ARCHER DANIELS MIDLAND CO
Form 10-Q
August 05, 2014

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, 2014
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.)
4666 Faries Parkway Box 1470 Decatur, Illinois	62525
(Address of principal executive offices)	(Zip Code)

(217) 424-5200
(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 – 645,520,743 shares
(July 31, 2014)

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,	
	2014	2013	2014	2013
	(In millions, except per share amounts)			
Revenues	$21,494	$22,541	$42,190	$44,268
Cost of products sold	20,322	21,734	40,343	42,705
Gross Profit	1,172	807	1,847	1,563
Selling, general, and administrative expenses	426	452	819	888
Asset impairment, exit, and restructuring costs	31	—	31	—
Interest expense	79	107	172	213
Equity in earnings of unconsolidated affiliates	(78)	(62)	(210)	(199)
Interest income	(24)	(29)	(46)	(56)
Other (income) expense – net	3	22	(20)	25
Earnings Before Income Taxes	735	317	1,101	692
Income taxes	203	91	301	196
Net Earnings Including Noncontrolling Interests	532	226	800	496
Less: Net earnings (losses) attributable to noncontrolling interests	(1)	3	—	4
Net Earnings Attributable to Controlling Interests	$533	$223	$800	$492
Average number of shares outstanding – basic	656	661	658	661
Average number of shares outstanding – diluted	659	663	661	663
Basic earnings per common share	$0.81	$0.34	$1.22	$0.74
Diluted earnings per common share	$0.81	$0.34	$1.21	$0.74
Dividends per common share	$0.24	$0.19	$0.48	$0.38

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,	
	2014	2013	2014	2013
	(In millions)			
Net earnings including noncontrolling interests	$532	$226	$800	$496
Other comprehensive income (loss):				
Foreign currency translation adjustment	35	(72)	—	(226)
Tax effect	—	(1)	1	2
Net of tax amount	35	(73)	1	(224)
Pension and other postretirement benefit liabilities adjustment	4	14	10	35
Tax effect	(1)	(11)	(3)	(12)
Net of tax amount	3	3	7	23
Deferred gain (loss) on hedging activities	70	(10)	(27)	2
Tax effect	(23)	5	10	—
Net of tax amount	47	(5)	(17)	2
Unrealized gain (loss) on investments	3	36	(7)	(1)
Tax effect	—	(8)	3	3
Net of tax amount	3	28	(4)	2
Other comprehensive income (loss)	88	(47)	(13)	(197)
Comprehensive income including noncontrolling interests	620	179	787	299
Less: Comprehensive income (loss) attributable to noncontrolling interests	(1)	3	—	(5)
Comprehensive income attributable to controlling interests	$621	$176	$787	$304

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Consolidated Balance Sheets

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	$1,630	$3,121
Short-term marketable securities	366	433
Segregated cash and investments	4,363	3,961
Trade receivables	4,089	3,224
Inventories	9,024	11,441
Other current assets	5,186	6,350
Total Current Assets	24,658	28,530
Investments and Other Assets		
Investments in and advances to affiliates	3,419	3,340
Long-term marketable securities	539	508
Goodwill and other intangible assets	753	759
Other assets	451	478
Total Investments and Other Assets	5,162	5,085
Property, Plant, and Equipment		
Land	412	408
Buildings	4,939	4,877
Machinery and equipment	17,629	17,472
Construction in progress	821	773
	23,801	23,530
Accumulated depreciation	(13,691)	(13,393)
Net Property, Plant, and Equipment	10,110	10,137
Total Assets	$39,930	$43,752
Liabilities and Shareholders’ Equity		
Current Liabilities		
Short-term debt	$233	$358
Trade payables	2,904	4,513
Payables to brokerage customers	5,376	4,832
Accrued expenses and other payables	3,358	4,790
Current maturities of long-term debt	20	1,165
Total Current Liabilities	11,891	15,658
Long-Term Liabilities		
Long-term debt	5,369	5,347
Deferred income taxes	1,489	1,448
Other	962	1,105
Total Long-Term Liabilities	7,820	7,900

Shareholders' Equity		
Common stock	5,692	6,136
Reinvested earnings	14,562	14,077
Accumulated other comprehensive income (loss)	(70)	(57)
Noncontrolling interests	35	38
Total Shareholders' Equity	20,219	20,194
Total Liabilities and Shareholders' Equity	$39,930	$43,752

