
ADM
2006 ANNUAL REPORT
WE SEE OPPORTUNITY
ARCHER DANIELS MIDLAND COMPANY

A Tribute

Our Company enters fiscal 2007 with strong momentum and a broad array of opportunities for profitable growth. Our asset base is well-positioned and our people are capitalizing on the opportunities presented by global demand. ADM's strength today reflects the dedication of thousands of people and the leadership, guidance and counsel provided by G. Allen Andreas, ADM's Chairman of the Board and recently retired Chief Executive Officer.

Allen joined ADM in 1973, after several years with the U.S. Treasury Department, and was named treasurer of the Company in 1986. After fulfilling a number of important roles in Europe and at corporate headquarters in Decatur, Allen was named Chief Executive Officer in fiscal 1997. It was a time of structural change in both agriculture and world trade, as robust U.S. growth gave way to reduced demand and unused capacity. For ADM, global changes required a change of focus from a prior emphasis on U.S. processing and exports to a more global mindset.

With insight and determination, Allen directed both consolidation in North America and global repositioning of ADM assets. We expanded facilities in Europe, South America and Asia and established leadership positions in these important markets. Our global business model yielded greater balance, which translated into higher operating margins and return on shareholders' equity. Today, ADM's global franchise and operating performance reflect the wisdom of Allen's leadership.

Allen brought important changes internally, as well. Turning his attention to corporate governance issues, he led a series of improvements in board practices, internal controls and corporate transparency.

When Allen retired as Chief Executive earlier this year, he transferred stewardship of a company that is much stronger than it was at the time of his appointment. As the Board of ADM, we offer our deeply heartfelt thanks for Allen's invaluable leadership.

ADM

FINANCIAL HIGHLIGHTS

	2006	2005
	(Dollars in thousands except share data)	
Net sales and other operating income	**$ 36,596,111**	$ 35,943,810
Net earnings	**1,312,070**	1,044,385
Cash dividends	**241,995**	209,425
Gross additions to property, plant, and equipment	**840,569**	647,378
Depreciation	**656,714**	664,652
Working capital	**5,661,510**	4,343,837
Net property, plant and equipment	**5,293,032**	5,184,380
Long-term debt	**4,050,323**	3,530,140
Shareholders' equity	**$ 9,806,880**	$ 8,433,472
Weighted average shares outstanding – basic	**653,588,000**	654,242,000
Weighted average shares outstanding – diluted	**656,287,000**	656,123,000
Per common share		
Net earnings – basic	**$ 2.01**	$ 1.60
Net earnings – diluted	**2.00**	1.59
Cash dividends	**.37**	0.32
Working capital	**8.63**	6.68
Shareholders' equity	**$ 14.96**	$ 12.97
Number of shareholders	**19,134**	23,091
Number of employees	**26,821**	25,641

TABLE OF CONTENTS

A Tribute ... Inside Front Cover
Financial Highlights ... 1
Letter to Shareholders and Employees ... 2
We See Opportunity ... 6
Financial Review (MD&A) ... 25
Financial Statements and Notes ... 39
Quarterly Financial Data ... 58
Common Stock Market Prices and Dividends ... 59
Ten-Year Summary ... 60
Directors ... 62
Corporate Officers ... 64
Stockholder Information ... Inside Back Cover

TO THE SHAREHOLDERS AND EMPLOYEES OF ADM:

Since the first of May, when I became Chief Executive Officer, I have been asked about my view of the future for our Company. My view can be summed up in the title of this annual report:

We See Opportunity...

Most dynamic, successful companies on a trajectory of growth inevitably encounter critical points of change that present unprecedented opportunity for positive, long-term growth. ADM has arrived at such a point.

Patricia A. Woertz
Chief Executive Officer and President

Two major world developments are before us: the growing demand for food to feed a rising world population and the quest for alternative fuel sources to supply expanding energy needs. ADM is uniquely positioned in the intersection of these two developments, with the expertise and capacity to address <u>both</u>.

To do so, ADM and our partners along the supply chain must aggressively pursue technological advancements to make agricultural or dormant land more productive, to process renewable resources more efficiently, and to create new fuel and industrial products. These technological advances are already occurring.

At the same time, our Company must choose to move forward with a sense of purpose. We must have the desire and ability to drive growth simultaneously in both food and biofuels. Without question, we have that desire and ability. Clearly, this is the opportunity we see.

Record Performance

Our performance last year provides strong momentum to capitalize on these opportunities. In fiscal 2006, we achieved our second consecutive year of record earnings and extended our record of uninterrupted dividends to 74 years. Net earnings increased 26% to $1.3 billion, or $2.00 per share.

Credit for this performance goes to ADM employees. In a year of change, they continued to focus on capturing opportunities through market insight, technological savvy and commitment to customers' needs. Their efforts—aligned with our Company's sound strategy, well-positioned portfolio of global assets and strong leadership team—enhanced our foundation for future growth.

Strategic Progress

In 2006, we executed strongly against our key business strategies.

We announced expansion of our U.S. ethanol capacity to 1.65 billion gallons annually, building new dry-milling facilities adjacent to existing corn wet-milling plants.

Leveraging our experience and success in the biodiesel market in Europe, we are building biodiesel plants in the U.S. and South America.

We continue to increase the flexibility of our processing capabilities to meet changing market conditions. In Europe, we are modifying our Netherlands soybean crushing facility to process both rapeseed and soybeans. We are also building a palm oil refinery at our facility in Hamburg, Germany, which will become Europe's largest refinery capable of simultaneously refining rapeseed, soy and palm oils.

We continue to enhance our strong, legacy position in food processing through investments to serve growing markets, including building a new cocoa processing facility in the U.S. to meet increasing needs for high-quality cocoa ingredients.

We are also investing in new areas that have the potential to grow into legacy positions. The convergence of factors that is stimulating the quest for renewable fuel sources—constrained oil supply, rising energy demand, geopolitical uncertainty and environmental concern—is also creating enhanced opportunities for bio-based industrial products. In partnership with Metabolix, we are building the first commercial plant to produce PHA plastics. And we announced plans to build a propylene glycol facility to create renewable alternatives to petroleum-based industrial chemicals.

We continue to align our assets to balance capacity with demand and rationalize our portfolio. We completed the consolidation of our specialty fats business in the U.K. and closed our citric acid facility in Ireland. In Brazil, we closed two of our oilseed processing plants to adjust to changing market conditions.

As an energy producer, we take seriously our responsibility to be an energy conserver. We are building coal-fired co-generation plants in Nebraska and Iowa to help our corn milling operations become even more energy efficient.

Our planned capital spending program for fiscal years 2007-2008 is over $2.4 billion. This substantially increased level of investment is well-supported by our financial strength and aligned with a strong portfolio of growth projects matched to a remarkable set of opportunities.

Accelerating Performance

Remarkable opportunities require remarkable people to bring them to fruition. At ADM, we have such people. Their extraordinary range of talents and expertise is a fundamental strength of our Company.

Our leadership team has defined the key operational priorities that will facilitate our growth. Chief among them is continuous learning, to accelerate the already strong performance of our people. We also recognize the need for our Company's leadership to provide the foundation for

The ADM Strategic Planning Committee (*from left: Brian Peterson, William Camp, Steven Mills, David Smith, Patricia Woertz, Douglas Schmalz and John Rice*) discusses corporate growth initiatives.

a culture that fosters strong ethics. Staying safe, managing costs and enabling capital discipline round out the priorities that will enable us to arrive at our ultimate destination: sustained profitable growth.

I have asked each member of our senior leadership team to champion a key area to drive this progress. Our goal is to create the conditions where our people can contribute the best that is in them, where they unite around deeply held values and a shared view of what we want to accomplish, and where they feel supported, appreciated and inspired to do the best work of their lives.

Looking Forward

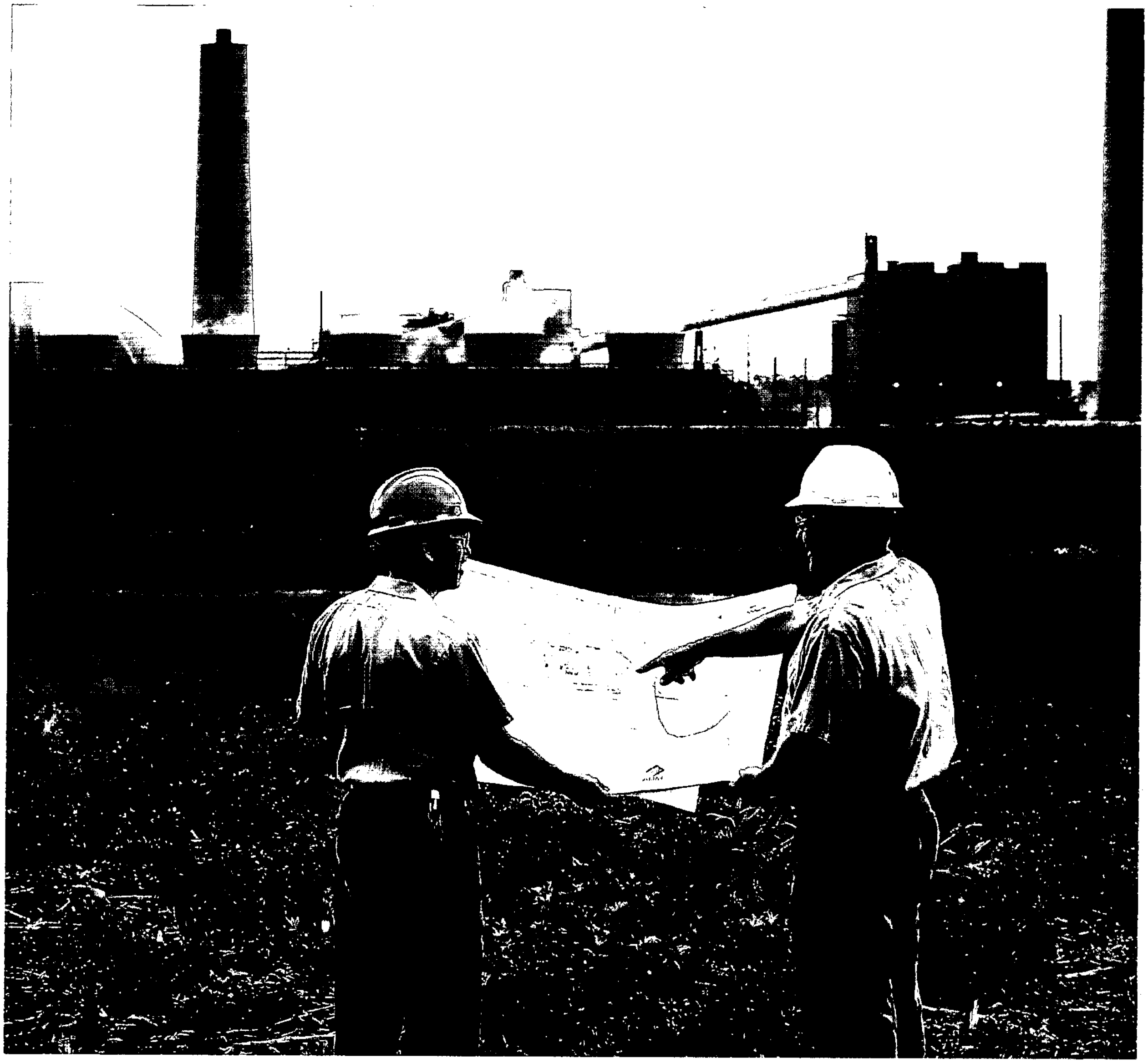
As the world's need for food and biofuels grows, competitive advantage will go to companies that recognize and are able to respond to the interconnected nature of these needs. We are such a company. Our strengths include: strong relationships with farmers, access to crops, agricultural processing expertise, the ability to produce a variety of products, the agility to align production with changing market needs, innovative partnerships with customers, and the extensive logistical capabilities to link crops to products and products to markets. In the pages of this annual report, you will read about some of the actions we are taking to build on these strengths. More importantly, you will meet some of the people through whom we see and realize opportunity.

A discussion of opportunity would not be complete without expressing our gratitude to Allen Andreas, Chairman of the Board, whose leadership positioned our Company to capitalize on our opportunity. I am grateful for the encouragement and wise counsel he has given me. I also want to thank all of our directors for their support and for the enthusiasm with which they view our future.

Finally, this letter began with the message: We see opportunity. By focusing on the unprecedented opportunity in both food and biofuels and by emphasizing ADM's historic and emerging strengths, we move forward with a new sense of purpose—one that invigorates the long-running performance of our Company.

Patricia A. Woertz

Patricia A. Woertz
Chief Executive Officer and President



EXPANDING THE CORN VALUE STREAM

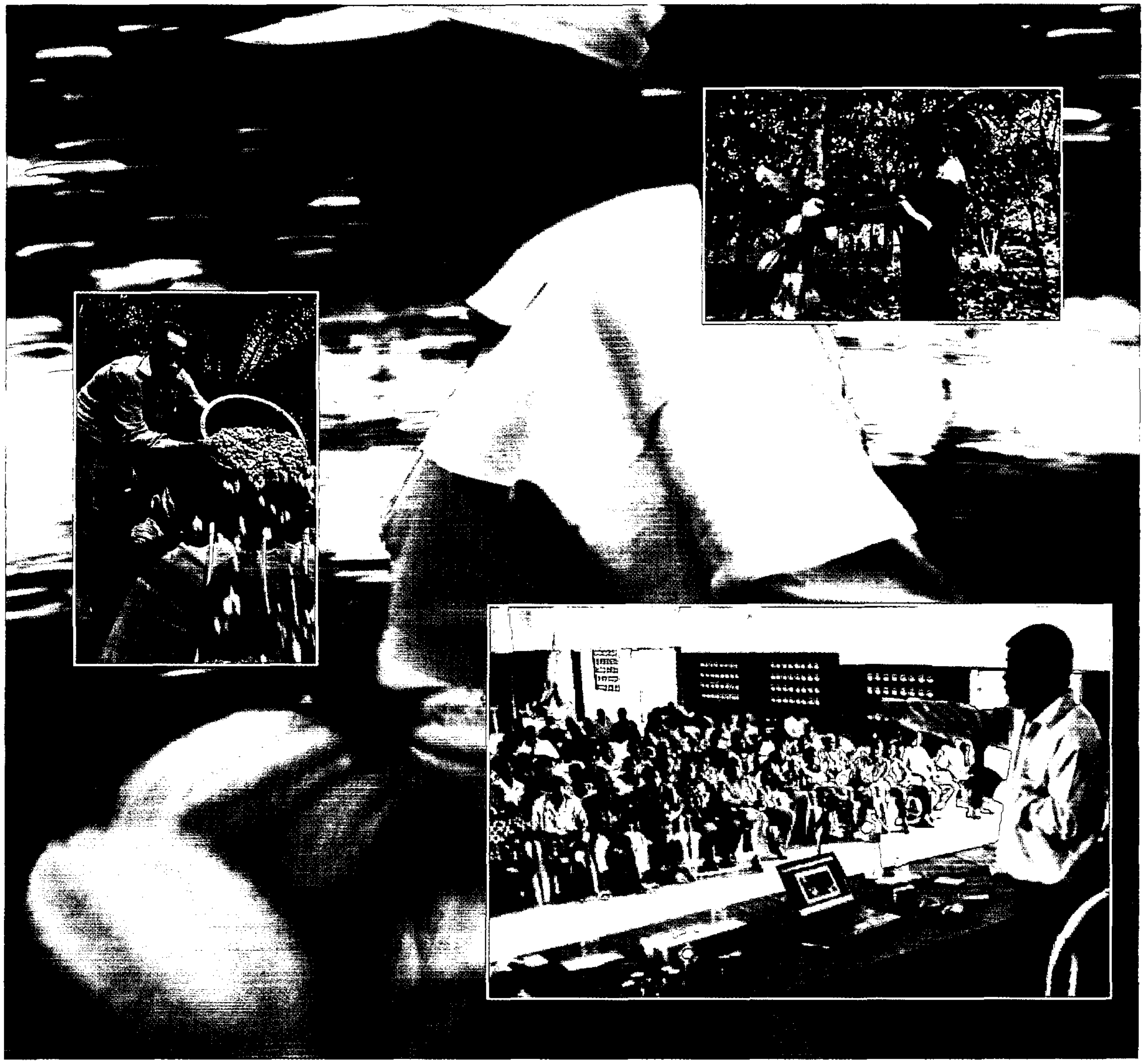
At the site of ADM's 275-million-gallon ethanol plant expansion in Cedar Rapids, Iowa, Brian Miller, Project Manager, and Terry Starry, Electrical Superintendent, review development plans.

Expanded uses of core crops yield opportunities for higher returns along the entire value stream. Each use of renewable resources adds to earnings potential, while improving the supply/demand balance for the entire portfolio of products derived from the same crop.

Corn starch—about 55% of each kernel of corn—is transformed into more than 25 products today, with potential new applications as varied as biodegradable packaging and antifreeze. Most recently, demand has increased sharply for ethanol derived from corn. In the United States, where essentially all gasoline powered vehicles can accommodate blends containing 10% ethanol, demand levels of about 14 billion gallons per year—approximately 10% of total gasoline supply—are achievable. Vehicles that use an 85% ethanol blend (E85) could expand the market further. Meanwhile, all existing and publicly announced ethanol facilities as of mid-year 2006 have aggregate production capacity well below these potential demand levels.

With the largest share of the ethanol market and a successful track record of production and marketing, ADM plans to expand its 1.1-billion-gallon capacity by the end of 2008, with two 275-million-gallon expansions: one at Columbus, Nebraska and the other at Cedar Rapids, Iowa.

Growing demand for ethanol can bring value to farmers and improve the supply/demand balance for petroleum-based fuels. ADM plans to maintain its leadership position in the ethanol market, along with other products from the corn value stream, capitalizing on new opportunities for this versatile crop.



