

# SO WHO IS THIS MARK WHITACRE, AND WHY IS HE SAYING THESE THINGS ABOUT ADM?

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(FORTUNE Magazine) – Mark Whitacre is a most improbable whistle blower whose life—and story—remain somewhat mysterious. A prodigious work aholic with a zest for his job, he headed up one of Archer Daniels Midland's fastest-growing divisions. Before his cover was blown, Wall Street analysts regularly touted him as ADM's next president, a shoo-in to succeed James Randall, 71, when he retired. Whitacre earned a high six-figure salary and lived the life of a country squire. His spacious estate in Moweaqua, Illinois, where he resided with his wife and four children, included a stable filled with riding horses and a garage filled with sports cars. He favors expensive double-breasted suits, geometric ties, starched white shirts, and tasseled loafers, and as a fast-rising executive he traveled the world in corporate jets and bedded down at the finest hotels.

Why would he jeopardize all that to become an FBI mole? Ever since his undercover role came to light in early July, the 38-year-old executive has remained publicly silent about what he did and why he did it—until now. For the first time in print, he has here discussed the extraordinary chain of events that led to his decision to blow the whistle on the people who signed his ample paychecks. Says he: "I felt I needed to tell my whole story, the real story, all in one place."

Whitacre's account obviously raises as many questions as it answers. For example: Did Whitacre actually offer money to an Ajinomoto employee to steal his company's technology? Some questions stand unresolved because Whitacre, while he spoke very extensively to FORTUNE and urged us to publish his story, in early August abruptly dropped from sight; for a few days he communicated only through an intermediary, then cut off communication entirely. We attempted to corroborate his account where possible, but much of what he says describes events and situations known only to himself and certain ADM employees. ADM declined an opportunity to comment on the allegations contained in Whitacre's account.

There is more to the story than what he tells here, of course. Much more. And several questions remain about Whitacre's own behavior. The biggest one has to do with money—lots of it. On August 7, ADM fired its former rising star, accusing him, in a terse press release, of "the theft of at least \$2.5 million from the company at a time when he was acting as an undercover agent of the United States government." The company says it has reported the matter to the Justice Department.

Whitacre furiously denies the allegation of theft and says he plans to sue ADM for illegal termination of employment and defamation of character. But a friend says Whitacre acknowledges that ADM did not merely pull that \$2.5 million figure out of the air. According to the friend, it represents an agreed-upon part of his compensation.

The problem comes in the way that money was paid. The company, says Whitacre's friend, disguised the money as disbursements to outside suppliers, then funneled it into overseas bank accounts. He adds that the company routinely rewarded top executives with such foreign pay.

The friend says Whitacre told Justice Department lawyers about the overseas payments two years ago, just at the time he signed on as an informer, but they told him to continue receiving the money. To refuse it might only have aroused suspicion. Another unanswered question: Did Whitacre pay income taxes on those offshore payments that, if they occurred, seem designed to evade taxes?

Stories like these are rarely neat and tidy. While Whitacre acted at enormous personal cost, his motives remain complex. Neither he nor any colleagues or acquaintances we spoke to could recall his ever taking a crusading ethical stand. He says he objects to price fixing ("the wrong way to do business"), but his preferred approach sounds a lot like predatory pricing ("take the prices up when you run everyone else out of the market"). While Whitacre says he hoped to clean up the mess and stay at the company, it seems clear he wouldn't have acted if the FBI hadn't come along.

ADM's broadside against Whitacre, delivered six weeks after the company learned of his undercover role, is typical of whistle-blowing cases. "Organizations under threat do everything they can to neutralize that threat," says Thomas Devine, legal director of the Government Accountability Project, a Washington advocacy group.

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"If there is one common denominator among whistle blowers, it is that they face harassment, retaliation, and professional apocalypse."

In many other respects, though, the case of whistle-blower Mark Whitacre is not at all typical. This is no brooding malcontent with a history of expressing grievances. Friends, colleagues, and former college professors describe him as relentlessly energetic and unfailingly upbeat, a man both likable and anxious to be liked. Says an ADM co-worker: "I think he's an excellent manager, very people-focused. In my experience, managers always seem to piss somebody off at some time. Mark may have been an exception to that rule. Until now, of course."

