

SEABOARD CORP /DE/
Form 10-Q
October 31, 2014

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 September 27, 2014

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
(State or other jurisdiction of
incorporation or organization)

04-2260388
(I.R.S. Employer Identification No.)

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

66202
(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 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 1,170,550 shares of common stock, \$1.00 par value per share, outstanding on October 17, 2014.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements****SEABOARD CORPORATION AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income***(Thousands of dollars except share and per share amounts)**(Unaudited)*

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales: | | | | |
| Products (includes sales to affiliates of \$205,644, \$183,968, \$580,661 and \$531,051) | \$ 1,350,329 | \$ 1,352,158 | \$ 3,981,200 | \$ 3,986,573 |
| Service revenues | 218,988 | 221,619 | 655,148 | 705,579 |
| Other | 53,324 | 74,328 | 160,520 | 222,288 |
| Total net sales | 1,622,641 | 1,648,105 | 4,796,868 | 4,914,440 |
| Cost of sales and operating expenses: | | | | |
| Products | 1,228,624 | 1,276,966 | 3,583,456 | 3,742,792 |
| Services | 198,276 | 211,914 | 595,265 | 653,006 |
| Other | 34,798 | 58,272 | 134,189 | 175,373 |
| Total cost of sales and operating expenses | 1,461,698 | 1,547,152 | 4,312,910 | 4,571,171 |
| Gross income | 160,943 | 100,953 | 483,958 | 343,269 |
| Selling, general and administrative expenses | 64,857 | 67,183 | 188,330 | 192,492 |
| Operating income | 96,086 | 33,770 | 295,628 | 150,777 |
| Other income (expense): | | | | |
| Interest expense | (8,408) | (2,568) | (17,084) | (7,330) |
| Interest income | 2,344 | 2,171 | 11,148 | 10,529 |
| Interest income from affiliates | 6,775 | 5,476 | 20,011 | 17,001 |
| Income (loss) from affiliates | 9,492 | (4,989) | 23,939 | (12,386) |
| Other investment income (loss), net | (2,990) | 3,020 | 370 | 3,274 |
| Foreign currency losses, net | (530) | (180) | (9,217) | (1,460) |
| Gain on sale of controlling interest in subsidiary | 64,392 | - | 64,392 | - |
| Miscellaneous, net | 655 | 59 | (1,598) | 4,751 |
| Total other income, net | 71,730 | 2,989 | 91,961 | 14,379 |
| Earnings before income taxes | 167,816 | 36,759 | 387,589 | 165,156 |
| Income tax expense | (63,536) | (5,394) | (140,421) | (36,008) |
| Net earnings | \$ 104,280 | \$ 31,365 | \$ 247,168 | \$ 129,148 |
| Less: Net loss (income) attributable to noncontrolling interests | 469 | (396) | (576) | (1,178) |
| Net earnings attributable to Seaboard | \$ 104,749 | \$ 30,969 | \$ 246,592 | \$ 127,970 |

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| | | | | |
|---|------------|-------------|-------------|-------------|
| Earnings per common share | \$ 89.49 | \$ 25.99 | \$ 208.76 | \$ 107.09 |
| Other comprehensive income (loss), net of income tax benefit of \$1,506, \$4,012, \$11,894 and \$9,552: | | | | |
| Foreign currency translation adjustment | (3,120) | (14,067) | (32,685) | (26,888) |
| Unrealized gain (loss) on investments | (105) | 227 | 919 | (1,481) |
| Unrealized gain on cash flow hedges | 149 | - | 235 | - |
| Unrecognized pension cost | 320 | 1,192 | 960 | 4,929 |
| Other comprehensive loss, net of tax | \$ (2,756) | \$ (12,648) | \$ (30,571) | \$ (23,440) |
| Comprehensive income | 101,524 | 18,717 | 216,597 | 105,708 |
| Less: Comprehensive loss (income) attributable to noncontrolling interests | 476 | (398) | (568) | (1,217) |
| Comprehensive income attributable to Seaboard | \$ 102,000 | \$ 18,319 | \$ 216,029 | \$ 104,491 |
| Average number of shares outstanding | 1,170,550 | 1,191,744 | 1,181,217 | 1,195,006 |

See accompanying notes to condensed consolidated financial statements.