ADDING SUSTAINABILITY TO CROPS—AND FARMS

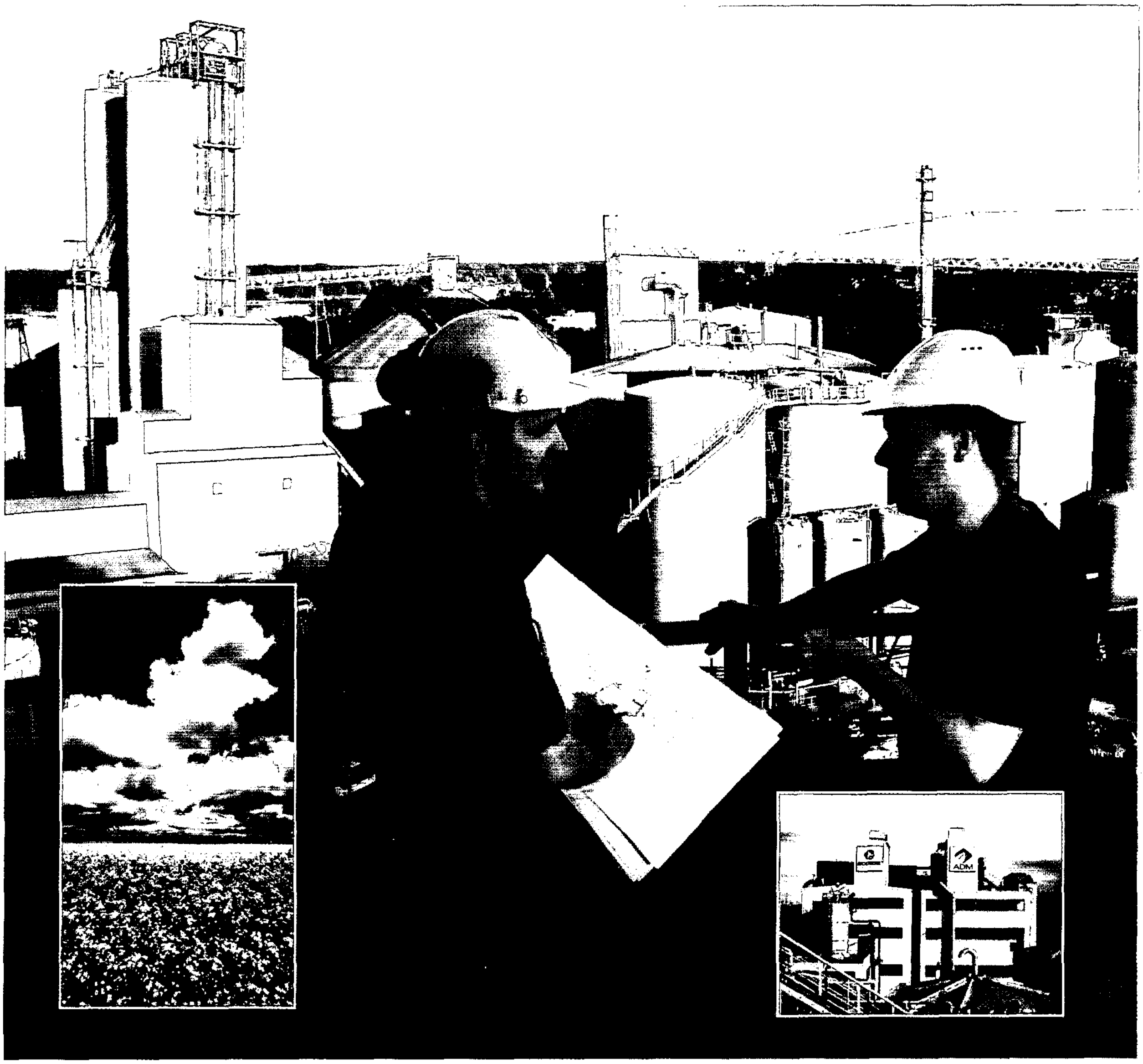
Commitment to farmers and workers creates the opportunity for enhanced sustainability of both farms and agricultural communities. Healthy, properly trained partners increase success by many measures.

Global businesses must seek growth that is both profitable and sustainable. Especially in developing nations, where farming is often an arduous task and community resources are scarce, support for the local community is a key adjunct to investment in facilities.

In the Republic of Côte d'Ivoire, David Loue, Director, Agricultural Production–ADM Cocoa Sifca, leads a classroom training program for representatives of regional cocoa farm cooperatives.

Within the Republic of Côte d'Ivoire (Ivory Coast), where ADM facilities source and process cocoa for an eager world, the Company works with farm cooperatives to help their members become more productive and successful. Sustainable farming practices yield both higher-quality cocoa for ADM and a higher living standard for cocoa farmers. In ADM facilities, health and safety programs deliver hygiene awareness and worker protection for both full-time and temporary workers. AIDS awareness and prevention programs teach employees and others about the risk and avoidance of this deadly disease. Benefits from these practices include measurable improvement in product quality, efficiency and profitability, along with immeasurable contributions to quality and sustainability of life.

As customers rely increasingly on ADM and the taste of chocolate builds its global following, local commitment will continue to include important investments in both facilities and the people who make them work.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BUILDING GLOBAL BIODIESEL CAPACITY

In Mainz, Germany, Plant Manager Joerg Winter (left) and Biodiesel Project Manager Jens Meyer survey ADM's biodiesel facility.

Global demand for renewable fuels offers multiple opportunities to derive added value from crop origination, processing and distribution. Renewable fuels expand farm economies while bringing new choices to energy consumers around the world.

Biodiesel fuels, produced from oilseeds, represent an attractive application for soybean, rapeseed and palm oils. While biodiesel opportunities are global, growth strategies must reflect both local oilseed availability and regional developments. In the European Union, for example, the EU25 program anticipates that 5.75% of vehicle fuel needs will be served by renewable fuels, including biodiesel, in 2010—up from less than 2% in 2005.

ADM has responded with regional biodiesel strategies that capitalize on the Company's unique combination of origination infrastructure, processing facilities and transportation capability. In Germany, ADM recently added 275,000 metric tons of biodiesel capacity in Mainz and plans to complete a 150,000-metric-ton expansion in Hamburg in 2007. When the Hamburg expansion is completed, ADM will have approximately 1 million metric tons of annual biodiesel capacity in Europe. The Company also is converting a portion of its Netherlands soybean facility to help meet growing demand for rapeseed oil.

Elsewhere, ADM plans to begin operations at a joint venture biodiesel facility in Mexico, Missouri in the fall of 2006 and at a wholly-owned plant in Velva, North Dakota in 2007. Recently, ADM announced plans for a biodiesel facility in Rondonopolis, Brazil.

ADM recognizes the opportunity biodiesel fuels bring as a high-value component of the oilseed product stream. Biodiesel offers added value to farmers and creates energy options for consumers around the world, making it a uniquely attractive product for investment by ADM.


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ENHANCING CUSTOMERS' GROWTH OPPORTUNITIES

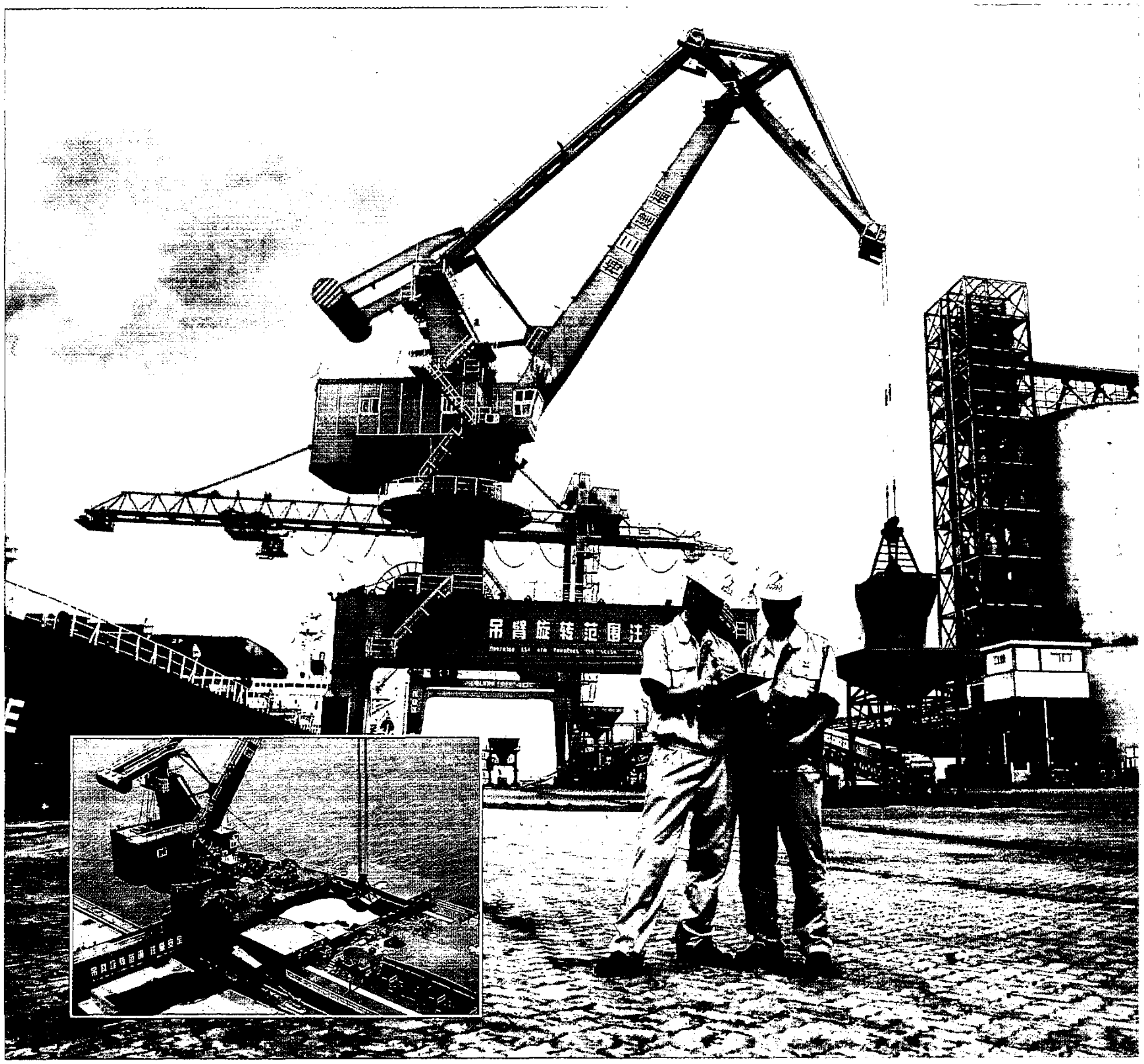
Brook Carson, Product Applications Technologist; Adam Synoground, Bakery Research Scientist; and Julie Ohmen, Aspire Business Manager; study ADM food ingredients at the Company's Randall Research Center in Decatur, Illinois.

Productive partnerships with customers create opportunities to increase both product sales and long-term relationships. From joint planning for new products to capital investment decisions, customer focus yields mutual benefit.

ADM has a long history of working with customers to coordinate resources, manage commodity risk and assure long-term supplies. The Company provides specific blends of ingredients to many of its customers and leverages its strong distribution expertise to manage customer delivery and inventory requirements. Food, feed and industrial companies rely on ADM to match deliveries with specific production schedules developed weeks or months in advance. In some cases, capital investments are influenced by the service requirements of large, long-term clients.

Recently, demand for healthier foods has accelerated joint product planning efforts. When costs of new processing requirements or steep learning curves threaten to stymie product development, ADM's Aspire Food Systems connects customers with both product expertise and available manufacturing services. By removing obstacles in the development stage, ADM can help customers bring products to market faster and with lower risk. Along the way, ADM identifies new applications for such ingredients as isolated soy and wheat proteins, dietary fiber, edible bean powders and low-trans-fat shortening.

Joint planning and management of processes lead to stronger long-term relationships and more predictable business patterns. Closer collaboration with customers is an increasingly important component of ADM growth strategies.



INVESTING TO MEET RISING MARKET DEMAND

At the port of Quangang in China, Zhang Hui Bin, Grain Silos Operation Supervisor, and Lin Xiao Bin, Warehouse Materials Operator, oversee the delivery of soybeans for processing plants operated by ADM joint venture partners.

Trade and processing opportunities flow from economic expansion, as growing wealth translates into more sophisticated dietary demands. When incomes rise, consumers add increasing amounts of meat protein and packaged foods to the dinner table.

This pattern is exemplified by growth in Asian markets, where wealth created by strong export economies drives rising demand for oilseeds—primarily soybeans. Oilseeds from North and South America feed important markets for both animal feeds and vegetable oils in China and other growing economies.

ADM is a major supplier of oilseeds to China and other Asian nations. ADM and its joint venture partners operate 20 facilities in China, where ADM made its first investments in 1994. Soybeans from ADM origination facilities in both North and South America arrive in a steady stream to fuel the growth of food and feed processors who consider ADM a most valuable partner.

As individual income growth facilitates new choices, it also creates new investment opportunities for ADM and its partners. The long-term potential for Asian economic growth is strong and ADM is committed to these markets.

CULTIVATING TALENT

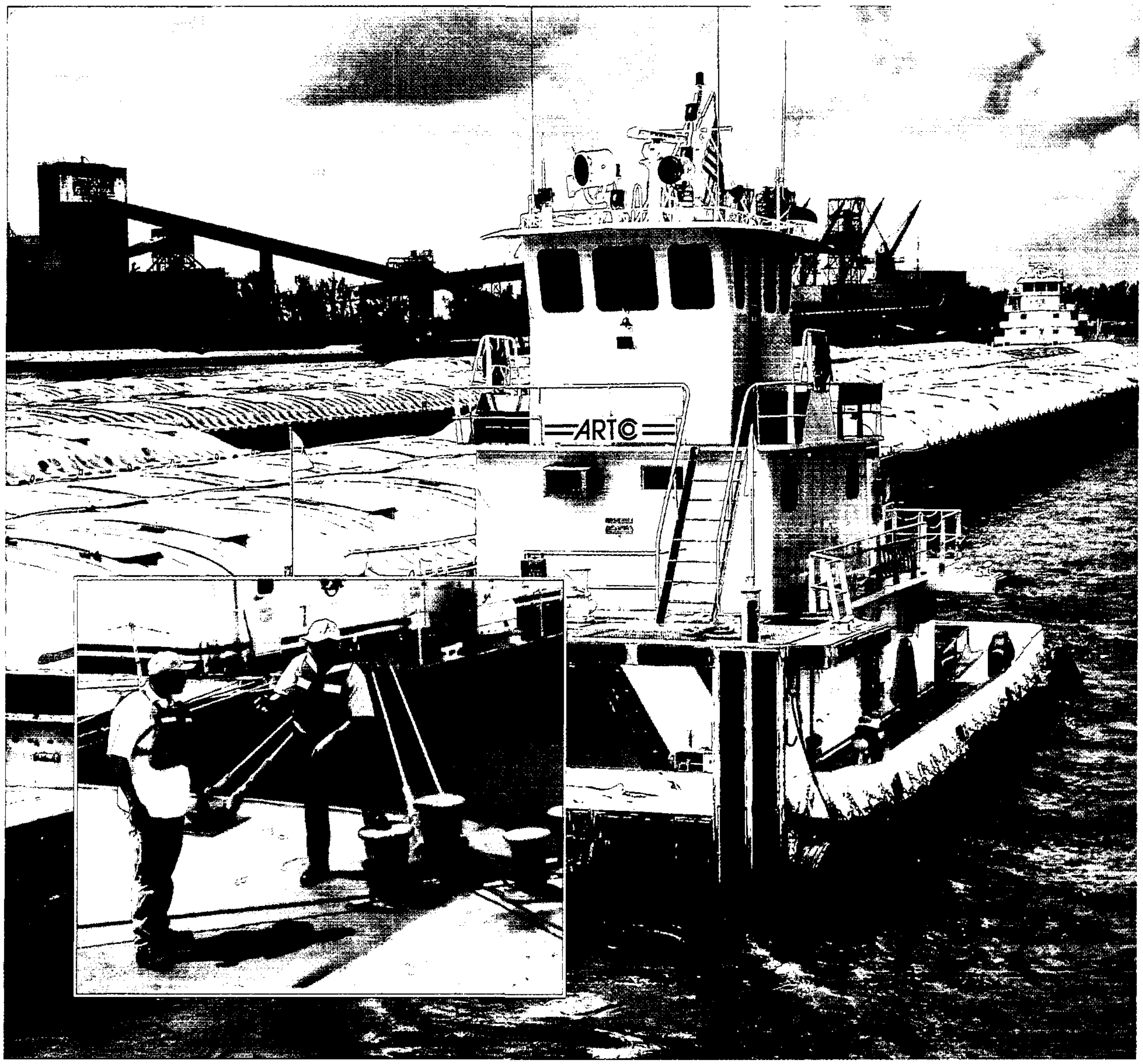
New perspectives offer new opportunities to improve processes and expand the value of key products at ADM. They also reveal the opportunities presented by ADM as the career destination for talented professionals.

ADM's asset base and financial strength are powerful resources, but these tools add no value without the insight and effort of more than 26,000 people. ADM raises the value of its intellectual capital through a wide array of training and staff development programs, from basic skills through executive leadership development.

In the research lab, the office and the field, ADM interns gain valuable experience and insights as they work on key projects in a complex and challenging environment.

In addition to training for existing staff, ADM is an aggressive recruiter of college interns who seek real-world experience in a complex corporate environment. The internship program provides new ideas and energetic, committed employees to ADM, while college students discover the wide array of career paths within the agri-business arena. From crop research to energy efficiency, food processing, logistics and risk management, ADM interns receive an eye-opening experience and an attractive career path.

The Company anticipates increased investment in staff development initiatives as a means of building intellectual capital and strengthening the corporate culture. Expanded recruitment of promising individuals from major universities can support these goals.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DELIVERING WHAT...WHEN... WHERE IT'S NEEDED

On the Mississippi River, Patrick Johnson, Safety Director, and Beonia Ellis, watchman on the m/v American Pillar, discuss the ongoing process of grain deliveries to ADM export facilities at the Port of New Orleans (background).

Agricultural markets and the processing of crops are ultimately dependent on physical movement of goods. Transportation capacity and logistics expertise present an ongoing opportunity to control costs, increase flexibility and improve customer service across the world.

