit summary in the components of our Corporate lines. In other segment, results increased on stronger ADM investor services earnings due to higher short-term interest rates and improved underlying results from our captive insurance subsidiary. In the Corporate lines, net interest expense for the quarter increased due to higher short-term interest rates and higher borrowings. Unallocated corporate costs of $161 million were up versus the prior year due to performance-related compensation accruals and higher project spending on information technology and growth-related projects.

Turning to our cash flow statement on Slide 6. We generated $1.9 billion from operations before working capital changes in the first 9 months of the year, an increase of more than 19%. Total capital spending in the first 9 months was $555 million, in line with our expectation for the year. Acquisition spending amounted $324 million, which includes our additions of Protexin and Rodelle. We also returned $568 million of capital to shareholders through dividends. Therefore, we continued a balanced approach to capital spending, acquisitions and return of capital to shareholders.

Slide 7 shows the highlights of our balance sheet as of September 30 for 2018 and 2017. Our balance sheet remains solid. Our operating working capital of $8 billion was up approximately $800 million versus the year ago period. Total debt was about $7.9 billion, resulting in a net debt balance of $6.9 billion. We finished the quarter with a net debt-to-total capital ratio of about 27% in line with the year ago quarter.

Our shareholders equity of $19 billion is up from the $17.6 billion last year, primarily due to net earnings in excess of dividends and repurchases. We had $6.8 billion in available global credit capacity at the end of September. If you add the available cash, we had access to $7.7 billion of short-term liquidity.

One additional item to note. Last week, we completed the transfer of about $0.5 billion of U.S. retiree liabilities to an insurance company, which will cover the benefits of about 3,800 U.S. retirees starting in 2019. This represents an important part of our ongoing efforts to manage our U.S. pension plan risk. As a result of this transfer, we expect to take a $110 million to $130 million pretax noncash pension settlement charge in the fourth quarter, which will be an item for adjusted EPS purposes.

Next, I'll discuss our business segment performance for the quarter. Please turn to Slide 8. In the third quarter, we earned $861 million of adjusted operating profit, excluding specified items, up almost 60% from the $541 million in last year's third quarter.

Now I'll review the performance of each segment as well as some thoughts on the fourth quarter. Starting on Slide 9, Origination results were up substantially year-over-year with all businesses showing improvements. Merchandise and Handling was significantly higher versus the weak third quarter of 2017 as the team did a great job managing through a volatile price environment.

In North America, we capitalized on our strong asset base to deliver higher volumes and margins, including strong export sales, particularly of corn to customers in markets outside of China.

In Global Trade, it was a similar story as the team delivered stronger year-over-year results. The group did a great job to plan and execute through the droughts in Europe and Australia, utilizing our global network of Origination assets and our expanding destination marketing capabilities to meet increasing demand for crops and products, particularly soybeans in meal in those regions.

Transportation results more than doubled year-over-year as the ARTCO team utilized its assets, including the stevedoring capabilities we have invested in to capitalize on strong freight rates and export demand and deliver higher volumes and margins.

Looking ahead for Origination, we expect North American operations to be pressured by lower elevation margins due to the lack of China demand, partially offset by export demand from the rest of the world, including from our destination marketing business. Overall fourth quarter results are expected to be solid, but lower than Q4 2017, which included positive impacts from insurance settlements and other income. For the full year, we expect Origination results to be substantially higher than the prior year and exceeding our expectations at the beginning of 2018.

Now to Slide 10. Oilseeds results were also up significantly over the prior year period as the business delivered another strong quarter. The Crushing and Origination teams setting new overall record for global crush volumes. The team leveraged a strong global asset base in our growing destination marketing capabilities as robust global meal demand, short crop in Argentina and the continuing U.S. China trade situation combine to support higher crush margins. Soybean crush was the major driver of earnings growth in the business with North America, EMEA and South America, all delivering substantially higher results year-over-year. Softseed results had a significant improvement from the third quarter of 2017, with particularly good results in EMEA.

Refining, Packaging, Biodiesel and Other was down versus the third quarter of 2017. Biodiesel was up substantially year-over-year. And refined oils, including edible oils, continued to perform well. Peanut shelling margins were significantly lower as large peanut inventories amid difficult market conditions resulted in some inventory write-downs.

Lastly, Asia was higher on strong Wilmar results.

Looking ahead to Q4, we expect very strong year-over-year growth as we continue to capitalize on a good global soy crush environment. RPBO is expected to be in line with the prior year as global food and Biodiesel businesses should perform well. We expect continued softness in our peanut shelling business for the fourth quarter as we continue to take actions to improve results.

For the calendar year, we expect Oilseeds to continue to benefit from the many strategic actions the team has taken, from operators enhancements to growth initiatives, to portfolio management and deliver excellent results, significantly higher both in the prior year and what we had anticipated earlier this year.

Slide 11, please? Carbohydrate Solutions results were slightly lower than a year ago period. Starches and Sweeteners delivered solid results, slightly below the strong prior-year period. We continue to see a solid North American market for liquid sweeteners, and the group delivered good margins and volumes in the quarter, offset by higher input in manufacturing costs. EMEA sweeteners continue to benefit from recent acquisitions, particularly our Chamtor facility in France, delivering good results despite sugar oversupply in the region that's pressuring sweetener prices. Flour milling was higher on strong wheat procurement results and timing effects in both the U.S. and Canada.

