



PROFILE OF
ARCHER - DANIELS -
MIDLAND COMPANY

SOMO

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THE NETHERLANDS

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PREP. BY
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ARCHER DANIELS MIDLAND COMPANY

Head Office : 4666 Faries Parkway
Box 1470
Decatur. Illinois

Chief Executive Officer : Dwayne O. Andreas

Number of employees at June 30 1985: 9.446

Net sales 1984/1985 : \$ 4,7 billion

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O. Introduction.

Archer Daniels Midland Company (ADM) is the largest agri-processing company in the USA. In its processing plants, mainly in the Midwest farm belt in the USA, ADM processes every day between 60.000 and 70.000 Ton of american crops : it means a yearly volume of 20 to 25 mln ton. Untill 1980 ADM's main crop consisted of soyabeans, but since that year the company diversified in a very fast rate also to corn, peanuts and coton.

Being ~~xxx~~ ~~xx~~ the largest agri-processing company in the USA means directly that ADM is one of the leading agribusiness companies in the world.

This company is a quite secretive company with a very low profile regarding publicity.

In the USA most of the publicity on ADM relates to 4 different topics:

- ADM's very important role and position in the production of HFCS (High Fructose Corn Syrup), the cornbased sweetener that substitutes sugar
- already completely in the formulation of Pepsi-Cola and Coca-Cola.
- ADM's leading role in the production of ethanol. In the USA the company has a market share of more than 50% in the ethanolproduction.
- the consequent policy to be the lowest-cost producer and the resulting profitability even in bad market conditions.
- the close links with and frequent financial support of politicians at key-positions for ADM's business. ADM, mainly Andreas supportsgenerously politicians of different labels (and Humphrey, and Carter and Nixon and Democratic and Republican Senators) to buy support for ADM's position.

In Europe was the pressrelease that ADM was negotiating with Unilever the take-over of 3 oilmills belonging to the Unilever Oil Milling Division the main reason for publicity on ADM.

Untill very recently ADM was primarily a US company, processing agri-raw materials for the american home market and exporting from the USA to other parts of the world.

Since 1982 its policy is directed to get a better foothold on the main markets outside the USA, not only by exporting from the US but even more by the take-over of agri-tradecompanies and processing plants.

This policy has only started by now and will accelerate in the years to come.

1. History

Archer Daniels Midland Company was incorporated in Delaware (USA) in 1923. ADM was the successor of a group of smaller midwestern companies who were engaged in processing farm products. The most important at that time was Daniels Linseed, founded in 1902, who processed flax seed into linseed oil.

This newly founded company was for a long time a little noticed company and that situation kept on untill 1965. In that year Dwayne Andreas entered the board of ADM and in 1968 he became chairman of the executive committee.

He brought with him a lot of experience on soybean-processing and trade and the dynamism the old family lined company lacked.

Dwayne Andreas ran with his 3 brothers and his father next to their farm a country elevator which they bought during the Depression in the '30s and by the end of that decade also a soya -processing plant at Cedar Rapids. In 1945 the Andreas family sold their business to Cargill. From 1945-1952 Dwayne Andreas was the first responsible manager for Cargill's soybean business.

In 1952 he left Cargill and started again with his 3 brothers an independent soybean business which was sold some years later to Grain Terminal Association, the company who operated the soybean business of Farmers Union, one of the larger farmer-owned cooperatives in the Mid West. The sell-out in 1945 of the family business to Cargill brought the Andreas' brothers a good deal of money. The second sell out in the mid fifties to the processing division of the Farmers Union was also very lucrative. Dwayne Andreas was made responsible for the activities of the Grain Terminal Association and his contract with the Farmers Union stipulated that Andreas should get a certain percentage of the profit after the business had earned a certain minimum amount.

This meant earnings to ' an amount high enough to be potentially embarrassing ' (Dwayne Andreas to Business Week June 1973).

He used his money to buy a stake in ADM in the mid sixties. And then he was 'invited' by S.M.Archer Jr. and J.H.Daniels, representing the ADM controlling families, to take together with his brother Lowell seats in the board to rescue the company from a three years earnings slide. ADM was for Dwayne Andreas a very attractive company because he knew that ADM was a dozen years ahead of everyone else in textured vegetable protein research and I believed that was where the important action was going to be".

Since then the development of ADM is very much linked up with the policies of Dwayne Andreas, who because of his acquaintance with the soybean business since the 30s can really be labelled as Mister Soybean.

After introduction in the Board there came a rapid shift in company-policy:

- the money-losing chemical activities were sold to Ashland Oil for \$ 65 mln.
- with this amount in cash ADM entered corn milling and barley malting operations
- ADM bought a fleet of barges and railway cars
- and cut overhead costs by moving headquarters from Minneapolis to Decatur.
- and immediately after Andreas took over the 27-person public relations department was eliminated.

And after taking over some high ranking officials and engineers from Cargill and Continental Grain ADM was well equipped for the seventies. Between 1966 and 1981 ADM multiplied its sales by 10 and its earnings by 25.

In 1970 ADM processed 420.000 bushels a day. In 1981 this capacity was already lifted to 2 mln. bushels a day and in 1985 it was 3 mln. bushels. For the transport in the USA of this enormous volume of agricultural products it founded in 1971 the American River Transportation Company (ARTCO). This company owned in 1971 \pm 100 barges and some towboats. In 1980 the number of barges was 600 and by 1983 it was already more than 800. ADM owns also for the river transport a large number of tow boats including 6 lower river towboats. ADM owns and operates also a fleet of of 8.000 railcars and more than 300 tank and trailer trucks.