ADM's fleet of more than 20,000 railcars, 2,000 barges and 1,500 tractor-trailers connects with 500 crop storage elevators and over 240 ADM processing facilities to provide a unique competitive advantage in world markets. The Company extends its advantage by leasing and contracting additional equipment to increase capacity while limiting capital investment. ADM's transportation network and logistics expertise extend the Company's ability to coordinate origination, processing and distribution of multiple commodities to thousands of customers.

Evidence of ADM's distribution strength is demonstrated daily as, to cite a few examples: the Company moves hundreds of barges of corn and soybeans down the Mississippi River, bringing iron ore and other commodities back on the return trip; ships laden with soybeans from ADM facilities in South America and the United States cross the Pacific Ocean on their way to ADM joint venture processing operations in China; unit trains of ethanol traverse the Great Plains to California; and both protein meal and biodiesel fuels are delivered across Europe.

Agricultural processing depends on physical movement of commodities, which makes transportation logistics an important competitive advantage at ADM. These strengths will continue to be a focal point of ADM's strategies for profitable growth across the globe.

MANAGING RISK

Traders Kenny Bayless (standing) and Greg Morris compare notes on commodity markets and hedging strategies at ADM's trading floor in Decatur, Illinois.

Long-term returns on assets flow from continuous adjustments to changing commodity markets. Effective hedging and other risk management strategies ensure that opportunities for profitable growth can be realized.

ADM manages commodity risk through a global network of trading professionals and risk managers who hedge positions across cash and futures markets and within ADM's own order book. Risk management offices on four continents establish local hedges that are balanced in a consolidated corporate position. By matching input costs and product pricing, the Company can lock in its processing margins on both current and future sales.

Risk management expertise applies, as well, when long-term investments are considered. While superior insights into commodity markets help identify attractive opportunities for asset investment, ADM also engages in joint ventures, licensing and other risk-sharing mechanisms to balance opportunity with risk. Joint ventures and other collaborations with intellectual property partners combine attractive new technologies with ADM's proven expertise at large-scale manufacturing—reducing the risk and increasing the opportunity of success.

As markets increase in size and complexity, effective hedging of commodities and insightful applications of capital are key components of risk management strategies at ADM. Growth in shareholder returns requires consistent execution for both short-term commodity transactions and long-term facility investments.

CONNECTING FARMERS WITH THE WORLD

At ADM's soybean facility in Uberlandia, Brazil, ADM Supervisor Wellington dos Santos (right) discusses agricultural issues with area farmer Armando Mazzutti.

Investments in infrastructure provide attractive opportunities to add value to crops. Effective positioning of assets increases both capacity and flexibility, which facilitate stronger returns on capital.

In the global oilseeds market, South America gained the leading position in soybean production and export several years ago, with ample opportunities for further growth. Land under cultivation can be increased dramatically. Careful stewardship of farmland can create sustainable agriculture and economic growth for farmers, while expanded soybean exports can meet the needs of millions of people. All these benefits depend, however, on the farmer's ability to bring crops to market.

ADM is a major participant in South America's agricultural economy, with origination and export operations in Brazil, Argentina, Paraguay and Bolivia. The Company is facilitating expanded soybean production through investment in river barges and storage elevators. As farms expand in size and productivity, ADM will have assets in place to connect local crops with global commodity markets. A similar pattern of emerging agricultural growth is leading to new ADM investment in Eastern European nations.

Oilseed demand is expected to continue growing to meet rising demand for vegetable oils, animal feeds, biodiesel fuels and other commodities. ADM can support and profit from that growth through investment in well-positioned facilities that connect local farmers to global markets.

FINANCIAL TABLE OF CONTENTS

Management's Discussion of Operations and Financial Condition	25
Summary of Significant Accounting Policies	36
Consolidated Statements of Earnings	39
Consolidated Balance Sheets	40
Consolidated Statements of Cash Flows	42
Consolidated Statements of Shareholders' Equity	43
Notes to Consolidated Financial Statements	44
Management's Report on Internal Control Over Financial Reporting	55
Reports of Independent Registered Public Accounting Firm	56
Quarterly Financial Data (Unaudited)	58
Common Stock Market Prices and Dividends	59
Ten-Year Summary	60

MANAGEMENT'S DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION - JUNE 30, 2006

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 three reportable business segments: Oilseeds Processing, Corn Processing, and Agricultural Services. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are 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 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. Refined oil can be further processed for use in the production of biodiesel. 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 sweeteners, starches, dextrose, and syrups for the food and beverage industry as well as activities related to the production, by fermentation, of bioproducts such as alcohol, amino acids, and other specialty food and feed ingredients.

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, consisting principally of food and feed ingredient businesses and financial activities. Food and feed ingredient businesses include Wheat Processing with activities related to the production of wheat flour; Cocoa Processing with activities related to the production of chocolate and cocoa products; the production of natural health and nutrition products; and the production of other specialty food and feed ingredients. Financial activities include banking, captive insurance, private equity fund investments, and futures commission merchant activities.

Operating Performance Indicators

The Company is exposed to certain risks inherent to an agricultural-based commodity business. These risks are further described in the "Critical Accounting Policies" and "Market Risk Sensitive Instruments and Positions" sections of "Management's Discussion of Operations and Financial Condition."

The Company's Oilseeds Processing, Agricultural Services, and Wheat Processing operations are principally agricultural commodity-based businesses where changes in segment selling prices move in relationship to changes in prices of the commodity-based agricultural raw materials. Therefore, changes in agricultural commodity prices have relatively equal impacts on both net sales and cost of products sold 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 changes in gross profit realized by these businesses.

The Company's Corn Processing operations and certain other food and feed processing operations also utilize agricultural commodities (or products derived from agricultural commodities) as raw materials. In these operations, 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, selling prices bear no direct relationship to the raw material cost of the agricultural commodity from which it is produced.

The Company conducts its business in many countries. For the majority 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 applicable periods. Fluctuations in the exchange rates of foreign currencies, 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, 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 unpredictable factors, the Company does not provide forward-looking information in "Management's Discussion of Operations and Financial Condition."

2006 COMPARED TO 2005

As an agricultural-based commodity business, the Company is subject to a variety of market factors which affect the Company's operating results. Strong biodiesel demand in Europe continued to create increased vegetable oil demand and has positively impacted rapeseed crushing margins in Europe. Abundant oilseed supplies and strong protein meal demand have positively impacted oilseed crushing margins in North America. A good corn supply resulting in lower price levels for corn favorably impacted corn processing operations, while ethanol experienced good demand due to gasoline refiners replacing MTBE with ethanol. Solid demand for sweetener and starch products has also improved corn processing results. During the first half of 2006, hurricanes in the gulf coast region of the United States disrupted North American grain origination and agricultural commodity export operations, negatively impacting export sales volumes. The gulf coast hurricanes also disrupted river transportation, resulting in increased barge demand and barge freight rates.

Net earnings increased principally due to improved operating results of Oilseeds Processing and Corn Processing. In addition, net earnings also increased due to a $36 million reduction in income tax expense related to the recognition of federal and state income tax credits and adjustments resulting from the reconciliation of filed tax returns to the previously estimated tax provision. Earnings before income taxes include charges of $31 million resulting from the Company's adoption of Statement of Financial Accounting Standards (SFAS) Number 123(R) *Share Based Payment,* $15 million resulting from the Company's adoption of Financial Accounting Standards Board Interpretation Number 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143* (FIN 47), $71 million related to abandonment and write-down of long-lived assets, $9 million representing the Company's share of a charge for abandonment and write-down of long-lived assets reported by an unconsolidated affiliate of the Company, $12 million from the effect of changing commodity prices on LIFO inventory valuations, and $22 million associated with the closure of a citric acid plant and exiting the European animal feed business. Earnings before income taxes also include credits of $17 million from the sale of long-lived assets, $46 million related to Brazilian transactional tax credits, and $40 million related to realized securities gains. Last year's earnings before income taxes included credits of $114 million from the effect of changing commodity prices on LIFO inventory valuations, $114 million of realized securities gain from the sale of Tate & Lyle PLC shares, and $45 million representing the Company's equity share of the gain reported by the Company's unconsolidated affiliate, Compagnie Industrielle et Financiere des Produits Amylaces SA (CIP), upon the sale of its interest in Tate & Lyle PLC (the "CIP Gain"). Last year's earnings before income taxes also include a $42 million charge for abandonment and write-down of long-lived assets.

ANALYSIS OF STATEMENTS OF EARNINGS

Net sales and other operating income increased 2% to $36.6 billion due primarily to higher average selling prices of agricultural commodities and increased sales volumes and selling prices of corn processing products, partially offset by decreased average selling prices of cocoa products and currency exchange rate decreases of $415 million.

Net sales and other operating income by segment are as follows:

	2006	2005	Change
	(In thousands)		
Oilseeds Processing	**$11,866,895**	$11,803,309	$ 63,586
Corn Processing			
Sweeteners and Starches	**2,133,115**	1,905,218	227,897
Bioproducts	**2,726,968**	2,458,706	268,262
Total Corn Processing	**4,860,083**	4,363,924	496,159
Agricultural Services	**15,439,567**	15,198,831	240,736
Other			
Food and Feed Ingredients	**4,354,267**	4,505,788	(151,521)
Financial	**75,299**	71,958	3,341
Total Other	**4,429,566**	4,577,746	(148,180)
Total	**$36,596,111**	$35,943,810	$652,301

Oilseeds Processing sales increased $64 million to $11.9 billion principally due to higher average selling prices of South American oilseed exports and of vegetable oil. These increases were partially offset by lower average selling prices of protein meal. Corn Processing sales increased 11% to $4.9 billion due to sales increases in both Sweeteners and Starches and Bioproducts. Sweeteners and Starches sales increased due to higher average selling prices and sales volumes. Sales volumes and prices have increased primarily due to solid demand for sweetener and starch products. Bioproducts sales increased primarily due to increased sales volumes and average selling prices of ethanol, partially offset by lower average selling prices of lysine. The increases in ethanol sales volumes and sales prices were principally due to increased demand from gasoline refiners as refiners used ethanol to replace MTBE as a gasoline additive and to increased gasoline prices. Agricultural Services sales increased 2% to $15.4 billion primarily due to increased commodity prices in North America and, to a lesser extent, increased barge freight rates as the gulf coast hurricanes reduced barge capacities and created strong demand for North American river transportation. These increases were partially offset by decreased commodity sales volumes in North America. The decreased sales volumes were primarily due to disruptions in North American grain origination and export activities caused by the hurricanes in the gulf coast region. Other sales decreased 3% to $4.4 billion primarily due to decreased average selling prices of cocoa products and lower sales volumes of formula feed products. These decreases were partially offset by increased average selling prices of wheat flour products due to higher commodity prices.

Cost of products sold increased $118 million to $33.6 billion due primarily to higher average prices of agricultural commodities and increased manufacturing costs, partially offset by currency exchange rate decreases of $389 million. Manufacturing costs increased $399 million primarily due to increased energy costs, a charge for abandonment and write-down of long-lived assets, and increased employee-related costs.

Selling, general, and administrative expenses increased $112 million to $1.2 billion principally due to increased employee-related costs, including a $31 million charge related to the adoption of SFAS 123(R), $20 million of severance costs associated with the closure of a citric acid plant, and increased provisions for doubtful accounts.

Other income decreased $84 million due primarily to a $73 million decrease in realized securities gains, a $55 million decrease in equity in earnings of affiliates, and a $39 million increase in interest expense, partially offset by a $69 million increase in investment income. The decrease in realized securities gains is primarily due to last year's $114 million realized securities gain from the sale of Tate & Lyle PLC shares, partially offset by $40 million of realized securities gains during 2006. The decrease in equity in earnings of affiliates is primarily due to last year's CIP Gain and lower valuations of the Company's private equity fund investments, partially offset by improved earnings of the Company's Asian oilseed crushing ventures. Interest expense increased primarily due to higher average borrowing levels and interest rates. Investment income increased primarily due to the reversal of $19 million of Brazilian transactional taxes previously assessed on investment income upon positive resolution in the Brazilian Supreme Court, higher levels of invested funds, and higher interest rates.

Operating profit by segment is as follows:

	2006	2005	Change
		(In thousands)	
Oilseeds Processing	**$ 598,415**	$ 344,654	$ 253,761
Corn Processing			
Sweeteners and Starches	**431,662**	271,487	160,175
Bioproducts	**445,696**	258,746	186,950
Total Corn Processing	**877,358**	530,233	347,125
Agricultural Services	**275,469**	261,659	13,810
Other			
Food and Feed Ingredients	**159,123**	263,617	(104,494)
Financial	**150,826**	150,777	49
Total Other	**309,949**	414,394	(104,445)
Total Segment Operating Profit	**2,061,191**	1,550,940	510,251
Corporate	**(205,941)**	(34,565)	(171,376)
Earnings Before Income Taxes	**$1,855,250**	$1,516,375	$ 338,875

Oilseeds Processing operating profits increased $254 million to $598 million primarily due to improved market conditions in all geographic regions. European processing results improved principally due to strong demand for biodiesel and abundant rapeseed supplies in Europe. This strong demand for biodiesel in Europe increased European vegetable oil demand and resulted in improved oilseeds processing results. Abundant rapeseed supplies in Europe resulted in lower rapeseed price levels. North American processing results improved principally due to abundant oilseed supplies in the United States and good demand for soybean meal. Vegetable oil values were solid as the markets anticipate new demand from the developing U.S. biodiesel industry. South American operating results increased primarily due to improved origination activities and a $27 million credit for Brazilian transactional taxes. Operating results in Asia increased due to improved soy crushing margins and improved palm operations. Operating profits include a $14 million charge for abandonment and write-down of long-lived assets and a $6 million charge related to the adoption of FIN 47. Last year's operating profits include a charge of $13 million for abandonment and write-down of long-lived assets.

Corn Processing operating profits increased $347 million to $877 million primarily due to higher average selling prices, increased sales volumes, and lower net corn costs, partially offset by increased energy costs. Sweeteners and Starches operating profits increased $160 million due primarily to decreased net corn costs and higher average sales prices and sales volumes. Sales volumes and prices have increased primarily due to good demand for sweetener and starch products. These increases were partially offset by increased energy costs. Sweeteners and Starches operating profits include a $5 million charge related to the adoption of FIN 47. Bioproducts operating profits increased $187 million primarily due to higher ethanol sales volumes and average selling prices and decreased net corn costs, partially offset by increased energy costs and lower lysine average selling prices. The increases in ethanol sales volumes and average sales prices were principally due to increased demand from gasoline refiners as refiners used ethanol to replace MTBE as a gasoline additive and from increased gasoline prices. Bioproducts operating profits include a $6 million charge for abandonment and write-down of long-lived assets, a $2 million charge related to the adoption of FIN 47, and $6 million of costs related to the closure of a citric acid plant. Last year's Bioproducts operating profits include a $16 million charge for abandonment and write-down of long-lived assets.

Agricultural Services operating profits increased $14 million to $275 million as improved results from transportation operations were partially offset by a decline in global grain merchandising and North American origination operating results. North American river transportation operating results increased primarily due to increased barge freight rates created by strong demand for barge capacity. This increase was partially offset by increased fuel costs. The gulf coast hurricanes negatively impacted North American origination and export activities during the first half of 2006.

Other operating profits decreased $104 million to $310 million. Other – Food and Feed Ingredient operating results decreased $104 million due primarily to a $51 million charge for abandonment and write-down of long-lived assets, a $2 million charge related to the adoption of FIN 47, and a $9 million charge representing the Company's share of a charge for abandonment and write-down of long-lived assets reported by an unconsolidated affiliate of the Company. In addition, cocoa processing, natural health and nutrition, and formula feed operating results declined from prior year levels. Cocoa processing operating results declined primarily due to increased industry capacity which caused downward pressure on cocoa finished product prices. Formula feed operating results declined due to costs associated with exiting the European animal feed business. Other – Food and Feed Ingredients operating profits include a $17 million gain from the sale of long-lived assets. Last year's Other – Food and Feed Ingredient operating results include a $13 million charge for abandonment and write-down of long-lived assets. Other - Financial operating profits are comparable to prior year levels as improvements in the Company's captive insurance operations and futures commission merchant business offset lower valuations of the Company's private equity fund investments.

Corporate decreased $171 million due primarily to a $102 million decrease in income from the effect of changing commodity prices on LIFO inventory valuations, last year's $114 million realized securities gain from the sale of Tate & Lyle PLC shares, last year's CIP Gain, and a $22 million charge upon the adoption of SFAS 123(R), partially offset by the aforementioned $19 million reversal of Brazilian transactional taxes and a $97 million reduction in unallocated interest expense. The reduction in unallocated interest expense is due principally to higher levels of invested funds and higher interest rates.

Income taxes increased due principally to higher pretax earnings. This increase was partially offset by a $36 million reduction in income tax expense related to the recognition of federal and state income tax credits and adjustments resulting from the reconciliation of filed tax returns to the previously estimated tax provision. The Company's effective tax rate for 2006 was 29.3% as compared to 31.1% for 2005. Excluding the effect of the $36 million tax credit, the Company's effective tax rate was 31.2% for 2006 and, after excluding the effect of the CIP Gain, was 32.1% for 2005. No tax was provided on the CIP Gain in the prior year, as CIP is a corporate joint venture of the Company and permanently reinvested the proceeds from the sale. Excluding the effect of the $36 million tax credit in 2006 and the CIP Gain in 2005, the decrease in the Company's effective tax rate is primarily due to changes in the geographic mix of pretax earnings.

2005 COMPARED TO 2004

As an agricultural-based commodity business, the Company is subject to a variety of market factors which affect the Company's operating results. During 2005, oilseed crushing margins in Europe improved due to increased biodiesel and vegetable oil demand and lower rapeseed costs due to the large European crop. Oilseed crushing margins in North America were adversely affected by a limited near-term soybean supply resulting from strong demand from China. Oilseed crushing margins in South America continue to be weak as a result of industry overcapacity.

Ethanol experienced good demand and increased selling prices due to higher gasoline prices. Increased lysine production capacity in China created excess supplies of lysine which reduced selling prices and related margins. The record United States corn and soybean crops resulted in increased demand for rail and barge transportation and provided favorable operating conditions for domestic grain origination and trading activities. The improved crop conditions in North America and Europe have balanced the supply and demand levels for agricultural commodities, reducing global grain merchandising opportunities.

