

ARCHER DANIELS MIDLAND CO  
Form 10-Q  
November 01, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR  
 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 (I. R. S. Employer  
incorporation or organization) Identification No.)

77 West Wacker Drive, Suite 4600  
Chicago, Illinois 60601  
(Address of principal executive offices) (Zip Code)

(312) 634-8100  
(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  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  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  Accelerated Filer

Non-accelerated Filer  Smaller reporting Company

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

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 – 575,399,675 shares  
(October 31, 2016)

PART I - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
Archer-Daniels-Midland Company

Consolidated Statements of Earnings  
(Unaudited)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015	2015	2015	2015
	(In millions, except per share amounts)			
Revenues	\$15,832	\$16,565	\$45,845	\$51,257
Cost of products sold	14,727	15,476	43,187	48,102
Gross Profit	1,105	1,089	2,658	3,155
Selling, general, and administrative expenses	561	519	1,575	1,550
Asset impairment, exit, and restructuring costs	11	65	36	96
Interest expense	78	69	213	235
Equity in losses (earnings) of unconsolidated affiliates	2	(61)	(153)	(287)
Interest income	(23)	(13)	(68)	(52)
Other (income) expense – net	(4)	143	(138)	30
Earnings Before Income Taxes	480	367	1,193	1,583
Income taxes	136	114	331	454
Net Earnings Including Noncontrolling Interests	344	253	862	1,129
Less: Net earnings (losses) attributable to noncontrolling interests	3	1	7	(2)
Net Earnings Attributable to Controlling Interests	\$341	\$252	\$855	\$1,131
Average number of shares outstanding – basic	586	612	591	624
Average number of shares outstanding – diluted	589	615	593	627
Basic earnings per common share	\$0.58	\$0.41	\$1.45	\$1.81
Diluted earnings per common share	\$0.58	\$0.41	\$1.44	\$1.80
Dividends per common share	\$0.30	\$0.28	\$0.90	\$0.84

See notes to consolidated financial statements.

## Archer-Daniels-Midland Company

Consolidated Statements of Comprehensive Income (Loss)  
(Unaudited)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(In millions)			
Net earnings including noncontrolling interests	\$344	\$253	\$862	\$1,129
Other comprehensive income (loss):				
Foreign currency translation adjustment	(41 )	(175 )	(57 )	(700 )
Tax effect	5	3	18	29
Net of tax amount	(36 )	(172 )	(39 )	(671 )
Pension and other postretirement benefit liabilities adjustment	11	35	27	73
Tax effect	(4 )	(8 )	(7 )	(27 )
Net of tax amount	7	27	20	46
Deferred gain (loss) on hedging activities	1	(46 )	(10 )	(64 )
Tax effect	3	13	3	25
Net of tax amount	4	(33 )	(7 )	(39 )
Unrealized gain (loss) on investments	(28 )	20	(16 )	43
Tax effect	1	1	(2 )	(1 )
Net of tax amount	(27 )	21	(18 )	42
Other comprehensive income (loss)	(52 )	(157 )	(44 )	(622 )
Comprehensive income (loss) including noncontrolling interests	292	96	818	507
Less: Comprehensive income (loss) attributable to noncontrolling interests	3	1	7	(3 )
Comprehensive income (loss) attributable to controlling interests	\$289	\$95	\$811	\$510

See notes to consolidated financial statements.

## Archer-Daniels-Midland Company

## Consolidated Balance Sheets

(In millions)	September 30, 2016 (Unaudited)	December 31, 2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 701	\$ 910
Short-term marketable securities	256	438
Segregated cash and investments	5,397	5,214
Trade receivables	2,253	1,738
Inventories	7,228	8,243
Other current assets	4,708	5,286
<b>Total Current Assets</b>	<b>20,543</b>	<b>21,829</b>
<b>Investments and Other Assets</b>		
Investments in and advances to affiliates	4,497	3,901
Long-term marketable securities	462	439
Goodwill and other intangible assets	3,852	3,688
Other assets	646	447
<b>Total Investments and Other Assets</b>	<b>9,457</b>	<b>8,475</b>
<b>Property, Plant, and Equipment</b>		
Land	457	454
Buildings	4,754	4,715
Machinery and equipment	17,353	17,159
Construction in progress	1,091	946
	23,655	23,274
Accumulated depreciation	(13,802)	(13,421)
<b>Net Property, Plant, and Equipment</b>	<b>9,853</b>	<b>9,853</b>
<b>Total Assets</b>	<b>\$ 39,853</b>	<b>\$ 40,157</b>
<b>Liabilities, Temporary Equity, and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ 207	\$ 86
Trade payables	2,927	3,474
Payables to brokerage customers	5,480	5,820
Accrued expenses and other payables	3,851	4,113
Current maturities of long-term debt	272	12
<b>Total Current Liabilities</b>	<b>12,737</b>	<b>13,505</b>
<b>Long-Term Liabilities</b>		
Long-term debt	6,594	5,779
Deferred income taxes	1,642	1,563
Other	1,284	1,395
<b>Total Long-Term Liabilities</b>	<b>9,520</b>	<b>8,737</b>

Temporary Equity - Redeemable noncontrolling interest	40	—
Shareholders' Equity		
Common stock	2,536	3,180
Reinvested earnings	17,192	16,865
Accumulated other comprehensive income (loss)	(2,190	) (2,146 )
Noncontrolling interests	18	16
Total Shareholders' Equity	17,556	17,915
Total Liabilities, Temporary Equity, and Shareholders' Equity	\$ 39,853	\$ 40,157

See notes to consolidated financial statements.

## Archer-Daniels-Midland Company

Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended September 30, 2016 2015 (In millions)	
<b>Operating Activities</b>		
Net earnings including noncontrolling interests	\$862	\$1,129
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	678	658
Asset impairment charges	28	68
Deferred income taxes	36	5
Equity in earnings of affiliates, net of dividends	25	(64 )
Stock compensation expense	58	64
Pension and postretirement accruals (contributions), net	(59 )	(154 )
Deferred cash flow hedges	(10 )	(64 )
Gains on sales of assets/revaluations	(117 )	(139 )
Other – net	60	(16 )
Changes in operating assets and liabilities		
Segregated cash and investments	(94 )	(303 )
Trade receivables	(463 )	495
Inventories	1,053	1,687
Other current assets	(415 )	(153 )
Trade payables	(554 )	(1,198 )
Payables to brokerage customers	355	(36 )
Accrued expenses and other payables	(287 )	(881 )
<b>Total Operating Activities</b>	<b>1,156</b>	<b>1,098</b>
<b>Investing Activities</b>		
Purchases of property, plant, and equipment	(621 )	(819 )
Proceeds from sales of business and assets	104	594
Net assets of businesses acquired	(136 )	(83 )
Purchases of marketable securities	(1,127 )	(821 )
Proceeds from sales of marketable securities	1,162	943
Investments in and advances to affiliates	(628 )	(126 )
Distributions from affiliates	11	2
Other – net	4	3
<b>Total Investing Activities</b>	<b>(1,231)</b>	<b>(307 )</b>
<b>Financing Activities</b>		
Long-term debt borrowings	1,036	1,246
Long-term debt payments	(9 )	(965 )
Net borrowings (payments) under lines of credit agreements	107	834
Purchases of treasury stock	(754 )	(1,788 )
Cash dividends	(528 )	(520 )

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Acquisition of noncontrolling interest	(17 )	—
Other – net	31	23
Total Financing Activities	(134 )	(1,170 )
Increase (decrease) in cash and cash equivalents	(209 )	(379 )
Cash and cash equivalents beginning of period	910	1,099
Cash and cash equivalents end of period	\$701	\$720

See notes to consolidated financial statements.

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## Archer-Daniels-Midland-Company

Consolidated Statement of Shareholders' Equity  
(Unaudited)

	Common Stock Shares	Amount	Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity
	(In millions)					
Balance, December 31, 2015	595	\$3,180	\$ 16,865	\$ (2,146 )	\$ 16	\$ 17,915
Comprehensive income						
Net earnings			855		7	
Other comprehensive income (loss)				(44 )	—	
Total comprehensive income						818
Cash dividends paid- \$0.90 per share			(528 )			(528 )
Treasury stock purchases	(19 )	(754 )				(754 )
Stock compensation expense	1	58				58
Other	1	52	—	—	(5 )	47
Balance, September 30, 2016	578	\$2,536	\$ 17,192	\$ (2,190 )	\$ 18	\$ 17,556

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 audited 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-month period ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company consolidates all entities, including variable interest entities (VIEs), in which it has a controlling financial interest. For VIEs, the Company assesses whether it is the primary beneficiary as defined under the applicable accounting standard. Investments in affiliates, including VIEs through which the Company exercises significant influence but does not control the investee and is not the primary beneficiary of the investee's activities, are carried at cost plus equity in undistributed earnings since acquisition and are adjusted, where appropriate, for basis differences between the investment balance and the underlying net assets of the investee. The Company's portion of the results of certain affiliates and results of certain VIEs are included using the most recent available financial statements. In each case, the financial statements are within 93 days of the Company's year end and are consistent from period to period.

Reclassification

The Company classified \$17 million and \$53 million of intangible amortization in selling, general, and administrative expenses in the quarter and nine months ended September 30, 2016, respectively. Prior period amounts of \$8 million and \$22 million in the quarter and nine months ended September 30, 2015, respectively, have been reclassified from other (income) expense - net to conform to the current presentation.

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 January 1, 2016, the Company adopted the amended guidance of Accounting Standards Codification (ASC) Topic 805, Business Combinations, which simplifies the accounting for adjustments made to provisional amounts

recognized in a business combination. The amended guidance requires an acquirer to recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date, shall be recorded in the same period's financial statements. The amended guidance also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The adoption of this amended guidance did not have a significant impact on the Company's financial results.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

Note 2. New Accounting Standards (Continued)

Effective January 1, 2016, the Company adopted Accounting Standards Update 2016-09, which amended the guidance of ASC Topic 718, Compensation - Stock Compensation, to simplify the accounting for share-based payment award transactions. The areas of simplification include the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The adoption of this amended guidance did not have a significant impact on the Company's financial results.

Note 3. Pending Accounting Standards

Effective January 1, 2017, the Company will be required to adopt the amended guidance of ASC Topic 330, Inventory, which simplifies the measurement of inventory. The amended guidance requires an entity to measure its cost-based inventory at the lower of cost or net realizable value, where net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company does not expect the adoption of this amended guidance to have a significant impact on the Company's financial results.

Effective January 1, 2017, the Company will be required to adopt the amended guidance of ASC Topic 323, Investments - Equity Method and Joint Ventures, which simplifies the transition to the equity method of accounting. The amended guidance eliminates the requirement of an investor to adjust the investment, results of operations, and retained earnings retroactively when an investment qualifies for equity method accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments require that the investor add the cost of acquiring the additional interest in the investee to the current basis of the investors' previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The Company does not expect the adoption of this amended guidance to have a significant impact on the Company's financial results.

Effective January 1, 2018, the Company will be required to adopt the new guidance of ASC Topic 606, Revenue from Contracts with Customers (Topic 606), which will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition. Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance requires the Company to apply the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation. The Company will be required to adopt Topic 606 either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application. The Company will adopt Topic 606 on a modified retrospective basis and will be required to provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period, as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes. The adoption of this new guidance will require expanded disclosures in the Company's consolidated financial statements. The Company expects to complete its assessment of the financial impact of the new guidance on its consolidated financial statements by the end of 2016.

Effective January 1, 2018, the Company will be required to adopt the amended guidance of ASC Subtopic 825-10, Financial Instruments - Overall, which is intended to improve the recognition and measurement of financial

instruments. The amended guidance requires an entity to measure equity investments, except those accounted for under the equity method of accounting or those that result in consolidation of the investee, at fair value with changes in fair value recognized in net income and simplify the impairment assessment of equity investments without readily determinable fair values by using a qualitative assessment to identify impairment. The Company does not expect the adoption of this amended guidance to have a significant impact on the Company's financial results.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

Note 3. Pending Accounting Standards (Continued)

Effective January 1, 2018, the Company will be required to adopt the amended guidance of ASC 230, Statement of Cash Flows (Topic 230), which is intended to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on debt prepayments or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. Early adoption is permitted. The Company does not expect to have significant changes on its consolidated statements of cash flows when it adopts the amended guidance on October 1, 2016.

Effective January 1, 2019, the Company will be required to adopt the new guidance of ASC Topic 842, Leases (Topic 842), which will supersede ASC Topic 840, Leases. Topic 842 requires lessees to recognize assets and liabilities for all leases with lease terms of more than 12 months. The Company expects to adopt Topic 842 using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company has not yet completed the assessment of the impact of the new guidance on its consolidated financial statements.

Effective January 1, 2020, the Company will be required to adopt the amended guidance of Topic 326, Financial Instruments - Credit Losses, which is intended to improve financial reporting by requiring more timely recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The amended guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Early adoption will be permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company does not expect the adoption of this amended guidance to have a significant impact on the Company's financial results.

Note 4. Acquisitions

During the nine months ended September 30, 2016, the Company acquired a 90% interest in Harvest Innovations, an industry leader in minimally processed, expeller-pressed soy proteins, oils, and gluten-free ingredients; a 50% interest in Cairo-based Medsofts Group, a joint venture that owns and manages merchandising and supply chain operations; Caterina Foods, a leading toll manufacturer of specialty gluten-free and high-protein pastas; and a Casablanca, Morocco-based corn wet mill that produces glucose and native starch for an aggregate cost of \$136 million in cash and recorded preliminary allocations of purchase prices related to the acquisitions. The aggregate purchase price of these acquisitions, net of cash acquired of \$11 million, was preliminarily allocated to working capital, property, plant, and equipment, goodwill, other intangible assets, other long-term assets, other long-term liabilities, and redeemable noncontrolling interest for \$15 million, \$23 million, \$70 million, \$41 million, \$42 million, \$17 million, and \$38 million, respectively.

The remaining 10% interest in Harvest Innovations is recorded in other long-term liabilities and accounted for as a mandatorily redeemable interest which the Company has agreed to acquire following two years of operations.