Everywhere Whitacre has worked, people have been impressed with his dedication and enthusiasm. Comments a former colleague at Degussa, the German chemical company where Whitacre worked from 1984 to 1989: "He would come to the office around 6 or 7 a.m. and have his normal workload done by 9:30 or 10. Then he would come around bouncing ideas off everyone else. And he wouldn't leave until 6:30 or 7 in the evening."

At Cornell University, where Whitacre earned a Ph.D. in nutritional biochemistry in 1983, professors and fellow students joked about keeping him away from the coffeepot lest he propel himself into an even higher gear. Recalls professor Gerald Combs Jr., Whitacre's thesis adviser: "He was a bright guy, but not brilliant. What was extraordinary about him was that he was a very hard worker. Among all the students I have ever had, he had the best ability to move from planning to action."

In person, Whitacre is congenial and charismatic. He is about 6 feet tall, with bright blond hair, a thin handlebar mustache, and large, black, round-rimmed eyeglasses. He talks quickly, in a tumble of short declarative sentences that are uncluttered by jargon. Says Bonnie Wittenburg, a security analyst at Dain Bosworth in Minneapolis who has attended several of his presentations: "He is a very effective communicator."

Whitacre grew up in an upper-middle-class household in Morrow, Ohio, 30 miles north of Cincinnati. His father owned a General Motors dealership. In high school he was elected senior class president, though he was an indifferent student. While there he began dating Ginger Gilbert, his future wife. He entered Ohio State University in 1975 with thoughts of becoming a veterinarian, but he soon decided he was more interested in a career that combined science and industry. He also started taking academics seriously. He qualified for an honors program that allowed him to graduate with a BS and an MS in just four years.

After receiving his doctorate from Cornell, Whitacre worked briefly as a researcher at Ralston Purina in St. Louis. In 1984 he joined Degussa as a technical sales representative in the German company's U.S. headquarters. The company put him in intensive, seven-hour-a-day German classes—but, recalls a former colleague, Whitacre asked that the instructor come early and stay late. In two weeks he could speak and understand German and do limited memos in the language. Whitacre transferred to the company's German offices in 1985 and rose quickly through the ranks—remarkably quickly for a young foreigner in a large, bureaucratic organization. He also began traveling extensively in Asia.

In 1988 he moved back to the U.S. as director of applied technology and soon became a vice president in the chemicals division. While there, he honed his social skills as well as his business acumen. When his German superiors visited their U.S. headquarters in Teterboro, New Jersey, they would often spend the weekend at Whitacre's home in Warwick, New York. By the time Whitacre left Degussa, former colleagues say, he was in line to become the next president of its American operations. He would have been the first non-German to hold that post.

Whitacre began dealing with ADM in early 1989. He represented Degussa in the German company's efforts to form a joint venture with ADM for the production of lysine. It seemed like a natural marriage. Degussa had years of expertise in producing amino acids, while ADM, which was just entering the bioproducts area, had a ready source of the critical raw material used in lysine production—the dextrose that comes from corn processing. But the marriage never materialized. Whitacre says ADM considered Degussa too slow-moving and bureaucratic. ADM did, however, woo Degussa's chief negotiator, Whitacre, to become the first president of what was then known as the Biochem Products division. It was October 1989, and he was just 32 years old.

Archer Daniels Midland is, in many ways, a stunning success story. It is the nation's largest processor of agricultural commodities, a lean, swift, efficient enterprise. Revenues at this self-described "supermarket to the world" have increased from \$7.9 billion to \$11.4 billion in the past five years as the company has expanded into new products and new regions. ADM's stock has been a favorite of Wall Street analysts, though it has fallen 11% since Whitacre's role became public.

For nearly three years Whitacre thrived at ADM. He oversaw construction of the world's biggest lysine plant, recruited sales and marketing people around the globe, and prepared to knock the stuffing out of his competitors. Whitacre's Bio Products group is the centerpiece of ADM's efforts to drive into the higher end of agricultural processing, where the capital requirements are large, and the profit margins fat. ADM, which invested some \$1.5 billion in BioProducts during Whitacre's tenure, said earlier this year that it expected the division to generate fully one-third of the company's earnings by 1997. ADM added to Whitacre's responsibilities two years ago, putting him in charge of the company's expansion into southeast Asia, a region where he had worked earlier in his career.

