ARCHER DANIELS MIDLAND CO
Form 10-Q
May 10, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-44
ARCHER-DANIELS-MIDLAND COMPANY
(Exact name of registrant as specified in its charter)

Delaware	41-0129150
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
4666 Faries Parkway Box 1470 Decatur, Illinois	62525
(Address of principal executive offices)	(Zip Code)

(217) 424-5200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o
Non-accelerated Filer o	Smaller reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value – 643,049,847 shares
(April 30, 2010)

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Archer-Daniels-Midland Company

Consolidated Statements of Earnings
(Unaudited)

	Three Months Ended March 31,	
	2010	2009 (1)
	(In millions, except per share amounts)	
Net sales and other operating income	$15,145	$14,842
Cost of products sold	14,254	14,193
Gross Profit	891	649
Selling, general and administrative expenses	355	346
Other (income) expense – net	2	160
Earnings Before Income Taxes	534	143
Income taxes	118	140
Net Earnings including Noncontrolling Interests	416	3
Less: Net earnings (losses) attributable to noncontrolling interests	(5)	-
Net Earnings Attributable to Controlling Interests	$421	$3
Average number of shares outstanding – basic	643	642
Average number of shares outstanding – diluted	645	644
Basic and diluted earnings per common share	$0.65	$0.00
Dividends per common share	$0.15	$0.14

See notes to consolidated financial statements.

(1) As adjusted for Accounting Standards Codification (ASC) Topics 470-20 and 810.

Archer-Daniels-Midland Company

Consolidated Statements of Earnings
(Unaudited)

	Nine Months Ended March 31,	
	2010	2009 (1)
	(In millions, except per share amounts)	
Net sales and other operating income	$45,979	$52,675
Cost of products sold	43,062	48,947
Gross Profit	2,917	3,728
Selling, general and administrative expenses	1,067	1,092
Other (income) expense – net	(185)	190
Earnings Before Income Taxes	2,035	2,446
Income taxes	561	818
Net Earnings including Noncontrolling Interests	1,474	1,628
Less: Net earnings (losses) attributable to noncontrolling interests	(10)	2
Net Earnings Attributable to Controlling Interests	$1,484	$1,626
Average number of shares outstanding – basic	643	643
Average number of shares outstanding – diluted	644	644
Basic earnings per common share	$2.31	$2.53
Diluted earnings per common share	$2.30	$2.52
Dividends per common share	$0.43	$0.40

See notes to consolidated financial statements.

(1) As adjusted for ASC Topics 470-20 and 810.

Archer-Daniels-Midland Company

Consolidated Balance Sheets

	(Unaudited) March 31, 2010	June 30, 2009
	(In millions)	
Assets		
Current Assets		
Cash and cash equivalents	$1,659	$1,055
Short-term marketable securities	407	500
Segregated cash and investments	2,501	2,430
Receivables	5,876	7,311
Inventories	8,219	7,782
Other assets	538	330
Total Current Assets	19,200	19,408
Investments and Other Assets		
Investments in and advances to affiliates	2,671	2,459
Long-term marketable securities	673	626
Goodwill	519	532
Other assets	621	607
Total Investments and Other Assets	4,484	4,224
Property, Plant, and Equipment		
Land	262	240
Buildings	3,789	3,304
Machinery and equipment	14,585	13,052
Construction in progress	1,371	2,245
	20,007	18,841
Accumulated depreciation	(11,365)	(10,891)
Net Property, Plant, and Equipment	8,642	7,950
Total Assets	$32,326	$31,582
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term debt	$266	$356
Accounts payable	6,406	5,786
Accrued expenses	2,319	2,695
Current maturities of long-term debt	245	48
Total Current Liabilities	9,236	8,885
Long-Term Liabilities		
Long-term debt	6,910	7,592
Deferred income taxes	425	308
Other	986	1,144
Total Long-Term Liabilities	8,321	9,044

Shareholders' Equity		
Common stock	5,245	5,204
Reinvested earnings	10,011	8,778
Accumulated other comprehensive income (loss)	(512)	(355)
Noncontrolling interests	25	26
Total Shareholders' Equity	14,769	13,653
Total Liabilities and Shareholders' Equity	$32,326	$31,582

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended March 31,	
	2010	2009 (1)
	(In millions)	
Operating Activities		
Net earnings including noncontrolling interests	$1,474	$1,628
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	673	576
Deferred income taxes	90	156
Equity in (earnings) losses of affiliates, net of dividends	(232)	74
Pension and postretirement contributions, net	(133)	(96)
Charges on early extinguishment of debt	75	–
Deferred cash flow hedges	17	(358)
Other – net	54	40
Changes in operating assets and liabilities		
Segregated cash and investments	(88)	(224)
Receivables	1,228	3,468
Inventories	(551)	1,575
Other assets	(190)	187
Accounts payable and accrued expenses	358	(1,175)
Total Operating Activities	2,775	5,851
Investing Activities		
Purchases of property, plant, and equipment	(1,230)	(1,462)
Proceeds from sales of property, plant, and equipment	25	58
Proceeds from sales of businesses	–	258
Net assets of businesses acquired	(59)	(44)
Purchases of marketable securities	(1,012)	(1,861)
Proceeds from sales of marketable securities	1,086	1,840
Other – net	(23)	(11)
Total Investing Activities	(1,213)	(1,222)
Financing Activities		
Long-term debt borrowings	14	102
Long-term debt payments	(546)	(18)
Debt repurchase premium and costs	(71)	–
Net payments under lines of credit agreements	(89)	(2,989)
Purchases of treasury stock	–	(100)
Cash dividends	(276)	(257)
Other – net	10	11
Total Financing Activities	(958)	(3,251)
Increase in cash and cash equivalents	604	1,378

Cash and cash equivalents beginning of period	1,055	810
Cash and cash equivalents end of period	$1,659	$2,188

See notes to consolidated financial statements.

(1) As adjusted for ASC Topics 470-20 and 810.

Archer-Daniels-Midland-Company

Consolidated Statement of Shareholders' Equity
(Unaudited)

	Common Stock		Reinvested	Accumulated Other Comprehensive Income	Noncontrolling	Total Shareholders'
	Shares	Amount	Earnings	(Loss)	Interests	Equity
				(In millions)		
Balance June 30, 2009	642	$ 5,204	$ 8,778	$ (355)	$ 26	$ 13,653
Comprehensive income						
Net earnings			1,484		(10)	
Other comprehensive income				(157)		
Total comprehensive income						1,317
Cash dividends paid-$.43 per share			(276)			(276)
Other	1	41	25		9	75
Balance March 31, 2010	643	$ 5,245	$ 10,011	$ (512)	$ 25	$ 14,769

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and nine months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending June 30, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2009.

Adoption of New Accounting Standards

On July 1, 2009, the Company adopted Financial Accounting Standards Board (FASB) amended guidance in Accounting Standards Codification (ASC) Topic 805, Business Combinations, which changes the financial accounting and reporting of business combination transactions. The guidance is to be applied prospectively to business combinations completed on or after the adoption date. This amended guidance requires recognizing, with certain exceptions, 100 percent of the fair values of assets acquired, liabilities assumed, and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity; measuring acquirer shares issued and contingent consideration arrangements in connection with a business combination at fair value on the acquisition date with subsequent changes in fair value reflected in earnings; and expensing as incurred acquisition-related transaction costs. The amended guidance also includes requirements relating to the accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies and establishes a model to account for certain pre-acquisition contingencies. Under the amended guidance, an acquirer is required to recognize at fair value an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value cannot be determined, the acquirer should follow the recognition criteria in ASC Topic 450, Contingencies. There was no material effect on the Company’s consolidated financial statements as a result of the adoption of this amended guidance.

On July 1, 2009, the Company adopted the amended guidance in ASC Topic 470-20, Debt with Conversion and Other Options, which specifies that issuers of convertible debt instruments that may settle in cash upon conversion must bifurcate the proceeds from the debt issuance between the debt and equity components in a manner that reflects the entity’s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The equity component reflects the value of the conversion feature of the notes at adoption. The amended guidance requires retrospective application to all periods presented. See Note 6 for further information regarding the impact of adoption of this guidance.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 1. Basis of Presentation (Continued)

On July 1, 2009, the Company adopted amended guidance in ASC Topic 810, Consolidation, pertaining to the accounting and reporting of noncontrolling interests in financial statements. The amended guidance establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. As required by the amended guidance, the Company reclassified $26 million attributable to noncontrolling interests from other long-term liabilities to a separate component of shareholders' equity. The net earnings attributable to noncontrolling interests is now presented as a separate line item on the consolidated statements of earnings. Presentation and disclosure requirements are to be applied retrospectively for all periods presented and accordingly, the Company's consolidated financial statements have been restated for the impact of the amended guidance. In addition, the Company consolidates certain noncontrolling interests which are associated with mandatorily redeemable instruments outside of the Company's control. In accordance with guidance contained in SEC Accounting Series Release 268, Redeemable Preferred Stock and ASC Topic 480, Distinguishing Liabilities from Equity, noncontrolling interests which are associated with mandatorily redeemable instruments outside of the Company's control have not been reclassified as a separate component of shareholders' equity. The income or loss attributable to the mandatorily redeemable interests in consolidated subsidiaries adjusts the redeemable value of the redeemable instruments and is included in Other (income) expense - net.