Bioproducts results were down. The team did a good job managing risk in extremely weak ethanol industry margin environment. Beverage and industrial alcohols had improved results benefiting from renewed focus after the reconfiguration of our Peoria dry mill.

Our North American Sweeteners and Bioproducts results were also impacted by Decatur downtime issues as we continue to make improvements to the long-term reliability of the complex. Looking ahead, we anticipate Carbohydrate Solutions to have low results in the fourth quarter than in the comparable period last year, with better results in Starches and Sweeteners offset by low results in Bioproducts.

As we discussed last quarter, we'll continue to have downtime in our Decatur complex for the rest of the year as we make important upgrades. We expect the underlying Starches and Sweeteners market to remain solid. The industrial starch market represents an increasingly important part of that product mix, driven by growing needs for containerboard from e-commerce. And we're expanding our starch production capacity to ensure we can capitalize on that growing opportunity. For the full year, we expect results for the Carbohydrate Solutions business to be lower than 2017, driven by ethanol margins and Decatur downtime.

On Slide 12, Nutrition was in line with the prior year period with a very strong quarter from WFSI, offset by weaker performance in lysine. We continue to see good performance across WFSI, with results significantly higher than the prior year period. The business delivered an impressive 10% year-over-year sales growth on a constant-currency basis and profit growth of more than 30%. WILD EMEA and North American results were substantially higher on portfolio mix and improved volumes, and we continue to add to our portfolio with the completion of Rodelle acquisition.

In Specialty Ingredients, emulsifiers and proteins continued to perform well with strong year-over-year growth. And the Health & Wellness business continued to grow with the addition of Protexin.

In Animal Nutrition, issues developed during the quarter that constrained lysine production volumes and increased manufacturing costs, contributing to lower year-over-year results. Changes in industry vitamin pricing also impacted premix margins.

For the fourth quarter, we expect to continue to see fundamental underlying strength in the Nutrition business. We anticipate continued strong sales growth from WFSI as customers and consumers continue to seek out healthy and functional ingredients.

On the Animal Nutrition side, premix margin should return to normal levels, and we'll see some residual lysine production issues. Overall, Nutrition results for the fourth quarter should be modestly improved over Q4 of 2017. For calendar year 2018, Nutrition results should be substantially higher than the full year of 2017, providing strong momentum for continued growth.

Now I'd like to turn the call back over to Juan.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Thank you, Ray. Please turn to Slide 13. As you heard, we are anticipating a strong year. Across the company, we are seeing our team perform well and we are realizing the benefits from our actions. Things are going well, but we can't stand still. We must keep getting better. We have enormous potential and a great opportunity to build on our position of strength and take our performance to a new level through the increasing benefits from the strategic growth investments we have made and through accelerating our readiness efforts.

Turning for us to growth. A major piece of the strategic plan we laid out in 2014 was expanding our portfolio into businesses that had a strong growth potential and more stable earnings, and also growing our geographic footprint. We started by acquiring WILD Flavors in 2014 and combining it with the significant portfolio of Specialty Ingredients with our Corn and Oilseeds businesses already produced to create WFSI, provided an immediate global leadership position in the flavor and value-added ingredients space. Our approach with WILD was first to enhance the profitability of the business, resulting in an impressive 20-plus percent compound annual growth rate in OP between 2015 and our 2018 projection.

Then we invested to expand the portfolio even further. We're building revenue synergies with bolt-on acquisitions, like Eatem Foods, Harvest Innovations and Rodelle, we're expanding into the rapidly growing personalized nutrition space with Biopolis and Protexin. And we are investing in state-of-the-art customer innovation centers in the U.S., Singapore, Australia and China.

Today, we are seeing the results of that strategic approach with top line Q3 revenue growth in WFSI of 10% year-over-year and 35% OP growth. This same approach of first driving profitability improvements and then strong revenue growth is the one we plan to replicate with Neovia and our Animal Nutrition business. We've delivered success, and we're excited to do it again.

Importantly, even as we have expanded our portfolio, we have continued in investing in our traditional businesses. Around the globe, we've expanded our footprint and capabilities, from the construction of new plants, like our Animal Nutrition facilities in China or our new pea protein plant in Enderlin, South Dakota to acquisitions like Eaststarch and Chamtor and to joint ventures like Medsofts, Industries Centers, SoyVen and Aston.

Taken together, we have made more than $5 billion in growth investments since 2014. We've launched 6 new plants globally, purchased an integrated 17 companies, formed 4 new joint ventures and added 5 new innovation centers and labs. We have also divested more than $2 billion in businesses and assets that were less strategic or were going to achieve our returns objectives, including our cocoa and chocolate businesses.

We made many of our investments during times of strong industry headwinds, while still returning more than $8 billion in capital to shareholders, executing our balanced capital allocation framework and maintaining our solid balance sheet. And what really gives me confidence about the future is that while many of these strategic investments have already begun to deliver benefits and be accretive to our results, the full impact of some of the recent ones is still coming. And when you are soon to close deals like Neovia and Algar to the mix, you can see why we are confident that our investments will continue to add to growth in earnings in 2019 and beyond.

