HOWIE & NEWMAN ANALYSTS

GOING AGAINST THE GRAIN: STRONG OUTLOOK FOR ADM DESPITE ETHANOL GLUT

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CURRENT PRICE: $34.84 **RATING: BUY**

TARGET PRICE: $41

12-MONTH INVESTMENT THESIS: We believe the Archer Daniels Midland Company is currently undervalued by 14%. Current market price suggests ADM is being valued as an ethanol pure-play rather than a leader in the ag-processing industry. The company is well positioned to benefit from strong food and feed demand drivers in the ag-processing industry, while growing its biofuels portfolio and diversifying into natural plastics and industrial chemicals.

1) EXPOSURE TO ETHANOL LIMITED IN NEAR-TERM, LIFT IN LONG-RUN:
The ethanol glut in the near term does not bode well for biofuels players, but longer term trends – including high oil prices, improved ethanol transportation, and favorable blending regulations – make this a potentially attractive space to be in. ADM's current exposure to ethanol is limited (20% of profit), yet growing. This product mix will allow ADM to weather the near-term glut better than ethanol pure-plays, positioning it to reap the benefits of favorable long-term trends.

2) ADM'S CORE BUSINESS IN AG-PROCESSING OVERSHADOWED BY ETHANOL:
Ethanol headlines appear to have blinded investors to ADM's core agricultural processing business, which represents 80% of profits. Strong global GDP, population, and demand growth put the ag industry in a sweet spot, and ADM is in a better position than its competitors to benefit from these strong industry fundamentals.

3) NEW NATURAL PLASTICS GROUP ENHANCES EXPOSURE TO RENEWABLES
Sustained high oil prices and environmental concerns are pushing companies to look for substitutes to petro-based products such as plastic packaging. ADM's recent launch of an industrial chemicals group enhances its exposure to the growing renewables industry, while diversifying its customer base.

SENSITIVITY: A sensitivity analysis on COGS/Sales, Revenue Growth, WACC, and Terminal Growth Rate showed that even with more conservative assumptions, ADM is undervalued.

RISKS TO OUR CALL:

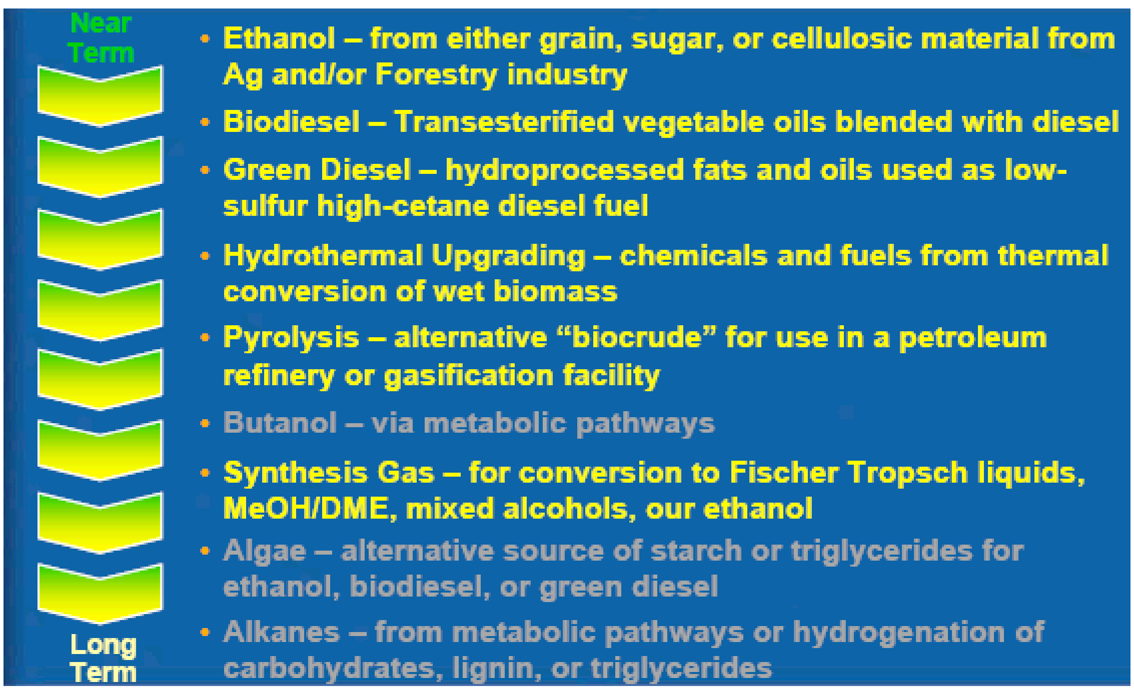
1. Poor harvests
2. Grain disease outbreaks
3. Currency fluctuations
4. Change in legislation
5. Change in eating habits

Weathering an Ethanol Glut:
ADM's Exposure to Ethanol Risky, But Limited

With a former oil executive at the helm, ADM is focused on biofuels expansion. Near term ethanol and biodiesel indicators are weak. As a large player, with diversified revenue streams, ADM is better positioned to weather the ethanol glut than its smaller pure-play competitors and benefit from price stabilization in the longer term.

Heightened Focus On Fuel:

The recent appointment of Patricia A. Woertz – who has 29 years of experience as Executive Vice President at Chevron Corp[1] – as ADM's President and CEO is clear indication of the company's expanded commitment to biofuels for the longer term. The company plans to add 550 million gallons of ethanol capacity to its existing 1.15 billion gallons of ethanol capacity and 1.6 million metric tons of biodiesel capacity.[2] ADM is also adding 2,400 railcars and 30 barges to transport ethanol and biodiesel products, which cannot travel by pipeline. This infrastructure investment will ease a significant strain on ethanol usage and thereby promote widespread adoption.[3] The company also has plans for second and third generation biofuels beyond the year 2020.



Source: ADM company presentation, *Growing Opportunity*, October 2, 2007.