It seems that the most important reasons for the growth and success of ADM are

- a. the tendency to invest in new types of activities much earlier than others dare (edible soy protein, ethanol)
- b. the permanent emphasis on efficiency and improving productivity
- c. the successful way it finances useful politicians.

One of the sayings of Dwayne Andreas can be used for the policy of ADM in general: " To be ahead and make money you have to develop new things. It's like duck hunting. If you aim at the duck, you'll miss every time".

Although the growth was already very high in the seventies, also the first half of the eighties meant rapid changes for ADM.

More than 50% of the recent processing capacity has been acquired or added since 1980.

In 1982, 1982 and 1983 ADM was very active in diversifying its US-activities. In the USA this diversification meant entering in a massive scale the cottonseed and peanut business.

In 1982 and 1983 ADM started policies to get less dependant of the developments in the US-market.

During the seventies ADM stayed what it was for many decades: a very US-based agribusiness company.

Nearly all processing and production facilities were located in the USA and as far as trade concerned was ADM only involved in exports from US-agricultural products to other parts of the world. Elsewhere in the world ADM had 4 sales offices to support this export (Tokyo, UK, Netherlands and Ireland). From 1982 ADM started a policy of internationalisation beginning with the purchase of an important stake in Toepfer International. The Germany (Hamburg) based company is the most important grain-trading company on earth and has 27 offices which cover all the important producing or consuming markets.

Just as Dwayne Andreas is Mister Soybean, so is the founder and long time owner and director of Toepfer, Mr. Alfred Toepfer, in trade circles mentioned as 'The dean of world agri-trade'. While Toepfer is trading on the world market a volume of nearly 25 mln. tons of agri-products, ADM exports a volume of + 10 mln. Ton.

The next important step in this internationalisation process is the purchase of 3 oil-mills from Unilever in Europe, 2 in Germany (Harburg and Spyck) and 1 in the Netherlands (Europoort). This purchase which was effectuated in spring 1986 made ADM in one step the soya-processor with the biggest market share in the EEC. In the soya-crushing industry ADM's share will be between 20 and 25% with Cargill second with a share of 15-20%.

After the purchase of the 3 Unilever mills through ADM the US situation will be duplicated also in the EEC. In the USA ADM and Cargill share together round 50% of the soyacrushing capacity with ADM nr 1 and Cargill nr. 2. Their position in the EEC are now the same with a slightly lower common marketshare.

Probably the next step in the internationalisation policy of ADM will be the purchase or construction of vegetable oil refineries in the EEC.

A more detailed overview of ADM's activities in the USA will give a better insight in the interrelationship of ADM's policies.

2. PRINCIPAL ACTIVITIES.

The best insight in the ADM activities comes from the combined data on properties and type of activities.

In the USA ADM operates 111 processing plants of which 97 are owned and 15 are leased. Outside the USA ADM owns or has important interests in 8 manufacturing plants.

With these processing and manufacturing capacities ADM is:

- one of the biggest US processors of oilseeds (soybeans, cottonseeds, sunflower seeds, peanuts flaxseed)

- one of the largest flour millers
- one of the biggest cornrefiners
- from the corn wet milling operations result a series of products like corn syrups, high fructose syrups, glucose, cornstarch and ethyl alcohol (ethanol).
- other operations are the storage of grain, the sehlling of peanuts, the production of consumer food products and formula feeds, the production of malt products. refining of sugar from sugar cane and the processing of fish oils.

A breakdown of the relative contribution to net sales and other operating income by type of products and other operations over the last years (the fiscal years of ADM goes from 1 July to 31 of June) gives this picture:

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Oilseed operations	46%	47%	45%
Corn operations	31%	33%	34%
Wheat flour oper.	13%	12%	12%
Other	<u>10%</u>	<u>8%</u>	<u>9%</u>
Total.	100%	100%	100%

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A. Oilseed operations:

Most important in these operations are the soybeanprocessing and merchandising activities.

ADM is actively involved in the whole chain of soyabeanprocessing.with the exclusion of the agriculture itself.

It buys directly from the farmers and offers the most complete line of soyproducts: soybeans, soybean oil, soybean meal, lecithin products, soy flour, soy protein concentrate, isolated soy protein, TVP textured vegetable soy protein (patented by the company and licensed to other producers).

In the USA ADM owns and operates :

- 19 soyaprocessing plants
- 4 vegetable (mainly soya) oil refineries
- 3 edible soy protein plants (soy protein for human consumption.

Inthe mid seventies the soybeanoperations counted for 50% of ADM's operating earnings.

In the fiscal year 1978 ADM's total operating earnings were \$ 91 mln.

Thereof \$ 40	came from soybean processing	=	43,8 %
3,5	" " oil refining	=	3,8%
4,5	" " edible soy protein	=	<u>4,9 %</u>

Operating earning contribution feom soyactivities: 52,6%

This percentage has diminished dramatically as a result of lower margins in the first half of the eighties but more by the fast growing earning contribution from HFCS and ethanol production.

The relative contributions to operating earnings (before interest and tax)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Soybean opfeation	53%	43%	32%	12%	15%	18%	23%	26%
First generation HFCS	6%	11%	17%	26%	10%	-15%	11%	8%
Second generation HFCS	-	4%	20%	34%	20%	4%	22%	19%
Ethanol	-3%	-2%	8%	7%	23%	59%	4%	20%

The relatively lower profitability of soybean activities in last years has caused a major restructuring in the soyprocessing industry in the USA.

At the end of 1984/start of 1985 Ralston Purina sold 6 of her 7 soyprocessing plants to Cargill while number 7 was closed.

