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SEABOARD CORP /DE/  
Form 10-Q  
November 05, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 2, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-3390

Seaboard Corporation  
(Exact name of registrant as specified in its charter)

Delaware 04-2260388  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

9000 W. 67th Street, Shawnee Mission, Kansas 66202  
(Address of principal executive offices) (Zip Code)

(913) 676-8800  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed  
since last report.)

Indicate by check mark whether the registrant (1) has filed  
all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months  
(or for such shorter period that the registrant was required to  
file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted  
electronically and posted on its corporate Web site, if any, every  
Interactive Data File required to be submitted and posted pursuant  
to Rule 405 of Regulation S-T (232.405 of this chapter) during the  
preceding 12 months (or for such shorter period that the registrant  
was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large  
accelerated filer, an accelerated filer, a non-accelerated filer or  
a smaller reporting company. See the definitions of "large

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accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ X ]  
 Non-accelerated filer [ ] (Do not check if a smaller reporting company)  
 Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes . No X .

There were 1,215,879 shares of common stock, \$1.00 par value per share, outstanding on October 29, 2010.

Total pages in filing - 25 pages

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PART I - FINANCIAL INFORMATION  
 Item 1. Financial Statements

SEABOARD CORPORATION AND SUBSIDIARIES  
 Condensed Consolidated Statements of Earnings  
 (Thousands of dollars except per share amounts)  
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	October 2,	October 3,	October 2,	October 3,
	2010	2009	2010	2009
Net sales:				
Products (includes sales to foreign affiliates of \$120,670, \$138,396, \$363,891 and \$399,296, respectively)	\$ 849,049	\$ 647,256	\$2,403,174	\$1,990,553
Services	231,029	176,906	681,659	575,611
Other	31,735	30,463	95,719	75,859
Total net sales	1,111,813	854,625	3,180,552	2,642,023
Cost of sales and operating expenses:				
Products	795,722	619,824	2,160,084	1,911,566
Services	196,379	162,272	584,637	503,339
Other	25,738	26,049	78,776	65,955
Total cost of sales and operating expenses	1,017,839	808,145	2,823,497	2,480,860
Gross income	93,974	46,480	357,055	161,163
Selling, general and administrative expenses	52,332	49,159	146,700	145,031
Operating income (loss)	41,642	(2,679)	210,355	16,132
Other income (expense):				
Interest expense	(1,731)	(3,493)	(5,647)	(10,592)
Interest income	2,945	3,734	10,263	11,878
Income from affiliates	4,851	5,273	16,275	12,865
Foreign currency gain, net	5,552	1,130	2,623	325
Other investment income, net	7,819	5,574	8,704	12,953
Gain on disputed sale, net of expenses	-	16,787	-	16,787
Miscellaneous, net	(3,843)	164	(6,479)	6,358

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Total other income, net	15,593	29,169	25,739	50,574
Earnings before income taxes	57,235	26,490	236,094	66,706
Income tax benefit (expense)	(17,752)	9,758	(56,591)	12,248
Net earnings	\$ 39,483	\$ 36,248	\$ 179,503	\$ 78,954
Less: Net losses attributable to noncontrolling interests	386	467	748	653
Net earnings attributable to Seaboard	\$ 39,869	\$ 36,715	\$ 180,251	\$ 79,607
Earnings per common share	\$ 32.74	\$ 29.69	\$ 146.93	\$ 64.32
Dividends declared per common share	\$ 0.75	\$ 0.75	\$ 2.25	\$ 2.25
Average number of shares outstanding	1,217,828	1,236,758	1,226,780	1,237,675

See accompanying notes to condensed consolidated financial statements.

