

ARCHER DANIELS MIDLAND CO
Form 10-K
February 17, 2017

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

For the fiscal year ended December 31, 2016

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 60601
Chicago, Illinois
(Address of principal executive offices) (Zip Code)

312-634-8100
(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

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 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 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
Non-accelerated Filer

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--\$24.4 billion
(Based on the closing sale price of Common Stock as reported on the New York Stock Exchange as of June 30, 2016)

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—571,080,171 shares
(February 10, 2017)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of stockholders to be held May 4, 2017, are incorporated by reference into Part III of this Form 10-K.

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 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 year ended December 31, 2016. 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 leading processors of oilseeds, corn, wheat, and other agricultural commodities and is a leading manufacturer of protein meal, vegetable oil, corn sweeteners, flour, biodiesel, ethanol, and other value-added food and feed ingredients. The Company also has an extensive global grain elevator and transportation network to procure, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, and barley, as well as processed agricultural commodities. The Company has significant investments in joint ventures. The Company expects to benefit from these investments, which typically aim to expand or enhance the Company's market for its products or offer other benefits including, but not limited to, geographic or product line expansion.

The Company's vision is to be the most admired global agribusiness while creating value and growing responsibly. 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 desires to execute this vision and these strategies by conducting its business in accordance with its core values of operating with integrity, treating others with respect, achieving excellence, being resourceful, displaying teamwork, and being responsible.

As the world population grows, so does demand for quality foods, feed ingredients for livestock, alternative fuels, and environmentally friendly alternatives to traditional chemicals. As one of the world's leading agricultural processors, the Company plays a pivotal role in meeting all of these needs in sustainable ways. The Company produces the food ingredients, biofuels, and other products that manufacturers around the world use to provide wholesome food and a better life to millions of people around the globe.

Segment Descriptions

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 business segments, as defined by the applicable accounting standard, and are classified as Other. Financial information with respect to the Company's reportable business segments is set forth in Note 17 of "Notes to Consolidated Financial Statements" included in Item 8 herein, "Financial Statements and Supplementary Data."

Agricultural Services

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, rail, and container freight services. The Agricultural Services segment also includes the activities related to structured trade finance and the processing of wheat into wheat flour. In April 2016, the Company acquired a 50% interest in Cairo, Egypt-based Medsofts Group, a consolidated joint venture that owns and

manages merchandising and supply chain operations.

The Company has a 32.2% interest in Pacifacor (formerly Kalama Export Company LLC). Pacifacor owns and operates a grain export elevator in Kalama, WA and a grain export elevator in Portland, OR.

The Company held a 19.8% interest in GrainCorp Limited (GrainCorp), a publicly listed company on the Australian Stock Exchange, until its sale in December 2016. GrainCorp is engaged in grain receipt and handling, transportation, port operations, oilseed processing, malt processing, flour processing, and grain marketing activities.

Item 1. BUSINESS (Continued)

Corn Processing

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, Morocco, 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. By 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, all of which are used in various food and industrial products. The Corn Processing segment also included the activities of the Company's Brazilian sugarcane ethanol plant and related operations until the Company completed the sale of these operations in May 2016. In June 2016, the Company acquired from Tate & Lyle a Casablanca, Morocco-based corn wet mill that produces glucose and native starch. In February 2017, the Company acquired Crosswind Industries, Inc., an industry leader in the manufacture of contract and private label pet treats and foods, as well as specialty ingredients.

Hungrana Ltd., in which the Company owns a 50% interest, operates a wet corn milling plant in Hungary.

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

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.

Oilseeds Processing

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. In November 2016,

the Company completed the expansion of Olenex, a 37.5% joint venture with Wilmar International Limited (Wilmar). Olenex owns and operates specialty oils and fats, palm refining, and tropical oils processing plants in Europe.

The Company has an equity interest in Wilmar, a Singapore publicly listed company. The Company acquired additional shares in Wilmar increasing its ownership interest from 19.0% to 20.0% in March 2016, 22.0% in June 2016, 23.2% in September 2016, and 23.9% in January 2017. Wilmar, a leading agribusiness group in Asia, is engaged in the businesses of oil palm cultivation, oilseeds crushing, edible oils refining, sugar milling and refining, specialty fats, oleo chemicals, biodiesel and fertilizers manufacturing, and grains processing.

Stratas Foods LLC, a joint venture between the Company and ACH Jupiter, LLC, a subsidiary of Associated British Foods, procures, packages, and sells edible oils in North America. The Company has a 50% ownership interest in this joint venture.

Item 1. BUSINESS (Continued)

The Company has a 50% interest in Edible Oils Limited, a joint venture between the Company and Princes Limited to procure, package, and sell edible oils in the United Kingdom. The Company also formed a joint venture with Princes Limited in Poland to procure, package, and sell edible oils in Poland, Czech Republic, Slovakia, Hungary, and Austria.

The Company is a major supplier of agricultural commodity raw materials to Wilmar, Stratas Foods LLC, and Edible Oils Limited.

Wild Flavors and Specialty Ingredients

The Wild Flavors and Specialty Ingredients (WFSI) 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 WFSI 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

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

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 in the U.S. ADM Investor Services International, Limited, a member of several commodity exchanges and clearing houses in Europe, ADMIS Hong Kong Limited, and ADMIS Singapore Pte. Limited, are wholly owned subsidiaries of the Company offering broker services in Europe and Asia.

Captive insurance includes Agrinational Insurance Company (Agrinational) and its subsidiaries. Agrinational, a wholly owned subsidiary of the Company, provides insurance coverage for certain property, casualty, marine, credit, and other miscellaneous risks of the Company. Agrinational also participates in certain third-party reinsurance arrangements and retains a portion of the crop insurance risk written by ADM Crop Risk Services, a wholly owned subsidiary. ADM Crop Risk Services is a managing general agent which sells and services crop insurance policies to farmers.

Corporate

Compagnie Industrielle et Financiere des Produits Amylaces SA (Luxembourg) and affiliates (CIP), in which the Company has a 43.7% interest, is a joint venture which targets investments in food, feed ingredients, and bioproducts businesses.

Methods of Distribution

The Company's products are distributed mainly in bulk from processing plants or storage facilities directly to customers' facilities. The Company has developed a comprehensive transportation capability 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, towboats, and ocean-going vessels used to transport the Company's products to its customers.