The same period the main pioneer in soyprocessing A.E. Staley sold her 5 soyprocessing plants to Independent Soy Processors (ISP). ISP is a joint venture between a group of individuals and ADM. ADM has around 45% of the equity and manages the plants. The day after the take-over by ISP the 5 plants were leased to ADM.

Smaller and marginal companies are selling their stake and the two big companies Cargill and ADM grow bigger and BIGGER. That's the situation and tendency in the USA. Developments in Europe tend in the same direction. In crush capacity ADM is number 1 in the USA with 19 plants.

Cargill follows with 20 plants. Together these two have a marketshare in the soy crushing activities of more than 50%.

Other 'big' crushers are Central Soya with 7 plants in the USA and Bunge with also 7 plants in the USA.

ADM is together with Cargill, Central Soya, Grain Processing Corp., Procter & Gamble, Griffith Lab and A.E. Staley member of the Soy Protein Council (SPC), a mighty lobby group to promote the use of soy protein in animal and human consumption. This body was among others involved in a marketing campaign between 1970 and 1980 to promote the use of soybean meal in eastern Europe. This campaign was supported by a agricultural government institution with \$ 17 mln.

Remarkable on the position of ADM was that ^{is} different from the main competitors: ~~ADM~~ did not own processing plants outside the USA. ~~ADM & Cargill in Brazil and Argentine~~ In Brazil and Argentine Cargill and Bunge are involved. In Europe Cargill, Bunge and Central Soya are involved.

The recently effectuated take-over from 3 Unilver oil mills in Europe means that ADM tries to bridge the gap with mainly Cargill and tries to end the complete dependability of crushing in the USA.

Investments last years were mainly concentrated on improving operating efficiencies: reducing energy consumption, improvements in energy conservation and so on. By any means ADM tries to strengthen its position during this period of overcapacity and low profitability.

Important is the tendency to spend more and more in the further vertical integration of activities. From merchandising and processing soybeans ADM entered the last years also the field of refinery. For some years it operates also 2 plants for the production of table oils and margarines. Also Cargill moves in this direction. From trading and merchandising these companies entered also the activities which belonged earlier to the companies who are primarily consumer-market oriented.

In the oilseed operations ADM has structured its activities in 5 inter-related processing divisions. Each for a specific product: soybean, cottonseed, sunflower seed, peanuts, flaxseed

The soybean processing plants are located in the main soygrowing areas: Illinois, Iowa, Georgia, Nebraska and Missouri. Sunflower and flaxseed are processed in ADM's Red Wing Minnesota location.

In 1981 ADM took over Lubbock Cotton Oil, Quanah Cotton Oil and Sweetwater Cotton Oil. It restructured these companies in a new division: the Southern Cotton Oil Division: this operates 10 cottonseed processing

plants in Texas and New Mexico and sixteen cotton gins.

During the same period ADM bought itself also a peanut division. Among others it bought the peanut business of ex-president Carter and between 1980 and 1982 so much capacity was added by take-over of smaller companies that in 1982 a separate peanut division was formed: the Columbian Peanut Company. This company operates now 8 peanut shelling plants one remilling plant, one blanching plant and 33 buying and storing stations in Alabama, Arizona, Georgia, N. Carolina, Oklahoma, Texas and Virginia. In 1985 additional plants were acquired.

In a relatively short period ADM developed market shares in cotton and peanut processing of more than 25% for each of them in the US market.

The peanut activities got an international dimension. In 1985 the Columbian Peanut Company and the Germany-based trading affiliate Toepfer International started together a worldwide peanut trading business Toepfer Groundnut International, located at Rotterdam Netherlands.

B. Corn operations

Next to soybeans is corn the most important agricultural raw material. ADM operates 4 corn wet milling plants and 2 corn dry milling plants. The dry milling plants are located in North Kansas City (Missouri) and Lincoln (Nebraska).

The most important ones, the wet milling corn plants are located in Cedar Rapids (Iowa), Decatur (Illinois), Clinton (Iowa) and Montezuma (New York). The Clinton and Montezuma plants, many years operating under the name Clinton Corn Processing, were leased from Nabisco Brands as of the summer of 1982. * (initial lease period: 13 years)

These 4 plants operate in the ADM Corn Sweeteners Division.

The principal products obtained from wet milling are syrup, starch, high fructose sweeteners, glucose and ethanol.

While soybean operations were the great profit contributor in the seventies, just from 1980 onwards this function switched to the corn wet milling products HFCS and ethanol.

The already given break down of contribution to operating earnings indicates this switch very sharp.

* This lease-operation passed under protest of 50 former employees of Clinton Processing (Nabisco), who filed complaints against discrimination on age and sex grounds when ADM hired around 500 of Nabisco's approximately 1,125 employees to run the Clinton Plant.

The corn operations grow in importance for ADM as well in their contribution to total net sales as in their contribution to operating earnings. And prospects for HFCS and ethanol are good in the near future.

HFCS:

The first steps by ADM in the production of HFCS were set early in the seventies. In 1971 it purchased a 80% stake in Corn Sweeteners Incorporated at Cedar Rapids (Iowa). ADM gained control over this company just when Corn Sweeteners was constructing a wet corn milling plant. Already in 1972 the capacity was enlarged to 75,000 bushels a day.

In 1973 ADM purchased the last 20% equity and invested in further extension of capacity. Already in 1977 construction started on the Cedar Rapids facilities to produce the second generation HFCS.

HFCS is primarily used as sweetening agent in soft drinks and other food products.