Next slide, please? Slide 14 shows how readiness on our strategic plan fit together. Readiness supports each of our 3 strategic pillars. It's how we are going to take our execution of the plan to an even higher level. So starting next quarter, when we update on how we are advancing the plan, we'll also update on how we are advancing readiness.

Let me give you some context first on the importance of revenues. Over the past several years, we challenged each of our business units to be the very best in their respective industries, and they did precisely that, setting the bar for performance, which is one of the reasons for our success this year. Now through readiness, we are taking industry-leading practices backed by robust processes and using them across ADM, so we're not just the best in our individual industries, but the very best company.

Readiness is not a cost-cutting program and is not just about operational efficiencies. It is about changing the way we work. And as a result, further unleashing our team to deliver revenue growth and margin improvement, more efficient and effective project execution, ongoing sustainable cost savings and industry-leading support to our customers.

With readiness, we're standardizing, centralizing and digitizing how we do business on an enterprise-wide level, and we are improving our own execution capabilities across the company. We have reached an exciting point in our readiness efforts. We move quickly through the first 2 phases of readiness. We started with the top down diligence of the overall value potential, and then we asked colleagues to help plan and identify specific initiatives that would meet our goals.

Now we are moving into implementation. More than 2,000 employees across the company have identified more than 2,500 specific initiatives, and that number continues to grow. The team has done a great job identifying ways that we can build on our success. We are centralizing more activities into global business centers, expanding manufacturing excellence across the enterprise, moving to the next level of key account management to provide faster service while delivering a superior customer experience. And we're advancing and embracing digital technologies, like our recent announcements with other industry players.

Some initiatives will take time to implement, while other smaller initiatives are getting underway, opening opportunities for significant value creation and helping to support businesses that are facing headwinds in 2018. To accelerate and sustain results, we are training all 31,000 of our colleagues around the world through a program called Ability to Execute, which would help guide fundamental behavioral change in how we do our work every day.

As we move into the implementation phase of readiness, we believe we will be able to generate more than $1 billion of run rate benefits by the end of year 2 or roughly double the rate of operational excellence improvements that we have been achieving over the past few years. In addition to run rate benefits, some readiness initiatives will also contribute towards onetime benefits in capital spending and working capital.

As I mentioned before, readiness is about lasting sustainable change. It is how we will do our work now. So the benefits will continue to grow beyond the year 2. They will ramp up over time in conjunction with the cadence of execution, and some will be used to offset inflation and market factors. But a significant portion will fall to the bottom line.

It's an exciting time at ADM. Our team has shown you can pull the right levers to deliver strong growth and earnings, and they are fully engaged in taking ADM to the next level. Between growth and readiness, and with a global demand outlook that remains robust, we expect 2019 to be an even a stronger year for ADM.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of David Driscoll with Citi Research.

Cornell R. Burnette ***Citigroup Inc, Research Division - VP and Analyst***

This is actually Cornell Burnette in with a few questions for David. The first question was just kind of going back to something that you said in the press release when you indicated that you expect good momentum to continue in -- at the end of '18, but also that you'll expect better earnings and returns in 2019. So I just wanted to be clear, is that you guys basically expressing your confidence that in 2019 we do have all of the pieces in place such that we can see EPS grow over what we've done this year?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, Cornell, we do believe so. We believe clearly that 2019 we can grow earnings versus 2018. Demand continues to be robust across our businesses. We have a lot of momentum in margins in some of our businesses. And we feel excited about both axis of growth of earnings that I described, the strategic growth that we have invested in over the last couple of years. We have several acquisitions that we're going to have being accretive in 2019, that we didn't have any '18. We have several projects coming into operations that we're going to have in

'19 that we didn't have in '18. And we're going to have the benefits of readiness, that actually will start being accretive, as I described, with about $1 billion run rate savings by the end of the year 2, but they're going to be growing in 2019 as well.

The other issue that you shouldn't underestimate is, in 2018, not everything went our way as well. We have issues in the Golden Peanut business that we haven't had in the past, and we're planning to correct those issues for 2019. We have issues in whether it's in Decatur reliability on Lysine that are issues that we are going to put behind at the end of Q4. So we're going to have several things that actually were headwinds in 2018 that will not be there in '19. So between those things that we're going to fix, but the growth initiatives that are coming to be accretive in '19, plus readiness we feel strongly about '19 being better than '18.

