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Archer Daniels Midland Company Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). And the first question comes from Diane Geissler of Merrill Lynch. Please proceed.

Diane Geissler - Merrill Lynch

Good morning. Congratulations on your quarter.

Unidentified Company Representative

Thank you.

Diane Geissler - Merrill Lynch

In your press release and you touched on this in your coverage on the oil seed results, you said you had improved global crush margins, primarily related to favorable raw material positioning, is that physical positioning? In another words, you had enough to run your plants at higher utilization rates or was that a financial positioning? Could you just elaborate on that?

Steve Mills - EVP and CFO

I'll start and John can add on, but I think for the most part, this physical positioning, we'd like to emphasize that our financial physical strength allowed us to own inventory , both physical inventory and good price levels.

John Rice - EVP, Commercial and Production

Earlier in the year and even later, when you're looking at the supply and demand balance sheet, globally, we saw that potentially we had a real possibility for very tight bean supplies, so as Steve said with our financial wherewithal we're able to buy more soybeans in a hedge position and carry it and then when the harvest became late we had some rainy weather. We're really one of the few companies available with the raw material supplies which really helped our oil seed crushing assets globally.

Diane Geissler - Merrill Lynch

It's also about having the product available for sale as well, in addition to higher utilization rates?

John Rice - EVP, Commercial and Production

I wouldn't necessarily say its higher utilization rates, as much as it is just having the raw material supply available, because we also had some soybean plants shut down during that time period.

Diane Geissler - Merrill Lynch

Perfect. And then I guess on the corn where you mentioned in corn processing you had a mark-to-market loss that negatively impacted the quarter. Could you quantify that and then I guess to what extent would that be realized at some point- I'm assuming that's a non-cash, at this point, but would that be realized on a cash basis later or could you just talk a little about that please?

John Rice - EVP, Commercial and Production

Sure, Diane. As we said, we did have a mark to market loss which by definition is a non-cash at the time loss and the fact that we had corn futures and options that we'd love to market that were in place to economically hedge sales volumes that we had on our books. We just ran into, to get into the nitty-gritty of the accounting a little, some hedge ineffectiveness, which is an issue, but to answer your first question, we're not going to give you the quantity, but, and as you'll also recall, we can't mark to market our sales, aside of that, so it ends up being a timing issue.

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