Net earnings for fiscal 2005 increased principally due to the absence of last year's fructose litigation settlement expense of $400 million, $114 million of income in the current year as compared to a $119 million charge in the prior year from the effect of commodity price changes on LIFO inventory valuations, the CIP Gain, and $114 million of realized securities gains from the sale of the Company's interest in Tate & Lyle PLC shares. Improved operating results of Oilseeds Processing, Agricultural Services, and Other – Financial also contributed to the improvement in net earnings. These increases were partially offset by decreased Corn Processing operating results. Corn Processing operating results declined as a result of higher net corn costs, higher energy costs, and lower lysine average selling prices. Net earnings include a $42 million and $51 million charge for abandonment and write-down of long-lived assets in 2005 and 2004, respectively, which principally represents the write-down of abandoned idle assets to their estimated salvage values. Last year's results include a $21 million gain from an insurance-related lawsuit pertaining to the flood of 1993.

Analysis of Statements of Earnings

Net sales and other operating income decreased slightly to $35.9 billion principally due to lower average selling prices of agricultural commodities. This decrease was partially offset by currency exchange rate increases of $962 million, increased sales volumes of agricultural commodities, and increased average selling prices of ethanol and corn sweeteners.

Net sales and other operating income by segment are as follows:

	2005	2004	Change
		(In thousands)	
Oilseeds Processing	$11,803,309	$12,049,250	$(245,941)
Corn Processing			
Sweeteners and Starches	1,905,218	1,736,526	168,692
Bioproducts	2,458,706	2,268,655	190,051
Total Corn Processing	4,363,924	4,005,181	358,743
Agricultural Services	15,198,831	15,638,341	(439,510)
Other			
Food and Feed Ingredients	4,505,788	4,386,246	119,542
Financial	71,958	72,376	(418)
Total Other	4,577,746	4,458,622	119,124
Total	$35,943,810	$36,151,394	$(207,584)

Oilseeds Processing sales decreased 2% to $11.8 billion primarily due to decreased sales volumes and lower average selling prices of oilseed exports and lower average selling prices of protein meal. These decreases were partially offset by increased sales volumes and higher average selling prices of vegetable oil. Corn Processing sales increased 9% to $4.4 billion primarily due to increased Bioproducts sales and, to a lesser extent, increased sales of Sweeteners and Starches. Bioproducts sales increased primarily due to increased average selling prices of ethanol, which was partially offset by lower ethanol sales volumes and lower average selling prices of lysine. The increase in ethanol selling prices was primarily due to higher gasoline prices. Ethanol sales volumes declined as last year's volume increases to meet new market introductions in the northeastern United States were not repeated in the current year. Sweeteners and Starches sales increased primarily due to higher average selling prices and, to a lesser extent, increased sales volumes. Agricultural Services sales decreased 3% to $15.2 billion principally due to lower average commodity prices in North America, decreased sales volumes of global grain merchandising activities, and decreased sales volumes of North American wheat and corn. These decreases were partially offset by increased sales volumes of North American soybeans. Other sales increased 3% to $4.6 billion primarily due to increased average selling prices of wheat flour products.

Cost of products sold decreased 1% to $33.5 billion primarily due to lower average prices of agricultural commodities, partially offset by currency exchange rate increases of $916 million and higher sales volumes of agricultural commodities. Manufacturing costs increased $383 million primarily due to increased energy and personnel-related costs. Manufacturing costs for 2005 and 2004 include a $42 million and $51 million charge, respectively, for abandonment and write-down of long-lived assets.

Selling, general, and administrative expenses decreased $321 million to $1.1 billion principally due to the absence of last year's fructose litigation settlement expense of $400 million. Excluding the effect of the fructose litigation expense, selling, general, and administrative expenses increased $79 million principally due to increased employee-related costs, including pensions, and auditing fees. These increases were partially offset by reduced legal expenses and provisions for doubtful accounts.

Other income increased $194 million due primarily to $114 million of realized securities gains from the sale of the Company's interest in Tate & Lyle PLC shares and a $48 million increase in equity in earnings of unconsolidated affiliates. The increase in equity in earnings of unconsolidated affiliates is primarily due to the CIP Gain. Interest expense decreased $15 million due principally to lower average borrowing levels. Investment income increased $19 million primarily due to increased average investment levels.

Operating profit by segment is as follows:

	2005	2004	Change
	(In thousands)		
Oilseeds Processing	$ 344,654	$ 290,732	$ 53,922
Corn Processing			
Sweeteners and Starches	271,487	318,369	(46,882)
Bioproducts	258,746	342,578	(83,832)
Total Corn Processing	530,233	660,947	(130,714)
Agricultural Services	261,659	249,863	11,796
Other			
Food and Feed Ingredients	263,617	260,858	2,759
Financial	150,777	98,611	52,166
Total Other	414,394	359,469	54,925
Total Segment Operating Profit	1,550,940	1,561,011	(10,071)
Corporate	(34,565)	(843,000)	808,435
Earnings Before Income Taxes	$1,516,375	$ 718,011	$ 798,364

Oilseeds Processing operating profits increased 19% to $345 million due primarily to improved operating results in Europe resulting from improved crop conditions and good biodiesel demand, as well as to improved South American oilseed origination results. These increases were partially offset by lower operating results of the Company's North American oilseed crushing operations. Oilseed crush margins in North America decreased due to a near-term tight soybean supply in the United States which resulted in higher soybean price levels. Industry overcapacity in South America continues to have an adverse effect on oilseed crushing margins. Operating profits include a charge of $13 million and $4 million for abandonment and write-down of long-lived assets in 2005 and 2004, respectively.

Corn Processing operating profits decreased 20% to $530 million as higher net corn costs, higher energy costs, and lower lysine average selling prices negatively impacted operating results. Sweeteners and Starches operating profits decreased $47 million principally due to higher net corn and energy costs. Last year's Sweeteners and Starches operating profits include a $15 million gain from an insurance-related lawsuit pertaining to the flood of 1993. Bioproducts operating profits decreased $84 million principally due to lower lysine average selling prices. Lysine average selling prices are lower due to increased supply from China. This decrease was partially offset by improved ethanol operating results due to higher ethanol selling prices. Ethanol selling prices remained strong and more than offset the effect of lower ethanol sales volumes and higher net corn and energy costs. Bioproducts operating profits include a charge of $16 million and $14 million for abandonment and write-down of long-lived assets in 2005 and 2004, respectively.

Agricultural Services operating profits increased 5% to $262 million principally due to improved North American origination and transportation operating results. The record United States corn and soybean crops provided the Company with the opportunity for solid storage, transportation, origination, and marketing profits. These increases were partially offset by lower global grain merchandising results. Global grain merchandising results decreased principally due to improved crop conditions in Europe and North America, which resulted in lower European demand for imported agricultural commodities and related products. Last year's operating profits include a $5 million charge for abandonment and write-down of long-lived assets.

Other operating profits increased 15% to $414 million. Other – Food and Feed Ingredient operating profits were comparable to the prior year, while Other – Financial operating profits increased $52 million primarily due to improved results of the Company's captive insurance operations and improved valuations of the Company's private equity fund investments. Last year's captive insurance results included a loss incurred from a fire at a Company-owned cocoa finished products warehouse. Other – Food and Feed Ingredient operating profits include charges of $13 million in both 2005 and 2004 for abandonment and write-down of long-lived assets.

Corporate improved $808 million to $35 million primarily due to the absence of last year's fructose litigation settlement expense of $400 million, the CIP Gain, $114 million of income in the current year as compared to a $119 million charge in the prior year from the effect of commodity price changes on LIFO inventory valuations, $114 million of realized securities gains from the sale of Tate & Lyle PLC shares, and last year's $14 million charge for abandonment and write-down of long-lived assets.

Income taxes increased due principally to higher pretax earnings. This increase was partially offset by the effect of the CIP Gain. No tax has been provided on the CIP Gain as CIP, a corporate joint venture of the Company, intends to permanently reinvest the proceeds from the sale. The Company's effective tax rate, excluding the effect of the CIP Gain, was 32.1% compared to 31.1% for the prior year. The increase in the Company's effective tax rate is principally due to changes in the jurisdictional mix of pretax earnings and the result of tax benefits derived from the majority of the Company's tax planning initiatives being fixed in nature.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective is to have sufficient liquidity, balance sheet strength, and financial flexibility to fund the operating and capital requirements of a capital intensive agricultural-based commodity business.

At June 30, 2006, the Company continued to show substantial liquidity with working capital of $5.7 billion and a current ratio, defined as current assets divided by current liabilities, of 1.9 to 1. Included in working capital is $1.1 billion of cash, cash equivalents, and short-term marketable securities as well as $3.2 billion of readily marketable commodity inventories. Cash generated from operating activities totaled $1.4 billion for the year compared to $2.1 billion last year. This decrease was primarily due to an increase in working capital principally related to the impact of increased inventory levels of commodity-based agricultural raw materials and a $186 million increase in pension contributions. Cash used in investing activities increased $767 million for the year to $1.1 billion due primarily to last year's sale of Tate & Lyle PLC shares and increased investments in acquired businesses, affiliates, and capital expenditures. Cash generated by financing activities was $283 million compared to cash used in financing activities of $1.8 billion last year. Net long-term borrowings increased primarily as a result of the issuance of $600 million of 30-year debentures in September 2005. Borrowings under line of credit agreements were $105 million in 2006 compared to payments of $1.4 billion in 2005 due principally to increased working capital requirements resulting from increased levels of commodity-based agricultural raw materials. Purchases of the Company's common stock decreased $137 million. Cash dividends paid in 2006 were $242 million as compared to $209 million in 2005.

Capital resources were strengthened as shown by the increase in the Company's net worth from $8.4 billion to $9.8 billion. The Company's ratio of long-term debt to total capital (the sum of the Company's long-term debt and shareholders' equity) was 29% at June 30, 2006 and 30% at June 30, 2005. This ratio is a measure of the Company's long-term liquidity and is an indicator of financial flexibility. The Company currently has $3.6 billion of commercial paper and commercial bank lines available to meet seasonal cash requirements of which $2.4 billion are committed and $1.2 billion are uncommitted. At June 30, 2006, the Company had $549 million of short-term debt outstanding. Standard & Poor's and Moody's rate the Company's commercial paper as A-1 and P-1, respectively, and rate the Company's long-term debt as A+ and A2, respectively. In addition to the cash flow generated from operations, the Company has access to equity and debt capital through numerous alternatives from public and private sources in domestic and international markets.

Contractual Obligations and Off-Balance Sheet Arrangements

In the normal course of business, the Company enters into contracts and commitments which obligate the Company to make payments in the future. The table below sets forth the Company's significant future obligations by time period. This table includes commodity-based contracts entered into in the normal course of business which are further described in the "Market Risk Sensitive Instruments and Positions" section of "Management's Discussion of Operations and Financial Condition" and energy-related purchase contracts entered into in the normal course of business. Where applicable, information included in the Company's consolidated financial statements and notes is cross-referenced in this table.

		Payments Due by Period				
Contractual Obligations	Note Reference	Total	Less than 1 Year	2 - 3 Years	4 - 5 Years	Over 5 Years
		(In thousands)				
Purchases						
Inventories		$ 7,508,250	$7,132,075	$ 364,096	$ 12,079	$ —
Energy		469,311	239,648	213,457	13,324	2,882
Other		675,142	155,285	194,450	154,404	171,003
Total purchases		8,652,703	7,527,008	772,003	179,807	173,885
Short-term debt		549,419	549,419	—	—	—
Long-term debt	Note 6	4,195,740	66,002	96,030	551,037	3,482,671
Capital leases	Note 6	26,710	13,766	12,790	154	—
Estimated interest payments		6,120,190	317,300	562,811	544,932	4,695,147
Operating leases	Note 11	377,828	77,457	108,427	56,331	135,613
Total		$19,922,590	$8,550,952	$1,552,061	$1,332,261	$8,487,316

At June 30, 2006, the Company estimates it will spend approximately $3.1 billion over the next four years to complete approved capital projects and acquisitions. The Company is a limited partner in various private equity funds which invest primarily in emerging markets. At June 30, 2006, the Company's carrying value of these limited partnership investments was $224 million. The Company has future capital commitments related to these partnerships of $138 million and expects the majority of these additional capital commitments, if called for, to be funded by cash flows generated by the partnerships. The Company also has outstanding letters of credit and surety bonds of $334 million at June 30, 2006.

In addition, the Company has entered into agreements, primarily debt guarantee agreements related to equity-method investees, which could obligate the Company to make future payments. The Company's liability under these agreements arises only if the primary entity fails to perform its contractual obligation. The Company has collateral for a portion of these contingent obligations. At June 30, 2006, these contingent obligations totaled approximately $250 million. Amounts outstanding under these contingent obligations were $159 million at June 30, 2006.

Critical Accounting Policies

The process of preparing financial statements requires management to make estimates and judgments that affect the carrying values of the Company's assets and liabilities as well as the recognition of revenues and expenses. These estimates and judgments are based on the Company's historical experience and management's knowledge and understanding of current facts and circumstances. Certain of the Company's accounting policies are considered critical, as these policies are important to the depiction of the Company's financial statements and require significant or complex judgment by management. Management has discussed with the Company's Audit Committee the development, selection, disclosure, and application of these critical accounting policies. Following are the accounting policies management considers critical to the Company's financial statements.

Inventories and Derivatives

Certain of the Company's merchandisable agricultural commodity inventories, forward fixed-price purchase and sale contracts, and exchange-traded futures and options contracts are valued at estimated market values. These merchandisable agricultural commodities are freely traded, have quoted market prices, and may be sold without significant additional processing. Management estimates market value based on exchange-quoted prices, adjusted for differences in local markets. Changes in the market values of these inventories and contracts are recognized in the statement of earnings as a component of cost of products sold. If management used different methods or factors to estimate market value, amounts reported as inventories and cost of products sold could differ. Additionally, if market conditions change subsequent to year-end, amounts reported in future periods as inventories and cost of products sold could differ.

The Company, from time to time, uses derivative contracts to fix the purchase price of anticipated volumes of commodities to be purchased and processed in a future month, to fix the purchase price of the Company's anticipated natural gas requirements for certain production facilities, and to fix the sales price of anticipated volumes of ethanol. These derivative contracts are designated as cash flow hedges. The change in the market value of such derivative contracts has historically been, and is expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Gains and losses arising from open and closed hedging transactions are deferred in other comprehensive income, net of applicable income taxes, and recognized as a component of cost of products sold in the statement of earnings when the hedged item is recognized. If it is determined that the derivative instruments used are no longer effective at offsetting changes in the price of the hedged item, then the changes in the market value of these exchange-traded futures contracts would be recorded in the statement of earnings as a component of cost of products sold.

Employee Benefit Plans

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. In order to measure the expense and funded status of these employee benefit plans, management makes several estimates and assumptions, including interest rates used to discount certain liabilities, rates of return on assets set aside to fund these plans, rates of compensation increases, employee turnover rates, anticipated mortality rates, and anticipated future health care costs. These estimates and assumptions are based on the Company's historical experience combined with management's knowledge and understanding of current facts and circumstances. Management also uses third-party specialists to assist in measuring the expense and funded status of these employee benefit plans. If management used different estimates and assumptions regarding these plans, the funded status of the plans could vary significantly, and the Company could recognize different amounts of expense over future periods.

Income Taxes

The Company frequently faces challenges from domestic and foreign tax authorities regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various tax filing positions, the Company records reserves for probable exposures. Deferred tax assets represent items to be used as tax deductions or credits in future tax returns, and the related tax benefit has already been recognized in the Company's income statement. Realization of certain deferred tax assets reflects the Company's tax planning strategies. Valuation allowances related to these deferred tax assets have been established to the extent the realization of the tax benefit is not probable. Based on management's evaluation of the Company's tax position, it is believed the amounts related to these tax exposures are appropriately accrued. To the extent the Company were to favorably resolve matters for which accruals have been established or be required to pay amounts in excess of the aforementioned reserves, the Company's effective tax rate in a given financial statement period may be impacted.

Undistributed earnings of the Company's foreign subsidiaries and affiliated corporate joint ventures accounted for on the equity method are considered to be permanently reinvested, and accordingly, no provision for U.S. income taxes has been provided thereon. If the Company were to receive distributions from any of these foreign subsidiaries or affiliates or determine the undistributed earnings of these foreign subsidiaries or affiliates to not be permanently reinvested, the Company could be subject to U.S. tax liabilities which have not been provided for in the consolidated financial statements.

Asset Abandonments and Write-Downs

The Company is principally engaged in the business of procuring, transporting, storing, processing, and merchandising agricultural commodities and products. This business is global in nature and is highly capital-intensive. Both the availability of the Company's raw materials and the demand for the Company's finished products are driven by unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in population growth, changes in standards of living, and production of similar and competitive crops. These aforementioned unpredictable factors, therefore, may cause a shift in the supply/demand dynamics for the Company's raw materials and final products. Any such shift will cause management to evaluate the efficiency and profitability of the Company's fixed asset base in terms of geographic location, size, and age of its factories. The Company, from time to time, will also invest in equipment and technology related to new, value-added products produced from agricultural commodities and products. These new products are not always successful from either a commercial production or marketing perspective. Management evaluates the Company's property, plant, and equipment for impairment whenever indicators of impairment exist. Assets are abandoned after consideration of the ability to utilize the assets for their intended purpose or to employ the assets in alternative uses or sell the assets to recover the carrying value. If management used different estimates and assumptions in its evaluation of this fixed asset base, then the Company could recognize different amounts of expense over future periods.

