ARCHER DANIELS MIDLAND CO
Form DEF 14A
September 25, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

ARCHER-DANIELS-MIDLAND COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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o Fee paid previously with preliminary materials.

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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ARCHER-DANIELS-MIDLAND COMPANY
4666 Faries Parkway, Decatur, Illinois 62526-5666

NOTICE OF ANNUAL MEETING

To All Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Archer-Daniels-Midland Company, a Delaware corporation, will be held at the JAMES R. RANDALL RESEARCH CENTER, 1001 Brush College Road, Decatur, Illinois, on Thursday, November 5, 2009, commencing at 10:30 A.M., for the following purposes:

(1) To elect Directors to hold office until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified;

(2) To consider and take action respecting the adoption of the Archer-Daniels-Midland Company 2009 Incentive Compensation Plan, recommended by the Board of Directors of the Company;

(3) To ratify the appointment by the Board of Directors of Ernst & Young LLP as independent auditors to audit the accounts of the Company for the fiscal year ending June 30, 2010;

(4) If properly presented, to consider and act upon the Stockholder s proposal set forth in the accompanying Proxy Statement; and

(5) To transact such other business as may properly come before the meeting.

By Order of the Board of Directors

D. J. Smith, Secretary

September 25, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON NOVEMBER 5, 2009: THE PROXY STATEMENT AND ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT www.adm.com/proxy

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ARCHER-DANIELS-MIDLAND COMPANY
4666 Faries Parkway, Decatur, Illinois 62526-5666

September 25, 2009

PROXY STATEMENT

General Matters

Our board of directors asks that you complete the accompanying proxy for the annual stockholders meeting. The meeting will be held at the time, place, and location mentioned in the Notice of Annual Meeting included in this mailing. We are first mailing our stockholders this proxy statement and a proxy form (included in this mailing) around September 25, 2009.

We pay the costs of soliciting proxies from our stockholders. We have retained Georgeson Inc. to help us solicit proxies. We will pay Georgeson Inc. $23,000 plus reasonable expenses for its services. Our officers may solicit proxies by means other than mail. Our other employees or employees of Georgeson Inc. may also solicit proxies in person or by telephone, mail, or the internet at a cost we expect will be nominal. We will reimburse brokerage firms and other securities custodians for their reasonable expenses in forwarding proxy materials to their principals.

We have a policy of keeping confidential all proxies, ballots, and voting tabulations that identify individual stockholders. Such documents are available for examination only by the inspectors of election, our transfer agent and certain employees associated with processing proxy cards and tabulating the vote. We will not disclose any stockholder s vote except in a contested proxy solicitation or as may be necessary to meet legal requirements.

Our common stock stockholders of record at the close of business on September 10, 2009 are the only people entitled to notice of the annual meeting and to vote at the meeting. At the close of business on September 10, 2009, we had 642,248,767 outstanding shares of common stock, each share being entitled to one vote on each of the nine director nominees and on each of the other matters to be voted on at the meeting. Our stockholders are the only people entitled to attend the annual meeting. We reserve the right to direct stockholder representatives with the proper documentation to an alternative room to observe the meeting.

All stockholders will need a form of photo identification to attend the annual meeting. If you are a stockholder of record and plan to attend, please detach the admission ticket from the top of your proxy card and bring it with you to the meeting. The number of people we will admit to the meeting will be determined by how the shares are registered, as indicated on the admission ticket. If you are a stockholder whose shares are held by a broker, bank, or other nominee, please request an admission ticket by writing to our office at Archer-Daniels-Midland Company, Shareholder Relations, 4666 Faries Parkway, Decatur, Illinois 62526-5666. Your letter to our office must include evidence of your stock ownership. You can obtain evidence of ownership from your broker, bank, or nominee. The number of tickets sent will be determined by the manner in which shares are registered. If your request is received by October 22, 2009, an admission ticket will be mailed to you. Entities, such as a corporation or limited liability company, that are stockholders may send one representative to the annual meeting and the representative should have a pre-existing relationship with the entity represented. All other admission tickets can be obtained at the registration table located at the James R. Randall Research Center lobby beginning at 8:30 A.M. on the day of the meeting.

Stockholders who do not pre-register will only be admitted to the meeting upon verification of stock ownership.

The use of cameras, video or audio recorders or other recording devices in the James R. Randall Research Center is prohibited. The display of posters, signs, banners or any other type of signage by any stockholder in the James R. Randall Research Center is prohibited.

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Any request to deviate from the admittance guidelines described above should be in writing, addressed to our office at Archer-Daniels-Midland Company, Secretary, 4666 Faries Parkway, Decatur, Illinois 62526-5666 and received by us by October 22, 2009. We will also have personnel in the lobby of the James R. Randall Research Center beginning at 8:30 A.M. on the day of the meeting to consider special requests.

If you properly execute the enclosed proxy form, your shares will be voted at the meeting. You may revoke your proxy form at any time prior to voting by:

(1) delivering written notice of revocation to our Secretary;

(2) delivering to our Secretary a new proxy form bearing a date later than your previous proxy; or

(3) attending the meeting and voting in person (attendance at the meeting will not, by itself, revoke a proxy).

Under our bylaws, directors are elected by a majority vote in an uncontested election (one in which the number of nominees is the same as the number of directors to be elected) and by a plurality vote in a contested election (one in which the number of nominees exceeds the number of directors to be elected). Because this year s election is an uncontested election, each director nominee receiving a majority of votes cast will be elected (the number of shares voted for a director nominee must exceed the number of shares voted against that nominee). Approval of each other proposal presented in the proxy statement requires the affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or by proxy at the meeting and entitled to vote. Shares not present at the meeting and shares voting abstain have no effect on the election of directors. For the other proposals to be voted on at the meeting, abstentions are treated as shares present or represented and voting, and therefore have the same effect as negative votes. Broker non-votes (shares held by brokers who do not have discretionary authority to vote on the matter and have not received voting instructions from their clients) are counted toward a quorum, but are not counted for any purpose in determining whether a matter has been approved.

Principal Holders of Voting Securities

Based upon filings with the Securities and Exchange Commission (SEC), we know that the following stockholders are beneficial owners of more than 5% of our outstanding common stock shares:

Name and Address of Beneficial Owner	Amount	Percent of Class
State Farm Mutual Automobile Insurance Company and Related Entities One State Farm Plaza Bloomington, IL 61710	56,575,463(1)	8.81

(1) Based on a Schedule 13G filed with the SEC on January 28, 2009, State Farm Mutual Automobile Insurance Company and related entities have shared voting and dispositive power with respect to 280,721 shares and sole voting and dispositive power with respect to 56,294,742 shares.

