

ARCHER DANIELS MIDLAND CO

Form 424B2

September 21, 2005

Table of Contents**Prospectus Supplement****September 19, 2005****(To Prospectus dated March 3, 2003)**

Filed Pursuant to Rule 424(b)(2)

File No. 333-103291

\$600,000,000
Archer-Daniels-Midland Company
5.375% Debentures due 2035

The debentures will bear interest at the rate of 5.375% per year. We will pay interest on the debentures on March 15 and September 15 of each year, beginning March 15, 2006. The debentures will mature on September 15, 2035. We may redeem the debentures at our option at any time either in whole or in part, at the redemption prices described in this prospectus supplement.

The debentures are unsecured and rank equally with all of our other unsecured senior indebtedness from time to time outstanding. The debentures will be issued only in registered form in denominations of \$1,000 and integral multiples of \$1,000.

	Per Debenture	Total
Public offering price(1)	97.402%	\$ 584,412,000
Underwriting discount	0.875%	\$ 5,250,000
Proceeds, before expenses, to Archer-Daniels-Midland(1)	96.527%	\$ 579,162,000

(1) Plus accrued interest, if any, from September 22, 2005, if settlement occurs after such date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the debentures or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the debentures in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about September 22, 2005.

*Joint Book-Running Managers***Banc of America Securities LLC****Citigroup****HSBC****ABN AMRO Incorporated****BNP Paribas****Deutsche Bank Securities****ING Financial Markets****Merrill Lynch & Co.****Barclays Capital Inc.****Calyon Securities (USA)****Goldman, Sachs & Co.****JPMorgan****Rabo Securities USA, Inc.**

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate as of the date hereof

only. Our business, financial condition, results of operations and prospects may have changed since that date.

TABLE OF CONTENTS
Prospectus Supplement

	Page
<u>Ratio of Earnings to Fixed Charges</u>	S-3
<u>Description of the Debentures</u>	S-4
<u>Underwriting</u>	S-8
<u>Legal Opinions</u>	S-9
<u>Experts</u>	S-9
Prospectus	
<u>About This Prospectus</u>	2
<u>Where You Can Find More Information</u>	2
<u>The Company</u>	3
<u>Use of Proceeds</u>	3
<u>Ratio of Earnings to Fixed Charges</u>	4
<u>Description of Debt Securities</u>	4
<u>Description of Warrants</u>	18
<u>Plan of Distribution</u>	19
<u>Experts</u>	21

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

Set forth below is the consolidated ratio of earnings to fixed charges for each of the periods presented.

Fiscal Year Ended June 30,

2001	2002	2003	2004	2005
2.03x	2.80x	2.54x	2.60x	4.75x

The ratio of earnings to fixed charges is calculated as follows:
(earnings)

(fixed charges)

For purposes of calculating the ratios, earnings consist of:

pre-tax income from continuing operations before minority interest in income from consolidated subsidiaries and income or loss from equity investees;

fixed charges;

amortization of capitalized interest; and

distributed income of equity investees;

minus capitalized interest; and

minus the minority interest in pre-tax income of subsidiaries that have not incurred fixed charges.

For purposes of calculating the ratios, fixed charges consist of:

interest expensed and capitalized;

amortized premiums, discounts and capitalized expenses related to indebtedness; and

an estimate of the interest portion of rental expense on operating leases.

Table of Contents

DESCRIPTION OF THE DEBENTURES

The following discussion of the terms of the debentures supplements the description of the general terms and provisions of the debt securities contained in the accompanying prospectus and identifies any general terms and provisions described in the accompanying prospectus that will not apply to the debentures.

General

The debentures will be our general unsecured and senior obligations. We are initially offering the debentures in the principal amount of \$600,000,000. We may, without the consent of the holders, issue additional debentures and thereby increase that principal amount in the future, on the same terms and conditions and with the same CUSIP number as the debentures we offer by this prospectus supplement.

The debentures will be issued under an indenture dated as of June 1, 1986 between us and JPMorgan Chase Bank, N.A., as trustee. The indenture has been amended and supplemented by a supplemental indenture dated as of August 1, 1989 and amended by the Trust Indenture Reform Act of 1990. You should read the accompanying prospectus for a general discussion of the terms and provisions of the indenture.

The debentures will mature on September 15, 2035. The debentures will bear interest at a rate of 5.375% per year from September 22, 2005 or from the most recent interest payment date on which we paid or provided for interest on the debentures. We will pay interest on the debentures on each March 15 and September 15, beginning March 15, 2006, to the person listed as the holder of the debenture (or any predecessor debenture) in the security register at the close of business on the preceding March 1 or September 1, as the case may be.

The debentures are subject to defeasance in the manner described under the heading Description of Debt Securities Defeasance in the accompanying prospectus.

Optional Redemption

We may redeem the debentures, at our option, in whole at any time or in part from time to time, at a redemption price equal to the greater of

100% of the principal amount of the debentures to be redeemed and

the sum of the present values of the remaining scheduled payments of principal and interest (excluding interest accrued to the redemption date) on the debentures discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 20 basis points,

plus, in each case, accrued and unpaid interest on the principal amount being redeemed to the redemption date.

Treasury Rate means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated

H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

Table of Contents

Business Day means any calendar day that is not a Saturday, Sunday or legal holiday in New York, New York, and on which commercial banks are open for business in New York, New York.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the debentures to be redeemed.

Comparable Treasury Price means (1) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means one of Banc of America Securities LLC, Citigroup Global Markets Inc. or HSBC Securities (USA) Inc., and their respective successors, or, if these firms are unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the trustee after consultation with us.

Reference Treasury Dealer means (1) each of Banc of America Securities LLC, Citigroup Global Markets Inc. and HSBC Securities (USA) Inc., or their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City, which we refer to as a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer and (2) any two other Primary Treasury Dealers selected by the Independent Investment Banker after consultation with us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

Holders of debentures to be redeemed will be sent a redemption notice by first-class mail at least 30 and not more than 60 days before the date fixed for redemption. If fewer than all of the debentures are to be redeemed, the trustee will select, not more than 60 days and not less than 30 days before the redemption date, the particular debentures or portions of the debentures for redemption from the outstanding debentures not previously called by such method as the trustee deems fair and appropriate. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the debentures or portions of the debentures called for redemption.

Sinking Fund

The debentures will not have the benefit of any sinking fund.

Global Debentures; Book-Entry System

Global Debentures

The debentures will be issued initially in book-entry form and will be represented by one or more global debentures in fully registered form without interest coupons which will be deposited with the trustee as custodian for The Depository Trust Company, which we refer to as DTC, and registered in the name of Cede & Co. or another nominee designated by DTC. Except as set forth below, the global debentures may be transferred, in whole and not in part, only to DTC or another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global debentures may not be exchanged for certificated debentures except in the limited circumstances described below.

All interests in the global debentures will be subject to the rules and procedures of DTC.

Certain Book-Entry Procedures for the Global Debentures

The descriptions of the operations and procedures of DTC set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject

Table of Contents

to change by DTC from time to time. Neither we nor the underwriters takes any responsibility for these operations or procedures, and investors are urged to contact DTC or its participants directly to discuss these matters.