Valuation of Marketable Securities and Investments in Affiliates

The Company classifies the majority of its marketable securities as available-for-sale and carries these securities at fair value. Investments in affiliates are carried at cost plus equity in undistributed earnings. For publicly traded securities, the fair value of the Company's investments is readily available based on quoted market prices. For non-publicly traded securities, management's assessment of fair value is based on valuation methodologies including discounted cash flows and estimates of sales proceeds. In the event of a decline in fair value of an investment below carrying value, management may be required to determine if the decline in fair value is other than temporary. In evaluating the nature of a decline in the fair value of an investment, management considers the market conditions, trends of earnings, discounted cash flows, trading volumes, and other key measures of the investment as well as the Company's ability and intent to hold the investment. When such a decline in value is deemed to be other than temporary, an impairment loss is recognized in the current period operating results to the extent of the decline. See Notes 2 and 4 to the Company's consolidated financial statements for information regarding the Company's marketable securities and investments in affiliates. If management used different estimates and assumptions in its evaluation of these marketable securities, then the Company could recognize different amounts of expense over future periods.

The Company is a limited partner in various private equity funds which invest primarily in emerging markets. The Company accounts for these limited partnerships using the equity method of accounting. Therefore, the Company is recording in the consolidated statement of earnings its proportional share of the limited partnerships' net income or loss. The limited partnerships value their investments at fair value. Thus, unrealized gains and losses related to the change in fair value of these investments are recorded in the limited partnerships' statements of earnings. The valuation of these investments, as determined by the general partner, can be subjective, and the values may vary significantly. Some of the factors causing the subjectivity and volatility of these valuations include the illiquidity and minority positions of these investments, currency exchange rate fluctuations, less-regulated securities exchanges, and the inherent business risks and limitations present in the emerging market countries. The Company records the results of these limited partnerships based on the information provided to the Company by the general partner. Due to the subjectivity and volatility in valuing these investments, the fair value of these investments, and thus the Company's results, could vary significantly over future periods.

MARKET RISK SENSITIVE INSTRUMENTS AND POSITIONS

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in commodities futures prices, marketable equity security prices, market prices of limited partnerships' investments, foreign currency exchange rates, and interest rates as described below.

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. To reduce price risk caused by market fluctuations, the Company generally follows a policy of using exchange-traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Company will also use exchange-traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the volatility of the relationship between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, counterparty contracts defaults, and volatility of freight markets. In addition, the Company from time-to-time enters into derivative contracts which are designated as hedges of specific volumes of commodities that will be purchased and processed, or sold, in a future month. The changes in the market value of such futures contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Gains and losses arising from open and closed hedging transactions are deferred in other comprehensive income, net of applicable taxes, and recognized as a component of cost of products sold in the statement of earnings when the hedged item is recognized.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its daily net commodity position. The Company's daily net commodity position consists of inventories, related purchase and sale contracts, and exchange-traded futures contracts, including those contracts used to hedge portions of production requirements. The fair value of such daily net commodity 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% adverse change in such prices. Actual results may differ.

	2006 Fair Value	2006 Market Risk	2005 Fair Value	2005 Market Risk
	(In millions)			
Highest long position	**$ 510**	**$ 51**	$ 226	$23
Highest short position	**574**	**57**	944	94
Average position long (short)	**(203)**	**(20)**	(300)	(30)

The change in fair value of the average position for 2006 compared to 2005 was principally a result of a decrease in the daily net commodity position, partially offset by increased commodity prices.

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% adverse change in quoted market prices. Actual results may differ.

	2006	2005
	(In millions)	
Fair value	**$640**	$664
Market risk	**64**	66

The decrease in fair value for 2006 compared to 2005 resulted primarily from disposals of securities and decreased fair market value of the securities.

Limited Partnerships

The Company is a limited partner in various private equity funds which invest primarily in emerging markets. The Company accounts for these limited partnerships using the equity method of accounting. Therefore, the Company is recording in the consolidated statement of earnings its proportional share of the limited partnerships' net income or loss. The limited partnerships value their investments at fair value. Risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in market prices of the limited partnerships' investments. Actual results may differ.

	2006	2005
	(In millions)	
Fair value of partnerships' investments	**$210**	$290
Market risk	**21**	29

The decrease in fair value for 2006 compared to 2005 resulted primarily from returns of capital.

Currencies

In order to reduce the risk of foreign currency exchange rate fluctuations, except for amounts permanently invested as described below, the Company follows a policy of hedging substantially all transactions denominated in a currency other than the functional currencies applicable to each of its various entities. The instruments used for hedging are readily marketable exchange-traded futures contracts and forward contracts with banks. The changes in market value of such contracts have a high correlation to the price changes in the currency of the related hedged transactions. The potential loss in fair value for such net currency position resulting from a hypothetical 10% adverse change in foreign currency exchange rates is not material.

The amount the Company considers permanently invested in foreign subsidiaries and affiliates and translated into dollars using the year-end exchange rates is $4.5 billion at June 30, 2006 and $4.0 billion at June 30, 2005. This increase is principally due to an increase in retained earnings of the foreign subsidiaries and affiliates. The potential loss in fair value resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates is $454 million and $397 million for 2006 and 2005, respectively. Actual results may differ.

Interest

The fair value of the Company's long-term debt is estimated using quoted market prices, where available, and discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Such fair value exceeded the long-term debt carrying value. Market risk is estimated as the potential increase in fair value resulting from a hypothetical .5 % decrease in interest rates. Actual results may differ.

	2006	2005
	(In millions)	
Fair value of long-term debt	**$4,387**	$4,532
Excess of fair value over carrying value	**257**	779
Market risk	**218**	229

The decrease in fair value for the current year resulted principally from increased interest rates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products.

Principles of Consolidation

The consolidated financial statements as of June 30, 2006 and for the three years then ended include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in affiliates are carried at cost plus equity in undistributed earnings since acquisition.

The Company evaluates its less than majority-owned investments for consolidation pursuant to Financial Accounting Standards Board (FASB) Interpretation Number 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46). A variable interest entity (VIE) 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 VIE to be consolidated by a company if that company is the primary beneficiary of the VIE. The primary beneficiary of a VIE is an entity that is subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns, or both. As of June 30, 2006, the Company has $224 million of investments in private equity funds included in investments in affiliates which are considered VIEs pursuant to FIN 46. The Company's residual risk and rewards from these VIEs are proportional to the Company's ownership interest and the Company is not the primary beneficiary of any of these VIEs. Therefore, the Company does not consolidate any of these VIEs.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in its consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all non-segregated, highly-liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Segregated Cash and Investments

The Company segregates certain cash and investment balances in accordance with certain regulatory requirements, commodity exchange requirements, and insurance arrangements. These segregated balances represent deposits received from customers trading in exchange-traded commodity instruments, securities pledged to commodity exchange clearinghouses, and cash and securities pledged as security under certain insurance arrangements. Segregated cash and investments primarily consist of cash, U.S. government securities, and money-market funds.

Receivables

The Company records trade accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts, $54 million at June 30, 2006, to reflect any loss anticipated on the trade accounts receivable balances. The Company calculates this allowance based on its history of write-offs, level of past-due accounts, and its relationships with, and the economic status of, its customers.

Credit risk on trade receivables is minimized as a result of the large and diversified nature of the Company's worldwide customer base. The Company controls its exposure to credit risk through credit approvals, credit limits, and monitoring procedures. Collateral is generally not required for the Company's trade receivables.

Inventories

Inventories of certain merchandisable agricultural commodities, which include amounts acquired under deferred pricing contracts, are stated at market value. In addition, the Company values certain inventories using the lower of cost, determined by either the first-in, first-out (FIFO) or last-in, first-out (LIFO) methods, or market.

Marketable Securities

The Company classifies its marketable securities as available-for-sale, except for certain designated securities which are classified as trading securities. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of income taxes, reported as a component of other comprehensive income (loss). Unrealized gains and losses related to trading securities are included in income on a current basis. The Company uses the specific identification method when securities are sold or reclassified out of accumulated other comprehensive income (loss) into earnings.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost. Repair and maintenance costs are expensed as incurred. The Company generally uses the straight-line method in computing depreciation for financial reporting purposes and generally uses accelerated methods for income tax purposes. The annual provisions for depreciation have been computed principally in accordance with the following ranges of asset lives: buildings - 10 to 50 years; machinery and equipment - 3 to 30 years.

Asset Abandonments and Write-Downs

The Company recorded a $61 million, a $42 million, and a $51 million charge in cost of products sold during 2006, 2005, and 2004, respectively, principally related to the abandonment and write-down of certain long-lived assets. In addition, the Company recorded a $9 million loss in equity in earnings of affiliates during 2006 representing the Company's share of a charge for abandonment and write-down of long-lived assets reported by an unconsolidated affiliate of the Company. The majority of these assets were idle or related to underperforming product lines, 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.

Net Sales

The Company follows a policy of recognizing sales revenue at the time of delivery of the product and when all of the following have occurred: a sales agreement is in place, pricing is fixed or determinable, and collection is reasonably assured. Freight costs and handling charges related to sales are recorded as a component of cost of products sold. Net sales to unconsolidated affiliates during 2006 and 2005 were $3.1 billion and $2.9 billion, respectively.

Per Share Data

Basic earnings per common share are determined by dividing net earnings by the weighted average number of common shares outstanding. In computing diluted earnings per share, the weighted average number of common shares outstanding is increased by common stock options outstanding with exercise prices lower than the average market prices of common shares. During 2006, 2005, and 2004, diluted average shares outstanding included incremental shares related to outstanding common stock options of 2.7 million, 1.9 million, and 2.1 million, respectively.

New Accounting Standards

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143*. FIN 47 clarifies that the term conditional asset retirement obligation as used in SFAS Number 143, *Accounting for Asset Retirement Obligations,* refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. However, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The Company adopted FIN 47 on July 1, 2005. As a result of adopting FIN 47, the Company recorded a long-term liability related to asset retirement obligations (ARO) of $18 million, increased property, plant, and equipment by $3 million, and recorded cumulative depreciation expense related to AROs of $15 million.

During July 2006, the FASB issued Interpretation Number 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum requirements a tax position must meet before being recognized in the financial statements. In addition, FIN 48 prohibits the use of SFAS Number 5, *Accounting for Contingencies,* in evaluating the recognition and measurement of uncertain tax positions. The Company will be required to adopt FIN 48 on July 1, 2007, and has not yet assessed the impact of the adoption of this standard on the Company's financial statements.

Stock Compensation

Effective July 1, 2004, the Company adopted the fair value recognition provisions of SFAS Number 123, *Accounting for Stock-Based Compensation,* for stock-based employee compensation. Prior to July 1, 2004, the Company accounted for stock-based employee compensation under the recognition and measurement provisions of APB Opinion Number 25, *Accounting for Stock Issued to Employees,* and related interpretations. Under the modified prospective method of adoption selected by the Company under the provisions of SFAS Number 148, *Accounting for Stock-Based Compensation – Transition and Disclosure,* stock-based employee compensation expense recognized during 2005 was the same as the expense which would have been recognized had the fair value recognition provisions of SFAS Number 123 been applied to all options granted after July 1, 1995. Effective July 1, 2005, the Company adopted the fair value recognition provisions of SFAS Number 123(R), *Share-Based Payment,* using the modified prospective transition method. Under the modified prospective transition method, compensation expense recognized during 2006 include (a) compensation expense for all share-based payments granted prior to, but not yet vested as of, July 1, 2005 based on the grant date fair value estimated in accordance with the original provisions of SFAS Number 123, and (b) compensation expense for all share-based payments granted subsequent to July 1, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS Number 123(R). Results of prior periods have not been restated.

As a result of adopting SFAS Number 123(R), the Company's earnings before income taxes and net earnings for 2006, were $24 million and $15 million lower, respectively, than if the Company had continued to account for share-based compensation under SFAS Number 123. Basic and diluted earnings per share for 2006 were $.02 lower as a result of adopting SFAS Number 123(R).

The following table illustrates the effect on net earnings and earnings per share as if the fair value method had been applied to all outstanding and unvested employee stock options and restricted stock awards in each year.

	2006	2005	2004
	(In thousands, except per share amounts)		
Net earnings, as reported	**$1,312,070**	$1,044,385	$494,710
Add: stock-based compensation expense reported in net earnings, net of related tax	**41,834**	18,101	4,566
Deduct: stock-based compensation expense determined under fair value method, net of related tax	**41,834**	18,101	8,748
Pro forma net earnings	**$1,312,070**	$1,044,385	$490,528
Basic earnings per common share:			
As reported	**$2.01**	$1.60	$.76
Pro forma	**$2.01**	$1.60	$.76
Diluted earnings per common share:			
As reported	**$2.00**	$1.59	$.76
Pro forma	**$2.00**	$1.59	$.75

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended June 30,		
	2006	2005	2004
	(In thousands, except per share amounts)		
Net sales and other operating income	**$36,596,111**	$35,943,810	$36,151,394
Cost of products sold	**33,630,297**	33,512,471	34,003,070
Gross Profit	**2,965,814**	2,431,339	2,148,324
Selling, general, and administrative expenses	**1,192,683**	1,080,811	1,401,833
Other expense (income) – net	**(82,119)**	(165,847)	28,480
Earnings Before Income Taxes	**1,855,250**	1,516,375	718,011
Income taxes	**543,180**	471,990	223,301
Net Earnings	**$ 1,312,070**	$ 1,044,385	$ 494,710
Basic earnings per common share	**$ 2.01**	$ 1.60	$ .76
Diluted earnings per common share	**$ 2.00**	$ 1.59	$ .76
Average number of shares outstanding – basic	**653,588**	654,242	647,698
Average number of shares outstanding – diluted	**656,287**	656,123	649,810

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	June 30 2006	June 30 2005
	(In thousands)	
Current Assets		
Cash and cash equivalents	**$ 1,112,853**	$ 522,420
Segregated cash and investments	**1,220,666**	908,001
Receivables	**4,471,201**	4,102,263
Inventories	**4,677,508**	3,906,698
Other assets	**344,049**	271,319
Total Current Assets	**11,826,277**	9,710,701
Investments and Other Assets		
Investments in and advances to affiliates	**1,985,662**	1,879,501
Long-term marketable securities	**1,110,177**	1,049,952
Goodwill	**322,292**	325,167
Other assets	**731,590**	448,404
	4,149,721	3,703,024
Property, Plant, and Equipment		
Land	**214,091**	209,130
Buildings	**2,774,164**	2,660,267
Machinery and equipment	**11,131,992**	10,962,390
Construction in progress	**430,997**	298,963
	14,551,244	14,130,750
Allowances for depreciation	**(9,258,212)**	(8,946,370)
	5,293,032	5,184,380
	$21,269,030	$18,598,105

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30	
	2006	2005
	(In thousands)	
Current Liabilities		
Short-term debt	**$ 549,419**	$ 425,808
Accounts payable	**4,014,392**	3,399,352
Accrued expenses	**1,521,188**	1,318,766
Current maturities of long-term debt	**79,768**	222,938
Total Current Liabilities	**6,164,767**	5,366,864
Long-Term Liabilities		
Long-term debt	**4,050,323**	3,530,140
Deferred income taxes	**756,600**	779,427
Other	**490,460**	488,202
	5,297,383	4,797,769
Shareholders' Equity		
Common stock	**5,511,019**	5,385,840
Reinvested earnings	**4,081,490**	3,011,015
Accumulated other comprehensive income	**214,371**	36,617
	9,806,880	8,433,472
	$21,269,030	$18,598,105

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,		
	2006	2005	2004
	(In thousands)		
Operating Activities			
Net earnings	**$1,312,070**	$1,044,385	$494,710
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation	**656,714**	664,652	685,613
Asset abandonments and goodwill impairments	**71,264**	41,548	50,576
Deferred income taxes	**(105,646)**	241,671	(67,505)
(Gain) loss on marketable securities transactions	**(39,803)**	(113,299)	(23,968)
Equity in (earnings) loss of affiliates, net of dividends	**(69,334)**	(91,280)	(84,930)
Stock contributed to employee benefit plans	**25,089**	23,840	23,281
Pension and postretirement payments in excess of accruals	**(164,141)**	840	(43,888)
Other – net	**91,410**	41,892	(15,250)
Changes in operating assets and liabilities			
Segregated cash and investments	**(239,842)**	(37,319)	(316,423)
Receivables	**(177,430)**	(216,967)	(378,501)
Inventories	**(600,588)**	825,486	(950,792)
Other assets	**(28,246)**	(35,056)	(6,724)
Accounts payable and accrued expenses	**644,524**	(264,214)	667,140
Total Operating Activities	**1,376,041**	2,126,179	33,339
Investing Activities			
Purchases of property, plant, and equipment	**(762,009)**	(623,819)	(509,237)
Proceeds from sales of property, plant, and equipment	**53,704**	43,611	57,226
Net assets of businesses acquired	**(182,213)**	(24,238)	(93,022)
Investments in and advances to affiliates	**(125,625)**	(112,018)	(112,984)
Distributions from affiliates, excluding dividends	**57,690**	157,824	122,778
Purchases of marketable securities	**(684,940)**	(1,433,412)	(857,786)
Proceeds from sales of marketable securities	**581,489**	1,674,180	786,492
Other – net	**(6,637)**	16,364	32,098
Total Investing Activities	**(1,068,541)**	(301,508)	(574,435)
Financing Activities			
Long-term debt borrowings	**643,544**	18,547	4,366
Long-term debt payments	**(265,988)**	(185,913)	(32,381)
Net borrowings (payments) under line of credit agreements	**104,548**	(1,357,456)	483,764
Purchases of treasury stock	**(1,585)**	(139,112)	(4,113)
Cash dividends	**(241,995)**	(209,425)	(174,109)
Other	**44,409**	30,901	38,817
Total Financing Activities	**282,933**	(1,842,458)	316,344
Increase (Decrease) in Cash and Cash Equivalents	**590,433**	(17,787)	(224,752)
Cash and Cash Equivalents – Beginning of Year	**522,420**	540,207	764,959
Cash and Cash Equivalents – End of Year	**$1,112,853**	$ 522,420	$540,207

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Reinvested	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Earnings	Income (Loss)	Equity
			(In thousands)		
Balance June 30, 2003	644,855	$ 5,373,005	$ 1,863,150	$ (166,958)	$ 7,069,197
Comprehensive income					
Net earnings			494,710		
Other comprehensive income				249,913	
Total comprehensive income					744,623
Cash dividends paid–$.27 per share			(174,109)		(174,109)
Treasury stock purchases	(309)	(4,113)			(4,113)
Other	6,202	62,618			62,618
Balance June 30, 2004	650,748	5,431,510	2,183,751	82,955	7,698,216
Comprehensive income					
Net earnings			1,044,385		
Other comprehensive income (loss)				(46,338)	
Total comprehensive income					998,047
Cash dividends paid–$.32 per share			(209,425)		(209,425)
Treasury stock purchases	(7,095)	(139,112)			(139,112)
Other	6,746	93,442	(7,696)		85,746
Balance June 30, 2005	650,399	5,385,840	3,011,015	36,617	8,433,472
Comprehensive income					
Net earnings			**1,312,070**		
Other comprehensive income				**177,754**	
Total comprehensive income					**1,489,824**
Cash dividends paid– $.37 per share			**(241,995)**		**(241,995)**
Treasury stock purchases	**(43)**	**(1,585)**			**(1,585)**
Other	**5,329**	**126,764**	**400**		**127,164**
Balance June 30, 2006	**655,685**	**$5,511,019**	**$4,081,490**	**$214,371**	**$9,806,880**

See notes to consolidated financial statements.

