ARCHER DANIELS MIDLAND CO
Form 10-Q
August 04, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission file number 1-44
ARCHER-DANIELS-MIDLAND COMPANY
(Exact name of registrant as specified in its charter)

Delaware	41-0129150
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
77 West Wacker Drive, Suite 4600	
Chicago, Illinois	60601
(Address of principal executive offices)	(Zip Code)

(312) 634-8100
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x.
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Common Stock, no par value – 608,939,506 shares
(July 31, 2015)

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

Consolidated Statements of Earnings
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
Revenues	$17,186	$21,494	$34,692	$42,190
Cost of products sold	16,222	20,322	32,626	40,343
Gross Profit	964	1,172	2,066	1,847
Selling, general, and administrative expenses	519	426	1,017	819
Asset impairment, exit, and restructuring costs	31	31	31	31
Interest expense	85	79	166	172
Equity in earnings of unconsolidated affiliates	(87)	(78)	(226)	(210)
Interest income	(21)	(24)	(39)	(46)
Other (income) expense – net	(89)	3	(99)	(20)
Earnings Before Income Taxes	526	735	1,216	1,101
Income taxes	143	203	340	301
Net Earnings Including Noncontrolling Interests	383	532	876	800
Less: Net earnings (losses) attributable to noncontrolling interests	(3)	(1)	(3)	—
Net Earnings Attributable to Controlling Interests	$386	$533	$879	$800
Average number of shares outstanding – basic	624	656	630	658
Average number of shares outstanding – diluted	627	659	633	661
Basic earnings per common share	$0.62	$0.81	$1.40	$1.22
Diluted earnings per common share	$0.62	$0.81	$1.39	$1.21
Dividends per common share	$0.28	$0.24	$0.56	$0.48

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In millions)			
Net earnings including noncontrolling interests	$383	$532	$876	$800
Other comprehensive income (loss):				
Foreign currency translation adjustment	177	35	(525)	—
Tax effect	(6)	—	26	1
Net of tax amount	171	35	(499)	1
Pension and other postretirement benefit liabilities adjustment	(4)	4	38	10
Tax effect	—	(1)	(19)	(3)
Net of tax amount	(4)	3	19	7
Deferred gain (loss) on hedging activities	38	70	(18)	(27)
Tax effect	(9)	(23)	12	10
Net of tax amount	29	47	(6)	(17)
Unrealized gain (loss) on investments	(20)	3	23	(7)
Tax effect	(2)	—	(2)	3
Net of tax amount	(22)	3	21	(4)
Other comprehensive income (loss)	174	88	(465)	(13)
Comprehensive income (loss) including noncontrolling interests	557	620	411	787
Less: Comprehensive income (loss) attributable to noncontrolling interests	(3)	(1)	(4)	—
Comprehensive income (loss) attributable to controlling interests	$560	$621	$415	$787

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Consolidated Balance Sheets

(In millions)	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$867	$1,099
Short-term marketable securities	309	515
Segregated cash and investments	4,732	4,877
Trade receivables	2,224	2,704
Inventories	7,845	9,374
Current assets held for sale	1,444	1,403
Other current assets	5,167	6,056
Total Current Assets	22,588	26,028
Investments and Other Assets		
Investments in and advances to affiliates	3,930	3,892
Long-term marketable securities	492	485
Goodwill and other intangible assets	3,256	3,283
Other assets	405	349
Total Investments and Other Assets	8,083	8,009
Property, Plant, and Equipment		
Land	437	441
Buildings	4,664	4,668
Machinery and equipment	17,035	17,044
Construction in progress	908	819
	23,044	22,972
Accumulated depreciation	(13,147)	(13,012)
Net Property, Plant, and Equipment	9,897	9,960
Total Assets	$40,568	$43,997
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term debt	$157	$108
Trade payables	3,017	4,326
Payables to brokerage customers	5,363	5,874
Accrued expenses and other payables	3,306	5,040
Current maturities of long-term debt	801	24
Current liabilities held for sale	215	230
Total Current Liabilities	12,859	15,602
Long-Term Liabilities		
Long-term debt	5,965	5,528
Deferred income taxes	1,618	1,662
Other	1,568	1,575

Total Long-Term Liabilities	9,151	8,765
Shareholders’ Equity		
Common stock	4,017	5,115
Reinvested earnings	16,232	15,701
Accumulated other comprehensive income (loss)	(1,705)	(1,241)
Noncontrolling interests	14	55
Total Shareholders’ Equity	18,558	19,630
Total Liabilities and Shareholders’ Equity	$40,568	$43,997

See notes to consolidated financial statements.

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Archer-Daniels-Midland Company

Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2015	2014
	(In millions)	
Operating Activities		
Net earnings including noncontrolling interests	$876	$800
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	441	432
Asset impairment charges	31	—
Deferred income taxes	29	(32)
Equity in earnings of affiliates, net of dividends	(69)	(127)
Stock compensation expense	42	33
Pension and postretirement accruals (contributions), net	16	3
Deferred cash flow hedges	(18)	(27)
Gains on sales of assets and revaluation	(104)	(34)
Other – net	(50)	4
Changes in operating assets and liabilities		
Segregated cash and investments	146	(389)
Trade receivables	423	(896)
Inventories	1,334	2,401
Other current assets	735	1,356
Trade payables	(1,226)	(1,602)
Payables to brokerage customers	(534)	476
Accrued expenses and other payables	(1,665)	(1,415)
Total Operating Activities	407	983
Investing Activities		
Purchases of property, plant, and equipment	(540)	(398)
Proceeds from sales of assets and business	135	19
Net assets of businesses acquired	(69)	—
Purchases of marketable securities	(545)	(641)
Proceeds from sales of marketable securities	735	691
Investments in and advances to affiliates	(125)	(31)
Distributions from affiliates	1	81
Other – net	1	22
Total Investing Activities	(407)	(257)
Financing Activities		
Long-term debt borrowings	1,244	1
Long-term debt payments	(28)	(1,162)
Net borrowings (payments) under lines of credit agreements	50	(129)
Purchases of treasury stock	(1,164)	(493)
Cash dividends	(350)	(315)