On July 1, 2009 the Company adopted the amended guidance in ASC Topic 260, Earnings per Share, which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method. It also clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders and are considered to be participating securities, thus requiring the issuing entity to apply the two-class method of computing basic and diluted EPS. There was no material effect on the Company's consolidated financial statements as a result of the adoption of this amended guidance.

On July 1, 2009, the Company adopted the guidance in ASC Topic 820, Fair Value Measurements and Disclosures, for its nonfinancial assets and liabilities that are recognized at fair value on a nonrecurring basis, including goodwill, other intangible assets, and asset retirement obligations. The Company recorded no significant new or remeasured fair values during the period for its nonfinancial assets and liabilities that are recognized on a nonrecurring basis.

On October 1, 2009, the Company adopted the amended guidance in ASC Topic 820, Fair Value Measurements and Disclosures. The amendment permits certain entities to use Net Asset Value (NAV) as a practical expedient to estimate the fair value of investments within its scope provided the NAV is calculated as of the Company's reporting date. The amendment also indicates how investments within its scope would be classified in the fair value hierarchy and requires enhanced disclosures about the nature and risks of investments. The disclosure requirements apply to all investments within the scope of the amendment, regardless of whether the Company elects to measure the investment using NAV as a practical expedient. The adoption of this amendment requires expanded disclosure in the notes to the Company's consolidated financial statements but does not materially impact financial results.

On October 1, 2009, the Company adopted the amendment to ASC Topic 820, Fair Value Measurements and Disclosures, which provides guidance for the fair value measurement of liabilities. It clarifies that in circumstances in

which a quoted price in an active market for the identical liability is not available, fair value must be measured using specified valuation techniques. It further clarifies that both (a) a quoted price in an active market for the identical liability at the measurement date, and (b) the quoted price for the identical liability when traded as an asset in an active market (such as bonds), when no adjustments to the quoted price of the asset are required, are Level 1 fair value measurements. There is no material effect on the Company's consolidated financial statements as a result of the adoption of this amended guidance.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 1. Basis of Presentation (Continued)

Effective March 31, 2010, the Company adopted the first phase of the amended guidance in ASC Topic 820, Fair Value Measurements and Disclosures, which requires the Company to disclose the amounts and reasons for significant transfers between Levels 1 and 2 in the fair value hierarchy as well reasons for any transfers in or out of Level 3. The amended guidance also requires the Company to provide fair value measurement disclosures for each class of assets and liabilities and disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. The adoption of this amendment requires expanded disclosure in the notes to the Company's consolidated financial statements but does not impact financial results.

Reclassifications

Certain items in prior year's consolidated statements of cash flows have been reclassified to conform to the current year's presentation with no impact to total cash provided by (used in) operating, investing, or financing activities.

Last-in, First-out (LIFO) Inventories

Interim period LIFO calculations are based on interim period costs and management's estimates of year-end inventory levels. Because the availability and price of agricultural commodity-based LIFO inventories are unpredictable due to factors such as weather, government farm programs and policies, and changes in global demand, quantities of LIFO-based inventories at interim periods may vary significantly from management's estimates of year-end inventory levels.

Note 2. New Accounting Standards

Effective June 30, 2010, the Company will be required to adopt the amended guidance in ASC Topic 715, Compensation – Retirement Benefits, which expands disclosure requirements and requires entities to disclose investment policies and strategies, major categories of plan assets, fair value measurements for each major category of plan assets segregated by fair value hierarchy level as defined in ASC Topic 820, the effect of fair value measurements using Level 3 inputs on changes in plan assets for the period, and significant concentrations of risk within plan assets. The adoption of this amended guidance will require expanded disclosure in the notes to the Company's consolidated financial statements but will not impact financial results.

Effective July 1, 2010, the Company will be required to adopt the amended guidance in ASC Topic 810, Consolidations, which will change how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights (known as variable interest entities or VIEs) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. This amended guidance will require a number of new disclosures including disclosures about the reporting entity's involvement with VIEs, how its involvement with VIEs affects the reporting entity's financial statements, and any significant changes in risk exposure due to that involvement. The Company has not yet completed its assessment of the impact from the adoption of this amended guidance on the Company's financial statements.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 2. New Accounting Standards (Continued)

Effective July 1, 2011, the Company will be required to adopt the second phase of the amended guidance in ASC Topic 820, Fair Value Measurements and Disclosures, which requires the Company to disclose information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis, separately for assets and liabilities. The adoption of this amended guidance will require expanded disclosure in the notes to the Company's consolidated financial statements but will not impact financial results.

Note 3. Fair Value Measurements

The Company determines the fair market value of certain of its inventories of agricultural commodities, derivative contracts, and marketable securities based on the fair value definition and hierarchy levels established in the guidance of ASC Topic 820, Fair Value Measurements and Disclosures. Three levels are established within the hierarchy that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include exchange-traded derivative contracts, U.S. treasury securities and certain publicly traded equity securities.

Level 2: Observable inputs, including Level 1 prices that have been adjusted; quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be substantially corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. In evaluating the significance of fair value inputs, the Company generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities. Judgment is required in evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification. Level 3 amounts can include assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as assets and liabilities for which the determination of fair value requires significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of input that is a significant component of the fair value measurement determines the placement of the entire fair value measurement in the hierarchy. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

The Company's policy regarding the timing of transfers between levels, including both transfers into and transfers out of Level 3, is to measure and record the transfers at the end of the reporting period. For the period ended March 31, 2010, the Company had no transfers between Levels 1 and 2.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. Fair Value Measurements (Continued)

The following table sets forth, by level, the Company's assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2010.

	Fair Value Measurements at March 31, 2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(In millions)		
Assets:				
Inventories carried at market	$ –	$ 3,848	$ 500	$ 4,348
Unrealized derivative gains				
Commodity contracts	773	597	47	1,417
Foreign exchange contracts	63	31	–	94
Interest rate contracts	–	33	–	33
Marketable securities	1,276	514	–	1,790
Total Assets	$ 2,112	$ 5,023	$ 547	$ 7,682
Liabilities:				
Unrealized derivative losses				
Commodity contracts	$ 863	$ 775	$ 78	$ 1,716
Foreign exchange contracts	50	63	–	113
Interest rate contracts	–	–	–	–
Inventory-related payables	–	378	95	473
Total Liabilities	$ 913	$ 1,216	$ 173	$ 2,302

The Company uses the market approach valuation technique to measure the majority of its assets and liabilities carried at fair value. Estimated fair market values for inventories carried at market are based on exchange-quoted prices, adjusted for differences in local markets, broker or dealer quotations, or market transactions in either listed or over-the-counter (OTC) markets. In such cases, the inventory is classified in Level 2. Certain inventories may require management judgment or estimation for a significant component of the fair value amount. In such cases, the inventory is classified as Level 3. Changes in the fair market value of inventories are recognized in the consolidated statements of earnings as a component of cost of products sold.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. Fair Value Measurements (Continued)

The Company's derivative contracts that are measured at fair value include forward commodity purchase and sale contracts, exchange-traded commodity futures and option contracts, and OTC instruments related primarily to agricultural commodities, energy, and foreign currencies. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified in Level 1. Majority of the Company's exchange-traded futures and options contracts are cash settled on a daily basis and, therefore, are not included in this table. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. These differences are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or OTC markets. When observable inputs are available for substantially the full term of the asset or liability, the derivative contracts are classified in Level 2. When unobservable inputs have a significant impact on the measurement of fair value, the contract's fair value is classified in Level 3. Based on historical experience with the Company's suppliers and customers, the Company's own credit risk, and the Company's knowledge of current market conditions, the Company does not view nonperformance risk to be a significant input to fair value for the majority of its forward commodity purchase and sale contracts. However, in situations when the Company believes the nonperformance risk to be a significant input, the Company records estimated fair value adjustments, and classifies the contracts in Level 3 in the fair value hierarchy. Changes in the fair market value of commodity-related derivatives are recognized in the consolidated statements of earnings as a component of cost of products sold. Changes in the fair market value of foreign currency-related derivatives are recognized in the consolidated statements of earnings as a component of net sales and other operating income, cost of products sold, and other (income) expense – net, depending on the nature of the foreign currency-related commercial transaction. The effective portions of changes in the fair market value of derivatives designated as cash flow hedges are recognized in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) until the hedged items are recorded in earnings.