Item 1. BUSINESS (Continued)

Concentration of Revenues by Product

The following products account for 10% or more of revenues for the following periods:

	% of Revenues		
	Year Ended		
	December 31		
	2016	2015	2014
Soybeans	17%	16%	16%
Soybean Meal	13%	13%	13%
Corn	10%	11%	10%

Status of New Products

The Company continues to expand the size and global reach of its business through the development of new products. Acquisitions, especially in the Wild Flavors and Specialty Ingredients segment, expand the Company's ability to serve the customers' evolving needs through its offering of natural flavor and ingredient products. The Company does not expect any of its new products to have a significant impact on the Company's revenues in 2017.

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 factors such as changes in weather conditions, plantings, government programs and policies, competition, changes in global demand, 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 in North America, South America, Europe, Asia, Australia, and Africa, pursuant primarily to short-term (less than one year) agreements 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 patents, trademarks, and licenses, principally consisting of \$205 million of trademarks from the Wild Flavors acquisition in 2014, 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 widely diversified in global agribusiness markets, there are no material seasonal fluctuations in overall global processing volumes and the 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, sugarcane, and other grains.

The prices of agricultural commodities, which may fluctuate significantly and change quickly, directly affect the Company's working capital requirements. Because the Company has a higher portion of its operations in the northern hemisphere, principally North America and Europe, relative to the southern hemisphere, primarily South America, inventory levels typically peak after the northern hemisphere fall harvest and are generally lower during the northern

hemisphere summer months. Working capital requirements have historically trended with inventory levels. No material part of the Company's business is dependent upon a single customer or very few customers. The Company has seasonal financing arrangements with farmers in certain countries around the world. Typically, advances on these financing arrangements occur during the planting season and are repaid at harvest.

Item 1. BUSINESS (Continued)

Competition

The Company has significant competition in the markets in which it operates based principally on price, foreign exchange rates, quality, global supply, 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 responding to demand from customers' product development or formulation needs, improving processing efficiency, and developing food, feed, fuel, and industrial products from renewable agricultural crops. Research and development expense during the years ended December 31, 2016, 2015, and 2014, net of reimbursements of government grants, was approximately \$123 million, \$122 million, and \$79 million, respectively.

The Company's laboratories and technical centers around the world enhance its ability to interact with customers in Europe, Asia, and South America, not only to provide flavors, but also to support the sales of other food ingredients. The acquisition of Wild Flavors in October 2014 approximately doubled the number of scientists and technicians in research and development. A number of these laboratories are being expanded with new capabilities to enhance the Company's ability to develop custom solutions for our customers.

The Company is working with the U.S. Department of Energy's National Energy Technology Laboratory and other key academic and corporate partners on carbon sequestration projects to reduce carbon dioxide emissions from manufacturing operations. The first project, Illinois Basin Decatur Project, successfully completed injecting one million tons of CO₂ in the fourth quarter of fiscal year ended December 31, 2014. The second project, the Illinois Industrial Carbon Capture & Sequestration, was completed in the fourth quarter of fiscal year ended December 31, 2015 and is expected to receive authorization to start injection in the first quarter of fiscal year 2017.

The Company is continuing to invest in research to develop a broad range of sustainable materials with an objective to produce key intermediate materials that serve as a platform for producing a variety of sustainable packaging products. The key materials are derived from the Company's starch and oilseed-based feedstocks. Conversion technologies include utilizing expertise in both fermentation and catalysis. The materials pipeline includes the development of chemicals and intermediates that are currently produced from petrochemical resources as well as new-to-the-market bio-based products. The Company's current portfolio includes products that are in the early development phase and those that are close to pilot plant demonstration. In an effort to further advance the development of bio-based chemical technologies, the Company has partnered with the Center for Environmentally Beneficial Catalysis and has added research capabilities at the University of Kansas. The Company has also engaged in a joint development agreement with DuPont to develop sustainable packaging solutions with improved barrier properties compared to current materials.

In October 2016, the Company launched ADM Ventures to oversee select, high-potential, new-product development projects from its business units; to nurture promising, early-stage start-up companies in which the Company may wish to invest; and to invest in more mature, proven start-ups with strong growth potential.

Environmental Compliance

During the year ended December 31, 2016, \$60 million was spent specifically to improve 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 applicable laws or regulations enacted or adopted relating to the protection of the environment.

Item 1. BUSINESS (Continued)

A number of jurisdictions where the Company has operations have implemented or are in the process of implementing carbon pricing programs or regulations to reduce greenhouse gas emissions, including, but not limited to, the U.S., Canada, Mexico, the E.U. and its member states, and China. The Company's operations located in countries with effective and applicable carbon pricing and regulatory programs currently meet their obligations in this regard with no significant impact on the earnings and competitive position of the Company. The Company's business could be affected in the future by additional global, regional, national, and local regulation, pricing of greenhouse gas emissions or other climate change legislation, regulation or agreements. It is difficult at this time to estimate the likelihood of passage, or predict the potential impact, of any additional legislation, regulations or agreements. Potential consequences of new obligations could include increased energy, transportation, raw material, and administrative costs, and may require the Company to make additional investments in its facilities and equipment.

Number of Employees

The number of full-time employees of the Company was approximately 31,800 at December 31, 2016 and 32,300 at December 31, 2015. The net decrease in the number of full-time employees is primarily related to divestitures.

Financial Information About Foreign and U.S. Operations

Item 1A, "Risk Factors," and Item 2, "Properties," includes information relating to the Company's foreign and U.S. operations. Geographic financial information is set forth in Note 17 of "Notes to Consolidated Financial Statements" included in Item 8 herein, "Financial Statements and Supplementary Data".

Available Information

The Company's website is <http://www.adm.com>. The Company makes available, free of charge, through its website, 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 website, the Company's Code of Conduct, Corporate Governance Guidelines, and the written charters of the Audit, Compensation/Succession, Nominating/Corporate Governance, and Executive Committees.

References to our website address 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.

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 a website which contains reports, proxy and information statements, and other information regarding issuers that file information electronically with the SEC. The SEC's website is <http://www.sec.gov>.

Item 1A. RISK FACTORS

The Company faces risks in the normal course of business and through global, regional, and local events that could have an adverse impact on its reputation, operations, and financial performance.

Management directs a Company-wide Integrated Risk Management (IRM) program, with oversight from the Company's Board of Directors. The Company's Audit Committee has the delegated risk management oversight responsibility and receives updates on the risk management processes and key risk factors on a quarterly basis.

The risk factors that follow are the main risks that the IRM program focuses on to protect and enhance shareholder value through intentional risk mitigation plans based on management-defined risk limits.