DTC has advised us that it is:

a limited-purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the New York Uniform Commercial Code, as amended; and

a clearing agency registered pursuant to Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including one or more of the underwriters), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, which we refer to collectively as the indirect participants, that clear through or maintain a custodial relationship with a participant either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that, pursuant to procedures established by DTC:

upon deposit of each global debenture, DTC will credit, on its book-entry registration and transfer system, the accounts of participants designated by the underwriters with an interest in the global debenture; and

ownership of beneficial interests in the global debentures will be shown on, and the transfer of ownership of beneficial interests in the global debentures will be effected only through, records maintained by DTC (with respect to the interests of participants) and the participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of those securities in definitive form. Accordingly, the ability to transfer beneficial interests in the debentures represented by a global debenture to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person holding a beneficial interest in a global debenture to pledge or transfer that interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of that interest, may be affected by the lack of a physical security in respect of that interest.

So long as DTC or its nominee is the registered owner of a global debenture, DTC or that nominee, as the case may be, will be considered the sole legal owner or holder of the debentures represented by that global debenture for all purposes of the debentures and the indenture. Except as provided below, owners of beneficial interests in a global debenture will not be entitled to have the debentures represented by that global debenture registered in their names, will not receive or be entitled to receive physical delivery of certificated debentures and will not be considered the owners or holders of the debentures represented by that beneficial interest under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee. Accordingly, each holder owning a beneficial interest in a global debenture must rely on the procedures of DTC and, if that holder is not a participant or an indirect participant, on the procedures of the participant through which that holder owns its interest, to exercise any rights of a holder of debentures under the indenture or that global debenture. We understand that under existing industry practice, in the event that we request any action of holders of debentures, or a holder that is an owner of a beneficial interest in a global debenture desires to take any action that DTC, as the holder of that global debenture, is

Table of Contents

entitled to take, DTC would authorize the participants to take that action and the participants would authorize holders owning through those participants to take that action or would otherwise act upon the instruction of those holders. Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of debentures by DTC or for maintaining, supervising or reviewing any records of DTC relating to the debentures.

Payments with respect to the principal of and interest on a global debenture will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global debenture under the indenture. Under the terms of the indenture, we and the trustee may treat the persons in whose names the debentures, including the global debentures, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee has or will have any responsibility or liability for the payment of those amounts to owners of beneficial interests in a global debenture. Payments by the participants and the indirect participants to the owners of beneficial interests in a global debenture will be governed by standing instructions and customary industry practice and will be the responsibility of the participants and indirect participants and not of DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the global debentures among participants in DTC, it is under no obligation to perform or to continue to perform those procedures, and those procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

We obtained the information in this section and elsewhere in this prospectus concerning DTC and its book-entry system from sources that we believe are reliable, but we take no responsibility for the accuracy of any of this information.

Certificated Debentures

We will issue certificated debentures to each person that DTC identifies as the beneficial owner of the debentures represented by the global securities upon surrender by DTC of the global securities only if:

DTC notifies us that it is no longer willing or able to act as a depository for the global securities, and we have not appointed a successor depository within 90 days of that notice;

an event of default has occurred and is continuing; or

we determine not to have the debentures represented by a global security.

Neither we nor the trustee will be liable for any delay by DTC, its nominee or any direct or indirect participant in identifying the beneficial owners of the related debentures. We and the trustee may conclusively rely on, and will be protected in relying on, instructions from DTC or its nominee for all purposes, including with respect to the registration and delivery, and the respective principal amounts, of the debentures to be issued in certificated form.

Information Concerning the Trustee

JPMorgan Chase Bank, N.A. is the trustee under the Indenture. From time to time, we maintain deposit accounts and conduct other banking transactions with the trustee in the ordinary course of business. JPMorgan Chase Bank, N.A. also serves as trustee for certain of our other senior unsecured debt obligations.

Table of Contents**UNDERWRITING**

Banc of America Securities LLC, Citigroup Global Markets Inc. and HSBC Securities (USA) Inc. are acting as representatives of the underwriters named below. Under the terms of, and subject to the conditions contained in, an underwriting agreement dated as of September 19, 2005, each underwriter listed below has severally agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of the debentures set forth opposite such underwriter's name.

Underwriter	Principal Amount of Debentures
Banc of America Securities LLC	\$ 150,000,000
Citigroup Global Markets Inc.	150,000,000
HSBC Securities (USA) Inc.	150,000,000
ABN AMRO Incorporated	15,000,000
Barclays Capital Inc.	15,000,000
BNP Paribas Securities Corp.	15,000,000
Calyon Securities (USA) Inc.	15,000,000
Deutsche Bank Securities Inc.	15,000,000
Goldman, Sachs & Co.	15,000,000
ING Financial Markets LLC	15,000,000
J.P. Morgan Securities Inc.	15,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	15,000,000
Rabo Securities USA, Inc.	15,000,000
 Total	 \$ 600,000,000

The underwriting agreement provides that the obligations of the several underwriters to purchase the debentures offered hereby are subject to certain conditions and that the underwriters are obligated to purchase all of the debentures in the offering if any are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering of the debentures may be terminated.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the debentures directly to the public at the public offering prices set forth on the cover page of this prospectus supplement and to certain dealers at such prices less a concession not in excess of 0.500% of the principal amount of the debentures. The underwriters may allow, and such dealers may re-allow, a concession not in excess of 0.250% of the principal amount of the debentures to certain other dealers. After the initial public offering, representatives of the underwriters may change the offering price and other selling terms.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or contribute to payments the underwriters may be required to make in respect of those liabilities.

We estimate that our share of the total expenses of this offering, excluding underwriting discounts, will be approximately \$600,000.

The debentures are a new issue of securities with no established trading market. The debentures will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the debentures after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the debentures or that an active public market for the debentures will develop. If an active public trading market for the

debentures does not develop, the market price and liquidity of the debentures may be adversely affected.

S-8

Table of Contents

In connection with the offering of the debentures, certain of the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the debentures. Specifically, the underwriters may over-allot in connection with the offering, creating a short position. In addition, the underwriters may bid for, and purchase, the debentures in the open market to cover short positions or to stabilize the price of the debentures. Any of these activities may stabilize or maintain the market price of the debentures above independent market levels, but no representation is made hereby of the magnitude of any effect that the transactions described above may have on the market price of the debentures. The underwriters will not be required to engage in these activities, and may engage in these activities, and may end any of these activities at any time without notice.

The underwriters have performed investment and commercial banking and advisory services for us and our subsidiaries from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us and our subsidiaries in the ordinary course of their business for which they will receive customary fees and expenses.

