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SEABOARD CORP /DE/
Form 10-Q
August 09, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 2, 2011

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 X 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 X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or

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

Large Accelerated Filer ☐ Accelerated Filer ☒
 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 ☒.
 There were 1,215,879 shares of common stock, \$1.00 par value per share, outstanding on July 29, 2011.

Total pages in filing - 23 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 share and per share amounts)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net sales:				
Products (includes sales to affiliates of \$189,807, \$117,391, \$352,075 and \$243,221)	\$1,128,574	\$ 781,538	\$2,326,196	\$1,554,125
Services	245,343	235,910	483,555	450,630
Other	24,670	31,015	57,015	63,984
Total net sales	1,398,587	1,048,463	2,866,766	2,068,739
Cost of sales and operating expenses:				
Products	1,003,292	673,206	2,053,089	1,364,362
Services	235,274	202,530	441,492	388,258
Gain on sale of power generating facilities	(51,423)	-	(51,423)	-
Other	21,020	25,662	48,078	53,038
Total cost of sales and operating expenses	1,208,163	901,398	2,491,236	1,805,658
Gross income	190,424	147,065	375,530	263,081
Selling, general and administrative expenses	53,459	45,818	108,289	94,368
Operating income	136,965	101,247	267,241	168,713
Other income (expense):				
Interest expense	(1,506)	(1,600)	(3,022)	(3,916)
Interest income	2,047	3,708	4,344	7,025
Interest income from affiliates	4,014	154	7,847	293
Income from affiliates	5,365	6,536	11,527	11,424
Other investment income (loss), net	286	(2,159)	2,626	885

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Foreign currency gain (loss), net	2,381	(2,967)	7,145	(2,929)
Miscellaneous, net	(2,952)	(2,830)	(2,164)	(2,636)
Total other income, net	9,635	842	28,303	10,146
Earnings before income taxes	146,600	102,089	295,544	178,859
Income tax expense	(33,236)	(24,732)	(65,487)	(38,839)
Net earnings	\$ 113,364	\$ 77,357	\$ 230,057	\$ 140,020
Less: Net loss attributable to noncontrolling interests	122	247	293	362
Net earnings attributable to Seaboard	\$ 113,486	\$ 77,604	\$ 230,350	\$ 140,382
Earnings per common share	\$ 93.34	\$ 63.21	\$ 189.45	\$ 114.02
Dividends declared per common share	\$ -	\$ 0.75	\$ -	\$ 1.50
Average number of shares outstanding	1,215,879	1,227,628	1,215,879	1,231,207

See accompanying notes to condensed consolidated financial statements.

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

	July 2, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 64,528	\$ 41,124
Short-term investments	320,217	332,205
Receivables, net of allowance	437,642	359,944
Inventories	622,013	533,761
Deferred income taxes	20,341	18,393
Deferred costs	-	84,141
Other current assets	115,840	115,844
Total current assets	1,580,581	1,485,412
Investments in and advances to affiliates	348,646	331,322
Net property, plant and equipment	733,399	701,131
Note receivable from affiliate	95,251	90,109
Goodwill	40,628	40,628
Intangible assets, net	19,621	19,746
Other assets	64,493	65,738
Total assets	\$2,882,619	\$2,734,086
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to banks	\$ 91,980	\$ 78,729
Current maturities of long-term debt	3,346	1,697
Accounts payable	142,480	146,265
Deferred revenue	42,468	122,344
Deferred revenue from affiliates	15,985	38,719

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Other current liabilities	253,146	250,441
Total current liabilities	549,405	638,195
Long-term debt, less current maturities	105,614	91,407
Deferred income taxes	61,677	75,695
Other liabilities	157,388	150,540
Total non-current and deferred liabilities	324,679	317,642

Stockholders' equity:

Common stock of \$1 par value, Authorized 1,250,000 shares; issued and outstanding 1,215,879 shares	1,216	1,216
Accumulated other comprehensive loss	(123,624)	(123,907)
Retained earnings	2,128,247	1,897,897
Total Seaboard stockholders' equity	2,005,839	1,775,206
Noncontrolling interests	2,696	3,043
Total equity	2,008,535	1,778,249
Total liabilities and stockholders' equity	\$2,882,619	\$2,734,086

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)