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, 2014	2013
	(In millions)	
Operating Activities		
Net earnings including noncontrolling interests	$800	$496
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	432	454
Deferred income taxes	(32)	(65)
Equity in earnings of affiliates, net of dividends	(127)	(126)
Stock compensation expense	33	19
Pension and postretirement accruals (contributions), net	3	12
Deferred cash flow hedges	(27)	3
Other – net	(30)	(86)
Changes in operating assets and liabilities, net of businesses acquired		
Segregated cash and investments	(389)	(139)
Trade receivables	(896)	(97)
Inventories	2,401	3,627
Other current assets	1,356	996
Trade payables	(1,602)	(2,059)
Payables to brokerage customers	476	324
Accrued expenses and other payables	(1,415)	(1,011)
Total Operating Activities	983	2,348
Investing Activities		
Purchases of property, plant, and equipment	(398)	(442)
Proceeds from sales of property, plant, and equipment	19	26
Net assets of businesses acquired	—	(16)
Purchases of marketable securities	(641)	(343)
Proceeds from sales of marketable securities	691	667
Distributions from affiliates	81	136
Other – net	(9)	30
Total Investing Activities	(257)	58
Financing Activities		
Long-term debt borrowings	1	20
Long-term debt payments	(1,162)	(260)
Net borrowings (payments) under lines of credit agreements	(129)	(1,787)
Purchases of treasury stock	(493)	(11)
Cash dividends	(315)	(250)
Acquisition of noncontrolling interest	(157)	—

Other – net	38	16
Total Financing Activities	(2,217)	(2,272)
Increase (decrease) in cash and cash equivalents	(1,491)	134
Cash and cash equivalents beginning of period	3,121	1,714
Cash and cash equivalents end of period	$1,630	$1,848

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, 2013	659	$6,136	$14,077	$(57)	$38	$20,194
Comprehensive income						
Net earnings			800		—	
Other comprehensive income (loss)				(13)		
Total comprehensive income						787
Cash dividends paid- $0.48 per share			(315)			(315)
Treasury stock purchases	(12)	(493)				(493)
Stock compensation expense		33				33
Other	1	16			(3)	13
Balance June 30, 2014	648	$5,692	$14,562	$(70)	$35	$20,219

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 ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. 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, 2013.

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 year end and are consistent from period to period.

On June 6, 2014, the Company completed its acquisition of the remaining 20% minority interest in Alfred C. Toepfer International (Toepfer), a global merchandiser of agricultural commodities and processed products, for $157 million. The excess of the purchase price over the carrying value of the associated noncontrolling interest of $12 million was recorded as a reduction in additional paid in capital.

Adoption of New Accounting Standards

Effective January 1, 2014, the Company adopted the amended guidance of Accounting Standards Codification (ASC) Topic 740, Income Taxes, which requires the Company to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or if the Company does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with deferred tax assets. The adoption of this amended guidance does not have an impact on the Company’s financial results.

Effective January 1, 2014, the Company adopted the amended guidance of ASC Topic 830, Foreign Currency Matters (Topic 830), which requires the Company to transfer currency translation adjustments from other comprehensive income into net income in certain circumstances. The amended guidance aims to resolve diversity in practice as to whether ASC Topic 810, Consolidation or Topic 830 applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity, or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business. The adoption of this amended guidance did not have an impact on the Company’s current period results. If the Company disposes all or part of a qualifying foreign entity, it will be required to release the portion of cumulative translation adjustment applicable to the disposed entity.

Effective January 1, 2014, the Company adopted the amended guidance of ASC Topic 405, Liabilities, which addresses the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements, for which the total amount under the arrangement is fixed at the reporting date. The amended guidance aims to resolve diversity in practice among companies that are subject to joint and several liabilities. The retrospective adoption of this amended guidance did not have an impact on current and prior period results and is not expected to have any material impact on the Company’s financial results.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 1. Basis of Presentation (Continued)

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. Pending Accounting Standards

Effective January 1, 2015, the Company will be required to adopt the amended guidance of ASC Topic 205, Presentation of Financial Statements (Topic 205) and ASC Topic 360, Property, Plant, and Equipment, which limits the definition of discontinued operations as only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The amended guidance also expands the definition of discontinued operations to include a business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale and a disposal of an equity method investment that meets the definition of discontinued operations. The amended guidance requires the Company to report discontinued operations if (1) the component of an entity or group of components of an entity meets the criteria in Topic 205 to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; or (3) the component of an entity or group of components of an entity is disposed other than by sale. The Company will be required to adopt the presentation and expanded disclosure requirements of the amended guidance prospectively. The adoption of this amended guidance may change financial statement presentation and require expanded disclosures but will not impact financial results.