Note 1-Acquisitions

The 2006, 2005, and 2004 acquisitions were accounted for as purchases in accordance with SFAS Number 141, *Business Combinations*. Accordingly, the tangible assets and liabilities have been adjusted to fair values with the remainder of the purchase price, if any, recorded as goodwill. The identifiable intangible assets acquired as part of these acquisitions are not material.

2006 Acquisitions

During 2006, the Company acquired twelve businesses for a total cost of $182 million. The Company has recorded a preliminary allocation of the purchase price related to these acquisitions. This purchase price allocation resulted in goodwill of $3 million, of which $2 million and $1 million were assigned to the Agricultural Services and Other segments, respectively. In addition, the portion of the purchase price allocated to current assets, property, plant, and equipment, other long-term assets, and current liabilities, was $64 million, $79 million, $59 million, and $25 million, respectively.

2005 Acquisitions

During 2005, the Company acquired five businesses for a total cost of $24 million. The Company recorded no goodwill related to these acquisitions.

2004 Acquisitions

During 2004, the Company acquired five businesses for a total cost of $94 million. The Company recorded no goodwill related to these acquisitions.

Note 2-Marketable Securities and Cash Equivalents

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In thousands)		
2006				
United States government obligations				
Maturity less than 1 year	**$ 359,384**	**$ 322**	**$ (175)**	**$ 359,531**
Maturity 1 to 5 years	**50,163**	**—**	**(1,222)**	**48,941**
Other debt securities				
Maturity less than 1 year	**609,242**	**662**	**(367)**	**609,537**
Maturity 1 to 5 years	**181,975**	**50**	**(2,664)**	**179,361**
Maturity 5 to 10 years	**59,195**	**—**	**(1,520)**	**57,675**
Maturity greater than 10 years	**193,650**	**1**	**(9,055)**	**184,596**
Equity securities				
Available-for-sale	**318,008**	**320,669**	**(18,958)**	**619,719**
Trading	**19,885**	**—**	**—**	**19,885**
	$1,791,502	**$321,704**	**$(33,961)**	**$2,079,245**

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In thousands)		
2005				
United States government obligations				
Maturity less than 1 year	$ 203,157	$ 226	$ (229)	$ 203,154
Maturity 5 to 10 years	49,355	—	(66)	49,289
Other debt securities				
Maturity less than 1 year	168,568	—	(212)	168,356
Maturity 1 to 5 years	41,000	—	(209)	40,791
Maturity 5 to 10 years	75,000	—	(526)	74,474
Maturity greater than 10 years	225,331	—	(3,885)	221,446
Equity securities				
Available-for-sale	304,430	344,700	(1,769)	647,361
Trading	16,591	—	—	16,591
	$ 1,083,432	$ 344,926	$ (6,896)	$ 1,421,462

Of the $34 million in unrealized losses at June 30, 2006, $4 million of unrealized losses arose within the last 12 months, $25 million of unrealized losses arose within the last 24 months, and the remaining $5 million of unrealized losses arose within the last 36 months. The market value of United States government obligations and other debt securities with unrealized losses as of June 30, 2006 is $527 million. The $15 million of unrealized losses associated with United States government obligations and other debt securities are not considered to be other-than-temporary because their unrealized losses are related to changes in interest rates and do not affect the expected cash flows to be received upon maturity of these investments or the credit quality of the issuer. The market value of available-for-sale equity securities with unrealized losses as of June 30, 2006 is $78 million. The $19 million of unrealized losses associated with available-for-sale equity securities are principally related to long-term strategic investments. The Company has the intent and ability to hold its debt and equity securities for a period of time sufficient to recover all unrealized losses. The Company has not recognized any other-than-temporary impairments for its debt and equity securities.

Note 3-Inventories and Derivatives

To reduce price risk caused by market fluctuations, the Company generally follows a policy of using exchange-traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Company will also use exchange-traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the volatility of the relationship between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, counterparty contracts defaults, and volatility of freight markets. Inventories of certain merchandisable agricultural commodities, which include amounts acquired under deferred pricing contracts, are stated at market value. Exchange-traded futures and options contracts, forward cash purchase contracts, and forward cash sales contracts of merchandisable agricultural commodities, which have not been designated as fair value hedges, are valued at market price. Changes in the market value of inventories of merchandisable agricultural commodities, forward cash purchase and sales contracts, and exchange-traded futures contracts are recognized in earnings immediately, resulting in cost of goods sold approximating first-in, first-out (FIFO) cost. Unrealized gains on forward cash purchase contracts, forward cash sales contracts, and exchange-traded futures contracts represent the fair value of such instruments and are classified on the Company's balance sheet as receivables. Unrealized losses on forward cash purchase contracts, forward cash sales contracts, and exchange-traded futures contracts represent the fair value of such instruments and are classified on the Company's balance sheet as accounts payable.

The Company also values certain inventories using the lower of cost, determined by either the LIFO or FIFO method, or market.

	2006	2005
	(In thousands)	
LIFO inventories		
FIFO value	**$ 437,942**	$ 339,964
LIFO valuation reserve	**(8,740)**	(20,732)
LIFO inventories carrying value	**429,202**	319,232
FIFO inventories	**1,427,597**	1,292,822
Market inventories	**2,820,709**	2,294,644
	$4,677,508	$3,906,698

The Company, from time to time, uses futures contracts to fix the purchase price of anticipated volumes of commodities to be purchased and processed in a future month. The Company also uses futures, options, and swaps to fix the purchase price of the Company's anticipated natural gas requirements for certain production facilities. In addition, certain of the Company's ethanol sales contracts are indexed to unleaded gasoline prices. The Company uses futures and options to fix the sales price of anticipated volumes of these ethanol sales in future months. These derivatives are designated as cash flow hedges. The changes in the market value of such derivative contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. The amounts representing the ineffectiveness of these cash flow hedges are immaterial. Gains and losses arising from open and closed hedging transactions are deferred in other comprehensive income (loss), net of applicable income taxes, and recognized as a component of cost of products sold in the statement of earnings when the hedged item is recognized. As of June 30, 2006, the Company has recorded $37 million of after-tax losses in other comprehensive income (loss) related to gains and losses from cash flow hedge transactions. The Company expects to recognize $33 million of these after-tax losses in the statement of earnings during fiscal 2007, and the remaining $4 million of after-tax losses are expected to be recognized in the statement of earnings during the first two quarters of fiscal 2008.

At June 30, 2006, other comprehensive income (loss) included a $7 million after-tax gain related to a treasury-lock agreement entered into and settled during 2006. This treasury-lock agreement was designated as a cash flow hedge of the anticipated proceeds from the Company's issuance of $600 million of debentures in

September 2005. The Company will recognize the $7 million after-tax gain in the statement of earnings over the term of the debentures. At June 30, 2006, other comprehensive income (loss) also included $6 million in after-tax gains representing the Company's share of derivative gains reported by unconsolidated affiliates of the Company.

Note 4-Investments in and Advances to Affiliates

The Company has ownership interests in non-majority-owned affiliates accounted for under the equity method. The Company had 89 and 83 unconsolidated affiliates as of June 30, 2006 and 2005, respectively, located in North and South America, Africa, Europe, and Asia. During fiscal 2006, the Company made initial investments in 14 unconsolidated affiliates and disposed of its investments in 8 affiliates. The following table summarizes the combined balance sheets and the combined statements of earnings of the Company's unconsolidated affiliates as of and for each of the three years ended June 30, 2006, 2005, and 2004.

	2006	2005	2004
	(In thousands)		
Current assets	**$ 6,715,264**	$ 6,240,670	
Non-current assets	**8,778,336**	7,384,141	
Current liabilities	**4,963,803**	4,746,450	
Non-current liabilities	**2,309,241**	1,912,285	
Minority interests	**935,193**	430,530	
Net assets	**$ 7,285,363**	$ 6,535,546	
Net sales	**$20,303,534**	$20,214,914	$17,744,217
Gross profit	**2,327,844**	2,310,413	1,991,947
Net income (loss)	**793,094**	757,539	819,201

Undistributed earnings of the Company's unconsolidated affiliates as of June 30, 2006, are $501 million.

Two foreign affiliates for which the Company has a carrying value of $374 million have a market value of $433 million based on quoted market prices and exchange rates at June 30, 2006.

Note 5-Goodwill

The Company accounts for its goodwill and other intangible assets in accordance with SFAS Number 142, *Goodwill and Other Intangible Assets*. Under this standard, goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The Company recorded a $10 million goodwill impairment charge during 2006 based on the annual impairment tests. The carrying value of the Company's other intangible assets is not material.

Goodwill balances attributable to consolidated businesses and investments in affiliates, by segment, are set forth in the following table.

	Consolidated Businesses	Investments in Affiliates	Total
2006	(In thousands)		
Oilseeds Processing	**$ 11,363**	**$ 9,144**	**$ 20,507**
Corn Processing	**76,961**	**7,074**	**84,035**
Agricultural Services	**8,567**	**15,683**	**24,250**
Other	**126,380**	**67,120**	**193,500**
Total	**$223,271**	**$99,021**	**$322,292**

	Consolidated Businesses	Investments in Affiliates	Total
2005	(In thousands)		
Oilseeds Processing	$ 12,279	$ 9,141	$ 21,420
Corn Processing	76,961	7,074	84,035
Agricultural Services	6,771	8,670	15,441
Other	137,151	67,120	204,271
Total	$ 233,162	$ 92,005	$ 325,167

The changes in goodwill during 2006 are related to acquisitions, the disposal of a subsidiary, goodwill impairments, and foreign currency translation adjustments.

Note 6-Debt and Financing Arrangements

	2006	2005
	(In thousands)	
5.375% Debentures $600 million face amount, due in 2035	**$ 584,802**	$ —
5.935% Debentures $500 million face amount, due in 2032	**493,729**	493,491
7.0% Debentures $400 million face amount, due in 2031	**397,664**	397,569
7.5% Debentures $343 million face amount ($350 million in 2005), due in 2027	**341,151**	348,076
8.125% Debentures $300 million face amount, due in 2012	**298,959**	298,827
8.875% Debentures $298 million face amount ($300 million in 2005), due in 2011	**297,191**	299,053
6.625% Debentures $298 million face amount ($300 million in 2005), due in 2029	**296,212**	298,677
8.375% Debentures $295 million face amount ($300 million in 2005), due in 2017	**291,166**	295,568
7.125% Debentures $250 million face amount, due in 2013	**249,673**	249,636
6.95% Debentures $250 million face amount, due in 2097	**246,300**	246,270
6.75% Debentures $200 million face amount, due in 2027	**196,346**	196,222
Other	**436,898**	629,689
Total long-term debt	**4,130,091**	3,753,078
Current maturities	**(79,768)**	(222,938)
	$4,050,323	$3,530,140

During 2006, the Company issued $600 million of debentures that are due in 2035 and bear interest at 5.375 %. At June 30, 2006, the fair value of the Company's long-term debt exceeded the carrying value by $257 million, as estimated by using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The aggregate maturities of long-term debt for the five years after June 30, 2006 are $80 million, $66 million, $43 million, $44 million, and $507 million, respectively.

At June 30, 2006, the Company had pledged certain property, plant, and equipment with a carrying value of $446 million as security for certain long-term debt obligations.

At June 30, 2006, the Company had lines of credit totaling $3.6 billion, of which $3.1 billion was unused. The weighted average interest rates on short-term borrowings outstanding at June 30, 2006 and 2005 were 5.25% and 3.75%, respectively. Of the Company's total lines of credit, $2.3 billion support a commercial paper borrowing facility, against which there were no borrowings at June 30, 2006.

The Company has outstanding standby letters of credit and surety bonds at June 30, 2006 and 2005 totaling $334 million and $223 million, respectively.

Note 7-Shareholders' Equity

The Company has authorized one billion shares of common stock and 500,000 shares of preferred stock, each without par value. No preferred stock has been issued. At June 30, 2006 and 2005, the Company had approximately 16.3 million and 21.5 million shares, respectively, in treasury. Treasury stock of $238 million at June 30, 2006, and $315 million at June 30, 2005, is recorded at cost as a reduction of common stock.

The Company's employee stock compensation plans provide for the granting of options to employees to purchase common stock of the Company pursuant to the Company's 1996 Stock Option Plan, 1999 Incentive Compensation Plan, and 2002 Incentive Compensation Plan. These options are issued at market value on the date of grant and expire five to ten years after the date of grant. The vesting requirements of awards under the plans range from four to nine years based upon the terms of each option grant.

The Company's 1999 and 2002 Incentive Compensation Plans provide for the granting of restricted stock awards at no cost to certain officers and key employees. The awarded shares are made in common stock and vest at the end of a three-year restriction period. During 2006, 2005, and 2004, 2.4 million, 2.5 million, and 1.1 million common shares, respectively, were granted as restricted stock awards. At June 30, 2006, there were 1.1 million and 12.9 million shares available for future grants pursuant to the 1999 and 2002 plans, respectively.

Compensation expense for option grants and restricted stock awards granted to employees is generally recognized on a straight-line basis during the service period of the respective grant. Certain of the Company's option grants and restricted stock awards continue to vest upon the recipient's retirement from the Company and compensation expense related to option grants and restricted stock awards granted to retirement eligible employees is recognized in earnings on the date of grant. Total compensation expense for option grants and restricted stock awards recognized during 2006 and 2005 was $67 million and $29 million, respectively. Total compensation expense for restricted stock awards recognized during 2004 was $7 million.

The fair value of each option grant is estimated as of the date of grant using the Black-Scholes single option pricing model. The volatility assumption used in the Black-Scholes single option pricing model is based on the historical volatility of the Company's stock. The volatility of the Company's stock was calculated based upon the monthly closing price of the Company's stock for the eight-year period immediately prior to the date of grant. The average expected life represents the period of time that option grants are expected to be outstanding. The risk-free rate is based on the rate of U.S. Treasury zero-coupon issues with a remaining term equal to the expected life of option grants. The assumptions used in the Black-Scholes single option pricing model are as follows.

	2006	2005	2004
Dividend yield	**2%**	2%	2%
Risk-free interest rate	**4%**	4%	4%
Stock volatility	**31%**	27%	28%
Average expected life (years)	**8**	9	9

A summary of option activity during 2006 is presented below:

	Shares	Weighted-Average Exercise Price
	(In thousands, except per share amounts)	
Shares under option at June 30, 2005	10,523	$13.19
Granted	3,210	21.56
Exercised	(3,005)	12.48
Forfeited or expired	(792)	15.29
Shares under option at June 30, 2006	9,936	$15.94
Exercisable at June 30, 2006	1,623	$12.13

The weighted-average remaining contractual term of options outstanding and exercisable at June 30, 2006 is 7 years and 4 years, respectively. The aggregate intrinsic value of options outstanding and exercisable at June 30, 2006 is $252 million and $47 million, respectively. The weighted-average grant-date fair values of options granted during 2006, 2005, and 2004 were $7.52, $5.41, and $4.72, respectively. The total intrinsic values of options exercised during 2006, 2005, and 2004 were $60 million, $33 million, and $18 million, respectively. Cash proceeds received from options exercised during 2006, 2005, and 2004 were $30 million, $31 million, and $39 million, respectively.

At June 30, 2006, there was $33 million of total unrecognized compensation expense related to option grants. Amounts to be recognized as compensation expense during the next five fiscal years are $10 million, $9 million, $7 million, $4 million, and $2 million, respectively.

The fair value of restricted shares is determined based on the market value of the Company's shares on the grant date. The weighted-average grant-date fair values of shares granted during 2006 and 2005 were $22.04 and $15.73, respectively.

A summary of restricted shares activity during 2006 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
	(In thousands, except per share amounts)	
Non-vested at June 30, 2005	4,434	$14.35
Granted	2,447	22.04
Vested	(930)	11.33
Forfeited	(326)	15.93
Non-vested at June 30, 2006	5,625	$18.11

At June 30, 2006 there was $33 million of total unrecognized compensation expense related to restricted shares. Amounts to be recognized as compensation expense during the next three fiscal years are $22 million, $10 million, and $1 million, respectively. The total fair value of restricted shares vested during 2006 was $11 million.