In 1980 ADM was the second largest producer of HFCS in the USA just after A.E.Staley. Nabisco Brands was the number 3 on the criterium of capacity. When ADM leased the two Clinton Processing plants mid 1982 for an initial period of 13 years from Nabisco Brands it was immediately number 1. In 1985 total capacity in HFCS production in the USA was around 11,150 mln. pounds. ADM's own capacity is 2,750mln pounds and the Nabisco capacity, now managed by ADM, is 1,000 mln. pounds. Together it means a share of around 34% of the total US capacity. A.E.Staley follows with 2,900 mln pounds.

What's important, with the lease of the Clinton plants ADM reached also the situation that it could produce all the enzymes it needs for the production of HFCS and ethanol.

The profitability of HFCS production was strengthened by the acceptance of this sweetener by the most important soft drinks companies. Autumn 1982 Pepsi-Cola and Coca Cola decided to use 50% HFCS in their products. November 1984 they raised that to 100%.

After the total acceptance of HFCS by the main companies other drink companies followed. It means in essence, that after 12 years of rapid growth of demand the HFCS market is reaching maturity. The most efficient producers and best located ones are in a good position to take the advantage of this situation.

ADM will very probably be among these companies. Compared to other companies ADM has the highest developed distribution network of sweeteners: strategically located over the country are 30 exclusive ADM terminals and blending stations.

And to gain more economy the plants are constructed in such a way that in a very short time can be switched from HFCS to ethanol and vice versa.

Ethanol.

The ADM Corn Sweeteners Division operates 4 grain alcohol (ethanol) plants: at Decatur and Cedar Rapids it produces only fuel alcohol, the Peoria plant produces beverage, industrial and fuel grades while the Clinton plant produces beverage alcohol.

ADM was the first and biggest company to go into the ethanol business some 10 years ago. That and the very expert way to influence effectively politicians have helped to make ADM by far the number one also in ethanol. On a total ethanol capacity in the USA of 550 mln. gallons ADM has now, spring 1986, a capacity of \pm 350 mln gallons.

The rapid growth of the ethanol market wouldn't have existed without state and federal subsidies. Estimations are that since 1978 the US Congress supported the industry with more than \$ 1 billion in federal subsidies and tax breaks. Of that amount ADM has grabbed the lion's share, is the opinion of financial analysts in Washington.

Immediately after the first oil crisis in 1974 Andreas decided to spend \$ 20 mln for the construction of a commercial fuel-alcohol plant, meant for the production of ethyl alcohol. Gasohol is produced by blending 90% gasoline and 10% ethyl alcohol. In 1977 the plant came on stream but the gasohol couldn't by far compete with the gasoline on the pump.

The 1978 Iranian revolution created the right atmosphere in Congress and government to start supporting gasohol. Federal excise-tax exemptions of 40 cents a gallon alcohol plus subsidies in about 25 states made gasohol competitive at more than 5,000 stations nationwide.

Very helpful was the role of the Republican Senator Dole (Senate Majority Leader) who sponsored the 1978 federal support and in 1980 was very active in getting tariffs on imports of gasohol (mainly from Brazil) effective. Very long this seemed impossible: the majority of the Carter administration was opposed to it. But Dole and R. Strauss, Carter's campaign chairman, succeeded in convincing the president to impose the tariffs. Immediately

after elections Strauss became member of the board of ADM. Dole and Strauss and many others got money for this support activities. Since 1979 ADM has paid more than \$ 25,mln to Democratic and Republican politicians.

It makes ADM's role many times controversial and subject to interrogations. The tariff-construction of 1980 was in the eyes of many observers " a steal for the benefit of only one company ADM".

The way ADM uses government subsidies and tax-exemptions is mentioned ' the most expert tapping of the federal treasury that anyone can imagine. Their marketcontrol is so complete they're absolutely able to take whatever they want out of the marketplace'. One way to do this is charging different prices dependant on the level of state subsidies.

And when its own position is at stake ADM is very keen in protecting its market by lobbying for tariffs: 'ADM declares war against tariffs and for free trade as soon as their own position is endangered as is the case with subsidized soymeal and soybeanexports from Brazil and Argentina.

Questioned about the profits ADM's makes on subsidized ethanol sales Andreas says: ' The people who make most of the money out of ethanol is the U.S government. It's the government that wants it and the farmer that wants it. For them it's significant. For us, it's just a throughput'.

By subsidizing ethanol production the government found a (short-term ?) solution to support the surplus production of corn and other grains. Without new outlets as ethanol the government had to face restructuring of the agricultural sector at a high financial and/or social price.

Last years a new coalition of interests supports the ethanol production. Because ethanol is considered the most sound substitute for lead as an octane booster in gasoline, ethanol demand could double by 1990 since the Environmental Protection Agency has decided in 1985 to phase out the use of lead in gasoline as an important cause of acid rain.

ADM plans now to raise its ethanol capacity in its 4 major plants from 350 to 500 mln gallons before the end of 1987 to anticipate on the growing demand.

For the fiscal years 1986 and 1987 there are expected double operating profits for ADM's ethanol production compared to 1985. Against \$ 48 mln in 1985 between \$ 110 and 130 mln.

C. Wheat flour operations.

With 19 wheat and durum flour mills and a bulgur plant ADM is one of the largest millers in the USA. The daily capacity of these plants is + 165,000cwt of flour. The plants are strategically located across the US, so that all regio's are reached.

Wheat flour is primarily sold to large bakeries, durum flour to pasta manufacturers. Much of the protein blended foods produced in this division , ADM Milling Co., is sold by the US Food for Peace Program.

