

Archer-Daniels-Midland: How Far to Expand the Crush Network?

Internal ID: S&F-STR-065

Topic: Capital Allocation, Corporate Strategy, Operations Strategy

Industry: Agricultural Products & Services

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Setting: Chicago, Illinois

Information cutoff: 30 September 2026, 11:59 p.m. ET

Management perspective: ADM's board and senior leadership at the cutoff

Case convention: The follow-on authorization decision is hypothetical. Historical company plans and reported results are identified as such; this case does not describe a private board meeting. [S1]

Decision assignment

On 30 July 2026, Archer-Daniels-Midland Company (ADM) announced targeted oilseed-crush upgrades at four existing U.S. facilities. Management expected the work to add approximately 700,000 metric tons of annual capacity in total, with completion from mid-2028 through early 2029. ADM also said it was evaluating similar enhancements at other North American locations. [S1]

The four announced sites form the baseline; they are not up for reconsideration in this case. The hypothetical decision is whether to authorize additional sites now, stage later projects behind evidence gates, or redirect marginal capital to Nutrition and other uses. Students should recommend a process and identify the evidence that would change their choice. No public disclosure identifies the candidate sites, their project costs, site economics, expected utilization or customer commitments. The record therefore does not support a site-level net-present-value calculation.

A network with several ways to create value

ADM connects crop origination and merchandising with storage, transportation, processing and sales of products such as vegetable oils and protein meals. A brownfield improvement can add capacity or remove a bottleneck inside an existing network. Its value may come from more throughput, lower handling costs, better asset utilization, or improved coordination with farmers and downstream customers. Which mechanism matters depends on the specific facility and local supply chain.

The first phase spans four locations and a range of work. ADM described storage and equipment additions at Frankfort, Indiana; conveying, flaking, extraction and utility work at Deerfield, Missouri; meal storage and debottlenecking at Lincoln, Nebraska; and equipment and operational optimization at Spiritwood, North Dakota. Spiritwood is operated through the Green Bison joint venture with Marathon Petroleum. Management expects Spiritwood work to finish in mid-2028, Frankfort and Lincoln in late 2028, and Deerfield in late 2028 or early 2029. These are expected dates and capacity, not completed projects or realized production. [S1]

The aggregate estimate-about 700,000 metric tons of annual crush capacity and more than 25 million bushels of added farmer demand-does not reveal the contribution of each location. An equal division would imply 175,000 metric tons per site, but ADM did not say the projects are equal. Students should not use that illustrative average as a disclosed allocation. [S1; S2]

A strong quarter, with important limits

ADM's second-quarter 2026 total segment operating profit was \$1.450 billion, compared with \$830 million a year earlier. Ag Services & Oilseeds reported \$867 million, up from \$379 million. Within the segment, reported crushing profit was \$363 million versus \$33 million. These segment measures are defined by ADM and are not GAAP operating income, project cash flow or the marginal return on a new site. [S2]

ADM said second-quarter net positive mark-to-market and timing impacts were approximately \$100 million, primarily in crushing. For the first half, the company reported approximately \$200 million of net negative mark-to-market and timing impacts in Crushing and Regenerative Power. The result is a striking quarter, but not an adequate stand-alone basis for projecting margins through commissioning in 2028-29. [S2]

On 4 August, ADM raised its 2026 adjusted diluted EPS outlook from \$4.15-\$4.70 to \$5.15-\$5.60. Management said the increase reflected expected improvement principally in crushing and ethanol after finalization of the 2026-27 Renewable Fuel Standard (RFS) obligations, as well as the energy-price environment and improving Nutrition performance. These are management's expectations, not a project forecast. The company projected 2026 capital expenditures of \$1.3-\$1.5 billion. It did not allocate that range to the four projects or authorize the possible follow-on work. [S2]

ADM's first-half operating cash flow was \$1.299 billion, against \$3.956 billion in the prior-year period; first-half capital expenditures were \$466 million. The filing attributes much of the cash-flow movement to working capital, including commodity-related inventory and receivables. A simple subtraction-\$1.3-\$1.5 billion of full-year capex guidance less \$466 million spent-leaves \$834 million-\$1.034 billion in nominal planned spending for the rest of 2026. That is a derived arithmetic range, not discretionary cash or an available budget for new crush projects. [S2; S3]

Policy support and uncertainty

The EPA's final RFS rule established baseline total renewable-fuel requirements of 25.82 billion RINs for 2026 and 25.98 billion for 2027, including biomass-based diesel requirements of 8.86 billion and 8.95 billion RINs. RINs are compliance units. They are not ADM sales, plant throughput, a soybean-price forecast or a guaranteed margin. The rule also included reallocation provisions, which need to be separated from its baseline figures. [S4]