SEABOARD CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Thousands of dollars)

(Unaudited)

| | September 27, 2014 | December 31, 2013 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 56,033 | \$ 55,055 |
| Short-term investments | 362,965 | 290,649 |
| Receivables, net of allowance | 535,013 | 651,404 |
| Inventories | 733,640 | 698,998 |
| Deferred income taxes | 27,642 | 23,449 |
| Other current assets | 128,651 | 134,394 |
| Total current assets | 1,843,944 | 1,853,949 |
| Net property, plant and equipment | 846,178 | 863,573 |
| Investments in and advances to affiliates | 522,071 | 406,900 |
| Notes receivable from affiliates | 194,244 | 180,386 |
| Goodwill | 14,846 | 43,218 |
| Other intangible assets, net | 4,060 | 18,997 |
| Other assets | 44,726 | 51,025 |
| Total assets | \$ 3,470,069 | \$ 3,418,048 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Notes payable to banks | \$ 28,834 | \$ 67,699 |
| Current maturities of long-term debt | - | 11,697 |
| Accounts payable | 165,882 | 200,242 |
| Deferred revenue | 72,471 | 46,192 |
| Other current liabilities | 301,035 | 289,497 |
| Total current liabilities | 568,222 | 615,327 |
| Long-term debt, less current maturities | - | 80,480 |
| Deferred income taxes | 81,276 | 73,336 |
| Other liabilities and deferred credits | 177,992 | 168,935 |
| Total non-current liabilities | 259,268 | 322,751 |
| Commitments and contingent liabilities | | |
| Stockholders equity: | | |
| Common stock of \$1 par value, Authorized 1,250,000 shares; issued and outstanding 1,170,550 and 1,188,955 shares | 1,171 | 1,189 |
| Accumulated other comprehensive loss | (212,368) | (181,797) |
| Retained earnings | 2,848,686 | 2,655,857 |
| Total Seaboard stockholders equity | 2,637,489 | 2,475,249 |
| Noncontrolling interests | 5,090 | 4,721 |
| Total equity | 2,642,579 | 2,479,970 |
| Total liabilities and stockholders equity | \$ 3,470,069 | \$ 3,418,048 |

See accompanying notes to condensed consolidated financial statements.

SEABOARD CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

*(Thousands of dollars)**(Unaudited)*

| | Nine Months Ended | |
|---|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 |
| Cash flows from operating activities: | | |
| Net earnings | \$ 247,168 | \$ 129,148 |
| Adjustments to reconcile net earnings to cash from operating activities: | | |
| Depreciation and amortization | 69,322 | 70,182 |
| Gain from sale of fixed assets | (1,631) | (2,856) |
| Gain from sale of power generating facility assets | (4,953) | - |
| Deferred income taxes | 14,690 | 15,702 |
| Pay-in-kind interest and accretion on notes receivable from affiliates | (11,511) | (9,828) |
| Loss (income) from affiliates | (23,939) | 12,386 |
| Dividends received from affiliates | 1,823 | 11,129 |
| Other investment income, net | (370) | (3,274) |
| Gain on sale of controlling interest in a subsidiary | (64,392) | - |
| Other, net | (735) | 806 |
| Changes in assets and liabilities: | | |
| Receivables, net of allowance | 89,718 | (70,669) |
| Inventories | (74,971) | (40,739) |
| Other current assets | 3,781 | (12,579) |
| Current liabilities, exclusive of debt | 22,016 | (95,233) |
| Other, net | 17,250 | 857 |
| Net cash from operating activities | 283,266 | 5,032 |
| Cash flows from investing activities: | | |
| Purchase of short-term investments | (922,902) | (480,085) |
| Proceeds from the sale of short-term investments | 842,294 | 540,456 |
| Proceeds from the maturity of short-term investments | 5,794 | 4,270 |
| Principal payments received on notes receivable | 1,684 | 14,425 |
| Capital expenditures | (94,665) | (110,943) |
| Proceeds from the sale of fixed assets | 2,639 | 10,552 |
| Proceeds from the sale of power generating facility assets | 7,715 | - |
| Investments in and advances to affiliates, net | (22,083) | (37,751) |
| Long-term notes receivable issued to affiliates | - | (17,224) |
| Principal payments received on long-term notes receivable from affiliates | - | 81,272 |
| Purchase of long-term investments | (2,333) | (4,032) |
| Proceeds from the sale of controlling interest in a subsidiary | 72,500 | - |
| Other, net | 1,073 | (316) |
| Net cash from investing activities | (108,284) | 624 |
| Cash flows from financing activities: | | |
| Notes payable to banks, net | (31,815) | 27,020 |
| Principal payments of long-term debt | (91,403) | (29,909) |
| Repurchase of common stock | (53,781) | (17,349) |
| Other, net | (48) | (1,096) |
| Net cash from financing activities | (177,047) | (21,334) |
| Effect of exchange rate change on cash | 3,043 | (220) |
| Net change in cash and cash equivalents | 978 | (15,898) |
| Cash and cash equivalents at beginning of year | 55,055 | 47,651 |

