

ARCHER DANIELS MIDLAND CO
Form 10-K
August 29, 2008

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

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

For the fiscal year ended June 30, 2008

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
(State or other jurisdiction of
incorporation or organization)

41-0129150
(I. R. S. Employer
Identification No.)

4666 Faries Parkway Box 1470 Decatur,
Illinois
(Address of principal executive offices)

62525
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	New York Stock Exchange Frankfurt Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, no par value--\$29.2 billion

(Based on the closing sale price of Common Stock as reported on the New York Stock Exchange
as of December 31, 2007)

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

Common Stock, no par value—644,267,509 shares

(July 31, 2008)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of stockholders to be held November 6, 2008, are incorporated by reference into Part III.

SAFE HARBOR STATEMENT

This Form 10-K contains forward-looking information that is subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, expressed, or implied by such forward-looking information. In some cases, you can identify forward-looking statements by our use of words such as "may, will, should, anticipates, believes, expects, plans, future, intends, could, estimate, predict, potential or contingent," the negative of these terms or other similar expressions. The Company's actual results could differ materially from those discussed or implied herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in

this Form 10-K for the fiscal year ended June 30, 2008. Among these risks are legislative acts; changes in the prices of food, feed, and other commodities, including gasoline; and macroeconomic conditions in various parts of the world. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events.

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PART I

Item 1. BUSINESS

Company Overview

Archer Daniels Midland Company (the Company) was incorporated in Delaware in 1923, successor to the Daniels Linseed Co. founded in 1902. The Company is one of the world's largest processors of oilseeds, corn, wheat, cocoa, and other feedstuffs and is a leading manufacturer of soybean oil and protein meal, corn sweeteners, flour, biodiesel, ethanol, and other value-added food and feed ingredients. The Company also has an extensive grain elevator and transportation network to procure, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, and barley.

During the past five years, the Company has experienced significant growth, spending approximately \$5.3 billion for construction of new plants, maintenance and expansions of existing plants, and the acquisitions of plants and transportation equipment. The Company is constructing two dry corn milling plants which will increase the Company's annual ethanol production capacity by 550 million gallons to 1.7 billion gallons. In addition, the Company is currently constructing a polyhydroxy alkanate (PHA) natural plastics production facility, a propylene/ethylene glycol production facility, two cocoa processing facilities, and two coal cogeneration facilities. Construction of these plants is expected to be completed during the next two fiscal years. The Company expects to spend approximately \$2.5 billion to complete construction of these facilities and other approved capital projects over the next five years. There have been no significant dispositions during the last five years.

Segment Descriptions

The Company's operations are classified into three reportable business segments: Oilseeds Processing, Corn Processing, and Agricultural Services. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are aggregated and classified as Other. Financial information with respect to the Company's reportable business segments is set forth in "Note 14 of Notes to Consolidated Financial Statements" included in Item 8 herein, "Financial Statements and Supplementary Data."

Oilseeds Processing

The Company is engaged in processing oilseeds such as soybeans, cottonseed, sunflower seeds, canola, peanuts, and flaxseed into vegetable oils and protein meals in North America, Europe, South America and Asia principally for the food and feed industries. Crude vegetable oil is sold "as is" or is further processed by refining, bleaching, and deodorizing into salad oils. Salad oils can be further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oil is sold for use in chemicals, paints and other industrial products. Refined oil can be further processed for use in the production of biodiesel. Oilseed meals are primary ingredients used in the manufacture of commercial livestock and poultry feeds. Cottonseed flour is produced and sold primarily to the pharmaceutical industry. Cotton cellulose pulp is manufactured and sold to the chemical, paper, and filter markets. Lecithin, an emulsifier produced in the vegetable oil refining process, is marketed as a food and animal feed ingredient.

The Company produces a wide range of edible soy protein products including soy flour, soy grits, soy protein concentrates and soy isolates that are used in processed meats, baked foods, nutritional products, snacks, and dairy and meat analogs.

The Company produces natural source vitamin E, tocopherol antioxidants and phytosterols from co-products of oilseeds which are marketed to the dietary supplement and food industry. The Company produces soy isoflavones, a dietary supplement, from a co-product of edible soy processing.

In South America, the Company is also a supplier of fertilizer products.

Item 1. BUSINESS (Continued)

Golden Peanut Company LLC, a joint venture between the Company and Alimenta (U.S.A.), Inc., is a major supplier of peanuts to both the domestic and export markets. The Company has a 50% ownership interest in this joint venture.