Acquisition of noncontrolling interest	—	(157)
Other – net	16	38
Total Financing Activities	(232)	(2,217)
Increase (decrease) in cash and cash equivalents	(232)	(1,491)
Cash and cash equivalents beginning of period	1,099	3,121
Cash and cash equivalents end of period	$867	$1,630

See notes to consolidated financial statements.

Archer-Daniels-Midland-Company

Consolidated Statement of Shareholders' Equity
(Unaudited)

	Common Stock		Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount				
	(In millions)					
Balance December 31, 2014	637	$5,115	$15,701	$(1,241)	$55	$19,630
Comprehensive income						
Net earnings			879		(3)	
Other comprehensive income (loss)				(464)	(1)	
Total comprehensive income						411
Cash dividends paid- $0.56 per share			(350)			(350)
Treasury stock purchases	(24)	(1,164)				(1,164)
Stock compensation expense		42				42
Other	1	24	2	—	(37)	(11)
Balance June 30, 2015	614	$4,017	$16,232	$(1,705)	$14	$18,558

See notes to consolidated financial statements.

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Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements
(Unaudited)
Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and six-month period ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Principles of Consolidation

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

Reclassifications

Effective January 1, 2015, the Company formed a fourth reportable business segment, Wild Flavors and Specialty Ingredients. Results of Wild Flavors Gmbh (Wild Flavors) and Specialty Commodities, Inc. (SCI), which were acquired during the fourth quarter of fiscal 2014, are reported in this segment in addition to results of certain product lines previously reported in the Oilseeds Processing, Corn Processing, and Agricultural Services business segments. Throughout this quarterly report on Form 10-Q, prior period results of the product lines previously reported in the other reportable business segments have been reclassified to conform to the current period presentation.

Effective April 1, 2015, the Company early adopted the amended guidance of ASC Subtopic 835-30, Interest - Imputation of Interest, which addresses the balance sheet presentation requirements for debt issuance costs and debt discounts and premiums (see Note 2 for more information).

Last-in, First-out (LIFO) Inventories

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

Note 2. New Accounting Standards

Effective April 1, 2015, the Company early adopted the amended guidance of ASC Subtopic 835-30, Interest - Imputation of Interest, which addresses the balance sheet presentation requirements for debt issuance costs and debt discounts and premiums. The amended guidance aligns more closely with International Financial Reporting Standards which require that transaction costs be deducted from the carrying value of the financial liability and not recorded as separate assets. The Company reclassified $30 million of debt issuance costs from other assets to long-term debt in its December 31, 2014 consolidated balance sheet to conform to the current presentation. At June 30, 2015, the long-term debt balance is net of $32 million of debt issuance costs.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. Pending Accounting Standards

Effective January 1, 2016, the Company will be required to adopt the amended guidance of Accounting Standards Codification (ASC) Topic 718, Compensation - Stock Compensation, which seeks to resolve the diversity in practice that exists when accounting for share-based payments. The amended guidance requires a performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. The Company will be required to adopt the amended guidance either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect the adoption of this amended guidance to impact financial results.

Effective January 1, 2016, the Company will be required to adopt the amended guidance of ASC Topic 810, Consolidation (Topic 810), which seeks to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amended guidance changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The changes include, among others, modification of the evaluation whether limited partnerships and similar legal entities are variable interest entities or voting interest entities and elimination of the presumption that a general partner should consolidate a limited partnership. The Company will be required to adopt Topic 810 either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application. The Company has not yet completed its assessment of the impact of the amended guidance on its consolidated financial statements but does not expect the adoption of this amended guidance to have a significant impact on financial results.

Effective January 1, 2016, the Company will be required to adopt the amended guidance of ASC Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, which eliminates the concept of extraordinary items from Generally Accepted Accounting Principles in the U.S. The amended guidance aligns more closely with International Accounting Standards 1, Presentation of Financial Statements, which prohibits the presentation and disclosure of extraordinary items. The Company does not expect the adoption of this amended guidance to impact financial results.

Effective January 1, 2018, the Company will be required to adopt the new guidance of ASC Topic 606, Revenue from Contracts with Customers (Topic 606), which will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition. Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance requires the Company to apply the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation. The Company will be required to adopt Topic 606 either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application. If the Company elects the modified retrospective approach, it will be required to provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period, as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes. The Company has not yet completed its assessment of the impact of the new guidance on its consolidated financial statements.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Acquisitions

During the quarter and six months ended June 30, 2015, the Company acquired the remaining interest in North Star Shipping and Minmetal for a total cost of $76 million in cash and recorded a preliminary allocation of the purchase price related to these acquisitions. The net cash purchase price for these acquisitions of $69 million plus the acquisition-date fair value of the equity interest the Company previously held in North Star Shipping and Minmetal of $63 million were preliminarily allocated to property, plant, and equipment, other intangible assets, other long-term assets, and other long-term liabilities for $43 million, $122 million, $1 million, and $34 million, respectively. This acquisition of port facilities in Romania enhances the Company's European origination and transportation network allowing the Company to reach more customers around the globe. A pre-tax gain of $27 million was recognized in the quarter ended June 30, 2015 representing the difference between carrying value and the acquisition-date fair value of the equity interest previously held in North Star Shipping and Minmetal.