Pinch in Short Term:

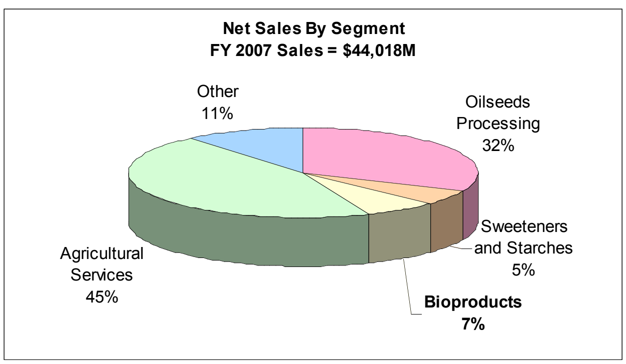
Current ethanol supply exceeds demand and has put downward pressure on ethanol prices, which have reached all time lows of less than $1.77/gallon on the futures market,[4] despite sustained

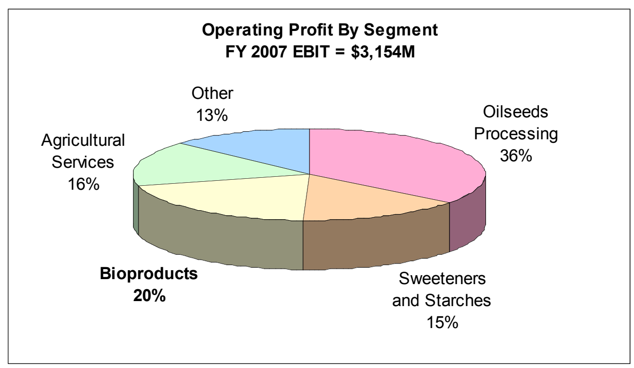
[1] Capital IQ.
[2] ADM company presentation, *We See Opportunity,* August 28, 2007.
[3] Ibid.
[4] Bloomberg

high oil prices. These trends do not bode well for ethanol producer margins, and have caused many ethanol stocks to plummet.

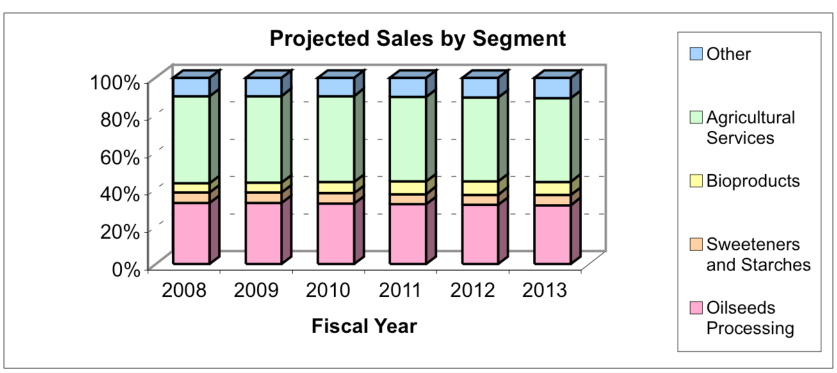
Source: Capital IQ

But ethanol currently represents 7% of ADM's sales and even with the company's planned expansions, is not projected to exceed this proportion of the company's overall revenue portfolio.





Source: ADM 10-K, June 30, 2007.



Source: Capital IQ, Analysts' Estimates

ADM's diversified revenue streams position it to weather the near term ethanol glut better than its pure-play competitors. While pure-play ethanol companies will struggle with higher input costs and lower ethanol prices, ADM will be able to fall back on its food and feed segments, which will see sustained margins thanks to strong demand, and an ability to pass through increased input costs to end users (see *Ag-processors in a Sweeter Spot Than Market Predicts*, Howie & Newman Analysts, October 2007).

Moreover, ADM will be well positioned to reap the benefits of an industry shake-out as ethanol supply and demand equilibrate over the longer term. We believe ADM's capital investment in biofuels will extend beyond 2009 with additional capacity expansion through construction and acquisition in order to meet growing long-term demand of 36 billion gallons, expected to be mandated for 2030.[5]

Demand growth in blending will also shore up ethanol pricing. Florida's Department of Agriculture is currently in the midst of hearings and is expected to remove regulations that discouraged ethanol blending in gasoline.[6] Additional Southeastern states will likely follow, leading to an additional 3.5 billion gallons of ethanol demand.[7] BP and Marathon have already increased their blending in the Southeast US.[8]

The company's limited exposure to ethanol in the near term, and its projected expansion in the future will position it well to take advantage of these strengthening ethanol and biofuel markets.

Ag Processing Overshadowed by Ethanol: Hidden Strength

Multiples indicate that ADM is trading comparably to its ethanol peers rather than its ag processing peers. Despite ADM's recent focus on biofuel initiatives, the company's core business remains agricultural processing. ADM's strong position in this sector is being eclipsed by ethanol headlines.

Industry Identity Crisis

Recent newspaper articles and equity research reports on ADM accentuate the company's role as a leading biofuel producer and place little emphasis on ADM's agricultural processing business. In addition, peer company analysis reveals that ADM is trading more comparably to its ethanol peers than its ag processing peers:

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5 Seekingalpha.com, "Now There's an Ethanol Glut?!" October 3, 2007.
6 Brasher, Philip. "Florida ready to pump ethanol." *Florida Today*, October 25, 2007.
7 Deutsche Bank Global Markets Research. "Fueling Florida." October 12, 2007.
8 Deutsche Bank Global Markets Research. "Initial Pricing Indications are Sweet." September 18, 2007.

($ in millions, except per share data)							
Company Name	**Market Cap**	**TEV**	**TEV/LTM Total Rev**	**TEV/LTM EBITDA**	**TEV/LTM EBIT**	**P/Diluted EPS**	**P/Tang BV**
ETHANOL COMPS:							
Andersons Inc. (ANDE)	889.5	1,126.7	0.61	11.05	14.71	15.66	2.93
Aventine Renewable Energy Holdings, Inc (AVR)	426.4	350.6	0.21	4.18	4.63	9.51	1.27
Verasun Energy, Corp. (VSE)	983.3	1,225.7	2.02	10.35	11.41	14.83	1.84
Mean - Ethanol Comps			*0.95*	*8.53*	*10.25*	*13.34*	*2.01*
Median - Ethanol Comps			*0.61*	*10.35*	*11.41*	*14.83*	*1.84*
Archer-Daniels-Midland Co. (ADM)	**22,587.8**	**27,209.8**	**0.62**	**8.90**	**11.54**	**10.64**	**2.06**
AG-PROCESSOR COMPS:							
Bunge Ltd. (BG)	13,884.2	18,756.2	0.49	13.26	17.73	19.06	2.19
Corn Products International Inc. (CPO)	3,496.4	4,013.4	1.35	9.56	13.42	20.83	3.27
Pilgrim's Pride Corporation (PPC)	1,951.4	3,604.1	0.53	11.37	26.28	NM	3.14
Smithfield Foods Inc. (SFD)	3,826.0	7,202.4	0.58	10.03	14.87	15.86	2.33
Tyson Foods Inc. (TSN)	5,644.5	8,573.5	0.32	8.28	16.65	30.11	2.77
Mean - Ag-Processor Comps			*0.65*	*10.50*	*17.79*	*21.46*	*2.74*
Median - Ag-Processor Comps			*0.53*	*10.03*	*16.65*	*19.95*	*2.77*

Source: Capital IQ.