We have been advised by certain underwriters that they may make the debentures available for distribution on the Internet through a proprietary website and/or a third-party system operated by Market Axess Corporation, an Internet-based communications technology provider. Certain underwriters have advised us that Market Axess Corporation is providing the system as a conduit for communications between the underwriters and their customers and that they are not a party to any transaction. We have also been advised by certain underwriters that Market Axess Corporation is a registered broker-dealer and will receive compensation from certain underwriters based on transactions conducted through the system. Certain underwriters have informed us that they will make the debentures available to their customers through the Internet, whether made through a proprietary or third party system, on the same terms as distributions of the debentures made through other channels. The information on any website other than a copy of this prospectus supplement is not a part of this prospectus supplement.

LEGAL OPINIONS

The validity of the debentures will be passed upon for us by Faegre & Benson LLP, Minneapolis, Minnesota, and for the underwriters by Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois. Mayer, Brown, Rowe & Maw LLP from time to time acts as our counsel in certain matters.

EXPERTS

The consolidated financial statements of Archer-Daniels-Midland Company incorporated by reference in Archer-Daniels-Midland Company's Annual Report on Form 10-K for the year ended June 30, 2005 (including the schedule appearing therein), and Archer-Daniels-Midland Company management's assessment of the effectiveness of internal control over financial reporting as of June 30, 2005 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included and incorporated by reference therein, and incorporated herein by reference. Such consolidated financial statements and management's assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Table of Contents

PROSPECTUS

\$500,000,000

Archer-Daniels-Midland Company

Debt Securities and Warrants to Purchase Debt Securities

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is March 3, 2003.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf process, we may sell debt securities or warrants to purchase debt securities in one or more offerings up to a total dollar amount of \$500,000,000. We may sell these securities either separately or in units.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Such prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the securities offered under this prospectus. That registration statement can be read at the Securities and Exchange Commission, or SEC, web site or at the SEC offices mentioned under the heading **Where You Can Find More Information**.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available at the offices of the New York Stock Exchange and Chicago Stock Exchange. For further information on obtaining copies of our public filings at the New York Stock Exchange, you should call (212) 656-5060, and for further information on obtaining copies of our public filings at the Chicago Stock Exchange, you should call (312) 663-2423.

We incorporate by reference into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Some information contained in this prospectus updates the information incorporated by reference, and information that we file subsequently with the SEC will automatically update this prospectus. In other words, in the case of a conflict or inconsistency between information set forth in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference our Annual Report on Form 10-K for the year ended June 30, 2002 (which incorporates by reference certain portions of our 2002 Annual Report to Shareholders, including financial statements and notes thereto, and certain portions of our definitive Notice and Proxy Statement for our Annual Meeting of Shareholders held on November 7, 2002), Quarterly Reports on Form 10-Q for the quarters ended September 30, 2002 and December 31, 2002, and any filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the initial filing of the registration statement that contains this prospectus and prior to the time that we sell all the securities offered by this prospectus.

Table of Contents

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

Secretary
Archer-Daniels-Midland Company
4666 Faries Parkway
Decatur, Illinois 62526
Phone: (217) 424-5200

You should rely only on the information incorporated by reference or presented in this prospectus or the applicable prospectus supplement. Neither we, nor any underwriters or agents, have authorized anyone else to provide you with different information. We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement. We are only offering these securities in states where the offer is permitted. You should not assume that the information in this prospectus or the applicable prospectus supplement is accurate as of any date other than the dates on the front of those documents.

THE COMPANY

We are a major processor of agricultural products for the food and feed industries. We are one of the world's largest oilseed and vegetable oil processors, corn refiners, cocoa processors, fuel alcohol producers and wheat millers.

We were incorporated in Delaware in 1923 as the successor to a business formed in 1902. Our executive offices are located at 4666 Faries Parkway, Decatur, Illinois 62526. Our telephone number is (217) 424-5200.

When we refer to our company, we, our and us in this prospectus under the headings The Company, Use of Proceeds and Ratios of to Fixed Charges, we mean Archer-Daniels-Midland Company, its subsidiaries and their predecessors unless the context indicates otherwise. When such terms are used elsewhere in this prospectus, we refer only to Archer-Daniels-Midland Company unless the context indicates otherwise.

USE OF PROCEEDS

Unless the applicable prospectus supplement states otherwise, the net proceeds from the sale of the offered securities will be added to our general funds and will be available for general corporate purposes, including:

meeting our working capital requirements;

funding capital expenditures and possible acquisitions of, or investments in, businesses and assets; and

repaying indebtedness originally incurred for general corporate purposes.

Until we use the net proceeds, we will invest them in short-term or long-term marketable securities or use them to repay short-term borrowings.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

Set forth below is the consolidated ratio of earnings to fixed charges for each of the periods presented.

	Fiscal Year ended June 30,					Six Months ended December 31,	
	1998	1999	2000	2001	2002	2001	2002
Ratio of Earnings to Fixed Charges	2.47x	1.88x	1.54x	1.84x	2.68x	2.94x	2.59x

The ratio of earnings to fixed charges is calculated as follows:

$$\frac{\text{(earnings)}}{\text{(fixed charges)}}$$

For purposes of calculating the ratios, earnings consist of:

pre-tax income from continuing operations before minority interest in income from consolidated subsidiaries and income or loss from equity investees;

fixed charges;

amortization of capitalized interest; and

distributed income of equity investees;

minus capitalized interest; and

minus the minority interest in pre-tax income of subsidiaries that have not incurred fixed charges.

For purposes of calculating the ratios, fixed charges consist of:

interest expensed and capitalized;

amortized premiums, discounts and capitalized expenses related to indebtedness; and

an estimate of the interest portion of rental expense on operating leases.

DESCRIPTION OF DEBT SECURITIES

This section describes the general terms and provisions of our debt securities. The prospectus supplement will describe the specific terms of the debt securities offered through that prospectus supplement and any general terms outlined in this section that will not apply to those debt securities.

The debt securities will be issued under an indenture dated as of June 1, 1986 between us and JPMorgan Chase Bank, as trustee. The indenture has been amended and supplemented by a supplemental indenture dated as of August 1, 1989 and amended by the Trust Indenture Reform Act of 1990. We have summarized certain terms and provisions of the indenture in this section. We have also filed the indenture as an exhibit to the registration statement. You should read the indenture for additional information before you buy any debt securities. The summary that follows includes references to section numbers of the indenture so that you can more easily locate these provisions.

General

The debt securities will be our unsecured and unsubordinated obligations ranking on parity with all of our other unsecured and unsubordinated indebtedness.

The indenture does not limit the amount of debt securities that we may issue and provides that we may issue debt securities from time to time in one or more series. (*Section 301*).

