

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2004

OR

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

For the transition period _____ TO _____

Commission file number 1-44

ARCHER-DANIELS-MIDLAND COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

41-0129150
(I. R. S. Employer
Identification No.)

4666 Faries Parkway Box 1470 Decatur, Illinois
(Address of principal executive offices)

62525
(Zip Code)

Registrant's telephone number, including area code

217-424-5200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

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 – 649,977,308 shares
(April 30, 2004)

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2004	2003
	(In thousands, except per share amounts)	
Net sales and other operating income	\$9,309,019	\$7,908,530
Cost of products sold	8,722,000	7,494,182
Gross Profit	587,019	414,348
Selling, general and administrative expenses	251,701	231,225
Other expense (income) – net	(3,143)	29,392
Earnings Before Income Taxes	338,461	153,731
Income taxes	111,692	36,926
Net Earnings	\$ 226,769	\$ 116,805
Average number of shares outstanding	648,565	645,445
Basic and diluted earnings per common share	\$.35	\$.18
Dividends per common share	\$.075	\$.06

See notes to consolidated financial statements.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	NINE MONTHS ENDED MARCH 31,	
	2004	2003
	(In thousands, except per share amounts)	
Net sales and other operating income	\$26,465,425	\$22,659,807
Cost of products sold	24,820,358	21,334,589
Gross Profit	1,645,067	1,325,218
Selling, general and administrative expenses	749,138	693,567
Other expense (income) – net	19,785	133,574
Earnings Before Income Taxes	876,144	498,077
Income taxes	278,373	141,952
Net Earnings	\$ 597,771	\$ 356,125
Average number of shares outstanding	646,844	646,574
Basic and diluted earnings per common share	\$.92	\$.55
Dividends per common share	\$.195	\$.18

See notes to consolidated financial statements.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	(Unaudited) MARCH 31, 2004	JUNE 30, 2003
	(In thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 805,015	\$ 764,959
Segregated cash and investments	881,216	544,669
Receivables	4,942,555	3,320,336
Inventories	5,294,399	3,550,225
Other assets	224,540	241,668
Total Current Assets	12,147,725	8,421,857
Investments and Other Assets		
Investments in and advances to affiliates	1,847,762	1,763,453
Long-term marketable securities	1,095,143	818,016
Goodwill	338,095	344,720
Other assets	437,650	366,117
	3,718,650	3,292,306
Property, Plant and Equipment		
Land	181,331	186,652
Buildings	2,571,444	2,606,707
Machinery and equipment	10,500,597	10,067,834
Construction in progress	234,450	406,587
	13,487,822	13,267,780
Allowances for depreciation	(8,242,150)	(7,799,064)
	5,245,672	5,468,716
	\$21,112,047	\$17,182,879

See notes to consolidated financial statements.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	(Unaudited) MARCH 31, 2004	JUNE 30, 2003
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	\$ 2,798,512	\$ 1,279,483
Accounts payable	3,711,704	2,848,926
Accrued expenses	1,495,193	988,175
Current maturities of long-term debt	30,155	30,888
Total Current Liabilities	8,035,564	5,147,472
Long-Term Liabilities		
Long-term debt	3,858,460	3,872,287
Deferred income taxes	729,847	543,555
Other	604,602	550,368
	5,192,909	4,966,210
Shareholders' Equity		
Common stock	5,411,075	5,373,005
Reinvested earnings	2,334,306	1,863,150
Accumulated other comprehensive income (loss)	138,193	(166,958)
	7,883,574	7,069,197
	\$21,112,047	\$17,182,879

See notes to consolidated financial statements.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	NINE MONTHS ENDED MARCH 31,	
	2004	2003
	(In thousands)	
Operating Activities		
Net earnings	\$ 597,771	\$ 356,125
Adjustments to reconcile to net cash provided by (used in) operations		
Depreciation	513,293	471,597
Asset abandonments	40,184	-
Deferred income taxes	161,759	38,831
Stock contributed to employee benefit plans	17,623	16,583
Equity in (earnings) of affiliates, net of dividends	(69,766)	2,881
Other – net	(9,629)	73,455
Changes in operating assets and liabilities		
Segregated cash and investments	(324,665)	(138,917)
Receivables	(605,594)	(218,491)
Inventories	(1,985,485)	(692,842)
Other assets	(26,367)	(58,448)
Accounts payable and accrued expenses	792,235	493,909
Total Operating Activities	(898,641)	344,683
Investing Activities		
Purchases of property, plant and equipment	(365,752)	(324,484)
Proceeds from sales of property, plant and equipment	48,840	28,229
Net assets of businesses acquired	(53,616)	(483,519)
Investments in and advances to affiliates	(92,979)	(99,689)
Distributions from affiliates, excluding dividends	83,216	38,478
Purchases of marketable securities	(749,531)	(231,182)
Proceeds from sales of marketable securities	658,671	124,020
Other – net	28,078	9,718
Total Investing Activities	(443,073)	(938,429)
Financing Activities		
Long-term debt borrowings	2,646	517,057
Long-term debt payments	(26,731)	(34,287)
Net borrowings under lines of credit agreements	1,510,532	610,665
Purchases of treasury stock	(4,083)	(96,780)
Cash dividends	(126,615)	(116,756)
Other – net	26,021	1,117
Total Financing Activities	1,381,770	881,016
Increase In Cash And Cash Equivalents	40,056	287,270
Cash And Cash Equivalents Beginning Of Period	764,959	526,115
Cash And Cash Equivalents End Of Period	\$ 805,015	\$ 813,385

See notes to consolidated financial statements.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

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, they 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 nine months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004. 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 June 30, 2003.

Last-in, First-out (LIFO) Inventories

Interim period LIFO calculations are based on interim period costs and management's estimates of expected 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, management's estimates of quantities of LIFO-based inventories at interim periods may vary significantly from the actual quantities of LIFO-based inventories at year end.

Asset Abandonments and Write-downs

The Company recorded a \$12 million and a \$41 million charge in cost of products sold during the quarter and nine months, respectively, principally related to the abandonment and write-down of certain long-lived assets. The majority of these assets were idle, and the decision to abandon was finalized after consideration of the ability to utilize the assets for their intended purpose, employ the assets in alternative uses, or sell the assets to recover the carrying value. After the write-downs, the carrying value of these assets is immaterial.

Reclassifications

Certain items in the prior period financial statements have been reclassified to conform to the current period's presentation.

Note 2. New Accounting Standards

In January 2003, the Financial Accounting Standards Board issued Interpretation Number 46, "Consolidation of Variable Interest Entities" (FIN 46). A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that does not have equity investors with voting rights, or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. The Company adopted FIN 46 in the third quarter of fiscal 2004. The impact of adopting this standard was not material to the Company's financial statements.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 3. Stock Compensation

The Company accounts for its stock-based compensation in accordance with Accounting Principles Board Opinion Number 25 (APB 25), "Accounting for Stock Issued to Employees." Under APB 25, compensation expense is recognized if the exercise price of the employee stock option is less than the market price on the grant date and the number of shares under option is fixed. The following table illustrates the effect on net income and earnings per share as if the fair value method had been applied to all outstanding and unvested employee stock options and awards in each period.

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
	(In thousands, except per share data)			
Net earnings, as reported	\$226,769	\$116,805	\$597,771	\$356,125
Add: stock-based compensation expense reported in net earnings, net of related tax	1,357	733	3,366	1,959
Deduct: stock-based compensation expense determined under fair value method, net of related tax	(2,415)	(2,186)	(6,723)	(6,165)
Pro forma net earnings	<u>\$225,711</u>	<u>\$115,352</u>	<u>\$594,414</u>	<u>\$351,919</u>
Basic and diluted earnings per common share				
As reported	\$.35	\$.18	\$.92	\$.55
Pro forma	\$.35	\$.18	\$.92	\$.54

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 4. Comprehensive Income

The components of comprehensive income, net of related tax, are as follows:

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
	(In thousands)		(In thousands)	
Net earnings	\$ 226,769	\$ 116,805	\$ 597,771	\$ 356,125
Net change in unrealized gain (loss) on investments	49,900	(69,555)	92,358	(168,512)
Deferred gain (loss) on hedging activities	69,560	(17,145)	64,745	(46,346)
Minimum pension liability adjustment	32	-	(77)	-
Foreign currency translation adjustment	(43,367)	31,535	148,125	143,979
Comprehensive Income	<u>\$ 302,894</u>	<u>\$ 61,640</u>	<u>\$ 902,922</u>	<u>\$ 285,246</u>

Note 5. Other Expense (Income) - Net

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
	(In thousands)		(In thousands)	
Interest expense	\$86,856	\$ 93,305	\$259,849	\$ 273,118
Investment income	(35,775)	(29,650)	(89,524)	(92,418)
Net (gain) loss on marketable securities transactions	(10,677)	-	(11,697)	2,704
Equity in (earnings) losses of affiliates	(44,804)	(19,073)	(141,453)	(29,655)
Other	1,257	(15,190)	2,610	(20,175)
	<u>\$ (3,143)</u>	<u>\$ 29,392</u>	<u>\$ 19,785</u>	<u>\$ 133,574</u>