The Company has a 16.1% ownership interest in Wilmar International Limited, a Singapore publicly-listed company. Wilmar International Limited is the largest agricultural processing business in Asia and operates palm plantations; soybean, rapeseed, cottonseed, sunflower seed, peanut, palm kernel, and sesame seed crushing facilities and related vegetable oil refineries and packaging facilities; an oleochemical plant that produces fatty acids, glycerin, and soap noodles; a soy protein plant; wheat flour mills; rice mills; feed mills; fertilizer operations; and related silos and storage facilities.

Corn Processing

The Company is engaged in wet milling and dry milling corn operations primarily in the United States. Products produced for use in the food and beverage industry include syrup, starch, glucose, dextrose, and sweeteners. Dextrose is also produced for use by the Company as a feedstock for its bioproducts operations. 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 as an oilseed into vegetable oil and protein meal.

By fermentation of dextrose, the Company produces alcohol, amino acids, and other specialty food and animal feed ingredients. Ethyl alcohol is produced to beverage grade or for industrial use as ethanol. In gasoline, ethanol increases octane and is used as an extender and oxygenate. Amino acids, such as lysine and threonine, are vital compounds used in swine feeds to produce leaner animals and in poultry feeds to enhance the speed and efficiency of poultry production. The Company also produces, by fermentation, astaxanthin, a product used in aquaculture to enhance flesh coloration. The Company produces citric and lactic acids, lactates, sorbitol and xanthan gum which are used in various food and industrial products.

Almidones Mexicanos S.A., in which the Company has a 50% interest, operates a wet corn milling plant in Mexico.

Eaststarch C.V. (Netherlands), in which the Company has a 50% interest, owns interests in companies that operate wet corn milling plants in Bulgaria, Hungary, Romania, Slovakia, and Turkey.

The Company has a 50% interest in Telles, LLC (Telles), a joint venture formed between the Company and Metabolix to market and sell PHA, which will be produced in a facility being constructed by the Company which is expected to be completed during fiscal 2009.

Red Star Yeast Company, LLC produces and sells fresh and dry yeast in the United States and Canada. The Company has a 40% ownership interest in this joint venture.

Agricultural Services

The Agricultural Services segment utilizes the Company's extensive grain elevator and transportation network in the United States to buy, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, and barley, and resells these commodities primarily as animal feed ingredients and as raw materials for the agricultural processing industry. Agricultural Services' grain sourcing and transportation network provides reliable and efficient services to the Company's agricultural processing operations. Agricultural Services' transportation network capabilities include ground, river, rail, and ocean services which provide the flexibility to transport agricultural commodities timely and efficiently to the end consumer or the Company's agricultural processing

operations.

Item 1. BUSINESS (Continued)

The Company processes and distributes edible beans in the United States for use as a food ingredient. The Company produces and distributes formula feeds and animal health and nutrition products to the livestock, dairy, poultry, and pet food industries.

A.C. Toepfer International (Toepfer), in which the Company has an 80% interest, is a global merchandiser of agricultural commodities and processed products. Toepfer has 38 sales offices worldwide and operates export, river, and country elevators in Argentina, Romania, Ukraine, and the United States.

The Company has a 45% interest in Kalama Export Company, a grain export elevator in Washington.

Other

The Company is engaged in milling wheat, corn, and milo into flour in the United States, Canada, the Caribbean, and the United Kingdom. Wheat flour is sold primarily to commercial bakeries, food companies, food service companies, and retailers. Bulgur, a gelatinized wheat food, is sold to both the export and the domestic food markets. Corn meal and flour is sold primarily to the cereal, snack, and bakery mix markets. The Company produces bakery products and mixes, wheat starch, and gluten which are sold to the baking industry. The Company also mills milo to produce industrial flour used in the manufacturing of wallboard for the building industry.

Gruma S.A. de C.V.(Gruma), in which the Company has a 23% interest, is the world's largest producer and marketer of corn flour and tortillas with operations in the United States, Mexico, Central America, South America, and Europe. Additionally, the Company has a 20% share, through a joint venture with Gruma, in six U.S. corn flour mills. The Company also has a 40% share, through a joint venture with Gruma, in nine Mexican-based wheat flour mills.

The Company processes cocoa beans and produces cocoa liquor, cocoa butter, cocoa powder, chocolate, and various compounds in North America, South America, Europe, Asia, and Africa for the food processing industry.