Table of Contents

A prospectus supplement relating to a series of debt securities being offered will include specific terms relating to the offering. (Section 301). These terms will include some or all of the following:

the title of the debt securities of the series;

any limit on the total principal amount of the debt securities of that series;

whether we may issue additional debt securities of an already outstanding series without the consent of the holders of the outstanding debt securities of that series;

whether the debt securities will be issuable as registered securities, bearer securities or both;

whether any of the debt securities are to be issuable initially in temporary global form;

whether any of the debt securities are to be issuable in permanent global form;

the price or prices (generally expressed as a percentage of the total principal amount) at which the debt securities will be issued;

the person to whom interest on the debt securities is payable, if such person is not the person in whose name the debt securities are registered;

the date or dates on which the debt securities will mature;

any mandatory or optional sinking fund or analogous provisions;

if the debt securities bear interest:

the interest rate or rates on the debt securities or the formula by which the interest rate or rates shall be determined;

the dates from which any interest will accrue;

any circumstances under which we may defer interest payments;

the record and interest payment dates for debt securities that are registered securities; and

the extent to which, or the manner in which, any interest payable on a global security will be paid if other than in the manner described below under Global Securities;

the place or places where:

we can make payments on the debt securities;

the debt securities can be presented for registration of transfer or exchange; and

notice and demands can be given to us relating to the debt securities and under the indenture;

the date, if any, after which and the price or prices (and other applicable terms and provisions) at which we may redeem the offered debt securities pursuant to any optional or mandatory redemption provisions that would permit or require us or the holders of the debt securities to redeem the debt securities prior to their final maturity;

any sinking fund provisions that would obligate us to redeem the debt securities before their final maturity;

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the denominations in which any debt securities which are registered debt securities will be issuable, if other than denominations of \$1,000 or multiples of \$1,000;

the denominations in which any debt securities which are bearer securities will be issuable, if other than denominations of \$5,000;

the currency or currencies of payment on the debt securities;

any index used to determine the amount of payments on the debt securities;

Table of Contents

the portion of the principal payable upon acceleration of the debt securities following an event of default, if such portion is less than the principal amount of the debt securities;

any events of default which will apply to the debt securities in addition to those contained in the indenture;

any additional covenants applicable to the debt securities;

whether the provisions described below under the heading *Defeasance* apply to the debt securities;

any special provisions for the payment of additional amounts with respect to the debt securities; and

any other terms and provisions of the debt securities not inconsistent with the terms and provisions of the indenture. (*Section 301*).

If the purchase price of any of the debt securities is denominated in a foreign or composite currency or currencies, or if the principal of and any premium and interest on any series of debt securities is payable in a foreign or composite currency or currencies, then the restrictions, elections, general tax considerations, specific terms and other information with respect to such issue of debt securities and such foreign or composite currency or currencies will be set forth in the applicable prospectus supplement.

When we use the term *holder* in this prospectus with respect to a registered debt security, we mean the person in whose name such debt security is registered in the security register. (*Section 101*).

Denominations, Registration and Transfer

We may issue the debt securities as registered securities, bearer securities or both. We may issue debt securities in the form of one or more global securities, as described below under *Global Securities*. Unless we state otherwise in the applicable prospectus supplement, registered securities denominated in U.S. dollars will be issued only in denominations of \$1,000 or multiples of \$1,000. Bearer securities denominated in U.S. dollars will be issued only in denominations of \$5,000 with coupons attached. A global security will be issued in a denomination equal to the total principal amount of outstanding debt securities represented by that global security. The prospectus supplement relating to debt securities denominated in a foreign or composite currency will specify the denominations of the debt securities. (*Sections 201, 203, 301 and 302*).

See *Global Securities* and *Bearer Debt Securities* below.

You may exchange any debt securities of a series for other debt securities of that series if the other debt securities are denominated in authorized denominations and have the same aggregate principal amount and the same terms as the debt securities that were surrendered for exchange. In addition, if debt securities of any series are issuable as both registered securities and as bearer securities, you may, subject to the terms of the indenture, exchange bearer securities (with all unmatured coupons, except as provided below, and all matured coupons in default attached) of the series for registered securities of the same series of any authorized denominations and that have the same aggregate principal amount and the same terms as the debt securities that were surrendered for exchange.

Unless we state otherwise in the applicable prospectus supplement, any bearer security surrendered in exchange for a registered security between a record date and the relevant date for payment of interest shall be surrendered without the coupon relating to such date for payment of interest attached. Interest will not be payable on the registered security on the relevant date for payment of interest issued in exchange for the bearer security, but will be payable only to the holder of such coupon when due in accordance with the terms of the indenture.

Unless we state otherwise in the applicable prospectus supplement, bearer securities will not be issued in exchange for registered securities. (*Section 305*).

Table of Contents

The debt securities (other than a global security) may be presented for registration of transfer, duly endorsed or accompanied by a satisfactory written instrument of transfer, at the office or agency maintained by us for that purpose in a place of payment. There will be no service charge for any registration of transfer or exchange of the debt securities, but we may require you to pay any tax or other governmental charge payable in connection with a transfer or exchange of the debt securities. (*Section 305*). If the applicable prospectus supplement refers to any office or agency, in addition to the security registrar, initially designated by us where you can surrender the debt securities for registration of transfer or exchange, we may at any time rescind the designation of any such office or agency or approve a change in the location. If debt securities of a series are issuable only as registered securities, we will be required to maintain a transfer agent in each place of payment for such series. If debt securities of a series are issuable as bearer securities, we will be required to maintain, in addition to the security registrar, a transfer agent in a place of payment for such series located outside the United States. We may at any time designate additional transfer agents with respect to any series of debt securities. (*Section 1002*).

If we redeem the debt securities in part, we shall not be required to:

issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of debt securities selected to be redeemed and ending at the close of business on:

the day of mailing of the relevant notice of redemption, if debt securities of the series are issuable only as registered securities, or

the day of the first publication of the relevant notice of redemption, if debt securities of the series are issuable as bearer securities, or

the mailing of the relevant notice of redemption, if debt securities of that series are also issuable as registered securities and there is no publication;

register the transfer of or exchange any registered security called for redemption, except for the unredeemed portion of any registered security being redeemed in part; or

exchange any bearer security called for redemption, except to exchange the bearer security for a registered security of that series and like tenor which is immediately surrendered for redemption. (*Section 305*).

Original Issue Discount Securities

Debt securities may be issued under the indentures as original issue discount securities and sold at a discount below their stated principal amount. If a debt security is an original issue discount security, an amount less than the principal amount of the debt security will be due and payable upon a declaration of acceleration of the maturity of the debt security under the applicable indenture. (*Section 101*) The applicable prospectus supplement will describe the federal income tax consequences and other special factors you should consider before purchasing any original issue discount securities.

Payments and Paying Agents

Unless we state otherwise in the applicable prospectus supplement, payment of principal and any premium and interest on registered securities, other than a global security, will be made at the office of the paying agent or paying agents we may designate from time to time. At our option, payment of any interest may be made (i) by check mailed to the address of the payee entitled to payment at the address listed in the security register, or (ii) by wire transfer to an account maintained by the payee as specified in the security register. (*Sections 305, 307 and 1002*). Unless we state otherwise in the applicable prospectus supplement, payment of any installment of interest on registered securities will be made to the person in whose name the registered security is registered at the close of business on the regular record date for such interest payment. (*Section 307*).

