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U.S. House of Representatives
Ways and Means Committee
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About ADM

Chairman Brady, Ranking Member Neal, and Members of the Committee:

Thank you for the opportunity to testify today about comprehensive tax reform—an issue that is critical if we are to continue to create and maintain American jobs.

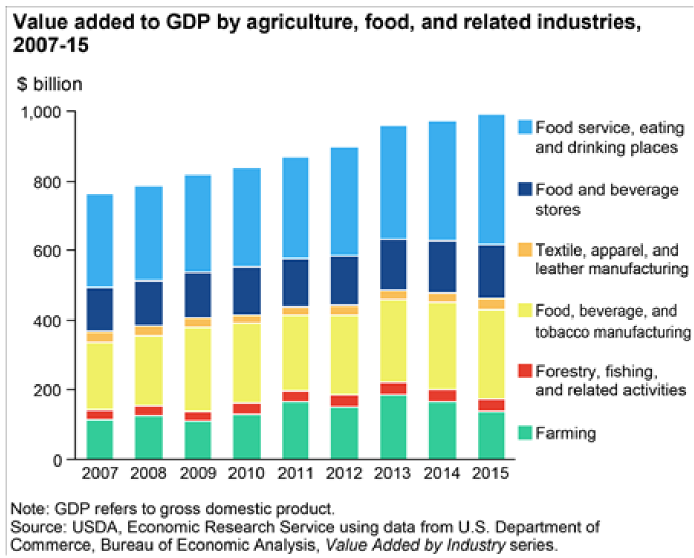
ADM began as a linseed-oil processor in Minneapolis 115 years ago. Today, we are a team of 32,000 employees worldwide serving customers in 160 countries. Our global operations include 750 crop-procurement and ingredient-manufacturing facilities; more than three dozen innovation centers; and a transportation network comprising railcars, barges, trucks, trailers and oceangoing vessels. With this network, we are able to source crops from farmers around the world; transport them to our processing facilities; transform them into thousands of food and feed ingredients, renewable fuels and chemicals; and deliver them to customers on six continents.

ADM has a broad impact on our nation's economy going far beyond the brick and mortar of our physical facilities. Our presence in the communities in which we operate brings reliable and sustainable economic support to farmers, service providers and other businesses both large and small. In 2016, we purchased $20.5 billion in goods and services from vendors or farmer suppliers in the 26 states represented on this committee. We have employees in 25 of the 26 states and 14 of the Congressional Districts represented on this committee. We employ nearly 20,000 people directly in the United States, and our operations support tens of thousands of other American jobs.

Broad Perspective on Food and Agriculture

ADM's global reach offers America's farmers access to markets far beyond the United States. The U.S. enjoys the good fortune of being a resource-rich nation in agricultural production. As a result, America's farmers are able to produce more than we consume at home. Therefore, exports are a vital part of the U.S. agricultural and rural economy.

U.S. agriculture has run a trade surplus for nearly 50 years. Agriculture exports $130 billion in products each year which when combined with $169 billion in related export activity, creates $300 billion in annual agriculture related economic activity. This has an impact on farm income and much more. Agriculture and related food industries provide 21 million jobs—representing 11% of total U.S. employment—and support 18.4 million additional jobs in related industries. Exports alone support 1 million jobs, including 750,000 non-farm jobs. Agriculture and food together contribute $992 billion to our nation's GDP. (Source: USDA, Economic Research Service.)



Exports match our nation's agricultural production with global demand, reflecting the 95 percent of consumers who live outside the U.S. These are our current and potential customers, and we are proud to work to supply them safe, high quality, American-grown products. Exporting also allow us to achieve the important goal of providing food to the 90 percent of the world's population who live in developing countries – a group whose rapid change in economic circumstances alters the global market for agriculture on a yearly basis. Consider how the lives of these people—and global markets for U.S. products—are changing:

- Global poverty has fallen faster in the past 20 years than at any time in history.
- In 1993, almost 2 billion people around the world lived on less than $2 a day. By 2012, that figure had been cut in half. By some estimates, it fell further to about 700 million in 2015.
- During this time, the share of people living in chronic hunger also has been cut nearly in half.
- The global infant mortality rate also fell 50 percent between 1990 and 2015.
- Average incomes in developing countries have almost doubled after controlling for inflation. (Source: Radelet, Stephen, "Progress in the Global War on Poverty," Christian Science Monitor, Feb. 7, 2016)

When family incomes increase, moving from subsistence to more stable circumstances, people desire more food. And beyond an increase in demand for calories they also quickly target food of higher quality and safety, with a specific focus on protein. American agriculture is perfectly positioned to meet this demand.

But we have competition: the United States is no longer the sole agricultural powerhouse in the world. South America has surpassed North America in oilseed production. Brazil's second corn crop has turned the country into our largest export competitor in the global corn market. The Black Sea region is now a major force in wheat production as U.S. acreage has steadily declined to early 20^{th} century levels. China recently has ended its corn-stockpiling program which impacts global markets.