The Company sold its interest in International Malting Company (IMC), a wholly-owned subsidiary of the Company, which operated malting barley plants in the United States, Australia, New Zealand, and Canada on July 31, 2008.

Hickory Point Bank and Trust Company, fsb, a wholly-owned subsidiary of the Company, furnishes public banking and trust services, as well as cash management, transfer agency, and securities safekeeping services, for the Company.

ADM Investor Services, Inc., a wholly-owned subsidiary of the Company, is a registered futures commission merchant and a clearing member of all principal commodities exchanges. ADM Investor Services International, Ltd., ADMIS Hong Kong Limited, and ADM Investor Services Taiwan are wholly-owned subsidiaries of the Company offering broker services in Europe and Asia. ADM Derivatives, Inc. offers foreign exchange services to institutional and retail clients.

Agrinational Insurance Company, a wholly-owned subsidiary of the Company, provides insurance coverage for certain property, casualty, marine, and other miscellaneous risks of the Company and participates in certain third-party reinsurance arrangements.

The Company is a limited partner in various private equity funds which invest primarily in emerging markets.

Item 1. BUSINESS (Continued)

Corporate

Compagnie Industrielle et Financiere des produits Amylaces SA (Luxembourg) and affiliates, of which the Company has a 41.5% interest, is a joint venture which targets investments in food, feed ingredients and bioenergy businesses.

Methods of Distribution

Since the Company's customers are principally other manufacturers and processors, the Company's products are distributed mainly in bulk from processing plants or storage facilities directly to the customers' facilities. The Company has developed a comprehensive transportation system utilizing trucks, railcars, river barges, and ocean-going vessels to efficiently move both commodities and processed products virtually anywhere in the world. The Company owns or leases large numbers of the trucks, trailers, railroad tank and hopper cars, river barges, and towboats used in this transportation system.

Concentration of Sales by Product

The following products account for 10% or more of net sales and other operating income for the last three fiscal years:

	% of Net Sales and Other Operating Income		
	2008	2007	2006
Soybeans	16%	12%	14%
Corn	14%	15%	12%
Soybean Meal	11%	12%	13%
Wheat	10%	8%	8%

Status of New Products

The Company continues to expand its business through the development of new products to meet the growing demands for food, animal feed, chemicals and energy.

The Company's researchers continue to develop custom low-trans fats and oils for bakery and quick-service restaurants that utilize the Company's Novalipid portfolio of low-trans fats and oils. These products have enabled customers to comply with various municipal trans fat bans.

The Company's cooked, dried edible bean products are finding a number of new applications due to the increased interest among our customers in improving nutrition, especially in the area of foods designed for children.

The Company's alliance with Metabolix for production of PHA, a biodegradable plastic, is proceeding. Semi-works production of PHA is being used for market development by Telles, a joint-venture company between the Company and Metabolix. The construction of the Company's 50,000 metric ton per year commercial manufacturing facility is scheduled for completion in fiscal 2009.

The Company is proceeding with construction of a 100,000 metric ton per year commercial propylene/ethylene glycol facility. These products are principally used in industrial applications such as antifreeze and coolants, the manufacture of certain plastics, and paints and coatings.

The Company has entered into a joint development agreement with ConocoPhillips that will develop renewable transportation fuels from agriculture, forestry, and crops grown specifically for energy. This development effort is focused on the production of bio-crude oil that can be used by conventional petroleum refineries to produce transportation fuels.

Item 1. BUSINESS (Continued)

Source and Availability of Raw Materials

Substantially all of the Company's raw materials are agricultural commodities. In any single year, the availability and price of these commodities are subject to unpredictable factors such as weather, plantings, government programs and policies, changes in global demand created by population growth and changes in standards of living, and global production of similar and competitive crops. The Company's raw materials are procured from thousands of growers, grain elevators, and wholesale merchants, principally in North America, South America, and Europe, pursuant to short-term agreements (less than one year) or on a spot basis. The Company is not dependent upon any particular grower, elevator, or merchant as a source for its raw materials.

Patents, Trademarks, and Licenses

The Company owns several valuable patents, trademarks, and licenses but does not consider any segment of its business dependent upon any single or group of patents, trademarks or licenses.

Seasonality, Working Capital Needs, and Significant Customers

Since the Company is so widely diversified in global agribusiness markets, there are no material seasonal fluctuations in the manufacture, sale, and distribution of its products and services. There is a degree of seasonality in the growing cycles, procurement, and transportation of the Company's principal raw materials: oilseeds, corn, wheat, cocoa beans, and other grains. However, the physical movement of the millions of bushels of these crops through the Company's processing facilities is reasonably constant throughout the year.