Effective January 1, 2016, the Company will be required to adopt the amended guidance of ASC Topic 718, Compensation - Stock Compensation (Topic 718), 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, 2017, 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 assessed the impact of the new guidance on its consolidated financial statements.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. 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, 2014 and December 31, 2013.

	Fair Value Measurements at June 30, 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	$—	$3,394	$1,139	$4,533
Unrealized derivative gains:				
Commodity contracts	—	503	239	742
Foreign exchange contracts	3	113	—	116
Interest rate contracts	—	18	—	18
Cash equivalents	970	—	—	970
Marketable securities	819	81	—	900
Segregated investments	1,942	—	—	1,942
Deferred receivables consideration	—	216	—	216
Total Assets	$3,734	$4,325	$1,378	$9,437
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	$—	$496	$162	$658
Foreign exchange contracts	—	120	—	120
Inventory-related payables	—	251	19	270
Total Liabilities	$—	$867	$181	$1,048

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. Fair Value Measurements (Continued)

	Fair Value Measurements at December 31, 2013			
	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	$—	$4,247	$1,812	$6,059
Unrealized derivative gains:				
Commodity contracts	31	540	279	850
Foreign exchange contracts	30	88	—	118
Interest rate contracts	—	1	—	1
Cash equivalents	2,518	—	—	2,518
Marketable securities	881	26	—	907
Segregated investments	1,707	—	—	1,707
Deferred receivables consideration	—	757	—	757
Total Assets	$5,167	$5,659	$2,091	$12,917
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	$45	$343	$261	$649
Foreign exchange contracts	—	166	—	166
Interest rate contracts	—	9	—	9
Inventory-related payables	—	708	34	742
Total Liabilities	$45	$1,226	$295	$1,566

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.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. 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. 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, obligations of U.S. government agencies, and other debt securities. Publicly traded equity investments and U.S. Treasury securities are valued using quoted market prices and are classified in Level 1. U.S. government agency obligations and corporate and municipal 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. This amount is reflected in other current assets on the consolidated balance sheet (see Notes 6 and 14). 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 3. 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 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 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 3. 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, 2013.

	Level 3 Fair Value Asset Measurements at June 30, 2013		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, March 31, 2013	$2,022	$223	$2,245
Total increase (decrease) in unrealized gains included in cost of products sold*	172	93	265
Purchases	4,215	—	4,215
Sales	(4,611)	—	(4,611)
Settlements	—	(132)	(132)
Transfers into Level 3	160	92	252
Transfers out of Level 3	(32)	(9)	(41)
Ending balance, June 30, 2013	$1,926	$267	$2,193

* Includes increase in unrealized gains of $134 million relating to Level 3 assets still held at June 30, 2013.

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, 2013.

	Level 3 Fair Value Liability Measurements at June 30, 2013		
	Inventory-related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, March 31, 2013	$216	$171	$387
Total increase (decrease) in unrealized losses included in cost of products sold*	(161)	137	(24)
Purchases	10	—	10
Sales	(2)	—	(2)
Settlements	—	(109)	(109)
Transfers into Level 3	—	51	51
Transfers out of Level 3	—	(17)	(17)
Ending balance, June 30, 2013	$63	$233	$296

* Includes increase in unrealized losses of $8 million relating to Level 3 liabilities still held at June 30, 2013.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. 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 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 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 3. 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, 2013.

	Level 3 Fair Value Asset Measurements at June 30, 2013		
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2012	$1,745	$143	$1,888
Total increase (decrease) in unrealized gains included in cost of products sold*	(516)	229	(287)
Purchases	8,899	—	8,899
Sales	(8,312)	—	(8,312)
Settlements	—	(228)	(228)
Transfers into Level 3	160	140	300
Transfers out of Level 3	(50)	(17)	(67)
Ending balance, June 30, 2013	$1,926	$267	$2,193

* Includes increase in unrealized gains of $264 million relating to Level 3 assets still held at June 30, 2013.

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, 2013.

	Level 3 Fair Value Liability Measurements at June 30, 2013		
	Inventory-related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2012	$33	$138	$171
Total increase (decrease) in unrealized losses included in cost of products sold*	(151)	255	104
Purchases	186	—	186
Sales	(6)	—	(6)
Settlements	—	(211)	(211)
Transfers into Level 3	1	74	75
Transfers out of Level 3	—	(23)	(23)
Ending balance, June 30, 2013	$63	$233	$296

* Includes increase in unrealized losses of $110 million relating to Level 3 liabilities still held at June 30, 2013.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 3. 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.