Then, in early 1992, says Whitacre, he was formally introduced to ADM's price-fixing practices, and not long thereafter he began informing for the FBI. Whitacre says his tapes capture the voices of some big fish, none bigger than Michael Andreas, ADM's vice chairman and executive vice president. Analysts have long regarded Andreas, 46, as the most likely candidate to succeed his father, Dwayne Andreas, 77, as chairman and chief executive. Whitacre's tapes do not include remarks by the elder Andreas, but a source close to the investigation says the FBI has wiretapped some of the CEO's telephone conversations.

As Whitacre describes in the preceding article, he might never have met FBI agent Brian Shepard and might never have become a government informant if Dwayne Andreas hadn't called the agency into the company to search for a suspected saboteur. It was not the first time Andreas had worked with the FBI. In the 1980s he not only contacted the feds about suspected wrongdoing in the Chicago commodities pits but also volunteered to have his company train two FBI agents for a year so they could then pose as soybean traders at the Chicago Board of Trade. The government indicted 18 soybean traders and one clerk as a result of that investigation. Nine pleaded guilty, and the rest were later convicted.

The evidence Whitacre gathered forms the nub of a federal grand jury investigation into possible antitrust violations by ADM and several of its rivals in the marketing of lysine and two other corn-based products: citric acid, a popular flavoring in fruit juice, and high-fructose corn syrup, the sweetener of choice for the soft drink industry. On the night of June 27, federal agents descended on ADM headquarters in Decatur, Illinois, armed with search warrants and subpoenas. They left with boxloads of documents.

In their wide-ranging probe, the feds have also subpoenaed records from two other major U.S. agricultural-processing companies, Cargill and CPC International. In addition, they have demanded documents from the American subsidiaries of several foreign concerns, including Ajinomoto and Kyowa Hakko Kogyo of Japan, Sewon and Samsung of South Korea, Tate & Lyle of Britain, Hoffmann-La Roche of Switzerland, and Bayer of Germany. None of the companies will comment much on the investigation, other than to say that they are cooperating with the government.

So far nobody has been arrested or indicted as a result of Whitacre's work. But Whitacre has placed a large burr under the saddle of Dwayne Andreas, a tough, crafty operator with legendary political clout in Washington. A lavish contributor to politicians in both parties, Andreas is both a longtime ally of Senator Bob Dole and a frequent adviser to Bill Clinton. ADM benefits from the \$500 million federal tax break for ethanol, a subsidy that Dole and Clinton support. ADM is the leading producer of ethanol, an alcohol fuel distilled from corn and blended with gasoline to reduce toxic automotive emissions.

It seems remarkable that Whitacre has long believed, up until very recently in fact, that he had a future at ADM. That raises one of the largest unanswered questions of all: How could he be surprised by what has happened to him? He felt the wrongdoers would be expelled and his career would continue to soar. Says an associate: "He didn't expect people to be so angry. He thought he would be seen as a hero." In that respect, Mark Whitacre is very much a typical whistle blower. Says Vivian Weil, director of the Center for the Study of Ethics in the Professions at the Illinois Institute of Technology: "Whistle blowers must have the confidence that exposing the wrongdoing will get people to do something about it. Sometimes that turns out to be naive. Sometimes they underestimate the extent of the corruption."

Nobody outside ADM knows the extent of what has—and has not—happened there. Indeed, the full story may never come out. Even with Whitacre's telltale tapes, the government could have a tough time proving its case. Says Steven Kowal, a former director of the Justice Department's antitrust division: "With tapes there is always the question of how direct or how ambiguous the statements were. There could be alternative explanations for what was said."

Then there is the question of what actually happened in the marketplace. While ADM and its rivals may have tried to fix lysine prices, it's not at all clear that they succeeded. Says a source involved in the business: "If there was price fixing, then whoever did it was particularly inept. The customers did not see it." Of course the most adroit price fixing may be the kind that customers do not suspect at all. But no matter what happened in the marketplace, Mark Whitacre's account of what happened inside Archer Daniels Midland is reason enough to be alarmed. His first bold step was to tell it to the FBI. His second was to tell it to the public.

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