Price variations and availability of raw agricultural commodities may cause fluctuations in the Company's working capital levels. No material part of the Company's business in any segment is dependent upon a single customer or very few customers.

Competition

The Company has significant competition in the markets in which it operates based principally on price, quality, products and alternative products, some of which are made from different raw materials than those utilized by the Company. Given the commodity-based nature of many of its businesses, the Company, on an ongoing basis, focuses on managing unit costs and improving efficiency through technology improvements, productivity enhancements, and regular evaluation of the Company's asset portfolio.

Research and Development Expenditures

The Company's research and development expenditures are focused on developing food, animal feed, chemical, and energy products from renewable agricultural crops.

The Company maintains a research laboratory in Decatur, Illinois, where product and process development activities are conducted. Activities include the development of new bioproducts and the improvement of existing bioproducts, by utilizing new microbial strains that are developed using classical mutation and genetic engineering. Protein and vegetable oil research is also conducted in Decatur where bakery, meat and dairy pilot plants support food ingredient research. Vegetable oil research is also conducted in Hamburg, Germany; Erith, UK; and Arras, France. Research in Hamburg, Germany was expanded this year to include capabilities for biodiesel and oleochemicals. Research to support sales and development of flour and bakery products is conducted at a newly-constructed laboratory in

Overland Park, Kansas. Sales and development support for cocoa and chocolate products is performed in Milwaukee, Wisconsin, and the Netherlands. Research and technical support for industrial and food wheat starch applications is conducted in Montreal, Canada. The Company has consolidated its research facilities by closing the Clinton, Iowa and Decatur, Indiana research locations and relocating staff to the research center in Decatur, Illinois.

Item 1. BUSINESS (Continued)

The Company uses technical services representatives to interact with customers to understand the customers' product needs. These technical service representatives then interact with researchers who are familiar with the Company's wide range of products as well as applications technology. These individuals form quick-acting teams to develop solutions to customer needs.

The Company has entered into a new cooperative research and development agreement with Pacific Northwest National Laboratory which is focused on hydrothermal liquefaction of biomass to biocrude oils. This agreement is part of the effort being undertaken to support a joint development project with ConocoPhillips.

The Company has begun research related to the recently awarded funding from the Department of Energy to develop yeasts capable of fermenting 5-carbon sugars, which is a key technology for producing ethanol from lignocellulosic biomass. The Company is partnered with Purdue University on this project.

The amounts spent during the three years ended June 30, 2008, 2007 and 2006 for such technical efforts were approximately \$49 million, \$45 million, and \$45 million, respectively.

Environmental Compliance

During the year ended June 30, 2008, \$125 million was spent for equipment, facilities, and programs for pollution control and compliance with the requirements of various environmental agencies.

There have been no material effects upon the earnings and competitive position of the Company resulting from compliance with federal, state, and local laws or regulations enacted or adopted relating to the protection of the environment.

Number of Employees

The number of persons employed by the Company was approximately 27,600 at June 30, 2008.

Financial Information About Foreign and Domestic Operations

Item 1A, "Risk Factors," and Item 2, "Properties," includes information relating to the Company's foreign operations. Geographic financial information is set forth in "Note 14 of Notes to Consolidated Financial Statements" included in Item 8 herein, "Financial Statements and Supplementary Data".

Available Information

The Company's Internet address is <http://www.admworld.com>. The Company makes available, free of charge, through its Internet site, the Company's annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; Directors and Officers Forms 3, 4, and 5; and amendments to those reports, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the Securities and Exchange Commission (SEC).

In addition, the Company makes available, through its Internet site, the Company's Business Code of Conduct and Ethics, Corporate Governance Guidelines, and the written charters of the Audit, Compensation/Succession, Nominating/Corporate Governance, and Executive Committees.

References to our website addressed in this report are provided as a convenience and do not constitute, or should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Item 1. BUSINESS (Continued)

The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site which contains reports, proxy and information statements, and other information regarding issuers that file information electronically with the SEC. The SEC's Internet address is <http://www.sec.gov>.

Item 1A. RISK FACTORS

The availability and price of the agricultural commodities and agricultural commodity products the Company produces and merchandises can be affected by weather, disease, government programs, competition, and various other factors beyond the Company's control and could adversely affect the Company's operating results.