In April 2016, the Company acquired a 50% interest in Medsofts Group. The Company has an option three years from the date of acquisition to acquire the remaining 50% interest in Medsofts Group based on a fixed multiple of earnings before taxes, interest, and depreciation and amortization for the last twelve months of this three-year period. If the Company does not elect to exercise its option, the noncontrolling interest holder has the option to put the 50% interest to the Company on similar, though discounted, terms. The Company records the 50% remaining interest in temporary equity - redeemable noncontrolling interest.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements

The following tables set forth, by level, the Company's assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2016 and December 31, 2015.

Fair Value Measurements at September 30,  
2016

	Quoted Prices in Active Markets for Identical Assets (Level 1) (In millions)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Inventories carried at market	\$—	\$ 2,533	\$ 1,164	\$3,697
Unrealized derivative gains:				
Commodity contracts	4	491	204	699
Foreign exchange contracts	—	55	—	55
Interest rate contracts	—	28	—	28
Cash equivalents	249	—	—	249
Marketable securities	647	71	—	718
Segregated investments	1,878	—	—	1,878
Deferred receivables consideration	—	661	—	661
<b>Total Assets</b>	<b>\$2,778</b>	<b>\$ 3,839</b>	<b>\$ 1,368</b>	<b>\$7,985</b>
<b>Liabilities:</b>				
Unrealized derivative losses:				
Commodity contracts	\$—	\$ 557	\$ 118	\$675
Foreign exchange contracts	—	99	—	99
Inventory-related payables	—	394	15	409
<b>Total Liabilities</b>	<b>\$—</b>	<b>\$ 1,050</b>	<b>\$ 133</b>	<b>\$1,183</b>

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements (Continued)

Fair Value Measurements at December 31,  
2015

	Quoted Prices in Active Markets for Identical Assets (Level 1) (In millions)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventories carried at market	\$—	\$ 3,062	\$ 1,004	\$4,066
Unrealized derivative gains:				
Commodity contracts	—	403	243	646
Foreign exchange contracts	1	92	—	93
Interest rate contracts	—	19	—	19
Cash equivalents	328	—	—	328
Marketable securities	698	175	—	873
Segregated investments	1,938	—	—	1,938
Deferred receivables consideration	—	513	—	513
Total Assets	\$2,965	\$ 4,264	\$ 1,247	\$8,476
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	\$—	\$ 306	\$ 113	\$419
Foreign exchange contracts	—	186	—	186
Inventory-related payables	—	705	16	721
Total Liabilities	\$—	\$ 1,197	\$ 129	\$1,326

Estimated fair 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. Market valuations for the Company's inventories are adjusted for location and quality because the exchange-quoted prices represent contracts that have standardized terms for commodity, quantity, future delivery period, delivery location, and commodity quality or grade. When unobservable inputs have a significant impact on the measurement of fair value, the inventory is classified in Level 3. Changes in the fair 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 5. Fair Value Measurements (Continued)

Derivative contracts include exchange-traded commodity futures and options contracts, forward commodity purchase and sale contracts, and OTC instruments related primarily to agricultural commodities, energy, interest rates, 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. The majority of the Company's exchange-traded futures and options contracts are cash-settled on a daily basis and, therefore, are not included in these tables. 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 contract, it is classified in Level 2. When unobservable inputs have a significant impact on the measurement of fair value, the contract is classified in Level 3. Except for certain derivatives designated as cash flow hedges, changes in the fair 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 value of foreign currency-related derivatives are recognized in the consolidated statements of earnings as a component of revenues, cost of products sold, or other (income) expense – net depending upon the purpose of the contract. The effective portions of changes in the fair value of derivatives designated as cash flow hedges are recognized in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) (AOCI) until the hedged items are recorded in earnings or it is probable the hedged transaction will no longer occur.

The Company's cash equivalents are comprised of money market funds valued using quoted market prices and are classified as Level 1.

The Company's marketable securities are comprised of equity investments, U.S. Treasury securities, corporate debt securities, and other debt securities. Publicly traded equity investments and U.S. Treasury securities are valued using quoted market prices and are classified in Level 1. Corporate debt and other debt securities are valued using third-party pricing services and substantially all are classified in Level 2. Unrealized changes in the fair value of available-for-sale marketable securities are recognized in the consolidated balance sheets as a component of AOCI unless a decline in value is deemed to be other-than-temporary at which point the decline is recorded in earnings.

The Company's segregated investments are comprised of U.S. Treasury securities. U.S. Treasury securities are valued using quoted market prices and are classified in Level 1.

The Company has deferred consideration under its accounts receivable securitization programs (the "Programs") which represents notes receivable from the purchasers under the Programs (see Note 16). This amount is reflected in other current assets on the consolidated balance sheet (see Note 8). The Company carries the deferred consideration at fair value determined by calculating the expected amount of cash to be received. The fair value is principally based on observable inputs (a Level 2 measurement) consisting mainly of the face amount of the receivables adjusted for anticipated credit losses and discounted at the appropriate market rate. Payment of deferred consideration is not subject to significant risks other than delinquencies and credit losses on accounts receivable transferred under the Programs, which have historically been insignificant.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2016.

	Level 3 Fair Value Asset Measurements at September 30, 2016		
	Inventory Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, June 30, 2016	\$1,099	\$ 153	\$1,252
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	(97 )	76	(21 )
Purchases	2,523	—	2,523
Sales	(2,529 )	—	(2,529 )
Settlements	—	(85 )	(85 )
Transfers into Level 3	206	66	272
Transfers out of Level 3	(38 )	(6 )	(44 )
Ending balance, September 30, 2016	\$1,164	\$ 204	\$1,368

\* Includes increase in unrealized gains of \$22 million relating to Level 3 assets still held at September 30, 2016.

The following table presents a reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2016.

	Level 3 Fair Value Liability Measurements at September 30, 2016		
	Inventory- related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, June 30, 2016	\$12	\$ 500	\$ 512
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	3	(1 )	2
Purchases	3	—	3
Sales	(3 )	—	(3 )
Settlements	—	(247 )	(247 )
Transfers into Level 3	—	33	33
Transfers out of Level 3	—	(167 )	(167 )

Ending balance, September 30, 2016	\$15	\$ 118	\$ 133
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\* Includes increase in unrealized losses of \$1 million relating to Level 3 liabilities still held at September 30, 2016.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2015.

	Level 3 Fair Value Asset Measurements at September 30, 2015		
	Inventory- Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, June 30, 2015	\$1,026	\$ 154	\$1,180
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	(106 )	74	(32 )
Purchases	2,652	—	2,652
Sales	(2,695 )	—	(2,695 )
Settlements	—	(45 )	(45 )
Transfers into Level 3	169	43	212
Transfers out of Level 3	(116 )	(24 )	(140 )
Ending balance, September 30, 2015	\$930	\$ 202	\$1,132

\* Includes increase in unrealized gains of \$62 million relating to Level 3 assets still held at September 30, 2015.

The following table presents a reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2015.

	Level 3 Fair Value Liability Measurements at September 30, 2015		
	Inventory- related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, June 30, 2015	\$13	\$ 363	\$ 376
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	18	(8 )	10
Purchases	3	—	3
Settlements	—	(219 )	(219 )
Transfers into Level 3	—	26	26
Transfers out of Level 3	—	(8 )	(8 )
Ending balance, September 30, 2015	\$34	\$ 154	\$ 188

\* Includes increase in unrealized losses of \$12 million relating to Level 3 liabilities still held at September 30, 2015.

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## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2016.

	Level 3 Fair Value Asset Measurements at September 30, 2016		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2015	\$1,004	\$ 243	\$1,247
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	(210 )	171	(39 )
Purchases	7,565	—	7,565
Sales	(7,272 )	—	(7,272 )
Settlements	—	(302 )	(302 )
Transfers into Level 3	206	132	338
Transfers out of Level 3	(129 )	(40 )	(169 )
Ending balance, September 30, 2016	\$1,164	\$ 204	\$1,368

\* Includes increase in unrealized gains of \$36 million relating to Level 3 assets still held at September 30, 2016.

The following table presents a reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2016.

	Level 3 Fair Value Liability Measurements at September 30, 2016		
	Inventories related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2015	\$16	\$ 113	\$ 129
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	5	494	499
Purchases	5	—	5
Sales	(11 )	—	(11 )
Settlements	—	(392 )	(392 )
Transfers into Level 3	—	115	115
Transfers out of Level 3	—	(212 )	(212 )
Ending balance, September 30, 2016	\$15	\$ 118	\$ 133

\* Includes increase in unrealized losses of \$499 million relating to Level 3 liabilities still held at September 30, 2016.



## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2015.

	Level 3 Fair Value Asset Measurements at September 30, 2015		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2014	\$1,491	\$ 203	\$1,694
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	(423 )	183	(240 )
Purchases	8,319	—	8,319
Sales	(8,388 )	—	(8,388 )
Settlements	—	(306 )	(306 )
Transfers into Level 3	169	156	325
Transfers out of Level 3	(238 )	(34 )	(272 )
Ending balance, September 30, 2015	\$930	\$ 202	\$1,132

\* Includes increase in unrealized gains of \$267 million relating to Level 3 assets still held at September 30, 2015

The following table presents a reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2015.

	Level 3 Fair Value Liability Measurements at September 30, 2015		
	Inventories related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2014	\$40	\$ 212	\$ 252
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	8	271	279
Purchases	15	—	15
Sales	(29 )	—	(29 )
Settlements	—	(468 )	(468 )
Transfers into Level 3	—	161	161
Transfers out of Level 3	—	(22 )	(22 )
Ending balance, September 30, 2015	\$34	\$ 154	\$ 188

\* Includes increase in unrealized losses of \$283 million relating to Level 3 liabilities still held at September 30, 2015

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 5. Fair Value Measurements (Continued)

For all periods presented, the Company had no transfers between Level 1 and 2. Transfers into Level 3 of assets and liabilities previously classified in Level 2 were due to the relative value of unobservable inputs to the total fair value measurement of certain products and 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 of certain products and derivative contracts falling below the 10% threshold and thus permitting reclassification to Level 2.

In some cases, the price components that result in differences between exchange-traded prices and local prices for inventories and commodity purchase and sale contracts are observable based upon available quotations for these pricing components, and in some cases, the differences are unobservable. These price components primarily include transportation costs and other adjustments required due to location, quality, or other contract terms. In the table below, these other adjustments are referred to as Basis. The changes in unobservable price components are determined by specific local supply and demand characteristics at each facility and the overall market. Factors such as substitute products, weather, fuel costs, contract terms, and futures prices also impact the movement of these unobservable price components.

The following table sets forth the weighted average percentage of the unobservable price components included in the Company's Level 3 valuations as of September 30, 2016 and December 31, 2015. The Company's Level 3 measurements may include Basis only, transportation cost only, or both price components. As an example, for Level 3 inventories with Basis, the unobservable component as of September 30, 2016 is a weighted average 17.9% of the total price for assets and 60.7% of the total price for liabilities.

Component Type	Weighted Average % of Total Price			
	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Inventories and Related Payables				
Basis	17.9%	60.7 %	10.0%	53.5 %
Transportation cost	4.8 %	2.3 %	1.8 %	—
Commodity Derivative Contracts				
Basis	20.4%	32.3 %	17.7%	17.9 %
Transportation cost	7.8 %	11.8 %	6.6 %	10.4 %

In certain of the Company's principal markets, the Company relies on price quotes from third parties to value its inventories and physical commodity purchase and sale contracts. These price quotes are generally not further adjusted by the Company in determining the applicable market price. In some cases, availability of third-party quotes is limited to only one or two independent sources. In these situations, absent other corroborating evidence, the Company considers these price quotes as 100% unobservable and, therefore, the fair value of these items is reported in Level 3.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 6. Derivative Instruments and Hedging Activities

## Derivatives Not Designated as Hedging Instruments

The majority of the Company's derivative instruments have not been designated as hedging instruments. The Company uses exchange-traded futures and exchange-traded and OTC options contracts to manage its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts to reduce price risk caused by market fluctuations in agricultural commodities and foreign currencies. 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 correlation between the value of exchange-traded commodities futures contracts and the value of the underlying commodities, counterparty contract defaults, and volatility of freight markets. Derivatives, including exchange-traded contracts and physical purchase or sale contracts, are stated at market value and inventories of certain merchandisable agricultural commodities, which include amounts acquired under deferred pricing contracts, are stated at market value. Changes in the market value of inventories of certain merchandisable agricultural commodities, forward cash purchase and sales contracts, exchange-traded futures and exchange-traded and OTC options contracts are recognized in earnings immediately. Inventory is not a derivative and therefore fair values of and changes in fair values of inventories are not included in the tables below.

The following table sets forth the fair value of derivatives not designated as hedging instruments as of September 30, 2016 and December 31, 2015.

	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
FX Contracts	\$55	\$ 99	\$ 93	\$ 186
Commodity Contracts	699	675	646	419
Total	\$754	\$ 774	\$ 739	\$ 605

The following tables set forth the pre-tax gains (losses) on derivatives not designated as hedging instruments that have been included in the consolidated statements of earnings for the three and nine months ended September 30, 2016 and 2015.

	Three months ended September 30, 2016 2015 (In millions)	
FX Contracts		
Revenues	\$(19)	\$18
Cost of products sold	1	(200)
Other income (expense) – net	(3)	59

Commodity Contracts

Cost of products sold	369	586
Total gain (loss) recognized in earnings	\$348	\$463

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## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 6. Derivative Instruments and Hedging Activities (Continued)

	Nine months ended September 30, 2016 2015 (In millions)	
FX Contracts		
Revenues	\$(32 )	\$26
Cost of products sold	263	(263 )
Other income (expense) – net	(108 )	67
Commodity Contracts		
Cost of products sold	(266 )	573
Total gain (loss) recognized in earnings	\$(143)	\$403

## Derivatives Designated as Cash Flow or Fair Value Hedging Strategies

As of September 30, 2016 and December 31, 2015, the Company has certain derivatives designated as cash flow and fair value hedges.

The Company uses interest rate swaps designated as fair value hedges to protect the fair value of fixed-rate debt due to changes in interest rates. The changes in the fair value of the interest rate swaps and the underlying fixed-rate debt are recorded in other (income) expense - net. The terms of the interest rate swaps match the terms of the underlying debt resulting in no ineffectiveness. At September 30, 2016, the Company has \$28 million in other current assets representing the fair value of the interest rate swaps and a corresponding increase in the underlying debt for the same amount with no impact to earnings.