	Six Months Ended	
	July 2, 2011	July 3, 2010
Cash flows from operating activities:		
Net earnings	\$230,057	\$ 140,020
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation and amortization	40,417	43,938
Income from affiliates	(11,527)	(11,424)
Other investment income, net	(2,626)	(885)
Deferred income taxes	(15,564)	4,104
Pay-in-kind interest on note receivable from affiliate	(5,068)	-
Gain on sale of power generating facilities	(51,423)	-
Other	1,085	(29)
Changes in current assets and liabilities:		
Receivables, net of allowance	(74,689)	(27,713)
Inventories	(91,316)	29,578
Other current assets	65,140	13,467
Current liabilities, exclusive of debt	(88,516)	15,186
Other, net	7,489	2,754
Net cash from operating activities	3,459	208,996
Cash flows from investing activities:		
Purchase of short-term investments	(99,984)	(409,700)
Proceeds from the sale of short-term investments	101,308	230,995
Proceeds from the maturity of short-term investments	11,973	39,997
Investments in and advances to affiliates, net	(6,351)	(8,062)
Capital expenditures	(76,489)	(39,048)
Proceeds from the sale of power generating facilities	58,103	-
Other, net	809	4,641
Net cash from investing activities	(10,631)	(181,177)

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Cash flows from financing activities:		
Notes payable to banks, net	13,251	(16,894)
Proceeds from the issuance of long-term debt	16,056	-
Principal payments of long-term debt	(195)	(928)
Repurchase of common stock	-	(16,635)
Dividends paid	-	(1,844)
Other, net	157	159
Net cash from financing activities	29,269	(36,142)
Effect of exchange rate change on cash	1,307	609
Net change in cash and cash equivalents	23,404	(7,714)
Cash and cash equivalents at beginning of year	41,124	61,857
Cash and cash equivalents at end of period	\$ 64,528	\$ 54,143

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, 2010 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.

Note Receivable from Affiliate

Seaboard has a note receivable from an affiliate (Butterball, LLC) in the amount of \$95,251,000 at July 2, 2011. Seaboard monitors the credit quality of this note receivable by obtaining and reviewing financial information for this affiliate on a monthly basis and by having Seaboard representatives serve on the Board of Directors of this affiliate. Seaboard recognized \$2,547,000 and \$5,068,000 of pay-in-kind interest in the first three and six months of 2011, respectively, related to this note receivable.

Use of Estimates

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The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include those related to allowance for doubtful accounts, valuation of inventories, impairment of long-lived assets, goodwill and other intangible assets, income taxes and accrued pension liability. Actual results could differ from those estimates.

Recent Accounting Standards Not Yet Adopted

In May 2011, the Financial Accounting Standards Board (FASB) issued guidance to amend the requirements related to fair value measurement which changed the wording used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The amended guidance is effective for Seaboard on January 1, 2012. The adoption of this guidance is not expected to have a material impact on Seaboard's financial position or net earnings.

In June 2011, the FASB issued guidance to revise the manner in which entities present comprehensive income in the financial statements. The new guidance removes the footnote presentation option currently used by Seaboard and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. Seaboard will be required to make this change in presentation in the first quarter of 2012. The adoption of this guidance will not have an impact on Seaboard's financial position or net earnings.

Note 2- Investments

Seaboard's short-term investments are treated as either available-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 value with unrealized gains and losses reported, net of tax, as a separate component of accumulated other comprehensive income. Trading securities are recorded at their estimated fair value with unrealized gains and losses reflected in the statement of earnings.

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As of July 2, 2011 and December 31, 2010, the available-for-sale investments primarily consisted of money market funds, fixed rate municipal notes and bonds, corporate bonds, fixed income mutual funds and U.S. Government obligations. At July 2, 2011, money market funds included \$55,229,000 denominated in Euros. At July 2, 2011 and December 31, 2010, amortized cost and estimated fair value were not materially different for these investments.

As of July 2, 2011, the trading securities primarily consisted of high yield debt securities. Unrealized (losses) gains related to trading

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securities for the three and six months ended July 2, 2011 were \$(203,000) and \$1,366,000, respectively, and \$(490,000) and \$928,000 for the three and six months ended July 3, 2010, 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 July 2, 2011 and December 31, 2010.

(Thousands of dollars)	2011		2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Corporate bonds	\$ 94,286	\$ 95,903	\$ 86,182	\$ 87,401
Fixed income mutual funds	78,120	78,821	60,256	60,302
Money market funds	72,622	72,622	110,164	110,164
Fixed rate municipal notes and bonds	17,981	18,110	20,564	20,648
U.S. Government agency securities	16,279	16,286	17,503	17,514
U.S. Treasury securities	5,739	5,762	7,139	7,148
Variable rate demand notes	3,200	3,200	-	-
Asset backed debt securities	3,063	3,058	2,847	2,848
Other	800	801	2,360	2,355
Total available-for-sale short-term investments	292,090	294,563	307,015	308,380
High yield trading debt securities	20,206	21,261	19,447	20,783
Other trading debt securities	4,083	4,393	2,807	3,042
Total available-for-sale and trading short-term investments	\$316,379	\$320,217	\$329,269	\$332,205

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 July 2, 2011.