| | | | | |
|---|----|--------|----|--------|
| Cash and cash equivalents at end of period | \$ | 56,033 | \$ | 31,753 |
|---|----|--------|----|--------|

See accompanying notes to condensed consolidated financial statements.

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, 2013 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 (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, income taxes and accrued pension liability. Actual results could differ from those estimates.

Supplemental Non-Cash Transactions

As more fully described in Note 9, as of September 27, 2014 Seaboard s Pork segment sold to Triumph Foods LLC (Triumph) a 50% interest in its processed meats division, Daily s Premium Meats (Daily s). As a result, Seaboard deconsolidated Daily s from its Condensed Consolidated Balance Sheet as of September 27, 2014. The following table summarizes the non-cash transactions resulting from this deconsolidation:

| <i>(Thousands of dollars)</i> | September 27, 2014 |
|--|--------------------|
| Decrease in net working capital | \$ 19,349 |
| Increase in investment in and advances to affiliates | (72,500) |
| Decrease in fixed assets | 16,038 |

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| | | |
|--|----|--------|
| Decrease in goodwill | | 28,372 |
| Decrease in other intangible assets, net (not subject to amortization) | | 17,000 |
| Decrease in noncontrolling interest | | (151) |
| Gain on sale of controlling interest in subsidiary | | 64,392 |
| Net proceeds from sale of controlling interest in subsidiary | \$ | 72,500 |

Seaboard has notes receivable from affiliates which accrue pay-in-kind interest income, primarily from one affiliate as discussed in Note 9. Seaboard recognized \$3,976,000 and \$11,511,000, respectively, of non-cash, pay-in-kind interest income and accretion of discount for the three and nine months ended September 27, 2014 and \$3,397,000 and \$9,828,000, respectively, for the three and nine months ended September 28, 2013, respectively, related to these notes receivable.

Recently Issued Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued guidance to develop a single, comprehensive revenue recognition model for all contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Seaboard is currently evaluating the impact this new guidance will have on its consolidated financial statements

and related disclosures. Seaboard will be required to adopt this guidance on January 1, 2017 and it is currently anticipated that Seaboard will apply this guidance using the cumulative effect transition method.

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 loss. Trading securities are recorded at their estimated fair value with unrealized gains and losses reflected in other investment income (loss), net. At September 27, 2014 and December 31, 2013, amortized cost and estimated fair value were not materially different for these investments. At September 27, 2014, money market funds included \$4,875,000 denominated in Canadian dollars.