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SEABOARD CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets  
(Thousands of dollars)  
(Unaudited)

	October 2, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,422	\$ 61,857
Short-term investments	536,137	407,351
Receivables, net of allowance	326,594	270,647
Inventories	468,248	498,587
Deferred income taxes	18,845	10,490
Deferred costs	82,040	95,788
Other current assets	130,941	80,582
Total current assets	1,620,227	1,425,302
Investments in and advances to affiliates	117,494	82,232
Net property, plant and equipment	701,900	691,343
Goodwill	40,628	40,628
Intangible assets, net	19,927	20,676
Other assets	59,676	76,952
Total assets	\$2,559,852	\$2,337,133
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to banks	\$ 79,408	\$ 81,262
Current maturities of long-term debt	1,683	2,337
Accounts payable	118,301	141,193
Deferred revenue	164,673	112,889
Other current liabilities	231,692	180,359
Total current liabilities	595,757	518,040
Long-term debt, less current maturities	75,162	76,532

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Deferred income taxes	65,911	59,546
Other liabilities	134,055	137,596
Total non-current and deferred liabilities	275,128	273,674
Stockholders' equity:		
Common stock of \$1 par value, Authorized 1,250,000 shares; issued and outstanding 1,215,879 and 1,236,758 shares	1,216	1,237
Accumulated other comprehensive loss	(117,888)	(114,786)
Retained earnings	1,802,746	1,655,222
Total Seaboard stockholders' equity	1,686,074	1,541,673
Noncontrolling interests	2,893	3,746
Total equity	1,688,967	1,545,419
Total liabilities and stockholders' equity	\$2,559,852	\$2,337,133

See accompanying notes to condensed consolidated financial statements.

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SEABOARD CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(Thousands of dollars)  
(Unaudited)

	Nine Months Ended	
	October 2, 2010	October 3, 2009
Cash flows from operating activities:		
Net earnings	\$ 179,503	\$ 78,954
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation and amortization	65,648	69,111
Income from affiliates	(16,275)	(12,865)
Dividends received from affiliates	1,389	1,937
Other investment income, net	(8,704)	(12,953)
Foreign currency exchange (gain) loss	(117)	6,166
Deferred income taxes	(1,148)	(12,836)
Loss (gain) from sale of fixed assets	(2,573)	472
Gain on disputed sale, net of expenses	-	(16,787)
Changes in current assets and liabilities:		
Receivables, net of allowance	(53,182)	58,904
Inventories	26,152	17,300
Other current assets	(15,460)	(56,762)
Current liabilities, exclusive of debt	64,618	62,658
Other, net	12,134	2,752
Net cash from operating activities	251,985	186,051
Cash flows from investing activities:		
Purchase of short-term investments	(590,925)	(267,244)
Proceeds from the sale of short-term investments	402,625	180,692
Proceeds from the maturity of short-term investments	62,837	57,055
Acquisition of business, net of cash acquired	(5,578)	-
Investments in and advances to affiliates, net	(19,009)	76
Capital expenditures	(77,897)	(39,140)
Proceeds from the sale of fixed assets	4,812	2,931
Payment received for the potential sale of power barges	-	15,000
Net proceeds from disputed sale	-	16,787
Other, net	2,159	(3,524)

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Net cash from investing activities	(220,976)	(37,367)
Cash flows from financing activities:		
Notes payable to banks, net	(1,856)	(97,622)
Principal payments of long-term debt	(2,088)	(46,669)
Repurchase of common stock	(29,994)	(3,370)
Dividends paid	(2,756)	(2,783)
Other, net	238	212
Net cash from financing activities	(36,456)	(150,232)
Effect of exchange rate change on cash	1,012	(2,869)
Net change in cash and cash equivalents	(4,435)	(4,417)
Cash and cash equivalents at beginning of year	61,857	60,594
Cash and cash equivalents at end of period	\$ 57,422	\$ 56,177

See accompanying notes to condensed consolidated financial statements.