Note 5. Fair Value Measurements

The following tables set forth, by level, the Company's assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2015 and December 31, 2014.

	Fair Value Measurements at June 30, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1) (In millions)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventories carried at market	$—	$3,028	$1,026	$4,054
Unrealized derivative gains:				
Commodity contracts	—	713	154	867
Foreign exchange contracts	—	108	—	108
Interest rate contracts	—	20	—	20
Cash equivalents	177	—	—	177
Marketable securities	715	80	—	795
Segregated investments	2,087	—	—	2,087
Deferred receivables consideration	—	703	—	703
Total Assets	$2,979	$4,652	$1,180	$8,811
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	$—	$571	$363	$934
Foreign exchange contracts	7	143	—	150
Inventory-related payables	—	345	13	358
Total Liabilities	$7	$1,059	$376	$1,442

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

	Fair Value Measurements at December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1) (In millions)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventories carried at market	$—	$3,208	$1,491	$4,699
Unrealized derivative gains:				
Commodity contracts	—	487	203	690
Foreign exchange contracts	—	186	—	186
Interest rate contracts	—	21	—	21
Cash equivalents	491	—	—	491
Marketable securities	860	80	—	940
Segregated investments	2,158	—	—	2,158
Deferred receivables consideration	—	511	—	511
Total Assets	$3,509	$4,493	$1,694	$9,696
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	$—	$564	$212	$776
Foreign exchange contracts	—	150	—	150
Inventory-related payables	—	612	40	652
Total Liabilities	$—	$1,326	$252	$1,578

Estimated fair values for inventories carried at market are based on exchange-quoted prices, adjusted for differences in local markets, broker or dealer quotations or market transactions in either listed or over-the-counter (OTC) markets. Market valuations for the Company's inventories are adjusted for location and quality because the exchange-quoted prices represent contracts that have standardized terms for commodity, quantity, future delivery period, delivery location, and commodity quality or grade. When unobservable inputs have a significant impact on the measurement of fair value, the inventory is classified as Level 3. Changes in the fair value of inventories are recognized in the consolidated statements of earnings as a component of cost of products sold. If management used different methods or factors to estimate market value, amounts reported as inventories and cost of products sold could differ materially. Additionally, as market conditions change subsequent to the reporting period, amounts reported in future periods as inventories and cost of products sold are expected to change.

In evaluating the significance of fair value inputs, the Company generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities.

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Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

Derivative contracts include exchange-traded commodity futures and options contracts, forward commodity purchase and sale contracts, and OTC instruments related primarily to agricultural commodities, energy, interest rates, and foreign currencies. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified in Level 1. The majority of the Company's exchange-traded futures and options contracts are cash-settled on a daily basis and, therefore, are not included in the fair value tables. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. These differences are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or OTC markets. When observable inputs are available for substantially the full term of the contract, it is classified in Level 2. When unobservable inputs have a significant impact on the measurement of fair value, the contract is classified in Level 3. The Company generally assesses the reasonableness of unobservable inputs through the best information available including comparable internal purchase and sale contracts entered into near the period end. Except for certain derivatives designated as cash flow hedges, changes in the fair value of commodity-related derivatives are recognized in the consolidated statements of earnings as a component of cost of products sold. Changes in the fair value of foreign currency-related derivatives are recognized in the consolidated statements of earnings as a component of revenues, cost of products sold, and other (income) expense – net. The effective portions of changes in the fair value of derivatives designated as cash flow hedges are recognized in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) (AOCI) until the hedged items are recorded in earnings or it is probable the hedged transaction will no longer occur.

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

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

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

The Company has deferred consideration under its accounts receivable securitization programs (the "Programs") which represents notes receivable from the purchasers under the Programs (see Note 17). This amount is reflected in other current assets on the consolidated balance sheet (see Note 8). The Company carries the deferred consideration at fair value determined by calculating the expected amount of cash to be received. The fair value is principally based on observable inputs (a Level 2 measurement) consisting mainly of the face amount of the receivables adjusted for anticipated credit losses and discounted at the appropriate market rate. Payment of deferred consideration is not subject to significant risks other than delinquencies and credit losses on accounts receivable transferred under the Programs which have historically been insignificant.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

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

	Level 3 Fair Value Asset Measurements at June 30, 2015		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, March 31, 2015	$1,039	$178	$1,217
Total increase (decrease) in realized/unrealized gains included in cost of products sold*	17	40	57
Purchases	2,851	—	2,851
Sales	(2,890)	—	(2,890)
Settlements	—	(117)	(117)
Transfers into Level 3	74	58	132
Transfers out of Level 3	(65)	(5)	(70)
Ending balance, June 30, 2015	$1,026	$154	$1,180

* Includes increase in unrealized gains of $180 million relating to Level 3 assets still held at June 30, 2015.

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

	Level 3 Fair Value Liability Measurements at June 30, 2015		
	Inventory-related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, March 31, 2015	$20	$218	$238
Total increase (decrease) in realized/unrealized losses included in cost of products sold*	(6)	215	209
Purchases	6	—	6
Sales	(6)	—	(6)
Settlements	—	(114)	(114)
Transfers into Level 3	—	54	54
Transfers out of Level 3	(1)	(10)	(11)
Ending balance, June 30, 2015	$13	$363	$376

* Includes increase in unrealized losses of $215 million relating to Level 3 liabilities still held at June 30, 2015.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2014.