While this behavior is consistent with current headlines, it is inconsistent with ADM's actual performance. Bioproducts contribute to just 7% of sales and 20% of profit (*see chart in previous section*). Current stock prices seemingly ignore 80% of ADM's business.

To warrant the current stock price, ADM would have to continue to expand ethanol capacity at the 2009 growth rate of 19.3% (with corresponding Capex growth) through our projection window and beyond so that it represents 10% of ADM's overall revenues by 2013 *(see appendix V)*. This would add 1B of extra ethanol capacity to ADM's portfolio by 2013. We feel this is an overly aggressive assumption and expect ADM's ethanol growth to taper towards the later end of our projection window, reflecting maturation of the ethanol market.

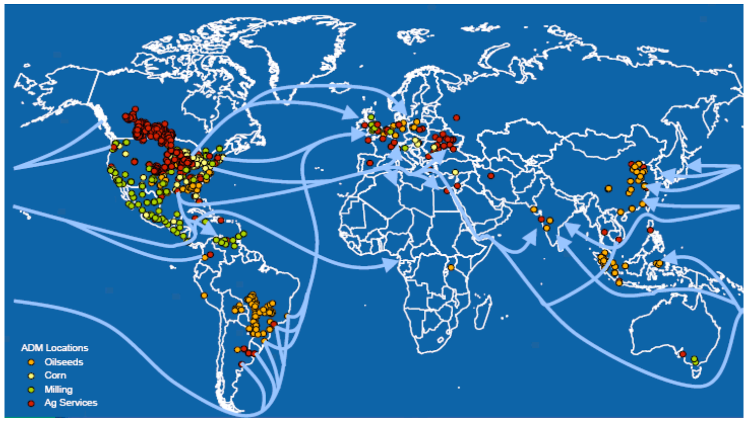
Strong Ag Fundamentals, Strong Ag Position

Strong global GDP, population, and demand growth is expected to drive strong performance in the agricultural processing industry (see *Ag-Processors in a Sweeter Spot than Market Suggests*, Howie & Newman Analysts, October 2007). As a large, integrated, global player, ADM is better positioned than its peers to take advantage of the robust ag industry.

Much of the growth in food demand will come from emerging markets in Eastern Europe and Asia. Unlike peers Corn Products International (CPO) and Bunge (BG) with facilities primarily located in North and South America, ADM has facilities in approximately 90 foreign locations, including Romania, Ukraine, and China.[9,10] This global presence places ADM in a stronger position than peers to serve emerging market food demand.

ADM Locations: A Strong and Growing Global Presence

[9] CPO, BG company filings.
[10] ADM 10-K, June 30, 2007.



Source: ADM company presentation, *Growing Opportunity*, October 2, 2007.

In addition, ADM's global transport system provides another competitive advantage. ADM's Agricultural Services segment provides storage, transportation, and handling of agricultural commodities. Competitor CPO has no logistics business while BG has limited storage and transport capabilities. As food demand becomes more international, the need for food transport becomes increasingly important and ADM has the logistical capabilities and equipment to meet this need. Competitors may even find the need to contract with ADM in order to access the company's global reach.

Finally, ADM's broad product offering also puts it at an advantage to its peers. While CPO focuses exclusively on corn refining and BG emphasizes oilseeds and fertilizer, ADM has a more diverse product offering, including corn, oilseeds, wheat, and cocoa processing, plastics, and chemicals. This integration allows ADM to shift its product mix in response to changes in demand and input prices in order to move toward higher margin products. Research has shown that grain processors that make many products are more profitable than simple processors.[11]

While recent ethanol news has dominated coverage of ADM, the company's strong position in its traditional ag processing business will drive its future earnings. ADM's current stock price and trading multiples suggest the market is overlooking this large and profitable segment of the the company's business.

Natural Plastics and Industrial Chemicals: Enhance Exposure to Renewables, Diversify Client Base

Bio-plastics and chemicals enable ADM to deepen presence in fast-growing renewables market, while diversifying its customer base to include consumer product companies and retailers.

Biodegradable Plastic

ADM and Metabolix formed an alliance to produce polyhydroxy alkanoate (PHA), a biodegradable plastic made from corn and requiring little fossil fuel. The plastic was introduced in 2007 and a 50,000 ton facility is under construction, scheduled for December 2008

[11] The Buckingham Research Group, "Archer-Daniels-Midland Co." June 12, 2007.

completion.[12] The alliance already has a contract to provide plastic gift cards for Target Corp.[13] ADM furthered its commitment to the natural plastics industry on October 29, 2007, when it announced the formation of an industrial chemicals group. This product provides ADM with entry into both the disposable packaging and the renewable product markets, providing new avenues for growth with strong end markets, especially as oil – the base of existing plastic products – continues to see high prices.

Risks To Our Call:

- **Weather & Disease**
  ADM is undoubtedly at the mercy of weather for access to grain inputs. The company also faces the threat of disease outbreaks and scares, such as Asian soybean rust. These events can cause volatility in the commodities industry, which can have a materially adverse effect on the processing industry. That said, these events are not correlated with market conditions. In fact, agricultural processor stocks present a good hedge in the face of a potential macro-economic downturn.

- **Change in Food Safety and Trade Regulations**
  Current and predicted near-future government policy is favorable to agribusiness, however changes in farm, energy and trade regulations could shift the economics of agricultural processing. With 2008 being an election year, we anticipate that Congress will maintain the status quo.

- **Appreciation of US Currency**
  With growth concentrated in emerging markets, an appreciation of the US dollar could adversely impact the amount of grain sourced from ADM. However, current market conditions in the US, resulting from the mortgage crisis, suggest that the dollar will not see significant appreciation in the near-term.

