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By Tony Reid, Herald & Review, Decatur, Ill. (TNS)

The leadership of Archer Daniels Midland Co. sought to reassure investors Tuesday as

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with the segment sales numbers, the company states it has identified “a material weakness related to the company’s accounting practices and procedures for intersegment transactions.”

And while the 10-K report doesn’t spell out in detail what the problem is, a note from ADM’s auditors, Ernst & Young LLP, said it had reviewed the accounts and concluded ADM had “not maintained effective internal control over financial reporting as of December 31, 2023...”

But Juan Luciano, ADM’s CEO, president and board chairman, said the internal problems—which led to the suspension of chief financial officer Vikram Luther in January—have not torpedoed the overall financial picture.

Speaking during an earnings conference call, Luciano said certain intersegment sales figures had now been “corrected” following an internal probe.

“The adjustments have no impact on our consolidated balance sheets, statement of earnings, comprehensive income or loss, or cash flows,” Luciano said.

“In addition, we determined that the adjustments are not material to our consolidated financial statements, taken as a whole, for any period.”

Full consideration

Whether the various lawyers and experts looking into the issue from the Securities and Exchange Commission and the Department of Justice agree is yet to be seen. ADM said it is fully cooperating with both, with the DOJ having already served “certain current and former company employees” with grand jury subpoenas.

And a class action lawsuit from investors filed Jan. 24 seeks to recover investor losses it claims were caused by ADM’s “false and misleading statements” about its

performance.

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company's access to the credit markets and its ability to fund its working capital and capital expenditures may be affected."

It also goes on to list other drawbacks that include making senior management "devote significant time" to dealing with the problems while distracting them from running the business. It also cites mounting legal bills and the prospect of having to pay "substantial judgements or settlements" if issues end up in the courts and ADM loses.

ADM also emphasizes it's already been busy trying to clean things up. It's 10-K filing said it's strengthened accounting policies governing intersegment sales and is "increasing training for relevant personnel on the measurement of and application of relevant accounting guidance to intersegment sales."

Fourth quarter numbers

ADM announced its fourth quarter results Tuesday, with a profit of \$1.06 per share or \$1.36 when adjusted for one-time gains and costs. Wall Street wasn't happy, however, with analysts expecting earnings of \$1.42 per share.

For the year, the firm harvested a profit of \$3.48 billion or \$6.43 per share on revenue of \$93.94 billion.

Luciano was upbeat, pointing out his company had returned \$3.7 billion to shareholders in the form of dividends and share buybacks in 2023.

And he sweetened the pot still further: "In January, with the expectation of continued strong cash flows in 2024, we announced an 11% increase in our quarterly dividend, raising our dividend to 50 cents per share, which marks 92 years of uninterrupted dividends and over 51 consecutive years of annual dividend increases," he added.

“Today, we also announced that our board has authorized the additional repurchase

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