The Company's marketable securities are comprised of U.S. Treasury securities, obligations of U.S. government agencies, corporate and municipal debt securities, and equity investments. U.S. Treasury securities and certain publicly traded equity investments are valued using quoted market prices and are classified as Level 1. U.S. government agency obligations, corporate and municipal debt securities and certain equity investments are valued using third-party pricing services and substantially all are classified as Level 2. Security values that are determined using pricing models are classified as Level 3. Unrealized changes in the fair market value of available-for-sale marketable securities are recognized in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) unless a decline in value is deemed to be other-than-temporary at which point the decline is recorded in earnings.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. Fair Value Measurements (Continued)

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the quarter ended March 31, 2010.

	Level 3 Fair Value Measurements		
	Inventories Carried at Market, Net	Commodity Derivative Contracts, Net	Total
	(In millions)		
Balance, December 31, 2009	$ 600	$ 77	$ 677
Total gains (losses), realized or unrealized, included in earnings before income taxes*	72	(62)	10
Purchases, issuances and settlements	(99)	(6)	(105)
Transfers into Level 3	–	(5)	(5)
Transfers out of Level 3	(168)	(35)	(203)
Ending balance, March 31, 2010	$ 405	$ (31)	$ 374

*Includes losses of $99 million that are attributable to the change in unrealized gains or losses relating to Level 3 assets and liabilities still held at March 31, 2010.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended March 31, 2010.

	Level 3 Fair Value Measurements		
	Inventories Carried at Market, Net	Commodity Derivative Contracts, Net	Total
	(In millions)		
Balance, June 30, 2009	$ 468	$ (2)	$ 466
Total gains (losses), realized or unrealized, included in earnings before income taxes*	30	(18)	12
Purchases, issuances and settlements	(127)	(23)	(150)
Transfers in and/or out of Level 3	34	12	46
Ending balance, March 31, 2010	$ 405	$ (31)	$ 374

*Includes losses of $4 million that are attributable to the change in unrealized gains or losses relating to Level 3 assets and liabilities still held at March 31, 2010.

Transfers into Level 3 previously classified in Level 2 were due to the relative value of unobservable inputs to the total fair value measurement on certain derivative contracts rising above the 10% threshold. Transfers out of Level 3 were primarily due to the relative value of unobservable inputs to the total fair value measurement on certain products falling below the 10% threshold and thus permitting reclassification to Level 2.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities

ASC Topic 815, Derivatives and Hedging, requires the Company to recognize all of its derivative instruments as either assets or liabilities at fair value in its consolidated balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a reporting entity must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation. The Company does not currently have any derivatives designated as hedges of net investment in foreign operations or fair value hedges. The Company has certain derivatives designated as cash flow hedges; however, the majority of the Company's derivatives have not been designated as hedging instruments. Within Note 4 tables, zeros represent minimal amounts.

Derivatives Not Designated as Hedging Instruments

To reduce price risk caused by market fluctuations in agricultural commodities and foreign currencies, the Company generally follows a policy of using exchange-traded futures and exchange-traded and OTC options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Company also uses exchange-traded futures and exchange-traded and OTC options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the volatility of the relationship between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, counterparty contract defaults, and volatility of freight markets. Exchange-traded futures and exchange-traded and OTC options contracts, and forward cash purchase and sales contracts of certain merchandisable agricultural commodities are stated at fair value. Inventories of certain merchandisable agricultural commodities, which include amounts acquired under deferred pricing contracts, are stated at market value. Inventory is not a derivative and therefore is not included in the tables below. Changes in the market value of inventories of merchandisable agricultural commodities, forward cash purchase and sales contracts, and exchange-traded futures and exchange-traded and OTC options contracts are recognized in earnings immediately, resulting in cost of products sold approximating first-in, first-out (FIFO) cost. Unrealized gains and unrealized losses on forward cash purchase contracts, forward foreign currency exchange (FX) contracts, forward cash sales contracts, and exchange-traded and OTC options contracts represent the fair value of such instruments and are classified on the Company's consolidated balance sheet as receivables and accrued expenses, respectively.

The following table sets forth the fair value of derivatives not designated as hedging instruments as of March 31, 2010.

	Assets	Liabilities
	(In millions)	
FX Contracts	$94	$113
Commodity Contracts	1,417	1,708
Total	$1,511	$1,821

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

The following table sets forth the pre-tax gains (losses) on derivatives not designated as hedging instruments that have been included in the consolidated statement of earnings for the indicated time periods. The amended disclosure requirements of ASC Topic 815 were first implemented for the period ended March 31, 2009. As a result, comparative year-to-date information is not available for fiscal year 2009.

	Three months ended March 31,	
	2010	2009
	(In millions)	
Interest Contracts		
Other income (expense) – net	$ 0	$ 0
FX Contracts		
Net sales and other operating income	$ 19	$ (7)
Cost of products sold	21	(22)
Other income (expense) - net	(9)	2
Commodity Contracts		
Cost of products sold	$ 553	$ (297)
Total gain (loss) recognized in earnings	$ 584	$ (324)

	Nine months ended March 31, 2010
	(In millions)
Interest Contracts	
Other income (expense) – net	$ 2
FX Contracts	
Net sales and other operating income	$ (1)
Cost of products sold	46
Other income (expense) - net	19
Commodity Contracts	
Cost of products sold	$ 144
Total gain (loss) recognized in earnings	$ 210

Derivatives Designated as Cash Flow Hedging Strategies

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss of the derivative instrument is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same line item affected by the hedged transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss of the derivative instrument that is in excess of the cumulative change in the cash flows of the hedged item, if any (i.e., the ineffective portion), hedge components excluded from the assessment of effectiveness, and gains and losses related to discontinued hedges are recognized in the consolidated statement of earnings during the current period.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

For each of the commodity hedge programs described below, the derivatives are designated as cash flow hedges. The changes in the market value of such derivative contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Once the hedged item is recognized in earnings, the gains/losses arising from the hedge will be reclassified from accumulated other comprehensive income (AOCI) to either net sales and other operating income, or cost of products sold. As of March 31, 2010, the Company has $19 million of after-tax losses in AOCI related to gains and losses from commodity cash flow hedge transactions. The Company expects to recognize all of these after-tax losses in the statement of earnings during the next 15 months. During the current period, the Company had no amounts recognized in earnings from cash flow hedges that were discontinued.

The Company, from time to time, uses futures or options contracts to fix the purchase price of anticipated volumes of corn to be purchased and processed in a future month. The objective of this hedging program is to reduce the variability of cash flows associated with the Company's forecasted purchases of corn. The Company's corn processing plants currently grind approximately 67 million bushels of corn per month which is expected to increase to approximately 75 million bushels per month when the Company's second new dry-grind ethanol plant in the U.S. is completed in the summer of 2010. During the past 12 months, the Company hedged between 35% and 100% of its monthly anticipated grind. At March 31, 2010, the Company has hedged portions of its anticipated monthly purchases of corn over the next 11 months, ranging from 1% to 22% of its anticipated monthly grind.

The Company, from time to time, also uses futures, options, and swaps to fix the purchase price of the Company's anticipated natural gas requirements for certain production facilities. The objective of this hedging program is to reduce the variability of cash flows associated with the Company's forecasted purchases of natural gas. These production facilities use approximately 3.5 million MMbtus of natural gas per month. During the past 12 months, the Company hedged between 25% and 77% of the quantity of its anticipated monthly natural gas purchases. At March 31, 2010, the Company has hedged portions of its anticipated monthly purchases of natural gas over the next 15 months, ranging from 20% to 52% of its anticipated monthly natural gas purchases.

To protect against fluctuations in cash flows due to foreign currency exchange rates, the Company from time to time will use forward foreign exchange contracts as cash flow hedges. Certain production facilities have manufacturing expenses and some sales contracts denominated in non-functional currency. To reduce the risk of fluctuations in cash flows due to changes in the exchange rate between functional versus non-functional currency, the Company will hedge some portion of the forecasted foreign currency expenditures and/or receipts. The fair value of foreign exchange contracts designated as cash flow hedging instruments as of March 31, 2010 was immaterial.

At March 31, 2010, AOCI included $26 million of after-tax gains related to treasury-lock agreements and interest rate swaps. These instruments were executed in order to lock in the Company's interest rate prior to the issuance or remarketing of debentures. Both the treasury-lock agreements and interest rate swaps were designated as cash flow hedges of the risk of changes in the future interest payments attributable to changes in the benchmark interest rate. The objective of the treasury-lock agreements and interest rate swaps was to protect the Company from changes in the benchmark rate from the date the Company decided to issue the debt to the date when the debt will actually be

issued. The Company will recognize the $26 million of gains in its consolidated statement of earnings over the terms of the hedged items. At March 31, 2010, the Company discontinued hedge accounting treatment on interest rate swaps with $21 million of after-tax gains in AOCI. These gains will remain in AOCI until the hedged transactions occur. Future gains and losses on the swaps will immediately affect earnings.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

The following table sets forth the fair value of derivatives designated as hedging instruments as of March 31, 2010.

	Assets	Liabilities
	(In millions)	
Interest Contracts	$33	$–
Commodity Contracts	0	8
Total	$33	$8

The following tables set forth the pre-tax gains (losses) on derivatives designated as hedging instruments that have been included in the consolidated statement of earnings for the indicated periods. The amended disclosure requirements of ASC Topic 815 were first implemented for the quarter ended March 31, 2009. As a result, comparative year-to-date information is not available for fiscal year 2009.