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 6. Retirement Plan Expense

The Company provides substantially all domestic employees and employees at certain international subsidiaries with pension benefits. The Company also provides substantially all domestic salaried employees with postretirement health care and life insurance benefits. Retirement plan expense for these pension and postretirement benefits for the quarter and nine months ended March 31, 2004 and 2003, is as follows:

	Pension Benefits		Post Retirement Benefits	
	THREE MONTHS ENDED		THREE MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	2004	2003	2004	2003
	(In thousands)		(In thousands)	
Service cost (benefits earned during the period)	\$ 11,534	\$ 8,354	\$ 1,530	\$ 1,784
Interest cost	15,502	16,072	1,928	2,112
Expected return on plan assets	(13,060)	(15,817)	-	-
Actuarial loss (gain)	4,943	1,430	15	(1)
Net amortization	916	548	(279)	135
Net periodic defined benefit plan expense	<u>\$ 19,835</u>	<u>\$ 10,587</u>	<u>\$ 3,194</u>	<u>\$ 4,030</u>

	NINE MONTHS ENDED		NINE MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	2004	2003	2004	2003
	(In thousands)		(In thousands)	
Service cost (benefits earned during the period)	\$ 35,227	\$ 25,061	\$ 4,591	\$ 5,351
Interest cost	46,506	48,215	5,784	6,337
Expected return on plan assets	(39,181)	(47,451)	-	-
Actuarial loss (gain)	14,830	4,291	46	(2)
Net amortization	2,749	1,645	(837)	404
Net periodic defined benefit plan expense	<u>\$ 60,131</u>	<u>\$ 31,761</u>	<u>\$ 9,584</u>	<u>\$ 12,090</u>

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 7. Segment Information

The Company is principally engaged in procuring, transporting, storing, processing and merchandising agricultural commodities and products. The Company's operations are classified into four reportable business segments: Oilseeds Processing, Corn Processing, Wheat 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 aggregated and classified as Other.

The Oilseeds Processing segment includes activities related to processing oilseeds such as soybeans, cottonseed, sunflower seeds, canola, peanuts, and flaxseed into vegetable oils and meals principally for the food and feed industries. In addition, oilseeds may be resold into the marketplace as a feed ingredient or as a raw material for other processors. Crude vegetable oil is sold "as is" or is further processed by refining, bleaching and deodorizing into salad oils. Salad oils can be further processed by hydrogenating and/or interesterifying into margarine, shortening and other food products. Partially refined oil is sold for use in chemicals, paints and other industrial products. Oilseed meals are primary ingredients used in the manufacture of commercial livestock and poultry feeds.

The Corn Processing segment includes activities related to the production of products for use in the food and beverage industry. These products include syrup, starch, glucose, dextrose and sweeteners. Corn gluten feed and meal as well as distillers grains are produced for use as feed ingredients. Ethyl alcohol is produced to beverage grade or for industrial use as ethanol.

The Wheat Processing segment includes activities related to the production of wheat flour for use primarily by commercial bakeries, food companies, food service companies and retailers.

The Agricultural Services segment utilizes the Company's extensive grain elevator and transportation network to buy, store, clean and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats and barley, and resells these commodities primarily as feed ingredients and as raw materials for the agricultural processing industry. Agricultural Services' grain sourcing and transportation network provides reliable and efficient services to the Company's agricultural processing operations. Also included in Agricultural Services are the activities of A.C. Toepfer International, a global merchandiser of agricultural commodities and processed products.

Other includes the Company's remaining operations, which principally consist of cocoa processing, the production of specialty feed and food ingredients, the production of natural health and nutrition products, and financial services. In addition, Other also includes the Company's equity investments in the corn flour and tortilla business, Eastern European starch business, and private equity funds.

Intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on net sales less identifiable operating expenses, including an interest charge related to working capital usage. Also included in operating profit are the related equity in earnings (losses) of affiliates based on the equity method of accounting. General corporate expenses, investment income, unallocated interest expense, marketable securities transactions and FIFO to LIFO inventory adjustments have been excluded from segment operations and classified as Corporate.

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 7. Segment Information - Continued

For detailed information regarding the Company's reportable segments, see Note 13 to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended June 30, 2003.

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
	(In thousands)		(In thousands)	
Sales to external customers				
Oilseeds Processing	\$2,907,903	\$ 2,298,647	\$ 8,796,193	\$ 6,946,494
Corn Processing	885,986	692,645	2,457,121	1,868,455
Wheat Processing	411,975	385,134	1,278,780	1,164,498
Agricultural Services	4,195,375	3,710,315	11,309,379	10,218,955
Other	907,780	821,789	2,623,952	2,461,405
Total	<u>\$9,309,019</u>	<u>\$ 7,908,530</u>	<u>\$26,465,425</u>	<u>\$ 22,659,807</u>
Intersegment sales				
Oilseeds Processing	\$ 47,039	\$ 33,000	\$ 126,977	\$ 91,458
Corn Processing	100,656	96,327	297,360	239,036
Wheat Processing	7,832	11,200	26,825	29,353
Agricultural Services	559,501	469,657	1,899,056	1,184,978
Other	30,043	27,299	90,771	75,078
Total	<u>\$ 745,071</u>	<u>\$ 637,483</u>	<u>\$ 2,440,989</u>	<u>\$ 1,619,903</u>
Net sales				
Oilseeds Processing	\$2,954,942	\$ 2,331,647	\$ 8,923,170	\$ 7,037,952
Corn Processing	986,642	788,972	2,754,481	2,107,491
Wheat Processing	419,807	396,334	1,305,605	1,193,851
Agricultural Services	4,754,876	4,179,972	13,208,435	11,403,933
Other	937,823	849,088	2,714,723	2,536,483
Intersegment elimination	(745,071)	(637,483)	(2,440,989)	(1,619,903)
Total	<u>\$9,309,019</u>	<u>\$ 7,908,530</u>	<u>\$26,465,425</u>	<u>\$ 22,659,807</u>
Segment operating profit				
Oilseeds Processing	\$ 117,510	\$ 75,379	\$ 306,223	\$ 254,477
Corn Processing	160,028	88,787	382,201	244,043
Wheat Processing	9,664	6,437	59,436	45,143
Agricultural Services	55,827	3,526	205,011	78,598
Other	158,679	68,241	340,523	157,424
Total segment operating profit	501,708	242,370	1,293,394	779,685
Corporate expense	(163,247)	(88,639)	(417,250)	(281,608)
Earnings before income taxes	<u>\$ 338,461</u>	<u>\$ 153,731</u>	<u>\$ 876,144</u>	<u>\$ 498,077</u>

ARCHER DANIELS MIDLAND COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 8. Guarantees and Contractual Obligations

The Company has entered into debt guarantee agreements, primarily related to equity-method investees, which could obligate the Company to make future payments if the primary entity fails to perform under its contractual obligation. The Company has not recorded a liability for these contingent obligations, as the Company believes the likelihood of any payments being made is remote. Should the Company be required to make any payments pursuant to these guarantees, the Company has, for a majority of these agreements, a security interest in the underlying assets of the primary entity. These debt guarantees totaled approximately \$667 million at March 31, 2004.

Note 9. Antitrust Investigation and Related Litigation

The Company, along with other domestic and foreign companies, was named as a defendant in a number of putative class action antitrust suits and other proceedings involving the sale of lysine, citric acid, sodium gluconate, monosodium glutamate and high fructose corn syrup. These actions and proceedings generally involve claims for unspecified compensatory damages, fines, costs, expenses and unspecified relief. The Company intends to vigorously defend these actions and proceedings unless they can be settled on terms deemed acceptable by the parties. These matters have resulted and could result in the Company being subject to monetary damages, other sanctions and expenses.

The Company has made provisions to cover the fines, litigation settlements and costs related to certain of the aforementioned suits and proceedings. The ultimate outcome and materiality of other putative class actions and proceedings, including those related to high fructose corn syrup, cannot presently be determined. Accordingly, no provision for any liability that may result therefrom has been made in the unaudited consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPANY OVERVIEW

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products. The Company's operations are classified into four reportable business segments: Oilseeds Processing, Corn Processing, Wheat Processing, and Agricultural Services. The Company's remaining operations are aggregated and classified as Other.

Oilseeds Processing segment includes activities related to processing oilseeds such as soybeans, cottonseed, sunflower seeds, canola, peanuts, and flaxseed into vegetable oils and meals principally for the food and feed industries. In addition, oilseeds may be resold into the marketplace as a feed ingredient or as a raw material for other processors. Crude vegetable oil is sold "as is" or is further processed by refining, bleaching and deodorizing into salad oils. Salad oils can be further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oil is sold for use in chemicals, paints and other industrial products. Oilseed meals are primary ingredients used in the manufacture of commercial livestock and poultry feeds.