The Company, through its business unit, functional, and corporate teams, continually updates, assesses, monitors, and mitigates these and other business and compliance risks in accordance with the IRM Program and as monitored by the IRM program and Chief Risk Officer.

Item 1A. RISK FACTORS (Continued)

The availability and prices of the agricultural commodities and agricultural commodity products the Company procures, transports, stores, processes, and merchandises can be affected by weather conditions, 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 prices of agricultural commodities are subject to wide fluctuations due to changes in weather conditions, crop disease, plantings, government programs and policies, competition, changes in global demand, changes in standards of living, and global production of similar and competitive crops. The Company uses a global network of procurement, processing, and transportation assets, as well as robust communications between global commodity merchandiser teams, to continually assess price and basis opportunities. These commodity trade teams monitor commodity positions against management established limits (including a corporate wide value-at-risk metric), with robust internal reporting to ensure optimized results versus the Company's strategic plans. Additionally, the Company depends globally on agricultural producers to ensure an adequate supply of the agricultural commodities used by the Company in its operations is maintained. These factors have historically caused volatility in the availability and prices of agricultural commodities and, consequently, in the Company's operating results and working capital requirements. 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 and/or limiting the Company's ability to procure, transport, store, process, and merchandise agricultural commodities in an efficient manner. For example, a drought in North America in 2012 reduced the availability of corn and soybean inventories while prices increased. High and volatile commodity prices can adversely affect the Company's ability to meet its liquidity needs. Conversely, if supplies are abundant and crop production globally outpaces demand for more than one or two crop cycles, price volatility is somewhat diminished. This could result in reduced operating results due to the lack of supply chain dislocations and reduced market spread and basis opportunities.

Advances in technology, such as seed and crop protection technology, farming techniques, or speed of information flow, may reduce the significance of dislocations and arbitrage opportunities in the agricultural global markets, which may reduce the earnings potential of the Company and other agricultural merchandisers.

The Company has significant competition in the markets in which it operates.

The Company faces significant competition in each of its businesses and has numerous competitors. The company competes for the acquisition of inputs such as agricultural commodities, transportation services, and other materials and supplies, as well as for workforce and talent. Additionally, competitors offer similar products and services, as well as alternative products and services, to the Company's customers. The Company is dependent on being able to generate revenues in excess of cost of products sold in order to obtain margins, profits, and cash flows to meet or exceed its targeted financial performance measures and provide cash for operating, working capital, dividend, or capital expenditure needs. Competition impacts the Company's ability to generate and increase its gross profit as a result of the following factors. Pricing of the Company's products is partly dependent upon industry processing capacity, which is impacted by competitor actions to bring on-line idled capacity, build new production capacity or execute aggressive consolidation. Many of the products bought and sold by the Company are global commodities or are derived from global commodities. The markets for global commodities are highly price competitive and in many cases the commodities are subject to substitution. Significant changes in exchange rates of foreign currencies versus the U.S. dollar, particularly the currencies of major crop growing countries, could also make goods and products of these countries more competitive than U.S. products, thereby negatively impacting the competitiveness of the Company's significant origination, processing, and export footprint, and the Company's operating results. Improved yields in different crop growing regions may reduce the reliance on origination territories in which the Company has a

significant presence. In addition, continued merger and acquisition activities resulting in further consolidations result in greater cost competitiveness and global scale of certain players in the industry that could impact the relative competitiveness of the Company, especially when acquirers are state-owned and/or backed by public funds and have profit and return objectives that may differ from publicly traded enterprises. To compete effectively, the Company focuses on improving efficiency in its production and distribution operations, developing and maintaining appropriate market share, maintaining a high level of product safety and quality, and working with customers to develop new products and tailored solutions.

Item 1A. RISK FACTORS (Continued)

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-based products. Significant increases in the cost of these items, including any consequences of regulation or taxation of greenhouse gases, 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, or in the case of ethanol, blended into gasoline to increase octane content. Therefore, the selling prices of ethanol and biodiesel can be impacted by the selling prices of gasoline, diesel fuel, and other octane enhancers. A significant decrease in the price of gasoline, diesel fuel, or other octane enhancers 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 uses derivative contracts as anticipatory hedges for both purchases of commodity inputs and sales of energy-based products in order to protect itself against these price trends and to protect and maximize processing margins.

The Company is subject to economic downturns and regional economic volatilities, 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. While 56 percent of the Company's processing plants and 73 percent of its procurement facilities are located in the United States, the Company also has significant operations in both developed areas (such as Western Europe, Canada, Brazil) and emerging market areas (such as Eastern Europe, Asia, portions of South and Central America, the Middle East, and Africa). One of the Company's strategies is to expand the global reach of its core model which may include expanding or developing its business in emerging market areas such as Asia, Eastern Europe, the Middle East, and Africa. Both developed and emerging market areas are subject to impacts of economic downturns, including decreased demand for the Company's products, and reduced availability of credit, or declining credit quality of the Company's suppliers, customers, and other counterparties. In addition, emerging market areas could be subject to more volatile operating conditions including, but not limited to, logistics limitations or delays, labor-related challenges, limitations or regulations affecting trade flows (such as concerning genetically modified organisms), local currency concerns, and other economic and political instability. Political fiscal instability could generate intrusive regulations in emerging markets potentially creating unanticipated assessments of taxes, fees, increased risks of corruption, etc. Economic downturns and volatile market conditions could adversely affect the Company's operating results and ability to execute its long-term business strategies, thus reducing the Company's overall market value. The Company mitigates this risk in many ways including country risk analysis, government relations and tax compliance activities, and active ethics compliance training requirements.

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

The Company does business globally, connecting crops and markets in 163 countries. The Company is required to comply with the numerous and far-reaching laws and regulations administered by United States federal, state and local, and foreign governmental authorities. The Company must comply with other general business regulations such as accounting and income taxes, anti-corruption, anti-bribery, global trade, trade sanctions, environmental, product safety, and handling and production of regulated substances. The Company frequently faces challenges from U.S. and

foreign tax authorities regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various tax filing positions, the Company records reserves for estimates of potential additional tax owed by the Company. As examples, the Company has received large tax assessments from tax authorities in Brazil and Argentina, challenging income tax positions taken by subsidiaries of the Company covering various prior periods. Any failure to comply with applicable laws and regulations or appropriately resolve these challenges could subject the Company to administrative, civil, and criminal remedies including fines, penalties, disgorgement, injunctions, and recalls of its products, and damage to its reputation.