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### SEABOARD CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

#### Note 1 - Accounting Policies and Basis of Presentation

The condensed consolidated financial statements include the accounts of Seaboard Corporation and its domestic and foreign subsidiaries ("Seaboard"). All significant intercompany balances and transactions have been eliminated in consolidation. Seaboard's investments in non-consolidated affiliates are accounted for by the equity method. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Seaboard for the year ended December 31, 2009 as filed in its Annual Report on Form 10-K. Seaboard's first three quarterly periods include approximately 13 weekly periods ending on the Saturday closest to the end of March, June and September. Seaboard's year-end is December 31.

The accompanying unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations for interim periods are not necessarily indicative of results to be expected for a full year. As Seaboard conducts its commodity trading business with third parties, consolidated subsidiaries and non-consolidated affiliates on an interrelated basis, gross margin on non-consolidated affiliates cannot be clearly distinguished without making numerous assumptions primarily with respect to mark-to-market accounting for commodity derivatives.

#### Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of

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revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

Net cash from operating activities was increased and net cash from investing activities was decreased from prior year presentation by \$1,937,000 for the first nine months of 2009 to conform to the 2010 presentation of dividends received from affiliates.

### Supplemental Noncash Transactions

As discussed in Note 10, during the third quarter of 2010, Seaboard acquired a majority interest in a commodity origination, storage and processing business in Canada. The purchase price allocation is preliminary as management has not yet received the third party valuation to determine the fair value for fixed assets and goodwill. The following table summarizes the non-cash transactions resulting from this acquisition:

(Thousands of dollars)	Nine Months Ended October 2, 2010
Increase in net working capital	\$ 1,254
Increase in fixed assets	5,515
Increase in intangible assets and other assets	175
Increase in deferred taxes	(1,116)
Increase in non-controlling interest	(250)
Cash paid, net of cash acquired, subject to final adjustments	\$ 5,578

### Recently Adopted Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 810-10 (formerly Financial Accounting Standard No. 167 "Amendments to FASB Interpretation No. 46(R)"). This Topic amends Interpretation 46(R) and requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity (VIE). This analysis identifies the primary beneficiary of a VIE as the enterprise that has both the power to direct the most significant activities of a VIE and the obligation to absorb losses or the right to receive benefits from the VIE.

This Topic eliminates the quantitative approach previously required for determining the primary beneficiary of the VIE, which was based on determining which enterprise absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both. This Topic also amends Interpretation 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a

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VIE and requires certain additional disclosures about the VIE. Seaboard adopted this Topic as of January 1, 2010. The adoption of this Topic did not have a material impact on Seaboard's financial position or net earnings.

### Note 2- Investments

Seaboard's short-term investments are treated as either available-

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for-sale securities or trading securities. All of Seaboard's available-for-sale and trading securities are classified as current assets as they are readily available to support Seaboard's current operating needs. Available-for-sale securities are recorded at their estimated fair market values with unrealized gains and losses reflected, net of tax, as a separate component of accumulated other comprehensive income. Trading securities are recorded at their estimated fair market values with unrealized gains and losses reflected in the statement of earnings.

As of October 2, 2010 and December 31, 2009, the available-for-sale investments primarily consisted of money market funds, fixed rate municipal notes and bonds, corporate bonds and fixed income mutual funds. At October 2, 2010, money market funds include \$43,456,000 denominated in Euros. At October 2, 2010 and December 31, 2009, amortized cost and estimated fair market value were not materially different for these investments.

As of October 2, 2010, the trading securities primarily consisted of high yield debt securities. Unrealized net gains related to trading securities for the three and nine months ended October 2, 2010 were \$1,292,000 and \$2,116,000, respectively, and \$1,238,000 and \$1,779,000 for the three and nine months ended October 3, 2009, respectively.

The following is a summary of the amortized cost and estimated fair value of short-term investments for both available-for-sale and trading securities at October 2, 2010 and December 31, 2009.