For each of the commodity hedge programs described below, the derivatives are designated as cash flow hedges. Assuming normal market conditions, 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 are reclassified from AOCI to either revenues or cost of products sold, as applicable. As of September 30, 2016, the Company has \$39 million of after-tax losses in AOCI related to gains and losses from commodity cash flow hedge transactions. The Company expects to recognize \$35 million of these after-tax losses in its consolidated statement of earnings during the next 12 months.

The Company 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 76 million bushels of corn per month. During the past 12 months, the Company hedged between 16% and 66% of its monthly anticipated grind. At September 30, 2016, the Company has designated hedges representing between 14% and 62% of its anticipated monthly grind of corn for the next 12 months.

The Company, from time to time, also uses futures, options, and swaps to fix the sales price of certain ethanol sales contracts. The Company has established hedging programs for ethanol sales contracts that are indexed to unleaded gasoline prices and to various exchange-traded ethanol contracts. The objective of these hedging programs is to reduce the variability of cash flows associated with the Company's sales of ethanol. During the past 12 months, the Company

hedged between 0 and 93 million gallons of ethanol sales per month under these programs. At September 30, 2016, the Company has designated hedges representing between 0 and 66 million gallons of ethanol sales per month over the next 12 months.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 6. Derivative Instruments and Hedging Activities (Continued)

The following table sets forth the fair value of derivatives designated as hedging instruments as of September 30, 2016 and December 31, 2015.

	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Interest Contracts	\$28	\$	—	\$ 19
Total	\$28	\$	—	\$ 19

The following tables set forth the pre-tax gains (losses) on derivatives designated as hedging instruments that have been included in the consolidated statements of earnings for the three and nine months ended September 30, 2016 and 2015.

	Consolidated Statement of Earnings Locations		Three months ended September 30, 2016 2015 (In millions)	
Effective amounts recognized in earnings				
FX Contracts	Other income/expense – net		\$(3 )	\$6
Interest Contracts	Interest expense		(2 )	—
Commodity Contracts	Cost of products sold		(37 )	2
	Revenues		(9 )	4
Ineffective amount recognized in earnings				
Commodity Contracts	Revenues		(1 )	(1 )
	Cost of products sold		1	1
Total amount recognized in earnings			\$(51)	\$12
	Consolidated Statement of Earnings Locations		Nine months ended September 30, 2016 2015 (In millions)	
Effective amounts recognized in earnings				
FX Contracts	Other income/expense – net		\$(25)	\$28
Interest Contracts	Interest expense		(2 )	—
Commodity Contracts	Cost of products sold		(61 )	(16 )
	Revenues		(14 )	49



Ineffective amount recognized in earnings

Commodity Contracts	Revenues	—	6
	Cost of products sold	5	(3 )
Interest Contracts	Other income/expense – net	—	1
Total amount recognized in earnings		\$(97)	\$65

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 6. Derivative Instruments and Hedging Activities (Continued)

Hedge ineffectiveness for commodity contracts results when the change in the price of the underlying commodity in a specific cash market differs from the change in the price of the derivative financial instrument used to establish the hedging relationship. As an example, if the change in the price of a corn futures contract is strongly correlated to the change in cash price paid for corn, the gain or loss on the derivative instrument is deferred and recognized at the time the corn grind occurs. If the change in price of the derivative does not strongly correlate to the change in the cash price of corn, in the same example, some portion or all of the derivative gains or losses may be required to be recognized in earnings prior to when the corn grind occurs.

## Net Investment Hedging Strategies

On June 24, 2015, the Company issued €500 million aggregate principal amount of Floating Rate Notes and €600 million aggregate principal amount of 1.75% Notes (collectively, the "Notes"). The Company has designated €1.1 billion of the Notes as a hedge of its net investment in a foreign subsidiary. As of September 30, 2016, the Company has \$11 million of losses in AOCI related to gains and losses from the net investment hedge transaction. The amount is deferred in AOCI until the underlying investment is divested.

## Note 7. Marketable Securities

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)			
September 30, 2016				
United States government obligations				
Maturity less than 1 year	\$253	\$ —	\$ —	\$ 253
Maturity 1 to 5 years	115	—	—	115
Corporate debt securities				
Maturity less than 1 year	2	—	—	2
Maturity 1 to 5 years	67	2	—	69
Other debt securities				
Maturity less than 1 year	1	—	—	1
Equity securities				
Available-for-sale	301	—	(23 )	278
	\$739	\$ 2	\$ (23 )	\$ 718

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)			
December 31, 2015				
United States government obligations				
Maturity less than 1 year	\$256	\$ —	\$ —	\$ 256
Maturity 1 to 5 years	116	—	—	116
Corporate debt securities				
Maturity 1 to 5 years	26	—	—	26
Other debt securities				
Maturity less than 1 year	182	—	—	182

Maturity 1 to 5 years	3	—	—	3
Equity securities				
Available-for-sale	296	4	(6	) 294
	\$879	\$ 4	\$ (6	) \$877

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 7. Marketable Securities (Continued)

The \$23 million in unrealized losses at September 30, 2016 arose within the last 12 months and is related to the Company's investment in one available-for-sale equity security with a fair value of \$296 million. The Company evaluated the near-term prospects of the issuer in relation to the severity and duration of the impairment. Based on that evaluation and the Company's ability and intent to hold this investment for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider this investment to be other-than-temporarily impaired at September 30, 2016.

For information on other-than temporary impairment charges, see Note 15.

## Note 8. Other Current Assets

The following table sets forth the items in other current assets:

	September 30, 2016	December 31, 2015
	(In millions)	
Unrealized gains on derivative contracts	\$782	\$ 758
Deferred receivables consideration	661	513
Customer omnibus receivable	504	1,148
Financing receivables - net <sup>(1)</sup>	301	352
Insurance premiums receivable	695	584
Prepaid expenses	214	406
Tax receivables	573	550
Non-trade receivables <sup>(2)</sup>	518	288
Other current assets	460	687
	\$4,708	\$ 5,286

<sup>(1)</sup> The Company provides financing to certain suppliers, primarily Brazilian farmers, to finance a portion of the suppliers' production costs. The amounts are reported net of allowances of \$8 million at September 30, 2016 and December 31, 2015. Interest earned on financing receivables of \$5 million and \$17 million for the three and nine months ended September 30, 2016 and 2015, is included in interest income in the consolidated statements of earnings.

<sup>(2)</sup> Non-trade receivables include \$250 million and \$272 million of reinsurance recoverables as of September 30, 2016 and December 31, 2015, respectively.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 9. Accrued Expenses and Other Payables

The following table sets forth the items in accrued expenses and other payables:

	September 30, 2016	December 31, 2015
	(In millions)	
Unrealized losses on derivative contracts	\$ 774	\$ 605
Reinsurance premiums payable	483	425
Insurance claims payable	408	459
Deferred income	873	1,152
Other accruals and payables	1,313	1,472
	\$3,851	\$ 4,113

## Note 10. Debt and Financing Arrangements

On August 11, 2016, the Company issued \$1.0 billion aggregate principal amount of 2.5% Notes due in 2026. Proceeds before expenses were \$993 million.

At September 30, 2016, the fair value of the Company's long-term debt exceeded the carrying value by \$1.4 billion, as estimated using quoted market prices (a Level 2 measurement under applicable accounting standards).

At September 30, 2016, the Company had lines of credit, including the accounts receivable securitization programs, totaling \$7.0 billion, of which \$6.1 billion was unused. Of the Company's total lines of credit, \$4.0 billion support a commercial paper borrowing facility, against which there was no commercial paper outstanding at September 30, 2016.

The Company has accounts receivable securitization programs (the "Programs"). The Programs provide the Company with up to \$1.5 billion in funding resulting from the sale of accounts receivable. As of September 30, 2016, the Company utilized \$0.7 billion of its facility under the Programs (see Note 16 for more information on the Programs).

## Note 11. Income Taxes

The Company's effective tax rate for the three and nine months ended September 30, 2016 was 28.3% and 27.7%, respectively, compared to 31.1% and 28.7% for the three and nine months ended September 30, 2015, respectively. The decrease in effective tax rate in the current quarter is due to changes in the forecasted geographic mix of pretax earnings, including the tax impact of portfolio actions.

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 positions taken by the Company related to 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 the applicable accounting

standard. However, the Company cannot predict or provide assurance as to the ultimate outcome of these ongoing or future examinations.

The Company's wholly-owned subsidiary, ADM do Brasil Ltda. (ADM do Brasil), has received three separate tax assessments from the Brazilian Federal Revenue Service (BFRS) challenging the tax deductibility of commodity hedging losses and related expenses for the tax years 2004, 2006, and 2007. As of September 30, 2016, these assessments, updated for estimated penalties, interest, and variation in currency exchange rates, totaled approximately \$455 million. The statute of limitations for 2005 and 2008 to 2010 has expired. The Company does not expect to receive any additional tax assessments.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

Note 11. Income Taxes (Continued)

ADM do Brasil enters into commodity hedging transactions that 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. The Company has evaluated its tax position regarding these hedging transactions and concluded, based 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 BFRS.

ADM do Brasil filed an administrative appeal for each of the assessments. The appeal panel found in favor of the BFRS on these assessments and ADM do Brasil filed a second level administrative appeal. The second administrative appeal panel continues to conduct customary procedural activities, including ongoing dialogue with the BFRS auditor. If ADM do Brasil continues to be unsuccessful in the administrative appellate process, the Company intends to file appeals in the Brazilian federal courts. While the Company believes 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 additional payments of, and expense for, income tax and the associated interest and penalties.

The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2010.

The Company's subsidiaries in Argentina have received tax assessments challenging transfer prices used to price grain exports totaling \$113 million (inclusive of interest and adjusted for variation in currency exchange rates) for the tax years 2004 through 2008. The Argentine tax authorities have been conducting a review of income and other taxes paid by large exporters and processors of cereals and other agricultural commodities resulting in allegations of income tax evasion. While the Company believes that it has complied with all Argentine tax laws, it cannot rule out receiving additional assessments challenging transfer prices used to price grain exports for years subsequent to 2008, and estimates that these potential assessments would be approximately \$159 million (as of September 30, 2016 and subject to variation in currency exchange rates). The Company believes that it has appropriately evaluated the transactions underlying these assessments, and has concluded, based on Argentine tax law, that its tax position would be sustained, and accordingly, has not recorded a tax liability for these assessments. The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2008.

In accordance with the accounting requirements for uncertain tax positions, the Company has not recorded an uncertain tax liability for these assessments because it has concluded that it is more likely than not to prevail on the Brazil and Argentina matters based upon their technical merits and because the taxing jurisdictions' processes do not provide a mechanism for settling at less than the full amount of the assessment. The Company's consideration of these tax assessments requires judgments about the application of income tax regulations to specific facts and circumstances. The final outcome of these matters cannot reliably be predicted, may take many years to resolve, and could result in financial impacts of up to the entire amount of these assessments.

The Company's wholly-owned subsidiary in the Netherlands, ADM Europe B.V., has received a tax assessment totaling approximately \$100 million from the Netherlands tax authority challenging the transfer pricing aspects of a 2009 business reorganization which involved two of its subsidiary companies in the Netherlands. The Company has appealed the assessment and carefully evaluated the underlying transactions and has concluded the amount of the gain recognized on the reorganization for tax purposes was appropriate. While the Company plans to vigorously defend its

position against the assessment, the Company recognizes that settlement of disputed items may be prudent in some limited situations to eliminate the risk, costs, and uncertainty of the litigation. Accordingly, the Company has accrued an amount it believes is appropriate to resolve the matter. If the Company is unable to reach an acceptable settlement with the Netherlands tax authorities, the Company's defense of its position, including appeal to the judicial level, may take an extended period of time, and could result in additional financial impacts of up to the entire amount of this assessment.



## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 12. Accumulated Other Comprehensive Income (AOCI)

The following tables set forth the changes in AOCI by component for the three and nine months ended September 30, 2016 and the reclassifications out of AOCI for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30, 2016				Total
	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	
	(In millions)				
Balance at June 30, 2016	\$(1,629)	\$ (26 )	\$ (510 )	\$ 27	\$(2,138)
Other comprehensive income (loss) before reclassifications	(39 )	(50 )	1	(22 )	(110 )
Amounts reclassified from AOCI	(2 )	51	10	(6 )	53
Tax effect	5	3	(4 )	1	5
Net current period other comprehensive income	(36 )	4	7	(27 )	(52 )
Balance at September 30, 2016	\$(1,665)	\$ (22 )	\$ (503 )	\$ —	\$(2,190)

	Nine months ended September 30, 2016				Total
	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	
	(In millions)				
Balance at December 31, 2015	\$(1,626)	\$ (15 )	\$ (523 )	\$ 18	\$(2,146)
Other comprehensive income before reclassifications	18	(112 )	(5 )	(10 )	(109 )
Amounts reclassified from AOCI	(75 )	102	32	(6 )	53
Tax effect	18	3	(7 )	(2 )	12
Net current period other comprehensive income	(39 )	(7 )	20	(18 )	(44 )
Balance at September 30, 2016	\$(1,665)	\$ (22 )	\$ (503 )	\$ —	\$(2,190)

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 12. Accumulated Other Comprehensive Income (AOCI) (Continued)

Details about AOCI components	Amount reclassified from AOCI				Affected line item in the consolidated statement of earnings
	Three months ended Sep 30, 2016	Three months ended Sep 30, 2015	Nine months ended Sep 30, 2016	Nine months ended Sep 30, 2015	
Foreign currency translation adjustment	\$(2 )	\$(29 )	\$(75 )	\$(29 )	Other income/expense Tax
	—	—	—	—	Net of tax
	\$(2 )	\$(29 )	\$(75 )	\$(29 )	
Deferred loss (gain) on hedging activities	\$37	\$(2 )	\$61	\$15	Cost of products sold
	2	—	2	—	Interest expense
	3	(6 )	25	(27 )	Other income/expense
	9	(4 )	14	(49 )	Revenues
	51	(12 )	102	(61 )	Total before tax
	(19 )	5	(38 )	23	Tax
	\$32	\$(7 )	\$64	\$(38 )	Net of tax
Pension liability adjustment Amortization of defined benefit pension items:					
Prior service credit	\$(5 )	\$(4 )	\$(12 )	\$(17 )	
Actuarial losses	15	19	44	61	
Settlement charges	—	15	—	15	Asset impairment, exit, and restructuring costs
	10	30	32	59	Total before tax
	(4 )	(7 )	(7 )	(24 )	Tax
	\$6	\$23	\$25	\$35	Net of tax
Unrealized loss on investments	\$6	\$—	\$6	\$—	Asset impairment, exit, and restructuring costs
	—	—	—	—	Tax
	\$6	\$—	\$6	\$—	Net of tax