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government programs and policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. These factors have historically caused volatility in the agricultural commodities industry and, consequently, in the Company's operating results. Reduced supply of agricultural commodities due to weather-related factors or other reasons could adversely affect the Company's profitability by increasing the cost of raw materials used in the Company's agricultural processing operations. Reduced supplies of agricultural commodities could also limit the Company's ability to procure, transport, store, process, and merchandise agricultural commodities in an efficient manner which could adversely affect the Company's profitability. In addition, the availability and price of agricultural commodities can be affected by other factors, such as plant disease, which can result in crop failures and reduced harvests.

Also, with respect to prices, to the extent production capacity is added within the agricultural processing industry, the disruption to the balance of supply and demand may result in increased raw material costs and/or downward pressure on the relevant product selling prices, thereby adversely affecting revenues and operating results.

Fluctuations in energy prices could adversely affect the Company's operating results.

The Company's operating costs and the selling prices of certain finished products are sensitive to changes in energy prices. The Company's processing plants are powered principally by electricity, natural gas, and coal. The Company's transportation operations are dependent upon diesel fuel and other petroleum products. Significant increases in the cost of these items could adversely affect the Company's production costs and operating results.

The Company has certain finished products, such as ethanol and biodiesel, which are closely related to, or may be substituted for, petroleum products. Therefore, the selling prices of ethanol and biodiesel can be impacted by the selling prices of gasoline and diesel fuel. A significant decrease in the price of gasoline or diesel fuel could result in a significant decrease in the selling price of the Company's ethanol and biodiesel and could adversely affect the Company's revenues and operating results.

The Company is subject to economic downturns, political instability and other risks of doing business globally which could adversely affect the Company's operating results.

The Company conducts its business and has substantial assets located in many countries and geographic areas. The Company's operations are principally in the United States and developed countries in Western Europe and South America, but the Company also operates in, or plans to expand or develop its business in, emerging market areas such

as Asia, Eastern Europe, and Africa. Both developed and emerging market areas are subject to economic downturns and emerging market areas could be subject to more volatile economic, political and market conditions. Such economic downturns and volatile conditions may have a negative impact on the Company's ability to execute its business strategies and on its operating results.

Item 1A. RISK FACTORS (Continued)

The Company's operating results could be affected by changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies, and similar organizations. These conditions include but are not limited to changes in a country's or region's economic or political conditions, trade regulations affecting production, pricing and marketing of products, local labor conditions and regulations, reduced protection of intellectual property rights, changes in the regulatory or legal environment, restrictions on currency exchange activities, currency exchange fluctuations, burdensome taxes and tariffs, enforceability of legal agreements and judgments, and other trade barriers. International risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities, and war, could limit the Company's ability to transact business in these markets and could adversely affect the Company's revenues and operating results.

Government policies and regulations, in general, and specifically affecting the agricultural sector and related industries, could adversely affect the Company's operating results.

Agricultural production and trade flows are subject to government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, and import and export restrictions on agricultural commodities and commodity products, can influence the planting of certain crops, the location and size of crop production, whether unprocessed or processed commodity products are traded, the volume and types of imports and exports, the availability and competitiveness of feedstocks as raw materials, and industry profitability. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Future government policies may adversely affect the supply of, demand for, and prices of the Company's products, restrict the Company's ability to do business in its existing and target markets, and could negatively impact revenues and operating results.

The Company is subject to industry - specific risks which could adversely affect the Company's operating results.

The Company is subject to risks which include, but are not limited to, product quality or contamination, shifting consumer preferences, federal, state, and local food processing regulations, and customer product liability claims. The liability which could result from these risks may not always be covered by, or could exceed liability insurance related to product liability and food safety matters maintained by the Company. The occurrence of any of the matters described above could adversely affect the Company's revenues and operating results.

Certain of the Company's merchandised commodities and finished products are used as ingredients in livestock and poultry feed. The Company is subject to risks associated with the outbreak of disease in livestock and poultry, including, but not limited to, mad-cow disease and avian influenza. The outbreak of disease could adversely affect demand for the Company's products used as ingredients in livestock and poultry feed. A decrease in demand for these products could adversely affect the Company's revenues and operating results.

The Company is subject to numerous laws and regulations globally which could adversely affect the Company's operating results.