Cornell R. Burnette ***Citigroup Inc, Research Division - VP and Analyst***

Okay. And just a follow-up maybe on the oilseed crushing side. Just wondering what's your visibility to maybe kind of the crushing market environment in the first half particularly in the first half of next year? And is it safe for us to assume that you've been able to go and lock in a good portion of your crush in Q's 1 and maybe even in Q's 2?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes, Cornell. I mean, normally in our hedging programs, we would go on several quarters. And so it's fair to say that we do have some portion of the early part of 2019 already hedged. I think that it's important to understand also like, I know people are looking at crush margins right now, they are bouncing around a little bit, but it's actually quite volatile at this juncture. When we look outside into the future, we're actually seeing continued solid demand for soybean meal. Global demand for soybean meal is probably currently running at 4% to 4.5%. And so I know there is a little bit of noise right now in terms of crush margins, a lot of it driven by the rumors regarding U.S. and China, but relative to underlying supply-demand, and so from our perspective, we actually believe it's a very healthy demand environment for soybean meal. And also demand for oil remains robust, particularly on the Biodiesel side. So we actually feel good about where crush margins are heading in the future. Will it be at the same average level of 2018? Maybe not. But it doesn't mean that's going to drop dramatically. So we believe that we're in a peer group by crush margins. Soy crush margins are going to remain healthy.

And then what Juan mentioned in terms of all the different initiatives that we're driving in Oilseeds, particularly the acquisitions that we're doing, including Algar, the readiness initiatives, the improvement in Brazil, I mean, the Brazilian trade situation clearly had an impact on a lot of the merchandisers in Brazil, that's going to get behind us at the end of the year. So we feel good about where our Oilseeds is heading in 2019, and so, again, the confidence that Juan have expressed regarding year-over-year earnings growth.

Cornell R. Burnette ***Citigroup Inc, Research Division - VP and Analyst***

And then lastly, I guess, on the softseed side, It seemed like you made some comments that softseed crushing, the results kind of picked up and strengthened a bit in the quarter. So just wondering kind of what's driving may be some of the improvement on the softseed side? And is that an area where in 2019 you think you could see better results?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Clearly, the short soybean crop in Argentina resulted in less meal heading into export markets, including over to Europe. So hence our softseeds crushing operations in Europe benefit from a combination of less supply out of South America, but also just good solid demand, particularly in the Biodiesel side. And so that contribute towards really some very healthy margins that we've seen in the European crush environment.

Operator

Your next question comes from the line of Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

Just wondering -- maybe two things. One, if you could, to the extent you can right now give us a little bit more modeling help on readiness for this year -- I'm sorry, for next year and maybe the year after? Just in terms of how we should be ascribing it to different line items and just sort of the pace of that run rate, so maybe we could just start there.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

So again, as Juan indicated, we talk about $1 billion run rate savings at the end of year 2, so that means end of 2020. So that's a run rate there. It's going to build up over time. It's not a linear progression towards 2020. And also, part of it, it's going to be used to offset inflation. We do have inflation in our business. So part of the benefits will offset inflation and some market factors. And so I think how you should be thinking about it, it's a gradual ramp up '19, we're clearly going to have benefits in '19, but by 2020, you'll get towards the run rate. It's also important to note that it doesn't stop at 2020. Readiness continues. And so while we've kind of indicated $1 billion by the end of 2020, when we get to 2021, 2022, there's going to incremental benefits associated with readiness.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

I think, Vincent, you need to ramp it up. Think about the process. So we are training our 31,000 colleagues now. We have the initiatives. About half of the initiatives don't require much in terms of either CapEx or IT resources or new people. So we can stop battling and we can ramp up during 2019. Some of them require a little bit more capital and little bit more IT and processes, and there may be more into 2020. So I would say soft in the first half, accelerating in the second half and then a mild growth out in 2020.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

Okay. And just as a follow-up, could you sort of discuss the farmer selling environment in both the U.S. and Brazil, in particular?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I would say, in the U.S., recently there has been a little bit of a slow down over the last couple of weeks in farmer selling. It has been more, obviously, the farmer keeping their soybeans, thinking about a potential resolution of the trade dispute and whether that could top on North American soybeans. In Brazil, it's been a little bit more driven by -- more than currency and numbers by the freight tables and the uncertainty that, that generated. I think with the recent results in the election, there's going to be much more optimism that the freight table will probably be corrected or eliminated at the beginning of the year. So maybe that changed a little bit. But that has been the biggest factor there.

Operator

Your next question comes from the line of Heather Jones with Vertical Group.

Heather Lynn Jones ***The Vertical Trading Group, LLC, Research Division - Research Analyst***

A couple of questions. I guess, I wanted to start first with Q4. So if I heard correctly, you're expecting Origination to be down year-on-year, Carbohydrates down, Oilseeds up strongly and Nutrition in line. But if I remember correctly, Q4 '17, there was about a $80 million benefit in Merch and Handling, but it was essentially like a intra-company's transfer. So I think we would get some of that back on the other line this Q4. So I guess, I'm trying to get a sense for your review consolidated for Q4. Do you think the improvement -- adjusting for that intracompany thing, do you think improvement in Oilseeds year-on-year is going to be enough to offset the reduction in Carbohydrates and Origination?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Heather, let me see if I can build a picture for you. So in Q4, in Origination, certainly we're not going to have the China demand pool, but the rest of the world will be coming to us, particularly for corn. So we still expect destination marketing to offset some of the exports that we have lost with China. And we have already, if you will, almost 70% of that book with -- we already know the volume and the margins. So I would say, Origination without those $80 million would probably be in line with last year. So I think that the team has done a good job of offsetting some of the China impact in the business.

Oilseeds, as you mentioned and we mentioned before, are expected to be very strong and much improved versus last year. Healthy crush margins and volumes that will continue.