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 13. Other (Income) Expense - Net

The following tables set forth the items in other (income) expense:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(In millions)			
Losses (Gains) on sales of assets/revaluations	\$7	\$(35)	\$(117)	\$(139)
Loss on debt extinguishment	—	189	—	189
Other – net	(11)	(11)	(21)	(20)
Other (Income) Expense - Net	\$(4)	\$143	\$(138)	\$30

Losses on sales of assets for the three months ended September 30, 2016 related principally to a \$5 million loss on the sale of an investment. Gains on sales of assets/revaluations for the nine months ended September 30, 2016 include realized additional consideration related to the sale of the Company's equity investment in Gruma S.A.B de C.V. in December 2012 of \$48 million, recovery of loss provisions and gain related to the sale of the Company's Brazilian sugar ethanol facilities of \$59 million, gain related to the revaluation of the remaining interest to settlement value in conjunction with the acquisition of the remaining interest in Amazon Flavors of \$12 million, a loss on sale of assets of \$10 million. Gains on sales of assets for the three months ended September 30, 2015 include a gain on sale of the global chocolate business, net of transaction expenses, of \$32 million. Gains on sales of assets/revaluations for the nine months ended September 30, 2015 include gain on the revaluation of the Company's previously held investments in North Star Shipping and Minmetal in conjunction with the acquisition of the remaining interest of \$27 million, gain on the sale of a 50% interest in the Barcarena export terminal facility in Brazil to Glencore plc of \$68 million, gain on the sale of the lactic business of \$6 million, and gain on the sale of the global chocolate business, net of transaction expenses, of \$32 million.

Loss on debt extinguishment for the three and nine months ended September 30, 2015 was related to the cash tender offers and redemption of certain of the Company's outstanding debentures.

Other - net for the three and nine months ended September 30, 2016 includes foreign exchange gains and other income partially offset by losses from foreign exchange derivative contracts. Other - net for the three months ended September 30, 2015 includes foreign exchange losses partially offset by gains from foreign exchange derivative contracts and other income. Other - net for the nine months ended September 30, 2015 includes gains from foreign exchange derivative contracts and other income partially offset by foreign exchange losses.

## Note 14. Segment Information

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products. The Company's operations are organized, managed, and classified into four reportable business segments: Agricultural Services, Corn Processing, Oilseeds Processing, and Wild Flavors and Specialty Ingredients. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable segments, as defined by the applicable accounting standard, and

are classified as Other.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 14. Segment Information (Continued)

The Agricultural Services segment utilizes its extensive global grain elevator and transportation networks, and port operations 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 and as raw materials for the agricultural processing industry. The Agricultural Services segment includes international agricultural commodities merchandising and handling activities managed through a global trade desk based in Rolle, Switzerland. Agricultural Services' grain sourcing, handling, and transportation network provides reliable and efficient services to the Company's customers and agricultural processing operations. Agricultural Services' transportation network capabilities include barge, ocean-going vessel, truck, and rail freight services. The Agricultural Services segment also includes the activities related to structured trade finance and the processing of wheat into wheat flour. This segment also includes the Company's 32.2% share of the results of its Pacificor (formerly Kalama Export Company LLC) joint venture and returns associated with the Company's 19.8% investment in GrainCorp. In April 2016, the Company acquired a 50% interest in Cairo-based Medsofts Group, a consolidated joint venture that owns and manages merchandising and supply chain operations.

The Company's Corn Processing segment is engaged in corn wet milling and dry milling activities, utilizing its asset base primarily located in the central part of the United States with additional facilities in China, Bulgaria, and Turkey. The Corn Processing segment converts corn into sweeteners, starches, and bioproducts. Its products include ingredients used in the food and beverage industry including sweeteners, starch, syrup, glucose, and dextrose. Dextrose and starch are used by the Corn Processing segment as feedstocks for its bioproducts operations. Through the fermentation of dextrose, the Corn Processing segment produces alcohol, amino acids, and other food and animal feed ingredients. Ethyl alcohol is produced by the Company for industrial use as ethanol or as beverage grade. Ethanol, in gasoline, increases octane and is used as an extender and oxygenate. Bioproducts also include essential amino acids such as lysine and threonine used in swine and poultry diets to optimize performance. Corn gluten feed and meal, as well as distillers' grains, are produced for use as animal feed ingredients. Corn germ, a by-product of the wet milling process, is further processed into vegetable oil and protein meal. The Corn Processing segment also includes activities related to the processing and distribution of formula feeds and animal health and nutrition products. Other Corn Processing products include citric acids and glycols, which are used in various food and industrial products. Additionally, the Corn Processing segment includes the activities of the Company's Brazilian sugarcane ethanol plant and related operations. This segment also includes the Company's share of the results of its equity investments in Almidones Mexicanos S.A. and Red Star Yeast Company LLC. The Company completed the sale of its sugarcane ethanol operations in Limeira do Oeste in the Brazilian state of Minas Gerais in May 2016 and acquired a Casablanca, Morocco-based corn wet mill that produces glucose and native starch from Tate & Lyle in June 2016.

The Oilseeds Processing segment includes global activities related to the origination, merchandising, crushing, and further processing of oilseeds such as soybeans and soft seeds (cottonseed, sunflower seed, canola, rapeseed, and flaxseed) into vegetable oils and protein meals. Oilseeds products produced and marketed by the Company include ingredients for the food, feed, energy, and industrial products industries. Crude vegetable oils produced by the segment's crushing activities are sold "as is" or are further processed by refining, blending, bleaching, and deodorizing into salad oils. Salad oils are sold "as is" or are further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oils are used to produce biodiesel or are sold to other manufacturers for use in chemicals, paints, and other industrial products. Oilseed protein meals are principally sold to third parties to be used as ingredients in commercial livestock and poultry feeds. In Europe and South America, the Oilseeds Processing segment includes origination and merchandising activities as adjuncts to its oilseeds processing assets. These activities include a network of grain elevators, port facilities, and transportation assets used to buy, store,

clean, and transport grains and oilseeds. The Oilseeds Processing segment is a major supplier of peanuts, tree nuts, and peanut-derived ingredients to both the U.S. and export markets. In North America, cottonseed flour is produced and sold primarily to the pharmaceutical industry and cotton cellulose pulp is manufactured and sold to the chemical, paper, and filter markets. The Oilseeds Processing segment also included activities related to its global chocolate and cocoa businesses until the sale of these businesses in July 2015 and October 2015, respectively. The Oilseeds Processing segment also includes the Company's share of the results of its equity investment in Wilmar International Limited (Wilmar) and its share of the results of its Stratas Foods LLC and Edible Oils Limited joint ventures. The Company acquired additional shares in Wilmar increasing its ownership interest from 19% to 20% in March 2016, 22% in June 2016, and 23% in September 2016.

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 14. Segment Information (Continued)

The Wild Flavors and Specialty Ingredients segment engages in the manufacturing, sales, and distribution of specialty products including natural flavor ingredients, flavor systems, natural colors, proteins, emulsifiers, soluble fiber, polyols, hydrocolloids, natural health and nutrition products, and other specialty food and feed ingredients. The Wild Flavors and Specialty Ingredients segment also includes the activities related to the procurement, processing, and distribution of edible beans. The Company acquired a 90% controlling stake in Harvest Innovations, an industry leader in minimally processed, expeller-pressed soy proteins, oils, and gluten-free ingredients in February 2016; the remaining 60% interest in Amazon Flavors, a leading Brazilian manufacturer of natural extracts, emulsions and compounds, in May 2016; and Caterina Foods, a leading toll manufacturer of specialty gluten-free and high-protein pastas, in September 2016.

Other includes the Company's remaining operations, primarily its financial business units, related to futures commission and insurance activities.

Intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on net sales less identifiable operating expenses. Also included in segment operating profit is equity in earnings of affiliates based on the equity method of accounting. Certain Corporate items are not allocated to the Company's reportable business segments. Corporate results principally include the impact of LIFO-related adjustments, unallocated corporate expenses, other charges including legal settlements, costs, and legal fees, interest cost net of investment income, and the Company's share of the results of an equity investment.

Following the sale of the cocoa business in October 2015, the remaining results of Cocoa and Other were combined with the results of Refining, Packaging, Biodiesel, and Other within the Oilseeds Processing segment effective January 1, 2016. Prior period results were reclassified to conform to the current presentation.

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gross revenues				
Agricultural Services	\$7,597	\$7,623	\$21,461	\$24,534
Corn Processing	2,401	2,529	6,985	7,609
Oilseeds Processing	7,003	7,795	20,411	22,930
Wild Flavors and Specialty Ingredients	617	593	1,899	1,887
Other	136	164	449	481
Intersegment elimination	(1,922 )	(2,139 )	(5,360 )	(6,184 )
Total gross revenues	\$15,832	\$16,565	\$45,845	\$51,257
Intersegment sales				
Agricultural Services	\$637	\$1,020	\$1,634	\$2,881
Corn Processing	10	10	35	45
Oilseeds Processing	1,228	1,048	3,540	3,068
Wild Flavors and Specialty Ingredients	6	5	16	11
Other	41	56	135	179
Total intersegment sales	\$1,922	\$2,139	\$5,360	\$6,184





## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 14. Segment Information (Continued)

(In millions)	Three Months		Nine Months	
	Ended September 30, 2016	2015	Ended September 30, 2016	2015
Revenues from external customers				
Agricultural Services				
Merchandising and Handling	\$6,146	\$5,697	\$17,331	\$18,798
Milling and Other	754	835	2,325	2,673
Transportation	60	71	171	182
Total Agricultural Services	6,960	6,603	19,827	21,653
Corn Processing				
Sweeteners and Starches	1,057	974	3,061	2,805
Bioproducts	1,334	1,545	3,889	4,759
Total Corn Processing	2,391	2,519	6,950	7,564
Oilseeds Processing				
Crushing and Origination	3,660	4,222	10,799	12,214
Refining, Packaging, Biodiesel, and Other	2,042	2,481	5,852	7,455
Asia	73	44	220	193
Total Oilseeds Processing	5,775	6,747	16,871	19,862
Wild Flavors and Specialty Ingredients	611	588	1,883	1,876
Total Wild Flavors and Specialty Ingredients	611	588	1,883	1,876
Other - Financial	95	108	314	302
Total Other	95	108	314	302
Total revenues from external customers	\$15,832	\$16,565	\$45,845	\$51,257
Segment operating profit				
Agricultural Services	\$193	\$149	\$365	\$495
Corn Processing	212	131	562	448
Oilseeds Processing	144	335	638	1,148
Wild Flavors and Specialty Ingredients	73	70	249	242
Other	23	24	84	39
Total segment operating profit	645	709	1,898	2,372
Corporate	(165)	(342)	(705)	(789)
Earnings before income taxes	\$480	\$367	\$1,193	\$1,583

## Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

## Note 15. Asset Impairment, Exit, and Restructuring Costs

The following table sets forth the charges included in asset impairment, exit, and restructuring costs.

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(In millions)			
Impairment charge - fixed assets	\$2	\$37	\$11	\$59
Impairment charge - equity securities	6	—	6	—
Impairment charge - goodwill and intangible assets	—	—	11	9
Restructuring costs	3	28	8	28
	\$11	\$65	\$36	\$96

Impairment charge - fixed assets for the three months ended September 30, 2016 consisted of several individually insignificant fixed asset impairments. Impairment charge - fixed assets for the nine months ended September 30, 2016 consisted of \$5 million of fixed asset impairments in Corn, and \$6 million of several individually insignificant fixed asset impairments. Impairment charge - fixed assets for the three months ended September 30, 2015 consisted of fixed asset impairments of \$33 million related to sugar ethanol facilities in Brazil in the Corn Processing segment and other fixed asset impairments of \$4 million in the Oilseeds Processing segment. Impairment charge - fixed assets for the nine months ended September 30, 2015 consisted of fixed asset impairments of \$23 million related primarily to certain international Oilseeds Processing facilities, \$34 million related to sugar ethanol facilities in Brazil in the Corn Processing segment, and \$2 million of other fixed asset impairments in the Agricultural Services segment.

Impairment charge - equity securities for the three and nine months ended September 30, 2016 consisted of other-than-temporary impairment charges on the Company's investment in two available for sale equity securities in Corporate.

Impairment charge - goodwill and intangible assets for the nine months ended September 30, 2016 consisted of software impairment in Corporate. Impairment charge - goodwill and intangible assets for the nine months ended September 30, 2015 consisted of goodwill impairment related to certain international Oilseeds Processing facilities.

Restructuring costs for the three and nine months ended September 30, 2016 consisted of several individually insignificant charges. Restructuring costs for the three and nine months ended September 30, 2015 related principally to an international pension plan settlement.

## Note 16. Sale of Accounts Receivable

Since March 2012, the Company has had an accounts receivable securitization program (the "Program") with certain commercial paper conduit purchasers and committed purchasers (collectively, the "Purchasers"). Under the Program, certain U.S.-originated trade accounts receivable are sold to a wholly-owned bankruptcy-remote entity, ADM

Receivables, LLC (“ADM Receivables”). ADM Receivables in turn transfers such purchased accounts receivable in their entirety to the Purchasers pursuant to a receivables purchase agreement. In exchange for the transfer of the accounts receivable, ADM Receivables receives a cash payment of up to \$1.2 billion and an additional amount upon the collection of the accounts receivable (deferred consideration). The Program terminates on June 23, 2017, unless extended.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)  
(Unaudited)

Note 16. Sale of Accounts Receivable (Continued)

In March 2014, the Company entered into a second accounts receivable securitization program (the “Second Program”) with certain commercial paper conduit purchasers and committed purchasers (collectively, the “Second Purchasers”). Under the Second Program, certain non-U.S.-originated trade accounts receivable are sold to a wholly-owned bankruptcy-remote entity, ADM Ireland Receivables Company (“ADM Ireland Receivables”). ADM Ireland Receivables in turn transfers such purchased accounts receivable in their entirety to the Second Purchasers pursuant to a receivables purchase agreement. In exchange for the transfer of the accounts receivable, ADM Ireland Receivables receives a cash payment of up to \$0.3 billion and an additional amount upon the collection of the accounts receivable (deferred consideration). The Second Program terminates on March 17, 2017, unless extended.