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 September 27, 2014 and December 31, 2013.

| (Thousands of dollars) | 2014 | | 2013 | |
|---|----------------|------------|----------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Money market funds | \$ 62,965 | \$ 62,965 | \$ 88,430 | \$ 88,430 |
| Corporate bonds | 10,389 | 10,439 | 69,591 | 70,258 |
| U.S. Government agency securities | 10,376 | 10,355 | 27,299 | 27,147 |
| Asset backed debt securities | 2,224 | 2,244 | 8,446 | 8,477 |
| Collateralized mortgage obligations | 1,192 | 1,214 | 7,597 | 7,600 |
| U.S. Treasury securities | 521 | 521 | 5,258 | 5,223 |
| Emerging markets debt mutual fund | - | - | 17,693 | 16,941 |
| Total available-for-sale short-term investments | 87,667 | 87,738 | 224,314 | 224,076 |
| High yield trading debt securities | 191,459 | 188,645 | 49,352 | 50,428 |
| Equity mutual fund | 65,088 | 65,050 | - | - |
| Domestic equity ETF | 14,877 | 15,203 | - | - |
| Emerging markets trading debt mutual fund | 3,309 | 2,849 | 3,202 | 2,858 |
| Emerging markets trading debt securities | 1,678 | 1,660 | 1,300 | 1,336 |
| Money market funds held in trading accounts | 390 | 390 | 11,033 | 11,033 |
| Other trading investments | 1,435 | 1,430 | 841 | 918 |
| Total available-for-sale and trading short-term investments | \$ 365,903 | \$ 362,965 | \$ 290,042 | \$ 290,649 |

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 September 27, 2014.

2014

(Thousands of dollars)

| | | |
|--|----|--------|
| Due within one year | \$ | 815 |
| Due after one year through three years | | 8,374 |
| Due after three years | | 11,229 |
| Total fixed rate securities | \$ | 20,418 |

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 September 27, 2014 and December 31, 2013:

| <i>(Thousands of dollars)</i> | September 27, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| At lower of LIFO cost or market: | | |
| Live hogs and materials | \$ 202,802 | \$ 207,310 |
| Fresh pork and materials | 34,199 | 33,485 |
| | 237,001 | 240,795 |
| LIFO adjustment | (42,880) | (62,236) |
| Total inventories at lower of LIFO cost or market | 194,121 | 178,559 |
| At lower of FIFO cost or market: | | |
| Grains, oilseeds and other commodities | 354,653 | 299,229 |
| Sugar produced and in process | 45,570 | 53,325 |
| Other | 54,003 | 74,289 |
| Total inventories at lower of FIFO cost or market | 454,226 | 426,843 |
| Grain, flour and feed at lower of weighted average cost or market | 85,293 | 93,596 |
| Total inventories | \$ 733,640 | \$ 698,998 |

Note 4 Income Taxes

Seaboard's tax returns are regularly audited by federal, state and foreign tax authorities, which may result in material adjustments. Seaboard's U.S. federal income tax years are closed through 2009. The Internal Revenue Service (IRS) examination of Seaboard's 2010 U.S. income tax return has been finalized. There have not been any material changes in unrecognized income tax benefits since December 31, 2013. Interest related to unrecognized tax benefits and penalties was not material for the nine months ended September 27, 2014.

On January 2, 2013, the American Taxpayer Relief Act of 2012 (the Tax Act) was signed into law. The Tax Act extended many expired corporate income tax provisions that impact current and deferred taxes for financial reporting purposes. In accordance with U.S. GAAP, the determination of current and deferred taxes is based on the provisions of the enacted law as of the balance sheet date; the effects of future changes in tax law are not anticipated. The effects of changes in tax laws, including retroactive changes, are recognized in the financial statements in the period that the changes are enacted. Accordingly, as the Tax Act was signed into law in 2013, the effects of the retroactive provisions in the new law on current and deferred tax assets and liabilities for Seaboard were recorded in the first quarter of 2013. The total impact was a one-time tax benefit of \$7,945,000 recorded in the first quarter of 2013 related to certain 2012 income tax credits. In addition to this amount is a one-time credit of approximately \$11,260,000 for 2012 Federal blender's credits that was recognized as revenues in the first quarter of 2013. See Note 9 for further discussion of this Federal blender's credit.