Proposal No. 1 Election of Directors for a One-Year Term

Our board of directors has fixed the size of the board at nine. Unless you provide different directions, we intend for board-solicited proxies (like this one) to be voted for the nominees named below. Mr. Mulroney, a current member of our board of directors, is not a nominee for re-election, having reached the board established age guideline for retirement.

Although the nominees proposed for election to the board of directors are all presently members of the board, Mr. Felsinger has not previously been elected by our stockholders. Mr. Felsinger was recommended by the Nominating/Corporate Governance Committee after having been identified by our chief executive officer as a potential nominee.

The nominees would hold office until the next annual stockholders meeting and until their successors are elected and qualified. If any nominee for director becomes unable to serve as a director, we intend that the persons named in the proxy may vote for a substitute who will be designated by the board of directors. The board has no reason to believe that any nominee will be unable to serve as a director.

Our bylaws were amended in February 2007 to require that each director be elected by a majority of votes cast with respect to that director in an uncontested election (where the number of nominees is the same as the number of directors to be elected). In a contested election (where the number of nominees exceeds the number of directors to be elected), the plurality voting standard governs the election of directors. Under the plurality standard, the number of persons equal to the number of directors to be elected who receive more votes than the other nominees are elected to the board, regardless of whether they receive a majority of the votes cast. Whether an election is contested or not is determined as of the day before we first mail our meeting notice to stockholders. This year s election was determined to be an uncontested election, and the majority vote standard will apply. If a nominee who is serving as a director is not elected at the annual meeting, Delaware law provides that the director would continue to serve on the board as a holdover director. However, under an amendment to our Corporate Governance Guidelines approved by our board in February 2007, each director annually submits an advance, contingent, irrevocable resignation that the board may accept if the director fails to be elected through a majority vote in an uncontested election. In that situation, the Nominating/Corporate Governance Committee would make a recommendation to the board about whether to accept or reject the resignation. The board will act on the Nominating/Corporate Governance Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days after the date the election results are certified. The board will nominate for election or re-election as director, and will elect as directors to fill vacancies and new directorships, only candidates who agree to tender the form of resignation described above. If a nominee who was not already serving as a director fails to receive a majority of votes cast at the annual meeting, Delaware law provides that the nominee does not serve on the board as a holdover director.

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The table below lists the nominees, their ages, positions with our company, principal occupations, directorships of other publicly-owned companies, the year in which each first was elected as a director, and the number of shares of common stock beneficially owned as of September 10, 2009, directly or indirectly. Unless otherwise indicated in the footnotes to the following table, and subject to community property laws where applicable, we believe that each nominee named in the table below has sole voting and investment power with respect to the shares indicated as beneficially owned. Unless otherwise indicated, all of the nominees have been executive officers of their respective companies or employed as otherwise specified below for at least the last five years.

Name, Age, Principal Occupation or Position, Directorships of Other Publicly-Owned Companies	Year First Elected as Director	Common Stock Owned	Percent of Class
George W. Buckley, 62 Chairman, President and Chief Executive Officer of 3M Company (a diversified technology company) since December, 2005; Chairman, President and Chief Executive Officer of the Brunswick Corporation (a global manufacturer and marketer of recreation products) from 2000 - December, 2005; served in other executive positions at Brunswick Corporation from 1997 - 2000; Director of 3M Company and The Black & Decker Corporation	2008	11,310(1)	*
Mollie Hale Carter, 47 Chairman, Chief Executive Officer and President, Sunflower Bank and Vice President, Star A, Inc. (a farming and ranching operation); Director of Westar Energy, Inc.	1996	11,736,840(1)(2)	1.83
Donald E. Felsinger, 61 Chairman of the Board and Chief Executive Officer of Sempra Energy (an energy services company); Group President and Chief Executive Officer of Sempra Global from 1998 through 2004; Director of Northrup Grumman Corporation		0	*
Victoria F. Haynes, 61 President and Chief Executive Officer of RTI International (an independent, non-profit corporation that performs scientific research and develops technology); Director of PPG Industries, Inc. and Nucor Corporation	2007	7,227(1)	*
Antonio Maciel Neto, 52 Chief Executive Officer of Suzano Papel e Celulose (a Brazilian paper and pulp company) since April, 2006; President of Ford South America from October, 2003 - April, 2006; President of Ford Brazil from July, 1999 - October, 2003	2006	11,321(1)	*
Patrick J. Moore, 55 Chairman and Chief Executive Officer of Smurfit-Stone Container Corporation (a producer of paperboard and paper-based packaging products); Smurfit-Stone Container Corporation and its U.S. and Canadian subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in January 2009	2003	38,017(1)	*
Thomas F. O Neill, 62	2004	16,858(1)	*

Principal, Sandler O Neill & Partners, L.P. (an investment banking firm); Director of The Nasdaq OMX Group, Inc. and Misonix, Inc.			
Kelvin R. Westbrook, 54	2003	34,993(1)	*
President and Chief Executive Officer of KRW Advisors, LLC (a consulting and advisory firm) since October, 2007; Chairman and Chief Strategic Officer of Millennium Digital Media Systems, L.L.C. (a broadband services company) (MDM) from approximately September, 2006 - October, 2007; President and Chief Executive Officer of Millennium Digital Media, L.L.C. from May 1997 - October, 2006; Director of Stifel Financial Corp. and Trust Manager of Camden Property Trust; Broadstripe, LLC (formerly MDM) and certain of its affiliates filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in January, 2009, approximately fifteen months after Mr. Westbrook resigned from MDM			
Patricia A. Woertz, 56	2006	926,705(3)	*
Chairman since February 2007; President and Chief Executive Officer since May 2006; previously Executive Vice President of Chevron Corporation (a diversified energy company); Director of The Procter & Gamble Company			

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* Less than 1% of outstanding shares

(1) Includes stock units allocated under our Stock Unit Plan for Nonemployee Directors that are deemed to be the equivalent of outstanding shares of common stock for valuation purposes.

(2) Includes 2,720,678 shares held in a family foundation or owned by or in trust for members of Ms. Carter s family and 8,918,000 shares held in a limited partnership.

(3) Includes 289,689 shares that are unissued but are subject to stock options exercisable within 60 days from the date of this proxy statement and 615 shares allocated under our 401(k) and Employee Stock Ownership Plan.

Mr. Mulroney beneficially owns 103,781 shares of common stock, constituting less than 1% of the outstanding shares of common stock, which number includes stock units allocated under our Stock Unit Plan for Nonemployee Directors that are deemed to be the equivalent of outstanding shares of common stock for valuation purposes.

The Board of Directors recommends a vote <u>FOR</u> the election of the nine nominees named above as directors. Unless otherwise indicated on your proxy, your shares will be voted <u>FOR</u> the election of such nine nominees as directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of copies of reports furnished to us during the fiscal year ended June 30, 2009, the following person filed the number of late reports or failed to file reports representing the number of transactions set forth after his name: D. C. Riddle, 1 report/1 transaction.