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, 2014 and December 31, 2013. 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, 2014 is a weighted average 16.9% of the total price for assets and 17.8% for liabilities.

	Weighted Average % of Total Price							
	June 30, 2014				December 31, 2013			
Component Type	Assets		Liabilities		Assets		Liabilities	
Inventories and Related Payables								
Basis	16.9	%	17.8	%	21.9	%	13.2	%
Transportation cost	5.0	%	—	%	12.3	%	—	%
Commodity Derivative Contracts								
Basis	22.6	%	19.6	%	22.8	%	17.6	%
Transportation cost	4.9	%	6.4	%	32.5	%	12.3	%

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 4. Derivative Instruments and Hedging Activities

Within the Note 4 tables, zeros represent minimal amounts.

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. 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, 2014 and December 31, 2013.

	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
	(In millions)		(In millions)	
FX Contracts	$116	$120	$118	$166
Interest Contracts	1	—	1	—
Commodity Contracts	742	658	850	649
Total	$859	$778	$969	$815

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

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, 2014 and 2013.

	Three months ended June 30,	
	2014	2013
	(In millions)	
Interest Contracts		
Interest expense	$—	$0
Other income (expense) – net	—	0
FX Contracts		
Revenues	$(2)	$36
Cost of products sold	44	(86)
Other income (expense) – net	(15)	(10)
Commodity Contracts		
Cost of products sold	$405	$139
Total gain (loss) recognized in earnings	$432	$79

	Six months ended June 30,	
	2014	2013
	(In millions)	
Interest Contracts		
Interest expense	$—	$0
Other income (expense) – net	0	0
FX Contracts		
Revenues	$(8)	$109
Cost of products sold	88	(87)
Other income (expense) – net	(24)	(55)
Commodity Contracts		
Cost of products sold	$(507)	$207
Total gain (loss) recognized in earnings	$(451)	$174

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, 2014 and December 31, 2013, the Company has certain derivatives designated as cash flow and fair value hedges.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

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, 2014, the Company has $17 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, cost of products sold, interest expense or other income (expense) – net, as applicable. As of June 30, 2014, the Company has $32 million of after-tax losses in AOCI related to gains and losses from commodity cash flow hedge transactions. The Company expects to recognize all of these after-tax losses 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 16% and 71% of its monthly anticipated grind. At June 30, 2014, the Company has designated hedges representing between 1% and 60% 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 10 million and 121 million gallons of ethanol sales per month under these programs. For the next 12 months, the Company has designated hedges representing between 7 million and 95 million gallons of ethanol sales per month.

The following table sets forth the fair value of derivatives designated as hedging instruments as of June 30, 2014 and December 31, 2013.

	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
	(In millions)		(In millions)	
Interest Contracts	17	—	0	9
Total	$17	$—	$0	$9

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

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, 2014 and 2013.

	Consolidated Statement of Earnings Locations	Three months ended June 30, 2014	2013
		(In millions)	
Effective amounts recognized in earnings			
FX Contracts	Other income/expense – net	$0	$0
Interest Contracts	Interest expense	0	0
Commodity Contracts	Cost of products sold	11	(3)
	Revenues	(58)	6
Ineffective amount recognized in earnings			
Commodity Contracts	Revenues	(1)	—
	Cost of products sold	(27)	(13)
Total amount recognized in earnings		$(75)	$(10)

	Consolidated Statement of Earnings Locations	Six months ended June 30, 2014	2013
		(In millions)	
Effective amounts recognized in earnings			
FX Contracts	Other income/expense – net	$0	$0
Interest Contracts	Interest expense	0	0
Commodity Contracts	Cost of products sold	7	(5)
	Revenues	(85)	5
Ineffective amount recognized in earnings			
Commodity Contracts	Revenues	(24)	—
	Cost of products sold	(7)	(55)
Total amount recognized in earnings		$(109)	$(55)

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 grind occurs. 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 grind occurring.

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Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments and Hedging Activities (Continued)

The following tables set forth the changes in AOCI related to derivatives gains (losses) for the three and six months ended June 30, 2014 and 2013.