	Level 3 Fair Value Asset Measurements at June 30, 2014		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, March 31, 2014	$1,871	$252	$2,123
Total increase (decrease) in realized/unrealized gains included in cost of products sold*	(32)	124	92
Purchases	3,845	—	3,845
Sales	(4,465)	—	(4,465)
Settlements	—	(183)	(183)
Transfers into Level 3	56	59	115
Transfers out of Level 3	(136)	(13)	(149)
Ending balance, June 30, 2014	$1,139	$239	$1,378

* Includes increase in unrealized gains of $149 million relating to Level 3 assets still held at June 30, 2014.

The following table presents a reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2014.

	Level 3 Fair Value Liability Measurements at June 30, 2014		
	Inventory-related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, March 31, 2014	$27	$320	$347
Total increase (decrease) in realized/unrealized losses included in cost of products sold*	3	49	52
Purchases	2	—	2
Sales	(13)	—	(13)
Settlements	—	(238)	(238)
Transfers into Level 3	—	41	41
Transfers out of Level 3	—	(10)	(10)
Ending balance, June 30, 2014	$19	$162	$181

* Includes increase in unrealized losses of $58 million relating to Level 3 liabilities still held at June 30, 2014.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

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

	Level 3 Fair Value Asset Measurements at June 30, 2015		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2014	$1,491	$203	$1,694
Total increase (decrease) in realized/unrealized gains included in cost of products sold*	(275)	109	(166)
Purchases	5,668	—	5,668
Sales	(5,693)	—	(5,693)
Settlements	—	(261)	(261)
Transfers into Level 3	73	113	186
Transfers out of Level 3	(238)	(10)	(248)
Ending balance, June 30, 2015	$1,026	$154	$1,180

* Includes increase in unrealized gains of $205 million relating to Level 3 assets still held at June 30, 2015.

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

	Level 3 Fair Value Liability Measurements at June 30, 2015		
	Inventory-related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2014	$40	$212	$252
Total increase (decrease) in realized/unrealized losses included in cost of products sold*	(11)	279	268
Purchases	12	—	12
Sales	(28)	—	(28)
Settlements	—	(249)	(249)
Transfers into Level 3	—	136	136
Transfers out of Level 3	—	(15)	(15)
Ending balance, June 30, 2015	$13	$363	$376

* Includes increase in unrealized losses of $270 million relating to Level 3 liabilities still held at June 30, 2015.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2014.

	Level 3 Fair Value Asset Measurements at June 30, 2014		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2013	$1,812	$279	$2,091
Total increase (decrease) in realized/unrealized gains included in cost of products sold*	(207)	222	15
Purchases	7,948	—	7,948
Sales	(8,359)	—	(8,359)
Settlements	—	(363)	(363)
Transfers into Level 3	56	121	177
Transfers out of Level 3	(111)	(20)	(131)
Ending balance, June 30, 2014	$1,139	$239	$1,378

* Includes increase in unrealized gains of $371 million relating to Level 3 assets still held at June 30, 2014.

The following table presents a reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2014.

	Level 3 Fair Value Liability Measurements at June 30, 2014		
	Inventory-related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2013	$34	$261	$295
Total increase (decrease) in realized/unrealized losses included in cost of products sold*	10	274	284
Purchases	6	—	6
Sales	(31)	—	(31)
Settlements	—	(450)	(450)
Transfers into Level 3	—	107	107
Transfers out of Level 3	—	(30)	(30)
Ending balance, June 30, 2014	$19	$162	$181

* Includes increase in unrealized losses of $286 million relating to Level 3 liabilities still held at June 30, 2014.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

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

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

The following table sets forth the weighted average percentage of the unobservable price components included in the Company's Level 3 valuations as of June 30, 2015 and December 31, 2014. The Company's Level 3 measurements may include Basis only, transportation cost only, or both price components. As an example, for Level 3 inventories with Basis, the unobservable component as of June 30, 2015 is a weighted average 14.6% of the total price for assets and 33.4% of the total price for liabilities.

	Weighted Average % of Total Price							
	June 30, 2015				December 31, 2014			
Component Type	Assets		Liabilities		Assets		Liabilities	
Inventories and Related Payables								
Basis	14.6	%	33.4	%	23.4	%	43.4	%
Transportation cost	4.0	%	0.0	%	4.9	%	15.2	%
Commodity Derivative Contracts								
Basis	22.1	%	14.4	%	13.5	%	13.6	%
Transportation cost	8.8	%	31.3	%	10.2	%	19.5	%

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

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities

Derivatives Not Designated as Hedging Instruments

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

The following table sets forth the fair value of derivatives not designated as hedging instruments as of June 30, 2015 and December 31, 2014.

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	(In millions)		(In millions)	
FX Contracts	$108	$150	$186	$150
Commodity Contracts	867	934	690	776
Total	$975	$1,084	$876	$926

The following tables set forth the pre-tax gains (losses) on derivatives not designated as hedging instruments that have been included in the consolidated statements of earnings for the three and six months ended June 30, 2015 and 2014.

	Three months ended June 30,	
	2015	2014
	(In millions)	
FX Contracts		
Revenues	$(12)	$(2)
Cost of products sold	6	44
Other income (expense) – net	31	(15)
Commodity Contracts		
Cost of products sold	$(251)	$405
Total gain (loss) recognized in earnings	$(226)	$432

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

	Six months ended June 30,	
	2015	2014
	(In millions)	
FX Contracts		
Revenues	$8	$(8)
Cost of products sold	(63)	88
Other income (expense) – net	8	(24)
Commodity Contracts		
Cost of products sold	$(13)	$(507)
Total gain (loss) recognized in earnings	$(60)	$(451)

Inventories of certain merchandisable agricultural commodities, which include amounts acquired under deferred pricing contracts, are stated at market value. Changes in the market value of inventories of certain merchandisable agricultural commodities, forward cash purchase and sales contracts, exchange-traded futures and exchange-traded and OTC options contracts are recognized in earnings immediately.