Executive Stock Ownership Policy

The board of directors believes that it is important for each member of our senior management to acquire and maintain a significant ownership position in shares of our common stock to further align the interests of senior management with the stockholders interests. Accordingly, we have adopted a policy regarding ownership of shares of our common stock by senior management. The policy calls for members of senior management to own shares of common stock with a fair market value within a range of one to five times that individual s base salary, depending on each individual s level of responsibility with the company.

Executive Officer Stock Ownership

The following table shows the number of shares of our common stock beneficially owned as of September 10, 2009, directly or indirectly, by each of the individuals named in the Summary Compensation Table on page 28.

Name	Common Stock Owned(1)	Options Exercisable Within 60 Days	Percent of Class
P. A. Woertz	926,705	289,689	*
S. R. Mills	360,287	137,091	*

D. J. Smith	486,611	197,129	*
J. D. Rice	362,005	124,340	*
E. A. Harjehausen	179,239	67,724	*
L. W. Batchelder	157,522	70,423	*

* Less than 1% of outstanding shares

(1) Includes shares allocated to the accounts of the named individuals under our 401(k) and Employee Stock Ownership Plan and, pursuant to SEC rules, stock options exercisable within 60 days.

Common stock beneficially owned as of September 10, 2009 by all directors and executive officers as a group, numbering 31 persons including those listed above except for Mr. Batchelder, is 15,510,904 shares representing 2.42% of the outstanding shares, of which 1,299,394 shares are unissued but are subject to stock options exercisable within 60 days from the date of this proxy statement.

Independence of Directors

NYSE Independence

The listing standards of the New York Stock Exchange, or NYSE, require companies listed on the NYSE to have a majority of independent directors. Subject to certain exceptions and transition provisions, the NYSE standards generally provide that a director will qualify as independent if the board affirmatively determines that he or she has no material relationship with our company other than as a director, and will not be considered independent if:

(1) the director or a member of the director s immediate family is, or in the past three years has been, one of our executive officers or, in the case of the director, one of our employees;

(2) the director or a member of the director s immediate family has received during any 12-month period within the last three years more than $120,000 per year in direct compensation from us other than for service as a director, provided that compensation received by an immediate family member for service as a non-executive officer employee is not considered in determining independence;

(3) the director or an immediate family member is a current partner of one of our independent auditors, the director is employed by one of our independent auditors, a member of the director s immediate family is employed by one of our independent auditors and personally works on our audits, or the director or a member of the director s immediate family was within the last three years an employee of one of our independent auditors and personally worked on one of our audits;

(4) the director or a member of the director s immediate family is, or in the past three years has been, employed as an executive officer of a company where one of our executive officers at the same time serves or served on the compensation committee; or

(5) the director is a current employee of, or a member of the director s immediate family is an executive officer of, a company that makes payments to, or receives payments from, us in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues.

Bylaw Independence

Section 2.8 of our bylaws also provides that a majority of the board of directors be comprised of independent directors. Under our bylaws, an independent director means a director who

(1) is not a current employee or a former member of our senior management or the senior management of one of our affiliates,

(2) is not employed by one of our professional services providers,

(3) does not have any business relationship with us, either personally or through a company of which the director is an officer or a controlling shareholder, that is material to us or to the director,

(4) does not have a close family relationship, by blood, marriage, or otherwise, with any member of our senior management or the senior management of one of our affiliates,

(5) is not an officer of a company of which our Chairman or Chief Executive Officer is also a board member,

(6) is not personally receiving compensation from us in any capacity other than as a director, and

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(7) does not personally receive or is not an employee of a foundation, university, or other institution that receives grants or endowments from us, that are material to us, the recipient, or the foundation/university/institution.

The board of directors has reviewed business and charitable relationships between us and each non-employee director, including those described below in the Certain Relationships and Related Transactions section, to determine compliance with the NYSE and bylaw standards described above and to evaluate whether there are any other facts or circumstances that might impair a director s or nominee s independence. Based on that review, the board has determined that eight of its ten current members, Messrs. Buckley, Felsinger, Maciel, Moore, O Neill, and Westbrook, Dr. Haynes and Ms. Carter, are independent. Ms. Woertz is not independent under the NYSE or bylaw standards because of her employment with us. Mr. Mulroney is not independent under our bylaw standards because he is the senior partner of a law firm that provides professional services to us.

In determining that Mr. Moore is independent, the board considered that, in the ordinary course of business, Smurfit-Stone Container Corporation, of which Mr. Moore is Chairman and Chief Executive Officer, purchased approximately $13.6 million worth of certain commodity products from our company, and sold approximately $3.7 million worth of certain products to our company, on an arms-length basis during the fiscal year ended June 30, 2009. The board determined that this arrangement did not exceed the NYSE s threshold of 2% of Smurfit-Stone Container Corporation s consolidated gross revenues, that Mr. Moore does not have a direct or indirect material interest in such transactions, and that such transactions do not otherwise impair Mr. Moore s independence.

In determining that Ms. Carter is independent, the board considered that, during all or a portion of the fiscal year ended June 30, 2009, Ms. Carter s brother was employed by our company in a non-executive officer capacity as a compliance auditor at total compensation less than $120,000. The board determined that Ms. Carter does not have a direct or indirect material interest in such employment relationship and that such employment relationship does not otherwise impair Ms. Carter s independence. Also in determining that Ms. Carter is independent, the board considered that, during the fiscal year ended June 30, 2009, the company purchased from Westar Energy Inc. approximately $2.6 million of utility services in the ordinary course of business and on an arms-length basis. Ms. Carter is a director of Westar Energy Inc. The board determined that this arrangement did not exceed the NYSE s threshold of 2% of Westar Energy Inc. s consolidated gross revenues, that Ms. Carter does not have a direct or indirect material interest in such utility transactions, and that such utility transactions do not otherwise impair Ms. Carter s independence.

In determining that Mr. Buckley is independent, the board considered that, in the ordinary course of business, 3M Company, of which Mr. Buckley is Chairman, President and Chief Executive Officer, purchased approximately $389,000 of certain commodity products from our company, and sold approximately $191,000 of supplies to our company, on an arms-length basis during the fiscal year ended June 30, 2009. The board determined that this arrangement did not exceed the NYSE s threshold of 2% of 3M Company s consolidated gross revenues, that Mr. Buckley does not have a direct or indirect material interest in such transactions, and that such transactions do not otherwise impair Mr. Buckley s independence.

In determining that Mr. Felsinger is independent, the board considered that, in the ordinary course of business, Sempra Energy, of which Mr. Felsinger is Chairman and Chief Executive Officer, purchased approximately $1.8 million of ethanol from our company, and sold approximately that same amount of ethanol to our company, on an arms-length basis during the fiscal year ended June 30, 2009. The board determined that this arrangement did not exceed the NYSE s threshold of 2% of Sempra Energy s consolidated gross revenues, that Mr. Felsinger does not have a direct or indirect material interest in such transactions, and that such transactions do not otherwise impair Mr. Felsinger s independence.