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

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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 September 27, 2014 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 2014. The trading securities classified as other current assets below are assets held for Seaboard's deferred compensation plans.

| <i>(Thousands of dollars)</i> | Balance September 27, 2014 | Level 1 | Level 2 | Level 3 |
|---|----------------------------------|-------------------|-------------------|-------------|
| Assets: | | | | |
| Available-for-sale securities - short-term investments: | | | | |
| Money market funds | \$ 62,965 | \$ 62,965 | \$ - | \$ - |
| Corporate bonds | 10,439 | - | 10,439 | - |
| U.S. Government agency securities | 10,355 | - | 10,355 | - |
| Asset backed debt securities | 2,244 | - | 2,244 | - |
| Collateralized mortgage obligations | 1,214 | - | 1,214 | - |
| U.S. Treasury securities | 521 | - | 521 | - |
| Trading securities - short-term investments: | | | | |
| High yield debt securities | 188,645 | - | 188,645 | - |
| Equity mutual fund | 65,050 | 65,050 | - | - |
| Domestic equity ETF | 15,203 | 15,203 | - | - |
| Emerging markets trading debt mutual fund | 2,849 | 2,849 | - | - |
| Emerging markets trading debt securities | 1,660 | - | 1,660 | - |
| Money market funds held in trading accounts | 390 | 390 | - | - |
| Other trading investments | 1,430 | - | 1,430 | - |
| Trading securities - other current assets: | | | | |
| Domestic equity securities | 29,632 | 29,632 | - | - |
| Foreign equity securities | 8,018 | 8,018 | - | - |
| Fixed income mutual funds | 4,362 | 4,362 | - | - |
| Money market funds | 2,727 | 2,727 | - | - |
| Other | 1,357 | 616 | 741 | - |
| Derivatives: | | | | |
| Commodities(1) | 20,394 | 20,394 | - | - |
| Interest rate swaps | - | - | - | - |
| Foreign currencies | 4,674 | - | 4,674 | - |
| Total Assets | \$ 434,129 | \$ 212,206 | \$ 221,923 | \$ - |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Commodities(1) | \$ 16,083 | \$ 15,974 | \$ 109 | \$ - |
| Interest rate swaps | 5,766 | - | 5,766 | - |
| Foreign currencies | 218 | - | 218 | - |
| Total Liabilities | \$ 22,067 | \$ 15,974 | \$ 6,093 | \$ - |

(1) Seaboard's commodities derivative assets and liabilities are presented in the Condensed Consolidated Balance Sheets on a net basis, including netting the derivatives with the related margin accounts. As of September 27, 2014, the commodity derivatives had a margin account balance of \$13,006,000 resulting in a net other current asset on the Condensed Consolidated Balance Sheets of \$17,426,000 and an other current liability of \$109,000.

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The following table shows assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and also the level within the fair value hierarchy used to measure each category of assets.

| <i>(Thousands of dollars)</i> | Balance December 31, 2013 | Level 1 | Level 2 | Level 3 |
|---|---------------------------------|-------------------|-------------------|-------------|
| Assets: | | | | |
| Available-for-sale securities - short-term investments: | | | | |
| Money market funds | \$ 88,430 | \$ 88,430 | \$ - | \$ - |
| Corporate bonds | 70,258 | - | 70,258 | - |
| U.S. Government agency securities | 27,147 | - | 27,147 | - |
| Emerging markets debt mutual fund | 16,941 | 16,941 | - | - |
| Asset backed debt securities | 8,477 | - | 8,477 | - |
| Collateralized mortgage obligations | 7,600 | - | 7,600 | - |
| U.S. Treasury securities | 5,223 | - | 5,223 | - |
| Trading securities - short term investments: | | | | |
| High yield debt securities | 50,428 | - | 50,428 | - |
| Money market funds held in trading accounts | 11,033 | 11,033 | - | - |
| Emerging markets trading debt mutual fund | 2,858 | 2,858 | - | - |
| Emerging markets trading debt securities | 1,336 | - | 1,336 | - |
| Other trading investments | 918 | - | 918 | - |
| Trading securities - other current assets: | | | | |
| Domestic equity securities | 26,672 | 26,672 | - | - |
| Foreign equity securities | 9,570 | 7,317 | 2,253 | - |
| Fixed income mutual funds | 3,974 | 3,974 | - | - |
| Money market funds | 1,931 | 1,931 | - | - |
| Other | 3,203 | 1,628 | 1,575 | - |
| Derivatives: | | | | |
| Commodities(1) | 2,331 | 2,331 | - | - |
| Foreign currencies | 2,763 | - | 2,763 | - |
| Total Assets | \$ 341,093 | \$ 163,115 | \$ 177,978 | \$ - |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Commodities(1) | \$ 16,014 | \$ 15,422 | \$ 592 | \$ - |
| Interest rate swaps | 4,103 | - | 4,103 | - |
| Foreign currencies | 101 | - | 101 | - |
| Total Liabilities | \$ 20,218 | \$ 15,422 | \$ 4,796 | \$ - |