(Thousands of dollars)	2010		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Money market funds	\$229,841	\$229,841	\$153,699	\$153,699
Corporate bonds	107,628	109,638	34,663	35,449
Fixed income mutual funds	60,161	60,295	-	-
Fixed rate municipal notes and bonds	45,700	46,018	144,794	148,609
Variable rate demand notes	29,900	29,900	1,900	1,900
U.S. Government agency securities	15,369	15,478	15,907	16,272
Asset backed debt securities	8,819	8,815	8,447	8,484
U.S. Treasury securities	3,589	3,651	-	-
Other	2,360	2,363	3,060	3,069
Foreign government debt securities	-	-	10,300	10,210
Total available-for-sale short-term investments	503,367	505,999	372,770	377,692
High yield trading debt securities	24,751	26,570	24,784	26,771
Other trading debt securities	3,271	3,568	2,669	2,888
Total available-for-sale and trading short-term Investments	\$531,389	\$536,137	\$400,223	\$407,351

The following table summarizes the estimated fair value of fixed rate securities designated as available-for-sale classified by the contractual maturity date of the security as of October 2, 2010.

(Thousands of dollars)	2010
Due within one year	\$ 45,288
Due after one year through three years	108,750
Due after three years	15,795
Total fixed rate securities	\$169,833

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In addition to its short-term investments, Seaboard also has trading securities related to Seaboard's deferred compensation plans classified in other current assets on the Condensed Consolidated Balance Sheets. See Note 5 to the Condensed Consolidated Financial Statements for information on the types of trading securities held related to the deferred compensation plans.

### Note 3 - Inventories

The following is a summary of inventories at October 2, 2010 and December 31, 2009:

(Thousands of dollars)	October 2, 2010	December 31, 2009
At lower of LIFO cost or market:		
Live hogs and materials	\$179,507	\$192,999
Fresh pork and materials	23,070	22,398
	202,577	215,397
LIFO adjustment	(22,486)	(22,807)
Total inventories at lower of LIFO cost or market	180,091	192,590
At lower of FIFO cost or market:		
Grains and oilseeds	179,044	174,508
Sugar produced and in process	34,336	47,429
Other	48,315	46,804
Total inventories at lower of FIFO cost or market	261,695	268,741
Grain, flour and feed at lower of weighted average cost or market		
Total inventories	26,462	37,256
	\$468,248	\$498,587

As of October 2, 2010, Seaboard had \$3,235,000 recorded in grain inventories related to its commodity trading business that are committed to various customers in foreign countries for which customer contract performance is a heightened concern. If Seaboard is unable to collect amounts from these customers as currently estimated or Seaboard is forced to find other customers for a portion of this inventory, it is possible that Seaboard could incur a material write-down in the value of this inventory if Seaboard is not successful in selling at the current carrying value. For similar inventories that existed prior to December 31, 2009, Seaboard incurred a write-down in the first quarter of 2009 in the amount of \$8,801,000 (with no tax benefit recognized), or \$7.10 per share.

### Note 4 - Income Taxes

Seaboard's tax returns are regularly audited by federal, state and foreign tax authorities, which may result in adjustments. Seaboard's U.S. federal income tax returns have been reviewed through the 2004 tax year. There have not been any material changes in unrecognized income tax benefits since December 31, 2009. Interest related to unrecognized tax benefits and penalties was not material for the nine months ended October 2, 2010.

The change to income tax expense in 2010 from income tax benefit in 2009 is the result of projected domestic earnings during 2010 compared to projected domestic losses in 2009. The higher income tax expense rate for the three month period of 2010 compared to the nine month period of 2010 resulted from increasing the projected domestic income relative to projected total income for 2010 during



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the third quarter.

Note 5 -Derivatives and Fair Value of Financial Instruments

U.S. GAAP discusses valuation techniques, such as the market approach (prices and other relevant information generated by market conditions involving identical or comparable assets or liabilities), the income approach (techniques to convert future amounts to single present amounts based on market expectations including present value techniques and option-pricing), and the cost approach (amount that would be required to replace the service capacity of an asset which is often referred to as replacement cost). U.S. GAAP utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

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Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The following table shows assets and liabilities measured at fair value on a recurring basis as of October 2, 2010 and also the level within the fair value hierarchy used to measure each category of assets. Seaboard uses the end of the reporting period to determine if there were any transfers between levels. There were no transfers between levels that occurred in the first nine months of 2010. The trading securities classified as other current assets below are assets held for Seaboard's deferred compensation plans.