Carbohydrate Solutions, the issue is Starches and Sweeteners are continue to be very solid, the issue -- and milling. The issue continues to be ethanol. And recently, we have seen people taking some capacity down, but probably still not enough because, obviously, we are getting into the low end of the season from a driving perspective.

And Nutrition results, although we're still going to have some impact on lysine on the Q4, they're going to be stronger. So we feel we're going to cap a very, very strong year for ADM with a very good quarter for us.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

And Heather, just on your question on Other. Yes, last year we had big negative on the Other, because of the insurance payments. So this year, we're not going to expect that to have a big negative in Other.

Heather Lynn Jones ***The Vertical Trading Group, LLC, Research Division - Research Analyst***

Okay. That's what I thought. Now moving to '19. So I mean, listening to -- if I go back and look at the commentary on Decatur earlier in the year, and then clearly, I don't remember the last time I heard you all talk about Peanuts, so it must to be a big issue. With that and what's going on with lysine, am I wrong in thinking there is a sizable tailwinds assuming the result, sizable tailwinds going into '19?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. That's what I explained to Cornell in the first question before. The peanut was a combination of difficult merchandising situation in North America. But we also lost pretty much the peanut crop in Argentina that produced loss in Argentina that we normally don't have. So that was a loss due to the dry weather in Argentina. So peanut was a very strange situation that normally would not happen to us. As I said, you never heard about peanut before.

Then the Decatur plant, is a plant, that listen, based on the integration of that plant and the great cost position, is a plant that we normally run very, very aggressively. We're getting into some mechanical reliability issues over the summer, especially with the cooling tower. That has impacted that facility. It's a very integrated facility as you can imagine from the corn wet mill that we produce more ethenyl products and that feeds that Bioproducts facility where we produce some of our specialties. So that goes into lysine, that goes into some of the polyols that -- or hydrocolloids we have in Nutrition. So all these units are very intertwined. So you see the impact overspilling a little bit in Nutrition. And that's about Nutrition being the smaller division, it was hit the hardest this quarter just because in Sweetener -- in Starches and Sweeteners we have larger volumes we can absorb that a little bit better. But those issues, we are diligently addressing them. We have seen some improvement already in October. So we foresee that all those issues will be behind us, and hopefully, we don't pick up new ones in '19.

Heather Lynn Jones ***The Vertical Trading Group, LLC, Research Division - Research Analyst***

And if I think about Origination in '19, and let's just assume there's no resolution to the U.S. China issue. However, there clearly were numerous issues around the globe with wheat crops. And it seems intuitive that the wheat demand would be good in '19, but just can you give us a sense of how '19 is shaping up in your mind for either Origination business even if there is no help on the China side?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, Heather. So a couple of things here in Origination that you have to think about. First of all, we are utilizing very much our storage. We have tennants with storage that we have, and we have good ownership position. So we're going to continue to get carries as basis appreciate. We're certainly going to have in the premise that China disputes are not resolved, we're going to have an ability to export a lot from the U.S. as our products will be very competitive. Destination marketing continues to do very well, open up new markets for us, so we can offset the decline in China exports. And although, we don't offset it one-for-one, but the team has done a very good job of that.

Global Trade will continue to match these origins with destination as you said, with bad weather in Australia and the bad weather in Europe, wheat in the U.S. will become competitive and we will see growth in exports that we didn't have particularly this year. This year, obviously, we have drop in soy exports and wheat exports and we have an increase in corn. So we expect some of that to change for next year. And then we have some of the businesses that have been growing steadily in our business -- in our own Origination business, whether it's a fertilizer business, Transportation doing very strong and also the stevedoring business that continue to provide solid year-over-year growth.

So overall we feel strongly about how Origination is positioning itself. And now, ADM with other key players in the industry has taken the lead on bringing digital into the relationship with the farmer. And it's not only benefiting the relationship with the farmer and our sales and our purchases to the farmer, but also in the cost that can alleviate to us. There are a lot of manual work, these are a lot of paperwork, a lot of waste, very antiquated technology and we think that there is an advantage there to get into blockchain or new digital. So we feel very good about Origination for '19, actually.

Operator

Your next question comes from the line of Robert Moskow with Crédit Suisse.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

I might not have caught it, but are there any mark-to-market benefits in third quarter in Crushing? And if so, does it kind of roll over into fourth quarter and make fourth quarter a little tougher? And then, I guess what I'm also asking about fourth quarter for Crushing and Origination is, obviously it's going to be a lot better than last year. But is it sequentially improving also or is it kind of -- I mean, I kind of have it flattish versus third for Crushing and Origination?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Hey Rob, it's Ray here. So normally, in these calls, we would outline any timing effects, specifically if it's over $50 million. We've been very consistent about that. So we didn't outline any timing effects in this call. What happened this year, Rob, is that, we did enact a new cash flow hedge program for soy -- U.S. soybean crush. We started beginning the year, we phased it in with the new hedges. So it actually allows us to actually start deferring a lot of these mark-to-market impacts on soybean crush that really causes a little bit of volatility in our quarterly results. And so we started the program at the beginning of the year. We phased it in.