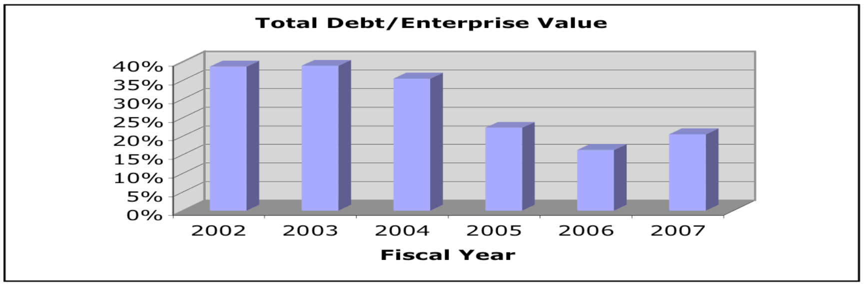
- **Changing Dietary Habits**
  Sudden and drastic changes to dietary habits, particularly corn-based high fructose corn syrup, could adversely impact our projections for ADM. However, shifts in dietary habits (when unrelated to disease outbreaks) tend to be gradual.

Valuation:

Method:

[12] ADM 10-K, June 20, 2007.
[13] Kennedy, Val Brickates. "Plastics that are green in more ways than one." *MarketWatch*, October 26, 2007.

To value ADM, we looked at the debt/enterprise value of the company and found that the company has been targeting a ratio of 20% over the past three years, even during periods of high CapEx. Moreover, the majority of ADM's debt does not expire within the forecast window. Additionally, management made lump payments on certain debt, suggesting they are managing their debt to a target ratio.



Source: Capital IQ

We assume the company will continue to adjust its debt to reflect this target ratio. Given this assumption, we used a weighted average cost of capital (WACC) for our discounted cash flow model to value the company. We forecast revenue and other key driver growth using the assumptions described below and discounted free cash flows using a WACC of 6.8 %. **Our valuation showed that ADM is undervalued by 14%.**

Beta and WACC:

The cost of equity of the company was determined from the Capital Asset Pricing Model, $R_e = R_f + \beta(RP)$, (*see Appendix III*). The risk-free rate (R_f) was determined by using an adjusted 10-year Treasury Bond return. The current 10-year T-Bond return of 4.64% was reduced by 1% to adjust for the risk premium associated with longer term bonds. ADM's raw beta was determined from a 5-year regression on CRSP and Yahoo Finance monthly total return data using the formula $r_p - r_f = \alpha + \beta(r_m - r_f) + \varepsilon$. For $(r_m - r_f)$, we used the CRSP value-weighted total returns of the AMEX, NYSE, and NASDAQ indices minus the 10-year Treasury Bond. For $(r_p - r_f)$, we used the monthly returns of ADM's common stock minus the 10-year Treasury Bond. We observed that the beta has increased over time: from .37 over a 10yr regression window to .69 over a 5yr window. This supports our argument that ADM's stock is trading more like an ethanol company with high betas (median of 1 for AVR, ANDE and VSE) than an agricultural processing company with traditionally low betas (our industry index, excluding ADM, has a median beta of .48). We chose to smooth ADM's beta towards 1 to reflect the market's current tendency to trade the stock as an ethanol company. To do so we used the following formula: $\beta_{smooth} = \frac{1}{3} + \left(\frac{2}{3}\right)\beta_{raw}$.[14] We unlevered the beta by multiplying the smooth beta by the equity ratio of the company. We then relevered this beta at the target company debt ratio of 20%.

[14] Tim Koller, Marc Goedhart, David Wessels. *Valuation: Measuring and Managing the Value of Companies*. McKinsey & Company, 2005. Page 314.

ADM's weighted average cost of capital was calculated using the following formula:

$$WACC = R_e\left(\frac{E}{D+E}\right) + R_d\left(\frac{D}{D+E}\right)(1-\tau).$$ We use the target industry debt ratio of 20% and a tax rate of 31.5% based on historical effective tax rates and information provided in the company's 10-K. For the cost of debt, we used the five-year historical average of interest expense/last year's long-term debt (5.42%). This calculation results in a weighted average cost of capital of 6.8% for ADM. Note that this is actually a conservative estimate, since it reflects greater stock volatility than we think ADM merits.

KEY ASSUMPTIONS:

1) EARNINGS

- **REVENUE GROWTH:** We used our projections of the grain industry's growth as a baseline for projecting ADM's revenue growth. These projections take into account projected population growth and grain price trends (based on USDA data) and projected GDP growth in emerging markets (based on World Bank data). Recall:

Assumptions for Grain Industry Key Driver Growth	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Revenue Growth Rate (grain only)	19.96%	6.09%	3.66%	(2.16%)	(0.14%)	(0.14%)
COGS/Sales	93.50%	93.00%	93.00%	93.00%	92.50%	92.50%

Source: *Ag-Processors in a Sweeter Spot than Market Suggests*, Howie & Newman Analysts, October 2007

We adjusted these projections based on ADM's competitive position within the industry and its plans for different segments:

Ratios and Assumptions	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E
Sales Growth	1.8%	20.3%	16.3%	7.6%	5.3%	0.2%	1.7%	1.5%
Oilseeds Processing	0.5%	17.4%	*21.0%*	*7.1%*	*4.7%*	*(1.2%)*	*0.9%*	*0.9%*
Corn Processing								
Sweeteners & Starches	*12.0%*	*11.5%*	*21.0%*	*7.1%*	*4.7%*	*(1.2%)*	*0.9%*	*0.9%*
Bioproducts	*10.9%*	*12.4%*	*(19.5%)*	*22.1%*	*15.3%*	*11.3%*	*7.3%*	*3.3%*
Agricultural Services	1.6%	27.6%	21.0%	7.1%	4.7%	(1.2%)	0.9%	0.9%
Other	(3.3%)	11.4%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Source: ADM 10-K, 2007, Analyst Estimates

Specifically, we forecast that within **Oilseeds Processing, Corn Sweeteners & Starches, and Agricultural Services** (which consists of buying, cleaning, storing, transporting grains, and reselling them), ADM would be able to leverage its large size (as the #2 player in the overall industry and #1 player in our index of public companies), diverse product offering, and global presence to capture a greater portion of the market, and hence we project these segments will grow at industry growth +1%.