On 31 August, EPA announced 1.76 billion RIN exemptions across 29 refineries for 2025 and said it intended to propose 100% reallocation of certain exemption volumes into the 2026-27 obligations. At the case cutoff, that reallocation was a proposal to come, not a final action. The policy environment had strengthened in some respects and remained unsettled in others. [S5]

That distinction matters because ADM's announced project completions lie several years ahead. A rapid authorization could secure engineering attention, remove network bottlenecks and position ADM to serve demand if biofuel economics persist. Staging could preserve flexibility while the first phase is built and policy, crop basis and customer demand become clearer. Waiting could also mean that costs rise, capacity slots disappear or a rival secures supply relationships first; the public record does not quantify those risks.

Competing uses of resources

Crush is not ADM's only investment opportunity. Nutrition's second-quarter segment operating profit was \$172 million, compared with \$114 million a year earlier; Carbohydrate Solutions reported \$411 million, compared with \$337 million. These figures show that performance was improving in more than one segment. They do not rank prospective project returns. ADM's cash needs also include maintenance, working capital, debt service and other strategic investments. [S2; S3]

One way to frame the decision is as a corporate-capital allocation problem. Headquarters may be able to redirect capital toward the best available projects across divisions. Yet broad segment comparisons can also obscure poor individual projects or cross-subsidize them. A defensible process therefore needs comparable project evidence and post-investment accountability, not a presumption that the currently strongest segment should receive every next dollar.

Industry evidence cuts both ways. ADM identifies new capacity, returning idled capacity and competition as factors that can pressure product pricing. Bunge reported second-quarter soybean processing of 11.524 million metric tons, compared with 9.304 million, and Bunge-defined soybean processing/refining Segment EBIT of \$804 million, compared with \$460 million. Segment EBIT is a non-GAAP measure distinct from Bunge's Adjusted Segment EBIT; neither should be assumed comparable to ADM's segment measure. Bunge completed its Viterra acquisition in July 2025; the acquired business was not included in the earlier-year comparison. The reported figures signal a consequential competitor, but they are neither like-for-like evidence of organic expansion nor a local forecast for ADM's candidate facilities. [S3; S6]

The choice facing the board

The hypothetical board has three credible paths:

1. **Authorize another phase now.** This may capture integration, procurement and customer benefits early, and support a sustained biofuel-led opportunity. It requires evidence that site economics remain attractive under realistic margin, basis, utilization and policy scenarios, and that the organization can execute another phase while delivering the first four projects.
2. **Stage additional projects behind gates.** ADM could preserve the option to expand while requiring candidate sites to meet project-return, throughput, offtake, logistics and policy tests. Gates should be observable and time-bound; vague “wait for clarity” language can defer decisions indefinitely. Students should explain what can be learned from the first phase before later commitments are needed.
3. **Redirect marginal capital.** ADM could slow further crush work and favor Nutrition or other operating and manufacturing opportunities. This may improve portfolio balance or fund higher-return projects, but comparative returns are not disclosed. A segment's latest profit growth is not a substitute for project-level economics.

Students should assess the reversibility of early spending, the value of waiting for new information, the cost of delay and whether customer, engineering or permit commitments can be obtained before full authorization. The case provides no assumed hurdle rate, capex, margin per ton, ramp curve or probability of policy outcomes. Any such number introduced in discussion must be labeled as a teaching assumption and tested across plausible ranges.

Exhibits

Exhibit 1. Four-site program announced 30 July 2026

Facility	Announced scope	Expected completion
Frankfort, Indiana	Storage and equipment additions	Late 2028
Deerfield, Missouri	Conveying, flaking, extraction and utility work	Late 2028 / early 2029
Lincoln, Nebraska	Meal storage and debottlenecking	Late 2028
Spiritwood, North Dakota	Equipment and operational optimization; Green Bison JV facility	Mid-2028

ADM's aggregate estimate is approximately 700,000 metric tons of additional annual capacity and more than 25 million bushels of added farmer demand. No site-level split or investment amount was disclosed. [S1]

Exhibit 2. Selected second-quarter and first-half results

USD millions unless noted. Segment operating profit is ADM-defined, non-GAAP.