And so in this quarter, what's interesting is we did had some favorable -- some reversibles from the prior quarters. So there was a positive impact there. There was some positive impact related to timing effects on the hedges that didn't qualify for cash flow hedge accounting. But we also had negative timing effects related to the cash positions that are not eligible for this type of deferral. So on balance, Rob, -- on balance, we actually had a slight negative timing effect for the quarter, and that will add towards the cumulative negative effects that we had at the end of the second quarter. And so we are carrying into the fourth quarter and into the new year negative timing effects that will reverse out as we move through, frankly, the next 3 quarters. Hopefully, that was clear.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

A complicated answer, but at the end of the day, it's a slight negative, not a positive in the third quarter.

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Still it's a -- the way I kind of look at it, it's a clean quarter that we had in the third quarter.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Yes. And so just sequentially, just in terms of the volume you crush, may be, in fourth quarter, is the volume higher than in third? And therefore, we should expect fourth quarter to be up even better than third?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Normally, that's the case, Rob, right? And with the harvest, normally the fourth quarter crushing volumes would be a little higher than the third quarter crushing volumes. Although I'll just remind you, we had exceptional third quarter crushing volumes just because of the strong global demand. So the delta from third quarter to fourth quarter in terms of increased volumes, this year will be less than normal patterns just because of the strong third quarter.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Okay. And then the spot margins are kind of moving a little bit lower, but may not -- may or may not accurately reflect what's happening, is that what you're saying?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Don't forget, we had a lot of it hedged already too, right?

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Okay. And then a follow-up question. You mentioned as part of readiness that a lot of processes have been standardized and centralized. And I think it's kind of hard for the Street to get a sense of what that means. So can you give us a couple of examples of processes that have gone through that? And how it impacts your bottom line?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, sure. So when we designed the company, you can replicate the company in about 12 global processes. Processes like, for example, prospective cash is the process from when you get the prospect being a customer all the way till you convert it to customer and you get it to the final cash. And basically what we do with that is we analyze the process. We look at the number of steps, and then we optimize the process to try to determine how many steps can we reduce or simplify or standardize. And basically what that does is 2 things, is eliminate errors, eliminate waste or low value work and basically free our people to be out in the street selling more or actually growing the company with the same amount of people. So if you think about our company, about $60 billion-something with 31,000 people, I think that constantly looking at that and the productivity of our employees, is how can we continue to grow and handle more complexity and more variety with the same number of people here, and that's what we're trying to do, and that's why we're training the 31,000 people to being able to be more flexible and redeploy them as we grow and as we achieve more efficiencies. So this is happening across the company.

Operator

Your next question comes from the line of Ann Duignan with JPMorgan.

Ann P. Duignan ***JP Morgan Chase & Co, Research Division - MD***

A lot of my specific questions have been answered, but maybe one just looking into 2019. I mean, if we look at states like North Dakota and South Dakota, between them they planted about 12 million acres of beans this year, but 60% to 70% of those beans were exported probably mostly to China. What's your company's thoughts on what happens in these states next year? And how much incremental corn could we see or wheat or other crops could we see being planted next spring? And what might the ramifications of all of that be on ADM's business as we go through 2019? And assuming that the tariffs stay in place and we get a big a swing out of beans in the Midwest?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Hi Ann. First of all, I think it's still too early to kind of speculate what the planting intentions will be of the farmers in 2019. I think when you read a lot of the analyst reports from economic research, it would suggest that we're going to be down on bean acreage and up on corn acreage, right? And so up on wheat acreage. So on balance, the amount planted will probably be very, very similar, just the mix will be a little bit different. Now how much lower in terms of soybean plantings compared to this year, that's to be determined. I mean, I think there is a lot of factors that will play out frankly over the next several quarters before we get towards a number. But I think the implications for ADM is, there is still going to be strong demand for U.S. products. I mean, even if you take the stand that the U.S. China trade tensions continue, the rest of the world is actually coming to United States for its products, and we anticipate that will continue in 2019 here. So as Juan indicated, our outlook for Origination in 2019 remains very robust based upon strong global demand and based upon the actions we're taking and based upon the growth of our Global Trade business, destination marketing based business, stevedoring and all the other businesses there.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

I think, and also, as Ray said, I mean, it's almost it's impossible to forecast changes in policies. So what we work very heavily is into get our team being very agile and very well connected between Global Trade and the processing businesses, and also to keep our asset base very flexible. These businesses look stable, but under the water there is a lot of rationalization and optimization of elevator running into river houses in our Origination business as we make some of these scenario planning, if you will. So I think the team has done very well of adjusting to all these conditions in very volatile years and difficult years. So we are just continuing to be very close to our customers, our farmers and continue to have our operations very flexible to be able to react to that quickly.

Ann P. Duignan ***JP Morgan Chase & Co, Research Division - MD***

But you didn't call out during the commentary that you had lower elevator margins in Q3. Could you just expand on that, and what is the outlook for elevator margins going into '19, assuming all things remain as is?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

I would say, going into Q4, we have seen a compression of the cease to fall spread, of course, as we have less exports from China. Going into '19, we feel good about the ability of the U.S. to export corn. Soybeans are going to be very cheap, continue to be in the U.S. and wheat could come into play, as we said before, due to the low productions of Australia and Europe. So I think, in general, we feel good. It's just sometimes we will like that put in Q4 that at this point maybe we're not going to have.