The Company is required to comply with the numerous and broad reaching laws and regulations administered by United States federal, state, local, and foreign governmental agencies relating to, but not limited to, the sourcing, transporting, storing, and processing of agricultural raw materials as well as the transporting, storing and distributing of related agricultural products including commercial activities conducted by Company employees and third parties globally. Any failure to comply with applicable laws and regulations could subject the Company to administrative penalties and injunctive relief, civil remedies, including fines, injunctions, and recalls of its products.

The production of the Company's products requires the use of materials which can create emissions of certain regulated substances. Although the Company has programs in place throughout the organization globally to guard against non-compliance, failure to comply with these regulations can have serious consequences, including civil and administrative penalties as well as a negative impact on the Company's reputation.

Item 1A. RISK FACTORS (Continued)

In addition, changes to regulations may require the Company to modify existing processing facilities and/or processes which could significantly increase operating costs and negatively impact operating results.

The Company is exposed to potential business disruption, including but not limited to transportation services, and other serious adverse impacts resulting from acts of terrorism or war, natural disasters and severe weather conditions, and accidents which could adversely affect the Company's operating results.

The assets and operations of the Company are subject to damage and disruption from various events which include, but are not limited to, acts of terrorism or war, natural disasters and severe weather conditions, accidents, explosions, and fires.

The potential effects of the conditions cited above include, but are not limited to, extensive property damage, extended business interruption, personal injuries, and damage to the environment. The Company's operations also rely on dependable and efficient transportation services. A disruption in transportation services could result in supply problems at the Company's facilities and impair the Company's ability to deliver products to its customers in a timely manner.

The Company's business is capital intensive in nature and the Company relies on cash generated from its operations and external financing to fund its growth and ongoing capital needs. Limitations on access to external financing could adversely affect the Company's operating results.

The Company requires significant capital to operate its current business and fund its growth strategy. The Company's working capital requirements are directly affected by the price of agricultural commodities, which may fluctuate significantly and change quickly. The Company also requires substantial capital to maintain and upgrade its extensive network of storage facilities, processing plants, refineries, mills, ports, transportation assets and other facilities to keep pace with competitive developments, technological advances, regulations and changing safety standards in the industry. Moreover, the expansion of the Company's business and pursuit of acquisitions or other business opportunities may require significant amounts of capital. If the Company is unable to generate sufficient cash flows or raise adequate external financing, it may restrict the Company's current operations and its growth opportunities which could adversely affect the Company's operating results.

The Company's risk management strategies may not be effective.

The Company's business is affected by fluctuations in agricultural commodity prices, transportation costs, energy prices, interest rates, and foreign currency exchange rates. We engage in hedging transactions to manage these risks. However, our hedging strategies may not be successful in mitigating our exposure to these fluctuations. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Item 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved staff comments.

Item 2. PROPERTIES

The Company owns or leases the following processing plants and procurement facilities:

	Processing Plants			Procurement Facilities		
	United States	International	Total	United States	International	Total
Owned	131	97	228	176	104	280
Leased	2	2	4	19	29	48
	133	99	232	195	133	328

The Company's operations are such that most products are efficiently processed near the source of raw materials. Consequently, the Company has many plants strategically located in agricultural commodity producing areas. The annual volume of commodities processed will vary depending upon availability of raw materials and demand for finished products.

To enhance the efficiency of transporting large quantities of raw materials and finished products between the Company's procurement facilities and processing plants and also the final delivery of products to our customers around the world, the Company owns or leases over 2,200 barges, 23,700 rail cars, 800 trucks, and 2,100 trailers.

Oilseeds Processing

	Processing Plants			Procurement Facilities		
	United States	International	Total	United States	International	Total
Owned	53	56	109	15	80	95
Leased	—	—	—	—	20	20
	53	56	109	15	100	115

The Company operates twenty-three domestic and eighteen international oilseed crushing plants with a daily processing capacity of approximately 91,000 metric tons (3.4 million bushels). The domestic plants are located in Georgia, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Carolina, Tennessee, and Texas. The international plants are located in Bolivia, Brazil, Canada, England, Germany, India, Mexico, the Netherlands, Poland, and Ukraine.

The Company operates thirteen domestic oilseed refineries in Georgia, Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, North Dakota, and Tennessee, as well as seventeen international refineries in Bolivia, Brazil, Canada, England, Germany, India, the Netherlands, and Poland. The Company packages oils at five domestic plants located in California, Georgia, and Illinois, as well as at seven international plants located in Bolivia, Brazil, England, Poland and Germany. The Company operates one domestic and six international biodiesel plants located in North Dakota, Brazil, Germany, and India. In addition, the Company operates two fertilizer blending plants in Brazil.