	Consolidated Statement of Earnings Location	Three months ended March 31, 2010	2009
		(In millions)	
FX Contracts			
Effective amount recognized in earnings	Other (income) expense – net	$0	$0
Commodity Contracts			
Effective amount recognized in earnings	Cost of products sold	(18)	(136)
	Net sales and other operating income	0	10
Ineffective amount recognized in earnings	Cost of products sold	(82)	4
Total amount recognized in earnings		$(100)	$(122)

	Consolidated Statement of Earnings Location	Nine months ended March 31, 2010
		(In millions)
FX Contracts		
Effective amount recognized in earnings	Other (income) expense – net	$ (1)
Commodity Contracts		
Effective amount recognized in earnings	Cost of products sold	(68)
	Net sales and other operating income	0
Ineffective amount recognized in earnings	Cost of products sold	(60)

Total amount recognized in earnings	$	(129)

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

The following tables set forth the changes in accumulated other comprehensive income related to derivatives gains (losses) for the period ended March 31, 2010.

		Three months ended March 31, 2010 (In millions)
Balance at December 31, 2009	$	54
Unrealized gains (losses)		(94)
Losses reclassified to earnings		19
Tax effect		28
Balance at March 31, 2010	$	7

		Nine months ended March 31, 2010 (In millions)
Balance at June 30, 2009	$	(13)
Unrealized gains (losses)		(36)
Losses reclassified to earnings		70
Tax effect		(14)
Balance at March 31, 2010	$	7

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Marketable Securities and Cash Equivalents

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In millions)		
March 31, 2010				
United States government obligations				
Maturity less than 1 year	$460	$–	$–	$460
Maturity 1 to 5 years	41	1	–	42
Government–sponsored enterprise obligations				
Maturity less than 1 year	20	–	–	20
Maturity 1 to 5 years	64	2	–	66
Maturity 5 to 10 years	137	–	–	137
Maturity greater than 10 years	251	6		257
Corporate debt securities				
Maturity less than 1 year	6	–	–	6
Maturity 1 to 5 years	32	2	–	34
Other debt securities				
Maturity less than 1 year	1,071	–	–	1,071
Maturity 5 to 10 years	6	–	–	6
Maturity greater than 10 years	11	–	(1)	10
Equity securities	91	47	(17)	121
	$2,190	$58	$(18)	$2,230

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In millions)		
June 30, 2009				
United States government obligations				
Maturity less than 1 year	$645	$–	$–	$645
Maturity 1 to 5 years	29	1	–	30
Government–sponsored enterprise obligations				
Maturity less than 1 year	8	–	–	8
Maturity 1 to 5 years	59	2	–	61
Maturity 5 to 10 years	104	1	(1)	104
Maturity greater than 10 years	268	6	–	274
Corporate debt securities				
Maturity less than 1 year	10	–	–	10

Maturity 1 to 5 years	37	1	–	38
Other debt securities				
Maturity less than 1 year	463	–	–	463
Maturity 5 to 10 years	6	–	–	6
Maturity greater than 10 years	16	–	(3)	13
Equity securities	88	33	(29)	92
	$1,733	$44	$(33)	$1,744

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Marketable Securities and Cash Equivalents (Continued)

None of the $18 million in unrealized losses at March 31, 2010 arose within the last 12 months. The market value of the investments that have been in an unrealized loss position for 12 months and longer is $31 million. The market value of other debt securities with unrealized losses as of March 31, 2010, is $3 million. The $1 million of unrealized losses associated with other debt securities are not considered to be other-than-temporary because the present value of expected cash flows to be collected is equivalent to or exceeds the amortized cost basis of the securities. The market value of available-for-sale equity securities with unrealized losses as of March 31, 2010 is $28 million. All of the $17 million in unrealized losses associated with available-for-sale equity securities is related to the Company's investment in one security. The Company does not intend to sell any of its impaired debt and equity securities, and, based upon its evaluation, the Company does not believe it is likely that the Company will be required to sell the investments before recovery of their amortized cost bases which is expected in the foreseeable future.

Note 6. Debt and Financing Arrangements

The Company has outstanding $1.15 billion principal amount of convertible senior notes (the Notes) due in 2014. As of March 31, 2010, none of the conditions permitting conversion of the Notes had been satisfied. Therefore, no share amounts related to the conversion of the Notes or exercise of the warrants sold in connection with the issuance of the Notes were included in diluted average shares outstanding.

On July 1, 2009, the Company began accounting for the Notes in accordance with the amended guidance in ASC Topic 470-20, Debt with Conversion and Other Options, pertaining to convertible debt instruments with cash settlement features. The amendment addresses the accounting for convertible debt securities that, upon conversion, may be settled by the issuer fully or partially in cash. Previously, most forms of convertible debt securities were treated solely as debt. Under the new guidance, issuers of convertible debt securities within its scope must bifurcate these securities into two accounting components; a debt component, representing the issuer's contractual obligation to pay principal and interest; and an equity component, representing the holder's option to convert the debt security into equity of the issuer or, if the issuer so elects, an equivalent amount of cash.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Debt and Financing Arrangements (Continued)

The amended guidance required retrospective application to all periods presented. The following tables reflect the Company's previously reported amounts, along with adjustments required by the amended guidance:

Consolidated Statement of Earnings Impact

	Three Months Ended March 31, 2009			
	As Originally Reported	Adjustment due to Topic 470-20	As Adjusted	
	(In millions, except per share amounts)			
Interest expense reported in Other (income) expense – net	$ 93	$ 10	$ 103	
Income taxes	144	(4)	140	
Net earnings	8	(5)	3	(1)
Basic and diluted earnings per common share	0.01	(0.01)	0.00	

	Nine Months Ended March 31, 2009			
	As Originally Reported	Adjustment due to Topic 470-20	As Adjusted	
	(In millions, except per share amounts)			
Interest expense reported in Other (income) expense – net	$ 342	$ 29	$ 371	
Income taxes	829	(11)	818	
Net earnings	1,643	(17)	1,626	(1)
Basic earnings per common share	2.56	(0.03)	2.53	
Diluted earnings per common share	2.55	(0.03)	2.52	

(1) Currently presented as "net earnings attributable to controlling interests" in the consolidated statements of earnings as a result of the adoption of ASC Topic 810 on July 1, 2009.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Debt and Financing Arrangements (Continued)

The Company also has outstanding $1.75 billion principal amount of Equity Units (the Units) due in 2011. The Units are a combination of (a) debt and (b) forward purchase contracts for the holder to purchase the Company's common stock. The forward purchase contracts issued in connection with the Units will be settled for the Company's common stock no later than June 1, 2011. Until settlement of the forward purchase contracts, the shares of stock underlying each forward purchase contract are not outstanding. The forward purchase contracts will only be included in the computation of diluted earnings per share to the extent they are dilutive. As of March 31, 2010, the forward purchase contracts were not considered dilutive and therefore were not included in the computation of diluted earnings per share.

At March 31, 2010, the fair value of the Company's long-term debt exceeded the carrying value by $581 million, as estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

For further information on the Notes and Units and additional information on the impact of ASC Topic 470-20 (formerly FSP APB 14-1), refer to Note 1 "Summary of Significant Accounting Policies" and Note 8 "Debt and Financing Arrangements" in the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2009 and in the revised financial statements and footnotes furnished with the Company's Current Report on Form 8-K filed on March 22, 2010.

In February 2010, the Company announced cash tender offers to repurchase a portion of its outstanding debentures with varying terms and maturities. In March 2010, the Company repurchased an aggregate principal amount of $500 million of its outstanding debentures in accordance with its announced tender offers, resulting in charges on early extinguishment of debt of $75 million, which consisted of $71 million in premium and other related expenses and $4 million in write-off of debt issuance costs.

Note 7. Income Taxes

The Company's effective tax rate for the quarter and nine months ended March 31, 2010, was 22.1% and 27.6%, respectively, compared to 97.9% and 33.4% for the quarter and nine months ended March 31, 2009. In the third quarter of 2009, the Company recorded a $97 million deferred income tax charge related to the partial restructuring of the holding company structure through which the Company holds a portion of its equity investment in Wilmar International, Ltd. (WIL). Excluding the $97 million deferred income tax expense, the Company's effective income tax rate was 30.1% and 29.5% for the quarter and nine months ended March 31, 2009. The decrease in the Company's effective tax rate in 2010, excluding the $97 million charge, is primarily due to changes in the geographic mix of pretax earnings and the recognition of certain foreign currency benefits. In addition, this quarter the Company recorded $10 million in additional income tax expense related to changes in the income tax treatment of Medicare Part D subsidies resulting from newly enacted U.S. health care reforms.