(Thousands of dollars)	2011
Due within one year	\$ 21,600
Due after one year through three years	60,853
Due after three years	22,170
Total fixed rate securities	\$104,623

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.

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Note 3 - Inventories

The following is a summary of inventories at July 2, 2011 and December 31, 2010:

(Thousands of dollars)	July 2, 2011	December 31, 2010
At lower of LIFO cost or market:		
Live hogs and materials	\$224,532	\$200,600
Fresh pork and materials	26,247	24,779
	250,779	225,379
LIFO adjustment	(43,048)	(24,085)
Total inventories at lower of LIFO cost or market	207,731	201,294

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At lower of FIFO cost or market:		
Grains and oilseeds	284,372	203,232
Sugar produced and in process	42,317	50,190
Other	45,367	44,013
Total inventories at lower of FIFO cost or market	372,056	297,435
Grain, flour and feed at lower of weighted average cost or market		
	42,226	35,032
Total inventories	\$622,013	\$533,761

As of July 2, 2011, Seaboard had \$2,910,000 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 additional write-downs in the value of this inventory if Seaboard is not successful in selling at the current carrying value. For the three and six months of 2011, Seaboard incurred write-downs of \$1,644,000 and \$3,342,000, respectively, related to these types of inventories.

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 2006-2009 U.S. income tax returns are currently under IRS examination. There have not been any material changes in unrecognized income tax benefits since December 31, 2010. Interest related to unrecognized tax benefits and penalties was not material for the six months ended July 2, 2011.

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:

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.

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The following table shows assets and liabilities measured at fair value on a recurring basis as of July 2, 2011 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 six months of 2011. The trading securities classified as other current assets below are assets held for Seaboard's deferred compensation plans.

(Thousands of dollars)	Balance July 2,			
	2011	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities-short-term investments:				
Corporate bonds	\$ 95,903	\$ -	\$ 95,903	\$ -
Fixed income mutual funds	78,821	78,821	-	-
Money market funds	72,622	72,622	-	-
Fixed rate municipal notes and bonds	18,110	-	18,110	-
U.S. Government agency securities	16,286	-	16,286	-
U.S. Treasury securities	5,762	-	5,762	-
Variable rate demand notes	3,200	-	3,200	-
Asset backed debt securities	3,058	-	3,058	-
Other	801	-	801	-
Trading securities - short-term investments:				
High yield debt securities	21,261	-	21,261	-
Other debt securities	4,393	-	4,393	-
Trading securities - other current assets:				
Domestic equity securities	14,496	14,496	-	-
Foreign equity securities	9,136	4,850	4,286	-
Fixed income mutual funds	4,874	4,874	-	-
Money market funds	3,897	3,897	-	-
U.S. Treasury securities	2,150	-	2,150	-
U.S. Government agency securities	2,111	-	2,111	-
Other	234	169	65	-
Derivatives:				
Commodities	8,068	8,068	-	-
Interest rate swaps	1,084	-	1,084	-
Foreign currencies	240	-	240	-
Total Assets	\$366,507	\$187,797	\$178,710	\$ -
Liabilities:				
Derivatives:				
Commodities(1)	\$ 27,425	\$ 27,425	\$ -	\$ -
Interest rate swaps	1,973	-	1,973	-
Foreign currencies	2,679	-	2,679	-
Total Liabilities	\$ 32,077	\$ 27,425	\$ 4,652	\$ -

(1) Excludes \$8,638 of option proceeds resulting in a net liability of \$18,787 as of July 2, 2011.

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The following table shows assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and also the level within the fair value hierarchy used to measure each category of assets.