In this new environment, U.S.-based global agricultural companies like ADM compete with well-capitalized, non-U.S. companies. These are sophisticated competitors with deep regional and often global reach. These companies often enjoy tax systems with lower rates and border adjustments that give them a competitive advantage. When investment in agriculture moves to other countries, jobs move there too.

In order for us to continue to create jobs and contribute to economic growth, while serving America's farmers and our employees, we must have a U.S. tax code that is globally competitive. A competitive tax code will help us continue providing American-made food and feed to our customers in the United States and abroad in the face of robust and, from a tax perspective, ever strengthening competition from abroad. We need your help to level this playing field and we stand ready to work with this Committee to achieve needed tax reform.

The Need for Tax Reform

Decades ago, when much of the world had a tax system that resembled the U.S. tax code of today, there was little competitive disparity. That is not the case any longer. Over time, tax systems changed country-by-country, while the U.S. system remained the same. Unlike so many other areas where the U.S. has been the global leader in innovation, we have allowed our tax system to stagnate.

U.S.-based companies face a high tax rate on worldwide income, while non-U.S. companies pay taxes at a lower rate and pay on income only in the countries in which it is earned. The higher rate on worldwide income inhibits our ability to compete effectively. The result is a competitive advantage for our non-U.S. competitors, not because they are more efficient or understand the marketplace better, but because they often enjoy greater capital mobility and greater operational flexibility thanks to territorial systems that do not limit or tax the flow of capital to locations with highest rewards. This advantage is magnified because a territorial system can reflect lower overall tax rates that, in turn, support higher margins and investment returns.

This combination puts U.S. companies at a distinct and significant competitive disadvantage. We can have the best engineering, the best business plan, the best customer service and the most efficient operations, and still be challenged to compete with tax-advantaged non-U.S. firms. We have strengths we can't realize and potential we can't fulfill.

Many foreign jurisdictions supplement their revenue needs with Value Added Tax (VAT) systems. A VAT shifts the tax base from domestically produced products that are taxed under an income tax system—including products that are ultimately exported—to a focus on domestically consumed products regardless of where they were produced. American-based companies with foreign operations like ADM are taxed both in foreign countries (where we also pay VATs), as well as in the U.S. under the worldwide system of income taxation.

This is not a debate about U.S. companies simply wishing to pay less; it is a discussion about the need for a transformative, competitive, and modernized U.S. code that, at a minimum, levels the playing field between U.S. and non-U.S. businesses so that we encourage the return of capital to the U.S., lessen the penalty on capital mobility that hurts U.S. firms but not our foreign competitors, and enables companies like ADM to create more jobs, grow at home and compete more fairly. Tax reform will enable us to be a stronger seller of our nation's agricultural bounty, help us create jobs and invest in new products, and allow us to better meet the needs of our customer and suppliers.

How the Tax Reform Proposal Helps

Responsible and comprehensive tax reform that addresses the competitive needs of American companies will stimulate investment and job creation in America. Since U.S. agriculture production outpaces U.S. consumption and the industry therefore is a net exporter, and since our company exports $10 for every $1 we import, this proposal is appealing. It makes three key reforms that go a long way toward leveling the playing field between us and our global competitors:

1. Reduces the corporate tax rate to 20 percent.
2. Converts the worldwide system of taxation to a territorial tax.
3. Creates the Destination Based Cash Flow Tax, also called the Border Adjustable Tax.

Rate Reduction: Rate reduction is a critical component of the proposal for ADM. A reduction in the corporate rate would allow ADM to evaluate prospective investments based on an after-tax rate of return that is on par with non-U.S. competitors. Today, competitors have a substantial tax advantage—even if we are a more efficient company. That means they can make investments and create jobs more cheaply in other countries than in the U.S. ADM routinely has an adjusted effective tax rate of approximately 30 percent, while our non-U.S. global competitors frequently enjoy effective tax rates that are at least 10 percentage points below us, and some with a tax rate below 20 percent.