The Company has an investment in Wilmar International Holdings, Limited (WIHL), a subsidiary of ADM Asia Pacific, Limited (ADMAP), a wholly-owned subsidiary of the Company. Through WIHL, ADMAP holds an indirect ownership interest in Wilmar International Ltd. (WIL). Historically, the Company considered the retained earnings of its investment in ADMAP to be permanently reinvested outside the U.S. and did not provide a deferred income tax liability associated with the undistributed earnings of this investment. In February 2009, the shareholders of WIHL approved a plan of voluntary liquidation which was followed by a partial liquidating distribution in April 2009. Pursuant to this distribution, ADMAP received publicly traded shares of WIL that represented approximately 40% of the WIL shares indirectly held by WIHL. The liquidation caused the difference between the market value of the WIL shares received and the tax basis of ADMAP's investment in WIHL to be subject to U.S. income tax as a deemed distribution from ADMAP to the Company. Consequently, the Company concluded that a portion of its investment in ADMAP related to its investment in WIHL was not permanently reinvested and recognized a $97 million deferred tax charge for this partial restructuring in the third quarter of 2009.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 7. Income Taxes (Continued)

The finalization of the liquidation process is anticipated to occur during calendar year 2010 and is contingent on certain regulatory approvals. While the ultimate impact of the transaction is uncertain, based on the May 6, 2010 market value of WIL shares and certain other assumptions, including the applicable foreign currency exchange rate and the U.S. income tax rate, the finalization of the liquidation could result in additional income tax expense for the Company of approximately $590 million in the period(s) that the liquidation occurs.

The Company is subject to income taxation in many jurisdictions around the world. The Company is subject to routine examination by domestic and foreign tax authorities and frequently faces challenges regarding the amount of taxes due. These challenges include questions regarding the timing, nature and amount of deductions and the allocation of income among various tax jurisdictions. Resolution of the related tax positions through negotiation with relevant tax authorities or through litigation may take years to complete. Therefore, it is difficult to predict the timing for resolution of tax positions. In its routine evaluations of the exposure associated with various tax filing positions, the Company recognizes a liability, when necessary, for estimated potential additional tax owed by the Company in accordance with ASC 740, Income Taxes. However, the Company cannot accurately predict or provide assurance as to the ultimate outcome of these ongoing or future examinations.

In December 2009, the Company's wholly-owned subsidiary, ADM do Brasil Ltda. ("ADM do Brasil"), received a tax assessment in the amount of $457 million (subject to variation in currency exchange rates) consisting of tax, penalty, and interest, from the Brazilian Federal Revenue Service challenging the tax deductibility of commodity hedging losses incurred by ADM do Brasil in 2004. Commodity hedging transactions can result in gains, which are included in ADM do Brasil's calculations of taxable income in Brazil, and losses, which ADM do Brasil deducts from its taxable income in Brazil. If the Brazilian Federal Revenue Service were to challenge similar deductions in all tax years still open to assessment (2005-2009), the Company estimates it could receive further assessments totaling approximately $150 million in addition to the $457 million assessment related to 2004 (as at March 31, 2010 and subject to variation in currency exchange rates).

The Company has evaluated its tax position regarding these hedging transactions and concluded, based in part upon advice from Brazilian legal counsel, that it was appropriate to recognize both gains and losses resulting from hedging transactions when determining its Brazilian income tax expense. Therefore, the Company has continued to recognize the tax benefit from hedging losses in its financial statements and has not recorded any tax liability for the amounts assessed by the Brazilian Federal Revenue Service. The Company intends to vigorously defend its position against the current assessment and any similar assessments that may be issued for years subsequent to 2004.

In January 2010, ADM do Brasil filed an appeal with the Brazilian Federal Revenue Service. If ADM do Brasil is unsuccessful in the administrative appellate process, further appeals are available in the Brazilian federal courts. While the Company believes that its consolidated financial statements properly reflect the tax deductibility of these hedging losses, the ultimate resolution of this matter could result in the future recognition of significant additional payments of, and expense for, income tax and the associated interest and penalties.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 8. Comprehensive Income

The components of comprehensive income, net of related tax, are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
	(In millions)			
Net earnings including noncontrolling interests	$416	$3	$1,474	$1,628
Unrealized gain (loss) on investments	2	(7)	18	(34)
Deferred gain (loss) on hedging activities	(47)	71	20	(183)
Pension liability adjustment	10	2	5	16
Foreign currency translation adjustment	(322)	(269)	(200)	(1,211)
Comprehensive income	59	(200)	1,317	216
Less: Comprehensive income attributable to noncontrolling interests	(5)	–	(10)	2
Comprehensive income attributable to controlling interests	$64	$(200)	$1,327	$214

Note 9. Other (Income) Expense - Net

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
	(In millions)			
Interest expense	$ 101	$ 103	$ 304	$ 371
Investment income	(34)	(43)	(100)	(145)
Net (gain) loss on marketable securities transactions	–	–	(7)	(9)
Equity in (earnings) losses of affiliates	(137)	136	(428)	(80)
Charges on early extinguishment of debt	75	–	75	–
Other – net	(3)	(36)	(29)	53
	$ 2	$ 160	$ (185)	$ 190

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Segment Information

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products. The Company's operations are classified into three reportable business segments: Oilseeds Processing, Corn Processing and Agricultural Services. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are aggregated and classified as Other.

The Oilseeds Processing segment includes activities related to the crushing and origination of oilseeds such as soybeans, cottonseed, sunflower seeds, canola, rapeseed, peanuts, and flaxseed into vegetable oils and protein meals principally for the food and feed industries. In addition, oilseeds and oilseed products may be processed internally or resold into the marketplace as raw materials for other processing. Crude vegetable oil is sold "as is" or is further processed by refining, bleaching, and deodorizing into salad oils. Salad oils can be further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oil is sold for use in paints and other industrial products. Refined oil can be further processed for use in the production of biodiesel. Oilseed meals are primary ingredients used in the manufacture of commercial livestock and poultry feeds. Oilseeds Processing includes activities related to the production of natural health and nutrition products and the production of other specialty food and feed ingredients. This segment also includes activities related to the Company's interest in its unconsolidated affiliate in Asia, Wilmar International Limited.

The Corn Processing segment includes activities related to the production of sweeteners, starches, dextrose, and syrups primarily for the food and beverage industry as well as activities related to the production by fermentation of bioproducts such as ethanol, amino acids, and other food, feed and industrial products. The Corn Processing segment also includes activities related to the processing of sugarcane into ethanol.

The Agricultural Services segment utilizes the Company's extensive grain elevator and transportation network to buy, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, rice, and barley, and resells these commodities primarily as food and feed ingredients for the agricultural processing industry. In addition, the Agricultural Services segment includes activities related to edible bean procurement, rice milling, formula feed, and animal health and nutrition. Agricultural Services' grain sourcing and transportation network also provides reliable and efficient services to the Company's agricultural processing operations. Also included in Agricultural Services are the activities of A.C. Toepfer International, a global merchant of agricultural commodities and processed products.

Other includes the Company's remaining processing operations, consisting of activities related to processing agricultural commodities into food ingredient products such as wheat into wheat flour, cocoa into chocolate and cocoa products, and barley into malt. The Company sold its malt operations on July 31, 2008. Other also includes financial activities related to banking, captive insurance, private equity fund investments, and futures commission merchant activities.

Intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on net sales less identifiable operating expenses, including an interest charge related to working capital usage. Also included in segment operating profit is equity in earnings of affiliates based on the equity method of accounting. Unallocated corporate expenses, investment income, unallocated interest expense, marketable securities

transactions, FIFO to LIFO inventory adjustments, and noncontrolling interests have been excluded from segment operations and classified as Corporate.

For detailed information regarding the Company's reportable segments, see Note 15 to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended June 30, 2009 and in the revised financial statements and footnotes furnished with the Company's Current Report on Form 8-K filed on March 22, 2010.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Segment Information (Continued)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
	(In millions)			
Sales to external customers				
Oilseeds Processing	$ 5,084	$ 4,689	$ 16,322	$ 17,757
Corn Processing	1,960	1,725	5,905	5,819
Agricultural Services	6,788	7,302	19,750	25,012
Other	1,313	1,126	4,002	4,087
Total	$ 15,145	$ 14,842	$ 45,979	$ 52,675
Intersegment sales				
Oilseeds Processing	$ 17	$ 23	$ 54	$ 91
Corn Processing	9	13	26	72
Agricultural Services	697	702	1,845	2,314
Other	36	38	110	116
Total	$ 759	$ 776	$ 2,035	$ 2,593
Net sales				
Oilseeds Processing	$ 5,101	$ 4,712	$ 16,376	$ 17,848
Corn Processing	1,969	1,738	5,931	5,891
Agricultural Services	7,485	8,004	21,595	27,326
Other	1,349	1,164	4,112	4,203
Intersegment elimination	(759)	(776)	(2,035)	(2,593)
Total	$ 15,145	$ 14,842	$ 45,979	$ 52,675
Segment operating profit				
Oilseeds Processing	$ 405	$ 224	$ 1,041	$ 1,053
Corn Processing	104	49	582	196
Agricultural Services	165	121	490	1,011
Other	22	(140)	327	(15)
Total segment operating profit	696	254	2,440	2,245
Corporate	(162)	(111)	(405)	201
Earnings before income taxes	$ 534	$ 143	$ 2,035	$ 2,446

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products. The Company's operations are classified into three reportable business segments: Oilseeds Processing, Corn Processing and Agricultural Services. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are aggregated and classified as Other.