Derivatives Designated as Cash Flow or Fair Value Hedging Strategies

As of June 30, 2015 and December 31, 2014, the Company has certain derivatives designated as cash flow and fair value hedges.

The Company uses interest rate swaps designated as fair value hedges to protect the fair value of fixed-rate debt due to changes in interest rates. The changes in the fair value of the interest rate swaps and the underlying fixed-rate debt are recorded in other (income) expense - net. The terms of the interest rate swaps match the terms of the underlying debt resulting in no ineffectiveness. At June 30, 2015, the Company has $20 million in other current assets representing the fair value of the interest rate swaps and a corresponding increase in the underlying debt for the same amount with no impact to earnings.

For each of the commodity hedge programs described below, the derivatives are designated as cash flow hedges. Assuming normal market conditions, the changes in the market value of such derivative contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Once the hedged item is recognized in earnings, the gains/losses arising from the hedge are reclassified from AOCI to either revenues or cost of products sold, as applicable. As of June 30, 2015, the Company has $22 million of after-tax gains in AOCI related to gains and losses from commodity cash flow hedge transactions. The Company expects to recognize $21 million of these after-tax gains in its consolidated statement of earnings during the next 12 months.

The Company, from time to time, uses futures or options contracts to fix the purchase price of anticipated volumes of corn to be purchased and processed in a future month. The objective of this hedging program is to reduce the variability of cash flows associated with the Company’s forecasted purchases of corn. The Company’s corn processing plants currently grind approximately 76 million bushels of corn per month. During the past 12 months, the Company hedged between 17% and 60% of its monthly anticipated grind. At June 30, 2015, the Company has designated hedges representing between 1% and 69% of its anticipated monthly grind of corn for the next 12 months.

The Company, from time to time, also uses futures, options, and swaps to fix the sales price of certain ethanol sales contracts. The Company has established hedging programs for ethanol sales contracts that are indexed to unleaded gasoline prices and to various exchange-traded ethanol contracts. The objective of these hedging programs is to reduce the variability of cash flows associated with the Company's sales of ethanol. During the past 12 months, the Company hedged between 6 million and 95 million gallons of ethanol sales per month under these programs. For the next 12 months, the Company has designated hedges representing between 0 and 78 million gallons of ethanol sales per month.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

The following table sets forth the fair value of derivatives designated as hedging instruments as of June 30, 2015 and December 31, 2014.

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	(In millions)		(In millions)	
Interest Contracts	$20	$—	$21	$—
Total	$20	$—	$21	$—

The following tables set forth the pre-tax gains (losses) on derivatives designated as hedging instruments that have been included in the consolidated statements of earnings for the three and six months ended June 30, 2015 and 2014.

	Consolidated Statement of Earnings Locations	Three months ended June 30, 2015	2014
		(In millions)	
Effective amounts recognized in earnings			
FX Contracts	Other income/expense – net	$5	$—
Commodity Contracts	Cost of products sold	(18)	11
	Revenues	(2)	(58)
Ineffective amount recognized in earnings			
Commodity Contracts	Revenues	—	(1)
	Cost of products sold	9	(27)
Interest Contracts	Other income/expense - net	1	—
Total amount recognized in earnings		$(5)	$(75)

	Consolidated Statement of Earnings Locations	Six months ended June 30, 2015	2014
		(In millions)	
Effective amounts recognized in earnings			
FX Contracts	Other income/expense – net	$22	$—
Commodity Contracts	Cost of products sold	(18)	7
	Revenues	45	(85)
Ineffective amount recognized in earnings			
Commodity Contracts	Revenues	7	(24)
	Cost of products sold	(4)	(7)
Interest Contracts	Other income/expense - net	1	—
Total amount recognized in earnings		$53	$(109)

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Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

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

Net Investment Hedging Strategies

In May 2015, the Company designated €1 billion of forward foreign exchange contracts as a hedge of its net investment in a foreign subsidiary. The forward foreign exchange contracts matured when the Euro-denominated Floating Rate Notes and 1.75% Notes (collectively, the “Notes”) was issued on June 24, 2015 (see Note 10 for more information about the Notes). Concurrent with the issuance of the Notes, the Company designated €981 million of the Notes as a hedge of its net investment in a foreign subsidiary. As of June 30, 2015, the Company has $1 million of gains in AOCI related to gains and losses from the net investment hedge transactions. The amount is deferred in AOCI until the underlying investment is divested.

The following tables set forth the changes in AOCI related to derivatives gains (losses) for the three and six months ended June 30, 2015 and 2014.