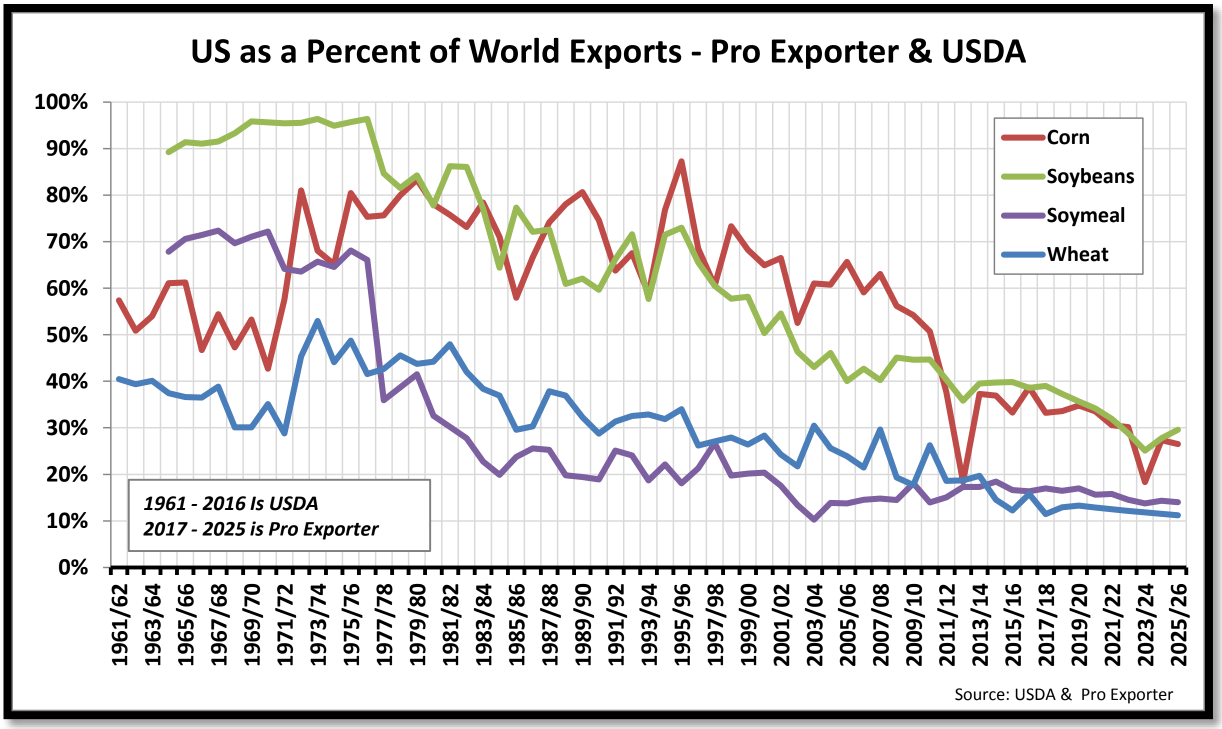
Territorial Tax System: Our foreign operations are penalized under our current worldwide system. Foreign operations are an important element in the linkage of American crops to non-U.S. customers. An overseas processing facility is a reliable destination for American agriculture exports, helping ensure that the product best reflects the local tastes and requirements. We support a territorial tax system, like the one in this proposal and similar to those that have been widely adopted around the world. Our antiquated, overly complex anti-deferral rules result in high corporate tax rates on income that would only be subject to additional local taxes under territorial systems. Moreover, the current worldwide system strands capital abroad and places a de facto tax on capital mobility, a burden on ADM that our global competitors do not have. The worldwide tax system creates incentives to locate jobs, facilities, and research and development outside the United States.

Destination Based Cash Flow Tax: Many of the markets in which we operate are commodity focused and in those markets we compete largely on price. The economic impact of tax disparities is profound. One of the reasons ADM supports this proposal is because it eliminates tax disparities on exports that arise due to differences between the U.S. income tax system and the border-adjusted VATs of OECD countries. Transactions between nations that operate on the same tax system are relatively tax neutral, because imports are subject to tax in the importing country and there is typically an offsetting exemption through the refund mechanism for exports. However, because the U.S. operates on a pure income tax system, there is no corresponding offset for exports from the U.S. Stated simply, by being the only major country on a pure income tax system, our exports are systematically disadvantaged because they bear more tax. The Destination Based Cash Flow Tax addresses this imbalance and begins to level the playing field between our tax system and the VAT systems of the rest of the world. If we can eliminate this imbalance, more investment, and more jobs, should come to the U.S.

Conclusion

According to the Tax Foundation, the proposal under discussion today would increase GDP by 9.1 percent over the long-term, would grow wages by 7.7 percent and would create 1.7 million full-time equivalent jobs in the United States. This is the type of tax reform that will make us more competitive and create and maintain jobs here in America.

As we look back on the U.S. agriculture industry's performance from 1961 to today, the U.S. share of world trade as a percent of exports in key agricultural products has fallen significantly. For corn, soybeans, soymeal and wheat, America is no longer the dominant player.



While a variety of factors have contributed to this decline, our antiquated tax system is clearly a major factor. A modernized, innovative, competitive tax system could be an important step toward helping to correct and eventually reverse these trends. Compared to many other crop-producing nations, the U.S. has well-developed infrastructure. Our farmers have access to first-class technology, from tractors to computers to drones. We have property rights, enforceable contracts, and modern legal systems that market participants trust. Despite these advantages, we have lost market share over the past 40-plus years. While we cannot point to tax policy as the single driving factor underlying this decline, this decline occurred during the time of growing tax policy divergence. We need to modernize our tax code to ensure it does not create an obstacle to our ability to keep pace with the rest of the world.

This tax reform proposal offers a great chance to provide a climate for reinvesting in America and American agriculture, helping to stop the decline in our loss of market share, once again grow our agricultural footprint, and create millions of American jobs. Other countries have responded to our inaction. This proposal offers the chance to give American farmers, American workers and American agriculture the chance to compete fully and to continue providing American products to customers around the globe.

Thank you again for inviting me to share my observations, and for your efforts on this important issue. I look forward to your questions.