



ADM profit doubles amid biodiesel, ethanol demand

By Lisa Haarlander

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CHICAGO - Archer Daniels Midland Co., the largest U.S. food processor, on Tuesday said quarterly earnings more than doubled, helped by increased demand for crop-based fuels such as ethanol and biodiesel.

ADM's earnings topped expectations, and corn and oilseed processing margins increased sharply due to strong demand for vegetable oils to make alternative fuels, analysts said.

Demand for ethanol, primarily made from corn in the United States, and biodiesel, a product of soybean oil or rapeseed oil, is rising around the world due to high energy prices and government mandates.

"The biodiesel market has the potential for growing probably by a factor of three in Europe," said Brian Peterson, ADM's senior vice president of corporate affairs, on a conference call with analysts.

"It's a little bit more difficult to say how the demand will grow in the U.S. However, we're starting at a very, very low base so there's significant potential here also," he added.

ADM, based in Decatur, Illinois, just announced plans for its first biodiesel plant in Brazil, which is requiring petroleum-based diesel fuel to contain 2 percent biodiesel beginning in 2008.

Earnings for the fiscal fourth quarter ended June 30 rose to \$410 million, or 62 cents per share, compared with \$195 million, or 30 cents per share, a year earlier. Analysts on average were expecting 52 cents a share before one-time items, according to Reuters Estimates.

Revenue for the company, which turns corn, soybeans, wheat and cocoa into food ingredients, animal feed and industrial materials, rose 1 percent to \$9.55 billion. Analysts were expecting \$9.78 billion.

'INTERSECTION' OF AGRICULTURE AND ENERGY

"The power behind the earnings was really impressive," said energy analyst David Edwards of ThinkEquity Partners, a growth-focused investment bank. "We're seeing an intersection of the agriculture and energy industries."

Edwards expects to see solid revenue growth in fiscal 2007 and more growth in fiscal

2008 when several ethanol and biodiesel plants become fully operational.

Quarterly earnings from corn processing, which includes ethanol and corn syrup, more than doubled to reach \$286 million, compared with \$117 million a year ago. ADM is the largest U.S. ethanol producer with more than a quarter of the market.

Profit from oilseed processing more than doubled to reach \$195 million, compared with \$74 million a year ago due to demand for vegetable oil to make biodiesel.

The increased profit from processing oilseeds such as soybeans comes less than a week after competitor Bunge Ltd. posted sharply lower quarterly profit due to farmer protests in Brazil disrupting its oilseed processing.

ADM's capital spending will total \$2.4 billion during the next 24 to 36 months and include two ethanol and two biodiesel plants that were previously announced, said newly appointed Chief Executive Patricia Woertz.

ADM scrapped a fertilizer project in Brazil, where the soybean industry is going through its worst crisis in decades.

ADM shares were down 0.3 percent at \$43.86 in afternoon trading on the New York Stock Exchange.

ADM stock has outperformed the food processing sector this year, rising about six times as fast as the companies tracked in the Dow Jones U.S. Food Producers Index (.DJUSFO).