The Oilseeds Processing segment includes activities related to the origination and crushing of oilseeds such as soybeans, cottonseed, sunflower seeds, canola, rapeseed, peanuts, and flaxseed into vegetable oils and protein meals principally for the food and feed industries. In addition, oilseeds and oilseed products may be processed internally or resold into the marketplace as raw materials for other processing. Crude vegetable oil is sold "as is" or is further processed by refining, bleaching, and deodorizing into salad oils. Salad oils can be further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oil is sold for use in paints and other industrial products. Refined oil can be further processed for use in the production of biodiesel. Oilseed protein meals are primary ingredients used in the manufacture of commercial livestock and poultry feeds. Oilseeds Processing includes activities related to the production of natural health and nutrition products and the production of other specialty food and feed ingredients. This segment also includes activities related to the Company's unconsolidated affiliate in Asia, Wilmar International Limited.

The Corn Processing segment includes activities related to the production of sweeteners, starches, dextrose, and syrups primarily for the food and beverage industry as well as activities related to the production by fermentation of bioproducts such as ethanol, amino acids, and other food, feed and industrial products. The Corn Processing segment also includes activities related to the processing of sugarcane into ethanol.

The Agricultural Services segment utilizes the Company's extensive grain elevator and transportation network to buy, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, rice, and barley, and resells these commodities primarily as food and feed ingredients for the agricultural processing industry. In addition, the Agricultural Services segment includes activities related to edible bean procurement, rice milling, formula feed, and animal health and nutrition. Agricultural Services' grain sourcing and transportation network also provides reliable and efficient services to the Company's agricultural processing operations. Also included in Agricultural Services are the activities of A.C. Toepfer International, a global merchant of agricultural commodities and processed products.

Other includes the Company's remaining processing operations, consisting of activities related to processing agricultural commodities into food ingredient products such as wheat into wheat flour, cocoa into chocolate and cocoa products, and barley into malt. The Company sold its malt operations on July 31, 2008. Other also includes financial activities related to banking, captive insurance, private equity fund investments, and futures commission merchant activities.

Operating Performance Indicators

The Company is exposed to certain risks inherent to an agricultural-based commodity business. These risks are further described in Item 1A, "Risk Factors" included in the Company's annual report on Form 10-K for the year ended June 30, 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company's Oilseeds Processing, Agricultural Services, and wheat processing operations are principally agricultural commodity-based businesses where changes in selling prices move in relationship to changes in prices of the commodity-based agricultural raw materials. Therefore, changes in agricultural commodity prices have relatively equal impacts on both net sales and other operating income and cost of products sold and minimal impact on the gross profit of underlying transactions. As a result, changes in gross profit of these businesses do not necessarily correspond to the changes in net sales and other operating income amounts.

The Company's Corn Processing operations and certain other food and animal feed processing operations also utilize agricultural commodities (or products derived from agricultural commodities) as raw materials. In these operations, agricultural commodity market price changes can result in significant fluctuations in cost of products sold, and such price changes cannot necessarily be passed directly through to the selling price of the finished products.

The Company conducts its business in many countries. For the majority of the Company's subsidiaries located outside the United States, the local currency is the functional currency. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the weighted average exchange rates for the applicable periods. Fluctuations in the exchange rates of foreign currencies, primarily the Euro, British pound, Canadian dollar, and Brazilian real, as compared to the U.S. dollar will result in corresponding fluctuations in the U.S. dollar value of revenues and expenses reported by the Company. The impact of these currency exchange rate changes, where significant, is discussed below.

The Company measures the performance of its business segments using key financial metrics such as segment operating profit, return on fixed capital investment, return on net assets, return on invested capital, and return on equity. The Company's operating results can vary significantly due to changes in factors such as fluctuations in energy prices, weather conditions, crop plantings, government programs and policies, changes in global demand resulting from population growth, general global economic conditions, and changes in standards of living, and global production of similar and competitive crops. Due to these unpredictable factors, the Company does not provide forward-looking information in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

Net earnings attributable to controlling interests increased $418 million to $421 million primarily due to a $442 million pretax improvement in segment operating profit, a favorable impact from changing LIFO inventory valuations, and lower income tax expense, partially offset by after-tax charges of $47 million for the early extinguishment of debt. Segment operating profit in the quarter ended March 31, 2009 included a $212 million loss for the Company's share of foreign currency derivative losses of equity investee, Gruma S.A.B. de C.V. (Gruma). Changes in LIFO inventory valuation reserves resulted in after-tax credits of $27 million for the quarter compared to after-tax charges of $3 million for the quarter ended March 31, 2009. Additionally, income tax expense for the quarter ended March 31, 2009 included a $97 million charge for deferred income tax expense associated with the reorganization of the holding company structure related to the Company's equity investee, Wilmar International Ltd.

Market Factors Influencing Operations or Results

As an agricultural commodity-based business, the Company is subject to a variety of market factors which affect the Company's operating results. North American oilseed crushing volumes and oilseed export volumes increased due to the short supply of soybeans in South America. Biodiesel markets continued to develop in South America and Europe and increased the overall demand for refined and crude vegetable oils. However, in North America, demand for vegetable oils was weak due to lower demand for oils in the food service and biodiesel industries. Protein meal demand improved, particularly in Asia and South America. Average selling prices for corn sweetener products in 2010 have decreased primarily due to lower market prices for corn. Ethanol blending economics were more favorable this quarter resulting in increased demand and improved margins.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Analysis of Statements of Earnings

Net sales and other operating income by segment for the quarter are as follows:

	Three Months Ended March 31,		
	2010	2009	Change
	(In millions)		
Oilseeds Processing			
Crushing & Origination	$3,306	$2,786	$520
Refining, Packaging, Biodiesel & Other	1,735	1,858	(123)
Asia	43	45	(2)
Total Oilseeds Processing	5,084	4,689	395
Corn Processing			
Sweeteners & Starches	769	852	(83)
Bioproducts	1,191	873	318
Total Corn Processing	1,960	1,725	235
Agricultural Services			
Merchandising & Handling	6,750	7,253	(503)
Transportation	38	49	(11)
Total Agricultural Services	6,788	7,302	(514)
Other			
Wheat, Cocoa & Malt	1,290	1,100	190
Financial	23	26	(3)
Total Other	1,313	1,126	187
Total	$15,145	$14,842	$303

Net sales and other operating income increased 2% to $15.1 billion due to foreign exchange translation impacts of $0.5 billion and increased sales volumes partially offset by lower average selling prices. Sales volumes increased primarily due to higher capacity utilization rates in the Company's Oilseeds Processing facilities and new and/or expanded Corn Processing and Cocoa production facilities. Oilseeds Processing sales increased 8% to $5.1 billion due principally to increased North American crushing volumes resulting from higher plant capacity utilization levels and expanded production capacity, and increased North American oilseed exports. Corn Processing sales increased 14% to $2.0 billion, due to higher average selling prices and increased sales volumes of bioproducts, partially offset by lower average selling prices for sweeteners and starches. Higher bioproducts sales volumes, primarily ethanol, were due to favorable blending economics and the startup of the Company's new corn mill in Columbus, Nebraska. Agricultural Services sales decreased 7% to $6.8 billion, due to decreased sales volumes. Other sales increased 17% to $1.3 billion due principally to higher average selling prices for cocoa products and increased sales volumes of wheat flour and cocoa products, in part due to new cocoa operations, partially offset by the impact of lower average selling prices for wheat flour.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cost of products sold increased less than 1% to $14.3 billion reflecting increased sales volumes and foreign exchange effects of $0.5 billion, partially offset by lower agricultural commodity costs. Manufacturing expenses, principally higher employee-related costs and depreciation expense, increased $105 million, or 9%, materially in line with the increase in processing volumes.

Selling, general and administrative expenses increased 3% to $355 million primarily due to foreign currency translation impacts and, to a lesser extent, additional expenses related to acquisitions and new operations.

Other (income) expense – net improved $158 million primarily due to increased equity earnings of affiliates, partially offset by pretax charges of $75 million related to the early extinguishment of debt (See Note 6).