D. Other operations

Barley malting division: in 1967 ADM purchased a 80% stake in Fleischmann Malting co. Inc. for cash. In 1976 the other 20% was bought in exchange for newly issued common shares.

This division operates 4 malt houses which produce for domestic and foreign brewing companies.

ADM Feed Corporation: this division was formed in 1982 by merging all of ADM's existing feed operations in this subsidiary. Its one of the expanding divisions in ADM. Nowadays it operates 10 plants in the Mid- and Southwestern part of the USA and one pet food plant in Nebraska. ADM Feeds cooperates

closely with the ADM Corn Sweeteners Division in the research and formulation of new feedstuff for poultry and other livestock. One of the most important is the recently introduced wet corn gluten feed (Golden Gluten). ADM Feeds started in 1984 a salesoffice ADM Feed Overseas at Rotterdam, Netherlands to seel ADM feeds in Europe, Middle East and North Africa.

Retail food products.

ADM sells two types of retail food products:

- pasta products under the name Gooch and La Rosa are produced in 3 plants with headquarters in Lincoln (Nebraska). Gooch Foods has with its line of spaghetti, macaroni and other pastas a market share in the uS pasta market of 5%. Gooch Foods sells its branded consumer products and to the wholesale/retail outlets and at a growing rate also to the institutional foodservice outlets.
- different vegetables under the name 'Rain Garden' were sold from the hydroponics greenhouse adjacent to the other ADM plants at Decatur. Using the carbon dioxide from the ethanol plant and the process heat from different plants ADM grows industrially lettuce, tomatoes and cucumbers.

Cane sugar: In 1973 ADM purchased Supreme Sugar Corp. Inc. at Supreme (Louisiana). This sugar refinery is one of the world's largest sugar refineries and produces granulated, powdered, brown and liquid sugar as well as molasses. This refinery is located in the heart of the most important sugar regio in the USA.

Milo : In 1984 ADM purchased Harvest Queen Mill & Eleveator Comp. in Plainview (Texas). This compny is a specialist in milling milo for the production of industrial flour products for the manufacture of wallboard and of gelatinized milo products for the oil well drilling industry.

E. Merchandising and trading.

Inside the USA ADM developed itself by a long series of take-overs to one of the most important and biggest merchandisers.

In 1973 it purchased Smoot Grain Comp. with 27 country elevators. Two years later, in 1975 ADM took over Tabor Grain Co. Together with ADM Grain Co. these 3 companies were brought in one division under the name Tabor Grain Co. This division has the responsibility for all grain purchases and merchandising and is one of the biggest in the US.

It buys more than 50% of its raw materials from farmer-cooperatives and sells these raw materials or to the processing companies of ADM or other companies or abroad and it buys and sells also many processed products to sell it to farmer-cooperatives or abroad.

These activities are completed by ADM sales Offices in Ireland (Dublin), UK (Manchester), Netherlands (Rotterdam) and Japan (Tokyo).

In the USA Tabor Grain with its subsidiaries operates 84 terminal, country and river elevators. Completing this system are two huge grain export terminals: one in Duluth Superior for export via the Great Lakes and the other near New Orleans in Destrehan, one of the most efficient export facilities at the Gulf of Mexico.

The purchase of an important stake in Toepfer International, a Hamburg based grain and agricultural commodities trader, at the end of 1982 made ADM one of the biggest merchandisers on the world. On Toepfer more in the paragraph on internationalisation.

F. Transport / ARTCO.

To transport the enormous volume of raw and processed products ADM founded in 1971 the American River Transportation Company (ARTCO) for transport in the USA by barges and towboats.

In a very short time the number of barges was expanded. With a number of barges exceeding at the end of 1985 800 and a number of tow boats, including 8 modern high capacity towboats ARTCO functions as a contract carrier of dry bulk commodities for ADM and other commodities. The policy of ADM has always been not to have itself excess capacity. In the consecutive years ADM was a net buyer of barge freight. It has this policy to use as efficient as possible its riverfleet.

Other ADM transportation operations include a number of over 8.000 rail cars and railroad tank cars, hopper cars and a fleet of more than 300 tank and trailer trucks.

G. Research and development.

In the 3 last fiscal years ADM spent on research:

1983	\$ 4,462,000
1984	\$ 4,234,000
1985	\$ 5,281,000

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The main researchlocations of ADM are located in Clinton (Iowa), Chicago, Kansas City and Decatur. A researchdepartment is also connected to the British Arkady plant in Manchester UK.

The base of most of the research is searching into new application forms of the most important USA and also ADM crops: soybeans, wheat and corn (remember new applications of processed corn in HFCS and ethanol). The researchefforts directed to new feeds seem to grow; last years the number of new feedproducts introduced by ADM is growing. It serves the growth of ADM's own feed-operations and exports but also potentially the sales of raw materials to others for feedproduction.

The main researchlab. is located at the Clinton plant Iowa, where all the enzymes are produced ADM needs in its production of HFCS and ethanol. Research on enzymes is a very important part of all research. This research has a very important function for ADM because it is the world's largest user of enzymes: ADM uses on its own more than 50% of the US-market. And th Clinton plant, leased from Nabisco Brands, is the highest capacity enzyme plant in theworld.

In the Chicago researchfacilities the research is located on protein development and applications. Meat, dairy and bakery pilot plants support new findings of this research.

3. Internationalization.

As was stated before was ADM primarily a very US company. Nearly all its processing plants were located in the farmbelt in the US and export byADM was always export of US-products to other parts of the world, sustained by 4 sales offices in other parts of the world.