Corporate Governance Guidelines

The board has adopted corporate governance guidelines that govern the structure and functioning of the board and set-out the board s policies on governance issues. The guidelines, along with the written charters of each of the committees of the board and our bylaws, are posted on our internet site, *www.adm.com,* and are

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available free of charge on written request to Secretary, Archer-Daniels-Midland Company, 4666 Faries Parkway, Decatur, Illinois 62526-5666.

Executive Sessions

In accordance with our corporate governance guidelines, the non-management directors meet in executive session at least annually. If the non-management directors include any directors who are not independent pursuant to the board s determination of independence, at least one executive session includes only independent directors. The lead director, or in his or her absence, the chairperson of the Nominating/Corporate Governance Committee, presides at such meetings. The non-management directors met in executive session four times during fiscal 2009.

Board Meetings and Attendance at Annual Meetings of Stockholders

During the last fiscal year, our board of directors held five regularly scheduled meetings and four special meetings. All incumbent directors attended 75% or more of the combined total meetings of the board and the committees on which they served during the last fiscal year. We expect all director nominees to attend the annual stockholders meeting. All director nominees standing for election at our last annual stockholders meeting held on November 6, 2008 attended that meeting.

Information Concerning Committees and Meetings

The board s standing committees are the Audit, Compensation/Succession, Nominating/Corporate Governance, and Executive Committees. Each committee operates pursuant to a written charter adopted by the board, available on our internet site, *www.adm.com*.

Audit Committee

The Audit Committee consists of Mr. O Neill, Chairperson, Mr. Buckley, Ms. Carter and Dr. Haynes. The Audit Committee met eight times during the most recent fiscal year. All of the members of the Audit Committee were determined by the board to be independent directors, as that term is defined in our bylaws, in the NYSE listing standards and in Section 10A of the Securities Exchange Act. No director may serve as a member of the Audit Committee if such director serves on the audit committees of more than two other public companies unless the board determines that such service would not impair such director s ability to serve effectively on the Audit Committee. The Audit Committee reviews:

(1) the overall plan of the annual independent audit;

(2) financial statements;

(3) the scope of audit procedures;

(4) the performance of our independent auditors and internal auditors;

(5) the auditors evaluation of internal controls;

(6) matters of legal compliance; and

(7) certain relationships and related transactions.

Compensation/Succession Committee

The Compensation/Succession Committee consists of Mr. Westbrook, Chairperson, and Messrs. Felsinger, Maciel and Moore. The Compensation/Succession Committee met six times during the most recent fiscal year. All of the members of the Compensation/Succession Committee were determined by the board to be independent directors, as that term is defined in our bylaws and in the NYSE listing standards. The Compensation/Succession Committee:

(1) establishes and administers a compensation policy for senior management;

(2) reviews and approves the compensation policy for all of our employees and our subsidiaries other than senior management;

(3) approves all compensation elements with respect to our executive officers and all employees with a base salary of $500,000 or more;

(4) reviews and monitors our financial performance as it affects our compensation policies or the administration of those policies;

(5) establishes and reviews a compensation policy for non-employee directors;

(6) reviews and monitors our succession plans;

(7) approves awards to employees pursuant to our incentive compensation plans; and

(8) approves modifications in the employee benefit plans with respect to the benefits salaried employees receive under such plans.

All of the Compensation/Succession Committee s actions are reported to the board of directors and, where appropriate, submitted to the board of directors for ratification. Members of management attend meetings of the committee and make recommendations to the committee regarding compensation for officers other than the Chief Executive Officer. In determining the Chief Executive Officer s compensation, the committee considers the evaluation prepared by the non-management directors.

In accordance with the General Corporation Law of Delaware, the committee may delegate to one or more officers the authority to grant stock options to other officers and employees who are not directors or executive officers, provided that the resolution authorizing this delegation specify the total number of options that the officer or officers can award. The charter for the Compensation/Succession Committee also provides that the committee may form subcommittees and delegate tasks to them.

The Compensation/Succession Committee regularly consults with compensation experts from nationally-recognized firms on matters such as executive compensation philosophy, compensation and benefit plan design, market information and analyses regarding executive compensation, the amount and forms of compensation awarded, and committee processes. In this regard, the Compensation/Succession Committee engaged Towers Perrin during fiscal 2009 and met with representatives of that firm in connection with matters that included:

- Analyses of the elements and aggregate value of compensation paid by our comparator companies to their executive officers; and

- The philosophy behind and structure of revised annual and long-term incentive arrangements for executive officers (see Compensation Discussion and Analysis below).

For additional information on the responsibilities and activities of the Compensation/Succession Committee, including the committee s processes for determining executive compensation, see the section of this proxy statement entitled Compensation Discussion and Analysis commencing on page 11.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee consists of Ms. Carter, Chairperson, and Messrs. Felsinger, Maciel and Westbrook. The Nominating/Corporate Governance Committee met four times during the most recent fiscal year. All of the members of the Nominating/Corporate Governance Committee were determined by the board to be independent directors, as that term is defined in our bylaws and in the NYSE listing standards. The Nominating/Corporate Governance Committee:

(1) identifies individuals qualified to become members of the board, including evaluating individuals appropriately suggested by stockholders in accordance with our bylaws;

(2) recommends individuals to the board for nomination as members of the board and board committees;

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(3) develops and recommends to the board a set of corporate governance principles applicable to the company; and

(4) leads the evaluation of the directors, the board and board committees.

In assessing an individual s qualifications to become a member of the board, the Nominating/Corporate Governance Committee may consider various factors including education, experience, judgment, independence, integrity, availability, and other factors that the Nominating/Corporate Governance Committee deems appropriate. The Nominating/Corporate Governance Committee strives to recommend candidates that complement the current board members and other proposed nominees so as to further the objective of having a board that reflects a diversity of background and experience with the necessary skills to effectively perform the functions of the board and its committees. The Nominating/Corporate Governance Committee will consider nominees recommended by a stockholder provided the stockholder submits the nominee s name in a written notice delivered to our Secretary at our principal executive offices not less than 60 nor more than 90 days prior to the anniversary date of the immediately preceding annual stockholders meeting. However, if the annual meeting is called for a date that is not within 30 days before or after such anniversary date, the notice must be received at our principal executive offices not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made (whichever first occurs). Different notice delivery requirements may apply if the number of directors to be elected at an annual meeting is being increased, and we do not make a public announcement naming all of the nominees or specifying the size of the increased board at least 100 days prior to the first anniversary of the preceding year s annual meeting. Any notice of a stockholder nomination must set forth the information required by Section 1.4(c) of our bylaws, and must be accompanied by a written consent from the proposed nominee to being named as a nominee and to serve as a director if elected, and a written statement from the proposed nominee as to whether he or she intends, if elected, to tender the contingent, irrevocable resignation that would become effective should the individual fail to receive the required vote for re-election at the next meeting of stockholders. All candidates, regardless of the source of their recommendation, are evaluated using the same criteria.