Operating profit by segment for the quarter is as follows:

	Three Months Ended March 31,		
	2010	2009	Change
	(In millions)		
Oilseeds Processing			
Crushing & Origination	$272	$100	$172
Refining, Packaging, Biodiesel & Other	66	52	14
Asia	67	72	(5)
Total Oilseeds Processing	405	224	181
Corn Processing			
Sweeteners and Starches	45	146	(101)
Bioproducts	59	(97)	156
Total Corn Processing	104	49	55
Agricultural Services			
Merchandising & Handling	154	91	63
Transportation	11	30	(19)
Total Agricultural Services	165	121	44
Other			
Wheat, Cocoa & Malt	9	(123)	132
Financial	13	(17)	30
Total Other	22	(140)	162
Total Segment Operating Profit	696	254	442
Corporate	(162)	(111)	(51)
Earnings Before Income Taxes	$534	$143	$391

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Corporate Results for the quarter are as follows:

	Three Months Ended March 31,		
	2010	2009	Change
	(In millions)		
LIFO credit (charge)	$43	$(5)	$48
Interest expense - net	(73)	(59)	(14)
Corporate costs	(64)	(54)	(10)
Charges on early extinguishment of debt	(75)	–	(75)
Other	7	7	–
Total Corporate	$(162)	$(111)	$(51)

Oilseeds Processing operating profit increased by $181 million to $405 million. Crushing and origination operating profit increased $172 million as last year's short South American soybean crop led to improved North American export demand resulting in increased crushing volumes and margins. South American crushing and origination results improved due principally to the absence of fertilizer losses recognized in last year's quarter. Refining, packaging, biodiesel and other operating profit increased $14 million due to improved European and South American biodiesel results, partially offset by a $15 million Brazilian transactional tax charge. Last year, Oilseeds results in Asia included a gain of $18 million from the disposal of an equity investment. For the current quarter, Oilseeds results in Asia reflect increased equity earnings of Wilmar International Limited.

Corn Processing operating profit increased $55 million to $104 million. Bioproducts operating profit increased $156 million due to higher ethanol margins resulting from good demand driven by favorable gasoline blending economics. Increased ethanol demand also resulted in increased sales volumes, including the additional volume associated with the Company's Columbus, Nebraska dry mill which began operations in November 2009. Bioproducts operating profit also reflected strong volumes and margins for lysine as well as increased startup costs related to the Company's new industrial plants, ethanol dry grind mills, sugarcane processing plant, and co-generation facilities. Sweeteners and starches operating profit decreased $101 million principally due to lower average selling prices partially offset by lower net corn costs. Net corn costs for the quarter included losses and hedge accounting ineffectiveness related to corn futures contracts.

Agricultural Services operating profit increased $44 million to $165 million. In the quarter, the Company saw a good global supply of grains and oilseeds and modestly improving demand. Merchandising and handling profit improved as global soybean demand was met primarily with U.S. supply, due to last year's short South American crop, resulting in good asset utilization and margins. Earnings from the Company's transportation operations declined on lower barge-freight rates and reduced capacity utilization caused by weak demand.

Other operating profit increased $162 million to $22 million. Wheat, cocoa and malt operating profit increased $132 million primarily due to increased equity earnings from the Company's investment in Gruma and improved flour milling results. This quarter's results include mark-to-market losses of $63 million related to certain forward sales commitments accounted for as derivatives, offsetting gains recorded in the preceding two quarters. Last year's third quarter results reflected a loss of $212 million for the Company's share of foreign currency derivative losses of equity

investee Gruma. Other financial operating profit increased $30 million due to higher operating profit at the Company's futures commission merchant services business and the absence of losses experienced in last year's quarter on managed fund investments and captive insurance operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Corporate results decreased $51 million to a loss of $162 million. In the current year, the Company repurchased outstanding debentures with an aggregate principal amount of $500 million resulting in pretax charges on early extinguishment of debt of $75 million. Corporate unallocated interest increased $14 million reflecting a reduction in interest income caused by lower short-term interest rates and reduced working capital requirements of the operating segments. Market prices for LIFO-based inventories generally decreased this quarter resulting in a $43 million decrease in LIFO inventory valuations compared to a $5 million increase last year.

The Company's effective income tax rate this quarter was 22.1% compared to 97.9% last year. Last year, the Company recorded a $97 million deferred income tax charge related to the restructuring of the holding company structure through which the Company holds a portion of its equity investment in Wilmar International Limited. Excluding the $97 million deferred income tax expense, the Company's effective income tax rate for last year's quarter was 30.1%.

This quarter, the Company lowered its projected effective income tax rate for fiscal 2010 based upon changes in the geographic mix of pretax earnings and foreign currency translation impacts. The lower projected effective income tax rate resulted in decreased income tax expense for the quarter. In addition, the Company recognized $10 million in additional income tax expense related to changes in the income tax treatment of Medicare Part D subsidies resulting from newly enacted U.S. health care reforms.

Nine Months Ended March 31, 2010 Compared to Nine Months Ended March 31, 2009

Net earnings attributable to controlling interests decreased 9% to $1.5 billion for the nine months ended March 31, 2010 due to a $506 million, pretax negative impact from changing LIFO valuations and after-tax charges of $47 million for the early extinguishment of debt, partially offset by a $195 million increase in segment operating profit and lower income tax expense. Segment operating profit in the nine months ended March 31, 2009, included pretax losses of $263 million for the Company's portion of derivative losses at the Company's equity investee, Gruma. Last year's income tax expense for the nine months ended March 31, 2009, included a $97 million charge for deferred income tax expense associated with the reorganization of the holding company structure related to the Company's equity investee, Wilmar International, Ltd.

Market Factors Influencing Operations or Results

North American oilseed crushing volumes and export operations were enhanced by a short supply of soybeans in South America. Biodiesel markets continued to develop in South America and Europe and increased the overall demand for refined and crude vegetable oils. However, in North America, demand for vegetable oils remained weak due to low consumption of oils in the food service and biodiesel industries. Soybean protein meal demand improved, particularly in Asia and South America. The current improved global crop outlook, coupled with uncertainty about short-term demand resulting from the pace of the global economic recovery, led to generally lower and less volatile agricultural commodity market prices and conditions. In addition, the late, extended U.S. harvest reduced profit opportunities in the early part of this year. Compared to last year, market prices for corn decreased resulting in lower raw material costs for Corn Processing and decreased average selling prices for sweeteners and starches. Lower energy, fuel and chemical costs per unit positively impacted the Company's manufacturing costs. More favorable ethanol blending economics resulted in increased demand and improved margins.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Analysis of Statements of Earnings

Net sales and other operating income by segment for the nine months are as follows:

	Nine Months Ended March 31,		
	2010	2009	Change
	(In millions)		
Oilseeds Processing			
Crushing & Origination	$10,818	$10,651	$167
Refining, Packaging, Biodiesel & Other	5,377	6,966	(1,589)
Asia	127	140	(13)
Total Oilseeds Processing	16,322	17,757	(1,435)
Corn Processing			
Sweeteners and Starches	2,473	2,835	(362)
Bioproducts	3,432	2,984	448
Total Corn Processing	5,905	5,819	86
Agricultural Services			
Merchandising & Handling	19,628	24,811	(5,183)
Transportation	122	201	(79)
Total Agricultural Services	19,750	25,012	(5,262)
Other			
Wheat, Cocoa & Malt	3,933	4,003	(70)
Financial	69	84	(15)
Total Other	4,002	4,087	(85)
Total	$45,979	$52,675	$(6,696)

Net sales and other operating income decreased 13% to $46.0 billion for the nine months due principally to lower average selling prices in line with year-over-year declines in underlying commodity costs. Oilseeds Processing sales decreased 8% to $16.3 billion due principally to lower average selling prices partially offset by increased sales volumes. Corn Processing sales increased 1% to $5.9 billion. Sweeteners and starches sales decreased due to both lower sales volumes and average selling prices. Bioproducts sales increased primarily as a result of increased sales volumes of ethanol and lysine partially offset by lower average selling prices. Agricultural Services sales decreased 21% to $19.8 billion, due to lower average selling prices, in line with year-over-year declines in underlying commodity prices, and lower sales volumes. Other sales decreased 2% to $4.0 billion, primarily due to lower average selling prices of wheat flour partially offset by increased wheat flour sales volumes.

Cost of products sold decreased 12% to $43.1 billion due principally to decreased agricultural commodity costs. Manufacturing expenses decreased 4%, or $147 million, primarily due to lower energy, chemical and fuel costs partially offset by higher employee-related costs and depreciation and amortization expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Selling, general and administrative expenses decreased 2% to $1.1 billion due principally to decreased provisions for doubtful accounts.

Other (income) expense-net increased $375 million primarily due to increased equity earnings of affiliates, and decreased expense for the elimination of after-tax mandatorily redeemable interests in consolidated subsidiaries partially offset by pretax charges of $75 million related to the early extinguishment of debt (See Note 6).