During the seventies, after new management took power in the end of the sixties, ADM experienced an enormous growth in the USA. Net sales grew from \$ 0,7 billion in 1971 to \$ 1,9 billion in 1975 and to \$ 2,8 billion in 1980. Last year, 1985 net sales were at \$ 4,7 billion.

ALthough nearly all ADM plants were located in the USA, export had a very important role for ADM.

In 1970 only 5% of total volume of products processed or merchandised by ADM were for export.
 This percentage was much higher at the end of the seventies: up to 35-40%.
 But starting with 1980/1981 started a reverse trend.

	<u>Gross sales</u>	<u>Gross sales</u>	<u>thereof export</u>	<u>export as % of total sales</u>
1982	\$ 5,3 billion		\$ 2,0 billion	37,7%
1983	\$ 5,7 "		\$ 1,9 "	34 %
1984	\$ 6,6 "		\$ 2,1 "	32 %
1985	\$ 6		\$ 1,7 "	28 %

The relative share of exports on total sales went down and made clear the vulnerable position of ADM. It was totally dependent on only exports from the USA and because of that also dependant of export / boycott policies of the US government. (eg. 1981 boycott of grain exports to USSR)

During the seventies ADM founded already a small chain of sales offices in other parts of the world:

- 1969 creation sales office at Brussels (Belgium). After the take-over in 1974 of a soya-processing plant in the Netherlands nearby Rotterdam this sales office was moved to this factory within the neighbourhood of the most important port of agricultural raw materials in Europe. (the factory exploded at the end of the seventies and was never rebuild).
- 1972 ADM purchased British Arkady in the UK (a 50% stake in the equity) and by this company soy-protein products are sold in Europe, Middle East and Africa.
- in 1978 a sales office at Tokyo was founded.

And not only went the percentage of exports on total sales down, also the relative share earned with exports went down:

Gross profit contribution of export-sales by classes of products:

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Oilseed operations	11 %	8 %	7 %
Corn operations	7 %	8 %	5 %
Wheat flour operations	2 %	1 %	1 %
Other	<u>1 %</u>	<u>1 %</u>	<u>1 %</u>
	21 %	18 %	14 %

To counter this trend ADM shas changed its strategy and is on a very active search to expand its foreign operations in the most important markets.

In this strategy the 2 most important acquisitions are the purchase of an important stake in the trade company Toepfer International and the recent purchase of 3 important oil mills from Unilever in Europe.

Toepfer International.

ADM purchased at the end of 1982 45% of the shares of Alfred Toepfer Verwaltungsgesellschaft, the holding company of Toepfer International. The founder of Toepfer , Alfred Toepfer, has the name of the 'Dean of the World Grain Trade'. Mr. Toepfer directed the company until 1979. as the only owner.

Toepfer trades around 25 mln ton of agriproducts over the world. Of this total volume between 10 and 15 mln ton is grain, the same volume is in raw materials for feed or feed and around 5 mln ton is oilseed.

This volume represented last years a value of † 11 billion D Mark.
ADM itself exported around 10 mln. ton.

Toepfer operates from 27 offices around the world and has exactly what ADM lacked. Offices in all relevant markets on the world and very well developed clientrelations, including governments all over the world. In the annual reports of ADM on 1980, 1981 and so on it fulminates against all kinds of governmentssubsidizing of agricultural exports or of processing industry (most that of soybean processing in Brazil and Argentina). Buying the big stake in Toepfer made it possible for ADM 'to capitalize on the export subsidies provided by the governments of Brazil, Spain, Portugal, Argentina, the EEC and other countries.'

And again in the words of Andreas: 'This investment gives us a chance to participate in global trade, whereas before we were pretty much limited to exporting from the USA'.

And Toepfer is a long established global trader with a very big participation in trade between Brazil and the EEC, Brazil and Eastern Europe and the USSR, between Argentina and other countries, in export from France and so on, and has also a solid US-base.

In 1979, after some loss making years, Toepfer sold a 50% stake to Intrade. Intrade is a joint venture of 11 big farmers cooperatives in the USA and the EEC; together these 11 cooperatives represent 1,700,000 farmers. Involved are:

- Agway Inc. USA
- Cebeco Handelsraad Netherlands
- Citrus World Inc. USA
- Deutsche Raffeisen Warenzentrale mbH West Germany
- DSV Silo und Verwaltungsgesellschaft mbH West Germany
- Gold Kist Inc.. USA
- Indiana Farm Bureau Cooperative Association Inc. USA
- Landmark Inc. USA
- Land O' Lakes Inc.. USA
- Union Nationale des Cooperatives Agricoles de Cereales France
- United Co-operatives of Ontario Canada.

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The reason these cooperatives founded Intrade in 1978 was to open export channels to other countries. And the US market and the EEC reached the point of saturation. So these cooperatives looked for ways to export volumes not saleable in their home markets and joined each other in Intrade. On the initiative of the US cooperatives. These too also the initiative to participate in Toepfer. The interests of both parties were quite parallel: to develop better entrances to customers and clients to secure its trade-volume for Toepfer and to develop better channels for exports for the cooperatives.

The reason for ADM was in the first place to buy itself a place in global trade. And while ADM buys half of its raw materials from US cooperatives and its sales in Europe are mostly to cooperatives the changed ownershipstructure over the last years of Toepfer makes clear that the mutual penetration and dependance of agribusiness companies and big cooperatives is progressing very fast.

The new structure of ownership is:

50% in the hands of Intrade

45% in the hands of ADM

5% in the hands of Alfred Toepfer and his family.

Mr. Alfred Toepfer was in 1982 elected in the Board of ADM.