	Three months ended June 30,	
	2015	2014
	(In millions)	
Balance at March 31, 2015 and 2014	$12	$(59)
Unrealized gains (losses)	23	23
Losses (gains) reclassified to earnings	15	47
Tax effect	(9)	(23)
Balance at June 30, 2015 and 2014	$41	$(12)

	Six months ended June 30,	
	2015	2014
	(In millions)	
Balance at December 31, 2014 and 2013	$47	$5
Unrealized gains (losses)	31	(105)
Losses (gains) reclassified to earnings	(49)	78
Tax effect	12	10
Balance at June 30, 2015 and 2014	$41	$(12)

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 7. Marketable Securities

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)			
June 30, 2015				
United States government obligations				
Maturity less than 1 year	$262	$—	$—	$262
Maturity 1 to 5 years	107	—	—	107
Corporate debt securities				
Maturity 1 to 5 years	70	—	—	70
Other debt securities				
Maturity less than 1 year	47	—	—	47
Maturity 1 to 5 years	3	—	—	3
Equity securities				
Available-for-sale	309	4	(1)	312
	$798	$4	$(1)	$801

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)			
December 31, 2014				
United States government obligations				
Maturity less than 1 year	$385	$—	$—	$385
Maturity 1 to 5 years	93	—	—	93
Corporate debt securities				
Maturity 1 to 5 years	72	—	—	72
Other debt securities				
Maturity less than 1 year	130	—	—	130
Maturity 1 to 5 years	3	—	—	3
Equity securities				
Available-for-sale	328	1	(12)	317
	$1,011	$1	$(12)	$1,000

The $1 million in unrealized losses at June 30, 2015 is related to the Company’s investment in one available-for-sale equity security that has been in an unrealized loss position for 12 months or longer with a fair value of $5 million. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. Based on that evaluation and the Company’s ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2015.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 8. Other Current Assets

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

	June 30, 2015	December 31, 2014
	(In millions)	
Unrealized gains on derivative contracts	$995	$897
Deferred receivables consideration	703	511
Customer omnibus receivable	1,106	1,532
Financing receivables - net [1]	630	402
Other current assets	1,733	2,714
	$5,167	$6,056

[1] The Company provides financing to certain suppliers, primarily Brazilian farmers, to finance a portion of the suppliers' production costs. The amounts are reported net of allowances of $6 million and $11 million at June 30, 2015 and December 31, 2014, respectively. Interest earned on financing receivables of $5 million and $12 million for the quarter and six months ended June 30, 2015, respectively, and $4 million and $12 million for the quarter and six months ended June 30, 2014, respectively, is included in interest income in the consolidated statements of earnings.

Note 9. Accrued Expenses and Other Payables

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

	June 30, 2015	December 31, 2014
	(In millions)	
Unrealized losses on derivative contracts	$1,084	$926
Accrued expenses and other payables	2,222	4,114
	$3,306	$5,040

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Debt and Financing Arrangements

On June 24, 2015, the Company issued €500 million aggregate principal amount of Floating Rate Notes due in 2019 and €600 million aggregate principal amount of 1.75% Notes due in 2023. Proceeds before expenses were €499 million and €594 million from the Floating Rate Notes and the 1.75% Notes, respectively. Concurrent with the issuance of the Notes, the Company designated €981 million of the Notes as a hedge of its net investment in a foreign subsidiary.

At June 30, 2015, the fair value of the Company's long-term debt exceeded the carrying value by $1.2 billion, as estimated using quoted market prices (a Level 2 measurement under applicable accounting standards).

At June 30, 2015, the Company had lines of credit totaling $5.8 billion, of which $5.6 billion was unused. Of the Company's total lines of credit, $4.0 billion support a commercial paper borrowing facility, against which there was no commercial paper outstanding at June 30, 2015.

The Company has accounts receivable securitization programs (the "Programs"). The Programs provide the Company with up to $1.6 billion in funding resulting from the sale of accounts receivable. As of June 30, 2015, the Company utilized $1.3 billion of its facility under the Programs (see Note 17 for more information on the Programs).

Note 11. Income Taxes

The Company's effective tax rate for the quarter and six months ended June 30, 2015 was 27.2% and 28.0%, respectively, compared to 27.6% and 27.3% for the quarter and six months ended June 30, 2014, respectively, due primarily to changes in the forecast of the geographic mix of pretax earnings.

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

The Company's wholly-owned subsidiary, ADM do Brasil Ltda. (ADM do Brasil), has received three separate tax assessments from the Brazilian Federal Revenue Service (BFRS) challenging the tax deductibility of commodity hedging losses and related expenses for the tax years 2004, 2006, and 2007. As of June 30, 2015, these assessments, updated for estimated penalties, interest, and variation in currency exchange rates, totaled approximately $436 million. ADM do Brasil's tax return for 2005 was also audited and no assessment was received. The statutes of limitation for 2005 and 2008 have expired. If the BFRS were to challenge commodity hedging deductions in tax years after 2008, the Company estimates it could receive additional tax assessments of approximately $50 million (based on currency exchange rates as of June 30, 2015).

ADM do Brasil enters into commodity hedging transactions that can result in gains, which are included in ADM do Brasil's calculations of taxable income in Brazil, and losses, which ADM do Brasil deducts from its taxable income in

Brazil. The Company has evaluated its tax position regarding these hedging transactions and concluded, based upon advice from Brazilian legal counsel, that it was appropriate to recognize both gains and losses resulting from hedging transactions when determining its Brazilian income tax expense. Therefore, the Company has continued to recognize the tax benefit from hedging losses in its financial statements and has not recorded any tax liability for the amounts assessed by the BFRS.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 11. Income Taxes (Continued)

ADM do Brasil filed an administrative appeal for each of the assessments. The appeal panel found in favor of the BFRS on these assessments and ADM do Brasil filed a second level administrative appeal. The second administrative appeal panel continues to conduct customary procedural activities, including ongoing dialogue with the BFRS auditor. If ADM do Brasil continues to be unsuccessful in the administrative appellate process, the Company intends to file appeals in the Brazilian federal courts. While the Company believes its consolidated financial statements properly reflect the tax deductibility of these hedging losses, the ultimate resolution of this matter could result in the future recognition of additional payments of, and expense for, income tax and the associated interest and penalties.

The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2008.