Table of Contents

Unless we state otherwise in the applicable prospectus supplement, payment of principal and any premium and interest on bearer securities will be payable, subject to applicable laws and regulations, at the offices of the paying agent or paying agents outside the United States that we may designate from time to time. At our option, payment of any interest may be made by check or by wire transfer to an account maintained by the payee outside the United States. (*Sections 307 and 1002*). Unless we state otherwise in the applicable prospectus supplement, payment of interest on bearer securities on any interest payment date will be made only against surrender of the coupon relating to that interest payment date. (*Section 1001*). No payment on any bearer security will be made:

at any of our offices or agencies in the United States;

by check mailed to any address in the United States; or

by transfer to an account maintained in the United States.

Neither we nor our paying agents will make payment on bearer securities or coupons, or upon any other demand for payment, if you present them to us or our paying agents within the United States. Notwithstanding the foregoing, payment of principal of and any premium and interest on bearer securities denominated and payable in U.S. dollars will be made at the office of our paying agent in the United States if, and only if:

payment of the full amount payable in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and

we have delivered to the trustee an opinion of counsel to that effect. (*Section 1002*).

Unless we state otherwise in the applicable prospectus supplement, the principal office of the trustee in New York City will be designated as our sole paying agent for payments on debt securities that are issuable only as registered securities. We will name in the applicable prospectus supplement any paying agent outside the United States, and any other paying agent in the United States, initially designated by us for the debt securities. We may, at any time:

designate additional paying agents;

rescind the designation of any paying agent; or

approve a change in the office through which any paying agent acts.

If debt securities of a series are issuable only as registered securities, we will be required to maintain a paying agent in each place of payment for that series. If debt securities of a series are issuable as bearer securities, we will be required to maintain:

a paying agent in each place of payment for that series in the United States for payments on any registered securities of that series, and for payments on bearer securities of that series in the circumstances described in the second paragraph under **Payments and Paying Agents**;

a paying agent in each place of payment located outside the United States where debt securities of that series and any coupons may be presented and surrendered for payment. If the debt securities of that series are listed on The International Stock Exchange (London), the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, then we will maintain a paying agent in London, Luxembourg City or any other required city located outside the United States for debt securities of that series; and

a paying agent in each place of payment located outside the United States where, subject to applicable laws and regulations, registered securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon us may be served. (*Section 1002*).

Table of Contents

Any money that we pay to a paying agent for the purpose of making payments on the debt securities and that remains unclaimed two years after the payments were due will be returned to us. After that time, any holder of a debt security or any coupon may only look to us for payments on the debt security or coupon. (*Section 1003*).

Global Securities

We may issue the debt securities of a series, in whole or in part, in the form of one or more global securities that will be deposited with, or on behalf of, a depository identified in the applicable prospectus supplement. We may issue global securities (i) in either registered or bearer form, and (ii) in either temporary or permanent form. (*Sections 201, 203, 301, 304*). Unless and until it is exchanged for debt securities in definitive form, a temporary global security in registered form may not be transferred except as a whole by:

the depository for the global security to a nominee of the depository;

a nominee of the depository to the depository or another nominee of the depository; or

the depository or any nominee of the depository to a successor of the depository or a nominee of such successor.

We will describe the specific terms of the depository arrangement with respect to a series, or part of a series, of debt securities in the applicable prospectus supplement.

Bearer Debt Securities

If we issue bearer securities, the applicable prospectus supplement will describe all of the special terms and provisions of debt securities in bearer form, and the extent to which those special terms and provisions are different from the terms and provisions which are described in this prospectus, which generally apply to debt securities in registered form, and will summarize provisions of the applicable indenture that relate specifically to bearer debt securities.

Tax Redemption

All Debt Securities. To the extent specified in an applicable prospectus supplement, debt securities of a series will be subject to redemption at any time, as a whole but not in part, at a redemption price equal to 100% of the principal amount of the debt securities together with accrued and unpaid interest to the date fixed for redemption, upon publication of a notice as described below, if we determine that:

we have or will become obligated to pay additional amounts with respect to any debt security of that series as described below under Payment of Additional Amounts because of

any change in or amendment to the laws, or regulations or rulings under such laws, of the United States or any political subdivision or taxing authority affecting taxation, or

any change in official position regarding application or interpretation of such laws, regulations or rulings

which change or amendment is announced or becomes effective on or after a date specified in the applicable prospectus supplement; or

on or after a date specified in the applicable prospectus supplement

any action has been taken by any taxing authority of, or any decision has been rendered in a court of competent jurisdiction in, the United States or any political subdivision or taxing authority, including any of those actions specified in the preceding bullet points, regardless of whether such action was taken or decision was rendered with respect to us, or

any change, amendment, application or interpretation shall be officially proposed

Table of Contents

which, in the written opinion of our independent legal counsel of recognized standing, will result in a material probfont-style:italic;">The Gramm-Leach-Bliley Act - Under the Gramm-Leach-Bliley Act, subject to certain conditions imposed by their respective banking regulators, national and state-chartered banks are permitted to form financial subsidiaries that may conduct financial or incidental activities, thereby permitting bank subsidiaries to engage in certain activities that previously were impermissible. The Gramm-Leach-Bliley Act imposes several safeguards and restrictions on financial subsidiaries, including that the parent bank's equity investment in the financial subsidiary be deducted from the bank's assets and tangible equity for purposes of calculating the bank's capital adequacy. In addition, the Gramm-Leach-Bliley Act imposes new restrictions on transactions between a bank and its financial subsidiaries similar to restrictions applicable to transactions between banks and nonbank affiliates.

The Gramm-Leach-Bliley Act also contains provisions regarding consumer privacy. These provisions require financial institutions to disclose their policy for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market an institution's own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing, or other marketing to the consumer.

Other Regulations - Interest and other charges collected or contracted for by the bank are subject to state usury laws and federal laws concerning interest rates. The bank's loan operations are also subject to federal laws applicable to credit transactions, such as:

the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

the Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;

the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and

the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of the bank also are subject to:

the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and

the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that Act, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Capital Regulations - The federal bank regulatory authorities have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and account for off-balance sheet items. The guidelines are minimums, and the federal regulators have noted that banks and bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios in excess of the minimums. We have not received any notice indicating that either First Community Corporation or First Community Bank, N.A. is subject to higher capital requirements. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier 1 capital. Tier 1 capital includes common shareholders equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, but excludes goodwill and most other intangibles and excludes the allowance for loan and lease losses. Tier 2 capital includes the excess of any preferred stock not included in Tier 1 capital, mandatory convertible securities, hybrid capital instruments, subordinated debt and intermediate term-preferred stock, and general reserves for loan and lease losses up to 1.25% of risk-weighted assets.

Under these guidelines, banks and bank holding companies assets are given risk-weights of 0%, 20%, 50%, or 100%. In addition, certain off-balance sheet items are given credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight applies. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for first mortgage loans fully secured by residential property and, under certain circumstances, residential construction loans, both of which carry a 50% rating. Most investment securities are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% rating, and direct obligations of or obligations guaranteed by the United States Treasury or United States Government agencies, which have a 0% rating.

The federal bank regulatory authorities also have implemented a leverage ratio, which is equal to Tier 1 capital as a percentage of average total assets less intangibles, to be used as a supplement to the risk-based guidelines. The principal objective of the leverage ratio is to place a constraint on the maximum degree to which a bank holding company may leverage its equity capital base. The minimum required leverage ratio for top-rated institutions is 3%, but most institutions are required to maintain an additional cushion of at least 100 to 200 basis points.