Ann P. Duignan ***JP Morgan Chase & Co, Research Division - MD***

Okay. That's helpful to get the color. And then just a quick follow-up on European softseed. I mean, given the drought conditions over there and the lack of feed for livestock from things like grass and hay, would you anticipate may be softseed margins in Europe being stronger in next year or year-over-year just until we get through the next growing season?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Yes. I think our perspective is, softseed margins should continue being strong over in Europe as we go into 2019. And again, a lot of it's driven by good biodiesel demand. And just grow oil values that we're seeing in that part of the world.

Ann P. Duignan ***JP Morgan Chase & Co, Research Division - MD***

More on the oil side, not the meal side?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

The meal side is also a contributing factor, but we've seen some strength on the oil side as well.

Operator

Your next question comes from the line of Eric Larson with Buckingham Research.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Analyst***

Let me just switch gears a little bit here. And I'd like to give -- get you a little more flavor on the WILD and Nutrition business. Right now that business is about $400 million OPP business. And I think the visibility for that to be a $1 billion of OP in the next, let's just say, several years for lack of a better word, let's say, 2 to 3 years is really high. Could you talk a little bit more about that one? You've got a couple of new plants there, one in Brazil that's just coming online. They haven't generated a return yet, but it's a very high return business. And I think the visibility for that $1 billion of OP in WILD is actually quite high. And I'm not sure that point has just come across well here this morning?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes, thank you, Eric, for the question. I touched it a little bit in my remarks. I mean, we are very excited about it. And if you look at our trajectory, when we started with WILD Flavors, we started the business of Nutrition, if you will, with some specialities that the basic processing businesses were expanded into. So the Oilseed business is expanded into specialty proteins there, the Carbohydrates and the Corn business expanded into polyols and into fibers like Fibersol. And we needed to be able to provide a better solution for our customers and we needed to be able to formulate those solutions that way we get into flavors. WILD Flavors was a spectacular story. WILD Flavors profit in 2014 were $78 million before we took it over. And this year, they're going to be around $170 million. So we certainly has been more than 20% compounded annual growth rate in profitability in those. But when we started to get to the revenue synergies with WILD Flavors and Specialty Ingredients, we can see now how that portfolio is resonating with our customers. We've been saying for the last 2 or 3 quarters that our portfolio is very successful with our customers, and we're seeing now revenue growth of around 10% for WFSI, which is the combination of those, formulation of all that flavor with Specialty Ingredients, and operating profit growth of 30% -- more than 30% year-over-year.

And if you take that Nutrition team without WFSI and you think about adding into that the oils portfolio we have, the starches we have, the sweetness we have, the acidulant and the flours we have, there isn't any other company out there with such a broad portfolio and technical expertise. And that's the interesting discussion that happened at the customer base. So we have all that, which is about $2.5 billion revenue, if you will, at this point in time, but growing aggressively at about 10%, then we're going to do the same with Animal Nutrition with the Neovia. Neovia is another WILD Flavor distributor for this. That's about $3.5 billion. And then we have all the area of Health & Wellness and the personalized nutrition with Protexin, Biopolis and all that incipient. So we have those 3 main axis. And we see our way into delivering what you just described, getting into may be a $1 billion over the next few years.

So it's just -- it takes a while, but like it happened with WILD, you go into profitability improvement, then you develop the revenue synergies, the same is going to happen with the Animal Nutrition. But it's been very successful so far, and we plan to replicate that model into Animal Nutrition. And at the -- in the meantime, we are building in our Health & Wellness and personalized nutrition portfolio. So all very good, all very affordable, all within the financial discipline of our returns. And the cadence, if you look at what we have done in order to assure execution, we've done WILD Flavors in October 2014 and we didn't do Neovia until '18, until we make sure that we have proven that model, we're making the money and the business is working. So now we're ready to move to Neovia, and we're going to continue with that discipline and that cadence to guarantee to the shareholder that we are investing their money wisely.

Eric Jon Larson ***The Buckingham Research Group Incorporated - Analyst***

Okay. Good. One quick follow-up question here and it's on the Oilseed market, particularly U.S. soybeans. Obviously, we know where the pricing is. I also have looked at this, and we've probably got the widest basis on soybeans that I've ever seen, you can go buy soybeans $1 under board. Your cash prices are $1-plus consistently over the last 2, 3, 4 months, below board. So we have the cheapest soybeans in the world. We're trading 25%, even a little bit more below Brazilian prices. And I can't understand -- I think China has to come in and buy bean some time in December and January despite all the rhetoric that they've found a new sources for this and that. But I tend to take a little bit more bullish outlook on soybeans, and on US soybean market here, but maybe I'm -- I have some irrational exuberance here. Could you help me out with that thought process, Juan?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Yes. I would say, we can get into the same thinking, The reality is that, the window is getting shorter and China is finding ways not to use U.S. beans. There is also early planting in Mato Grosso in Brazil. It could lead to early harvest. So -- and may be China will hold into buying beans until they can overlap with Brazil. So I think that we have that upside of potential beans into the -- from the U.S. in Q4, early Q1. But on the other hand, it may not happen. So again, early harvest in Brazil could make them able to not to touch U.S. beans.

