

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

FORM 10-Q

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

For the quarterly period ended March 31, 2013
OR

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

For the transition period from _____ to _____

Commission file number 1-44



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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

62525
(Zip Code)

(217) 424-5200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value – 659,029,761 shares
(April 30, 2013)

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Income Taxes

The Company's effective tax rate for the quarter ended March 31, 2013 was 28.0% in line with 28.7% for the quarter ended March 31, 2012.

The Company is subject to income taxation in many jurisdictions around the world. The Company is subject to routine examination by domestic and foreign tax authorities and frequently faces challenges regarding the amount of taxes due. These challenges include positions taken by the Company related to the timing, nature and amount of deductions and the allocation of income among various tax jurisdictions. Resolution of the related tax positions, through negotiation with relevant tax authorities or through litigation, may take years to complete. Therefore, it is difficult to predict the timing for resolution of tax positions. In its routine evaluations of the exposure associated with various tax filing positions, the Company recognizes a liability, when necessary, for estimated potential additional tax owed by the Company in accordance with the applicable accounting standard. However, the Company cannot predict or provide assurance as to the ultimate outcome of these ongoing or future examinations.

The Company's wholly-owned subsidiary, ADM do Brasil Ltda. (ADM do Brasil), received three separate tax assessments from the Brazilian Federal Revenue Service (BFRS) challenging the tax deductibility of commodity hedging losses and related expenses for the tax years 2004, 2006 and 2007 in the amounts of \$486 million, \$20 million, and \$85 million, respectively (inclusive of interest and adjusted for variation in currency exchange rates). ADM do Brasil's tax return for 2005 was also audited and no assessment was received. The statute of limitations for 2005 has expired. If the BFRS were to challenge commodity hedging deductions in tax years after 2007, the Company estimates it could receive additional claims of approximately \$104 million (as of March 31, 2013 and subject to variation in currency exchange rates).

ADM do Brasil enters into commodity hedging transactions that can result in gains, which are included in ADM do Brasil's calculations of taxable income in Brazil, and losses, which ADM do Brasil deducts from its taxable income in Brazil. The Company has evaluated its tax position regarding these hedging transactions and concluded, based upon advice from Brazilian legal counsel, that it was appropriate to recognize both gains and losses resulting from hedging transactions when determining its Brazilian income tax expense. Therefore, the Company has continued to recognize the tax benefit from hedging losses in its financial statements and has not recorded any tax liability for the amounts assessed by the BFRS.

ADM do Brasil filed an administrative appeal for each of the assessments. During the second quarter of fiscal 2011, a decision in favor of the BFRS on the 2004 assessment was received and a second level administrative appeal has been filed. In January of 2012, a decision in favor of the BFRS on the 2006 and 2007 assessments was received and a second level administrative appeal has been filed. If ADM do Brasil continues to be unsuccessful in the administrative appellate process, further appeals are available in the Brazilian federal courts. While the Company believes its consolidated financial statements properly reflect the tax deductibility of these hedging losses, the ultimate resolution of this matter could result in the future recognition of additional payments of, and expense for, income tax and the associated interest and penalties. The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2007.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Income Taxes (Continued)

The Company's subsidiaries in Argentina have received tax assessments challenging transfer prices used to price grain exports totaling \$60 million (inclusive of interest and adjusted for variation in currency exchange rates) for the tax years 2004, 2005, and 2006. The Argentine tax authorities have been conducting a review of income and other taxes paid by large exporters and processors of cereals and other agricultural commodities resulting in allegations of income tax evasion. While the Company believes that it has complied with all Argentine tax laws, it cannot rule out receiving additional assessments, which could be material to the Company, challenging transfer prices used to price grain exports for years subsequent to 2006. The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2006. The Company believes that it has appropriately evaluated the transactions underlying these assessments, and has concluded, based on Argentine tax law, that its tax position would be sustained, and accordingly, the Company has not recorded a tax liability for these assessments.

In accordance with the accounting requirements for uncertain tax positions, the Company has concluded that it is more likely than not to prevail on the Brazil and Argentina matters based upon their technical merits. The Company has not recorded an uncertain tax liability for these assessments partly because the taxing jurisdictions' processes do not provide a mechanism for settling at less than the full amount of the assessment. The Company's consideration of these tax assessments requires judgments about the application of income tax regulations to specific facts and circumstances. The final outcome of these matters cannot reliably be predicted, may take many years to resolve, and could result in the payment and expense of up to the entire amount of these assessments.