The FDIC Improvement Act established a new capital-based regulatory scheme designed to promote early intervention for troubled banks, which requires the FDIC to choose the least expensive resolution of bank failures. The new capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. To qualify as a well capitalized institution, a bank must have a leverage ratio of no less than 5%, a Tier 1 risk-based ratio of no less than 6%, and a total risk-based capital ratio of no less than 10%, and the bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level. Currently, we qualify as well capitalized.

Under the FDIC Improvement Act regulations, the applicable agency can treat an institution as if it were in the next lower category if the agency determines (after notice and an opportunity for hearing) that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution increases, and the permissible activities of the institution decrease, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to do some or all of the following:

- submit a capital restoration plan;
- raise additional capital;
- restrict their growth, deposit interest rates, and other activities;
- improve their management;
- eliminate management fees; or
- divest themselves of all or a part of their operations.

These capital guidelines can affect us in several ways. If we grow at a rapid pace, our capital may be depleted too quickly, and a capital infusion from our holding company may be necessary which could impact our ability to pay dividends. Our capital levels currently are adequate; however, rapid growth, poor loan portfolio performance, poor earnings performance, or a combination of these factors could change our capital position in a relatively short period of time. If we fail to meet these capital requirements, our bank would be required to

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develop and file a plan with the Office of the Comptroller of the Currency describing the means and a schedule for achieving the minimum capital requirements. In addition, our bank would generally not receive regulatory approval of any application that requires the consideration of capital adequacy, such as a branch or merger application, unless our bank could demonstrate a reasonable plan to meet the capital requirement within a reasonable period of time. A bank that is not well capitalized is also subject to certain limitations relating to so-called brokered deposits. Bank holding companies controlling financial institutions can be called upon to boost the institutions capital and to partially guarantee the institutions performance under their capital restoration plans.

Enforcement Powers - The Financial Institutions Reform Recovery and Enforcement Act expanded and increased civil and criminal penalties available for use by the federal regulatory agencies against depository institutions and certain institution-affiliated parties. Institution-affiliated parties primarily include management, employees, and agents of a financial institution, as well as independent contractors and consultants such as attorneys and accountants and others who participate in the conduct of the financial institution's affairs. These practices can include the failure of an institution to timely file required reports or the filing of false or misleading information or the submission of inaccurate reports. Civil penalties may be as high as \$1,000,000 a day for such violations. Criminal penalties for some financial institution crimes have been increased to twenty years. In addition, regulators are provided with greater flexibility to commence enforcement actions against institutions and institution-affiliated parties. Possible enforcement actions include the termination of deposit insurance. Furthermore, banking agencies' power to issue cease-and-desist orders were expanded. Such orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the ordering agency to be appropriate.

Effect of Governmental Monetary Policies - Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Bank's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board have major effects upon the levels of bank loans, investments and deposits through its open market operations in United States government securities and through its regulation of the discount rate on borrowings of member banks and the reserve requirements against member bank deposits. It is not possible to predict the nature or impact of future changes in monetary and fiscal policies.

Proposed Legislation and Regulatory Action. New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations, and competitive relationships of the nation's financial institutions. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute.

Item 2. Description of Property.

Lexington Property. The principal place of business of both the company and our main office is located at 5455 Sunset Boulevard, Lexington, South Carolina 29072. The site of the bank's main office is a 2.29 acre plot of land. The site was purchased for \$576,000. We are operating in an 8,500 square foot facility located on this site. In October 2000, the bank acquired an additional 2.0 acres adjacent to the existing facility for approximately \$300,000 for future expansion. This site is designed to allow for 24,000 to 48,000 square foot facility at some future date..

Forest Acres Property. We operate a branch office facility at 4404 Forest Drive, Columbia, South Carolina 29206. The Forest Acres site is .71 acres. The banking facility is approximately 4,000 square feet with a total cost of land and facility approximately \$920,000.

Irmo Property. We operate a branch office facility at 1030 Lake Murray Boulevard, Irmo, South Carolina 29063. The Irmo site is approximately 1.00 acre. The banking facility is approximately 3,200 square feet with a total cost of land and facility of approximately \$1.1 million.

Cayce/West Columbia Property. We operate a branch office facility at 506 Meeting Street, West Columbia, South Carolina, 29169. The Cayce/West Columbia site is approximately 1.25 acres. The banking facility is approximately 3,800 square feet with a total cost of land and facility of approximately \$935,000.

Gilbert Property. We operate a branch office at 4325 Augusta Highway Gilbert, South Carolina 29054. The facility is an approximate 3000 square foot facility located on an approximate one acre lot. The total cost of the land and facility was approximately \$768,000.

Chapin Office. We operate a branch office facility at 137 Amicks Ferry Rd., Chapin, South Carolina 29036. The facility is approximately 2,200 square feet and is located on a three acre lot. The total cost of the facility and land was approximately \$695,000.

Northeast Columbia. We operate a branch office facility at 9822 Two Notch Rd, Columbia, South Carolina 29223. The facility is approximately 3,000 square feet and is located on a 1.0 acre lot. The total cost of the facility and land was approximately \$1.2 million.

College Street. We operate a branch office at 1323 College Street, Newberry, South Carolina 29108. This banking office was acquired in connection with the DutchFork merger. The banking facility is approximately 3,500 square feet and is located on a .65 acre lot. The facility and land are valued at approximately \$365,000.

Prosperity Property. We operate a branch office at 101 N. Wheeler Avenue, Prosperity, South Carolina 29127. This office was acquired in connection with the DutchFork merger. The banking facility is approximately 1,300 square feet and is located on a .31 acre lot. The facility and land are valued at approximately \$175,000.

Wilson Road. We operate a branch office at 1735 Wilson Road, Newberry, South Carolina 29108. The banking office was acquired in connection with the DutchFork merger. This banking facility is approximately square feet and is located on a 1.56 acre lot. Adjacent to the branch facility is a 13,000 square foot facility which was formerly utilized as the DutchFork operations center. The land and buildings are valued at approximately \$3.3 million.

Redbank Property. We operate a branch office facility at 1449 Two Notch Road, Lexington, South Carolina 29073. This branch opened for operation on February 3, 2005. The facility is approximately 3,000 square feet and is located on a 1.0 acre lot. The total cost of the facility and land was approximately \$1.3 million.

Highway 219 Property. A .61 acre lot located on highway 219 in Newberry County was acquired in connection with the DutchFork merger. This lot may be used for a future branch location but no definitive plans have been made. The lot is valued at \$430,000.

Item 3. Legal Proceedings.