Listen, we're going into Q4 with a strong momentum. It's just that -- so fundamentally, Q4 is going to be a strong Q4. It's just that a lot of things could happen with either basis or mark-to-market. That could make some profits go into to Q4 or Q1, and that is difficult to forecast. What we know is our operating rates are strong. We have a lot of our book already locked, as I said, even with the export in our Origination business. So we're going with a strong momentum into Q4. We don't foresee any strange things into Q4. It's just that some of the mark-to-market and the end of the year movement could be some of the profits end up in Q4 or some of the profits end up in Q1, that doesn't change the fundamental nature of our solid businesses at this point in time.

Operator

Your next question comes from the line of Ken Zaslow with Bank of Montreal.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

Just a couple of tidbit questions. When you think about 2019, which divisions do you think will shows the greatest growth and which ones will be the greatest stability? Are you looking for a rebound in ethanol? Just kind of some parameters to that. My second question is, does that -- does your divisional outlook reflect or would change if China does get resolved or not? Is it one way is better than other? Can you just from those two kind of questions, and I just have a quick follow-up.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Sure. I would say the division that will grow the most in 2019 versus 2018 will be Nutrition. Nutrition will have the biggest jump that they ever had in percentage basis. So ethanol could be an upside. Of course, this year was pretty bad in ethanol and we expect that next year there are a couple of things of ethanol that it could make you more optimistic. One is the fact that the price is so low of ethanol that I think as an oxygenetor or as an octane booster, it could find their way into more gasoline-producing countries, if you will. And the second is that we may not have as many expansions or the bottlenecks to absorb next year, and this was part of the issue this year. But I would say Nutrition will be the biggest business.

In terms of the second part of the question, was about...

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

China. Which....

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

Was about China, yes. I would say, listen, for companies like us that are trying to match origin having with destinations, having the most optionality is the best. So I think in the long-term having those issues solved and having free-trade around the world is the best. The same for the farmer. If you are producing, you want the most optionality to place your production everywhere. So I will say, no doubt that from a long-term perspective, we want a resolution to that.

Kenneth Bryan Zaslow ***BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst***

Okay. And then there's a lot of discussion about potential assets coming to sale over the next 6 to 12 months as the company is under review. Would you be willing to participate in the consolidation agri business? You haven't really mentioned yet. There was probably 3 or 4 calls ago, you guys were a little bit more -- discussing a little bit more, can you talk about where you're positioning now and would you be willing to participate in consolidation? And I'll leave it there.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Listen, we like our strategy and we're implementing that and we've been very transparent on that. Of course, we look at every option and we always review our standalone plans. So we normally look at that. We are participating in the consolidation. You see our acquisition of Algar, our joint venture in Egypt. So we're going to look at every deal on their own merits. We're going to keep our returns subjective. We're going to keep our strong value-creation mindset. And if something makes sense, we may look at that. At this point in time, our strategy is clear and I think we've been articulating it and we continue to execute that and grow earnings and returns. We are very pleased with that so far.

Operator

Your final question comes from the line of Adam Samuelson with Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

A lot of ground been covered, so I'll try to keep it brief. Just on the readiness program, the $1 billion of savings in 2 years, and I think there is an illusion to there being some inflationary offsets. Do you have a net savings target that you're willing to share at this point? Or how much should we think about the conversion from gross to net savings similar to your productivity programs in the past, those have been gross numbers, I just want to make sure we're all reasonably calibrated on that point?

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

Listen, Adam. No, we don't have a precise number like that. I understand the need to create the model. Our focus, of course, is to keep making the company better. So we know and -- we know that 2,500 initiatives there has a lot of needs and a lot of profit that will come to the stream. Exactly how they're going to come? We're going to get more proficient in that as we start executing. At this point in time, we are prioritizing all those 2,500 initiatives. We know because we have committed with you that we wanted to come at this meeting with an idea of the bulk of profit, how much are we going to pull through to P&Lat this point in time is a little bit premature for us to give more guidance on the one that we have provided already.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Okay. That's helpful. And then just quickly, the corporate expense this year, it's up a pretty decent amount. I think there was some readiness program's cost and expenses in there, some of the ERP stuff as well as and you talked about effective competition, given the performance this year. Is there any reasonable expectation that you can provide on 2019 in Corporate at this point?

Ray Guy Young ***Archer-Daniels-Midland Company - Executive VP & CFO***

I mean, I think the run rates that we're seeing right now are probably a littler higher than we're going to end up. But it's not going to be totally out of line kind of what we're going to put, maybe it's just slightly lower on a run-rate basis.

Operator

There are no further questions at this time. I would now like to turn the call back over to our presenters.

Juan Ricardo Luciano ***Archer-Daniels-Midland Company - Chairman, CEO & President***

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

Operator

This concludes the Archer Daniels Midland Company Third Quarter 2018 Earnings Conference Call. We thank you for your participation. You may now disconnect.