Note 11. Accumulated Other Comprehensive Income (AOCI)

The following tables set forth the changes in AOCI by component and the reclassifications out of AOCI for the quarter ended March 31, 2013:

	<u>Foreign Currency Translation Adjustment</u>	<u>Deferred Gain (Loss) on Hedging Activities</u>	<u>Pension Liability Adjustment</u> (In millions)	<u>Unrealized Gain (Loss) On Investments</u>	<u>Total</u>
Balance at December 31, 2012	\$ 136	\$ 4	\$ (590)	\$ —	\$ (450)
Other comprehensive income before reclassifications	(148)	9	9	(37)	(167)
Amounts reclassified from					
AOCI	—	3	15	—	18
Tax effect	3	(5)	(1)	11	8
Net current period other comprehensive income	(145)	7	23	(26)	(141)
Balance at March 31, 2013	<u>\$ (9)</u>	<u>\$ 11</u>	<u>\$ (567)</u>	<u>\$ (26)</u>	<u>\$ (591)</u>

Archer-Daniels-Midland Company

**Notes to Consolidated Financial Statements (Continued)
(Unaudited)**

Note 16. Contingencies

Since August 2008, the Company has been conducting an internal review of its policies, procedures and internal controls pertaining to the adequacy of its anti-corruption compliance program and of certain transactions conducted by the Company and its affiliates and joint ventures, primarily relating to grain and feed exports, that may have violated company policies, the U.S. Foreign Corrupt Practices Act, and other U.S. and foreign laws. The Company initially disclosed this review to the U.S. Department of Justice, the Securities and Exchange Commission, and certain foreign regulators in March 2009 and has subsequently provided periodic updates to the agencies. The Company engaged outside counsel and other advisors to assist in the review of these matters and has implemented, and is continuing to implement, appropriate remedial measures. The Company has recently completed its internal review and has initiated discussions with the Department of Justice and the Securities and Exchange Commission on the resolution of this matter. In connection with this review, government agencies could impose civil penalties or criminal fines and/or order that the Company disgorge any profits derived from any contracts involving inappropriate payments. Included in selling, general, and administrative expenses for the quarter ended March 31, 2013 was a \$25 million provision for the estimate of potential disgorgement, penalties or fines that may be imposed by government agencies pertaining to this matter. However, a final agreement has not been reached as of the date of this filing, and therefore the ultimate settlement is uncertain and may exceed \$25 million. These events have not had, and are not expected to have, a material impact on the Company's business or financial condition.

Note 17. Subsequent Event

As of March 31, 2013, the Company held a 19.8% common equity interest in GrainCorp Limited (GrainCorp). This interest was initially obtained through the use of two transactions with investment bank counterparties. These transactions were accounted for as derivatives, and the derivatives were settled in equity shares of GrainCorp during the quarter ended December 31, 2012.

The purpose of these transactions was to facilitate the Company's planned acquisition of GrainCorp. During the quarter ended December 31, 2012, the Company delivered an initial non-binding proposal, followed later by a second non-binding proposal, with the aim of arriving at an agreement with GrainCorp's Board of Directors under which they would recommend to GrainCorp shareholders an acquisition by the Company of all of GrainCorp, with the most recent proposal of Australian \$12.20 per share in cash.

On April 25, 2013, the Company announced that it has signed a takeover bid implementation deed with GrainCorp. On May 1, 2013, the Company announced that it intends to make a cash offer to acquire the outstanding common shares of GrainCorp for Australian \$12.20 per share under the terms of the takeover bid implementation deed. The offer implies an aggregate transaction value of about Australian \$3.4 billion, including GrainCorp's outstanding net debt. As part of the agreement, GrainCorp will pay to its shareholders, dividends out of current and retained earnings totaling Australian \$1.00 per share prior to the completion of the transaction. GrainCorp has indicated that the Company's offer would be unanimously recommended by the GrainCorp board. The offer is subject to conditions set out in the takeover bid implementation deed, which include regulatory approvals and a minimum acceptance level by GrainCorp shareholders.