Corn Processing segment includes activities related to the production of products for use in the food and beverage industry. These products include syrup, starch, glucose, dextrose and sweeteners. Corn gluten feed and meal as well as distillers grains are produced for use as feed ingredients. Ethyl alcohol is produced to beverage grade or for industrial use as ethanol.

Wheat Processing segment includes activities related to the production of wheat flour for use primarily by commercial bakeries, food companies, food service companies and retailers.

Agricultural Services segment utilizes the Company's extensive grain elevator and transportation network to buy, store, clean and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats and barley, and resells these commodities primarily as feed ingredients and as raw materials for the agricultural processing industry. Agricultural Services' grain sourcing and transportation network provides reliable and efficient services to the Company's agricultural processing operations. Also included in Agricultural Services are the activities of A.C. Toepfer International, a global merchandiser of agricultural commodities and processed products.

Other includes the Company's remaining operations, which principally consist of cocoa processing, the production of specialty feed and food ingredients, the production of natural health and nutrition products, and financial services. In addition, Other also includes the Company's equity investments in the corn flour and tortilla business, Eastern European starch business, and private equity funds.

OPERATING PERFORMANCE INDICATORS AND RISK FACTORS

The Company's Oilseeds Processing, Wheat Processing and Agricultural Services business segments are agricultural commodity-based businesses where the changes in segment selling prices will move in relationship to the changes in the prices of the costs of the commodity-based agricultural raw materials. Therefore, agricultural commodity price changes have relatively equal impacts on both net sales and cost of products and minimal impact on the gross profit of underlying transactions. As a result, changes in net sales amounts of these business segments do not necessarily correspond to the gross profit realized by these businesses.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

The Company's Corn Processing business segment and certain businesses included in the Other segment also utilize agricultural commodities (or products derived from agricultural commodities) as raw materials. In these businesses agricultural commodity price changes can result in significant fluctuations in cost of products sold and such price changes cannot necessarily be passed directly through to the selling price of the finished products. For products such as ethanol and lysine, selling prices bear no direct relationship to the raw material cost of the agricultural commodity from which it is produced, but is related to other market factors not associated directly with agricultural commodities.

The Company conducts its business in many foreign countries. For many of the Company's subsidiaries located outside the United States, the local currency is the functional currency. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the weighted average exchange rates for the periods. Fluctuations in the exchange rates of primarily the Euro and British Pound as compared to the U.S. dollar will result in corresponding fluctuations in the relative U.S. dollar value of the Company's revenues and expenses. The impact of these currency exchange rate changes, where significant, is discussed below.

The Company measures the performance of its business segments using key operating statistics such as segment operating profit and return on fixed capital investment. The Company's operating results can vary significantly due to changes in unpredictable factors such as weather conditions, plantings, government (domestic and foreign) farm programs and policies, and changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. Due to these factors, the Company does not provide forward-looking information in Management's Discussion and Analysis of the Company's operating results. Additionally, the Company's operating results for the current quarter and nine month period are not necessarily indicative of those for the year ending June 30, 2004.

THREE MONTHS ENDED MARCH 31, 2004 COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

Net earnings for the quarter increased principally due to higher oilseed crushing margins in North America, increased ethanol sales volumes, and strong worldwide demand for grains and feedstuffs which improved results of the Company's global grain merchandising and domestic grain origination operations. Improved results of the Company's specialty feed ingredient and cocoa operations, as a result of increased demand for lysine and increased demand for butter and powder in the chocolate and baking industries, increased net earnings for the quarter. Net earnings for the quarter also include a \$21 million gain from an insurance related lawsuit pertaining to the flood of 1993. These increases were partially offset by a \$12 million charge for abandonment and write-down of long-lived assets. Last year's third quarter included a \$3 million gain from partial settlement of the Company's claims related to vitamin antitrust litigation.

The comparability of the Company's operating results to the prior year quarter is affected by the following acquisitions completed during or subsequent to the third quarter of fiscal 2003:

The Company acquired six flour mills located in the United Kingdom from Associated British Foods plc (ABF) on February 24, 2003. The Company paid cash of approximately \$96 million for the assets and inventories of the ABF mills. The operating results of the ABF mills since the acquisition date are included in the Company's Wheat Processing segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Prior to April 7, 2003, the Company owned 28% of the outstanding shares of Pura plc (Pura), a United Kingdom based company that processes and markets edible oil. On April 7, 2003, the Company acquired the remaining outstanding shares of Pura for cash of approximately \$58 million. The operating results of Pura are included in the Company's Oilseeds Processing segment and were accounted for on the equity method of accounting until acquisition date and on a consolidated basis thereafter.

ANALYSIS OF STATEMENTS OF EARNINGS

Net sales and other operating income increased 18% for the quarter to \$9.3 billion principally due to higher average selling prices of merchandisable grain commodities and commodity-based oilseeds finished products and, to a lesser extent, increased sales volumes of ethanol and merchandized grain commodities. These increases were partially offset by reduced sales volumes of soybeans and commodity-based oilseeds finished products due primarily to the short soybean supply in North America. In addition, net sales and other operating income includes net sales of recently acquired businesses of \$207 million, or 3%, and currency exchange rate increases of \$495 million, or 6%. Net sales and other operating income by segment for the quarter are as follows:

	THREE MONTHS ENDED MARCH 31,		
	2004	2003	Change
	(In thousands)		
Oilseeds Processing	\$2,907,903	\$ 2,298,647	\$ 609,256
Corn Processing	885,986	692,645	193,341
Wheat Processing	411,975	385,134	26,841
Agricultural Services	4,195,375	3,710,315	485,060
Other	907,780	821,789	85,991
Total	<u>\$9,309,019</u>	<u>\$ 7,908,530</u>	<u>\$ 1,400,489</u>

Oilseeds Processing sales increased 27% to \$2.9 billion for the quarter primarily due to higher average selling prices of soybeans, vegetable oil, and protein meal and, to a lesser extent, the recently acquired Pura operations. These increases were partially offset by lower sales volumes of vegetable oil and protein meal. These fluctuations in average selling prices and sales volumes were primarily due to rising oilseed commodity price levels due to a tight oilseed supply in the United States, the impact of last summer's drought in Europe, and strong demand from China for oilseeds. Corn Processing sales increased 28% to \$886 million for the quarter primarily due to increased ethanol sales volumes resulting from increased demand from gasoline refiners in the northeastern United States. This new demand was a result of various states reformulating gasoline blends by using ethanol to replace recently-banned methyl tertiary butyl ether (MTBE). Wheat Processing sales increased 7% to \$412 million for the quarter principally due to sales of the recently-acquired ABF mills. Agricultural Services sales increased 13% to \$4.2 billion for the quarter due principally to both higher average commodity prices and sales volumes. Other sales increased 10% to \$908 million primarily due to increased average selling prices of specialty feed ingredients and, to a lesser extent, increased sales volumes of cocoa products.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Cost of products sold increased 16% to \$8.7 billion for the quarter primarily due to higher average costs of merchandisable grain commodities and commodity-based oilseeds finished products. These increases were partially offset by reduced selling volumes of soybeans and commodity-based oilseeds finished products due primarily to the short soybean supply in North America. Manufacturing costs for the quarter increased \$125 million from prior year levels primarily due to \$16 million of costs related to recently-acquired businesses, \$58 million of increased energy-related costs, \$13 million of increased personnel-related costs, and a \$12 million charge for abandonment and write-down of long-lived assets. In addition, the cost of products sold increase includes \$482 million due to currency exchange rate fluctuations and reflects a \$17 million gain from an insurance related lawsuit pertaining to the flood of 1993.

Selling, general, and administrative expenses increased \$20 million for the quarter to \$252 million. This increase includes \$8 million of costs related to recently-acquired businesses and \$8 million due to currency exchange rate increases. The prior year quarter included \$11 million of costs related to the Company's EPA settlement. Excluding the effects of these changes, the remaining \$15 million increase was primarily due to increased employee related costs, including pension costs, and additional provisions for doubtful accounts receivable.

Other income increased \$33 million for the quarter to \$3 million primarily due to an \$11 million gain on the sale of marketable securities and a \$26 million increase in equity in earnings of unconsolidated affiliates. The increase in equity in earnings of unconsolidated affiliates is principally due to a \$15 million improvement in valuations of the Company's private equity fund investments. Interest expense decreased for the quarter due to lower average interest rates. Investment income increased during the quarter due primarily to \$4 million of interest received on the insurance related lawsuit pertaining to the flood of 1993. These increases are partially offset by last year's gain on the sale of redundant assets included in Other.