Executive Committee

The Executive Committee consists of Ms. Woertz, Chairperson, Mr. Moore, Lead Director, and Mr. Mulroney. The Executive Committee met once during the most recent fiscal year and acted once by unanimous written consent. The Executive Committee acts on behalf of the board to determine matters which, in the judgment of the Chairman of the board, do not warrant convening a special board meeting but should not be postponed until the next scheduled board meeting. The Executive Committee exercises all the power and authority of the board in the management and direction of our business and affairs except for matters which are expressly delegated to another board committee and matters that cannot be delegated by the board under applicable law, our certificate of incorporation, or our bylaws.

Communications with Directors

We have approved procedures for stockholders and other interested parties to send communications to individual directors or the non-employee directors as a group. You should send any such communications in writing addressed to the applicable director or directors in care of the Secretary, Archer-Daniels-Midland Company, 4666 Faries Parkway, Decatur, Illinois 62526-5666. All correspondence will be forwarded to the intended recipient(s).

Code of Conduct

The board has adopted a Business Code of Conduct and Ethics that sets forth standards regarding matters such as honest and ethical conduct, compliance with law, and full, fair, accurate, and timely disclosure in reports and documents that we file with the SEC and in other public communications. The Business Code of Conduct and Ethics applies to all of our employees, officers, and directors, including our principal executive officer, principal financial officer, and principal accounting officer. The Business Code of Conduct and Ethics is available at our internet site, *www.adm.com,* and is available free of charge on written request to Secretary, Archer-Daniels-Midland Company, 4666 Faries Parkway, Decatur, Illinois 62526-5666. Any amendments to

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certain provisions of the Business Code of Conduct and Ethics or waivers of such provisions granted to certain executive officers will be promptly disclosed on our internet site.

Compensation Discussion and Analysis

The purpose of the Compensation Discussion and Analysis is to explain the process the Compensation and Succession Committee (Committee) uses to determine compensation and benefits for our named executive officers.

Named executive officers include:

Patricia A. Woertz	Chairman, Chief Executive Officer and President
Steven R. Mills	Executive Vice President and Chief Financial Officer
David J. Smith	Executive Vice President, Secretary and General Counsel
John D. Rice	Executive Vice President (Commercial and Production)
Edward A. Harjehausen	Senior Vice President
Lewis W. Batchelder	Chairman of the Management Board, Toepfer International GmbH (formerly Senior Vice President)

Executive Summary

For fiscal year 2009 (FY09), we exceeded target financial business plan objectives approved by the board of directors for return on net assets adjusted for LIFO (RONA) and net earnings adjusted for LIFO (Net Earnings). LIFO means last-in, first-out and refers to the practice of valuing inventory so the most recent costs to the Company are reflected in the cost of products sold. LIFO is excluded in order to align the performance metric with the Company s internal management measures. These metrics are further defined starting on page 16. We also met or exceeded nonfinancial objectives approved by the board for Safety and Performance Development.

In addition, as part of ADM s compensation program design, the Committee retains discretion to consider performance outside of pre-established objectives to ensure that the program reflects company performance and management s impact in achieving that performance. The Committee viewed FY09 to be a challenging economic environment and a year of mixed results. In determining FY09 compensation, the Committee took into account the following:

- decline in Net Earnings
- absolute decline in stock price
- mixed results on total shareholder return (TSR) versus external benchmarks
- safety factors not included in specific safety metrics
- company performance and execution of the business plan in light of the overall economy
- leadership development and succession planning
- progress on strategic initiatives
- capital investments and management of capital projects

compliance with and management oversight of company policies and controls

management of regulatory and legal challenges

management and oversight of joint ventures and other investments

other financial and non-financial results (on an absolute and relative basis)

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Based on this comprehensive performance assessment, and combined with a review of the economic environment and competitive trends, the Committee made the following decisions for our named executive officers:

- salaries remain unchanged for FY10
- FY09 annual cash incentives were paid between 84% - 115% of target, which resulted in a 33% - 67% reduction from FY08
- long-term incentive (LTI) awards (granted in September 2009 based upon FY09 performance) were paid at the base level. These grant values were 20% - 81% below FY08 grant values

Specifically for the CEO, her FY09 bonus is 33% below FY08 and her FY09 LTI grant value is 36% below FY08 grant value.

In FY09, the Committee made the following changes to our compensation programs:

- incorporated individual goals into the annual cash incentive program
- formally incorporated Committee informed judgment/discretion into both the annual cash incentive and long-term incentive programs
- eliminated company-sponsored financial planning assistance
- extended by one year the period of time over which an automobile is driven before replacement
- instituted a new cash balance pension plan for all employees hired after January 1, 2009 and transitioned those with less than 5 years of service as of January 1, 2009 from a final average pay defined benefit pension plan to a cash balance plan
- limited the availability of subsidized retiree medical benefits to only to those whose combined age and service, as of January 1, 2009, equals or exceeds 55
- eliminated eligibility for retiree life insurance for all employees

Oversight of Executive Compensation

What Is The Role Of The Committee?

The Committee is composed of all independent directors and is responsible to the board of directors and our shareholders for establishing our compensation philosophy and establishing and administering our compensation policies and programs. As part of this responsibility, the Committee:

- establishes and administers a compensation policy for senior management that is competitive with compensation paid by other companies for comparable responsibilities and performance and is designed to be supportive of the company s strategy and shareholders interests
- reviews and approves the compensation policy established by senior management that applies to all employees of the company and its subsidiaries other than senior management

reviews and monitors our financial performance as it affects our compensation policies or the administration of such policies

establishes and reviews a compensation policy for non-employee directors

reviews and monitors our company s succession plans

performs or delegates all settlor functions of the company with respect to each employee pension or welfare benefit plan sponsored by us or any of our subsidiaries

seeks input from the board on appropriate issues related to compensation

The Committee s charter is available on the investor relations section of our website. Additional information regarding the Committee s authority to determine compensation can be found on pages 8 and 9 under the caption Compensation/Succession Committee.

What Is The Role Of The Board?

The non-management directors approve the company s business plan, which is used to set financial business objectives for the annual incentive plan. The non-management directors also establish and approve all performance criteria for evaluating the CEO and annually evaluate the performance of the CEO based on these criteria. The non-management directors also ratify the CEO s compensation. When asked by the Committee, the board can also provide input and ratification on any additional compensation-related issues. For FY09, the board provided input and ratified the following additional compensation items:

- compensation of the named executive officers
- metrics related to the compensation plan
- design changes to the compensation plan

What Is The Role Of The Committee Consultant?