The production of the Company's products requires the use of materials which can create emissions of certain regulated substances, including greenhouse gas emissions. Although the Company has programs in place throughout the organization globally to ensure compliance with laws and regulations, failure to comply with these laws and regulations can have serious consequences, including civil, administrative, and criminal penalties as well as a negative impact on the Company's reputation, business, cash flows, and results of operations.

Item 1A. RISK FACTORS (Continued)

In addition, changes to regulations or implementation of additional regulations, for example the imposition of regulatory restrictions on greenhouse gases or regulatory modernization of food safety laws, may require the Company to modify existing processing facilities and/or processes which could significantly increase operating costs and adversely affect operating results.

Government policies, mandates, and regulations specifically affecting the agricultural sector and related industries; regulatory policies or matters that affect a variety of businesses; taxation policies; and political instability could adversely affect the Company's operating results.

Agricultural production and trade flows are subject to government policies, mandates, and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, foreign exchange rates, and import and export restrictions on agricultural commodities and commodity products, including policies related to genetically modified organisms, traceability standards, product safety and labeling, renewable fuels, and low carbon fuel mandates, 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, the viability and volume of production of certain of the Company's products, and industry profitability. For example, changes in government policies or regulations of ethanol and biodiesel, including but not limited to changes in the Renewable Fuel Standard program under the Energy Independence and Security Act of 2007 in the United States, can have an impact on the Company's operating results. International trade regulations can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Regulations of financial markets and instruments, including the Dodd-Frank Act, Consumer Protection Act, and the European Market Infrastructure Regulation, create uncertainty and may lead to additional risks and costs, and could adversely affect the Company's futures commission merchant business and its agricultural commodity risk management practices. Future government policies may adversely affect the supply of, demand for, and prices of the Company's products; adversely affect the Company's ability to deploy adequate hedging programs; restrict the Company's ability to do business in its existing and target markets; and adversely affect the Company's revenues and operating results.

The Company's operating results could be affected by political instability and by changes in other governmental policies, mandates, and regulations including monetary, fiscal and environmental policies, laws, regulations, acquisition approvals, and other activities of governments, agencies, and similar organizations. These risks include but are not limited to changes in a country's or region's economic or political conditions, local labor conditions and regulations, safety and environmental 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, adverse tax, administrative agency or judicial outcomes, and regulation or taxation of greenhouse gases. 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. There has been a recent increase in populism and nationalism in various countries around the world and the concept and benefits of free trade are being challenged. The Company has benefited from the free flow of agricultural and food and feed ingredient products from the U.S. and other sources to markets around the world. Should there be an increase in tariff and restrictive trade activities around the world, the Company could be negatively impacted from its inability to enter certain markets or the price of the products being less competitive in the destination markets.

The Company's strategy involves expanding the volume and diversity of crops it merchandises and processes, expanding the global reach of its core model, and expanding its value-added product portfolio. Government policies,

including antitrust and competition law, trade restrictions, food safety regulations, sustainability requirements, traceability, and other government regulations and mandates, can impact the Company's ability to execute this strategy successfully.

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 safety or quality; shifting consumer preferences; federal, state, and local regulations on manufacturing or labeling; socially acceptable farming practices; environmental, health and safety regulations; and customer product liability claims. The liability which could result from certain of 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. In addition, negative publicity caused by product liability, food safety, occupational health and safety, and environmental matters may damage the Company's reputation. The Company has a particularly strong capability and culture around occupational health and safety and food safety. However, the occurrence of any of the matters described above could adversely affect the Company's revenues and operating results.

Item 1A. RISK FACTORS (Continued)

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 economic, product quality, feed safety or other factors which may adversely affect the livestock and poultry businesses, including the outbreak of disease in livestock and poultry. An 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 ingredients in livestock and poultry feed could adversely affect the Company's revenues and operating results. In addition, as the Company increases its investment in flavors and ingredients businesses, it is exposed to increased risks related to rapidly changing consumer preferences and the impacts these changes could have on the success of certain of the Company's customers.

The Company is exposed to potential business disruption, including but not limited to disruption of transportation services, supply of non-commodity raw materials used in its processing operations, and other impacts resulting from acts of terrorism or war, natural disasters, severe weather conditions, and accidents which could adversely affect the Company's operating results.

The Company's operations rely on dependable and efficient transportation services. A disruption in transportation services could result in difficulties supplying materials to the Company's facilities and impair the Company's ability to deliver products to its customers in a timely manner. The Company relies on access to navigable rivers and waterways in order to fulfill its transportation obligations more effectively. If access to these navigable waters is interrupted, the Company's operating results could be adversely affected. In addition, if certain non-agricultural commodity raw materials, such as water or certain chemicals used in the Company's processing operations, are not available, the Company's business could be disrupted. Any major lack of available water for use in certain of the Company's processing operations could have a material adverse impact on operating results. Certain factors which may impact the availability of non-agricultural commodity raw materials are out of the Company's control including, but not limited to, disruptions resulting from weather, economic conditions, manufacturing delays or disruptions at suppliers, shortage of materials, interruption of energy supply, and unavailable or poor supplier credit conditions.

The assets and operations of the Company could be subject to extensive property damage and business disruption from various events which include, but are not limited to, acts of terrorism, for example, economic adulteration of the Company's products, or war, natural disasters and severe weather conditions, accidents, explosions, and fires. The potential effects of these conditions could adversely affect the Company's revenues and operating results. The Company is continuing to enhance and deploy additional food safety and security procedures and controls to appropriately mitigate the risks of any adulteration of the Company's products in supply chain and finished products in production and distribution networks. In addition, the Company conforms to management systems, such as International Organization for Standardization (ISO) or other recognized global standards.

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, including continuing access to credit markets, to operate its current business and fund its growth strategy. The Company's working capital requirements, including margin requirements on open positions on futures exchanges, 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. Access to credit markets and pricing of the Company's capital is dependent upon maintaining sufficient credit ratings from credit rating agencies. Sufficient credit ratings allow the Company to access tier one commercial paper markets. If the Company is unable to maintain sufficiently high credit ratings, access to these commercial paper and other debt markets and costs of borrowings could be adversely affected. If the Company is unable to generate sufficient cash flow or maintain access to adequate external financing, including as a result of significant disruptions in the global credit markets, it could restrict the Company's current operations and its growth opportunities which could adversely affect the Company's operating results. The Company manages this risk with constant monitoring of credit/liquidity metrics, cash forecasting, and routine communications with credit rating agencies on risk management practices.