	Three months ended June 30,	
	2014	2013
	(In millions)	
Balance at March 31, 2014 and 2013	$(59)	$11
Unrealized gains (losses)	23	(7)
Losses (gains) reclassified to earnings	47	(3)
Tax effect	(23)	5
Balance at June 30, 2014 and 2013	$(12)	$6

	Six months ended June 30,	
	2014	2013
	(In millions)	
Balance at December 31, 2013 and 2012	$5	$4
Unrealized gains (losses)	(105)	2
Losses (gains) reclassified to earnings	78	—
Tax effect	10	—
Balance at June 30, 2014 and 2013	$(12)	$6

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Marketable Securities

	Cost (In millions)	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2014				
United States government obligations				
Maturity less than 1 year	$298	$—	$—	$298
Maturity 1 to 5 years	90	—	—	90
Government–sponsored enterprise obligations				
Maturity 1 to 5 years	3	—	—	3
Corporate debt securities				
Maturity 1 to 5 years	72	—	—	72
Other debt securities				
Maturity less than 1 year	68	—	—	68
Maturity 1 to 5 years	3	—	—	3
Equity securities				
Available-for-sale	382	—	(11)	371
	$916	$—	$(11)	$905

	Cost (In millions)	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2013				
United States government obligations				
Maturity less than 1 year	$395	$—	$—	$395
Maturity 1 to 5 years	124	—	—	124
Government–sponsored enterprise obligations				
Maturity 1 to 5 years	4	—	—	4
Corporate debt securities				
Maturity 1 to 5 years	16	—	—	16
Other debt securities				
Maturity less than 1 year	38	—	—	38
Maturity 1 to 5 years	3	—	—	3
Equity securities				
Available-for-sale	362	1	(2)	361
	$942	$1	$(2)	$941

Of the $11 million in unrealized losses at June 30, 2014, $8 million arose within the last 12 months and are related to the Company’s investment in two available-for-sale equity securities with a fair value of $366 million. The market value of the Company’s investment that has been in an unrealized loss position for 12 months or longer is $4 million and is related to one available-for-sale equity security. 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, 2014.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Other Current Assets

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

	June 30, 2014 (In millions)	December 31, 2013
Unrealized gains on derivative contracts	$876	$969
Deferred receivables consideration	216	757
Customer omnibus receivable	1,528	1,298
Financing receivables - net [1]	386	576
Other current assets	2,180	2,750
	$5,186	$6,350

[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 $10 million and $15 million at June 30, 2014 and December 31, 2013, respectively. Changes in the allowance for the six months ended June 30, 2014 included an increase of $1 million for additional bad debt provisions and a reduction in the allowance for adjustments of $6 million. Interest earned on financing receivables of $4 million and $12 million for the quarter and six months ended June 30, 2014, respectively, and $5 million and $14 million for quarter and six months ended June 30, 2013, respectively, is included in interest income in the consolidated statements of earnings.

Note 7. Accrued Expenses and Other Payables

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

	June 30, 2014 (In millions)	December 31, 2013
Unrealized losses on derivative contracts	$778	$824
Accrued expenses and other payables	2,580	3,966
	$3,358	$4,790

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 8. Debt and Financing Arrangements

As of December 31, 2013, the Company had outstanding $1.15 billion principal amount of convertible senior notes (the "Notes") due in February 2014. On February 18, 2014, the Notes were repaid with available funds.

At June 30, 2014, 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, 2014, the Company had lines of credit totaling $6.9 billion, of which $6.7 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, 2014.

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, 2014, the Company utilized $0.4 billion of its facility under the Programs (see Note 14 for more information on the Programs).

Note 9. Income Taxes

The Company's effective tax rate for the quarter and six months ended June 30, 2014 was 27.6% and 27.3%, respectively, compared to 28.7% and 28.3% for the quarter and six months ended June 30, 2013, respectively, due primarily to changes in the forecasted geographic mix of pretax earnings.

The Company is subject to income taxation in many jurisdictions around the world. 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), 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, 2014, these assessments, updated for estimated penalties, interest, and variation in currency exchange rates, totaled approximately $577 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 face additional claims of approximately $38 million (based on currency exchange rates as of June 30, 2014).

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.

ADM do Brasil filed an administrative appeal for each of the assessments. During the second quarter of fiscal 2011, the appeal panel found in favor of the BFRS on the 2004 assessment and ADM do Brasil filed a second level administrative appeal, which is still ongoing. In January of 2012, the appeal panel found in favor of the BFRS on the 2006 and 2007 assessments and ADM do Brasil filed a second level administrative appeal, which is still ongoing. If ADM do Brasil continues to be unsuccessful in the administrative appellate process, it 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.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 9. Income Taxes (Continued)

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 $37 million (inclusive of interest and adjusted for variation in currency exchange rates) for the tax years 2004 and 2005. 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 2005, and estimates that these potential assessments would be approximately $466 million (as of June 30, 2014 and subject to variation in currency exchange rates). The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2005. 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.