Operating profit by segment for the quarter is as follows:

	THREE MONTHS ENDED		
	MARCH 31,		
	2004	2003	Change
	(In thousands)		
Oilseeds Processing	\$ 117,510	\$ 75,379	\$ 42,131
Corn Processing	160,028	88,787	71,241
Wheat Processing	9,664	6,437	3,227
Agricultural Services	55,827	3,526	52,301
Other	158,679	68,241	90,438
Total segment operating profit	501,708	242,370	259,338
Corporate	(163,247)	(88,639)	(74,608)
Earnings before income taxes	<u>\$ 338,461</u>	<u>\$ 153,731</u>	<u>\$ 184,730</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Oilseeds Processing operating profit increased 56% to \$118 million for the quarter due primarily to improved oilseed results in North America, partially offset by lower oilseed results in Europe and South America. Improved crush margins in North America are primarily due to continued strong demand for vegetable oils and protein meals. European crush margins were weaker as imported oilseed products from South America, mostly from Argentina, resulted in lower capacity utilization in Europe. In Brazil, industry overcapacity resulting from lower domestic product demand resulted in additional exports at lower margins. Operating profits for the quarter also include a \$3 million charge for abandonment and write-down of long-lived assets.

Corn Processing operating profits increased \$71 million to \$160 million for the quarter due primarily to increased ethanol and sweetener sales volumes and, to a lesser extent, higher ethanol average selling prices and lower net corn costs. The increase in ethanol sales volumes is primarily due to the aforementioned increased demand from gasoline refiners in the northeastern United States. Operating profits for the quarter include a \$15 million gain from an insurance related lawsuit pertaining to the flood of 1993 and a \$1 million charge for abandonment and write-down of long-lived assets.

Wheat Processing operating profits improved slightly to \$10 million for the quarter principally due to improved flour milling margins.

Agricultural Services operating profits increased \$52 million to \$56 million for the quarter due principally to improved global grain merchandising results and, to a lesser extent, improved domestic grain origination operating results. The record United States corn crop and large wheat crop provided the Company with the opportunity for solid storage, transportation, origination and marketing profits. In addition, regional production imbalances, caused principally by the drought in Europe, allowed the Company to more fully utilize its grain infrastructure and merchandising capabilities. Strong worldwide demand for grains and feedstuffs also favorably impacted operating profits. Operating profits for the quarter include a \$2 million gain from an insurance related lawsuit pertaining to the flood of 1993.

Other operating profits increased \$90 million to \$159 million for the quarter principally due to improved results of specialty feed ingredients, cocoa operations, and improved valuations of the Company's private equity fund investments. The increased operating profit of specialty feed ingredients is driven by the increased demand for lysine from poultry and swine producers. Lysine is used in swine and poultry diets to replace protein meal and balance the amino acid profile. The demand for lysine is driven by the relationship between the price of protein meal and the price of corn. Cocoa operations improved due to continued strong demand from the chocolate and baking industries for butter and powder. Operating profits for the quarter include an \$8 million charge for abandonment and write-down of long-lived assets. Last year's results include a \$3 million gain from partial settlement of the Company's claims related to vitamin antitrust litigation.

Corporate expense increased \$75 million to \$163 million for the quarter primarily due to a \$99 million FIFO to LIFO inventory valuation adjustment partially offset by an \$11 million gain on marketable security transactions and \$4 million of interest received from the insurance related lawsuit pertaining to the flood of 1993.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Income taxes increased for the quarter due principally to higher pretax earnings and, to a lesser extent, an increase in the Company's effective tax rate. The Company's effective tax rate for the quarter was 33.0% as compared to 24.0% for the comparable period of a year ago. The Company increased its effective tax rate during the quarter from 31.0% in the second quarter to 33.0% in the third quarter due primarily to higher pretax earnings in the current year. In addition, the Company reduced its effective tax rate during the prior year quarter to reflect better than anticipated foreign tax benefits realized as a result of foreign tax planning initiatives.

NINE MONTHS ENDED MARCH 31, 2003 COMPARED TO NINE MONTHS ENDED MARCH 31, 2002

Net earnings for the nine months increased principally due to higher oilseed crushing margins in North America, increased ethanol sales volumes, and strong worldwide demand for grains and feedstuffs which improved results of the Company's global grain merchandising and domestic grain origination operations. Improved results of the Company's specialty feed ingredient and cocoa operations resulting from increased demand for lysine and increased demand for butter and powder in the chocolate and baking industries, as well as improvements in valuations of the Company's private equity fund investments increased net earnings for the nine months. Net earnings for the nine months also include a \$21 million gain from an insurance related lawsuit pertaining to the flood of 1993. These increases were partially offset by a \$41 million charge for abandonment and write-down of long-lived assets. Last year's nine months included a \$28 million gain from partial settlement of the Company's claims related to vitamin antitrust litigation.

In addition to the Pura and ABF mills acquisitions described above, the comparability of the Company's operating results to the prior year nine months is affected by the acquisition of Minnesota Corn Processors, LLC (MCP). On September 6, 2002, the Company acquired all of the outstanding Class A units of MCP, an operator of corn wet-milling plants in Minnesota and Nebraska. These Class A units represented 70% of the outstanding equity of MCP. Prior to September 6, 2002, the Company owned non-voting Class B units, which represented the remaining 30% of the outstanding equity of MCP. The Company paid cash of approximately \$382 million for the outstanding Class A units and assumed \$233 million of MCP long-term debt. The operating results of MCP are included in the Company's Corn Processing segment based on the equity method of accounting until acquisition date and on a consolidated basis thereafter.

ANALYSIS OF STATEMENTS OF EARNINGS

Net sales and other operating income increased 17% for the nine months to \$26.5 billion principally due to higher average selling prices of merchandisable grain commodities and commodity-based oilseeds finished products and, to a lesser extent, increased sales volumes of ethanol and merchandized grain commodities, and \$714 million of net sales related to recently-acquired businesses. These increases were partially offset by reduced selling volumes of soybeans and commodity-based oilseeds finished products due primarily to the short soybean supply in North America. In addition, net sales and other operating income increased \$1.2 billion, or 6%, due to currency exchange rate increases.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Net sales and other operating income by segment for the nine months are as follows:

	NINE MONTHS ENDED MARCH 31,		Change
	2004	2003	
	(In thousands)		
Oilseeds Processing	\$ 8,796,193	\$ 6,946,494	\$ 1,849,699
Corn Processing	2,457,121	1,868,455	588,666
Wheat Processing	1,278,780	1,164,498	114,282
Agricultural Services	11,309,379	10,218,955	1,090,424
Other	2,623,952	2,461,405	162,547
Total	<u>\$26,465,425</u>	<u>\$ 22,659,807</u>	<u>\$ 3,805,618</u>

Oilseeds Processing sales increased 27% to \$8.8 billion for the nine months primarily due to higher average selling prices of soybeans, vegetable oil, and protein meal and, to a lesser extent, the recently acquired Pura operations. These increases were partially offset by lower sales volumes of protein meal. These fluctuations in average selling prices and sales volumes were primarily due to rising oilseed commodity price levels due to a tight oilseed supply in the United States, the impact of last summer's drought in Europe, and strong demand from China for oilseeds. Corn Processing sales increased 32% to \$2.5 billion for the nine months primarily due to increased sales volumes of ethanol, the recently-acquired MCP operations and, to a lesser extent, increased ethanol selling prices. The ethanol sales volume increases were principally due to increased demand from gasoline refiners in the northeastern United States. This new demand was a result of various states reformulating gasoline blends by using ethanol to replace recently-banned MTBE. Wheat Processing sales increased 10% to \$1.3 billion for the nine months principally due to the recently-acquired ABF mills. Agricultural Services sales increased 11% to \$11.3 billion primarily due to both higher average commodity prices and sales volumes. Other sales increased 7% to \$2.6 billion for the nine months principally due to increased average selling prices and sales volumes of specialty feed ingredients and cocoa products and, to a lesser extent, increased sales volumes of specialty food ingredient products. These increases were partially offset by lower sales volumes of the Company's animal feed products and edible beans.

Cost of products sold increased \$3.5 billion to \$24.8 billion for the nine months primarily due to higher average costs of merchandisable grain commodities and commodity-based oilseeds finished products. These increases were partially offset by reduced selling volumes of soybeans due primarily to the short soybean supply in North America. Manufacturing costs for the quarter increased \$368 million from prior year levels primarily due to \$43 million of costs related to recently-acquired businesses, \$140 million of increased energy-related costs, \$45 million of increased personnel-related costs, and a \$41 million charge for abandonment and write-down of long-lived assets. In addition, the cost of products sold increase includes \$1.2 billion, due to currency exchange rate fluctuations and reflects a \$17 million gain from an insurance related lawsuit pertaining to the flood of 1993. Last year's cost of products sold includes a \$28 million credit from partial settlement of the Company's claims related to vitamin antitrust litigation.

Selling, general, and administrative expenses increased \$56 million for the nine months to \$749 million. This increase includes \$21 million of costs related to recently-acquired businesses and \$22 million due to currency exchange rate increases. In addition, the prior year nine months included \$11 million of costs related to the Company's EPA settlement. Excluding the effects of these changes, the

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

remaining \$24 million increase was primarily due to increased employee related costs, including pension costs, and additional provisions for doubtful accounts receivable.