The Company’s subsidiaries in Argentina have received tax assessments challenging transfer prices used to price grain exports totaling $92 million (inclusive of interest and adjusted for variation in currency exchange rates) for the tax years 2004 through 2007. The Argentine tax authorities have been conducting a review of income and other taxes paid by large exporters and processors of cereals and other agricultural commodities resulting in allegations of income tax evasion. While the Company believes that it has complied with all Argentine tax laws, it cannot rule out receiving additional assessments challenging transfer prices used to price grain exports for years subsequent to 2007, and estimates that these potential assessments would be approximately $284 million for the remaining open years (as of June 30, 2015 and subject to variation in currency exchange rates). The Company believes that it has appropriately evaluated the transactions underlying these assessments, and has concluded, based on Argentine tax law, that its tax position would be sustained, and accordingly, has not recorded a tax liability for these assessments. The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2007.

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

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 12. Accumulated Other Comprehensive Income (AOCI)

The following tables set forth the changes in AOCI by component for the quarter and six months ended June 30, 2015 and the reclassifications out of AOCI for the quarter and six months ended June 30, 2015 and 2014:

	Three months ended June 30, 2015				
(In millions)	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Total
Balance at March 31, 2015	$(1,323)	$12	$(607)	$39	$(1,879)
Other comprehensive income (loss) before reclassifications	177	23	(8)	(20)	172
Amounts reclassified from AOCI	—	15	4	—	19
Tax effect	(6)	(9)	—	(2)	(17)
Net current period other comprehensive income	171	29	(4)	(22)	174
Balance at June 30, 2015	$(1,152)	$41	$(611)	$17	$(1,705)

	Six months ended June 30, 2015				
(In millions)	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Total
Balance at December 31, 2014	$(654)	$47	$(630)	$(4)	$(1,241)
Other comprehensive income before reclassifications	(524)	31	9	23	(461)
Amounts reclassified from AOCI	—	(49)	29	—	(20)
Tax effect	26	12	(19)	(2)	17
Net current period other comprehensive income	(498)	(6)	19	21	(464)
Balance at June 30, 2015	$(1,152)	$41	$(611)	$17	$(1,705)

The six-month period change in foreign currency translation adjustment is primarily due to U.S. dollar appreciation, mainly impacting the Euro-denominated equity of the Company's foreign subsidiaries.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

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

Details about AOCI components	Amount reclassified from AOCI Three months ended June 30, 2015	June 30, 2014	Six months ended Jun 30 2015	Jun 30 2014	Affected line item in the consolidated statement of earnings
	(In millions)				
Deferred loss (gain) on hedging activities					
	$2	$58	$(45)	$85	Revenues
	17	(11)	17	(7)	Cost of products sold
	(4)	—	(21)	—	Other income/expense
	15	47	(49)	78	Total before tax
	(6)	(18)	18	(29)	Tax
	$9	$29	$(31)	$49	Net of tax
Pension liability adjustment					
Amortization of defined benefit pension items:					
Prior service credit	$(11)	$(4)	$(13)	$(8)	
Actuarial losses	15	9	42	18	
	4	5	29	10	Total before tax
	—	(1)	(17)	(3)	Tax
	$4	$4	$12	$7	Net of tax

Note 13. Other (Income) Expense - Net

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

	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
	(In millions)			
Gains on sale/revaluation of assets	$(101)	$(13)	$(104)	$(34)
Other – net	12	16	5	14
Other (Income) Expense - Net	$(89)	$3	$(99)	$(20)

Gains on sale/revaluation of assets for the quarter and six months ended June 30, 2015 include gain on the revaluation of the Company’s previously held investments in North Star Shipping and Minmetal in conjunction with the acquisition of the remaining interest of $27 million, gain on sale of a 50% interest in the Barcarena export terminal facility in Brazil to Glencore plc of $68 million, and gain on the sale of the lactic business of $6 million. Gains on sales of assets for the quarter and six months ended 2014 include gains on disposals of individually insignificant assets.

Other - net for the quarter and six months ended June 30, 2015 and 2014 includes losses from foreign exchange derivative contracts partially offset by foreign exchange gains.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information

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

Effective January 1, 2015, the Company formed a fourth reportable business segment, Wild Flavors and Specialty Ingredients. Results of Wild Flavors and SCI, which were acquired during the fourth quarter of fiscal 2014, are reported in this segment in addition to results of certain product lines previously reported in the Agricultural Services, Corn Processing, and Oilseeds Processing business segments. Prior period results of the product lines previously reported in the other reportable business segments have been reclassified to conform to the current period presentation.

The Agricultural Services segment utilizes its extensive global grain elevator, global transportation network, 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. Agricultural Services' grain sourcing, handling, and transportation network provides reliable and efficient services to the Company's customers and agricultural processing operations. Agricultural Services' transportation network capabilities include barge, ocean-going vessel, truck, and rail freight services. The Agricultural Services segment also includes the activities related to the processing of wheat into wheat flour. The Agricultural Services segment includes international merchandising and handling activities managed by the Company's global trade desk in Switzerland. The Agricultural Services segment also includes the Company's 32.2% share of the results of its Pacificor (formerly Kalama Export Company LLC) joint venture and returns associated with the Company's 19.8% investment in GrainCorp.

The Company's Corn Processing segment is engaged in corn wet milling and dry milling activities, with its asset base primarily located in the central part of the United States. 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 amino acids such as lysine and threonine that are vital compounds used in swine feeds to produce leaner animals and in poultry feeds to enhance the speed and efficiency of poultry production. 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 includes the activities of a propylene and ethylene glycol facility and the Company's Brazilian sugarcane ethanol plant and related operations. This segment also includes the Company's share of the results of its equity investments in Almidones Mexicanos S.A., Eaststarch C.V., and Red Star Yeast Company LLC. In May 2015, the Company sold its lactic acid business.