Under the Program and Second Program (collectively, the “Programs”), ADM Receivables and ADM Ireland Receivables use the cash proceeds from the transfer of receivables to the Purchasers and Second Purchasers and other consideration to finance the purchase of receivables from the Company and the ADM subsidiaries originating the receivables.

The Company accounts for these transfers as sales. The Company has no retained interests in the transferred receivables, other than collection and administrative responsibilities and its right to the deferred consideration. At September 30, 2016 and December 31, 2015, the Company did not record a servicing asset or liability related to its retained responsibility, based on its assessment of the servicing fee, market values for similar transactions and its cost of servicing the receivables sold.

As of September 30, 2016 and December 31, 2015, the fair value of trade receivables transferred to the Purchasers and Second Purchasers under the Programs and derecognized from the Company’s consolidated balance sheet was \$1.4 billion and \$1.7 billion, respectively. In exchange for the transfer as of September 30, 2016 and December 31, 2015, the Company received cash of \$0.7 billion and \$1.2 billion, respectively, and recorded a receivable for deferred consideration included in other current assets of \$0.7 billion and \$0.5 billion, respectively. Cash collections from customers on receivables sold were \$24.4 billion and \$30.3 billion for the nine months ended September 30, 2016 and 2015, respectively. Of this amount, \$23.9 billion and \$29.9 billion pertain to cash collections on the deferred consideration for the nine months ended September 30, 2016 and 2015, respectively. Deferred consideration is paid to the Company in cash on behalf of the Purchasers and Second Purchasers as receivables are collected; however, as these are revolving facilities, cash collected from the Company’s customers is reinvested by the Purchasers and Second Purchasers daily in new receivable purchases under the Programs.

The Company’s risk of loss following the transfer of accounts receivable under the Programs is limited to the deferred consideration outstanding. The Company carries the deferred consideration at fair value determined by calculating the expected amount of cash to be received and is principally based on observable inputs (a Level 2 measurement under the applicable accounting standards) consisting mainly of the face amount of the receivables adjusted for anticipated credit losses and discounted at the appropriate market rate. Payment of deferred consideration is not subject to significant risks other than delinquencies and credit losses on accounts receivable transferred under the Programs which have historically been insignificant.

Transfers of receivables under the Programs resulted in an expense for the loss on sale of \$2 million and \$1 million during the three months ended September 30, 2016 and 2015, respectively, and \$4 million and \$3 million for the nine months ended September 30, 2016 and 2015, respectively, classified as selling, general, and administrative expenses in the consolidated statements of earnings.

The Company reflects all cash flows related to the Programs as operating activities in its consolidated statement of cash flows for the nine months ended September 30, 2016 and 2015 because the cash received from the Purchasers and Second Purchasers upon both the sale and collection of the receivables is not subject to significantly different risks given the short-term nature of the Company's trade receivables.

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

### Company Overview

This MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements.

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products. The Company uses its significant global asset base to originate and transport agricultural commodities, connecting to markets in 165 countries. The Company also processes corn, oilseeds, and wheat into products for food, animal feed, chemical and energy uses. The Company uses its global asset network, business acumen, and its relationships with suppliers and customers to efficiently connect the harvest to the home thereby generating returns for its shareholders, principally from margins earned on these activities.

The Company's operations are organized, managed and classified into four reportable business segments: Agricultural Services, Corn Processing, Oilseeds Processing, and Wild Flavors and Specialty Ingredients. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable segments, as defined by the applicable accounting standard, and are classified as Other. See Note 14 of "Notes to Consolidated Financial Statements" included in Item 1 herein, "Financial Statements" for more information about the Company's business segments.

The Company's recent significant portfolio actions and announcements include:

- the purchase in February 2016 of a controlling stake in Harvest Innovations, an industry leader in minimally processed, expeller-pressed soy proteins, oils, and gluten-free ingredients;
- the purchase in April 2016 of a 50% interest in Cairo-based Medsofts Group, a consolidated joint venture that will own and manage merchandising and supply chain operations;
- the sale in May 2016 of the sugarcane ethanol operations in Limeira do Oeste in the Brazilian state of Minas Gerais;
- the purchase in May 2016 of the remaining 60% interest in Amazon Flavors, a leading Brazilian manufacturer of natural extracts, emulsions and compounds;
- the acquisition in June 2016 of a Casablanca, Morocco-based corn wet mill that produces glucose and native starch from Tate & Lyle;
- the receipt of all regulatory approvals in September 2016 of Olenex, a joint venture with Wilmar for the sale and marketing of refined vegetable oils and fats in Europe; and
- the purchase in September 2016 of Caterina Foods, a leading toll manufacturer of specialty gluten-free and high-protein pastas.

As part of the evolution of the Company's strategic plan, the Company is currently undertaking a fresh look at the capital intensity of its operations and portfolio, seeking ways to reduce and redeploy capital in its efforts to drive long-term returns.

### 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 December 31, 2015.

The Company's agricultural services and oilseeds 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

revenues and cost of products sold. Thus, changes in revenues of these businesses do not necessarily correspond to the changes in margins or gross profit.

The Company's corn processing operations and Wild Flavors and Specialty Ingredients businesses also utilize agricultural commodities (or products derived from agricultural commodities) as raw materials. However, in these operations, agricultural commodity market price changes do not necessarily equal changes in cost of products sold. Thus, changes in revenues of these businesses may correspond to changes in margins or gross profit.

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

The Company has consolidated subsidiaries in 82 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. For the majority of the Company's business activities in Brazil, the functional currency is the U.S. dollar; however, certain transactions, including taxes, occur in local currency and require conversion to the functional currency. Changes in revenues are expected to be correlated to changes in expenses reported by the Company caused by 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.

The Company measures its performance using key financial metrics including net earnings, segment operating profit, return on invested capital, EBITDA, economic value added, manufacturing expenses, and selling, general, and administrative expenses. The Company's financial 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, general global economic conditions, changes in standards of living, and global production of similar and competitive crops. Due to these unpredictable factors, the Company undertakes no responsibility for updating any forward-looking information.

Market Factors Influencing Operations or Results in the Three Months Ended September 30, 2016

As an agricultural commodity-based business, the Company is subject to a variety of market factors which affect the Company's operating results. Agricultural Services was positively impacted by the return of U.S. grain export competitiveness in global markets, which translated to a significant increase in volumes. In Corn Processing, U.S. demand for sweeteners and starches and exports, principally to Mexico, remained solid. Corn-based ethanol remained a very competitive transportation fuel. Domestic demand for ethanol has been strong as U.S. gasoline demand was up compared with 2015. U.S. ethanol continued to be the cheapest octane in the world, driving strong export volumes through the first half of 2016. Production levels remained high, improving spot replacement margins this quarter, but slowed from the rate in the first quarter due to seasonal maintenance. In Oilseeds Processing, global demand was solid and crushing operations achieved high capacity utilization throughout the quarter. Origination volumes in Brazil were lower than expected due to adverse weather conditions. Softseed prices remained high relative to products, resulting in weak margins causing a shift to crush more soybeans. Vegetable oils continued to maintain a steady demand from the food industry. Oil demand for fuels was strong and sales of biodiesel benefited from the biodiesel blending credit that has been established for calendar 2016 in North America. The Wild Flavors and Specialty Ingredients business continued to focus on cost synergies and new revenue opportunities. Customers' interest in innovative, healthy, and nutritious food products in response to macro trends in diet and demographics remained strong and continued to grow.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net earnings attributable to controlling interests was \$341 million in the third quarter of 2016 compared to \$252 million in the third quarter of 2015. Segment operating profit decreased \$64 million to \$645 million, due primarily to lower global soy crush margins, and a loss from the Company's equity investment in Wilmar, partially offset by improved North American export margins and volumes and improved sweetener results. Included in this quarter's segment operating profit was \$3 million of mark-to-market gains related to hedge timing effects compared to \$30 million in the prior year's quarter. Corporate results were a charge of \$165 million this quarter compared to \$342 million in last year's quarter. Corporate results this quarter include a credit of \$85 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves, compared to \$75 million in the third quarter of 2015.



Income taxes increased \$22 million due to higher earnings before income taxes partially offset by a lower effective tax rate. The Company's effective tax rate for the quarter ended September 30, 2016 decreased to 28.3% compared to 31.1% for the quarter ended September 30, 2015 due to changes in the forecasted geographic mix of pretax earnings, including the tax impact of portfolio actions.

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

Analysis of Statements of Earnings

Processed volumes by product for the quarter are as follows (in metric tons):

	Three Months Ended September 30,		
(In thousands)	2016	2015	Change
Oilseeds	8,388	8,148	240
Corn	5,794	6,038	(244 )
Total	14,182	14,186	(4 )

The Company generally operates its production facilities, on an overall basis, at or near capacity, adjusting facilities individually, as needed, to react to the current margin environment and seasonal local supply and demand conditions.

Following the sale of the cocoa business in October 2015, the remaining results of Cocoa and Other were combined with the results of Refining, Packaging, Biodiesel, and Other within the Oilseeds Processing segment effective January 1, 2016. Prior period results were reclassified to conform to the current presentation.

Revenues by segment for the quarter are as follows:

	Three Months Ended September 30, 2016 2015 Change (In millions)		
Agricultural Services			
Merchandising and Handling	\$6,146	\$5,697	\$449
Milling and Other	754	835	(81 )
Transportation	60	71	(11 )
Total Agricultural Services	6,960	6,603	357
Corn Processing			
Sweeteners and Starches	1,057	974	83
Bioproducts	1,334	1,545	(211 )
Total Corn Processing	2,391	2,519	(128 )
Oilseeds Processing			
Crushing and Origination	3,660	4,222	(562 )
Refining, Packaging, Biodiesel, and Other	2,042	2,481	(439 )
Asia	73	44	29
Total Oilseeds Processing	5,775	6,747	(972 )
Wild Flavors and Specialty Ingredients	611	588	23
Total Wild Flavors and Specialty Ingredients	611	588	23
Other - Financial	95	108	(13 )

Total Other	95	108	(13 )
Total	\$15,832	\$16,565	\$(733 )

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

Revenues and cost of products sold in a commodity merchandising and processing business are affected by the underlying commodity prices and volumes. In periods of significant changes in commodity prices, the underlying performance of the Company is better evaluated by looking at margins since both revenues and cost of products sold, particularly in Oilseeds Processing and Agricultural Services, generally have a relatively equal impact from commodity price changes which generally result in an insignificant impact to gross profit.

Revenues decreased \$0.7 billion, or 4%, to \$15.8 billion due to lower sales prices (\$1.9 billion), including \$69 million in foreign currency translation impacts, partially offset by higher overall sales volumes (\$1.2 billion). The decrease in sales prices was due principally to a decrease in underlying commodity prices. The increase in sales volumes was due principally to higher global demand for unprocessed commodities, partially offset by the impact of the sale of the cocoa business. Agricultural Services revenues increased 5% to \$7.0 billion due to higher sales volumes (\$1.4 billion) partially offset by lower average sales prices (\$1.0 billion). Corn Processing revenues decreased 5% to \$2.4 billion due to lower average sales prices (\$0.1 billion). Oilseeds Processing revenues decreased 14% to \$5.8 billion due to lower average sales prices (\$0.8 billion) and lower sales volumes (\$0.2 billion).

Cost of products sold decreased \$0.7 billion to \$14.7 billion due principally to lower average commodity prices, including \$61 million from foreign currency translation impacts, and lower manufacturing costs. Included in cost of products sold is a credit of \$85 million from the effect of changes in agricultural commodity prices during this quarter on LIFO inventory valuation reserves compared to \$75 million in the prior year's quarter. Manufacturing expenses decreased \$65 million to \$1.3 billion primarily due to the sale of the cocoa business and lower energy usage and prices.

Gross profit was comparable at \$1.1 billion. Offsetting changes in gross profit consist principally of improved merchandising results (\$25 million) primarily due to increased volumes and improved margins as crop shortages in South America accelerated this year's seasonal shift in global demand to North America, margin contribution from Eaststarch C.V. which is now fully consolidated following the acquisition of the remaining interest in November 2015 (\$27 million), improved margins on liquid sweeteners due to higher demand (\$35 million), offset by lower soy crush margins (\$85 million). These factors are explained in the segment operating profit discussion on pages 37 and 38. The effect of changes in agricultural commodity prices during the third quarter of 2016 on LIFO inventory valuation reserves had a positive impact on gross profit of \$85 million compared to \$75 million during the same period in 2015. The decrease in underlying commodity prices from the prior year quarter did not result in a significant decrease in margins or gross profit as lower underlying commodity prices had a relatively equal impact on revenues and cost of products sold.

Selling, general, and administrative expenses increased \$42 million to \$561 million primarily due to legal settlements, costs, and legal fees partially offset by decreased expenses related to the sale of the cocoa business.

Asset impairment, exit, and restructuring charges decreased \$54 million to \$11 million. Prior period charges include fixed asset impairments of \$33 million related to sugar ethanol facilities in Brazil in the Corn Processing segment, other fixed asset impairments of \$4 million in the Oilseeds Processing segment, and restructuring charges of \$28 million related principally to an international pension plan settlement. Current period charges include other-than-temporary impairment charges on the Company's investment in two available for sale equity securities of \$6 million in Corporate and individually insignificant fixed asset impairment and restructuring charges of \$5 million.

Interest expense increased \$9 million to \$78 million due principally to the \$1.0 billion debt issued in August 2016.

Equity in earnings of unconsolidated affiliates decreased \$63 million to a loss of \$2 million due primarily to equity losses from the Company's investment in Wilmar in the current quarter of approximately \$48 million compared to equity earnings of \$36 million in the year-ago quarter, and a decrease in equity earnings from Eaststarch C.V. which is now fully consolidated following the acquisition of the remaining interest in November 2015, partially offset by increased earnings from other equity investees.

