

The company's push to develop consumer products and market them to food companies seems to be paying off.



Star Tribune file photos

Among Cargill's prototype products are Bone Appetit, a raspberry tea fortified with soybean isoflavones to promote bone growth; cranberry-almond trail mix bars with AdvantaSoy isoflavones and Oliggo-Fiber inulin, and corn-puffed heart cereal with Barley BetaFiber. Heart Wise Minute Maid orange juice contains plant sterols from Cargill that may help lower cholesterol.

# Proof (and profit) is in the product for Cargill

By Joy Powell  
Star Tribune Staff Writer

Reaping the results of a push to become more customer-oriented and buoyed by major acquisitions, Cargill Inc. posted a 24 percent gain in earnings for the year that ended May 31.

Minnetonka-based Cargill on Tuesday reported record earnings from operations of \$1.28 billion, up from \$1.03 billion a year ago.

Fourth-quarter earnings were \$195 million, up 38 percent from \$141 million in the same period a year ago.

Revenue for the full year jumped by 16 percent to \$62.9 billion. Cargill, which is privately held, doesn't report quarterly earnings.

"Cargill delivered a record performance in a year when markets, customers' needs and consumers' preferences were in an extraordinary state of flux," said Warren Staley, Cargill's chairman

## Agribusiness giant's earnings up 24 percent

and chief executive.

For fiscal 2004, Cargill's operating earnings were broad-based, with hefty contributions from its food ingredient, grain and oilseeds, animal nutrition, risk management and financial businesses.

"More than half of our business units generated higher earnings than a year ago; and over a third posted record results," Staley said.

At the heart of Cargill's improved results is a shift to a more customer-oriented mind-set, said Robert Lumpkins, Cargill vice chairman and chief financial officer. Cargill sells to other companies, rather than directly to consumers, but is

focusing more on developing consumer products and marketing these prototypes to food companies.

"Five years ago, Cargill set out to become more customer-focused, and today we're doing a much better job of combining our knowledge in food and agriculture with the expertise of our customer so that we can arrive at a fresh solution that helps us both perform better," Lumpkins said.

The strategy is bearing fruit. Take Cargill's production of the "functional food" ingredients called phytosterols, which are plant compounds, for orange juice made by Minute Maid, which is owned by Coca-Cola. Phytosterols, which closely resemble cholesterol, can block food-based cholesterol from being absorbed into the bloodstream.

**CARGILL continues on D6:**

— Company expands into culinary services business, assisting restaurants.



## *Company also expands into culinary services business*

Cargill has also gone into culinary services, where the company's chefs work with casual dining restaurants. The chefs study each restaurant's brands, look at menus, learn about the operations, and pull together expertise from Cargill's various business units to help the restaurant come up with new ideas and refinements.

"Some of these items may show up on their menu," said Lisa Clemens, a Cargill spokeswoman. "They will look to us as a source that will help them keep on top of flavor trends."

In the past year, Cargill also offered an array of new ingredients for foodmakers to use to add taste, convenience and health-enhancing ingredients in foods and beverages.

That's been possible through acquisitions such as the Duckworth Group, based in the United Kingdom, which creates flavor systems for food and beverage makers.

In 2002, Cargill bought a 97 percent interest in France-based Cerestar, the leading maker of specialty starches and sweeteners for food, beverages, pharmaceuticals, paper, detergent and feedstocks. The deal was valued

at about \$1.1 billion, including assumed debt.

### **More oversight, acquisitions**

In addition, the agribusiness giant has also strengthened corporate oversight after risky investments led to big losses in the late 1990s. Among them were financial bets in Russian debt markets in which Cargill lost about \$200 million in 1998.

As a result, Lumpkins said, Cargill began using an independent organization to assess risks across financial and commodity trading activities and to scrutinize the company's exposure to risk. In addition, Cargill put in place enhanced risk oversight committees involving senior managers, he said.

"If you've been around for 139 years like Cargill has, you're going to have some management reverses," Lumpkin said. "We've taken it to a new level, and it's been an important part of our success, especially in the last two years."

In January, Cargill and IMC Global Inc. of Illinois announced an agreement to combine their crop nutrition businesses into a new, publicly traded firm called the Mosaic Co., which is valued

at about \$5 billion. Government approval is pending.

Cargill also continued acquisitions in the livestock feed arena by buying the Italian-based Agridea feed brand for dairy cows. And Cargill bought the assets of Agway Feed and Nutrition, based in New York and Pennsylvania, and two West Coast dairy-feed firms.

The agribusiness, which began in Minneapolis as a grain trader, even ventured into aquaculture in the past year by acquiring a Louisiana firm specializing in feed for fish farms.

### **Mad cow, bird flu**

There were obstacles during fiscal 2004 too, including price volatility and trade uncertainty. The first two cases of mad-cow disease hit North America, hitting Cargill's beef businesses in the United States and Canada. Avian influenza struck the poultry industry overseas and in the United States, where Cargill produces turkeys.

The year also brought a rapid run-up of grain, especially oilseeds, driven mainly by Chinese demand. And there was a sharp increase and then decline in ocean transportation costs, which are important in transporting bulk grains, Lumpkins said.

To cope, Cargill tapped into its global network and risk-management skills. Cash flow from continuing operations increased 18 percent to \$3 billion.



Samples of Cargill's health-promoting ingredients (clockwise from top left): corn-puffed heart cereal with Barley BetaFiber, wheat and cornflake cereal and dried strawberries with AdvantaSoy and isoflavones, blueberry yogurt with CoroWise phytosterols, and cranberry-almond trail mix with AdvantaSoy Isoflavones and Oliggo-Fiber inulin.

Meanwhile, Cargill has steadily discontinued its steel businesses and other operations outside of agriculture, food in-

redients and fertilizer — a move that helped raise net earnings to \$1.33 billion in 2004, up from \$1.29 billion a year earlier.

Joy Powell is at  
jpowell@startribune.com.

Glen Stubbe/Star Trib