(1) Seaboard's commodities derivative assets and liabilities are presented in the Condensed Consolidated Balance Sheets on a net basis, including netting the derivatives with the related margin accounts. As of December 31, 2013, the commodity derivatives had a margin account balance of \$29,822,000 resulting in a net other current asset on the Condensed Consolidated Balance Sheets of \$16,731,000 and an other current liability of \$592,000.

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. If Seaboard's debt was measured at fair value on its Condensed Consolidated Balance Sheets, it would have been classified as level 2 in the fair value hierarchy. The amortized cost and estimated fair values of investments and long-term debt at September 27, 2014 and December 31, 2013 are presented below.

| |
|--|
| |
|--|

| <i>(Thousands of dollars)</i> | 2014 | | 2013 | |
|--|----------------|------------|----------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Short-term investments, available-for-sale | \$ 87,667 | \$ 87,738 | \$ 224,314 | \$ 224,076 |
| Short-term investments, trading securities | 278,236 | 275,227 | 65,728 | 66,573 |
| Long-term debt | - | - | 92,177 | 94,578 |

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. Seaboard also enters 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, 2013.

Commodity Instruments

Seaboard uses various derivative futures and options to manage its risk to price fluctuations for raw materials and other inventories, finished product sales and firm sales commitments. At September 27, 2014, Seaboard had open net derivative contracts to purchase 37,980,000 pounds of soybean oil, 466,000 pounds of sugar and 44,000 pounds of dry whey powder and open net derivative contracts to sell 23,200,000 pounds of hogs, 9,427,000 bushels of grain, 5,838,000 gallons of heating oil and 48,000 tons of soybean meal. At December 31, 2013, Seaboard had open net derivative contracts to purchase 51,184,000 pounds of sugar, 32,440,000 pounds of hogs, 6,540,000 bushels of grain, 440,000 pounds of cheese and 308,000 pounds of dry whey powder and open net derivative contracts to sell 12,125,000 pounds of palm oil and 76,000 tons of soybean meal. 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 Comprehensive Income.

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 currency exchange agreements that were primarily related to an 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 Comprehensive Income. 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 losses, net on the Condensed Consolidated Statements of Comprehensive Income.

At September 27, 2014 and December 31, 2013, Seaboard had trading foreign currency exchange agreements to cover its firm sales and purchase commitments and related trade receivables and payables with net notional amounts of \$88,295,000 and \$127,389,000, respectively, primarily related to the South African Rand.