For **Bioproducts**, we projected revenue growth based on ADM's expansion plans, and expected ethanol prices. The company plans to increase biofuels production capacity by 275MM gallons in 2008 and 2009. After that, we assumed that the company would continue to grow its biofuels line, however at a slower rate, stepping down growth in capacity by 4% annually to reach approx. GDP growth of 3.3% in 2013. We used the futures curve to estimate a mid-year cycle ethanol price of $1.77/gallon.

Ethanol Growth Projections	2008	2009	2010	2011	2012	2013
Q (B gallons)	1.43	1.70	1.96	2.18	2.34	2.42
% capacity growth	*23.9%*	*19.3%*	*15.3%*	*11.3%*	*7.3%*	*3.3%*
Price	1.73	1.77	1.77	1.77	1.77	1.77
Revenues	2,465.25	3,009.00	3,469.32	3,861.30	4,143.10	4,279.75
% growth	*(19.54%)*	*22.1%*	*15.3%*	*11.3%*	*7.3%*	*3.3%*

Source: ADM 2007 10-K, Bloomberg, Analyst Estimates

Other revenue streams include the natural plastics business and are therefore not driven by the same demand drivers as the company's food and feed businesses. Given a historical average annual growth of 4% in this segment, and ADM's plans for expansion into industrial chemicals and bioproducts, we forecast a constant 5% annual growth rate.

- **Terminal Growth Rate:** Based on revenue trends in the later part of our projection window, we assumed the company would grow at 2.5% in perpetuity. While this is less than GDP, we felt this was in line with projected population and food consumption trends, which are key drivers for this industry. These also reflect the faster growing natural plastics market.

- **COGS Growth:** We used our projections of the ag-processing industry's COGS/Sales as a baseline for projecting ADM's COGS. We forecast that ADM's COGS/Sales will be slightly lower (.5%) than the industry average because its large size and well-developed transportation infrastructure allows it to reap cost savings when buying product from farmers and transporting it to end-users. Recall that COGS will increase in the near-term due to the pressure on corn prices from ethanol, but as corn prices stabilize, COGS are forecast to return to historically consistent levels of 92.5%.

- **SG&A, Other Non-Operating Income, and Tax Rate:** Based on consistent historical performance, we do not expect these items will change significantly through our six year forecast window. We used historical five-year averages to forecast SG&A/Sales of 2.96%, Income from affiliates of .5%, and other non-operating income as .04%. We used an effective tax rate of 31.5% based on information in the company's most recent 10-K.

2) Working Capital

- **Receivables:** We forecast receivables based on average turnover from 2002-2006 of 42.5 days. We chose not to include 2007 in our average as it was an outlier, likely due to the sharp increase in corn prices which end-users had difficulty absorbing. We believe receivables will decrease in 2008 to average levels as end-users adapt to the high-corn prices and pass them through to their customers.

- **Inventory Levels:** We expect an industry-wide reduction in inventories to historically low levels over the next five years.[15] As a result, we forecast that ADM's inventory days outstanding will decrease from 54.3 in 2007 to 48.4 in 2008 and beyond, based on five-year average days outstanding.

[15] USDA, *Ethanol Expansion in the United States*, May 2007.

- **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:** We expect A/P days outstanding and Accrued Liabilities/ COGS will continue to grow at 5-yr historic growth rates since they have been steadily climbing. Accounts payable days outstanding is forecast to grow at 2% annually to 50 days in 2013, while Accrued Liabilities/COGS has grown at 9% on average and is forecast to reach .1% of COGS by 2013.

- **CASH:** Based on the consistent historical relationship between Cash/Sales, we forecast that the cash balance will remain 2% of sales through our projection window.

3) **OTHER ASSETS, GOODWILL AND INTANGIBLES, LIABILITIES:** Based on consistent historical performance, we forecast that these balance sheet items will remain at their historical five-year average rates.

4) **PP&E:**

- **CAPEX:** We forecast CapEx based on ADM's projected biofuels and other expansion projects. The company will be investing heavily in CapEx in the near term, but we expect that CapEx growth will stabilize by 2011 as the biofuels market emerges from a period of consolidation resulting from supply and demand equilibration in the near term. We assume that economies of scale will permit ADM to have lower CapEx growth relative to capacity expansion and have adjusted CapEx accordingly.

- **DEPRECIATION:** We forecast depreciation as 72% of CapEx, based on the two-year historical average. Before 2006, depreciation was greater than CapEx. As ADM enters a growth phase, we believe this reduction in its asset base will not be sustained.

SENSITIVITY ANALYSIS:

We conducted a sensitivity analysis on COGS/Sales, Revenue Growth, WACC, and Terminal Growth Rate to examine the sensitivity of our valuation to our assumptions. Our first analysis adjusted revenue growth rate and COGS ratio by a percentage point in either direction. Our second analysis examined valuations under a variety of terminal growth rate and cost of capital scenarios. Even under more conservative assumptions, the company is undervalued.

The model is sensitive to the COGS ratio but we believe that our elevated COGS levels in the near future are conservative given ADM's size (which gives it greater buyer power), the pass-through nature of agricultural input prices, and ADM's limited exposure to ethanol, relative to other business lines.

Target Price (USD)		Adjustment to COGS/Sales				
		(1.0%)	(0.5%)	0.0%	0.5%	1.0%
Adjustment to Revenue	(1.0%)	53.3	47.0	40.6	34.3	28.0
	(0.5%)	53.6	47.1	40.7	34.2	27.7
	0.0%	53.9	47.3	40.7	34.1	27.5
	0.5%	54.1	47.4	40.7	33.9	27.2
	1.0%	54.4	47.5	40.6	33.7	26.8

Target Price (USD)		WACC				
		5.8%	6.3%	6.8%	7.3%	7.8%
Terminal Growth Rate	1.5%	42.8	37.4	33.1	29.5	26.5
	2.0%	48.4	41.7	36.5	32.3	28.8
	2.5%	55.6	47.2	40.7	35.6	31.4
	3.0%	65.5	54.2	46.0	39.7	34.7
	3.5%	79.8	63.9	52.9	44.8	38.7

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Appendix I:
ADM Income Statements