Operating profit by segment for the nine months is as follows:

	Nine Months Ended March 31,		
	2010	2009	Change
	(In millions)		
Oilseeds Processing			
Crushing & Origination	$600	$626	$(26)
Refining, Packaging, Biodiesel & Other	212	244	(32)
Asia	229	183	46
Total Oilseeds Processing	1,041	1,053	(12)
Corn Processing			
Sweeteners and Starches	410	351	59
Bioproducts	172	(155)	327
Total Corn Processing	582	196	386
Agricultural Services			
Merchandising & Handling	414	861	(447)
Transportation	76	150	(74)
Total Agricultural Services	490	1,011	(521)
Other			
Wheat, Cocoa & Malt	275	31	244
Financial	52	(46)	98
Total Other	327	(15)	342
Total Segment Operating Profit	2,440	2,245	195
Corporate	(405)	201	(606)
Earnings Before Income Taxes	$2,035	$2,446	$(411)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Corporate Results for the nine months are as follows:

	Nine Months Ended December 31,		
	2010	2009	Change
	(In millions)		
LIFO credit	$65	$571	$(506)
Interest expense - net	(209)	(129)	(80)
Corporate costs	(203)	(183)	(20)
Charges on early extinguishment of debt	(75)	–	(75)
Other	17	(58)	75
Total Corporate	$(405)	$201	$(606)

Oilseeds Processing operating profit decreased 1% to $1.04 billion. Crushing and origination results decreased $26 million due to an overall decrease in global crushing margins. Refining, packaging, biodiesel and other operating profit decreased $32 million due primarily to lower European biodiesel results. Oilseeds Processing results in Asia increased $46 million to $229 million due principally to improved equity earnings of Wilmar International Limited.

Corn Processing operating profit increased $386 million to $582 million. Bioproducts operating profit increased $327 million due to improved sales volumes and improved ethanol margins resulting from lower net corn costs, decreased manufacturing costs, and increased demand due to favorable gasoline blending economics. Sweeteners and starches operating profit increased $59 million due to lower net corn and manufacturing costs partially offset by lower sales volumes.

Agricultural Services operating profit decreased $521 million to $490 million. Merchandising and handling results decreased $447 million. Enhanced volume and margin opportunities created by last year's volatile commodity markets and tight credit markets did not recur. Transportation results decreased $74 million due to lower barge freight rates and decreased barge utilization levels resulting from weak U.S. economic conditions and the late, extended North American harvest.

Other operating profit increased $342 million to $327 million. Wheat, cocoa and malt operating profit increased $244 million due to increased equity earnings from the Company's investment in Gruma and improved global wheat milling margins partially offset by lower cocoa processing results. Other financial operating profit increased $98 million due primarily to the absence of losses experienced last year on managed fund investments and captive insurance operations.

Corporate results decreased $606 million. LIFO inventory valuations decreased $65 million this year compared to a $571 million decrease last year. Interest expense – net increased $80 million reflecting a reduction in corporate interest income caused by lower short-term rates and lower working capital requirements of the operating segments. Corporate costs increased $20 million primarily due to higher legal expenses and employee-related costs. The $75 million pretax charge on early extinguishment of debt relates to the $500 million debt repurchase in the third quarter of 2010. Other is more favorable in the current year due to lower current year expense for the elimination of after-tax earnings of mandatorily redeemable interests in consolidated subsidiaries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company's effective income tax rate for this year was 27.6% as compared to 33.4% in the prior year. In the prior year, the Company recorded a $97 million deferred income tax charge related to the partial restructuring of the holding company structure through which the Company holds a portion of its equity investment in Wilmar International Limited (WIL). Excluding the $97 million deferred income tax expense, the Company's effective income tax rate for the prior year was 29.5%. The decrease in the Company's effective income tax rate in the current year is primarily due to changes in the geographic mix of pretax earnings and the recognition of certain foreign currency benefits. See Note 7 for additional information related to the finalization of the restructuring of the holding company structure related to the Company's equity investment in WIL and certain income tax matters in Brazil, which could negatively impact future income tax expense.

Liquidity and Capital Resources

The Company's key financial objectives include having sufficient liquidity, balance sheet strength, and financial flexibility to fund the operating and capital requirements of a capital intensive agricultural-based commodity business.

At March 31, 2010, the Company had $2.1 billion of cash, cash equivalents, and short-term marketable securities and a current ratio, defined as current assets divided by current liabilities, of 2.1 to 1. Included in working capital is $5.6 billion of readily marketable commodity inventories. Cash provided by operating activities totaled $2.8 billion for the nine months compared to $5.9 billion the same period last year. Cash provided by operating activities in the prior year benefited from a reduction in working capital requirements principally related to decreasing agricultural commodity market prices. Cash used in investing activities of $1.2 billion for the nine months was comparable to the same period last year. Cash used in financing activities was $958 million for the nine months compared to $3.3 billion the same period last year due principally to a decrease in repayments of commercial paper borrowings partially offset by the repurchase of $500 million in aggregate principal amount of outstanding debentures. Net short-term borrowings decreased primarily as a result of decreased working capital requirements.

At March 31, 2010, the Company had lines of credit totaling $6.0 billion, of which $5.9 billion were unused. Of the Company's total lines of credit, $4.2 billion support a commercial paper borrowing facility, against which there were no borrowings at March 31, 2010.

Capital resources remained strong as reflected by the Company's net worth of $14.8 billion. The Company's ratio of long-term debt to total capital (the sum of the Company's long-term debt and shareholders' equity) was 32% at March 31, 2010 and 36% at June 30, 2009. This ratio is a measure of the Company's long-term liquidity and is an indicator of financial flexibility.

Contractual Obligations and Commercial Commitments

The Company's purchase obligations as of March 31, 2010 were $9.7 billion. As of March 31, 2010, the Company expects to make payments related to purchase obligations of $8.8 billion within the next twelve months, principally related to obligations to purchase agricultural commodity inventories. There were no other material changes in the Company's contractual obligations and off balance sheet arrangements during the nine months ended March 31, 2010.

Critical Accounting Policies

There were no material changes in the Company's critical accounting policies during the nine months ended March 31, 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in: commodity prices as they relate to the Company's net commodity position; marketable equity security prices; foreign currency exchange rates; and interest rates. Significant changes in market risk sensitive instruments and positions for the quarter ended March 31, 2010 are described below. There were no material changes during the quarter in the Company's potential loss arising from changes in marketable equity securities, foreign currency exchange rates, and interest rates.

For detailed information regarding the Company's market risk sensitive instruments and positions, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" included in the Company's annual report on Form 10-K for the year ended June 30, 2009.

Commodities

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, global government farm programs and policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position. The Company's daily net commodity position consists of inventories, related purchase and sale contracts, and exchange-traded futures and exchange-traded and over-the-counter option contracts, including those used to hedge portions of production requirements. The fair value of such position is a summation of the fair values calculated for each commodity by valuing each net position based on quoted futures prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical ten percent adverse change in such prices. Actual results may differ.

	Nine months ended March 31, 2010		Year ended June 30, 2009	
Long/(Short)	Fair Value	Market Risk	Fair Value	Market Risk
	(In millions)			
Highest position	$ 216	$ 22	$ 845	$ 85
Lowest position	(667)	(67)	(1,342)	(134)
Average position	(236)	(24)	(392)	(39)

The change in fair value of the average position was principally the result of an increase in quantities underlying the daily net commodity position.

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 2010, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (b) accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. There was no change in the Company's internal controls over financial reporting during

the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to routine proceedings that arise in the course of its business. The Company is not currently a party to any legal proceeding or environmental claim that it believes would have a material adverse effect on its financial position, results of operations, or liquidity.

ITEM 1A. RISK FACTORS

There were no significant changes in the Company's risk factors during the three months ended March 31, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Number of Shares Remaining that May be Purchased Under the Program (2)
January 1, 2010 to January 31, 2010	127	$ 30.846	127	99,999,873
February 1, 2010 to February 28, 2010	13,250	30.438	173	99,999,700
March 1, 2010 to March 31, 2010	8,971	28.623	104	99,999,596
Total	22,348	$ 29.712	404	99,999,596

(1) Total shares purchased represents those shares purchased as part of the Company's publicly announced share repurchase program described below, shares received as payment of the exercise price for stock option exercises, and shares received as payment of the withholding taxes on vested restricted stock grants.

(2) On November 5, 2009, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 100,000,000 shares of the Company's common stock during the period commencing January 1, 2010 and ending December 31, 2014.

ITEM 6. EXHIBITS

(3)(i) Composite Certificate of Incorporation, as amended, filed on November 13, 2001 as Exhibit 3(i) to Form 10-Q for the quarter ended September 30, 2001 (File No. 1-44), is incorporated herein by reference.

(ii) Bylaws, as amended, filed on February 9, 2009 as Exhibit 3(ii) to Form 10-Q for the quarter ended December 31, 2008 (File No. 1-44), is incorporated herein by reference.

(31.1) Certification of Chief Executive Officer pursuant to Rule 13a–14(a) and Rule 15d–14(a) of the Securities Exchange Act, as amended.

(31.2) Certification of Chief Financial Officer pursuant to Rule 13a–14(a) and Rule 15d–14(a) of the Securities Exchange Act, as amended.

(32.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(101) Interactive Data File

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARCHER-DANIELS-MIDLAND COMPANY

/s/ S. R. Mills
S. R. Mills
Executive Vice President and
Chief Financial Officer

/s/ D. J. Smith
D. J. Smith
Executive Vice President, Secretary and
General Counsel

Dated: May 7, 2010