The Committee has engaged Towers Perrin as its independent compensation consultant since April 2008. As the independent consultant, Towers Perrin reports directly to the Committee. Towers Perrin provides the Committee with objective and expert analyses and independent advice on executive and director compensation.

Each Committee meeting includes an executive session where the Committee meets exclusively with Towers Perrin; company management is not included in these meetings. Outside of these meetings, Towers Perrin works with our management team solely on behalf of the Committee to assist the Committee in fulfilling its duties and responsibilities.

What Are The Roles Of Executives?

To assist the Committee in determining compensation for the other named executive officers, our CEO attends Committee meetings. She provides the Committee with her assessment of the named executive officers performance, both as individuals and with respect to the functions or business units they oversee. She also recommends to the Committee, but does not determine, the specific amount of compensation that should be paid to the named executive officers.

Our Chief Human Resources Officer administers all employee compensation and benefits programs, with oversight and supervision by the Committee. He prepares the majority of the materials for the meetings and provides analyses that assist the Committee with their decisions, such as summaries of competitive market practices, summaries of our succession planning actions, and reports regarding our company s performance to date.

Throughout the year, the General Counsel attended Committee meetings and assisted on legal issues related to our compensation and benefit programs. Our executives leave meetings during discussions of individual compensation actions affecting them personally and during all executive sessions, unless requested to attend by the Committee.

Compensation Philosophy

What Is Our Executive Compensation Philosophy?

We believe compensation programs are critical tools in creating shareholder value. In support of this philosophy, our current executive compensation programs are designed to support our business objectives by:

- offering competitive total compensation opportunities

- recognizing and rewarding superior financial and operational performance

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- placing a significant portion of compensation at-risk such that executives are subject to clear financial consequences for underperformance
- aligning the interests of named executive officers with those of our shareholders
- attracting and retaining a strong executive team, as well as motivating the current executive team to develop leadership and successors

What Is The History Of Our Compensation Programs?

To fully understand our current reward programs, it is important to understand the history of the programs and the impact of external factors on financial results.

From 1902 until 2003, our compensation programs consisted primarily of base salary and benefits, with periodic stock option grants. The primary rationale for this structure was the challenge of setting business objectives and aligning compensation with performance in an industry where results are highly-impacted by external factors, such as weather, crop disease, government programs, and other factors beyond management s control.

In 2003, the Committee saw a need to add variable, performance-based compensation to the compensation programs both to help drive our company s business strategy and to respond to market competition for key talent. Thus, over the last six years, we have significantly changed our programs to put more compensation at-risk and align compensation with performance. In FY03, the Committee introduced a long-term incentive equity-based program. For FY08, the Committee introduced an annual cash incentive program. Actions were initially taken at the executive officer level, and are gradually being implemented deeper into the employee population.

Each year, the Committee assesses the various compensation programs and may make adjustments to ensure the programs are aligned with performance. While the Committee has always retained discretion over the incentive programs, in FY09 informed judgment (or discretion) was introduced as a formal component of both the annual and long-term incentive programs. Under the annual incentive program, our performance is measured against pre-established 1-year business plan objectives. These objectives contain a series of assumptions that can be dramatically impacted by events outside of the control of management. In our long-term incentive program, the Committee assesses performance over a 3-year period in determining the size of our annual grant. It became evident that the incentive programs required a formal component for the Committee to exercise discretion in order to ensure equity to shareholders and to our employees. The use of informed judgment is discussed in further detail on page 18.

What Compensation And Benefits Are Provided To Named Executives Officers And Why?

The Committee utilizes the following forms of compensation and benefits: base salary, annual cash incentives, long-term equity incentives, benefits and perquisites. The various elements serve different objectives.

Base salaries and benefits are intended to attract and retain employees by providing a stable source of income and security over time. Annual cash incentives are designed to motivate and reward executives to increase shareholder value by achieving annual operational and financial objectives, and by outperforming external benchmarks over a 1-year period. The use of equity compensation aligns the interests of executives with those of shareholders by driving long-term shareholder value, supporting stock ownership, and encouraging retention. The size of long-term equity incentive grants varies based on performance against internal and external metrics.

Target Compensation

How Are Target Compensation Levels Determined?

Total direct compensation consists of salary, annual cash incentive, and long-term equity incentives. In seeking to provide a competitive target total direct compensation package, the Committee reviews comparator company compensation data, both with respect to total direct compensation and compensation elements, as a

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general reference to make compensation decisions, but does not establish specific compensation parameters based on such data. The Committee defines competitiveness as providing targeted total direct compensation between the 40th and 60th percentile levels of total direct compensation provided by the comparator group of companies. An individual executive s target total direct compensation may or may not fall within the 40th - 60th percentile range due to other factors considered by the Committee including individual responsibilities, an executive s experience and tenure, individual performance, and business objectives.

The Committee used input from management and from its independent consultant, Towers Perrin, to select the comparator group of companies. The market comparator references include:

S&P 100 Industrials

Nonfinancial companies participating in the Towers Perrin Executive Compensation Database with revenue of $20 billion or greater

Custom industry comparator group, consisting of the 19 companies as shown in the table below

The primary factors considered in compiling this group of companies included the nature and scope of their business, size, and location. For 2009, this group consisted of:

Custom Industry Comparator Group

Altria Group Inc	General Mills	Sara Lee Corp
Bunge Ltd.	Hess Corp	Sunoco Inc
Caterpillar Inc	International Paper Company	Tesoro Corp
ConAgra Foods, Inc	Kraft Foods Inc	Tyson Foods Inc
Deere & Co.	Marathon Oil Corp.	Valero Energy Corp
Dow Chemical	PepsiCo	Weyerhaeuser
DuPont (E.I.) De Nemours		

The company does not use this comparator group to assess company performance. Company performance is assessed using four benchmarks as described on page 22.

Is The Majority Of Our Named Executive Officers Compensation Based On Performance?

As discussed earlier, we are transitioning our compensation programs from a base salary-focused structure towards a more variable, performance-based structure. As a result, a substantial percentage of the target total compensation for the named executive officers is at-risk. The Committee reviews the portion of compensation allocated to: (i) fixed versus variable performance-based compensation, (ii) short-term versus long-term compensation, and (iii) cash versus equity-based compensation. We do not have a predetermined policy for the allocation.

Executive	**FY09% of Target Total Direct Compensation at-Risk**
Patricia A. Woertz	88%
Steven R. Mills	66%
David J. Smith	69%

John D. Rice	66%
Edward A. Harjehausen	50%
Lewis W. Batchelder	39%

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Elements of Compensation

Base Salary

How Are Base Salaries Determined?