1) Historical

Historical Income Statement	FY ending June 30,					
($ millions)	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Oilseeds Processing				$11,803.0	$11,867.0	$13,937.0
Corn Processing				4,364.0	4,860.0	5,442.0
Sweetners & Starches				*1,905.0*	*2,133.0*	*2,378.0*
Bioproducts				*2,459.0*	*2,727.0*	*3,064.0*
Agricultural Services				15,198.0	15,440.0	19,706.0
Other				4,578.0	4,429.0	4,933.0
Total Revenue	**$22,611.9**	**$30,708.0**	**$36,151.4**	**$35,943.0**	**$36,596.0**	**$44,018.0**
Cost Of Goods Sold	20,992.4	28,995.7	33,952.5	33,470.0	33,559.0	40,760.0
Gross Profit	**$1,619.5**	**$1,712.4**	**$2,198.9**	**$2,473.0**	**$3,037.0**	**$3,258.0**
Selling General & Admin Exp.	826.9	947.7	1,001.8	1,081.0	1,173.0	1,195.0
Operating Income	**$792.5**	**$764.7**	**$1,197.1**	**$1,392.0**	**$1,864.0**	**$2,063.0**
Net Interest Exp.	(241.90)	(238.10)	(225.60)	(191.00)	(161.00)	(177.00)
Income/(Loss) from Affiliates	61.50	66.00	180.70	229.00	174.00	294.00
Other Non-Operating Inc. (Exp.)	6.50	24.00	(7.50)	14.00	41.00	(1.00)
EBT (1)	**$618.6**	**$616.6**	**$1,144.6**	**$1,444.0**	**$1,918.0**	**$2,179.0**
Income Tax Expense	207.80	179.80	223.30	472.00	543.00	992.00
Net Income	**$410.8**	**$436.8**	**$921.3**	**$972.0**	**$1,375.0**	**$1,187.0**

Notes

(1) Earnings exclude unusual items such as gain/loss on sale of assets, asset and goodwill impairments, legal settlements, restructuring charges, discontinued operations, and other extraordinary items.

Ratios and Assumptions	2002	2003	2004	2005	2006	2007
Sales Growth		35.8%	17.7%	(0.6%)	1.8%	20.3%
Oilseeds Processing					0.5%	17.4%
Corn Processing						
Sweetners & Starches					*12.0%*	*11.5%*
Bioproducts					*10.9%*	*12.4%*
Agricultural Services					1.6%	27.6%
Other					(3.3%)	11.4%
COGS (as % of sales)	92.8%	94.4%	93.9%	93.1%	91.7%	92.6%
SG&A (as % of sales)	3.7%	3.1%	2.8%	3.0%	3.2%	2.7%
Income (Loss) from Affiliates (as % of sales)	0.3%	0.2%	0.5%	0.6%	0.5%	0.7%
Other Non-operating Income (exp) (as % of sales)	0.03%	0.08%	(0.02%)	0.04%	0.11%	(0.00%)
Effective Tax Rate				31.1%	29.3%	31.5%

2) Projected

Selected Income Statement Items	Projected FY ending June 30,					
($ millions)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Oilseeds Processing	$16,857.7	$18,052.9	$18,894.1	$18,675.8	$18,836.5	$18,997.6
Corn Processing	5,341.6	6,089.3	6,693.1	7,047.9	7,357.1	7,521.2
Sweetners & Starches	*2,876.3*	*3,080.3*	*3,223.8*	*3,186.6*	*3,214.0*	*3,241.5*
Bioproducts	*2,465.3*	*3,009.0*	*3,469.3*	*3,861.3*	*4,143.1*	*4,279.8*
Agricultural Services	23,835.7	25,525.6	26,715.0	26,406.4	26,633.5	26,861.3
Other	5,179.7	5,438.6	5,710.6	5,996.1	6,295.9	6,610.7
Total Revenue	**$51,214.7**	**$55,106.5**	**$58,012.8**	**$58,126.2**	**$59,123.0**	**$59,990.8**
Cost Of Goods Sold	47,629.7	50,973.5	53,661.9	53,766.7	54,393.2	55,191.5
Gross Profit	**$3,585.0**	**$4,133.0**	**$4,351.0**	**$4,359.5**	**$4,729.8**	**$4,799.3**
Selling General & Admin Exp.	1,514.4	1,629.5	1,715.4	1,718.8	1,748.3	1,773.9
Operating Income	**$2,070.6**	**$2,503.5**	**$2,635.5**	**$2,640.7**	**$2,981.6**	**$3,025.3**
Income/(Loss) from Affiliates	255.59	275.01	289.51	290.08	295.05	299.39
Other Non-Operating Inc. (Exp.)	21.11	22.72	23.92	23.96	24.37	24.73
EBIT	**$2,347.3**	**$2,801.2**	**$2,949.0**	**$2,954.7**	**$3,301.0**	**$3,349.5**

Ratios and Assumptions	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Sales Growth	16.3%	7.6%	5.3%	0.2%	1.7%	1.5%
Oilseeds Processing	*21.0%*	*7.1%*	*4.7%*	*(1.2%)*	*0.9%*	*0.9%*
Corn Processing						
Sweetners & Starches	*21.0%*	*7.1%*	*4.7%*	*(1.2%)*	*0.9%*	*0.9%*
Bioproducts	*(19.5%)*	*22.1%*	*15.3%*	*11.3%*	*7.3%*	*3.3%*
Agricultural Services	21.0%	7.1%	4.7%	(1.2%)	0.9%	0.9%
Other	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
COGS (as % of sales)	93.0%	92.5%	92.5%	92.5%	92.0%	92.0%
SG&A (as % of sales)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Income (Loss) from Affiliates (as % of sales)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Other Non-operating Income (exp) (as % of sale	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Effective Tax Rate	31.5%	31.5%	31.5%	31.5%	31.5%	31.5%

Ethanol Growth Projections	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Q (B gallons)	1.43	1.70	1.96	2.18	2.34	2.42
% capacity growth	*23.9%*	*19.3%*	*15.3%*	*11.3%*	*7.3%*	*3.3%*
Price	1.73	1.77	1.77	1.77	1.77	1.77
Revenues	2,465.25	3,009.00	3,469.32	3,861.30	4,143.10	4,279.75
% growth	*(19.54%)*	*22.1%*	*15.3%*	*11.3%*	*7.3%*	*3.3%*