Item 1A. RISK FACTORS (Continued)

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

The Company's business is affected by fluctuations in agricultural commodity cash prices and derivative prices, transportation costs, energy prices, interest rates, and foreign currency exchange rates. The Company monitors position limits and engages in other strategies and controls to manage these risks. The Company has a Chief Risk Officer and an established commodity merchandising governance process to ensure proper position reporting and monitoring, limit approvals, and execute training on trade compliance, commodity regulatory reporting controls, and other policies. The Company's monitoring efforts may not be successful at detecting a significant risk exposure. If these controls and strategies are not successful in mitigating the Company's exposure to these fluctuations, it could adversely affect the Company's operating results.

The Company has limited control over and may not realize the expected benefits of its equity investments and joint ventures.

The Company has \$4.5 billion invested in or advanced to joint ventures and investments over which the Company has limited control as to the governance and management activities of these investments. Net sales to unconsolidated affiliates during the year ended December 31, 2016 was \$4.2 billion. The Company faces certain risks, including risks related to the financial strength of the investment partner; loss of revenues and cash flows to the investment partner and related gross profit; the inability to implement beneficial management strategies, including risk management and compliance monitoring, with respect to the investment's activities; and the risk that the Company may not be able to resolve disputes with the investment partner. The Company may encounter unanticipated operating issues, financial results, or compliance and reputational risks related to these investments that may impact the Company's revenues and operating results. The Company mitigates this risk using controls and policies related to joint venture formation, governance, merger and acquisition integration management, and harmonization of joint venture policies with the Company's policies and controls.

The Company's information technology (IT) systems, processes, and sites may suffer interruptions, security breaches, or failures which may affect the Company's ability to conduct its business.

The Company's operations rely on certain key IT systems, some of which are dependent on services provided by third parties, to provide critical data connectivity, information, and services for internal and external users. These interactions include, but are not limited to, ordering and managing materials from suppliers, risk management activities, converting raw materials to finished products, inventory management, shipping products to customers, processing transactions, summarizing and reporting results of operations, human resources benefits and payroll management, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. The Company is also in the process of 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 and the underlying systems environment. Increased IT security threats and more sophisticated computer crime, including advanced persistent threats, pose a potential risk to the security of the Company's IT systems, networks, and services, as well as the confidentiality, availability, and integrity of the Company's third party data. The Company has put in place security measures to prevent, detect, and mitigate cyber-based attacks and instituted control procedures for cyber security incident responses and disaster recovery plans for its critical systems. In addition, the Company monitors this risk on an ongoing basis to detect and correct any breaches and reports metrics to the highest level of management and to the Board of Directors on the quality of the Company's data security efforts and control environment. However, if the Company's IT systems are breached, damaged, or cease to function properly due to any number of causes, such as

catastrophic events, power outages, security breaches, or cyber-based attacks, and the Company's disaster recovery plans do not effectively mitigate the risks on a timely basis, the Company may suffer interruptions in its ability to manage its operations, loss of valuable data, and damage to its reputation, which may adversely impact the Company's revenues, operating results, and financial condition.

Item 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved staff comments.

Item 2. PROPERTIES (Continued)

Item 2. PROPERTIES

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

	Processing Plants			Procurement Facilities		
	Owned	Leased	Total	Owned	Leased	Total
U.S.	147	6	153	287	88	375
International	107	11	118	102	37	139
	254	17	271	389	125	514

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. The Company also owns approximately 230 warehouses and terminals primarily used as bulk storage facilities and 38 innovation centers. Warehouses, terminals, corporate, and sales offices are not included in the tables above. Processing plants and procurement facilities owned or leased by unconsolidated joint ventures are also not included in the tables above.

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 approximately 1,900 barges, 13,100 rail cars, 250 trucks, 1,200 trailers, and 10 oceangoing vessels; and leases, under operating leases, approximately 560 barges, 15,500 rail cars, 340 trucks, 120 trailers and 21 oceangoing vessels.

	Agricultural Services		Processing Plants	
	Owned	Leased	Owned	Leased
	Milling & Handling	Milling & Other	Milling & Handling	Milling & Other
North America				
U.S.*	2	28	30	—
Barbados	—	1	1	—
Belize	—	1	1	—
Canada	—	9	9	—
Grenada	—	1	1	—
Jamaica	—	2	2	—
Total	2	42	44	—
Daily capacity				
Metric tons (in 1,000's)	—	15	15	—
Europe				
United Kingdom	—	3	3	4
Total	—	3	3	4
Daily capacity				
Metric tons (in 1,000's)	—	1	1	1

Grand Total	2	45	47	4
Total daily capacity				
Metric tons (in 1,000's)—	16		16	1

*The U.S. plants are located in California, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, New York, North Carolina, Oklahoma, Pennsylvania, Tennessee, Texas, Washington, and Wisconsin.

Item 2. PROPERTIES (Continued)

	Agricultural Services Procurement Facilities Merchandising & Handling	
	Owned	Leased
North America		
U.S.*	171	24
Dominican Republic	1	—
Total	172	24
Storage capacity		
Metric tons (in 1,000's)	13,559	1,178
South America		
Argentina	5	—
Ecuador	—	2
Total	5	2
Storage capacity		
Metric tons (in 1,000's)	502	340
Europe		
Hungary	1	—
Ireland	2	—
Poland	1	—
Romania	11	4
Ukraine	7	—
United Kingdom	—	5
Total	22	9
Storage capacity		
Metric tons (in 1,000's)	1,155	49
Grand Total	199	35
Total storage capacity		
Metric tons (in 1,000's)	15,216	1,567

*The U.S. procurement facilities are located in Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, New York, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Washington, and Wisconsin.

Item 2. PROPERTIES (Continued)

	Corn Processing Processing Plants			Total	Procurement Facilities Owned Wet Milling, Dry Milling, & Other
	Owned Wet Milling	Dry Milling	Other		
North America					
U.S.*	5	3	28	36	6
Canada	—	—	3	3	—
Puerto Rico	—	—	3	3	—
Trinidad & Tobago	—	—	1	1	—
Total	5	3	35	43	6
Daily/Storage capacity					
Metric tons (in 1,000's)	43	22	15	80	377
Europe					
Bulgaria	1	—	—	1	—
Turkey	1	—	—	1	—
Total	2	—	—	2	—
Daily/Storage capacity					
Metric tons (in 1,000's)	2	—	—	2	—
Asia					
China	—	—	4	4	—
Total	—	—	4	4	—
Daily/Storage capacity					
Metric tons (in 1,000's)	—	—	—	—	—
Africa					
Morocco	1	—	—	1	—
Total	1	—	—	1	—
Daily/Storage capacity					
Metric tons (in 1,000's)	55	—	—	55	—
Grand Total	8	3	39	50	6
Total daily/storage capacity					
Metric tons (in 1,000's)	100	22	15	137	377

*The U.S. processing plants are located in Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, and Washington.