Neither the company nor the bank is a party to, nor is any of their property the subject of, any material pending legal proceedings related to the business of the company or the bank.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II**Item 5. Market for Common Equity and Related Stockholder Matters.**

As of March 15, 2005, there were approximately 1,192 shareholders of record of our common stock. On January 15, 2003, our stock began trading on the Nasdaq SmallCap Market under the trading symbol of FCCO. Prior to January 15, 2003, our stock was quoted on the OTC Bulletin Board under the trading symbol FCCO.OB. The following table sets forth the high and low sales price information as reported by Nasdaq in 2004 and 2003, and the dividends per share declared on our common stock in each such quarter. All information has been adjusted for any stock splits and stock dividends effected during the periods presented.

	High	Low	Dividends
2003			
Quarter ended March 31, 2003	\$ 17.00	\$ 14.00	\$ 0.04
Quarter ended June 30, 2003	\$ 19.47	\$ 16.35	\$ 0.05
Quarter ended September 30, 2003	\$ 20.16	\$ 18.30	\$ 0.05
Quarter ended December 31, 2003	\$ 22.30	\$ 19.60	\$ 0.05
2004			
Quarter ended March 31, 2004	\$ 24.50	\$ 21.75	\$ 0.05
Quarter ended June 30, 2004	\$ 24.00	\$ 20.50	\$ 0.05
Quarter ended September 30, 2004	\$ 22.97	\$ 20.00	\$ 0.05
Quarter ended December 31, 2004	\$ 20.70	\$ 18.30	\$ 0.05

We expect comparable dividends to be paid to the shareholders for the foreseeable future. Notwithstanding the foregoing, the future dividend policy of the company is subject to the discretion of the board of directors and will depend upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. As a national bank, our bank may only pay dividends out of its net profits then on hand, after deducting expenses, including losses and bad debts. In addition, the bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus no less than one-tenth of the bank's net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the OCC will be required if the total of all dividends declared in any calendar year by the bank exceeds the bank's net profits to date, as defined, for that year combined with its retained net profits for the preceding two years less any required transfers to surplus. At December 31, 2004, the bank had \$5.1 million free of these restrictions. The OCC also has the authority under federal law to enjoin a national bank from engaging in what in its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances.

Item 6. Management's Discussion and Analysis.**First Community Corporation****Selected Financial Data**

(Amounts in thousands, except per share data)

	Year ended December 31,					
	2004	2003	2002	2001	2000	
Operations Statement Data:						
Net interest income	\$ 9,596	\$ 7,648	\$ 7,044	\$ 5,523	\$ 4,376	
Provision for loan losses	245	167	677	407	161	
Non-interest income	1,774	1,440	1,232	938	594	
Non-interest expense	7,977	6,158	5,377	4,381	3,306	
Income taxes	963	965	758	569	519	
Net income	\$ 2,185	\$ 1,797	\$ 1,464	\$ 1,104	\$ 984	
Per Share Data:						
Net income diluted (1)	\$ 1.09	\$ 1.08	\$ 0.90	\$ 0.68	\$ 0.61	
Cash dividends	.20	0.19	0.12			
Book value at period end (1)	18.09	12.21	11.61	10.56	9.70	
Tangible book value at period end (1)	8.19	11.74	11.02	9.85	9.70	
Balance Sheet Data:						
Total assets	\$ 455,706	\$ 215,029	\$ 195,201	\$ 156,555	\$ 111,986	
Loans, net	184,007	119,304	98,466	86,518	67,110	
Securities	196,026	58,954	69,785	46,366	28,735	
Deposits	337,064	185,259	168,062	134,402	92,755	
Shareholders' equity	50,463	19,509	18,439	16,776	15,369	
Average shares outstanding (1)	1,903	1,590	1,588	1,585	1,584	
Performance Ratios:						
Return on average assets	0.76%	0.88%	0.82%	0.77%	0.94%	
Return on average equity	8.00%	9.49%	8.35%	8.00%	6.76%	
Net interest margin	3.72%	4.02%	4.26%	4.19%	4.59%	
Dividend payout ratio	17.39%	16.81%	13.04%	N/A	N/A	
Asset Quality Ratios:						
Allowance for loan losses to period end total loans	1.48%	1.41%	1.53%	1.14%	1.30%	
Allowance for loan losses to non-performing assets	2291.34%	2,123.60%	1,059.24%	247.00%	N/A	
Non-performing assets to total assets	.03%	.04%	.07%	0.26%	N/A	
Net charge-offs (recoveries) to average loans	.13%	(.01)%	.16%	0.35%	0.08%	
Capital and Liquidity Ratios:						
Tier 1 risk-based capital	12.91%	13.21%	14.03%	14.90%	19.30%	
Total risk-based capital	13.86%	14.42%	15.28%	15.90%	20.40%	
Leverage ratio	8.51%	8.87%	8.77%	10.00%	13.80%	
Equity to assets ratio	9.60%	9.07%	9.45%	10.72%	13.72%	
	61.00%	63.33%	60.71%	68.66%	67.14%	

Average loans to average
deposits

(1) Adjusted for the June 30, 2001 5% stock dividend and the February 28, 2002 5-for-4 stock split.

Overview

First Community Corporation is a one bank holding company. The company commenced operations on November 2, 1994. The bank, the company's only subsidiary began operations on August 17, 1995 from its first office located in Lexington, South Carolina. On September 14, 1995 the company opened its second office located in Forest Acres, South Carolina. The bank now has 11 offices, after opening a de-novo branch in the Redbank community of Lexington County in February 2005. All of the offices are located in Lexington County, Newberry County or Richland County, South Carolina. During the fourth quarter of 2004, the company completed its first acquisition of another financial institution when it merged with DutchFork Bancshares, Inc. the holding company for Newberry Federal Savings Bank. The merger added three offices in Newberry County, which is located in the Midlands of South Carolina. The company engages in a general commercial and retail banking business characterized by personalized service and local decision making, emphasizing the banking needs of small to medium-sized businesses, professional concerns and individuals.

During 2004, the company experienced significant growth through the merger with DutchFork Bancshares while continuing to experience organic loan and deposit growth in the markets served prior to the acquisition. When referring to organic growth, the measure excludes the amounts acquired as of the date of the merger. The company experienced organic loan growth during 2004 of approximately 12.1% or \$14.6 million. This growth was funded by organic deposit growth of approximately 9.2% or \$17.0 million in 2004. Total assets grew to \$455.7 million, loans to \$186.8 million and deposits to \$337.1 million at December 31, 2004.

The company's net income increased \$388,000 in 2004, or 21.6%, over the year ended December 31, 2003. Net income was \$2.2 million, or \$1.09 diluted earnings per share in 2004, compared to \$1.8 million or \$1.08 diluted earnings per share in 2003.

The following discussion describes our results of operations for 2004 as compared to 2003 (and 2003 compared to 2002) and also analyzes our financial condition as of December 31, 2004 as compared to December 31, 2003. Like most community banks, we derive most of our income from interest we receive on our loans and investments. A primary source of funds for making these loans and investments is our deposits, on which we pay interest. Consequently, one of the key measures of our success is our amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

We have included a number of tables to assist in our description of these measures. For example, the Average Balances table shows the average balance during 2004, 2003 and 2002 of each category of our assets and liabilities, as well as the yield we earned or the rate we paid with respect to each category. A review of this table shows that our loans typically provide higher interest yields than do other types of interest earning assets, which is why we intend to channel a substantial percentage of our earning assets into our loan portfolio. Similarly, the Rate/Volume Analysis table helps demonstrate the impact of changing interest rates and changing volume of assets and liabilities during the years shown. We also track the sensitivity of our various categories of assets and liabilities to changes in interest rates, and we have included a Sensitivity Analysis Table to help explain this. Finally, we have included a number of tables that provide detail about our investment securities, our loans, and our deposits and other borrowings.