(Thousands of dollars)	Balance			
	October 2, 2010	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale securities -				
short-term investments:				
Money market funds	\$229,841	\$229,841	\$ -	\$ -
Corporate bonds	109,638	-	109,638	-
Fixed income mutual funds	60,295	60,295	-	-
Fixed rate municipal notes and bonds	46,018	-	46,018	-
Variable rate demand notes	29,900	-	29,900	-
U.S. Government agency securities	15,478	-	15,478	-
Asset backed debt securities	8,815	-	8,815	-
U.S. Treasury securities	3,651	-	3,651	-
Other	2,363	-	2,363	-
Trading securities - short-term				
investments:				
High yield debt securities	26,570	-	26,570	-
Other debt securities	3,568	-	3,568	-
Trading securities - other current				

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assets:				
Domestic equity securities	11,779	11,779	-	-
Foreign equity securities	7,651	3,790	3,861	-
Fixed income mutual funds	3,625	3,625	-	-
Money market funds	3,225	3,225	-	-
U.S. Treasury securities	2,535	-	2,535	-
U.S. Government agency securities	1,615	-	1,615	-
Other	172	153	19	-
Derivatives:				
Commodities	2,790	2,790	-	-
Foreign currencies	28	-	28	-
Total Assets	\$569,557	\$315,498	\$254,059	\$ -
Liabilities:				
Derivatives:				
Commodities (1)	50,464	50,464	-	-
Interest rate swaps	6,367	-	6,367	-
Foreign currencies	6,235	-	6,235	-
Total Liabilities	\$ 63,066	\$ 50,464	\$ 12,602	\$ -

(1) Excludes \$30,718 of option proceeds resulting in a net liability of \$19,746 as of October 2, 2010.

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Financial instruments consisting of cash and cash equivalents, net receivables, notes payable, and accounts payable are carried at cost, which approximates fair value, as a result of the short-term nature of the instruments.

The fair value of long-term debt is estimated by comparing interest rates for debt with similar terms and maturities. The amortized cost and estimated fair values of investments and long-term debt at October 2, 2010 and December 31, 2009 are presented below.

(Thousands of dollars)	2010		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments, available-for-sale	\$503,367	\$505,999	\$372,770	\$377,692
Short-term investments, trading debt securities	28,022	30,138	27,453	29,659
Long-term debt	76,845	79,507	78,869	82,415

While management believes its derivatives are primarily economic hedges of its firm purchase and sales contracts or anticipated sales contracts, Seaboard does not perform the extensive record-keeping required to account for these types of transactions as hedges for accounting purposes. Since these derivatives and interest rate exchange agreements discussed below, are not accounted for as hedges, fluctuations in the related commodity prices, currency exchange rates and interest rates could have a material impact on earnings in any given period. The nature of Seaboard's market risk exposure has not changed materially since December 31, 2009.

### Commodity Instruments

Seaboard uses various grain, meal, hog, pork bellies and energy resource related futures and options to manage its risk to price fluctuations for raw materials and other inventories, finished product sales and firm sales commitments. At October 2, 2010, Seaboard had open net derivative contracts to purchase 17,495,000

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bushels of grain and 22,000 tons of soybean meal and open net derivative contracts to sell 1,596,000 gallons of heating oil and 38,040,000 pounds of hogs. At December 31, 2009, Seaboard had open net derivative contracts to sell 13,955,000 bushels of grain, 1,344,000 gallons of heating oil, 87,900 tons of soybean meal and open net derivative contracts to purchase 2,720,000 pounds of hogs. From time to time, Seaboard may enter into speculative derivative transactions not directly related to its raw material requirements. Commodity derivatives are recorded at fair value with any changes in fair value being marked to market as a component of cost of sales on the Condensed Consolidated Statements of Earnings.