* The U.S. procurement facilities are located in Illinois and Minnesota.

Item 2. PROPERTIES (Continued)

	Oilseeds Processing Plants				Leased		
	Owned		Asia	Total	Crushing		Total
	Refining, Crushing, & Biodiesel, Origination Other	Packaging, & Biodiesel, Origination Other			& Asia	& Asia	
North America							
U.S.*	24	37	—	61	—	—	—
Canada	3	4	—	7	—	—	—
Mexico	1	—	—	1	—	—	—
Total	28	41	—	69	—	—	—
Daily capacity							
Metric tons (in 1,000's)	59	20	—	79	—	—	—
South America							
Argentina	—	1	—	1	—	—	—
Bolivia	1	2	—	3	—	—	—
Brazil	5	8	—	13	1	—	1
Paraguay	1	—	—	1	—	—	—
Peru	—	1	—	1	—	—	—
Total	7	12	—	19	1	—	1
Daily capacity							
Metric tons (in 1,000's)	17	5	—	22	1	—	1
Europe							
Belgium	—	2	—	2	—	—	—
Czech Republic	1	1	—	2	—	—	—
France	—	1	—	1	—	—	—
Germany	4	8	—	12	—	—	—
Netherlands	1	1	—	2	—	—	—
Poland	2	5	—	7	—	—	—
Switzerland	—	1	—	1	—	—	—
Ukraine	1	—	—	1	—	—	—
United Kingdom	1	3	—	4	—	—	—
Total	10	22	—	32	—	—	—
Daily capacity							
Metric tons (in 1,000's)	34	16	—	50	—	—	—
Asia							
India	—	—	2	2	—	1	1
Total	—	—	2	2	—	1	1
Daily capacity							
Metric tons (in 1,000's)	—	—	1	1	—	1	1
Africa							
South Africa	—	4	—	4	—	—	—
Total	—	4	—	4	—	—	—
Daily capacity							
Metric tons (in 1,000's)	—	2	—	2	—	—	—

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Grand Total	45	79	2	126	1	1	2
Total daily capacity							
Metric tons (in 1,000's)	110	43	1	154	1	1	2

*The U.S. plants in the table above are located in Alabama, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Carolina, Tennessee, and Texas.

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Item 2. PROPERTIES (Continued)

	Oilseeds Processing Facilities			Procurement Facilities		
	Owned			Leased		
	Crushing & Origin	Refining, Packaging, & Biodiesel, Other	Total	Crushing & Origin	Refining, Packaging, & Biodiesel, Other	Total
North America						
U.S.*	4	87	91	—	64	64
Canada	6	—	6	—	—	—
Mexico	—	—	—	—	1	1
Total	10	87	97	—	65	65
Storage capacity						
Metric tons (in 1,000's)	329	373	702	—	210	210
South America						
Argentina	—	—	—	1	—	1
Bolivia	5	—	5	—	—	—
Brazil	36	—	36	—	—	—
Chile	—	—	—	2	—	2
Colombia	—	—	—	8	—	8
Paraguay	14	—	14	2	—	2
Peru	—	—	—	3	—	3
Uruguay	1	—	1	6	—	6
Total	56	—	56	22	—	22
Storage capacity						
Metric tons (in 1,000's)	1,963	—	1,963	375	—	375
Europe						
Germany	4	—	4	—	—	—
Netherlands	1	—	1	—	—	—
Poland	4	—	4	—	—	—
Slovakia	2	—	2	—	—	—
United Kingdom	—	—	—	3	—	3
Total	11	—	11	3	—	3
Storage capacity						
Metric tons (in 1,000's)	800	—	800	81	—	81
Grand Total	77	87	164	25	65	90
Total storage capacity						
Metric tons (in 1,000's)	3,092	373	3,465	456	210	666

*The U.S. procurement facilities are located in Alabama, Arkansas, Florida, Georgia, Iowa, Michigan, Mississippi, North Carolina, Oklahoma, South Carolina, Texas, and Virginia.

Item 2. PROPERTIES (Continued)

	Wild Flavors and Specialty Ingredients Processing Plants Owned		Procurement Facilities Owned
North America			
U.S.*	20	6	19
Canada	2	—	—
Total	22	6	19
Daily/Storage capacity			
Metric tons (in 1,000's)	—	—	324
South America			
Brazil	2	—	1
Total	2	—	1
Daily/Storage capacity			
Metric tons (in 1,000's)	—	—	—
Europe			
France	1	—	—
Germany	2	1	—
Netherlands	—	1	—
Poland	2	—	—
Spain	1	—	—
Turkey	—	1	—
Total	6	3	—
Daily/Storage capacity			
Metric tons (in 1,000's)	—	—	—
Asia			
India	—	1	—
Japan	1	—	—
Singapore	—	1	—
Total	1	2	—
Daily/Storage capacity			
Metric tons (in 1,000's)	—	—	—
Grand Total	31	11	20
Total storage capacity			
Metric tons (in 1,000's)	—	—	324

*The U.S. processing plants are located in California, Illinois, Iowa, Kentucky, Michigan, Nebraska, New Jersey, North Dakota, Ohio, and Washington.

*The U.S. procurement facilities are located in Idaho, Michigan, Minnesota, North Dakota, and Wyoming.

Item 3. 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 13 in Item 8 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. See Note 20 of Item 8 for information on the Company's legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

None.

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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. 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
	High	Low	Dividends Per Share
Fiscal Year 2016-Quarter Ended			
December 31	\$47.88	\$41.44	\$ 0.30
September 30	45.39	41.21	0.30
June 30	44.14	34.55	0.30
March 31	38.96	29.86	0.30
Fiscal Year 2015-Quarter Ended			
December 31	\$47.03	\$33.84	\$ 0.28
September 30	49.50	40.66	0.28
June 30	53.31	47.23	0.28
March 31	52.60	45.15	0.28

The number of registered stockholders of the Company's common stock at December 31, 2016, was 10,381.

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.