Other expense decreased \$114 million for the nine months to \$20 million due primarily to gains realized on marketable securities transactions and a \$111 million increase in equity in earnings of unconsolidated affiliates, partially offset by last year's gain on the sale of redundant assets. The increase in equity in earnings of unconsolidated affiliates is primarily due to a \$100 million improvement in valuations of the Company's private equity fund investments. Interest expense decreased for the nine months due to lower average interest rates. Investment income for the nine months includes \$4 million of interest received on the insurance related lawsuit pertaining to the flood of 1993.

Operating profit by segment for the nine months are as follows:

	NINE MONTHS ENDED MARCH 31,		
	2004	2003	Change
	(In thousands)		
Oilseeds Processing	\$ 306,223	\$ 254,477	\$ 51,746
Corn Processing	382,201	244,043	138,158
Wheat Processing	59,436	45,143	14,293
Agricultural Services	205,011	78,598	126,413
Other	340,523	157,424	183,099
Total segment operating profit	1,293,394	779,685	513,709
Corporate	(417,250)	(281,608)	(135,642)
Earnings before income taxes	\$ 876,144	\$ 498,077	\$ 378,067

Oilseeds Processing operating profit increased 20% to \$306 million for the nine months due primarily to improved oilseed crush margins in North America, partially offset by lower oilseed crush margins in Europe and South America. The improved crush margins in North America are primarily due to continued strong demand for vegetable oils and protein meals. European crush margins were weaker as imported oilseed products from South America forced lower capacity utilization in Europe. In Brazil, capacity utilization was reduced to better balance supply and demand. Operating profits for the nine months includes a \$3 million charge for abandonment and write-down of long-lived assets.

Corn Processing operating profits increased \$138 million to \$382 million for the nine months due primarily to increased ethanol and sweetener sales volumes and, to a lesser extent, higher ethanol average selling prices and lower net corn costs. The increase in ethanol sales volumes is primarily due to the aforementioned increased demand from gasoline refiners in the northeastern United States. Operating profits for the nine months include a \$15 million gain from an insurance related lawsuit pertaining to the flood of 1993 and a \$1 million charge for abandonment and write-down of long-lived assets.

Wheat Processing operating profits increased 32% to \$59 million for the nine months due principally to a higher quality wheat crop, which improved flour milling yields. The prior year's wheat crop was of lower milling quality due to the drought conditions in the midwestern United States.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Agricultural Services operating profits increased \$126 million to \$205 million for the nine months due principally to improved global grain merchandising results and, to a lesser extent, improved domestic grain origination operating results. The record United States corn crop and large wheat crop provided the Company with the opportunity for solid storage, transportation, origination and marketing profits. In addition, regional production imbalances, caused principally by the drought in Europe, allowed the Company to more fully utilize its grain infrastructure and merchandising capabilities. Strong worldwide demand for grains and feedstuffs also favorably impacted operating profits. Operating profits for the nine months include a \$5 million charge for abandonment and write-down of long-lived assets and a \$2 million gain from an insurance related lawsuit pertaining to the flood of 1993.

Other operating profits increased \$183 million to \$341 million for the nine months principally due to improved results of specialty feed ingredients, cocoa operations, and improved valuations of the Company's private equity fund investments. The increased operating profit of specialty feed ingredients is driven by the increased demand for lysine from poultry and swine producers. Lysine is used in swine and poultry diets to replace protein meal and balance the amino acid profile. The demand for lysine is driven by the relationship between the price of protein meal and the price of corn. Cocoa operations improved due to continued strong demand from the chocolate and baking industries for butter and powder. Operating profits for the nine months include an \$18 million charge for abandonment and write-down of long-lived assets. Last year's results include a \$28 million gain from partial settlement of the Company's claims related to vitamin antitrust litigation.

Corporate expense increased \$136 million to \$417 million for the nine months primarily due to a \$145 million increase in FIFO to LIFO inventory valuation adjustments and a \$14 million charge for abandonment and write-down of long-lived assets, partially offset by a \$14 million increase in gains on marketable security transactions and \$4 million of interest received from the insurance related lawsuit pertaining to the flood of 1993.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004, the Company continued to show substantial liquidity with working capital (current assets less current liabilities) of \$4.1 billion and a current ratio (current assets divided by current liabilities) of 1.5. Working capital increased \$838 million during the nine months principally due to seasonal build up of working capital and the effect of higher commodity price levels. Capital resources remained strong as reflected in the Company's net worth of \$7.9 billion. The Company's ratio of long-term debt to total capital (the sum of the Company's long-term debt and shareholders' equity) at March 31, 2004, was 33% as compared to 35% at June 30, 2003. This ratio is a measure of the Company's long-term liquidity and is an indicator of financial flexibility.

Contractual Obligations and Commercial Commitments

During the quarter ended September 30, 2003, the Company entered into an electrical supply contract which requires the Company to purchase monthly minimum quantities during the term of the contract even though actual usage may not exceed such minimum quantities. The term of the contract began on September 30, 2003, and terminates on May 31, 2006. Future minimum payments required under this contract are \$12 million for the remainder of fiscal 2004, \$48 million in fiscal 2005, and \$44 million in fiscal 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

CRITICAL ACCOUNTING POLICIES

There were no material changes in the Company's critical accounting policies during the quarter ended March 31, 2004.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices, marketable equity security prices, market prices of limited partnerships' investments, foreign currency exchange rates and interest rates. Significant changes in market risk sensitive instruments and positions for the nine months ended March 31, 2004 are described below. There were no material changes during the nine months in the Company's potential loss arising from changes in market prices of limited partnerships' investments and interest rates.

For detailed information regarding the Company's market risk sensitive instruments and positions, see Market Risk Sensitive Instruments and Positions in the Company's Annual Report on Form 10-K for the year ended June 30, 2003.

Commodities

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position. The Company's daily net commodity position consists of inventories, related purchase and sale contracts, and exchange-traded futures contracts, including those to hedge portions of production requirements. The fair value of such position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10 percent adverse change in such prices. Actual results may differ.

	March 31, 2004		June 30, 2003	
	Fair Value	Market Risk	Fair Value	Market Risk
	(in millions)			
Highest long position	\$754	\$75	\$611	\$61
Highest short position	506	51	485	49
Average position long (short)	(1)	-	51	5

The decrease in fair value of the average position was principally the result of a decrease in the daily net commodity position partially offset by an increase in quoted futures prices.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK –
Continued

Marketable Equity Securities

Marketable equity securities, which are recorded at fair value, have exposure to price risk. The fair value of marketable equity securities is based on quoted market prices. Risk is estimated as the potential loss in fair value resulting from a hypothetical 10 percent adverse change in quoted market prices. Actual results may differ.

	<u>March 31, 2004</u>	<u>June 30, 2003</u>
	(in millions)	
Fair Value	\$ 685	\$ 519
Market Risk	68	52

The increase in fair value is primarily due to the increase in market value of the securities.

Currencies

The amount the Company considers permanently invested in foreign subsidiaries and affiliates, translated into dollars using the period-end exchange rates, was \$3.7 billion at March 31, 2004 and \$3.3 billion at June 30, 2003. This increase is principally due to the strengthening of the Euro and British Pound currencies versus the U.S. dollar. The potential loss in fair value resulting from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates amounts to \$372 million and \$331 million at March 31, 2004 and June 30, 2003, respectively. Actual results may differ.

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal controls over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ENVIRONMENTAL MATTERS

The Company is involved in approximately 25 administrative and judicial proceedings in which it has been identified as a potentially responsible party (“PRP”) under the federal Superfund law and its state analogs for the study and clean-up of sites contaminated by material discharged into the environment. In all of these matters, there are numerous PRPs. Due to various factors such as the required level of remediation and participation in the clean-up effort by others, the Company’s future clean-up costs at these sites cannot be reasonably estimated. In management’s opinion, these proceedings will not, either individually or in the aggregate, have a material adverse effect on the Company’s financial condition or results of operations.

LITIGATION REGARDING ALLEGED ANTICOMPETITIVE PRACTICES

The Company is currently a defendant in various lawsuits related to alleged anticompetitive practices by the Company as described in more detail below. The Company intends to vigorously defend these actions unless they can be settled on terms deemed acceptable to the parties.

GOVERNMENTAL MATTERS

Federal grand juries in the Northern Districts of Illinois, California and Georgia, under the direction of the United States Department of Justice (“DOJ”), investigated possible violations by the Company and others with respect to the sale of lysine, citric acid and high fructose corn syrup, respectively. In connection with an agreement with the DOJ in fiscal 1997, the Company paid the United States fines of \$100 million. This agreement constituted a global resolution of all matters between the DOJ and the Company and brought to a close all DOJ investigations of the Company. The federal grand juries in the Northern Districts of Illinois (lysine) and Georgia (high fructose corn syrup) have been closed.