Interest Rate Exchange Agreements

During 2014, Seaboard put into place four, approximately eight-year interest rate exchange agreements with mandatory early termination dates in the second half of 2014 and early 2015 for one of the agreements. Two of these agreements have since been terminated that had mandatory early termination dates in the second half of 2014. Payments made by Seaboard to unwind these agreements were not material. Also in the second half of 2014, Seaboard entered into two new interest rate exchange agreements to replace the two that were terminated as noted above, each with a mandatory early termination date in early 2015 and similar terms as the interest rate exchange agreements terminated. These four exchange agreements, still outstanding as of September 27, 2014, involve the exchange of fixed-rate and variable-rate interest payments without the exchange of the underlying notional amounts to mitigate the potential effects of fluctuations in interest rates on the anticipated dry bulk vessel leases in the last half of 2014 and early 2015. Seaboard pays a fixed rate and receives a variable rate of interest on these four notional amounts of \$22,000,000 each. In 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 these three notional amounts of \$25,000,000 each. All seven of 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 Statements of Comprehensive Income. At September 27, 2014 and December 31, 2013, Seaboard had seven and three interest rate exchange agreements outstanding, respectively, with a total notional value of \$163,000,000 and \$75,000,000, respectively.

Counterparty Credit Risk

From time to time 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. As of September 27, 2014, Seaboard's foreign currency exchange agreements have a maximum amount of loss due to credit risk in the amount of \$4,674,000 with six counterparties and no such exposures related to the interest rate swaps. Seaboard does not hold any collateral related to these agreements.

The following table provides the amount of gain or (loss) recognized in income for each type of derivative and where it was recognized in the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 27, 2014 and September 28, 2013.

(Thousands of dollars)

| | | Three Months Ended | | Nine Months Ended | |
|--------------------|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Commodities | Cost of sales | \$ (296) | \$ (8,790) | \$ 3,082 | \$ (7,731) |
| Foreign currencies | Cost of sales | 1,957 | 1,528 | 4,770 | 15,027 |
| Foreign currencies | Foreign currency | 3,145 | (926) | 2,725 | 4,961 |
| Interest rate | Miscellaneous, net | 91 | (570) | (3,804) | 2,864 |

The following table provides the fair value of each type of derivative held as of September 27, 2014 and December 31, 2013 and where each derivative is included on the Condensed Consolidated Balance Sheets.

(Thousands of dollars)

| | | Asset Derivatives | | Liability Derivatives | |
|--------------------|----------------------|-----------------------|----------------------|---------------------------|----------------------|
| | | September 27, 2014 | December 31, 2013 | September 27, 2014 | December 31, 2013 |
| Commodities(1) | Other current assets | \$ 20,394 | \$ 2,331 | Other current liabilities | \$ 16,083 |
| Foreign currencies | Other current assets | 4,674 | 2,763 | Other current liabilities | 218 |
| Interest rate | Other current assets | - | - | Other current liabilities | 4,103 |

(1) Seaboard's commodities derivative assets and liabilities are presented in the Condensed Consolidated Balance Sheets on a net basis, including netting the derivatives with the related margin accounts. As of September 27, 2014 and December 31, 2013, the commodity derivatives had a margin account balance of \$13,006,000 and \$29,822,000, respectively, resulting in a net other current asset on the Condensed Consolidated Balance Sheets of \$17,426,000 and \$16,731,000, respectively and other current liabilities of \$109,000 and \$592,000, respectively.

Note 6 Employee Benefits

Seaboard maintains two defined benefit pension plans for its domestic salaried and clerical employees. At this time, no contributions are expected to be made to these plans for the remainder of 2014. Seaboard also sponsors non-qualified, unfunded supplemental executive plans, and has certain individual, non-qualified, unfunded supplemental retirement agreements for certain retired employees. Management has no plans to provide funding for these supplemental plans in advance of when the benefits are paid.

The net periodic benefit cost for all of these plans was as follows:

| <i>(Thousands of dollars)</i> | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$ 1,924 | \$ 2,342 | \$ 5,784 | \$ 7,026 |
| Interest cost | 2,404 | 2,028 | 7,225 | 6,131 |
| Expected return on plan assets | (2,173) | (1,615) | (6,537) | (4,841) |
| Amortization and other | 524 | 1,565 | 1,575 | 4,744 |
| Agreement termination gain | - | - | - | (3,204) |
| Net periodic benefit cost | \$ 2,679 | \$ 4,320 | \$ 8,047 | \$ 9,856 |

In late April 2013, Mr. Joseph E. Rodrigues, Seaboard's board member and retired former Executive Vice President and Treasurer of Seaboard Corporation, passed away. During retirement, Mr. Rodrigues received retirement payments under an individual, non-qualified, unfunded supplemental retirement agreement. Upon his death, this agreement terminated which eliminated the remaining accrued pension liability. This resulted in a one-time agreement termination gain of \$3,204,000, or \$1,954,000 net of tax, which was recognized in net earnings in addition to a gain of \$2,148,000, or \$1,310,000 net of tax, from the elimination of unrecognized pension cost in other comprehensive income during the second quarter of 2013.