The Oilseeds Processing segment operates fifteen domestic country grain elevators as adjuncts to its processing plants. These elevators, with an aggregate storage capacity of eight million bushels, are located in Illinois, Missouri, North Carolina, and Ohio.

This segment also operates one hundred international elevators, including port facilities, in Bolivia, Brazil, Canada, Germany, the Netherlands, Paraguay, and Poland as adjuncts to its processing plants. These facilities have a storage capacity of 125 million bushels.

The Company operates two soy protein specialty plants in Illinois and one plant in the Netherlands. Lecithin products are produced at six domestic and four international plants in Illinois, Iowa, Nebraska, Canada, Germany, and the Netherlands. The Company produces soy-based foods at a plant in North Dakota and vitamin E, sterols, and isoflavones at plants in Illinois. The Company also operates a specialty oils and fats plant in France that produces various value-added products for the pharmaceutical, cosmetic and food industries.

Item 2. PROPERTIES (Continued)

Corn Processing

	Processing Plants			Procurement Facilities		
	United States	International	Total	United States	International	Total
Owned	13	–	13	5	–	5

The Company operates five wet corn milling plants and two dry corn milling plants with a daily grind capacity of approximately 50,000 metric tons (2.0 million bushels). The Company also operates corn germ extraction plants, sweeteners and starches production facilities, and bioproducts production facilities in Illinois, Iowa, Minnesota, Nebraska, North Carolina, and North Dakota. The Corn Processing segment also operates five domestic grain terminal elevators as adjuncts to its processing plants. These elevators, with an aggregate storage capacity of 13 million bushels, are located in Minnesota.

Agricultural Services

	Processing Plants			Procurement Facilities		
	United States	International	Total	United States	International	Total
Owned	29	6	35	156	18	174
Leased	2	1	3	19	7	26
	31	7	38	175	25	200

The Company operates one hundred fifty-two domestic terminal, sub-terminal, country, and river elevators covering the major grain producing states, including sixty-four country elevators, eighty sub-terminal, terminal and river loading facilities, and eight grain export elevators in Florida, Louisiana, Ohio, and Texas. Elevators are located in Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, Oklahoma, Tennessee, and Texas. These elevators have an aggregate storage capacity of approximately 356 million bushels. The Company has five grain export elevators in Argentina, Mexico, and Ukraine that have an aggregate storage capacity of approximately 29 million bushels. The Company has thirteen country elevators located in the Dominican Republic, Romania, and Ukraine. In addition, the Company has seven river elevators located in Romania and Ukraine.

The Company operates twenty-three domestic edible bean procurement facilities with an aggregate storage capacity of approximately 11 million bushels, located in Colorado, Idaho, Michigan, Minnesota, North Dakota, and Wyoming.

The Company operates a rice mill located in California, an animal feed facility in Illinois, and an edible bean plant in North Dakota. The Company also operates twenty-eight domestic and seven international formula feed and animal health and nutrition plants. The domestic plants are located in Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Ohio, Pennsylvania, Texas, Washington, and Wisconsin. The foreign plants are located in Canada,

China, Puerto Rico, and Trinidad & Tobago.

Item 2. PROPERTIES (Continued)

Other

	Processing Plants			Procurement Facilities		
	United States	International	Total	United States	International	Total
Owned	36	35	71	–	6	6
Leased	–	1	1	–	2	2
	36	36	72	–	8	8

The Company operates twenty-three domestic wheat flour mills, a domestic bulgur plant, two domestic corn flour mills, two domestic milo mills, and twenty international flour mills with a total daily milling capacity of approximately 27,000 metric tons (1.0 million bushels). The Company also operates six bakery mix plants. These plants and related properties are located in California, Illinois, Indiana, Kansas, Minnesota, Missouri, Nebraska, New York, North Carolina, Oklahoma, Pennsylvania, Tennessee, Texas, Washington, Barbados, Belize, Canada, England, Grenada, and Jamaica. The Company operates two formula feed plants as adjuncts to the wheat flour mills in Belize and Grenada, a rice milling plant in Jamaica, and a starch and gluten plant in Iowa and one in Canada. The Company also operates a honey drying operation in Wisconsin.