Note 8-Accumulated Other Comprehensive Income (Loss)

The following table sets forth information with respect to accumulated other comprehensive income (loss):

	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Minimum Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
			(In thousands)		
Balance at June 30, 2003	$ (123,001)	$ 14,174	$ (141,463)	$ 83,332	$ (166,958)
Unrealized gains (losses)	97,044	14,292	19,227	250,876	381,439
(Gains) losses reclassified to net earnings		(22,834)		(11,042)	(33,876)
Tax effect		3,379	(9,330)	(91,699)	(97,650)
Net of tax amount	97,044	(5,163)	9,897	148,135	249,913
Balance at June 30, 2004	(25,957)	9,011	(131,566)	231,467	82,955
Unrealized gains (losses)	8,528	9,677	(53,274)	33,655	(1,414)
(Gains) losses reclassified to net earnings		(14,292)		(35,889)	(50,181)
Tax effect		1,705	19,685	(16,133)	5,257
Net of tax amount	8,528	(2,910)	(33,589)	(18,367)	(46,338)
Balance at June 30, 2005	(17,429)	6,101	(165,155)	213,100	36,617
Unrealized gains (losses)	**107,356**	**(42,095)**	**212,315**	**(23,868)**	**253,708**
(Gains) losses reclassified to net earnings		**(9,677)**		**(16,653)**	**(26,330)**
Tax effect		**21,749**	**(78,053)**	**6,680**	**(49,624)**
Net of tax amount	**107,356**	**(30,023)**	**134,262**	**(33,841)**	**177,754**
Balance at June 30, 2006	**$ 89,927**	**$(23,922)**	**$(30,893)**	**$179,259**	**$214,371**

Note 9-Other Expense (Income) – Net

	2006	2005	2004
	(In thousands)		
Interest expense	**$ 365,180**	$ 326,580	$ 341,991
Investment income	**(204,083)**	(135,346)	(116,352)
Net (gain) loss on marketable securities transactions	**(39,803)**	(113,299)	(23,968)
Equity in (earnings) losses of unconsolidated affiliates	**(174,339)**	(228,865)	(180,716)
Other – net	**(29,074)**	(14,917)	7,525
	$ (82,119)	$(165,847)	$ 28,480

Interest expense is net of interest capitalized of $11 million, $11 million, and $7 million in 2006, 2005, and 2004, respectively.

The Company made interest payments of $365 million, $326 million, and $361 million in 2006, 2005, and 2004, respectively.

Realized gains on sales of available-for-sale marketable securities totaled $41 million, $114 million, and $24 million in 2006, 2005, and 2004, respectively. Realized losses totaled $1 million in both 2006 and 2005. There were no realized losses in 2004.

Note 10-Income Taxes

For financial reporting purposes, earnings before income taxes include the following components:

	2006	2005	2004
	(In thousands)		
United States	**$1,321,325**	$ 977,966	$369,153
Foreign	**533,925**	538,409	348,858
	$1,855,250	$1,516,375	$718,011

Significant components of income taxes are as follows:

	2006	2005	2004
	(In thousands)		
Current			
Federal	**$ 490,062**	$ 188,456	$159,450
State	**33,583**	39,752	19,770
Foreign	**121,322**	2,111	141,985
Deferred			
Federal	**(105,147)**	135,806	(50,601)
State	**27**	5,576	(3,312)
Foreign	**3,333**	100,289	(43,991)
	$ 543,180	$ 471,990	$223,301

Significant components of the Company's deferred tax liabilities and assets are as follows:

	2006	2005
	(In thousands)	
Deferred tax liabilities		
Depreciation	**$633,484**	$ 674,927
Bond discount amortization	**20,236**	22,760
Unrealized gain on marketable securities	**106,664**	137,025
Equity in earnings of affiliates	**46,141**	95,777
Other	**84,859**	72,333
	891,384	1,002,822
Deferred tax assets		
Pension and postretirement benefits	**29,687**	148,728
Reserves and other accruals	**18,632**	20,155
Tax credit carryforwards, net	**47,944**	20,852
Other	**84,832**	38,516
	181,095	228,251
Net deferred tax liabilities	**710,289**	774,571
Current net deferred tax assets included in other assets	**46,311**	4,856
Non-current net deferred tax liabilities	**$756,600**	$ 779,427

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate on earnings is as follows:

	2006	2005	2004
Statutory rate	**35.0%**	35.0%	35.0%
Export tax incentives	**(1.8)**	(2.6)	(5.0)
State income taxes, net of federal tax benefit	**1.9**	1.4	1.9
Foreign earnings taxed at rates other than the U.S. statutory rate	**(4.7)**	(4.0)	(3.8)
Adjustment of income taxes to filed tax returns	**(2.2)**	–	–
Other	**1.1**	1.3	3.0
Effective rate	**29.3%**	31.1%	31.1%

The Company made income tax payments of $508 million, $238 million, and $273 million in 2006, 2005, and 2004, respectively.

The Company has $85 million and $105 million of tax assets for net operating loss carryforwards related to certain international subsidiaries at June 30, 2006 and 2005, respectively. As of June 30, 2006, approximately $73 million of these assets have no expiration date, and the remaining $12 million expire at various times through fiscal 2011. The annual usage of certain of these assets is limited to a percentage of the taxable income of the respective international subsidiary for the year. The Company has recorded a valuation allowance of $59 million and $83 million against these tax assets at June 30, 2006 and 2005, respectively, due to the uncertainty of their realization. The Company also has $36 million of tax assets related to excess foreign tax credits which expire in fiscal 2014 and $26 million of tax assets related to state income tax incentive credits which expire at various times through fiscal 2010. The Company has recorded a valuation allowance of $14 million against the state income tax incentive credits at June 30, 2006 due to the uncertainty of their realization.

Undistributed earnings of the Company's foreign subsidiaries and affiliated corporate joint venture companies accounted for on the equity method amounting to approximately $2.2 billion at June 30, 2006 are considered to be permanently reinvested, and accordingly, no provision for U.S. income taxes has been provided thereon. It is not practicable to determine the deferred tax liability for temporary differences related to these undistributed earnings.

Note 11-Leases

The Company leases manufacturing and warehouse facilities, real estate, transportation assets, and other equipment under non-cancelable operating leases which expire at various dates through the year 2076. Rent expense for 2006, 2005, and 2004 was $129 million, $116 million, and $121 million, respectively. Future minimum rental payments for non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal years	(In thousands)
2007	$ 77,457
2008	60,481
2009	47,946
2010	35,361
2011	20,970
Thereafter	135,613
Total minimum lease payments	$377,828

Note 12-Employee Benefit Plans

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.

The Company has savings and investment plans available to employees. The Company also maintains stock ownership plans for qualifying employees. The Company contributes shares of its stock to the plans to match qualifying employee contributions. Employees have the choice of retaining Company stock in their accounts or diversifying the shares into other investment options. Expense is measured and recorded based upon the fair market value of the stock contributed to the plans each month. The number of shares designated for use in the plans is not significant compared to the shares outstanding for the periods presented. Assets of the Company's defined contribution savings plans consist primarily of listed common stocks and pooled funds. The Company's defined contribution savings plans held 20.1 million shares of Company common stock at June 30, 2006, with a market value of $829 million. Cash dividends received on shares of Company common stock by these plans during the year ended June 30, 2006 were $8 million.

	Pension Benefits			Postretirement Benefits		
	2006	2005	2004	**2006**	2005	2004
	(In thousands)			(In thousands)		
Retirement plan expense						
Defined benefit plans:						
Service cost (benefits earned during the period)	**$ 58,869**	$ 58,092	$ 48,749	**$ 6,663**	$ 6,467	$ 6,121
Interest cost	**86,568**	79,267	70,133	**8,526**	7,704	7,711
Expected return on plan assets	**(80,789)**	(68,259)	(57,947)	**—**	—	—
Curtailment	**9,913**	—	—	**—**	—	—
Amortization of actuarial loss (gain)	**35,024**	32,582	23,865	**431**	91	61
Other amortization	**4,832**	4,273	3,721	**(1,116)**	(1,116)	(1,116)
Net periodic defined benefit plan expense	**114,417**	105,955	88,521	**14,504**	13,146	12,777
Defined contribution plans:	**26,616**	25,046	23,622	**—**	—	—
Total retirement plan expense	**$141,033**	$131,001	$112,143	**$14,504**	$13,146	$12,777

The Company uses a March 31 measurement date for substantially all defined benefit plans. The following tables set forth changes in the defined benefit obligation and the fair value of defined benefit plan assets:

	Pension Benefits		Postretirement Benefits	
	2006	2005	**2006**	2005
	(In thousands)		*(In thousands)*	
Benefit obligation, beginning	**$1,599,388**	$1,398,429	**$ 151,064**	$ 136,403
Service cost	**58,869**	58,092	**6,663**	6,467
Interest cost	**86,568**	79,267	**8,526**	7,704
Actuarial loss (gain)	**(8,759)**	83,093	**4,265**	5,636
Curtailment	**9,657**	—	**—**	—
Employee contributions	**2,445**	2,996	**1,273**	881
Benefits paid	**(62,190)**	(59,154)	**(6,566)**	(5,993)
Plan amendments	**16,263**	8,328	**—**	(89)
Acquisitions and divestitures	**(26,633)**	21,561	**—**	—
Foreign currency effects	**31,399**	6,776	**76**	55
Benefit obligation, ending	**$1,707,007**	$1,599,388	**$ 165,301**	$ 151,064
Fair value of plan assets, beginning	**$1,068,381**	$ 912,549	**$ —**	$ —
Actual return on plan assets	**168,406**	96,860	**—**	—
Employer contributions	**286,195**	99,961	**5,293**	5,112
Employee contributions	**2,445**	2,996	**1,273**	881
Benefits paid	**(62,190)**	(59,154)	**(6,566)**	(5,993)
Plan amendments	**—**	3,417	**—**	—
Acquisitions and divestitures	**(18,344)**	5,247	**—**	—
Foreign currency effects	**22,861**	6,505	**—**	—
Fair value of plan assets, ending	**$1,467,754**	$1,068,381	**$ —**	$ —
Funded status	**$ (239,253)**	$ (531,007)	**$(165,301)**	$(151,064)
Unamortized transition amount	**2,727**	(553)	**—**	—
Unrecognized net loss	**299,206**	436,401	**24,127**	20,257
Unrecognized prior service costs	**44,307**	42,901	**(10,051)**	(11,167)
Adjustment for fourth quarter contributions	**6,155**	1,758	**—**	—
Pension asset (liability) recognized in the balance sheet	**$ 113,142**	$ (50,500)	**$(151,225)**	$(141,974)
Prepaid benefit cost	**$ 255,406**	$ 23,586	**$ —**	$ —
Accrued benefit liability – current	**(31,384)**	(196,925)	**—**	—
Accrued benefit liability - long-term	**(159,934)**	(179,333)	**(151,225)**	(141,974)
Intangible asset	**3,912**	42,604	**—**	—
Accumulated other comprehensive loss	**45,142**	259,568	**—**	—
Net amount recognized, June 30	**$ 113,142**	$ (50,500)	**$(151,225)**	$(141,974)

The following table sets forth the principal assumptions used in developing the benefit obligation and the net periodic pension expense:

	Pension Benefits		Postretirement Benefits	
	2006	2005	**2006**	2005
Discount rate	**5.5%**	5.4%	**6.0%**	5.8%
Expected return on plan assets	**7.3%**	7.2%	**N/A**	N/A
Rate of compensation increase	**3.7%**	3.7%	**N/A**	N/A

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were $1.3 billion, $1.1 billion, and $1.1 billion, respectively, as of June 30, 2006, and $1.5 billion, $1.3 billion, and $980 million, respectively, as of June 30, 2005. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $213 million, $198 million, and $25 million, respectively, as of June 30, 2006, and $1.3 billion, $1.2 billion, and $835 million, respectively, as of June 30, 2005. The accumulated benefit obligation for all pension plans as of June 30, 2006 and 2005, was $1.5 billion and $1.4 billion, respectively.

For postretirement benefit measurement purposes, a 10.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2006. The rate was assumed to decrease gradually to 5.0% for 2011 and remain at that level thereafter.

Assumed health care cost trend rates have a significant impact on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effect:

	1% Increase	1% Decrease
	(In thousands)	
Effect on combined service and interest cost components	$ 1,789	$ (1,581)
Effect on accumulated postretirement benefit obligations	$10,917	$(10,241)

Plan Assets

The following table sets forth the actual asset allocation for the Company's global pension plan assets as of the measurement date:

	2006[1]	2005
Equity securities[2]	**50%**	54%
Debt securities	**49%**	45%
Other	**1%**	1%
Total	**100%**	100%

[1] The Company's U.S. pension plans contain approximately 65% of the Company's global pension plan assets. The target asset allocation for the Company's U.S. pension plans consists of 60% equity securities and 40% debt securities. The actual asset allocation for the U.S. pension plans as of the measurement date consists of 56% equity securities and 44% debt securities. The actual asset allocation for the Company's foreign pension plans as of the measurement date consists of 39% equity securities, 59% debt securities, and 2% in other investments. The target asset allocation for the Company's foreign pension plans is approximately the same as the actual asset allocation.

[2] The Company's pension plans held 3.3 million shares of Company common stock as of the measurement date, March 31, 2006, with a market value of $113 million. Cash dividends received on shares of Company common stock by these plans during the twelve-month period ended March 31, 2006 were $1 million.

Investment objectives for the Company's plan assets are to:

- Optimize the long-term return on plan assets at an acceptable level of risk.
- Maintain a broad diversification across asset classes and among investment managers.
- Maintain careful control of the risk level within each asset class.
- Focus on a long-term return objective.

Asset allocation targets promote optimal expected return and volatility characteristics given the long-term time horizon for fulfilling the obligations of the pension plans. Selection of the targeted asset allocation for plan assets was based upon a review of the expected return and risk characteristics of each asset class, as well as the correlation of returns among asset classes. The U.S. pension plans target asset allocation was also based on an asset and liability study concluded in January 2005.

Investment guidelines are established with each investment manager. These guidelines provide the parameters within which the investment managers agree to operate, including criteria that determine eligible and ineligible securities, diversification requirements, and credit quality standards, where applicable. In some countries, derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of underlying investments.

External consultants monitor the investment strategy and asset mix for the Company's plan assets. To develop the Company's expected long-term rate of return assumption on plan assets, the Company generally uses long-term historical return information for the targeted asset mix identified in asset and liability studies. Adjustments are made to the expected long-term rate of return assumption when deemed necessary based upon revised expectations of future investment performance of the overall investment markets. The expected long-term rate of return assumption used in computing 2006 net periodic pension cost for the pension plans was 7.3%.

Contributions and Expected Future Benefit Payments
The Company expects to contribute $31 million to the pension plans and $6 million to the postretirement benefit plan during 2007.

The following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Benefits	Postretirement Benefits
	(In thousands)	
2007	$ 63,538	$ 5,909
2008	69,189	6,567
2009	73,489	7,442
2010	78,118	8,456
2011	82,527	9,550
2012 – 2016	485,483	59,418

Note 13-Segment and Geographic Information

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities and products. The Company's operations are classified into three reportable business segments: Oilseeds Processing, Corn Processing, and Agricultural Services. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are 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 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. Refined oil can be further processed for use in the production of biodiesel. 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 sweeteners, starches, dextrose, and syrups for the food and beverage industry as well as activities related to the production, by fermentation, of bioproducts such as alcohol, amino acids, and other specialty food and feed ingredients.

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, consisting principally of food and feed ingredient businesses and financial activities. Food and feed ingredient businesses include Wheat Processing with activities related to the production of wheat flour; Cocoa Processing with activities related to the production of chocolate and cocoa products; the production of natural health and nutrition products; and the production of other specialty food and feed ingredients. Financial activities include banking, captive insurance, private equity fund investments, and futures commission merchant activities.

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 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. Gross additions to property, plant, and equipment represent purchases of property, plant, and equipment plus amounts allocated to property, plant, and equipment related to acquired businesses.

Segment Information

	2006	2005	2004
		(In thousands)	
Sales to external customers			
Oilseeds Processing	$11,866,895	$11,803,309	$12,049,250
Corn Processing	4,860,083	4,363,924	4,005,181
Agricultural Services	15,439,567	15,198,831	15,638,341
Other	4,429,566	4,577,746	4,458,622
Total	$36,596,111	$35,943,810	$36,151,394
Intersegment sales			
Oilseeds Processing	$ 151,019	$ 158,519	$ 178,056
Corn Processing	367,504	398,252	315,173
Agricultural Services	1,207,426	1,084,477	2,192,090
Other	115,020	109,268	108,655
Total	$1,840,969	$ 1,750,516	$ 2,793,974
Net sales			
Oilseeds Processing	$12,017,914	$11,961,828	$12,227,306
Corn Processing	5,227,587	4,762,176	4,320,354
Agricultural Services	16,646,993	16,283,308	17,830,431
Other	4,544,586	4,687,014	4,567,277
Intersegment elimination	(1,840,969)	(1,750,516)	(2,793,974)
Total	$36,596,111	$35,943,810	$36,151,394
Interest expense			
Oilseeds Processing	$ 84,698	$ 51,994	$ 36,942
Corn Processing	30,592	19,600	9,931
Agricultural Services	68,111	42,620	43,424
Other	113,869	77,956	56,387
Corporate	67,910	134,410	195,307
Total	$ 365,180	$ 326,580	$ 341,991
Depreciation			
Oilseeds Processing	$ 155,538	$ 162,290	$ 168,836
Corn Processing	264,853	265,419	268,968
Agricultural Services	74,964	74,124	79,987
Other	137,295	139,502	144,625
Corporate	24,064	23,317	23,197
Total	$ 656,714	$ 664,652	$ 685,613
Equity in earnings of affiliates			
Oilseeds Processing	$ 61,174	$ 18,346	$ 30,475
Corn Processing	49,774	39,962	33,286
Agricultural Services	18,571	17,879	12,359
Other	32,695	106,443	88,919
Corporate	12,125	46,235	15,677
Total	$ 174,339	$ 228,865	$ 180,716
Operating profit			
Oilseeds Processing	$ 598,414	$ 344,654	$ 290,732
Corn Processing	877,358	530,233	660,947
Agricultural Services	275,469	261,659	249,863
Other	309,949	414,394	359,469
Total operating profit	2,061,190	1,550,940	1,561,011
Corporate	(205,940)	(34,565)	(843,000)
Earnings before income taxes	$ 1,855,250	$ 1,516,375	$ 718,011
Investments in and advances to affiliates			
Oilseeds Processing	$ 430,040	$ 356,124	
Corn Processing	204,457	163,817	
Agricultural Services	231,026	207,805	
Other	744,243	805,527	
Corporate	375,896	346,228	
Total	$ 1,985,662	$ 1,879,501	

	2006	2005	2004
		(In thousands)	
Identifiable assets			
Oilseeds Processing	$ 5,522,442	$ 5,169,644	
Corn Processing	3,026,926	2,769,364	
Agricultural Services	3,246,816	2,912,294	
Other	6,659,699	5,911,916	
Corporate	2,813,147	1,834,887	
Total	$21,269,030	$18,598,105	
Gross additions to property, plant, and equipment			
Oilseeds Processing	$ 215,861	$ 192,790	
Corn Processing	313,365	263,483	
Agricultural Services	157,720	82,910	
Other	140,330	93,211	
Corporate	13,293	14,984	
Total	$ 840,569	$ 647,378	

Geographic Information: The following geographic area data include net sales and other operating income attributed to the countries based on the location of the subsidiary making the sale and long-lived assets based on physical location. Long-lived assets represent the sum of the net book value of property, plant, and equipment plus goodwill related to consolidated businesses.