Although formally ADM has a minority stake in Toepfer, the factual situation is that ADM has a factual control over Toepfers activities and only in the grain trade, Toepfers fortress, it keeps a certain independence.

The communications systems, the life and blood of trade companies, are already tied together using the most sophisticated computersystems.

By buying its stake in Toefer ADM bought also an important stake in Toepfers equities in other companies.

Toepfer International has :

- * a 35% interest in Oehlmühle Hamburg AG (Oelag) with has a capacity of 1,2 mln ton soybeans processing and 0,4 mln ton soft seeds processing. After an explosion in 1983 rebuild and therefore one of the most modern soyprocessing plants.
- * some flour mills , mainly in West Germany and France
- * some feedcompanies in West Germany
- * tapioca facilities in Thailand
- * elevators and loading facilities over the whole world.

It looks as if ADM operates the Olag mill in Hamburg as one of their own mills.

Unilever oil mills in Europe.

Septmber 1985 Unilever announced that it was involved in negotiations with ADM to sell 3 of its 6 european oilseedmills: Europoort Unimills in the Netherlands, and the Oil Milling Divisions Mills at Spyck and nearby Hamburg (Thörl). *Total employment: 550 workers.*

These mills have together an capacity that will make ADM at once the biggest soy-processor in the EEC.

Europoort	has a capacity of	1,4 mln ton siybeans
Thörl/Hamburg	"	0,9 mln ton soybeans and 0,3 mln ton softseeds
Spyck	"	0,250 mln ton of softsees (rape and sunflower)

Buying these mills gives ADM the possibility to process Latin Amrican beans for use in Europe and Eastern Europe and the USSR.(apart from all exports from the USA to these regiois).

It makes also its position stronger aginst Cargill, because Cargill has already for many years processingcapacity in Europe (Belgium, Netherlands, France and Spain and was next to Unilever the biggest processor of oil-seeds.)

This move of ADM makes it very probable that in the nearby future it will enter on a bigger scale the softseedprocessing industry in Europe and also will develop or buy refinery-plants.

ADM's involvement with european agriculture and EEC policies will expand.

4. ADM and agricultural politics and politicians.

As everybody knows, agricultural policies are and very important and very complicated bcause so many and powerfull interests are involved. Developing the right contacts and strong lobbies is crucial to get support for own interests. And ADM, in the first place Dwayne Andreas, is considered as one of the most expert lobbies in the USA, and potentially not only there. This 'political career' of Andreas started already in the early sixties. At that time Dwayne Andreas managed the Grain Terminal Association, the processing division of the then biggest cooperative of farmers in the USA ,the Farmers Union. He developed very close ties with H.Humphrey and made the farmers union one of the most important allies for Humphrey. In 1968, just after entering the board of ADM, he pumped \$ 100,000 in the election campaign of Humphrey. In 1972 he did the same for Humphrey with an amount of \$ 150,000 but gave also \$ 200,000 to support the campaign for Nixons reelection.

~~Many of these payments followed.~~

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The payment to Nixon was embarrassing for ~~the~~ Andreas because from the amount ~~of~~ of 200.000 US Dollar, 25.000 ended up in the bank account of the Watergate-burglar.

Many of these payments followed. According to the memoirs of Humphrey, he should have paid more than a quarter of a million dollars to senators backed by him in those years.

And Andreas himself says about that in an interview: "if I had to do it over again, ~~xxxxxxx~~ as long as I can afford it, I'd give a hell of a lot more". With the amounts spent he had or bought his friends in the past 6 presidential administrations, always hedging his bet carefully ~~xxxxxx~~ by contributing as much to Republicans as well as to Democrats.

This way of befriending politicians helped Dwayne ~~the~~ Andreas and the ADM company in various ways.

He could influence politicians at key positions to block unfriendly regulations or promote regulations in favour of the company's policy.

The important and expanding position of ethanol in last years was only possible by the support of some of the most influential politicians at that time because all signs were bluntly against ADM's interests.

The same was true in getting the Carter administration pushed to construct legal import restrictions and tariff barriers for Brazilian alcohol blends to protect the majority marketshare ADM had at that time.

The expansion of ethanol production and profitability for ADM was only possible by crucial government interventions at the right moments.

This is also partly the case for the HFCS production.

The explosion in sugar prices at 1974 gave at that time big profits for the companies involved in producing HFCS.

Attracted by these profits ADM plunged in this production line in 1975. Very soon prices of sugar and HFCS collapsed.

In 1977 the Congress voted for a number of measures that urged the Carter administration to raise wholesale prices of sugar. The main argument of the promoters of these combination of measures was that such politics would help the HFCS producers to gain a better competitive situation ~~viz~~ a viz ~~s~~ sugar. What happened ^{was} in fact that a small group of farmers and imports from other ~~mainly~~ third world countries was played off against the interests of the corn growers and corn processing companies, mainly ADM and Staley.

Because of this successful way of managing ~~xxxxxxx~~ the company and partly US' agriculture Dwayne Andreas was chosen as the co-chairman of the US-USSR Trade and Economic Council.

In this function he visited at a regular frequency the USSR. His view about ~~the~~ doing business with the USSR is a very pragmatic one, and absolutely not influenced by the US-administration politics. It was partly because of the US blockade of delivering grain to the USSR in 1981 that ADM's decision to get more independent of exports from the USA were hastened.

In December 1984 Andreas had a personal audience with Gorbachov, at that time still Minister of Agriculture in the USSR and talks had as main subject the development of Russian agriculture and the main problems that had to be solved for improving productivity and the volume of production.