Measure	Q2 2026	Q2 2025	First half 2026	First half 2025
Ag Services & Oilseeds segment operating profit	867	379	2,214	1,577
Carbohydrate Solutions segment operating profit	411	337	-	-
Nutrition segment operating profit	172	114	-	-
Total segment operating profit	1,450	830	-	-
Crushing subsegment profit	363	33	284	79
Operating cash flow	-	-	1,299	3,956
Capital expenditures	-	-	466	596

ADM reported approximately \$100 million of Q2 net positive mark-to-market/timing impacts, primarily in Crushing, and approximately \$200 million of first-half net negative impacts in Crushing and Regenerative Power. Working capital was a major factor in first-half operating cash flow. Do not annualize first-half cash flow or treat the segment measures as incremental project returns. [S2; S3]

Exhibit 3. Policy and outlook timeline

Date	Event available by cutoff	Strategic relevance
March/April 2026	EPA finalized 2026-27 RFS obligations	Higher compliance volumes informed the demand context; RIN requirements do not equal ADM offtake. [S4]
30 July 2026	ADM announced the four-site phase and said it was evaluating other locations	Establishes the committed baseline and a possible follow-on decision. [S1]
4 August 2026	ADM reported Q2 results, raised adjusted EPS outlook to \$5.15-\$5.60, and projected \$1.3-\$1.5bn capex	Management expected improvement principally in crushing and ethanol, with Nutrition also improving. [S2]
31 August 2026	EPA announced 2025 small-refinery exemptions and a future reallocation proposal	Policy implementation remained unsettled at the cutoff. [S5]

Exhibit 4. Competitor context: Bunge Q2 2026

Measure	Q2 2026	Q2 2025
Soybean processing volume (million metric tons)	11.524	9.304
Bunge-defined soybean processing/refining Segment EBIT (USD millions; non-GAAP)	804	460

Bunge's Segment EBIT is distinct from its Adjusted Segment EBIT and from ADM's segment measure. Bunge's 2025 comparison excludes Viterra, acquired 2 July 2025. These figures provide industry context; they are not an organic growth comparison or a directly comparable ADM margin, capacity or return benchmark. [S6]

Discussion questions

1. What is the strongest case for moving quickly on additional crush upgrades? What evidence would show that the apparent opportunity reflects durable network economics rather than a temporary policy or margin window?
2. Which evidence gates would you require before each later-site commitment? Specify metrics, thresholds or decision dates without pretending that the case discloses ADM's internal hurdle rates.
3. How should management use results from the four announced projects when those projects are not expected to finish until 2028-29? What can be learned earlier, and what cannot?
4. How should ADM compare incremental crush projects with Nutrition and other operating uses? Why are segment profit growth and company-wide capex guidance insufficient on their own?
5. What role should policy uncertainty, competitive capacity and customer offtake play in authorization? Which facts are known, which conclusions are derived, and which inputs would you label as assumptions?
6. Recommend one path and state the specific evidence that would cause you to switch to one of the other two.

Source notes

[S1] ADM, “ADM to Expand North America Crush Capacity Amid Strong Biofuel Demand,” 30 July 2026, release bullets and facility paragraphs, [issuer release](#).

[S2] ADM, Q2 2026 results, 4 August 2026, “2Q26 Segment Overview,” “YTD 2026 Segment Overview,” and “2026 Outlook,” [issuer release](#) and [SEC Exhibit 99.1](#). ADM segment operating profit and adjusted EPS are non-GAAP measures; see the reconciliation and notes in the release.

[S3] ADM, Form 10-Q for period ended 30 June 2026, filed 4 August, Note 12 (printed pp. 11-13); MD&A, segment results and operating cash flows (printed pp. 42-58); cash-flow statement (printed pp. 3-4), [SEC filing](#), accession 0000007084-26-000042.

[S4] U.S. EPA, Final Renewable Fuel Standards for 2026 and 2027, final-rule overview and tables, [EPA](#). Baseline requirements are distinguished from reallocated volumes.

[S5] U.S. EPA, “EPA Announces Action on 2025 Small Refinery Exemptions and Related Actions,” 31 August 2026, [EPA release](#). The proposed reallocation was not final at cutoff.

[S6] Bunge, Q2 2026 Form 10-Q, MD&A volume and segment tables, [SEC filing](#), and earnings release, [SEC exhibit](#). The cited \$804m and \$460m are Bunge-defined Segment EBIT, a non-GAAP measure distinct from Adjusted Segment EBIT and ADM's segment measure. Viterro entered Bunge's results after the prior-year comparative period.

This case is an educational discussion document, not investment advice. It uses public information available by the stated cutoff and does not disclose company forecasts beyond those attributed to ADM.