	2006	2005	2004
		(In thousands)	
Net sales and other operating income			
United States	$20,358,068	$19,450,145	$19,105,933
Germany	5,396,228	5,990,702	6,108,079
Other foreign	10,841,815	10,502,963	10,937,382
	$36,596,111	$35,943,810	$36,151,394
Long-lived assets			
United States	$ 3,975,424	$ 3,920,060	
Foreign	1,547,049	1,497,482	
	$ 5,522,473	$ 5,417,542	

Note 14-Guarantees

The Company has entered into agreements, primarily debt guarantee agreements related to equity-method investees, which could obligate the Company to make future payments if the primary entity fails to perform its contractual obligation. The Company has not recorded a liability for payment of these contingent obligations, as the Company believes the fair value of these contingent obligations is immaterial. The Company has collateral for a portion of these contingent obligations. These contingent obligations totaled $250 million at June 30, 2006. Amounts outstanding under these contingent obligations were $159 million at June 30, 2006.

Note 15-Antitrust Litigation Settlement

In 2004, the Company entered into a settlement agreement related to a class action antitrust suit involving the sale of high-fructose corn syrup pursuant to which the Company accrued $400 million ($252 million after tax). The $400 million was paid in 2005.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Archer Daniels Midland Company's ("ADM") management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). ADM's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, ADM's management assessed the design and operating effectiveness of internal control over financial reporting as of June 30, 2006 based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that ADM's internal control over financial reporting was effective as of June 30, 2006. Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on management's assessment of the Company's internal control over financial reporting as of June 30, 2006. That report is included herein.

Patricia A. Woertz
Chief Executive Officer and President

Douglas J. Schmalz
Senior Vice President &
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Archer Daniels Midland Company
Decatur, Illinois

We have audited the accompanying consolidated balance sheets of Archer Daniels Midland Company and subsidiaries as of June 30, 2006 and 2005, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Archer Daniels Midland Company and subsidiaries at June 30, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Archer Daniels Midland Company and subsidiaries' internal control over financial reporting as of June 30, 2006, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated September 1, 2006, expressed an unqualified opinion thereon.

Ernst + Young LLP

St. Louis, Missouri
September 1, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Archer Daniels Midland Company
Decatur, Illinois

We have audited management's assessment, included in the accompanying *Management's Report on Internal Control Over Financial Reporting,* that Archer Daniels Midland Company and subsidiaries maintained effective internal control over financial reporting as of June 30, 2006, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Archer Daniels Midland Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Archer Daniels Midland Company and subsidiaries maintained effective internal control over financial reporting as of June 30, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Archer Daniels Midland Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Archer Daniels Midland Company and subsidiaries as of June 30, 2006 and 2005, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2006, of Archer Daniels Midland Company and subsidiaries, and our report dated September 1, 2006, expressed an unqualified opinion thereon.

Ernst + Young LLP

St. Louis, Missouri
September 1, 2006

QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter				
	First	Second	Third	Fourth	Year
	(In thousands, except per share amounts)				
Fiscal 2006					
Net Sales	**$8,626,949**	**$9,298,985**	**$9,122,841**	**$9,547,336**	**$36,596,111**
Gross Profit	**582,711**	**783,468**	**770,732**	**828,903**	**2,965,814**
Net Earnings	**186,338**	**367,677**	**347,796**	**410,259**	**1,312,070**
Basic Earnings Per Common Share	**.29**	**.56**	**.53**	**.63**	**2.01**
Diluted Earnings Per Common Share	**.29**	**.56**	**.53**	**.62**	**2.00**
Fiscal 2005					
Net Sales	$8,972,411	$9,063,526	$8,484,171	$9,423,702	$35,943,810
Gross Profit	663,432	668,708	574,856	524,343	2,431,339
Net Earnings	266,297	313,509	269,095	195,484	1,044,385
Basic Earnings Per Common Share	.41	.48	.41	.30	1.60
Diluted Earnings Per Common Share	.41	.48	.41	.30	1.59

Net earnings for the three months and year ended June 30, 2006 include charges to cost of products sold of $34 million ($22 million after tax, equal to $.03 per share) and $61 million ($38 million after tax, equal to $.06 per share), respectively, related to the abandonment and write-down of certain long-lived assets, a charge to cost of products sold of $15 million ($9 million after tax, equal to $0.1 per share) related to the adoption of FIN 47, and a credit to other expense (income) of $17 million ($11 million after tax, equal to $.02 per share) related to the sale of long-lived assets. Net earnings for the three months and year ended June 30, 2006 also include a credit to cost of products sold of $27 million ($18 million after tax, equal to $.03 per share) related to Brazilian transactional tax credits. For the year ended June 30, 2006, net earnings include a credit to income taxes of $36 million ($.05 per share) related to the adjustment of state and federal income taxes to previously filed returns. The year ended June 30, 2006 also includes a credit to other expense (income) of $19 million ($12 million after tax, equal to $.02 per share) related to Brazilian transactional tax credits. Net earnings for the three months and year ended June 30, 2005 include charges to cost of products sold of $40 million ($25 million after tax, equal to $.04 per share) and $42 million ($26 million after tax, equal to $.04 per share), respectively, related to the abandonment and write-down of certain long-lived assets. For the year ended June 30, 2005, net earnings include a gain of $159 million ($119 million after tax, equal to $.18 per share) related to sales of the Company's interests in Tate & Lyle PLC.

COMMON STOCK MARKET PRICES AND DIVIDENDS

The Company's common stock is listed and traded on the New York Stock Exchange, Chicago Stock Exchange, Frankfurt Stock Exchange, and Swiss Stock Exchange. The following table sets forth, for the periods indicated, the high and low market prices of the common stock as reported on the New York Stock Exchange and common stock cash dividends.

	Market Price		Cash Dividends
	High	Low	Per Share
Fiscal 2006–Quarter Ended			
June 30	**$46.71**	**$34.60**	**$0.100**
March 31	**35.50**	**24.05**	**0.100**
December 31	**25.55**	**23.00**	**0.085**
September 30	**24.75**	**19.75**	**0.085**
Fiscal 2005–Quarter Ended			
June 30	$25.30	$17.50	$0.085
March 31	25.37	21.35	0.085
December 31	22.55	16.72	0.075
September 30	17.00	14.95	0.075

The number of registered shareholders of the Company's common stock at June 30, 2006 was 19,134. The Company expects to continue its policy of paying regular cash dividends, although there is no assurance as to future dividends because they are dependent on future earnings, capital requirements, and financial condition.

TEN-YEAR SUMMARY

Operating, Financial, and Other Data (Dollars in thousands, except per share data)

	2006	2005	2004
Operating			
Net sales and other operating income	**$36,596,111**	$35,943,810	$36,151,394
Depreciation	**656,714**	664,652	685,613
Net earnings	**1,312,070**	1,044,385	494,710
Basic earnings per common share	**2.01**	1.60	0.76
Diluted earnings per common share	**2.00**	1.59	0.76
Cash dividends	**241,995**	209,425	174,109
Per common share	**0.37**	0.32	0.27
Financial			
Working capital	**$ 5,661,510**	$ 4,343,837	$ 3,588,759
Per common share	**8.63**	6.68	5.51
Current ratio	**1.9**	1.8	1.5
Inventories	**4,677,508**	3,906,698	4,591,648
Net property, plant, and equipment	**5,293,032**	5,184,380	5,254,738
Gross additions to property, plant, and equipment	**840,569**	647,378	620,633
Total assets	**21,269,030**	18,598,105	19,368,821
Long-term debt	**4,050,323**	3,530,140	3,739,875
Shareholders' equity	**9,806,880**	8,433,472	7,698,216
Per common share	**14.96**	12.97	11.83
Other			
Weighted average shares outstanding-basic (000s)	**653,588**	654,242	647,698
Weighted average shares outstanding-diluted (000s)	**656,287**	656,123	649,810
Number of shareholders	**19,134**	23,091	24,394
Number of employees	**26,821**	25,641	26,317

Share and per share data have been adjusted for annual 5% stock dividends from September 1996 through September 2001.

2003	2002	2001	2000	1999	1998	1997
$30,708,033	$22,611,894	$19,483,211	$18,612,423	$18,509,903	$19,832,594	$18,104,827
643,615	566,576	572,390	604,229	584,965	526,813	446,412
451,145	511,093	383,284	300,903	265,964	403,609	377,309
0.70	0.78	0.58	0.45	0.39	0.59	0.55
0.70	0.78	0.58	0.45	0.39	0.59	0.55
155,565	130,000	125,053	120,001	117,089	111,551	106,990
0.24	0.20	0.19	0.18	0.17	0.16	0.15
$3,274,385	$2,770,520	$2,283,320	$1,829,422	$1,949,323	$1,734,411	$2,035,580
5.08	4.26	3.45	2.76	2.89	2.50	3.00
1.6	1.6	1.6	1.4	1.5	1.5	1.9
3,550,225	3,255,412	2,631,885	2,822,712	2,732,694	2,562,650	2,094,092
5,468,716	4,890,241	4,920,425	5,277,081	5,567,161	5,322,704	4,708,595
1,245,910	596,559	318,168	475,396	825,676	1,228,553	1,127,360
17,182,879	15,379,335	14,339,931	14,471,936	14,029,881	13,833,534	11,354,367
3,872,287	3,111,294	3,351,067	3,277,218	3,191,883	2,847,130	2,344,949
7,069,197	6,754,821	6,331,683	6,110,243	6,240,640	6,504,912	6,050,129
10.96	10.39	9.56	9.20	9.24	9.38	8.92
646,086	656,955	664,507	669,279	685,328	686,047	690,352
646,883	657,947	665,353	669,279	685,426	686,809	691,409
25,539	26,715	27,918	29,911	31,764	32,539	33,834
26,197	24,746	22,834	22,753	23,603	23,132	17,160

DIRECTORS

G. Allen Andreas
Chairman

Mr. Andreas, 63, joined ADM in 1973 and served in both domestic and international positions before being named President and Chief Executive in 1997. He was first elected a Director in 1997 and was named Chairman in 1999. Mr. Andreas chairs the Executive Committee.

Alan L. Boeckmann
Chairman and Chief Executive Officer of Fluor Corporation
(an engineering and construction firm)

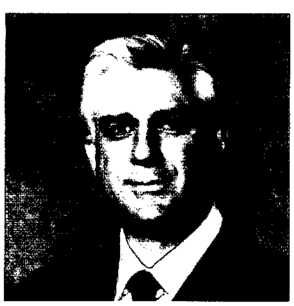
Mr. Boeckmann, 58, is also a Director of Burlington Northern Santa Fe Corporation. He joined ADM's Board in 2004. Mr. Boeckmann chairs the Compensation/Succession Committee and serves on the Audit Committee.

Mollie Hale Carter
Chairman, Chief Executive Officer and
President, Sunflower Bank and Vice President, Star A, Inc.
(a farming and ranching operation)

Ms. Carter, 44, joined ADM's Board in 1996 and is also a Director of Westar Energy. She serves on the Compensation/Succession and Nominating/Corporate Governance Committees.

Roger S. Joslin
Former Vice Chairman of
State Farm Mutual Automobile Insurance Company

Mr. Joslin, 70, serves on the Board of Directors of Amlin, plc. He joined ADM's Board in 2001 and serves on the Audit and Compensation/Succession Committees.



Antonio Maciel Neto
Chief Executive Officer and President, Suzano Papel e Celulose
(a Brazilian producer of paper and pulp products)

Mr. Maciel, 49, joined ADM's Board in 2006. He serves on the Compensation/Succession and Nominating/Corporate Governance Committees.

Patrick J. Moore
Chairman and Chief Executive Officer of Smurfit-Stone Container Corporation (a producer of paperboard and paper-based packaging products)

Mr. Moore, 52, joined ADM's Board in 2003. Mr. Moore serves on the Audit, Executive and Nominating/Corporate Governance Committees.

M. Brian Mulroney
Senior Partner, Ogilvy Renault (a law firm)

Mr. Mulroney, 67, is also a Director of Barrick Gold Corporation, Trizec Properties Inc., Cendant Corporation, Quebecor, Inc. and Quebecor World, Inc. Mr. Mulroney formerly served as Prime Minister of Canada. He joined ADM's Board in 1993 and serves on the Executive Committee.

Thomas F. O'Neill
Principal of Sandler O'Neill & Partners, L.P. (an investment banking firm)

Mr. O'Neill, 59, is also a Director of both the NASDAQ Stock Market, Inc. and Misonix, Inc. He joined ADM's Board in 2004. Mr. O'Neill chairs the Audit Committee and serves on the Nominating/Corporate Governance Committee.

O. Glenn Webb
Farmer

Mr. Webb, 70, is the retired Chairman of the Board and President of GROWMARK, Inc., a farmer-owned cooperative. He joined ADM's Board in 1991. He is the Lead Director and serves on the Compensation/Succession and Executive Committees.

Kelvin R. Westbrook
President and Chief Executive Officer of Millennium Digital Media, LLC (a broadband services company)

Mr. Westbrook, 51, is also a Director of Angelica Corporation. He joined ADM's Board in 2003. Mr. Westbrook chairs the Nominating/Corporate Governance Committee and serves on the Compensation/Succession Committee.

Patricia A. Woertz
Chief Executive Officer and President

Ms. Woertz, 53, joined ADM in 2006 as Chief Executive Officer and President and a member of the Board of Directors. She serves on the Executive Committee.

CORPORATE OFFICERS

Patricia A. Woertz
Chief Executive Officer and President

David J. Smith
Executive Vice President, Secretary and General Counsel

William H. Camp
Executive Vice President
(Global Processing)

John D. Rice
Executive Vice President
(Global Marketing and Risk Management)

Lewis W. Batchelder
Senior Vice President
(Agricultural Services)

Edward A. Harjehausen
Senior Vice President
(Corn Milling, BioProducts and Feed)

Brian F. Peterson
Senior Vice President
(Corporate Affairs)

Douglas J. Schmalz
Senior Vice President and Chief Financial Officer

Margaret M. Loebl
Group Vice President
(Finance)

Steven R. Mills
Group Vice President and Controller

Raymond V. Preiksaitis
Group Vice President
(Information Technologies)

Mark Bemis
Vice President
(Cocoa Operations)

J. Kevin Burgard
Vice President
(Specialty Food Ingredients)

Mark J. Cheviron
Vice President
(Security and Corporate Services)

Craig A. Fischer
Vice President
(Wheat Processing)

Dennis C. Garceau
Vice President
(Manufacturing and Technical Services)

Shannon Herzfeld
Vice President
(Government Relations)

Craig E. Huss
Vice President
(Transportation and Logistics)

Matthew J. Jansen
Vice President
(Grain Group)

Michael Lusk
Vice President
(Insurance and Risk Management)

Vikram Luthar
Vice President-Treasurer

Randy Moon
Vice President
(Human Resources)

Dennis Riddle
Vice President
(Corn Processing)

Kenneth A. Robinson
Vice President
(Commodity Risk Management)

Ismael Roig
Vice President
(Planning and Business Development)

Scott A. Roney
Vice President
(Compliance and Ethics)

A. James Shafter
Vice President and Assistant General Counsel

Stephen Yu
Vice President
(Asia-Pacific Operations)

Mark Zenuk
Vice President
(European and Asian Operations)

Ronald S. Bandler
Assistant Treasurer

Scott A. Roberts
Assistant Secretary and Assistant General Counsel

Marc A. Sanner
Assistant Controller

STOCKHOLDER INFORMATION

Stock Exchanges
Archer Daniels Midland Company Common Stock is listed and traded on the New York Stock Exchange, Chicago Stock Exchange, Frankfurt Stock Exchange and the Swiss Stock Exchange. Ticker symbol: ADM.

Transfer Agent and Registrar
Hickory Point Bank and Trust, fsb
1099 W. Wood St., Suite G
Decatur, IL 62522
888/740-5512

Independent Auditors
Ernst & Young LLP, St. Louis, MO

Notice of Annual Meeting
The Annual Meeting of Shareholders of the Company will be held at the James R. Randall Research Center at 1001 Brush College Road on November 2, 2006, commencing at 11:00 a.m. The Annual Meeting of Shareholders will be Webcast live: http://www.admworld.com/AnnualMeeting/. Proxies will be requested by Management on or about September 22, 2006 at which time a Proxy Statement and Form of Proxy will be sent to Shareholders.

Mailing Address
Archer Daniels Midland Company
P. O. Box 1470
Decatur, IL 62525
U.S.A.

Phone Number
Investor Relations: 217/424-4647

Internet
www.admworld.com

Copies of the Company's annual report to the Securities and Exchange Commission on Form 10-K will be available to shareholders without charge upon written request to the Investor Relations Department.

Archer Daniels Midland Company is an equal opportunity employer.

Executive Certifications
The Company's 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission includes, as Exhibit 31, certifications of the Company's Chief Executive Officer and Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002. On November 11, 2005, the Company submitted to the New York Stock Exchange (NYSE) a certificate of the Chief Executive Officer certifying that he is not aware of any violation by the Company of the NYSE corporate governance listing standards.

Safe Harbor Statement

The annual report contains forward-looking information that is subject to certain risk and uncertainties that could cause actual results to differ materially from those projected, expressed, or implied by such forward-looking information. In some cases, you can identify forward-looking statements by our use of words such as "may, will, should, anticipates, believes, expects, plans, future, intends, could, estimate, predict, potential or contingent," the negative of these terms or other similar expressions. The Company's actual results could differ materially from those discussed or implied herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the Company's Form 10-K for the fiscal year ended June 30, 2006. Among these risks are legislative acts, changes in the prices of food, feed and other commodities, including gasoline, and macroeconomic conditions in various parts of the world. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events.

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