In accordance with the accounting requirements for uncertain tax positions, the Company has concluded that it is more likely than not to prevail on the Brazil and Argentina matters based upon their technical merits. The Company has not recorded an uncertain tax liability for these assessments partly 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 the payment and expense of up to the entire amount of these assessments.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Accumulated Other Comprehensive Income (AOCI)

The following tables set forth the changes in AOCI by component for the three and six months ended June 30, 2014 and the reclassifications out of AOCI for the three and six months ended June 30, 2014 and 2013:

	Three months ended June 30, 2014				
	Foreign Currency Translation Adjustment (In millions)	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Total
Balance at March 31, 2014	$235	$(59)	$(326)	$(8)	$(158)
Other comprehensive income (loss) before reclassifications	35	23	(1)	3	60
Amounts reclassified from AOCI	—	47	5	—	52
Tax effect	—	(23)	(1)	—	(24)
Net current period other comprehensive income	35	47	3	3	88
Balance at June 30, 2014	$270	$(12)	$(323)	$(5)	$(70)

	Six months ended June 30, 2014				
	Foreign Currency Translation Adjustment (In millions)	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Total
Balance at December 31, 2013	$269	$5	$(330)	$(1)	$(57)
Other comprehensive income before reclassifications	—	(105)	—	(7)	(112)
Amounts reclassified from AOCI	—	78	10	—	88
Tax effect	1	10	(3)	3	11
Net current period other comprehensive income	1	(17)	7	(4)	(13)
Balance at June 30, 2014	$270	$(12)	$(323)	$(5)	$(70)

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Accumulated Other Comprehensive Income (AOCI) (Continued)

Details about AOCI components	Amount reclassified from AOCI Three months ended June 30, 2014	June 30, 2013	Six months ended June 30, 2014	June 30, 2013	Affected line item in the consolidated statement of earnings
	(In millions)				
Deferred loss (gain) on hedging activities					
	$(11)	$(3)	$(7)	$(1)	Cost of products sold
	58	—	85	1	Revenues
	47	(3)	78	—	Total before tax
	(18)	1	(29)	—	Tax
	$29	$(2)	$49	$—	Net of tax
Pension liability adjustment					
Amortization of defined benefit pension items:					
Prior service credit	$(4)	$(4)	$(8)	$(8)	
Actuarial losses	9	19	18	38	
	5	15	10	30	Total before tax
	(1)	(11)	(3)	(11)	Tax
	$4	$4	$7	$19	Net of tax

Note 11. Other (Income) Expense - Net

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

	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
	(In millions)			
Gains on sales of assets	$(13)	$(16)	$(34)	$(21)
Net gain on marketable securities transactions	—	(5)	—	(5)
Loss on Australian foreign exchange hedges	—	51	—	51
Other – net	16	(8)	14	—
Other (Income) Expense - Net	$3	$22	$(20)	$25

The loss on Australian foreign exchange hedges for the three and six months ended June 30, 2013 was related to losses on foreign currency derivative contracts entered into to economically hedge substantially all of the remaining U.S. dollar cost of the proposed GrainCorp Limited (GrainCorp) acquisition.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 12. 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 three reportable business segments: Oilseeds Processing, Corn Processing, and Agricultural Services. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable segments, as defined by the applicable accounting standard, and are classified as Other.

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, and interest cost net of investment income. Corporate results also include the after-tax elimination of income attributable to the minority shareholder of Toepfer. The Company acquired the remaining 20% minority interest in Toepfer during the second quarter of 2014, thus no longer requiring the elimination of income attributable to the minority shareholder at June 30, 2014.

For detailed information regarding the Company's reportable segments, see Note 18 to the consolidated financial statements included in the Company's Annual report on Form 10-K for the year ended December 31, 2013.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 12. Segment Information (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In millions)			
Gross revenues				
Oilseeds Processing	$9,821	$10,371	$18,219	$19,083
Corn Processing	3,102	3,686	5,951	6,773
Agricultural Services	10,302	10,659	21,377	22,800
Other	129	90	275	177
Intersegment elimination	(1,860)	(2,265)	(3,632)	(4,565)
Total	$21,494	$22,541	$42,190	$44,268
Intersegment sales				
Oilseeds Processing	$980	$1,035	$1,575	$1,604
Corn Processing	31	48	50	