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)
October 1, 2016 to October 31, 2016	2,453,840	\$42.408	2,453,840	34,524,426
November 1, 2016 to November 30, 2016	1,218,734	43.498	1,218,734	33,305,692
December 1, 2016 to December 31, 2016	1,967,783	45.173	1,967,783	31,337,909
Total	5,640,357	\$43.608	5,640,357	31,337,909

(1) Total shares purchased represent those shares purchased in the open market as part of the Company's publicly announced stock 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. During the three-month period ended December 31, 2016, there were no shares received as payments for the minimum withholding taxes on vested restricted stock awards and for the exercise price of stock option exercises.

(2) On November 5, 2014, 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, 2015 and ending December 31, 2019.

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

Performance Graph

The graph below compares the Company's common stock with those of the S&P 500 Index and the S&P Consumer Staples Index. The graph assumes an initial investment of \$100 on June 30, 2011 and assumes all dividends have been reinvested through December 31, 2016.

COMPARISON OF 66 MONTH CUMULATIVE TOTAL RETURN

Among Archer Daniels Midland Company (ADM), the S&P 500 Index, and the S&P Consumer Staples

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Item 6. SELECTED FINANCIAL DATA

Selected Financial Data

(In millions, except ratio and per share data)

	Years Ended				Six Months		Fiscal
	December 31				Ended		Year
	2016	2015	2014	2013	December 31	2011 ⁽¹⁾	Ended June 30
Revenues	\$62,346	\$67,702	\$81,201	\$89,804	\$46,729	\$45,208	\$89,038
Depreciation	787	799	850	827	396	391	793
Net earnings attributable to controlling interests	1,279	1,849	2,248	1,342	692	540	1,223
Basic earnings per common share	2.18	2.99	3.44	2.03	1.05	0.81	1.84
Diluted earnings per common share	2.16	2.98	3.43	2.02	1.05	0.81	1.84
Cash dividends	701	687	624	501	230	224	455
Per common share	1.20	1.12	0.96	0.76	0.35	0.335	0.685
Working capital	7,872	8,324	10,426	12,872	12,769	12,395	12,328
Current ratio	1.6	1.6	1.7	1.8	1.8	1.8	1.8
Inventories	8,831	8,243	9,374	11,441	13,836	12,415	12,192
Net property, plant, and equipment	9,758	9,853	9,851	10,069	10,097	9,601	9,787
Gross additions to property, plant, and equipment	882	1,350	1,357	947	641	1,058	1,719
Total assets	39,769	40,157	43,997	43,720	45,100	41,661	41,734
Long-term debt, excluding current maturities	6,504	5,779	5,528	5,315	6,420	6,722	6,498
Shareholders' equity	17,181	17,915	19,630	20,194	19,131	18,165	18,169
Per common share	29.98	30.11	30.82	30.64	29.03	27.44	27.57
Weighted average shares outstanding-basic	588	618	653	661	660	669	665
Weighted average shares outstanding-diluted	591	621	656	663	661	670	666

⁽¹⁾ Unaudited

Significant items affecting the comparability of the financial data shown above are as follows:

Net earnings attributable to controlling interests for the year ended December 31, 2016 include gains totaling \$119 million (\$100 million after tax, equal to \$0.17 per share) primarily related to recovery of loss provisions and gains related to the sale of the Company's Brazilian sugar ethanol facilities, realized contingent consideration on the sale of the Company's equity investment in Gruma S.A. de C.V. in December 2012, and revaluation of the remaining interest to settlement value in conjunction with the acquisition of Amazon Flavors as discussed in Note 12 in Item 8; a gain of \$38 million (\$24 million after tax, equal to \$0.04 per share) related to a U.S. retiree medical benefit plan curtailment; charges of \$117 million (\$77 million after tax, equal to \$0.13 per share) primarily related to legal fees and settlement, impairment of software, investments, and certain long-lived assets; a \$10 million (\$8 million after tax, equal to \$0.02 per share) loss on sale of individually immaterial assets as discussed in Note 12 in Item 8; and certain discrete tax adjustments totaling \$24 million (equal to \$0.04 per share) related to valuation allowances, deferred tax re-rates, and changes in assertion.

Item 6. SELECTED FINANCIAL DATA (Continued)

Net earnings attributable to controlling interests for the year ended December 31, 2015 include gains totaling \$530 million (\$515 million after tax, equal to \$0.83 per share) related primarily to the sale of the cocoa, chocolate, and lactic businesses, revaluation of the Company's previously held investments in North Star Shipping, Minmetal, and Eaststarch C.V. in conjunction with the acquisition of the remaining interests, and the sale of a 50% interest in the Barcarena export terminal facility in Brazil to Glencore plc as discussed in Note 12 in Item 8; long-lived asset impairment charges of \$129 million (\$109 million after tax, equal to \$0.18 per share) related primarily to certain international Oilseeds Processing facilities, sugar ethanol facilities in Brazil, and goodwill, intangible, and property, plant, and equipment asset impairments as discussed in Note 18 in Item 8; restructuring and exit charges of \$71 million (\$63 million after tax, equal to \$0.10 per share) related to an international pension plan settlement, sugar ethanol facilities in Brazil, and other restructuring charges as discussed in Note 18 in Item 8; loss provisions, settlements, and inventory writedown of \$67 million (\$58 million after tax, equal to \$0.09 per share); certain discrete tax adjustments totaling \$60 million (equal to \$0.10 per share) related to valuation allowances and deferred tax re-rates; and loss on debt extinguishment of \$189 million (\$118 million after tax, equal to \$0.19 per share) related to the cash tender offers and redemption of certain of the Company's outstanding debentures as discussed in Note 12 in Item 8.

Net earnings attributable to controlling interests for the year ended December 31, 2014 include a gain on sale of assets related to the sale of the fertilizer business and other asset of \$135 million (\$89 million after tax, equal to \$0.14 per share); gain of \$156 million (\$97 million after tax, equal to \$0.15 per share) upon the Company's effective dilution in the Pacifacor (formerly Kalama Export Company) joint venture resulting from the contribution of additional assets by another member in exchange for new equity units; and loss of \$102 million (\$63 million after tax, equal to \$0.10 per share) on Euro foreign currency derivative contracts entered into to economically hedge the Wild Flavors acquisition, as discussed in Note 12 in Item 8; asset impairment charges related to certain fixed assets of \$41 million (\$26 million after tax, equal to \$0.04 per share) and \$64 million (\$41 million after tax, equal to \$0.06 per share) of costs related to the relocation of the global headquarters to Chicago, Illinois, and restructuring charges related to the Wild Flavors acquisition and Toepfer integration following the acquisition of the minority interest and other restructuring charges, as discussed in Note 18 in Item 8; a charge of \$98 million (\$61 million after tax, equal to \$0.09 per share) related to pension settlements; and certain discrete tax adjustments of \$15 million (equal to \$0.02 per share) related to deferred tax re-rates.