Other income - net increased \$147 million from a net expense of \$143 million to income of \$4 million due to the absence a \$189 million loss on debt extinguishment related to the repurchase of outstanding debt and a \$32 million gain on sale of the global chocolate business, net of transaction expenses, in the year-ago quarter partially offset by a \$5 million loss on the sale of an investment in the current quarter.

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

Operating profit by segment and earnings before income taxes for the quarter are as follows:

	Three Months Ended September 30, 2016 2015 Change (In millions)		
Agricultural Services			
Merchandising and Handling	\$90	\$57	\$33
Milling and Other	60	61	(1 )
Transportation	43	31	12
Total Agricultural Services	193	149	44
Corn Processing			
Sweeteners and Starches	178	124	54
Bioproducts	34	7	27
Total Corn Processing	212	131	81
Oilseeds Processing			
Crushing and Origination	75	172	(97 )
Refining, Packaging, Biodiesel, and Other	119	131	(12 )
Asia	(50 )	32	(82 )
Total Oilseeds Processing	144	335	(191 )
Wild Flavors and Specialty Ingredients	73	70	3
Total Wild Flavors and Specialty Ingredients	73	70	3
Other - Financial	23	24	(1 )
Total Other	23	24	(1 )
Total Segment Operating Profit	645	709	(64 )
Corporate	(165 )	(342 )	177
Earnings Before Income Taxes	\$480	\$367	\$113

Agricultural Services operating profit increased \$44 million to \$193 million. Merchandising and Handling operating results improved \$33 million to \$90 million primarily due to increased volumes and improved margins as crop shortages in South America accelerated this year's seasonal shift in global demand to North America. The global trade desk results were lower in the quarter as some commodity prices declined, causing global buyers to draw down their inventories, which limited merchandising opportunities. Milling and other operating results continued to perform well with another solid quarter, consistent with the year-ago period, on strong product margins related to seasonal demand. Transportation results improved \$12 million due to strong exports and improved freight rates.

Corn Processing operating profit increased \$81 million to \$212 million. Included in the current quarter operating profit is \$3 million of mark-to-market gains related to corn hedge timing effects compared to mark-to-market losses of \$1 million in the prior year quarter. Excluding corn hedge timing effects, Sweeteners and Starches operating profit

increased \$51 million as the business continued to perform well with solid demand, production efficiencies, and improved raw material costs. The Company's Eaststarch C.V. operations and the Almidones Mexicanos joint venture also performed very well in the quarter. Excluding corn hedge timing effects, Bioproducts profit in the quarter increased by \$26 million due to absence of fixed asset impairment charges of \$33 million related to sugar ethanol facilities in Brazil in the year-ago quarter and improved operational performance and margins from the animal nutrition business, partially offset by weaker risk management results in ethanol.

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

Oilseeds Processing operating profit decreased \$191 million to \$144 million. Included in the prior quarter operating profit is \$31 million of mark-to-market gains related to cocoa hedge timing effects. Crushing and Origination operating profit declined \$97 million to \$75 million versus a very strong year-ago quarter due to lower soy crush margins. In addition, origination volumes were lower due to the reduced Brazilian soybean and corn crop. Excluding hedge timing effects, Refining, Packaging, Biodiesel, and Other operating profit increased \$19 million to \$119 million due to solid results in biodiesel, specialty fats and oils, and the Golden Peanut and Tree Nuts businesses. Asia results declined \$82 million to a loss of \$50 million, due primarily to equity losses from the Company's investment in Wilmar in the current quarter of \$48 million compared to equity earnings of \$36 million in the year-ago quarter.

Wild Flavors and Specialty Ingredients (WFSI) operating profit increased \$3 million to \$73 million with strong growth in flavors and systems offset by mixed results by some of the specialty ingredients businesses. Current quarter results included approximately \$3 million of operational start-up costs primarily related to the Tianjin fibersol facility in China and the Campo Grande specialty protein complex in Brazil.

Other - Financial operating profit was in line with the year-ago quarter.

Corporate results for the quarter are as follows:

	Three Months Ended September 30, 2016 2015 Change (In millions)		
LIFO credit (charge)	\$85	\$75	\$ 10
Interest expense - net	(74 )	(68 )	(6 )
Unallocated corporate costs	(106 )	(113 )	7
Other charges (income)	(74 )	(217 )	143
Minority interest and other	4	(19 )	23
Total Corporate	\$(165)	\$(342)	\$ 177

Corporate results were a net charge of \$165 million this quarter compared to \$342 million in last year's quarter. The effects of changing commodity prices on LIFO inventory valuation reserves resulted in a credit of \$85 million this quarter compared to \$75 million in the prior year quarter. Interest expense - net increased \$6 million due principally to the \$1.0 billion debt issued in August 2016. Unallocated corporate costs declined \$7 million due primarily to the timing of spending on the Company's ERP program, lower spending on various strategic business improvement projects, and lower overall corporate staff costs. Other charges in the current period included legal settlements, costs, and legal fees, other-than-temporary impairment charges on the Company investment in two available for sale equity securities, a loss on the sale of an investment, and restructuring charges while other charges in the prior period consisted of the \$189 million loss on debt extinguishment related to the repurchase of outstanding debt and restructuring charges of \$28 million related principally to an international pension plan settlement.



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

Non-GAAP Financial Measures

The Company uses adjusted earnings per share (EPS) and adjusted earnings before taxes, interest, and depreciation and amortization (EBITDA), which are non-GAAP financial measures as defined by the Securities Exchange Commission, to evaluate the Company's financial performance. These performance measures are not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EPS is defined as diluted EPS adjusted for the effects on reported diluted EPS of certain specified items. Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates adjusted EBITDA by removing the impact of specified items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes.

Management believes that adjusted EPS, adjusted EBITDA, and adjusted EBITDA by segment are useful measures of the Company's profitability because they provide investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EPS and adjusted EBITDA are not intended to replace or be an alternative to diluted EPS and earnings before income taxes, respectively, the most directly comparable amounts reported under GAAP.

The reconciliation of diluted EPS to adjusted EPS for the three months ended September 30, 2016 and 2015, are provided in the following table.

	Three months ended September 30,			
	2016		2015	
	In million	Per share	In million	Per share
Net earnings and reported EPS (fully diluted)	\$341	\$0.58	\$252	\$0.41
Adjustments:				
LIFO charge (credit) - net of tax of \$32 million in 2016 and \$28 million in 2015 <sup>(1)</sup>	(53 )	(0.09 )	(47 )	(0.07 )
Losses (Gains) on sales of assets/revaluations - net of tax at 0% in 2016 and \$10 million in 2015 <sup>(2)</sup>	9	0.02	(22 )	(0.04 )
Asset impairment, restructuring, and settlement charges - net of tax of \$25 million in 2016 and \$4 million in 2015 <sup>(2)</sup>	48	0.08	61	0.10
Loss on debt extinguishment - net of tax of \$71 million <sup>(1)</sup>	—	—	118	0.19
Effective tax rate true-up	—	—	7	0.01
Total adjustments	4	0.01	117	0.19
Adjusted net earnings and EPS	\$345	\$0.59	\$369	\$0.60
Average number of shares outstanding - diluted	589		615	

<sup>(1)</sup> Tax effected using the Company's U.S. effective tax rate.

<sup>(2)</sup> Tax effected using the applicable tax rates.



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

The reconciliation of earnings before income taxes to adjusted EBITDA and adjusted EBITDA by segment for the three months ended September 30, 2016 and 2015 are provided in the following table.

(In millions)	Three months ended September 30,		
	2016	2015	Change
Earnings before income taxes	\$480	\$367	\$ 113
Interest expense	78	69	9
Depreciation and amortization	225	217	8
LIFO	(85 )	(75 )	(10 )
Losses (Gains) on sales of assets/revaluations	9	(32 )	41
Loss on debt extinguishment	—	189	(189 )
Asset impairment, restructuring, and settlement charges	73	65	8
Adjusted EBITDA	\$780	\$800	\$ (20 )
<b>Agricultural Services</b>			
Earnings before income taxes	\$193	\$149	\$ 44
Depreciation and amortization	50	53	(3 )
Asset impairment, restructuring, and settlement charges	2	—	2
Agricultural Services Adjusted EBITDA	245	202	43
<b>Corn Processing</b>			
Earnings before income taxes	212	131	81
Depreciation and amortization	89	84	5
Losses (Gains) on sales of assets/revaluations	4	—	4
Asset impairment, restructuring, and settlement charges	1	33	(32 )
Corn Processing Adjusted EBITDA	306	248	58
<b>Oilseeds Processing</b>			
Earnings before income taxes	144	335	(191 )
Interest expense	1	1	—
Depreciation and amortization	48	48	—
Losses (Gains) on sales of assets/revaluations	—	(32 )	32
Asset impairment, restructuring, and settlement charges	1	4	(3 )
Oilseeds Processing Adjusted EBITDA	194	356	(162 )
<b>Wild Flavors and Specialty Ingredients</b>			
Earnings before income taxes	73	70	3
Interest	—	1	(1 )
Depreciation and amortization	22	19	3
Wild Flavors and Specialty Ingredients Adjusted EBITDA	95	90	5
<b>Other - Financial</b>			
Earnings before income taxes	23	24	(1 )
Interest	1	—	1
Depreciation and amortization	2	1	1
Other - Financial Adjusted EBITDA	26	25	1



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

(In millions)	Three months ended		
	September 30,		
	2016	2015	Change
Corporate			
Earnings (losses) before income taxes	(165 )	(342 )	177
Interest expense	76	67	9
Depreciation and amortization	14	12	2
LIFO	(85 )	(75 )	(10 )
Losses (Gains) on sales of assets/revaluations	5	—	5
Asset impairment, restructuring, and settlement charges	69	28	41
Loss on debt extinguishment	—	189	(189 )
Corporate Adjusted EBITDA	(86 )	(121 )	35
Total Adjusted EBITDA	\$780	\$800	\$ (20 )

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

Market Factors Influencing Operations or Results in the Nine Months Ended September 30, 2016

As an agricultural commodity-based business, the Company is subject to a variety of market factors which affect the Company's operating results. Agricultural Services was negatively impacted by weak U.S. grain export competitiveness and decreased global merchandising opportunities in the first half of the year. U.S. grain export competitiveness returned in the third quarter, which translated to significant volume increases. In Corn Processing, U.S. demand for sweeteners and starches and exports, principally to Mexico, remained solid. Corn-based ethanol remained a very competitive transportation fuel. Domestic demand for ethanol has been strong as U.S. gasoline demand is up compared with 2015. U.S. ethanol continued to be the cheapest octane in the world, driving strong export volumes through the first nine months of 2016. Industry production levels remained high during the period. In Oilseeds Processing, global crushing operations achieved high capacity utilization, although due to weaker meal demand, volumes were not as strong as in the prior year when crushing margins were very strong. Softseed prices remained high relative to products, resulting in weak margins causing a shift to crush more soybeans. Vegetable oils continued to maintain a steady demand from the food industry. Wild Flavors and Specialty Ingredients business continued to focus on cost synergies and new revenue opportunities. Customers' interest in innovative, healthy, and nutritious food products in response to macro trends in diet and demographics remained strong and continued to grow.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net earnings attributable to controlling interests decreased \$276 million to \$855 million. Segment operating profit decreased \$0.5 billion to \$1.9 billion, due to lower U.S. export volumes, weaker origination margins, reduced U.S. ethanol results, and weaker global crush margins. Corporate results were a charge of \$705 million for the nine months compared to \$789 million the same period last year. Corporate results for the nine months include a charge of \$17 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves, compared to a credit of \$16 million the same period last year and a \$50 million loss from the Company's share in the results of Compagnie Industrielle et Financiere des Produits Amylaces SA (Luxembourg)'s (CIP) updated portfolio valuations in the first quarter of 2016.

Income taxes decreased \$123 million due to lower earnings before income taxes and a lower effective tax rate. The Company's effective tax rate for the nine months ended September 30, 2016 decreased to 27.7% compared to 28.7% for the nine months ended September 30, 2015 due primarily to changes in the forecasted geographic mix of pretax earnings.

Analysis of Statements of Earnings

Processed volumes by product for the nine months are as follows (in metric tons):

	Nine Months Ended September 30,		
(In thousands)	2016	2015	Change
Oilseeds	25,137	25,435	(298 )
Corn	16,623	17,049	(426 )
Total	41,760	42,484	(724 )

The Company generally operates its production facilities, on an overall basis, at or near capacity, adjusting facilities individually, as needed, to react to the current margin environment and seasonal local supply and demand conditions. The overall decrease in corn relates to the disposal of the sugar ethanol operations partially offset by volumes from the recently consolidated Eaststarch C.V.

Following the sale of the cocoa business in October 2015, the remaining results of Cocoa and Other were combined with the results of Refining, Packaging, Biodiesel, and Other within the Oilseeds Processing segment effective January 1, 2016. Prior period results were reclassified to conform to the current presentation.

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

Revenues by segment for the nine months are as follows:

	Nine Months Ended September 30,		
	2016	2015	Change
	(In millions)		
Agricultural Services			
Merchandising and Handling	\$17,331	\$18,798	\$(1,467)
Milling and Other	2,325	2,673	(348 )
Transportation	171	182	(11 )
Total Agricultural Services	19,827	21,653	(1,826 )
Corn Processing			
Sweeteners and Starches	3,061	2,805	256
Bioproducts	3,889	4,759	(870 )
Total Corn Processing	6,950	7,564	(614 )
Oilseeds Processing			
Crushing and Origination	10,799	12,214	(1,415 )
Refining, Packaging, Biodiesel, and Other	5,852	7,455	(1,603 )
Asia	220	193	27
Total Oilseeds Processing	16,871	19,862	(2,991 )
Wild Flavors and Specialty Ingredients	1,883	1,876	7
Total Wild Flavors and Specialty Ingredients	1,883	1,876	7
Other - Financial	314	302	12
Total Other	314	302	12
Total	\$45,845	\$51,257	\$(5,412)

Revenues and cost of products sold in a commodity merchandising and processing business are affected by the underlying commodity prices and volumes. In periods of significant changes in commodity prices, the underlying performance of the Company is better evaluated by looking at margins since both revenues and cost of products sold, particularly in Oilseeds Processing and Agricultural Services, generally have a relatively equal impact from commodity price changes which generally result in an insignificant impact to gross profit.