Appendix II:
ADM Selected Balance Sheet Items

1) Historical

Historical Balance Sheet	FY ending June 30,					
($ millions)	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
ASSETS						
Cash And Equivalents	$526.1	$765.0	$540.2	$522.4	$1,113.0	$663.0
% of Sales	*2.3%*	*2.5%*	*1.5%*	*1.5%*	*3.0%*	*1.5%*
Total Cash & ST Investments	**$526.1**	**$765.0**	**$540.2**	**$522.4**	**$1,113.0**	**$663.0**
Accounts Receivable	2,846.4	3,320.3	4,040.8	4,102.3	4,471.0	6,224.0
% of Sales	*12.6%*	*10.8%*	*11.2%*	*11.4%*	*12.2%*	*14.1%*
Total Receivables	**$2,846.4**	**$3,320.3**	**$4,040.8**	**$4,102.3**	**$4,471.0**	**$6,224.0**
Inventory	3,255.4	3,550.2	4,591.6	3,906.7	4,677.0	6,060.0
% of Sales	*14.4%*	*11.6%*	*12.7%*	*10.9%*	*12.8%*	*13.8%*
Deferred Tax Assets, Curr.	-	-	-	4.9	46.0	34.0
Restricted Cash	404.7	544.7	871.4	908.0	1,221.0	1,424.0
Other Current Assets	293.9	241.7	294.9	266.5	298.0	717.0
Total Current Assets	**$7,326.5**	**$8,421.9**	**$10,339.0**	**$9,710.7**	**$11,826.0**	**$15,122.0**
Gross Property, Plant & Equipment	12,022.1	13,267.8	13,680.2	14,130.8	14,551.0	15,935.0
Accumulated Depreciation	(7,131.8)	(7,799.1)	(8,425.5)	(8,946.4)	(9,258.0)	(9,925.0)
Net Property, Plant & Equipment	**$4,890.2**	**$5,468.7**	**$5,254.7**	**$5,184.4**	**$5,293.0**	**$6,010.0**
Long-term Investments	2,530.4	2,581.5	2,994.0	2,929.5	3,096.0	3,155.0
Goodwill	223.6	344.7	337.5	325.2	322.0	317.0
Other Long-Term Assets	408.5	366.1	443.6	448.4	732.0	514.0
Total Assets	**$15,379.3**	**$17,182.9**	**$19,368.8**	**$18,598.1**	**$21,269.0**	**$25,118.0**
LIABILITIES						
Accounts Payable	$2,331.0	$2,848.9	$3,238.2	$3,399.4	$4,014.0	$4,919.0
Accrued Exp.	951.8	976.1	1,580.7	1,318.8	1,521.0	2,416.0
Short-term Borrowings	967.5	1,279.5	1,770.5	425.8	550.0	468.0
Curr. Port. of LT Debt	305.8	30.9	160.8	222.9	80.0	65.0
Def. Tax Liability, Curr.	-	12.1	-	-	-	-
Total Current Liabilities	**$4,556.0**	**$5,147.5**	**$6,750.2**	**$5,366.9**	**$6,165.0**	**$7,868.0**
Long-Term Debt	3,111.3	3,872.3	3,739.9	3,530.1	4,050.0	4,752.0
Def. Tax Liability, Non-Curr.	595.0	543.6	653.8	779.4	757.0	532.0
Other Non-Current Liabilities	362.2	550.4	526.7	488.2	490.0	713.0
Total Liabilities	**$8,624.5**	**$10,113.7**	**$11,670.6**	**$10,164.6**	**$11,462.0**	**$13,865.0**
Common Stock	5,436.2	5,373.0	5,431.5	5,385.8	5,511.0	5,090.0
Retained Earnings	1,567.6	1,863.2	2,183.8	3,011.0	4,082.0	5,982.0
Comprehensive Inc. and Other	(248.9)	(167.0)	83.0	36.6	214.0	181.0
Total Common Equity	**$6,754.8**	**$7,069.2**	**$7,698.2**	**$8,433.5**	**$9,807.0**	**$11,253.0**
Total Liabilities And Equity	**$15,379.3**	**$17,182.9**	**$19,368.8**	**$18,598.1**	**$21,269.0**	**$25,118.0**

2) Projected

Selected Balance Sheet Items	Projected FY ending June 30,					
($ millions)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
ASSETS						
Cash And Equivalents	1,022.9	1,100.6	1,158.7	1,160.9	1,180.9	1,198.2
% of Sales	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Total Cash & ST Investments	**1,022.9**	**1,100.6**	**1,158.7**	**1,160.9**	**1,180.9**	**1,198.2**
Accounts Receivable	5,962.3	6,415.3	6,753.7	6,766.9	6,882.9	6,984.0
% of Sales	*11.6%*	*11.6%*	*11.6%*	*11.6%*	*11.6%*	*11.6%*
Total Receivables	**5,962.3**	**6,415.3**	**6,753.7**	**6,766.9**	**6,882.9**	**6,984.0**
Inventory	6,850.9	7,371.5	7,760.2	7,775.4	7,908.8	8,024.8
% of Sales	*13.4%*	*13.4%*	*13.4%*	*13.4%*	*13.4%*	*13.4%*
Other Current Assets	2,530.6	2,722.9	2,866.5	2,872.1	2,921.4	2,964.2
Total Current Assets	**16,366.8**	**17,610.5**	**18,539.2**	**18,575.5**	**18,894.0**	**19,171.3**
Gross Property, Plant & Equipment	17,477.0	19,297.3	21,225.4	23,267.9	25,390.2	27,595.4
Accumulated Depreciation	(11,051.0)	(12,378.4)	(13,783.9)	(15,272.1)	(16,818.1)	(18,424.1)
Net Property, Plant & Equipment	**6,426.0**	**6,918.8**	**7,441.5**	**7,995.7**	**8,572.1**	**9,171.3**
Long-term Investments	4,144.9	4,459.9	4,695.1	4,704.3	4,785.0	4,855.2
Goodwill	467.2	502.7	529.2	530.2	539.3	547.2
Other Long-Term Assets	700.1	753.3	793.0	794.6	808.2	820.0
Total Assets	**28,104.9**	**30,245.1**	**31,998.1**	**32,600.3**	**33,598.5**	**34,565.1**
LIABILITIES						
Accounts Payable	6,180.7	6,650.4	7,001.1	7,014.8	7,135.1	7,239.8
Accrued Exp.	2,823.2	3,021.4	3,180.7	3,187.0	3,224.1	3,271.4
Def. Tax Liability, Non-Curr.	1,070.1	1,151.4	1,212.1	1,214.5	1,235.3	1,253.5
Other Non-Current Liabilities	773.2	831.9	875.8	877.5	892.6	905.7