Net earnings attributable to controlling interests for the year ended December 31, 2013 include other-than-temporary impairment charges of \$155 million (\$155 million after tax, equal to \$0.23 per share) on the Company's GrainCorp investment; asset impairment charges of \$51 million (\$51 million after tax, equal to \$0.08 per share) related to the Company's Brazilian sugar milling business; and other impairment charges principally for certain property, plant and equipment assets totaling \$53 million (\$34 million after tax, equal to \$0.05 per share); realized losses on Australian dollar currency hedges of \$40 million (\$25 million after tax, equal to \$0.04 per share) related to the proposed GrainCorp acquisition; valuation allowance on certain deferred tax assets of \$82 million (equal to \$0.12 per share); income tax benefit recognized in the current period of \$55 million (equal to \$0.08 per share) related to biodiesel blending credits earned in the prior periods; charges of \$54 million (\$37 million after tax, equal to \$0.06 per share) related to the FCPA settlement; and other charges of \$18 million (\$12 million after tax, equal to \$0.02 per share).

Net earnings attributable to controlling interests for the six months ended December 31, 2012 include an asset impairment charge of \$146 million (\$107 million after tax, equal to \$0.16 per share) related to the Company's investments associated with Gruma; a gain of \$62 million (\$49 million after tax, equal to \$0.07 per share) related to the Company's interest in GrainCorp; a gain of \$39 million (\$24 million after tax, equal to \$0.04 per share) related to the sale of certain of the Company's exchange membership interests; and charges of \$68 million (\$44 million after tax,

equal to \$0.07 per share) related to pension settlements.

Net earnings attributable to controlling interests for the six months ended December 31, 2011 include exit costs and asset impairment charges of \$352 million (\$222 million after tax, equal to \$0.33 per share) related primarily to the writedown of the Company's Clinton, IA bioplastics facility.

Net earnings attributable to controlling interests for the year ended June 30, 2012 include exit costs and asset impairment charges of \$437 million (\$274 million after tax, equal to \$0.41 per share) related primarily to the bioplastics facility and global workforce reduction program.

Item 7. 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 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 163 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 our 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 business segments, as defined by the applicable accounting standard, and are classified as Other. See Note 17 of Item 8 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 owns and manages 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;
- the purchase in September 2016 of Caterina Foods, a leading toll manufacturer of specialty gluten-free and high-protein pastas;
- the expansion in November 2016 of Olenex, a 37.5% joint venture with Wilmar, from a sales and marketing venture to a full function joint venture which owns and operates specialty oils and fats, palm refining, and tropical oils processing plants in Europe;
- the sale in December 2016 of the Company's 19.8% ownership interest in GrainCorp;
- the announcement in January 2017 of the sale of the Company's crop risk services businesses to Validus Holdings, a global group of insurance and reinsurance companies, which is subject to regulatory approval and expected to close in the first half of 2017; and
- the acquisition in February 2017 of Crosswind Industries, Inc., an industry leader in the manufacture of contract and private label pet treats and foods, as well as specialty ingredients.

As part of the implementation of the Company's strategic plan, the Company continues to evaluate 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'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 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company has consolidated subsidiaries in 76 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 contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

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 in the first half of the year by weak U.S. grain export competitiveness and decreased global merchandising opportunities. Starting in the third quarter, export volumes and margins improved due to the U.S. harvest and weather conditions in South America. In Corn Processing, global demand for sweeteners and starches and U.S. exports, principally to Mexico, continued to grow. In Europe, raw material costs improved resulting in improved margins. Corn-based ethanol remained a very competitive transportation fuel, and domestic blending was strong as U.S. gasoline demand was up compared to 2015. U.S. ethanol also continued to be the one of the cheapest oxygenates in the world, driving strong export volumes throughout 2016. Industry production levels remained high during the year limiting margins. In Oilseeds Processing, global crushing operations achieved strong capacity utilization although margins were weaker mainly due to higher supply of soybean meal from Argentina, and other protein meal substitutes. Softseed margins improved due to better seed supply and oil demand. Vegetable oils continued to maintain a steady demand from the food industry. Additionally, vegetable oil sales volumes benefited from demand driven by the U.S. 2016 biodiesel blenders credit. The Wild Flavors and Specialty Ingredients business benefited from increased demand for flavor ingredients and flavor systems, specialty proteins, natural health and nutrition products, and polyols, but was adversely impacted by soft market conditions in non-flavor food ingredient markets and a strong U.S. dollar, as well as operational issues at the specialty commodities unit.

Net earnings attributable to controlling interests decreased \$0.6 billion to \$1.3 billion. Segment operating profit decreased \$0.6 billion to \$2.7 billion, primarily due to the prior year gain on sale of the global cocoa and chocolate businesses and lower earnings in the current year due to the sale of those businesses, weaker global crushing and origination margins, and lower international merchandising results, partially offset by better ethanol results. Corporate results in the current year include a charge of \$19 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves, compared to a credit of \$2 million in the prior year and a decrease of approximately \$70 million in the Company's share of the results of Compagnie Industrielle et Financiere des Produits Amylaces SA (Luxembourg) (CIP).

Income taxes increased \$96 million due to a higher effective tax rate partially offset by lower earnings before income taxes. The Company's effective tax rate for 2016 increased to 29.3% compared to 19.2% for 2015 due primarily to low tax rates on significant gains related to portfolio actions in 2015, a \$71 million prior year discrete tax benefit resulting mainly from the release of a \$66 million valuation allowance compared to a \$49 million discrete tax expense in the current year, and changes in the geographic mix of pretax earnings (see Note 13 in Item 8 for more information).

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Analysis of Statements of Earnings

Processed volumes by product for the years ended December 31, 2016 and 2015 are as follows (in metric tons):

(In thousands)	2016	2015	Change
Oilseeds	33,788	33,817	(29)
Corn	22,273	23,126	(853)
Total	56,061	56,943	(882)

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 in May 2016 partially offset by volumes from the acquisition of Eaststarch C.V. in November 2015.

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 have been reclassified to conform to the current presentation.

Revenues by segme