The Company has received notice that certain foreign governmental entities were commencing investigations to determine whether anticompetitive practices occurred in their jurisdictions. Except for the investigations being conducted by the Commission of the European Communities and the Brazilian Department of Protection and Economic Defense as described below, all such matters have been resolved as previously reported. In June 1997, the Company and several of its European subsidiaries were notified that the Commission of the European Communities had initiated an investigation as to possible anticompetitive practices in the amino acid markets, in particular the lysine market, in the European Union. On October 29, 1998, the Commission of the European Communities initiated formal proceedings against the Company and others and adopted a Statement of Objections. The reply of the Company was filed on February 1, 1999 and the hearing was held on March 1, 1999. On August 8, 1999, the Commission of the European Communities adopted a supplementary Statement of Objections expanding the period of involvement as to certain other companies. On June 7, 2000, the Commission of the European Communities adopted a decision imposing a fine against the Company in the amount of EUR 47.3 million. The Company appealed this decision. On July 9, 2003 the court reduced the fine assessed against the Company to EUR 43.9 million. The Company has appealed this decision. In September 1997, the Company received a request for information from the Commission of the European Communities with respect to an investigation being conducted by that Commission into the possible existence of certain agreements and/or concerted practices in the citric acid market in the European Union. On March 28, 2000, the Commission of the European Communities initiated formal proceedings against the Company and others and adopted a Statement of Objections. The reply of the Company was filed on June 9, 2000. On December 17, 2001, the Commission of the European Communities adopted a decision imposing a fine against the Company in the amount of EUR 39.7 million. The Company has appealed this decision. In November 1998, a European subsidiary of the Company received a request for information from the Commission of the European Communities with respect to an investigation being conducted by that Commission into the

possible existence of certain agreements and/or concerted practices in the sodium gluconate market in the European Union. On May 17, 2000, the Commission of the European Communities initiated formal proceedings against the Company and others and adopted a Statement of Objections. The reply of the Company was filed on September 1, 2000. On October 2, 2001, the Commission of the European Communities adopted a decision imposing a fine against the Company in the amount of EUR 10.3 million. The Company has appealed this decision. On May 8, 2000, a Brazilian subsidiary of the Company was notified of the commencement of an administrative proceeding by the Department of Protection and Economic Defense relative to possible anticompetitive practices in the lysine market in Brazil. On July 3, 2000, the Brazilian subsidiary of the Company filed a Statement of Defense in this proceeding.

The ultimate outcome of the proceedings of the Commission of the European Communities and the ultimate outcome and materiality of the proceedings of the Brazilian Department of Protection and Economic Defense cannot presently be determined.

HIGH FRUCTOSE CORN SYRUP ACTIONS

The Company, along with other companies, has been named as a defendant in thirty-one antitrust suits involving the sale of high fructose corn syrup in the United States. Thirty of these actions have been brought as putative class actions.

FEDERAL ACTIONS. Twenty-two of these putative class actions allege violations of federal antitrust laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup, and seek injunctions against continued alleged illegal conduct, treble damages of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative classes in these cases comprise certain direct purchasers of high fructose corn syrup during certain periods in the 1990s. These twenty-two actions have been transferred to the United States District Court for the Central District of Illinois and consolidated under the caption *In Re High Fructose Corn Syrup Antitrust Litigation*, MDL No. 1087 and Master File No. 95-1477. On April 3, 2001, the Company and the other defendants filed motions for summary judgment. On August 23, 2001, the Court entered a written order granting the defendants' motions for summary judgment. On June 18, 2002, the United States Court of Appeals for the Seventh Circuit reversed the district court's grant of summary judgment for defendants. On August 5, 2002, the Court of Appeals denied defendants' petitions for rehearing and rehearing en banc. On February 24, 2003, the United States Supreme Court denied defendants' petitions for writ of certiorari. On March 18, 2004, the Court of Appeals reversed a district court ruling that it did not have the authority to order the case tried before two juries and the district court has announced that it will empanel two juries for the trial in this case; one jury to consider the case against the Company, and another jury to consider the case against any other remaining defendants. Trial of this case is currently set to commence on September 7, 2004.

On January 14, 1997, the Company, along with other companies, was named a defendant in a non-class action antitrust suit involving the sale of high fructose corn syrup and corn syrup. This action which is captioned *Gray & Co. v. Archer Daniels Midland Co., et al.*, No. 97-69-AS, was filed in federal court in Oregon, alleges violations of federal antitrust laws and Oregon and Michigan state antitrust laws, including allegations that the defendants conspired to fix, raise, maintain and stabilize the price of corn syrup and high fructose corn syrup, and seeks treble damages, attorneys' fees and costs of an unspecified amount. This action was transferred for pretrial proceedings to the United States District Court for the Central District of Illinois. On October 25, 2002, the defendants moved for partial summary judgment with respect to the corn syrup claims asserted in this case. On May 13, 2003, the Court denied this motion. On June 24, 2003, the Judicial Panel on Multidistrict Litigation remanded the case back to federal court in Oregon. Trial of this case is currently set to commence on December 7, 2004.

STATE ACTIONS. The Company, along with other companies, also has been named as a defendant in seven putative class action antitrust suits filed in California state court involving the sale of high

fructose corn syrup. These California actions allege violations of the California antitrust and unfair competition laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup, and seek treble damages of an unspecified amount, attorneys' fees and costs, restitution and other unspecified relief. One of the California putative classes comprises certain direct purchasers of high fructose corn syrup in the State of California during certain periods in the 1990s. This action was filed on October 17, 1995 in Superior Court for the County of Stanislaus, California and encaptioned *Kagome Foods, Inc. v. Archer-Daniels-Midland Co. et al.*, Civil Action No. 37236. This action has been removed to federal court and consolidated with the federal class action litigation pending in the Central District of Illinois referred to above. The other six California putative classes comprise certain indirect purchasers of high fructose corn syrup and dextrose in the State of California during certain periods in the 1990s. One such action was filed on July 21, 1995 in the Superior Court of the County of Los Angeles, California and is encaptioned *Borgeson v. Archer-Daniels-Midland Co., et al.*, Civil Action No. BC131940. This action and four other indirect purchaser actions have been coordinated before a single court in Stanislaus County, California under the caption, Food Additives (HFCS) cases, Master File No. 39693. The other four actions are encaptioned, *Goings v. Archer Daniels Midland Co., et al.*, Civil Action No. 750276 (Filed on July 21, 1995, Orange County Superior Court); *Rainbow Acres v. Archer Daniels Midland Co., et al.*, Civil Action No. 974271 (Filed on November 22, 1995, San Francisco County Superior Court); *Patane v. Archer Daniels Midland Co., et al.*, Civil Action No. 212610 (Filed on January 17, 1996, Sonoma County Superior Court); and *St. Stan's Brewing Co. v. Archer Daniels Midland Co., et al.*, Civil Action No. 37237 (Filed on October 17, 1995, Stanislaus County Superior Court). On October 8, 1997, Varni Brothers Corp. filed a complaint in intervention with respect to the coordinated action pending in Stanislaus County Superior Court, asserting the same claims as those advanced in the consolidated class action.

HIGH FRUCTOSE CORN SYRUP/CITRIC ACID STATE CLASS ACTIONS

The Company, along with other companies, has been named as a defendant in five putative class action antitrust suits involving the sale of both high fructose corn syrup and citric acid. Two of these actions allege violations of the California antitrust and unfair competition laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup and citric acid, and seek treble damages of an unspecified amount, attorneys' fees and costs, restitution and other unspecified relief. The putative class in one of these California cases comprises certain direct purchasers of high fructose corn syrup and citric acid in the State of California during the period January 1, 1992 until at least October 1995. This action was filed on October 11, 1995 in the Superior Court of Stanislaus County, California and is entitled *Gangi Bros. Packing Co. v. Archer-Daniels-Midland Co., et al.*, Civil Action No. 37217. The putative class in the other California case comprises certain indirect purchasers of high fructose corn syrup and citric acid in the State of California during the period October 12, 1991 until November 20, 1995. This action was filed on November 20, 1995 in the Superior Court of San Francisco County and is encaptioned *MCFH, Inc. v. Archer-Daniels-Midland Co., et al.*, Civil Action No. 974120. The California Judicial Council has bifurcated the citric acid and high fructose corn syrup claims in these actions and coordinated them with other actions in San Francisco County Superior Court and Stanislaus County Superior Court. As noted in prior filings, the Company accepted a settlement agreement with counsel for the citric acid plaintiff class. This settlement received final court approval and the case was dismissed on September 30, 1998. The Company, along with other companies, also has been named as a defendant in one putative class action antitrust suit filed in West Virginia state court involving the sale of high fructose corn syrup and citric acid. This action alleges violations of the West Virginia antitrust laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup and citric acid, and seeks treble damages of an unspecified amount, attorney's fees and costs, and other unspecified relief. The putative class in the West Virginia action comprises certain entities within the State of West Virginia that purchased products containing high fructose corn syrup and/or citric acid for resale from at least 1992 until 1994. This action was filed on October 26, 1995, in the Circuit Court for Boone County, West Virginia, and is encaptioned *Freda's v. Archer-Daniels-Midland Co., et al.*, Civil Action No. 95-C-125. The Company, along with other companies, also has been named as a defendant in a putative class action