There are risks inherent in all loans, so we maintain an allowance for loan losses to absorb probable losses on existing loans that may become uncollectible. We establish and maintain this allowance by charging a provision for loan losses against our operating earnings. In the following section we have included a detailed discussion of this process, as well as several tables describing our allowance for loan losses and the allocation of this allowance among our various categories of loans.

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In addition to earning interest on our loans and investments, we earn income through fees and other expenses we charge to our customers. We describe the various components of this noninterest income, as well as our noninterest expense, in the following discussion. The discussion and analysis also identifies significant factors that have affected our financial position and operating results during the periods included in the accompanying financial statements. We encourage you to read this discussion and analysis in conjunction with the financial statements and the related notes and the other statistical information also included in this report.

Merger Completed During 2004.

On April 12, 2004, the company entered into an Agreement and Plan of Merger with DutchFork Bancshares, Inc, which provided for the merger of DutchFork with and into the company. In addition, the agreement provided for the merger of Newberry Federal Savings Bank, a subsidiary of DutchFork, with and into First Community Bank, N.A. The merger was completed on October 1, 2004. Pursuant to the merger the company issued 1,169,898 shares of common stock valued at \$27.3 million and paid \$18.3 million in cash to former shareholders of DutchFork. Other costs related to the merger included stock options valued at \$2.6 million and direct acquisition cost of \$1.1 million. The fair value of assets acquired at the date of acquisition was \$224.2 million, including \$24.2 million in goodwill and \$2.9 million in core deposit intangible. The fair value of liabilities assumed amounted to \$174.9 million.

Results of Operations

The company's net income was \$2.2 million, or \$1.09 diluted earnings per share, for the year ended December 31, 2004, as compared to net income of \$1.8 million, or \$1.08 diluted earnings per share, for the year ended December 31, 2003, and \$1.5 million, or \$0.90 diluted earnings per share, for the year ended December 31, 2002. Net interest income, non-interest income and non-interest expense increased as a result of the organic growth the company has experienced throughout the year. Our results of operations also include the impact of the merger with DutchFork in October 2004. The increase in net income for 2004 as compared to 2003 resulted primarily from an increase in the level of average earning assets of \$67.6 million. The effects of the increase in earning assets was somewhat offset by a decrease in the net interest margin from 4.02% in 2003 as compared to 3.72% during 2004. Net interest spread, the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, was 3.46% in 2004 as compared to 3.71% in 2003 and 3.91% in 2002. Net interest income increased from \$7.6 million in 2003 to \$9.6 million in the year ended December 31, 2004. The provision for loan losses was \$245,000 in 2004 as compared to \$167,000 in 2003. Non-interest income increased from \$1.4 million in 2003 to \$1.8 million in 2004 due primarily to increased deposit service charges resulting from higher average deposit account balances as well as increased ATM/debit card fees and ATM surcharge fees. Non-interest expense increased to \$8.0 million in 2004 as compared to \$6.2 million in 2003. This increase is attributable to increases in all expense categories required to support the continued growth of the bank.

The increase in net income from 2002 to 2003 resulted primarily from an increase in the level of average earning assets of \$24.8 million, and a decrease in the provision for loan losses from \$677,000 in 2002 to \$167,000 in 2003. These factors were somewhat offset by a 24 basis point decrease in the net interest margin. Earning assets averaged \$190.3 million in 2003 as compared to \$165.5 million in 2002. The lower provision for loan losses was a result of the company realizing a substantial recovery on a loan charged off in a previous period and subsequently recovered in 2003. Non-interest income increased from \$1.2 million in 2002 to \$1.4 million in 2003 due to increased deposit service charges and increases in mortgage origination fees. Non-interest expense increased to \$6.2 million in 2003 as compared to \$5.4 million in 2002. This increase is attributable to increases in all expense categories required to support the continued growth of the bank.

Net Interest Income

Net interest income is the company's primary source of revenue. Net interest income is the difference between income earned on assets and interest paid on deposits and borrowings used to support such assets. Net interest income is determined by the rates earned on the company's interest-earning assets and the rates paid on its interest-bearing liabilities, the relative amounts of interest-earning assets and interest-bearing liabilities, and the degree of mismatch and the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

Net interest income totaled \$9.6 million in 2004, \$7.6 million in 2003 and \$7.0 million in 2002. In 2004, loans represented 55.0% of average earning assets as compared to 58.8% in 2003. As a result of the acquisition of DutchFork, the company's loan to deposit ratio decreased on average during 2004 and at December 31, 2004 was at 55.4%. Loans typically provide a higher yield than other types of earning assets and thus one of the company's goals continues to be to grow the loan portfolio as a percentage of earning assets. The yield on earning assets decreased from 5.95% in 2002 to 5.27% in 2003 and 5.06% in 2004. For several years the economy has experienced historically low market interest rates which have contributed to the continued decline in the yield on earning assets. The decrease in yield on average earning assets was partially offset by a decrease in the rate paid on

interest-bearing liabilities to 1.56% in 2003 from 2.04% in 2002. In 2004, the rate paid on interest-bearing liabilities increased slightly to 1.60%. This increase resulted from an increase in average borrowings from \$7.9 million in 2003 to \$24.6 million in 2004. The company borrowed \$15.0 million in long-term debt to facilitate the merger with DutchFork and acquired \$35.0 million in Federal Home Loan Bank advances as a result of the merger. These longer term borrowed funds typically have a higher interest rate than the company's mix of deposit products. The company experienced a decrease in the rate paid on interest-bearing deposits from 1.60% in 2003 to 1.43% in 2004.

Average Balances, Income Expenses and Rates. The following tables depict, for the periods indicated, certain information related to the company's average balance sheet and its average yields on assets and average costs of liabilities. Such yields are derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances have been derived from daily averages.

(In thousands)

	Year ended December 31,									
	2004			2003			2002			
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	
Assets										
Earning assets										
Loans	\$ 141,793	\$ 9,063	6.39%	\$ 111,928	\$ 7,582	6.77%	\$ 93,992	\$ 7,025	7.47%	
Securities	92,933	3,647	3.92%	60,261	2,267	3.76%	58,462	2,614	4.47%	
Other short-term investments (2)	23,167	334	1.44%	18,089	179	0.99%	13,074	208	1.59%	
Total earning assets	257,893	13,044	5.06%	190,278	10,028	5.27%	165,528	9,847	5.95%	
Cash and due from banks	8,425			6,626			5,359			
Premises and equipment	9,740			7,440			6,644			
Other assets	12,173			2,195			2,362			
Allowance for loan losses										