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(Thousands of dollars)	Balance December 31,			
	2010	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities - short-term investments:				
Money market funds	\$110,164	\$110,164	\$ -	\$ -
Corporate bonds	87,401	-	87,401	-
Fixed income mutual funds	60,302	60,302	-	-
Fixed rate municipal notes and bonds	20,648	-	20,648	-
U.S. Government agency securities	17,514	-	17,514	-
U.S. Treasury securities	7,148	-	7,148	-
Asset backed debt securities	2,848	-	2,848	-
Other	2,355	-	2,355	-
Trading securities- short term investments:				
High yield debt securities	20,783	-	20,783	-
Other debt securities	3,042	-	3,042	-
Trading securities - other current assets:				
Domestic equity securities	13,332	13,332	-	-
Foreign equity securities	8,157	4,131	4,026	-
Fixed income mutual funds	3,758	3,758	-	-
Money market funds	3,208	3,208	-	-
U.S. Treasury securities	2,732	-	2,732	-
U.S. Government agency securities	1,371	-	1,371	-
Other	183	157	26	-
Derivatives:				
Commodities	15,966	15,958	8	-
Interest rate swaps	1,410	-	1,410	-
Foreign currencies	120	-	120	-
Total Assets	\$382,442	\$211,010	\$171,432	\$ -
Liabilities:				
Derivatives:				
Commodities(1)	\$ 9,170	\$ 9,170	\$ -	\$ -
Interest rate swaps	1,161	-	1,161	-
Foreign currencies	11,652	-	11,652	-
Total Liabilities	\$ 21,983	\$ 9,170	\$ 12,813	\$ -

(1) Excludes \$5,163 of option proceeds resulting in a net liability of \$4,007 as of December 31, 2010.

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 July 2, 2011 and December 31, 2010 are presented below.

(Thousands of dollars)	2011		2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments, available-for-sale	\$292,090	\$294,563	\$307,015	\$308,380
Short-term investments, trading debt securities	24,289	25,654	22,254	23,825
Long-term debt	108,960	112,368	93,104	96,438

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. From time to time, Seaboard may enter into speculative derivative transactions not directly related to its raw material requirements. The nature of Seaboard's market risk exposure has not changed materially since December 31, 2010.

Commodity Instruments

Seaboard uses various grain, meal, hog, 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 July 2, 2011, Seaboard had open net derivative contracts to purchase 35,760,000 pounds of soybean oil, 5,440,000 pounds of hogs and 81,000 tons of soybean meal and open net derivative contracts to sell 5,166,000 gallons of heating oil and 4,212,000 bushels of grain. At December 31, 2010, Seaboard had open net derivative contracts to purchase 5,880,000 bushels of grain, 2,900 tons of soybean meal and 43,240,000 pounds of hogs and open net derivative contracts to sell 1,806,000 gallons of heating oil. 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 July 2, 2011, 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 \$192,570,000 primarily related to the South African Rand.

At December 31, 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 \$183,042,000 primarily related to the South African Rand.

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

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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 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.

Counterparty Credit Risk

Seaboard is subject to counterparty credit risk related to its foreign currency exchange agreements and interest rate swaps, should the counterparties fail to perform according to the terms of the contracts. Seaboard's foreign currency exchange agreements have a maximum amount of loss due to credit risk in the amount of \$240,000 with three counterparties. Seaboard's interest rate swaps have a maximum amount of loss due to credit risk in the amount of \$1,084,000 with one counterparty. Seaboard does not hold any collateral related to these agreements.

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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 six months ended July 2, 2011 and July 3, 2010.

(Thousands of dollars)

		Three Months Ended		Six Months Ended	
		July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
		Amount of	Amount of	Amount of	Amount of
		Gain or	Gain or	Gain or	Gain or
		(Loss)	(Loss)	(Loss)	(Loss)
Location of	Gain or (Loss)	Recognized	Recognized	Recognized	Recognized
Recognized		in Income	in Income	in Income	in Income
in Income					
Commodities	Cost of sales	\$6,669	\$ 7,059	\$20,655	\$23,127
Foreign currencies	Cost of sales	1,956	13,370	10,743	9,076
Foreign currencies	Foreign currency	(101)	(1,146)	(237)	(1,171)
Interest rate	Miscellaneous, net	(3,121)	(3,124)	(2,602)	(3,124)

The following table provides the fair value of each type of derivative held as of July 2, 2011 and December 31, 2010 and where each derivative is included on the Condensed Consolidated Balance Sheets.

(Thousands of dollars)

		Asset Derivatives		Liability Derivatives	
		Fair Value		Fair Value	
		July 2, 2011	December 31, 2010	July 2, 2011	December 31, 2010
Balance Sheet Location				Balance Sheet Location	

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Commodities	Other current assets	\$8,068	\$15,966	Other current liabilities	\$27,425 (
Foreign currencies	Other current assets	240	120	Other current liabilities	2,679
Interest rate	Other current assets	1,084	1,410	Other current liabilities	1,973