antitrust suit filed in the Superior Court for the District of Columbia involving the sale of high fructose corn syrup and citric acid. This action alleges violations of the District of Columbia antitrust laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup and citric acid, and seeks treble damages of an unspecified amount, attorney's fees and costs, and other unspecified relief. The putative class in the District of Columbia action comprises certain persons within the District of Columbia that purchased products containing high fructose corn syrup and/or citric acid during the period January 1, 1992 through December 31, 1994. This action was filed on April 12, 1996 in the Superior Court for the District of Columbia, and is encaptioned *Holder v. Archer-Daniels-Midland Co., et al.*, Civil Action No. 96-2975. On November 13, 1998, plaintiff's motion for class certification was granted. Plaintiffs are seeking to conduct additional discovery. The Company, along with other companies, has been named as a defendant in a putative class action antitrust suit filed in Kansas state court involving the sale of high fructose corn syrup and citric acid. This action alleges violations of the Kansas antitrust laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup and citric acid, and seeks treble damages of an unspecified amount, court costs and other unspecified relief. The putative class in the Kansas action comprises certain persons within the State of Kansas that purchased products containing high fructose corn syrup and/or citric acid during at least the period January 1, 1992 through December 31, 1994. This action was filed on May 7, 1996 in the District Court of Wyandotte County, Kansas and is encaptioned *Waugh v. Archer-Daniels-Midland Co., et al.*, Case No. 96-C-2029. Plaintiff's motion for class certification is currently pending. On August 20, 2003, plaintiff Lisa Heun filed a motion to substitute herself as plaintiff for Arthur Waugh. That motion is currently pending. On October 9, 2003, Lisa Heun filed a motion to intervene in the action. That motion is currently pending.

HIGH FRUCTOSE CORN SYRUP/CITRIC ACID/LYSINE STATE CLASS ACTIONS

The Company, along with other companies, has been named as a defendant in six putative class action antitrust suits filed in California state court involving the sale of high fructose corn syrup, citric acid and/or lysine. These actions allege violations of the California antitrust and unfair competition laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the prices of high fructose corn syrup, citric acid and/or lysine, and seek treble damages of an unspecified amount, attorneys' fees and costs, restitution and other unspecified relief. One of the putative classes is comprised of certain direct purchasers of high fructose corn syrup, citric acid and/or lysine in the State of California during a certain period in the 1990s. This action was filed on December 18, 1995 in the Superior Court for Stanislaus County, California and is encaptioned *Nu Laid Foods, Inc. v. Archer-Daniels-Midland Co., et al.*, Civil Action No. 39693. The other five putative classes comprise certain indirect purchasers of high fructose corn syrup, citric acid and/or lysine in the State of California during certain periods in the 1990s. One such action was filed on December 14, 1995 in the Superior Court for Stanislaus County, California and is encaptioned *Batson v. Archer-Daniels-Midland Co., et al.*, Civil Action No. 39680. The other actions are encaptioned *Abbott v. Archer Daniels Midland Co., et al.*, No. 41014 (Filed on December 21, 1995, Stanislaus County Superior Court); *Noldin v. Archer Daniels Midland Co., et al.*, No. 41015 (Filed on December 21, 1995, Stanislaus County Superior Court); *Guzman v. Archer Daniels Midland Co., et al.*, No. 41013 (Filed on December 21, 1995, Stanislaus County Superior Court) and *Ricci v. Archer Daniels Midland Co., et al.*, No. 96-AS-00383 (Filed on February 6, 1996, Sacramento County Superior Court). As noted in prior filings, the plaintiffs in these actions and the lysine defendants have executed a settlement agreement that has been approved by the court, and the California Judicial Council has bifurcated the citric acid and high fructose corn syrup claims and coordinated them with other actions in San Francisco County Superior Court and Stanislaus County Superior Court.

MONOSODIUM GLUTAMATE ACTIONS

The Company, along with other companies, has been named as a defendant in twenty-seven putative class action antitrust suits involving the sale of monosodium glutamate and/or other food flavor enhancers in the United States and three putative class action antitrust suits involving the sale of

nucleotides and monosodium glutamate in Canada. Except for the actions specifically described below, all such suits have been settled, dismissed or withdrawn.

CANADIAN ACTIONS. The Company, along with other companies, has been named as a defendant in three actions filed pursuant to the Class Proceedings Act in which the plaintiffs allege that the defendants violated the Competition Act with respect to the sale of nucleotides and monosodium glutamate in Canada. The putative classes are comprised of direct and indirect purchasers in Canada during the period from January 1, 1990 to November 1, 1999. The plaintiffs in these actions seek general, punitive and exemplary damages and “disgorgement of ill-gotten overcharges,” plus prejudgment interest and costs of the actions. The first action was filed on or about September 7, 2001 in the Superior Court of Justice in Toronto, Ontario, and is encaptioned Long Duc Ngo and Christopher McLean v. Ajinomoto U.S.A., Inc., et al., Court File No. 37708. The second action was filed on or about October 4, 2001 in the Supreme Court of British Columbia in Vancouver and is encaptioned Abel Lam and Klas Consulting & Investment Ltd. v. Ajinomoto U.S.A., Inc., et al., Court File No. S015589. The third action was filed on or about October 18, 2001 in the “Cour Superieure” in the Province of Quebec and District of Quebec, and is encaptioned Colette Brochu v. Ajinomoto U.S.A. Inc., et al., No.: 200-06-000019-011. On September 19, 2002, the plaintiffs in the Ontario class action served a motion seeking to amend the Statement of Claim to remove all allegations relating to the sale of nucleotides and to launch a separate class action in respect of the sale of nucleotides. On December 10, 2002, the plaintiffs withdrew this motion and advised that they no longer intend to sever the monosodium glutamate and nucleotides claims. The plaintiffs further advised on December 10, 2002 that they would be serving a further Amended Statement of Claim. The Amended Statement of Claim was served on September 3, 2003. On May 28, 2003, the Company and the plaintiffs in these three actions reached an agreement pursuant to which the Company will pay the plaintiffs C\$150,000, plus up to C\$25,000 in costs related to providing notice of this settlement. The plaintiffs have also reached a settlement with all of the other defendants except Tung Hai Fermentation Industrial Corp. Tung Hai is a Taiwanese company that has never responded to the action. The plaintiffs have now discontinued the action against Tung Hai. The settling defendants have all executed settlement agreements with the plaintiffs. The settlement with the Company is conditional upon the Courts’ approval of all of the settlements in each action. A hearing to approve the settlements in the Ontario class action was conducted on November 24, 2003 and continued on December 18, 2003 and March 2, 2004. The settlements were approved by the Ontario Superior Court of Justice on March 10, 2004. A hearing to approve the settlements in the British Columbia class action was conducted on December 19, 2003 and the settlements were approved by the Supreme Court of British Columbia on April 16, 2004. No date has yet been set for a hearing to approve the settlements in Quebec.

STATE ACTIONS. The Company, along with at least one other company, has been named as a defendant in four putative class action antitrust suits filed in California state court involving the sale of monosodium glutamate and/or other food flavor enhancers. These actions allege violations of California antitrust and unfair competition laws, including allegations that the defendants agreed to fix, stabilize and maintain at artificially high levels the price of monosodium glutamate and/or other food flavor enhancers, and seek treble damages of an unspecified amount, restitution, attorneys’ fees and costs, and other unspecified relief. The putative classes in these actions comprise certain indirect purchasers of monosodium glutamate and/or other food flavor enhancers in the State of California during certain periods in the 1990’s. The first action originally was filed on June 25, 1999 in the Superior Court of San Francisco County and is encaptioned Fu’s Garden Restaurant v. Archer-Daniels-Midland Company, et al., Civil Action No. 304471. The second action was filed on January 14, 2000 in the Superior Court of San Francisco County and is encaptioned JMN Restaurant Management, Inc. v. Ajinomoto Co., Inc., et al., Civil Action No. 309236. The third action was filed on May 2, 2000 in the Superior Court of San Francisco County and is encaptioned Tanuki Restaurant and Lilly Zapanta v. Archer Daniels Midland Co., et al., Civil Action No. 311871. The fourth action was filed on May 24, 2000 in the Superior Court of San Francisco County and is encaptioned Tasty Sunrise Burgers v. Archer Daniels Midland Co., et al., Civil Action No. 312373. On June 19, 2000, the Court consolidated all of these cases for pretrial and trial purposes. The Company and the plaintiffs in these actions have executed a settlement agreement pursuant to which the Company will