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Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information (Continued)

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 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 includes activities related to the procurement, transportation and processing of cocoa beans into cocoa liquor, cocoa butter, cocoa powder, chocolate, and various compounds in North America, South America, Europe, Asia, and Africa for the food processing industry. The Oilseeds Processing segment also includes the Company's share of the results of its equity investment in Wilmar International Limited (Wilmar) and its share of results for its Stratas Foods LLC and Edible Oils Limited joint ventures. In March 2015, the Company acquired additional shares in Wilmar increasing its ownership interest from 17.3% to 18.1%. Prior to December 2014, the Oilseeds Processing segment operated fertilizer blending facilities in South America. In December 2014, the Company completed the sale of its fertilizer blending business.

The Wild Flavors and Specialty Ingredients segment engages in the manufacturing, sales, and distribution of specialty products including natural flavor ingredients, flavor systems, proteins, emulsifiers, soluble fiber, polyols, hydrocolloids, sorbitol, xanthan gum, natural health and nutrition products, and other specialty food and feed ingredients. The Company's Wild Flavors and Specialty Ingredients segment includes the activities of Wild Flavors and SCI, which were acquired during the fourth quarter of fiscal 2014. The Wild Flavors and Specialty Ingredients segment also includes the activities related to the procurement, processing, and distribution of edible beans.

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

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

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Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2015	2014	2015	2014
Gross revenues				
Agricultural Services	$7,833	$10,022	$16,911	$20,837
Corn Processing	2,592	3,243	5,080	6,239
Oilseeds Processing	8,239	9,662	15,135	17,914
Wild Flavors and Specialty Ingredients	687	298	1,294	557
Other	158	129	317	275
Intersegment elimination	(2,323)	(1,860)	(4,045)	(3,632)
Total gross revenues	$17,186	$21,494	$34,692	$42,190
Intersegment sales				
Agricultural Services	$828	$792	$1,861	$1,896
Corn Processing	13	24	35	36
Oilseeds Processing	1,417	982	2,020	1,579
Wild Flavors and Specialty Ingredients	5	2	6	4
Other	60	60	123	117
Total intersegment sales	$2,323	$1,860	$4,045	$3,632
Revenues from external customers				
Agricultural Services				
Merchandising and Handling	$6,074	$8,241	$13,101	$16,993
Milling and Other	874	931	1,838	1,845
Transportation	57	58	111	103
Total Agricultural Services	7,005	9,230	15,050	18,941
Corn Processing				
Sweeteners and Starches	956	954	1,831	1,892
Bioproducts	1,623	2,265	3,214	4,311
Total Corn Processing	2,579	3,219	5,045	6,203
Oilseeds Processing				
Crushing and Origination	4,217	5,437	7,992	9,983
Refining, Packaging, Biodiesel, and Other	1,782	2,276	3,466	4,392
Cocoa and Other	751	837	1,508	1,664
Asia	72	130	149	296
Total Oilseeds Processing	6,822	8,680	13,115	16,335
Wild Flavors and Specialty Ingredients	682	296	1,288	553
Total Wild Flavors and Specialty Ingredients	682	296	1,288	553
Other - Financial	98	69	194	158
Total Other	98	69	194	158
Total revenues from external customers	$17,186	$21,494	$34,692	$42,190

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Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2015	2014	2015	2014
Segment operating profit				
Agricultural Services	$152	$184	$346	$326
Corn Processing	204	338	317	524
Oilseeds Processing	344	280	813	577
Wild Flavors and Specialty Ingredients	104	75	172	133
Other	4	11	15	19
Total segment operating profit	808	888	1,663	1,579
Corporate	(282)	(153)	(447)	(478)
Earnings before income taxes	$526	$735	$1,216	$1,101

	June 30,	December 31,
(In millions)	2015	2014
Identifiable Assets		
Agricultural Services	$9,362	$10,250
Corn Processing	6,188	6,384
Oilseeds Processing	13,017	12,712
Wild Flavors and Specialty Ingredients	3,213	3,468
Other	6,729	7,910
Corporate	2,059	3,273
Total identifiable assets	$40,568	$43,997

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 15. Assets and Liabilities Held for Sale

On September 2, 2014, the Company announced the sale of its global chocolate business to Cargill, Inc. for $440 million, subject to customary conditions. The transaction closed on July 31, 2015. On December 15, 2014, the Company also announced that it has reached an agreement to sell its global cocoa business to Olam International Limited for $1.3 billion, subject to customary conditions. The transaction is expected to close in the fourth quarter of 2015. Assets and liabilities subject to the purchase and sale agreements have been classified as held for sale in the Company's consolidated balance sheet at June 30, 2015 and December 31, 2014. The global chocolate and cocoa businesses do not comprise a major component of the Company's operations and therefore do not meet the criteria to be classified as discontinued operations at June 30, 2015 and December 31, 2014 under the amended guidance of ASC Topics 205 and 360 which the Company early adopted on October 1, 2014. Assets and liabilities classified as held for sale are required to be recorded at the lower of carrying value or fair value less any costs to sell. As of June 30, 2015 and December 31, 2014, the carrying value of the cocoa and chocolate assets were less than fair value less costs to sell, and accordingly, no adjustment to the asset value was necessary. The continuing results of the global chocolate and cocoa businesses, any adjustment to the asset value, and the final gain or loss on disposal will be reported in the Oilseeds Processing segment.

The major classes of assets and liabilities held for sale were as follows:

	June 30, 2015	December 31, 2014
	(In millions)	
Trade receivables	$80	$94
Inventories	724	742
Other current assets		