Appendix III:
Calculating Beta & WACC

1) Beta

Calculating Beta	
	ADM
Raw Betas (1)	0.69
Smoothed Beta (2)	0.80
Credit Rating	A
Debt Ratio	0.21
Debt Beta (3)	0.27
Unlevered Betas (4)	0.62
Target Company Debt Ratio (5)	20%
Relevered Company Beta (6)	0.554

Notes

(1) Raw betas were determined from a 5-year regression on CRSP and Yahoo Finance monthly total return data
(2) Smoothed Beta = (.33) + (.67)(Raw Beta); Tim Koller, Marc Goedhart, David Wessels, *Valuation: Measuring and Managing the Value of Companies*. McKinsey & Company, 2005. Page 314.
(3) Debt beta by bond class based on Koller, Goedhart, and Wessels, page 321
(4) Unlevered beta = (Raw Beta)(E/V)
(5) The company consistently experienced D/V ratios around 20% in the past three years, even during periods of high Capex, which suggests they are pursuing this as a target D/V strategy.
(6) (Equity Beta)(E/V)+(Debt Beta)(D/V)

2) Weighted Average Cost of Capital

$$WACC = R(e)(E/EV) + R(d)(1-T)(D/EV)$$

WACC	
R(e)	7.52%
R(d)	5.42%
Tax Rate	31.50%
D/EV	20.00%
E/EV	80.00%
WACC	6.76%

Appendix IV:
Discounted Cash Flow

Discounted Cash Flow Analysis

($ millions)	2008	2009	2010	2011	2012	2013
EBIT	$2,347.3	$2,801.2	$2,949.0	$2,954.7	$3,301.0	$3,349.5
Tax-Adjusted EBIT (1)	1,607.9	1,918.8	2,020.0	2,024.0	2,261.2	2,294.4
Plus: Depreciation & Amortization	1,126.0	1,327.4	1,405.5	1,488.2	1,546.0	1,606.0
Less: Change in Working Capital	784.1	(498.1)	(360.6)	(14.1)	(141.2)	(107.9)
Less: Capital Expenditures	(1,556.0)	(1,834.3)	(1,942.2)	(2,056.4)	(2,136.3)	(2,219.2)
Less: Changes in Other LT Assets	(1,326.2)	(403.7)	(301.5)	(11.8)	(103.4)	(90.0)
Plus: Changes in LT Liabilities	598.3	140.0	104.6	4.1	35.9	31.2
Free Cash Flow	**$1,234.2**	**$650.3**	**$925.9**	**$1,434.0**	**$1,462.2**	**$1,514.4**
PV of FCF	**$1,156.1**	**$570.6**	**$761.0**	**$1,104.0**	**$1,054.4**	**$1,023.0**

Perpetuity Growth Method		
Weighted average cost of capital:		**6.8%**
Net present value of free cash flow		$5,669.0
Growth rate of FCF after 2013 (2)		2.5%
Terminal value		$36,464.2
Present value of the terminal value (3)		24,631.3
Enterprise Value		**$30,300.3**
LESS: Debt, pref. stock, & minority interest (4)		(4,752.0)
PLUS: Cash & cash equivalents (4)		663.0
Equity Value		**$26,211.3**
Shares Outstanding		644.3
Target Share Price		$40.68
Current Price	11/2/07	$34.84
		14%

(1) Effective tax rate of 31.5%

(2) Perpetuity growth rate higher than industry perpetuity growth rate due to biofuel & bioproducts diversification

(3) Discounted 6 years based on FY2013 FCF of $1,514.4

(4) Based on balance sheet values as of June 30, 2007.

Appendix V
Matching the market Value With More Aggressive Ethanol Growth Projections

Ethanol Growth Projections	2008	2009	2010	2011	2012	2013
Q (B gallons)	1.43	1.70	2.03	2.42	2.89	3.44
% capacity growth	*23.9%*	*19.3%*	*19.3%*	*19.3%*	*19.3%*	*19.3%*
Price	1.73	1.77	1.77	1.77	1.77	1.77
Revenues	2,465.25	3,009.00	3,589.68	4,282.43	5,108.86	6,094.79
% growth	*(19.54%)*	*22.1%*	*19.3%*	*19.3%*	*19.3%*	*19.3%*

Discounted Cash Flow Analysis

($ millions)	2008	2009	2010	2011	2012	2013
EBIT	$2,347.3	$2,801.2	$2,955.1	$2,976.1	$3,354.9	$3,450.8
Tax-Adjusted EBIT (1)	1,607.9	1,918.8	2,024.2	2,038.7	2,298.1	2,363.8
Plus: Depreciation & Amortization	1,126.0	1,349.9	1,483.3	1,629.9	1,758.4	1,897.1
Less: Change in Working Capital	784.1	(498.1)	(375.6)	(51.4)	(209.1)	(213.6)
Less: Capital Expenditures	(1,556.0)	(1,865.4)	(2,049.7)	(2,252.3)	(2,429.9)	(2,621.4)
Less: Changes in Other LT Assets	(1,326.2)	(403.7)	(313.9)	(43.0)	(159.9)	(178.1)
Plus: Changes in LT Liabilities	598.3	140.0	108.9	14.9	55.5	61.8
Free Cash Flow	**$1,234.2**	**$641.7**	**$877.3**	**$1,336.8**	**$1,313.2**	**$1,309.6**
PV of FCF	**$1,156.1**	**$563.0**	**$721.0**	**$1,029.2**	**$947.0**	**$884.6**

Perpetuity Growth Method		
Weighted average cost of capital:		**6.8%**
Net present value of free cash flow		$5,300.9
Growth rate of FCF after 2013 (2)		2.5%
Terminal value		$31,531.3
Present value of the terminal value (3)		21,299.2
Enterprise Value		**$26,600.0**
LESS: Debt, pref. stock, & minority interest (4)		(4,752.0)
PLUS: Cash & cash equivalents (4)		663.0
Equity Value		**$22,511.0**
Shares Outstanding		644.3
Target Share Price		$34.94
Current Price	11/2/07	$34.84
		0%

(1) Effective tax rate of 31.5%
(2) Perpetuity growth rate higher than industry perpetuity growth rate due to biofuel & bioproducts diversification
(3) Discounted 6 years based on FY2013 FCF of $1,514.4
(4) Based on balance sheet values as of June 30, 2007.

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