Base salaries are established based on a named executive officer s position, skills, experience, and responsibilities. Competitiveness of base salary levels are assessed annually relative to salaries within the marketplace for similar executive positions. Increases may be considered for various factors such as individual performance, changes in responsibilities, and/or changes in competitive marketplace levels.

What Were The Base Salary Increases For Named Executives?

Based on management s recommendation, and approved by the Committee, our newly-appointed Chief Financial Officer was the only named executive officer to receive a base salary increase during FY09 to reflect his promotion. Base salary levels for all other named executives officers were maintained for FY09, and no named executive officer received a base salary increase for FY10.

The primary reasons for maintaining salary levels include:

- movement from primarily a base salary-focused compensation structure to a performance-based, at-risk compensation structure. This move requires a gradual shift of compensation away from salary increases to the annual cash incentive and long-term incentive programs

- remaining consistent with market conditions and trends as they relate to compensation among comparator companies

Annual Cash Incentives

What Is The Annual Cash Incentive Opportunity For Each Named Executive Officer?

The purpose of the annual cash incentive program is to reward performance based on the achievement of company, business, and individual objectives. At the start of each fiscal year, the Committee approves minimum, target, and maximum annual cash incentive levels for each named executive officer. Target annual cash incentive levels are expressed as a percentage of salary.

Executive	Minimum Annual Cash Incentive ($)	Target Annual Cash Incentive as % of Salary	Target Annual Cash Incentive ($)	Maximum Annual Cash Incentive ($)*
Patricia A. Woertz	$ 0	150%	$ 1,950,000	$ 3,685,500
Steven R. Mills	$ 0	59%	$ 440,000	$ 831,600
David J. Smith	$ 0	59%	$ 530,000	$ 1,001,700
John D. Rice	$ 0	59%	$ 520,000	$ 982,800
Edward A. Harjehausen	$ 0	40%	$ 260,800	$ 492,912

Lewis W. Batchelder	$	0	26%	$	199,680	$	377,395

* Excludes any business group or individual performance factor adjustments as described below

How Do We Calculate Annual Cash Incentives?

Annual cash incentives are determined by company-wide business objectives and the Committee s independent assessment of our company s performance. This outcome is then adjusted within a range of -20% to +20% based on individual and business group performance.

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How Is The Company Performance Factor Determined?

At the beginning of FY09, the Committee approved the following company-wide business objectives: (1) RONA, (2) Net Earnings, (3) Safety, and (4) Performance Development.

Each objective has a weighting in the final company performance factor, with 30% reserved for the Committee s performance assessment.

Weighting	Objective
25%	RONA
25%	Net Earnings
10%	Safety
10%	Performance Development
30%	Committee s Informed Judgment of Performance
100%	**Total**

Each objective is described in greater detail below:

1. *RONA:* The Committee selected RONA as a financial metric because RONA

- measures the efficient use of both fixed assets and working capital to support a focus on operating effectiveness
- is driven by how we effectively manage Assets and how we grow Net Earnings
- encourages margin enhancement, cost control, and the effective management of the net assets employed
- closely tracks return on equity
- is a measure that is definable and easily understood by both external and internal stakeholders

For the purpose of the cash incentive calculation, return on net assets adjusted for LIFO (RONA) is defined as total four quarter trailing adjusted Net Earnings adjusted for after-tax changes in LIFO inventory valuation reserves expressed as a percentage of the four quarter average adjusted Net Assets as adjusted for after-tax LIFO inventory valuation reserves. Adjusted Net Earnings excludes investment income (interest income and dividends received), interest expense, and gains and losses on securities. Net Assets (current assets plus investments and other assets plus net property, plant and equipment (total assets) less current and long-term liabilities) are adjusted to exclude cash and cash equivalents, long and short-term marketable securities, segregated cash and investments and long and short-term debt.

The Committee always retains the discretion to exclude the impact (positive or negative) of extraordinary events from the calculation of RONA if the Committee determines that the events were beyond management s control and if the exclusion is appropriate to align annual cash incentives with performance.

FY09 RONA, excluding a one-time tax event related to Wilmar of $158 million, was 10.27%, resulting in the achievement of 196.3% of the business objective.

2. *Net Earnings:* In addition to RONA, the Committee added Net Earnings as a second financial metric in FY09 to reduce reliance on a single financial measure. LIFO is excluded, consistent with the calculation for RONA.

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The Committee retains the discretion to exclude the impact of extraordinary events from the calculation of Net Earnings in the same way as discussed above for RONA.

FY09 Net Earnings, excluding a one-time tax event related to Wilmar of $158 million, were $1.543 billion, resulting in the achievement of 132.3% of the business objective.

3. *Safety objectives:* The safety component focuses on achieving improvement in employee, contractor and process safety. Improvement is measured by metrics for recordable rate of injury, lost work day rate, and process safety. For FY09, the safety component also included an objective tied to the advancement of our Values Based Safety® (a registered trademark of Quality Safety Edge) program. In the Values Based Safety® program, employees observe their coworkers behaviors and provide positive feedback to reinforce safe behaviors.

FY09 Safety achievement was 124.9% of the business objective.

4. *Performance Development:* The performance development component focuses on the establishment of and performance related to individual goals, feedback and development plans. In FY09, senior leaders and their managerial direct reports were required to complete aligned goals and achieve a combined average performance rating of meets expectations. They were also required to complete individual development plans and have executed on at least one aspect of their development plan.

FY09 Performance Development achievement was 100% of the objective.

5. *Committee s Performance Assessment:* In addition to the four business objectives discussed above, the Committee also uses its informed judgment to ensure that the annual cash incentive appropriately reflects our company s performance and management s efforts in achieving that performance. To provide its informed judgment, the Committee conducts a rigorous and comprehensive assessment of internal and external factors. This review includes absolute performance, year-over-year performance, management s control over events not contemplated in the business plan which materially impacted RONA and Net Earnings, and performance relative to multiple external benchmarks. In addition to RONA and Net Earnings, the Committee focuses on TSR, earnings per share, and return on equity. The Committee also reviews nonfinancial performance in the areas such as safety and performance development.