Revenues decreased \$5.4 billion, or 11%, to \$45.8 billion due to lower average sales prices (\$4.3 billion), including \$0.4 billion in foreign currency translation impacts, and lower overall sales volumes (\$1.1 billion). The decrease in sales prices was due principally to lower underlying agricultural commodity prices, in particular prices of corn, soybeans, and soybean-related products. The decrease in sales volumes was due principally to the sale of the cocoa business and decreased sales volumes of ethanol and grains. Agricultural Services revenues decreased 8% to \$19.8 billion due to lower average sales prices (\$2.0 billion) partially offset by higher sales volumes (\$0.2 billion). Corn Processing revenues decreased 8% to \$7.0 billion due to lower average sales prices (\$0.5 billion) and lower sales volumes (\$0.1 billion) due principally to ethanol. Oilseeds Processing revenues decreased 15% to \$16.9 billion due to lower average sales prices (\$1.8 billion) and lower sales volumes (\$1.2 billion).





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

Cost of products sold decreased \$4.9 billion to \$43.2 billion due principally to lower average commodity costs, including \$0.3 billion in foreign currency translation impacts, and lower manufacturing costs. Included in cost of products sold is a charge of \$17 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves compared to a credit of \$16 million in the prior year's period. Manufacturing expenses decreased \$0.2 billion to \$3.9 billion primarily due to the sale of the cocoa business, lower energy usage and prices, and decreased repairs and maintenance expenses.

Gross profit decreased \$0.5 billion, or 16%, to \$2.7 billion. The decrease in gross profit consists principally of reduced merchandising results (\$114 million) primarily due to compressed U.S. grain handling margins and lower volumes and freight rates in barge operations (\$25 million), lower ethanol volumes and margins (\$50 million), lower canola and soy crush margins (\$298 million), and the sale of the cocoa business in the prior period (\$83 million). These factors are explained in the segment operating profit discussion on pages 45 and 46. The effect of changes in agricultural commodity prices during the nine months of 2016 on LIFO inventory valuation reserves had a \$17 million negative impact on gross profit compared to a positive impact of \$16 million during the same period in 2015. The decrease in underlying commodity prices from the prior year did not result in a significant decrease in margins or gross profit as lower underlying commodity prices had a relatively equal impact on revenues and cost of products sold.

Selling, general, and administrative expenses of \$1.6 billion were comparable to the prior period. Decreased expenses related to the sale of the cocoa business were offset by legal settlements, costs, and legal fees, increased transaction fees due to increased trading volume from the brokerage business, and expenses for the recently consolidated Eaststarch C.V.

Asset impairment, exit, and restructuring costs decreased \$60 million to \$36 million. Prior period charges include fixed asset impairments of \$23 million related primarily to certain international Oilseeds Processing facilities, \$34 million related to sugar ethanol facilities in Brazil in the Corn Processing segment, \$2 million of other fixed asset impairments in the Agricultural Services segment, restructuring charges of \$28 million related principally to an international pension plan settlement, and goodwill impairment of \$9 million related to certain international Oilseeds Processing facilities. Current period charges include \$11 million of software impairment in Corporate, \$6 million of other-than-temporary impairment charges on the Company's investment in two available for sale equity securities in Corporate, \$5 million of fixed asset impairments in Corn, and \$14 million of other individually insignificant fixed asset impairment and restructuring charges.

Interest expense declined \$22 million to \$213 million primarily due to lower interest rates and the effect of the revaluation of the mandatorily redeemable 10% interest in Harvest Innovations.

Equity in earnings of unconsolidated affiliates decreased \$134 million to \$153 million primarily due to lower earnings from the Company's investments in Wilmar and CIP and a decrease in equity earnings from Eaststarch C.V. which is now fully consolidated following the acquisition of the remaining interest in November 2015, partially offset by increased earnings from other equity investees.

Other income - net increased \$168 million from a net expense of \$30 million to income of \$138 million. Current period income includes \$48 million of realized additional consideration related to the sale of the Company's equity investment in Gruma S.A.B. de C.V. in December 2012, \$59 million recovery of loss provisions and gain related to the sale of the Company's Brazilian sugar ethanol facilities, a \$12 million gain related to the revaluation of the remaining interest to settlement value in conjunction with the acquisition of the remaining interest in Amazon Flavors,

and a \$10 million loss on sale of assets. Prior period expense includes the \$189 million loss on debt extinguishment related to the repurchase of outstanding debt partially offset by a \$27 million gain on the revaluation of the Company's previously held investments in North Star Shipping and Minmetal in conjunction with the acquisition of the remaining interest, a gain of \$68 million on the sale of a 50% interest in the Barcarena export terminal facility in Brazil to Glencore plc, a gain of \$6 million on the sale of the lactic business, and a gain of \$32 million on the sale of the global chocolate business, net of transaction expenses.

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

Operating profit by segment and earnings before income taxes for the nine months are as follows:

	Nine Months Ended September 30, 2016 2015 Change (In millions)		
Agricultural Services			
Merchandising and Handling	\$98	\$229	\$(131 )
Milling and Other	212	183	29
Transportation	55	83	(28 )
Total Agricultural Services	365	495	(130 )
Corn Processing			
Sweeteners and Starches	501	360	141
Bioproducts	61	88	(27 )
Total Corn Processing	562	448	114
Oilseeds Processing			
Crushing and Origination	329	768	(439 )
Refining, Packaging, Biodiesel, and Other	250	265	(15 )
Asia	59	115	(56 )
Total Oilseeds Processing	638	1,148	(510 )
Wild Flavors and Specialty Ingredients	249	242	7
Total Wild Flavors and Specialty Ingredients	249	242	7
Other - Financial	84	39	45
Total Other	84	39	45
Total Segment Operating Profit	1,898	2,372	(474 )
Corporate	(705 )	(789 )	84
Earnings Before Income Taxes	\$1,193	\$1,583	\$(390 )

Agricultural Services operating profit decreased \$130 million to \$365 million. Merchandising and Handling operating results declined \$131 million to \$98 million primarily due to compressed grain handling margins in the first half of 2016. International merchandising results were flat but remained weak overall. Strong origination results in Argentina and the addition of destination marketing in Egypt through the Company's Medsofts joint venture were partially offset by the absence of a \$27 million gain on the revaluation of the Company's previously held investments in North Star Shipping and Minmetal in conjunction with the acquisition of the remaining interest. Milling and Other results increased \$29 million to \$212 million. Current period results include realized additional consideration related to the sale of the Company's equity investment in Gruma S.A.B de C.V. in December 2012 of \$48 million. Transportation operating profit declined \$28 million to \$55 million due to weak barge demand and lower freight rates in the first half of 2016.



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

Corn Processing operating profit increased \$114 million to \$562 million. Included in the current period operating profit is \$4 million of mark to market gains related to corn hedge timing effects compared to \$4 million of losses in the prior period. Excluding corn hedge timing effects, Sweeteners and Starches operating profit increased \$138 million as the business continued to perform well with higher volumes and pricing and improved margins from optimizing flex grind in the Company's corn wet mills. The integration of the recent Eaststarch C.V. and Morocco acquisitions has gone better than planned, contributing to the Company's global sweeteners and starches portfolio and results. Excluding corn hedge timing effects, Bioproducts profit in the period declined \$32 million as weak ethanol margins continued due to high industry inventory levels.

Oilseeds Processing operating profit decreased \$510 million to \$638 million. Crushing and Origination operating profit declined \$439 million to \$329 million driven primarily by lower canola results in the first half of 2016 as well as lower global soy crush margins which were historically high last year and lower South American grain origination results caused by year-over-year slower farmer-selling partially offset by strong soybean and softseed volumes and margins in North America and South America. Refining, Packaging, Biodiesel, and Other results declined \$15 million to \$250 million due to the sale of the cocoa business in October 2015 which decreased results by \$68 million, partially offset by good demand and improved margins for refined and packaged oils and improved European biodiesel results. Asia results declined \$56 million to \$59 million, due primarily to equity losses from the Company's investment in Wilmar in the current quarter of \$48 million.

Wild Flavors and Specialty Ingredients (WFSI) operating profit increased \$7 million to \$249 million. Current period results included approximately \$10 million of operational start-up costs primarily related to the Tianjin fibersol facility in China and the Campo Grande specialty protein complex in Brazil and a gain of \$12 million related to the acquisition of the remaining interest in Amazon Flavors. Excluding these items, WFSI operating profit improved \$5 million due to strong results in flavors and systems, specialty proteins, polyols, and natural health and nutrition products. These increases were partially offset by weaker sales of ancient grains, edible beans, and hydrocolloids due to a combination of Company operational issues and weaker overall demand for these products.

Other - Financial operating profit increased on higher volumes from the Company's futures commission brokerage business and improved results from its captive insurance operations.

Corporate results for the nine months are as follows:

	Nine Months Ended September 30, 2016 2015 Change		
	(In millions)		
LIFO credit (charge)	\$(17 )	\$16	\$ (33 )
Interest expense - net	(205 )	(226 )	21
Unallocated corporate costs	(325 )	(344 )	19
Other charges	(87 )	(217 )	130
Minority interest and other	(71 )	(18 )	(53 )
Total Corporate	\$(705 )	\$(789 )	\$ 84

Corporate results were a net charge of \$705 million in the current period compared to a net charge of \$789 million in the prior period. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserves resulted in a charge of \$17 million in the current period compared to a credit of \$16 million in the prior period. Interest

expense - net declined \$21 million due principally to lower interest rates and the effect of the revaluation of the mandatorily redeemable 10% interest in Harvest Innovations. Unallocated corporate costs decreased \$19 million primarily due to lower spending on various strategic business improvement projects and lower overall corporate staff costs. Other charges in the current period included legal settlements costs, and legal fees, a software impairment charge, other-than-temporary impairment charges on the Company's investment in two available for sale equity securities, a loss on the sale of an investment, and other asset impairment and restructuring charges while other charges in the prior period consisted of the \$189 million loss on debt extinguishment related to the repurchase of outstanding debt and restructuring charges of \$28 million related principally to an international pension plan settlement. Minority interest and other expense in the current period included a \$50 million loss from the Company's share in the results of CIP's updated portfolio valuations in the first quarter of 2016.

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

Non-GAAP Financial Measures

The Company uses adjusted earnings per share (EPS) and adjusted earnings before taxes, interest, and depreciation and amortization (EBITDA), which are non-GAAP financial measures as defined by the Securities Exchange Commission, to evaluate the Company's financial performance. These performance measures are not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EPS is defined as diluted EPS adjusted for the effects on reported diluted EPS of certain specified items. Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates adjusted EBITDA by removing the impact of specified items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes.

Management believes that adjusted EPS, adjusted EBITDA, and adjusted EBITDA by segment are useful measures of the Company's profitability because they provide investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EPS and adjusted EBITDA are not intended to replace or be an alternative to diluted EPS and earnings before income taxes, respectively, the most directly comparable amounts reported under GAAP.

The reconciliation of diluted EPS to adjusted EPS for the nine months ended September 30, 2016 and 2015, are provided in the following table.

	Nine months ended September 30,			
	2016		2015	
	In millions	Per share	In millions	Per share
Net earnings and reported EPS (fully diluted)	\$855	\$1.44	\$1,131	\$1.80
Adjustments:				
LIFO charge (credit) - net of tax of \$6 million in 2016 and \$6 million in 2015 <sup>(1)</sup>	11	0.02	(10)	(0.01)
Gains on sales of assets/revaluations - net of tax of \$17 million in 2016 and \$40 million in 2015 <sup>(2)</sup>	(92)	(0.15)	(93)	(0.15)
Asset impairment, restructuring, and settlement charges - net of tax of \$34 million in 2016 and \$7 million in 2015 <sup>(2)</sup>	64	0.10	89	0.14
Loss on debt extinguishment - net of tax of \$71 million <sup>(1)</sup>	—	—	118	0.19
Total adjustments	(17)	(0.03)	104	0.17
Adjusted net earnings and EPS	\$838	\$1.41	\$1,235	\$1.97
Average number of shares outstanding - diluted	593		627	

<sup>(1)</sup> Tax effected using the Company's U.S. effective tax rate.

<sup>(2)</sup> Tax effected using the applicable tax rates.





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

The reconciliation of earnings before income taxes to adjusted EBITDA and adjusted EBITDA by segment for the nine months ended September 30, 2016 and 2015 are provided in the following table.