What had to be improved very fast was: better functioning and more ~~the~~ storage elevators, soybean processing plants based on latest technology and an infrastructure (transport, trucks, ~~xxxxx~~ but also an efficient composed feed industry and feedmills). And Andreas offered his help in various aspects: most important of all is that he a potential 100 million US dollar contract to build soybean processing plants.

The background of this is the need for the USSR-government to improve the production of meatproducts to match the demand of the population. Three months after this meeting Gorbachov was made ~~secretary~~ general secretary of the Communist party and if he succeeds in building a long-lasting solid power base the chances of Andreas c.q. ADM to play an important role in trade with the USSR will have been enormously grown.

In Decatur, Illinois, where ADM's headquarters are, Andreas took the initiative to build a statue of Ronald Reagan, who named Andreas to chair a presidential commission on international private enterprise.

5. Employment and labour-relations.

In its labourpolitics ADM has a very explicit policy. A quotation out of the presidents report at the annual meeting of shareholders over the fiscal year 1983 makes that policy so explicit that comments are unnecessary: "The employee count is one of the most closely watched statistics in the company. Our overall employee count, excluding acquisitions, has been dropped steadily and productivity has been constantly rising. A number of our divisions have made dramatic productivity increases: 50% per man hour in our cottonseed and corn plants, 40% in our peanut division, 30% in our pasta plants".

After take-overs of other companies, as was the case for peanuts (Columbia) and cottonseed, headquarters and administration of these companies were always directly consolidated at ADM's headquarters at Decatur. It made significant reductions of workers possible in overheads and a tighter control. Again in the words of the president: "we try to keep the number of executives at an absolute minimum. It allows us to spend maximum time managing the business rather than managing each other."

This policy goes so far that management of a plant has to make a written request to headquarters at Decatur if it wants to raise the employment level in its plant.

Another aspect of this policy is that ADM is not accustomed to have personnel departments. In the USA the normal situation is that the senior manager in the administrative and accounting department has also the responsibility to handle labour affairs.

It is no wonder that relations between unions and management are qualified as 'horse-shit'. In the USA there are barely relations between the two.

The most important union which has to deal with ADM is the American Federation of Grain Millers.

The figures of the development of employment relate nearly exclusively to the USA.

1971	3,231
1972	3,447
1973	3,533
1974	4,151
1975	4,044
1976	4,843
1977	4,873
1978	5,042
1979	5,254
1980	5,590
1981	7,018
1982	8,324
1983	8,670
1984	8,745
1985	9,446

In the total number of employment for 1985 were involved between 500 - 1,000 workers outside the USA :

- in the U:K: - British Arkady (Holdings) 250
- Tweedy 190
- Spain - Arkady ~~xxxxxx~~ ADM Iberica n.a.
- salesoffices Tokyo, Rotterdam and Dublin n.a.
- elevators at Dublin and Dork Ireland n.a.
- Toepfer International (45%) 240 (= 45% of total employment)

This number will be raised by:

- the take-over in spring 1985 of Direct Foods ltd. through British Arkady. Direct Foods is an important supplier of vegetarian foods throughtout the U:K: Their vegetarian and health food products are marketed under the name Protoveg. ADM considers this company and these products as a very valuable asset for expansion in the EEC.
- the around 550 workers employed in the 2 german and 1 dutch Unilever oil-mills ADM is supposed to have been pruchased definitely in spring 1986.

The trade unions who negotiate in Europe with ADM are for Germany the NGG and the Union for Workers in the chemical branch and in the Netherlands Industriebond FNV.

Surprisingly for them was that ADM's position viz a viz them was quite cooperative.

In the negotiations regarding the take-over of the Unilever mills ADM declared itself prepared to negotiate a contract with the involved unions comparable to the contract which was ~~is~~ used at Unilever.

In the USA no contract negotiated with unions exists. All labour contracts are on an individual base.

There exists also on an individual base the possibility to join after 3 years of service the savings and investment plan.

6. Finances.

In the annex the most important figures as far as financial development and financial results concerns have been put together.

Here only some comments.

ADM's financial position is very strong. It has ~~xxx~~ a cash position and marketable securities that exceeds the total debt amount.

Compared to stochholders equity of US dollar 1,8 billion it had a long term debt of 570 million US dollar what gives already a very good ratio and besides ADM had for

- 407 million US d. net cash and marketable securities
- 415 " " long term marketable securities.

This makes that ADM can afford to finance the investment programmes completely internally. And it gives such a financial strength that all the potential is available for major share purchases and significant take-overs. The company will go on to expand on a global scale ~~xxxxxx~~ by take-overs. From a pure financial point of view it has to spend cash at take-overs to raise the return on equity.

Shareholders equity is around 1,8 billion US dollars
The number of shareholders is 17,350 and together they have a number of shares of 102 million.
At the end of 1985 ADM announced that it would buy on the open market a package of around 3 million shares for use in future acquisitions.

The shareowners are scattered over many different interests.
The most important shareholder is the Andreas family with Dwayne Andreas first Together they own around 11% of the shares and voting rights.
Dwayne Andreas personally owns 5% of all shares (worth around 104 million of dollars) and as president of the ~~xxx~~ company receives a ~~xxx~~ salary of 800,830 US dollars a year.
All others owns 4% of the shares or less.
There are a lot of families who sold their ~~xxxxx~~ companies to ADM (peanutbuss, cottonseed mills and so on) who own voting ~~ix~~ blocks of shares of 2-4%.

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March 1986 p.e.

Paul Elshof can tell you more
about ADM's activities in ethanol
production where a beet root sugar is needed

bye, d...
[Redacted]