For FY09, the Committee determined no additional award would be made under the Committee s Performance Assessment component. In making this decision, the Committee considered the following:

- decline in Net Earnings
- absolute decline in stock price
- mixed results on TSR versus external benchmarks
- safety factors not included in specific safety metrics
- company performance and execution of the business plan in light of the overall economy
- leadership development and succession planning
- progress on strategic initiatives
- capital investments and management of capital projects

compliance with and management oversight of company policies and controls

management of regulatory and legal challenges

management and oversight of joint ventures and other investments

other financial and non-financial results (on an absolute and relative basis)

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The Company Performance Factor for FY09 was 104.6% as shown in the following table:

ojective	Weighting	FY09 Minimum to Maximum Objective	Range of Possible Payout as % of Target	FY09 Actual Performance		FY09 Actual Payout as % of Target	Weighted Amount of Total Payout*
DNA	25%	5%-10.4%	0-200%	10.27%		196.3%	49.075
t Earnings	25%	$1-$2 billion	0-200%	$1.543B		132.3%	33.075
fety	10%	Employee/contractor/ process minimum of 5-25% improvement from FY08; meet Values Based Safety implementation Goals	0-190%	Employees (Global) Recordable Rate Lost Work Day Rate Contractor (OCIP contractors only) Recordable Rate Lost Work Day Rate Process Safety (weighted incidents/hour) Behavior - implementation of VBS mandates	Improvement 20% 9.6% 2% 24% 27% Met	124.9%	12.49
rformance Development	10%	0%-100% completion	0-100%	100%		100%	10
ommittee Performance ssessment	30%	Informed judgment	0-200%	Informed judgment		0%	0.0
tals	100%		0-189%				
Y09 Company rformance Factor							104.64

* Weighting multiplied by FY09 Actual Payout as% of Target

How Are Individual and Business Group Performance Factors Determined?

Each of the named executive officers establishes goals with their immediate supervisor that are aligned with the current and long-term business plan of our company.

What Were The Cash Incentive Payments To Named Officers For FY09?

Executive	Target Annual Incentive	FY09 Annual Incentive*
Patricia A. Woertz	$ 1,950,000	$ 2,040,384
Steven R. Mills	$ 440,000	$ 414,355
David J. Smith	$ 530,000	$ 554,567
John D. Rice	$ 520,000	$ 435,282
Edward A. Harjehausen	$ 260,800	$ 272,889
Lewis W. Batchelder	$ 199,680	$ 229,830

* Includes company, business group and individual performance factors

Equity-Based Long-Term Incentives

Our LTI program the (LTI Program) aligns the interests of executives with those of shareholders by driving long-term shareholder value, supporting stock ownership, and encouraging long-term service with the company. In the following sections, we discuss the process for determining grants delivered under our LTI Program.

Our LTI awards are determined based upon the Committee s assessment of performance during the prior three fiscal years. For example, equity grants made in September 2009 reflected FY07-FY09 performance.

This concept of making grants based on the assessment of prior performance is similar in approach to our cash annual incentive plan (i.e., cash incentive awards paid in early FY10 are based upon performance achieved in FY09). However, due to the current SEC disclosure rules, these recent grants will not appear in the Grants of Plan-Based Awards table until next year because the SEC requires companies to report LTI awards granted during the fiscal year, not based on the fiscal year s performance.

As a result, we will discuss grants made in both August 2008 and in September 2009.

Grants made in August 2008 are reported in our Grants of Plan-Based Awards table on page 31 because the grant dates occurred during FY09. These grants reflect performance prior to FY09, specifically for the three-year performance period, FY06 FY08.

Grants made in September 2009 reflect performance for the 3-year period ending June 2009. These awards will not be reported in the Grants of Plan-Based Awards table until next year s proxy statement in accordance with the current SEC disclosure rules.

How Did We Determine LTI Awards Granted In August 2008?

At the start of the fiscal year, target LTI grant values are determined for each named executive officer. The target levels are stated as a percentage of base salary.

Executive	Target Grant Value as % of Salary	Target Grant Value
Patricia A. Woertz	350%	$ 4,550,000
Steven R. Mills	104%	$ 780,000
David J. Smith	104%	$ 935,000
John D. Rice	104%	$ 920,000
Edward A. Harjehausen	104%	$ 680,000
Lewis W. Batchelder	104%	$ 800,000

The actual grant could range from 0% 200% of the target grant value based on weighted average RONA over a 3-year period, with more weight given to the final fiscal year s results in order to place more focus on and provide a greater incentive for performance in the most recent year: FY06 25%, FY07 25%, and FY08 50%. Our actual weighted average RONA performance during this performance period was 13.35%, which resulted in an incentive earned percentage of 200%.

Performance Levels as Weighted Average of RONA for FY06-FY08	Payout of Equity Incentive Awards Earned as %
<9%	0%
9%	50%
10%	75%
11%	100%
12%	150%
>13%	200%

As a result of this performance, in August 2008, our named executive officers received equity grants with a value of 200% of their target grant. These grants were delivered in equal portions of stock options and restricted shares, based on the fair market value on the grant date. Both stock options and restricted shares are valued on the grant date using a Black-Scholes pricing model. Because our fair market valuation considers the vesting restrictions associated with the equity grants, this valuation differs slightly from the valuation utilized for accounting purpose.

Stock options were granted at an exercise price equal to fair market value in accordance with the 2002 Incentive Compensation Plan. The options vest incrementally over five years and can be exercised during a ten-year period following the date of grant.

Restricted shares vest three years after the date of grant.

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All awards granted under the LTI Program vest immediately if control of the company changes or upon the death of the executive. Awards continue to vest if the executive leaves the company because of disability or retirement. The Committee believes that these provisions are appropriate to assure named executive officers stay focused on the long-term success of the company during a sale of the company or amidst certain personal circumstances. These provisions also increase the value of the awards to the named executive officers which, in turn, enhances retention.

Additional Performance-Based Stock Option Grant for the CEO: In addition to participating in the LTI Program, Ms. Woertz was eligible to receive an additional performance-based stock option award for her performance for FY08. The Committee provided this additional opportunity to incent Ms. Woertz to further enhance company performance and shareholder value. The potential payout value range was from 0% to 308% of her base salary. The Committee determined the actual payout based on its discretionary evaluation of Ms. Woertz performance in FY08. The primary factors considered were:

favorable financial performance on an absolute and relative basis

progress in leadership re-organization and talent management

advancements in the strategic planning process

As a result of this evaluation, the Committee determined that Ms. Woertz was entitled to an award with a value equal to 208% of her base salary and granted stock options with respect to 307,167 shares with an exercise price of $26.03 per share.

Equity Grants made in August 2008 (reflecting FY06-FY08 Performance)

			Value			
Executive	**Incentive Plan**	**Target Award**	**Grant Value**	**Accounting Value**	**Stock Options (#)**	**Restricted Shares (#)**
Patricia A. Woertz	LTI Program	$ 4,550,000	$ 9,100,000	$ 8,877,091	517,634	185,714
	Additional performance-based options grant	N/A	$ 2,700,000	$ 2,398,740	307,167	N/A
Steven R. Mills	LTI	$ 780,000	$ 1,560,000	$ 1,521,753	88,747	31,837
David J. Smith	LTI	$ 935,000	$ 1,870,000	$ 1,824,141	106,371	38,163
John D. Rice	LTI	$ 920,000	$ 1,840,000	$ 1,794,879	104,664	37,551
Edward A. Harjehausen	LTI	$ 680,000	$ 1,360,000	$ 1,326,652	77,361	27,755
Lewis W. Batchelder	LTI					