(In millions)	Nine months ended September 30,		
	2016	2015	Change
Earnings before income taxes	\$1,193	\$1,583	\$(390)
Interest expense	213	235	(22)
Depreciation and amortization	677	652	25
LIFO	17	(16)	33
Gains on sales of assets/revaluations	(109)	(133)	24
Loss on debt extinguishment	—	189	(189)
Asset impairment, restructuring, and settlement charges	98	96	2
Adjusted EBITDA	\$2,089	\$2,606	\$(517)
Agricultural Services			
Earnings before income taxes	\$365	\$495	\$(130)
Depreciation and amortization	151	147	4
Gains on sales of assets/revaluations	(43)	(27)	(16)
Asset impairment, restructuring, and settlement charges	6	2	4
Agricultural Services Adjusted EBITDA	479	617	(138)
Corn Processing			
Earnings before income taxes	562	448	114
Depreciation and amortization	267	250	17
Gains on sales of assets/revaluations	(59)	(6)	(53)
Asset impairment, restructuring, and settlement charges	7	34	(27)
Corn Processing Adjusted EBITDA	777	726	51
Oilseeds Processing			
Earnings before income taxes	638	1,148	(510)
Interest expense	2	3	(1)
Depreciation and amortization	145	146	(1)
Gains on sales of assets/revaluations	—	(100)	100
Asset impairment, restructuring, and settlement charges	3	32	(29)
Oilseeds Processing Adjusted EBITDA	788	1,229	(441)
Wild Flavors and Specialty Ingredients			
Earnings before income taxes	249	242	7
Interest expense	—	2	(2)
Depreciation and amortization	67	68	(1)
Gains on sales of assets/revaluations	(12)	—	(12)
Wild Flavors and Specialty Ingredients Adjusted EBITDA	304	312	(8)
Other - Financial			
Earnings before income taxes	84	39	45
Interest expense	2	—	2
Depreciation and amortization	5	5	—
Other - Financial Adjusted EBITDA	91	44	47



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

(In millions)	Nine months ended September 30,		
	2016	2015	Change
Corporate			
Earnings before income taxes	(705 )	(789 )	84
Interest expense	209	230	(21 )
Depreciation and amortization	42	36	6
LIFO	17	(16 )	33
Losses (Gains) on sales of assets/revaluation	5	—	5
Asset impairment, restructuring, and settlement charges	82	28	54
Loss on debt extinguishment	—	189	(189 )
Corporate Adjusted EBITDA	(350 )	(322 )	(28 )
Total Adjusted EBITDA	\$2,089	\$2,606	\$(517 )

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

## Liquidity and Capital Resources

A Company objective is to have sufficient liquidity, balance sheet strength, and financial flexibility to fund the operating and capital requirements of a capital intensive agricultural commodity-based business. The Company's strategy involves expanding the volume and diversity of crops that it merchandises and processes, expanding the global reach of its core model, and expanding its value-added product portfolio. The Company depends on access to credit markets, which can be impacted by its credit rating and factors outside of the Company's control, to fund its working capital needs and capital expenditures. The primary source of funds to finance the Company's operations, capital expenditures, and advancement of its growth strategy is cash generated by operations and lines of credit, including a commercial paper borrowing facility. In addition, the Company believes it has access to funds from public and private equity and debt capital markets in both U.S. and international markets.

At September 30, 2016, the Company had \$1.0 billion of cash, cash equivalents, and short-term marketable securities and a current ratio, defined as current assets divided by current liabilities, of 1.6 to 1. Included in working capital is \$4.5 billion of readily marketable commodity inventories. Cash provided by operating activities was \$1.2 billion for the nine months compared to \$1.1 billion the same period last year. Working capital changes decreased cash by \$0.4 billion for the nine months and for the same period last year. Trade receivables increased \$0.5 billion due principally to lower receivables sold under the accounts receivable securitization programs. Inventories declined approximately \$1.1 billion due to lower inventory quantities and lower prices. Trade payables declined approximately \$0.6 billion principally reflecting seasonal cash payments for North American harvest-related grain purchases. Cash used in investing activities was \$1.2 billion for the nine months compared to \$0.3 billion the same period last year. Sales of marketable securities, net of purchases, were \$35 million for the nine months compared to \$122 million the same period last year. Capital expenditures for the nine months was \$0.6 billion compared to \$0.8 billion for the same period last year. Other investing activities include additional investments in Wilmar of \$0.6 billion for the nine months compared to \$0.1 billion the same period last year. Cash used in financing activities was \$0.1 billion for the nine months compared to \$1.2 billion the same period last year. Long-term debt borrowings for the nine months of \$1.0 billion related to the new debt issued on August 11, 2016 compared to \$1.2 billion the same period last year which included the €1.1 billion notes issued on June 24, 2015. Commercial paper borrowings for the nine months were \$0.1 billion compared to \$0.8 billion for the same period last year. Treasury stock purchases were \$0.8 billion for the nine months compared to \$1.8 billion the same period last year.

At September 30, 2016, the Company's capital resources included net worth of \$17.6 billion and lines of credit, including the accounts receivable securitization programs, totaling \$7.0 billion, of which \$6.1 billion was unused. The Company's ratio of long-term debt to total capital (the sum of the Company's long-term debt and shareholders' equity) was 27% at September 30, 2016 and 24% at December 31, 2015. The Company uses this ratio as a measure of the Company's long-term indebtedness and an indicator of financial flexibility. Of the Company's total lines of credit, \$4.0 billion support a commercial paper borrowing facility, against which there was no commercial paper outstanding at September 30, 2016.

As of September 30, 2016, the Company had cash of \$0.7 billion, of which \$0.4 billion was cash held by foreign subsidiaries whose undistributed earnings are considered permanently reinvested. The Company has asserted that these funds are permanently reinvested outside the U.S. due to the Company's historical ability to generate sufficient cash flows from its U.S. operations, unused and available U.S. credit capacity of \$4.8 billion, and domestic cash and cash equivalents at September 30, 2016 of \$0.3 billion.

The Company has accounts receivable securitization programs (the “Programs”) with certain commercial paper conduit purchasers and committed purchasers. The Programs provide the Company with up to \$1.5 billion in funding against accounts receivable transferred into the Programs and expands the Company’s access to liquidity through efficient use of its balance sheet assets (see Note 16 of “Notes to Consolidated Financial Statements” included in Item 1 herein, “Financial Statements” for more information and disclosures on the Programs). As of September 30, 2016, the Company utilized \$0.7 billion of its facility under the Programs.

For the nine months ended September 30, 2016, the Company spent approximately \$0.6 billion in capital expenditures, \$0.1 billion in acquisitions, \$0.6 billion in additional Wilmar investments, \$0.5 billion in dividends, and \$0.8 billion in share repurchases. The Company has a stock repurchase program and has acquired approximately 19.7 million shares for the nine months ended September 30, 2016. The Company has 37.0 million shares remaining that may be purchased under the program until December 31, 2019.

The Company expects capital expenditures of approximately \$1.0 billion during 2016. In 2016, the Company expects aggregate cash outlays of approximately \$0.7 billion in dividends and \$1.0 billion in share repurchases, subject to strategic capital requirements.

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

Contractual Obligations and Commercial Commitments

The Company's purchase obligations as of September 30, 2016 and December 31, 2015 were \$12.7 billion and \$9.7 billion, respectively. The increase is related to obligations to purchase higher quantities of agricultural commodity inventories and higher prices. As of September 30, 2016, the Company expects to make payments related to purchase obligations of \$11.9 billion within the next twelve months. There were no other material changes in the Company's contractual obligations during the quarter ended September 30, 2016.

Off Balance Sheet Arrangements

There were no changes in the Company's off balance sheet arrangements during the quarter ended September 30, 2016.

Critical Accounting Policies

There were no material changes in the Company's critical accounting policies during the quarter ended September 30, 2016.

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 market prices as they relate to the Company's net commodity position, foreign currency exchange rates, and interest rates. Significant changes in market risk sensitive instruments and positions for the quarter ended September 30, 2016 are described below. There were no material changes during the period in the Company's potential loss arising from changes in 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 December 31, 2015.

Commodities

The availability and prices of agricultural commodities are subject to wide fluctuations due to factors such as changes in weather conditions, crop disease, plantings, government programs and policies, competition, changes in global demand, changes in customer preferences and standards of living, and global production of similar and competitive crops.

The fair value of the Company's commodity position is a summation of the fair values calculated for each commodity by valuing all significant commodity risk positions at quoted market prices for the period, where available, or utilizing a close proxy. The Company has established metrics to monitor the amount of market risk exposure, which consist of volumetric limits and value-at-risk (VaR) limits. VaR measures the potential loss, at a 95% confidence level, that could be incurred over a one-year period. Volumetric limits are monitored daily and VaR calculations and sensitivity analysis are monitored weekly.

In addition to measuring the hypothetical loss resulting from an adverse two standard deviation move in market prices (assuming no correlations) over a one-year period using VaR, sensitivity analysis is performed measuring the potential loss in fair value resulting from a hypothetical 10% adverse change in market prices. The highest, lowest, and average

weekly position together with the market risk from a hypothetical 10% adverse price change is as follows:

Long/(Short)	Nine months ended		Year ended	
	September 30, 2016		December 31, 2015	
	Fair Value	Market Risk	Fair Value	Market Risk
	(In millions)			
Highest position	\$876	\$ 88	\$(49)	\$ (5 )
Lowest position	(529 )	(53 )	(1,851)	(185 )
Average position	34	3	(715)	(72 )

The change in fair value of the average position was principally the result of an decrease in average quantities underlying the weekly commodity position.



#### ITEM 4. CONTROLS AND PROCEDURES

As of September 30, 2016, 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.

The Company is implementing a new enterprise resource planning (ERP) system on a worldwide basis as part of its ongoing business transformation program, which is expected to improve the efficiency and effectiveness of certain financial and business transaction processes. The implementation is expected to occur in phases over the next several years. The Company has currently implemented changes to certain processes in over 200 locations and will continue to roll-out the ERP system over the next several years. The Company has appropriately considered these changes in its design of and testing for effectiveness of internal controls over financial reporting and concluded, as part of the evaluation described in the above paragraph, that the implementation of the new ERP in these circumstances has not materially affected its internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is routinely involved in a number of actual or threatened legal actions, including those involving alleged personal injuries, employment law, product liability, intellectual property, environmental issues, alleged tax liability (see Note 11 of “Notes to Consolidated Financial Statements” included in Item 1 herein, “Financial Statements” for information on income tax matters), and class actions. The Company also routinely receives inquiries from regulators and other government authorities relating to various aspects of our business, and at any given time, the Company has matters at various stages of resolution with the applicable government authorities. The outcomes of these matters are not within our complete control and may not be known for prolonged periods of time. In some actions, claimants seek damages, as well as other relief, including injunctive relief, that could require significant expenditures or result in lost revenues. In accordance with applicable accounting standards, the Company records a liability in its consolidated financial statements for material loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a material loss contingency is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the consolidated financial statements. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Estimates of probable losses resulting from litigation and governmental proceedings involving the Company are inherently difficult to predict, particularly when the matters are in early procedural stages, with incomplete facts or legal discovery; involve unsubstantiated or indeterminate claims for damages; potentially involve penalties, fines, disgorgement, or punitive damages; or could result in a change in business practice.

Beginning in 2011, approximately 45 farmers in the U.S. brought suit in a Missouri state court against the Company and one of its employees to recover alleged losses from a Ponzi scheme orchestrated by a third-party grain handler, Cathy Giesecker, who was convicted in 2010 of felony fraud charges and is currently serving time in federal prison. The farmers alleged that the Company knew or should have known of Ms. Giesecker’s Ponzi scheme but did not stop it, that Ms. Giesecker was effectively acting as the Company’s agent, and that the Company defrauded or otherwise wronged them. Attorneys for these farmers claimed to represent more than 100 additional farmers with similar claims. Collectively, all of the farmers sought more than \$250 million in alleged economic losses, an unspecified amount for alleged mental pain and suffering, and an unspecified amount of punitive damages. On August 24, 2016, the Company and the farmers entered into a comprehensive confidential settlement of the matter, in which the Company did not admit wrongdoing, and this matter is now at an end. The Company recorded the settlement and related costs and fees pertaining to this matter in the quarter ended September 30, 2016.

The Company is a party to numerous lawsuits pending in various U.S. state and federal courts arising out of Syngenta Corporation’s (Syngenta) marketing and distribution of genetically modified corn products, Agrisure Viptera and Agrisure Duracade, in the U.S. First, the Company brought a state court action in Louisiana against Syngenta in 2014, alleging that Syngenta was negligent in commercializing its products before the products were approved in China. Second, the Company is a putative class member in a number of purported class actions filed beginning in 2013 by farmers and other parties against Syngenta in federal courts and consolidated for pretrial proceedings in a multidistrict litigation (MDL) proceeding in federal court in Kansas City, Kansas, again alleging that Syngenta was negligent in commercializing its products. In the fourth quarter of 2015, Syngenta filed third-party claims against the Company and other grain companies seeking contribution in the event that Syngenta is held liable in these lawsuits; the courts dismissed these third-party claims on April 4, 2016, and the Company is therefore no longer a third-party defendant in the MDL. Third, the Company and other grain companies have been named as a defendant in numerous individual and purported class action suits filed by farmers and other parties in state and federal court beginning in the fourth quarter of 2015, alleging that the Company and other grain companies were negligent in failing to screen for genetically

modified corn. On September 6, 2016, the court in the Minnesota state MDL proceedings granted the Company's motion to dismiss the complaints against the Company in those actions. The Company denies liability in all of the actions in which it has been named as a third-party defendant or defendant and is vigorously defending itself in these cases. All of these actions are in pretrial proceedings. At this time, the Company is unable to predict the final outcome of this matter with any reasonable degree of certainty, but believe it will not have a material adverse effect on its financial condition, results of operations, or cash flows.

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 quarter ended September 30, 2016. For further information about the Company's risk factors, refer to Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

## 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 a Publicly Announced Program (2)	Number of Shares Remaining that May be Purchased Under the Program (2)
July 1, 2016 to July 31, 2016	1,984,291	\$44.113	1,946,247	41,232,823
August 1, 2016 to August 31, 2016	1,909,682	43.818	1,909,682	39,323,141
September 1, 2016 to September 30, 2016	2,344,875	42.639	2,344,875	36,978,266
Total	6,238,848	\$43.469	6,200,804	36,978,266

Total shares purchased represents those shares purchased in the open market as part of the Company's publicly announced share repurchase program described below, shares received as payment for the exercise price of stock option exercises, and shares received as payment for the withholding taxes on vested restricted stock awards. (1) During the three-month period ended September 30, 2016, there were 38,044 shares received as payments for the minimum withholding taxes on vested restricted stock awards. During the three-month period ended September 30, 2016, there were no shares received for the exercise price of stock option exercises.

On November 5, 2014, the Company's Board of Directors approved a stock repurchase program authorizing the (2) Company to repurchase up to 100,000,000 shares of the Company's common stock during the period commencing January 1, 2015 and ending December 31, 2019.

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.
- (3)(ii) Bylaws, as amended, filed on February 11, 2013 as Exhibit 3(ii) to Form 8-K (File No. 1-44), are incorporated herein by reference.
- (10.1) Form of Nonqualified Stock Option Award for Executive Officers
- (10.2) Form of Nonqualified Stock Option Award for U.S. Employees
- (10.3) Form of Restricted Stock Unit Award for Executive Officers
- (10.4) Form of Restricted Stock Unit Award for U.S. Employees
- (12) Calculation of Ratio of Earnings to Fixed Charges
- (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/ R. G. Young  
R. G. Young  
Executive Vice President and Chief Financial Officer

/s/ D. C. Findlay  
D. C. Findlay  
Senior Vice President, General Counsel, and Secretary

Dated: November 1, 2016