The Company operates three domestic and nine international chocolate and cocoa bean processing plants with a total daily grind capacity of approximately 2,200 metric tons. The domestic plants are located in Massachusetts, New Jersey, and Wisconsin, and the international plants are located in Brazil, Canada, England, Ivory Coast, the Netherlands, and Singapore. The Company operates eight cocoa bean procurement and handling facilities/port sites in Brazil, Indonesia, Ivory Coast, and Malaysia.

Item 3. LEGAL PROCEEDINGS

Environmental Matters

The United States Environmental Protection Agency and the Missouri Department of Natural Resources have initiated a criminal investigation of the wastewater discharge practices at one of the Company's barge facilities in Missouri. Since February 2008, several employees at the facility have received grand jury subpoenas relating to wastewater discharges from the facility. The Company has been cooperating with the investigation. The Company has also undertaken an internal investigation of those discharge practices and does not believe that the filing of any criminal action would be appropriate. The Company does not yet have enough information to reasonably estimate any penalty that may be imposed if any enforcement action is brought.

The Company is involved in approximately twenty administrative and judicial proceedings in which it has been identified as a potentially responsible party (PRP) under the federal Superfund law and its state analogs for the study and cleanup of sites contaminated by material discharged into the environment. In all of these matters there are numerous PRPs. Due to various factors, such as the required level of remediation and participation in the cleanup effort by others, the Company's future cleanup costs at these sites cannot be reasonably estimated.

In management's opinion, these proceedings will not, either individually or in the aggregate, have a material adverse affect on the Company's financial condition or results of operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Market Prices and Dividends

The Company's common stock is listed and traded on the New York Stock Exchange and the Frankfurt Stock Exchange. The following table sets forth, for the periods indicated, the high and low market prices of the common stock as reported on the New York Stock Exchange and common stock cash dividends declared per share.

	Market Price		Cash Dividends Per Share
	High	Low	
Fiscal 2008-Quarter Ended			
June 30	\$ 48.95	\$ 31.65	\$ 0.130
March 31	47.18	38.11	0.130
December 31	47.33	32.43	0.115
September 30	37.02	31.28	0.115
Fiscal 2007-Quarter Ended			
June 30	\$ 39.65	\$ 32.05	\$ 0.115
March 31	37.84	30.20	0.115
December 31	40.00	31.20	0.100
September 30	45.05	36.44	0.100

The number of registered shareholders of the Company's common stock at June 30, 2008, was 17,330. The Company expects to continue its policy of paying regular cash dividends, although there is no assurance as to future dividends because they are dependent on future earnings, capital requirements, and financial condition.

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES (Continued)

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Number of Shares Remaining to be Purchased Under the Program (2)
April 1, 2008 to April 30, 2008	1,799	\$ 47.13	307	75,630,561
May 1, 2008 to May 31, 2008	9,061	43.99	154	75,630,407
June 1, 2008 to June 30, 2008	118	41.80	118	75,630,289
Total	10,978	\$ 44.48	579	75,630,289

(1) Total shares purchased represents those shares purchased as part of the Company's publicly announced share repurchase program described below and shares received as payment of the exercise price for stock option exercises. During the three-month period ended June 30, 2008, the Company received 10,399 shares as payment of the exercise price for stock option exercises.

(2) On November 4, 2004, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 100,000,000 shares of the Company's common stock during the period commencing January 1, 2005 and ending December 31, 2009.

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES (Continued)

Performance Graph

The graph below compares five-year returns of the Company's common stock with those of the S&P 500 Index, the S&P Packaged Foods and Meats Index, and the S&P Consumer Staples Index which the Company today considers a more relevant line-of-business index. The graph assumes all dividends have been reinvested and assumes an initial investment of \$100 on June 30, 2003. Information in the graph is presented on a June 30 fiscal year basis.

Graph produced by Research Data Group, Inc.

Item 6. SELECTED FINANCIAL DATA

Selected Financial Data
(In millions, except ratio and per share data)

	2008	2007	2006	2005	2004
Net sales and other operating income	\$ 69,816	\$ 44,018	\$ 36,596	\$ 35,943	\$ 36,151
Depreciation	721	701	657	665	686
Net earnings	1,802	2,162	1,312	1,044	495
Basic earnings per common share	2.80	3.32	2.01	1.60	0.76
Diluted earnings per common share	2.79	3.30	2.00	1.59	0.76
Cash dividends	316	281	242	209	174
Per common share	0.49	0.43	0.37	0.32	0.27
Working capital	\$ 10,834	\$ 7,254	\$ 5,661		