### Foreign Currency Exchange Agreements

Seaboard enters into foreign currency exchange agreements to manage the foreign currency exchange rate risk with respect to certain transactions denominated in foreign currencies. Foreign exchange agreements that were primarily related to the underlying commodity transaction were recorded at fair value with changes in value marked to market as a component of cost of sales on the Condensed Consolidated Statements of Earnings. Foreign exchange agreements that were not related to an underlying commodity transaction were recorded at fair value with changes in value marked to market as a component of foreign currency gain (loss) on the Condensed Consolidated Statements of Earnings.

At October 2, 2010, Seaboard had trading foreign exchange contracts to cover its firm sales and purchase commitments and related trade receivables and payables with net notional amounts of \$159,033,000 primarily related to the South African Rand.

At December 31, 2009, Seaboard had trading foreign exchange contracts to cover its firm sales and purchase commitments and related trade receivables and payables with net notional amounts of \$193,379,000 primarily related to the South African Rand and the Euro.

### Interest Rate Exchange Agreements

In May 2010, Seaboard entered into three ten-year interest rate exchange agreements which involve the exchange of fixed-rate and variable-rate interest payments over the life of the agreements without the exchange of the underlying notional amounts to mitigate the effects of fluctuations in interest rates on variable rate debt. Seaboard pays a fixed rate and receives a variable rate of interest on three notional amounts of \$25,000,000 each. In August 2010, Seaboard entered into another ten-year interest rate exchange agreement with a notional amount of \$25,000,000 that has terms similar to those for the other three interest rate exchange agreements referred to above. While Seaboard has certain variable rate debt, these interest rate exchange

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agreements do not qualify as hedges for accounting purposes. Accordingly, the changes in fair value of these agreements are recorded in Miscellaneous, net in the Condensed Consolidated Statement of Earnings.

In December 2008 and again in March 2009, Seaboard entered into ten-year interest rate exchange agreements with notional amounts of \$25,000,000 each to mitigate the effects of fluctuations in interest

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rates, each with similar terms to agreements discussed above. In June 2009, Seaboard terminated both interest rate exchange agreements. Seaboard received payments in the amount of \$3,981,000 to unwind these agreements.

### Counterparty Credit Risk

Seaboard is subject to counterparty credit risk related to its foreign currency exchange agreements. The maximum amount of loss due to the credit risk of the counterparties for these agreements, should the counterparties fail to perform according to the terms of the contracts, was \$28,000 as of October 2, 2010. Seaboard does not hold any collateral related to these agreements.

The following table provides the amount of gain or (loss) recognized for each type of derivative and where it was recognized in the Condensed Consolidated Statement of Earnings for the three and nine months ended October 2, 2010 and October 3, 2009.

(Thousands of dollars)

	Location of Gain or (Loss) Recognized in Income	Three Months Ended		Nine Months Ended	
		October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
		Amount of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income
Commodities	Cost of sales	\$ (29,417)	\$ 7,528	\$ (6,290)	\$ 13,648
Foreign currencies	Cost of sales	(17,267)	(6,148)	(8,191)	(19,330)
Foreign currencies	Foreign currency	257	3,898	(914)	332
Interest rate	Miscellaneous, net	(4,072)	-	(7,197)	5,312

The following table provides the fair value of each type of derivative held as of October 2, 2010 and December 31, 2009 and where each derivative is included on the Condensed Consolidated Balance Sheets.

(Thousands of dollars)

	Asset Derivatives	Fair Value		Liability Derivatives	Fair Value
		Balance Sheet Location	October 2, 2010		
Commodities	Other current assets	\$2,790	\$4,610	Other current liabilities	\$50,464
Foreign currencies	Other current assets	28	430	Other current liabilities	6,235
Interest rate	Other current assets	-	-	Other current liabilities	6,367