pay the plaintiffs \$50,000. This settlement has been preliminarily approved by the court. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Massachusetts state court involving the sale of monosodium glutamate and/or other food flavor enhancers. The action alleges violations of the Massachusetts Consumer Protection Act, including allegations that the defendants agreed to fix prices, allocate market shares and eliminate and suppress competition in the sale of monosodium glutamate, nucleotides and other food flavor enhancers, and seeks treble damages of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises persons within the State of Massachusetts that purchased for consumer purposes products containing monosodium glutamate and/or nucleotides between January 1990 and August 23, 2001. This action was filed on June 5, 2002 in Middlesex Superior Court, and is encaptioned *Fortin v. Ajinomoto U.S.A., Inc., et al.*, Civil Action No. 02-2345. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Kansas state court involving the sale of monosodium glutamate and nucleotides. This class action alleges violations of the Kansas antitrust statute and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in Kansas that indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1983 and September 1999. This action was filed on September 9, 2003 in the Circuit Court for Johnson County, Kansas and is encaptioned *Smith v. Archer Daniels Midland Co., et al.*, Case No. 03-CV-06474. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Wisconsin state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the laws of the States of Arizona, California, Florida, Hawaii, Kansas, Maine, Massachusetts, Michigan, Minnesota, Nevada, New Mexico, New York, North Carolina, North Dakota, South Dakota, Tennessee and West Virginia, as well as the District of Columbia and Puerto Rico. The action includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in the above-referenced jurisdictions who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1989 and November 25, 2002. This action was filed on November 25, 2002 in the Circuit Court for Dane County, Wisconsin and is encaptioned *Lief v. Archer Daniels Midland Co., et al.*, Case No. 02-CV-3697. On March 12, 2003, the Company and other defendants removed this action to the United States District Court for the Western District of Wisconsin. On May 6, 2003, the Judicial Panel on Multidistrict Litigation transferred this action to the District of Minnesota for coordinated pretrial proceedings. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in South Dakota state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the South Dakota antitrust statute and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in South Dakota who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1983 and September 1999. This action was filed on September 3, 2003 in the Circuit Court for Pennington County, South Dakota and is encaptioned *Berger v. Archer Daniels Midland Co., et al.*, Case No. 03-CV-964. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in North Carolina state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the laws of the States of Arizona, Arkansas, Florida, Hawaii, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, South Dakota, Tennessee, Vermont, West Virginia and Wisconsin, as well as the District of Columbia and Puerto Rico. The action includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and

other unspecified relief. The putative class in this action comprises all persons or entities in the above referenced jurisdictions who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1983 and September 1999. This action was filed on September 3, 2003 in Mecklenburg County Superior Court and is encaptioned Thai Holdings of Charlotte, Inc. v. Archer Daniels Midland Co., et al., Case No. 03-CVS-15906. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Michigan state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the Michigan antitrust statute, as well as a claim for civil conspiracy, and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in Michigan who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1983 and September 1999. This action was filed on September 4, 2003 in the Circuit Court for Wayne County, Michigan and is encaptioned National Coney Island, Inc. v. Archer Daniels Midland Co., et al., Case No. 03-329445. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Arizona state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the Arizona antitrust statute, as well as a claim for civil conspiracy, and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in Arizona who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1983 and September 1999. This action was filed on September 8, 2003 in Maricopa County Superior Court and is encaptioned Auer v. Archer Daniels Midland Co., et al., Case No. CV-2003-017157. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in the Superior Court for the District of Columbia involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the Arizona antitrust statute, as well as a claim for civil conspiracy, and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in the District of Columbia who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1, 1983 and September 1999. This action was filed on September 9, 2003 in the District of Columbia Superior Court and is encaptioned Wondrack v. Archer Daniels Midland Co., et al., Case No. 03-CA-007542. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in West Virginia state court involving the sale of monosodium glutamate and nucleotides. This action alleges violation of the West Virginia Antitrust Act and includes allegations that the defendants agreed to fix, raise, maintain and stabilize prices at artificially high and noncompetitive levels, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities present in West Virginia who indirectly purchased monosodium glutamate and/or nucleotides manufactured by any defendant from January 1983 to September 1999. This action was filed on September 8, 2003 in the Circuit Court of Hancock County, West Virginia and is encaptioned Marie C. Dodson, et al v. Archer-Daniels-Midland Co., et al., Civil Action No.: 03-C-168G. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit in Minnesota state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the Minnesota antitrust statute and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in Minnesota who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1983 and September 1999. This action was commenced on September 3, 2003 in the Fourth Judicial District of

Hennepin County, Minnesota and is captioned Mannings Café, Inc. v. Archer Daniels Midland Co., et al. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Tennessee state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the Tennessee antitrust statute and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including actual damages and the full consideration or sum paid for monosodium glutamate or nucleotides or products containing these ingredients, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in Tennessee who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1983 and August 2001. This action was filed on September 5, 2003 in the Circuit Court of Davidson County, Tennessee and is captioned Williams v. Archer Daniels Midland Co., et al., Case No. 03-C-2544. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in Florida state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the Florida antitrust statute and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including actual damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in Florida who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1983 and September 1999. This action was filed on September 5, 2003 in the Seventeenth Judicial Circuit Court of Broward County, Florida and is captioned O'Kane, et al. v. Archer Daniels Midland Co., et al., Case No. 0315633. The Company, along with other defendants, also has been named as a defendant in one putative class action antitrust suit filed in New Mexico state court involving the sale of monosodium glutamate and nucleotides. The action alleges violations of the New Mexico antitrust statute and includes allegations that the defendants agreed to fix, stabilize, control and maintain the prices for monosodium glutamate and nucleotides, and seeks damages, including treble damages, of an unspecified amount, attorneys' fees and costs, and other unspecified relief. The putative class in this action comprises all persons or entities in New Mexico who indirectly purchased monosodium glutamate or nucleotides, or products containing these ingredients for human and/or animal consumption, between January 1983 and September 1999. This action was filed on September 8, 2003 in the Second Judicial District Court of Bernalillo County, New Mexico and is captioned Higgins v. Archer Daniels Midland Co., et al., Case No. CV-2003-06168.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

(e) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Number of Shares Remaining to be Purchased Under the Program (1)
January 1, 2004 to January 31, 2004	339	\$15.15	339	20,911,900
February 1, 2004 to February 29, 2004	264	15.57	264	20,911,636
March 1, 2004 to March 31, 2004	5,444	17.27	5,444	20,906,192
Total	6,047	\$17.08	6,047	20,906,192

- (1) On October 19, 1995, the Company's Board of Directors adopted a stock repurchase program authorizing the Company to repurchase up to 25,000,000 shares of the Company's common stock which was due to expire on October 19, 1997. On April 17, 1997, July 30, 1999, August 2, 2001, and August 8, 2002, the Company's Board of Directors extended the stock repurchase program and increased the number of shares authorized for repurchase under the program by 20,000,000, 20,000,000, 20,000,000, and 15,000,000 shares, respectively. The stock repurchase program currently expires on December 31, 2004.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

- (3)(i) Composite Certificate of Incorporation, as amended, filed on November 13, 2001 as exhibit 3(i) to Form 10-Q for the quarter ended September 30, 2001, is incorporated herein by reference.
- (ii) Bylaws, as amended and restated, filed on May 12, 2000 as Exhibit 3(ii) to Form 10-Q for the quarter ended March 31, 2000, are incorporated herein by reference.
- 31.1 Rule 13a – 14(a)/15d-14(a) Certification of the Chief Executive Officer.
- 31.2 Rule 13a – 14(a)/15d-14(a) Certification of the Chief Financial Officer.
- 32.1 Section 1350 Certification of the Chief Executive Officer.
- 32.2 Section 1350 Certification of the Chief Financial Officer.

- b) A Form 8-K was filed on January 30, 2004, in connection with the issuance of the press release announcing the Company's results for the quarter and six months ended December 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARCHER-DANIELS-MIDLAND
COMPANY

/s/ D. J. Schmalz
D. J. Schmalz
Senior Vice President
and Chief Financial Officer

/s/ D. J. Smith
D. J. Smith
Executive Vice President, Secretary and
General Counsel

Dated: May 13, 2004

RULE 13a – 14(a)/15d-14(a) CERTIFICATION

I, G. A. Andreas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Archer-Daniels-Midland Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2004

/s/ G. A. Andreas
G. A. Andreas
Chairman and Chief Executive

RULE 13a – 14(a)/15d-14(a) CERTIFICATION

I, D. J. Schmalz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Archer-Daniels-Midland Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2004

/s/ D. J. Schmalz
D. J. Schmalz
Senior Vice President and
Chief Financial Officer

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Archer-Daniels-Midland Company (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, G. A. Andreas, Chairman and Chief Executive of the Company, certify that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ G. A. Andreas
G. A. Andreas
Chairman and Chief Executive
May 13, 2004

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Archer-Daniels-Midland Company (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, D. J. Schmalz, Senior Vice President and Chief Financial Officer of the Company, certify that:

- (iii) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (iv) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ D. J. Schmalz
D. J. Schmalz
Senior Vice President and
Chief Financial Officer
May 13, 2004