Note 7 Notes Payable, Long-Term Debt, Commitments and Contingencies

On October 24, 2014, Seaboard entered into a Credit Agreement for a committed line of credit totaling \$50,000,000 related to a foreign subsidiary for the Commodity Trading and Milling segment. This credit facility matures October 23, 2015 and does not change existing debt covenants.

In July 2014, Seaboard provided notice of optional prepayment to its lenders related to a credit agreement with an original maturity date of 2021. As a result, \$74,100,000 was reclassified from long-term debt to current maturities of long-term debt as of June 28, 2014. The total principal payment of \$85,500,000 was made on August 29, 2014. At that time, Seaboard paid a \$3,760,000 fee for early payment which was charged to interest expense in the third quarter of 2014.

Contingencies

On September 19, 2012, the United States Immigration and Customs Enforcement (ICE) executed three search warrants authorizing the seizure of certain records from Seaboard's offices in Merriam, Kansas and at the Seaboard Foods employment office and the human resources department in Guymon, Oklahoma. The warrants generally called for the seizure of employment-related files, certain e-mails and other electronic records relating to Medicaid and Medicaid recipients, certain health care providers in the Guymon area, and Seaboard's health plan and certain personnel issues. The United States Attorney's Office for the Western District of Oklahoma (USAO), which has been leading the investigation, previously advised Seaboard that it intended to close its investigation and that no charges would be brought against Seaboard. However, discussions with the USAO continue regarding the status of the investigation and the possibility of proceedings by the USAO, ICE and/or the Oklahoma

Attorney General's office remains. No proceedings have been filed or brought as of this time. It is not possible at this time to determine whether any agencies will continue to pursue an investigation or whether Seaboard will incur any material fines, penalties or liabilities in connection with this matter.

Seaboard is subject to various administrative and judicial proceedings and other legal matters related to the normal conduct of its business. In the opinion of management, the ultimate resolutions of these items are not expected to have a material adverse effect on the Condensed Consolidated Financial Statements of Seaboard.

Contingent Obligations

Certain of the non-consolidated affiliates and third party contractors who perform services for Seaboard have bank debt supporting their underlying operations. From time to time, Seaboard will provide guarantees of that debt in order to further Seaboard's business objectives. Seaboard does not issue guarantees of third parties for compensation. As of September 27, 2014, guarantees outstanding to third parties were not material. Seaboard has not accrued a liability for any of the third party or affiliate guarantees as management considers the likelihood of loss to be remote.

As of September 27, 2014, Seaboard's borrowing capacity under its uncommitted lines was reduced by letters of credit totaling \$1,386,000. The notes payable to banks under the committed and uncommitted credit lines are unsecured. These lines of credit do not require compensating balances.

Note 8 Stockholders Equity and Accumulated Other Comprehensive Loss

Seaboard has a share repurchase program in place which was initially approved by its Board of Directors in November 2009, and is in effect through October 31, 2015. In May 2014, the Board of Directors increased the dollar amount of Seaboard common stock authorized to be repurchased under the share repurchase program by \$20,000,000, and Seaboard commenced a tender offer to repurchase shares. On June 19, 2014, Seaboard completed the tender offer, pursuant to which it repurchased 16,738 shares of common stock at a price per share of \$2,950, for a total cost of \$49,377,000. As of September 27, 2014, \$50,846,000 remained available for repurchases under the share repurchase program. For the nine months ended September 27, 2014, Seaboard repurchased 18,405 shares of common stock at a total cost of \$53,781,000. Under this share repurchase program, Seaboard is authorized to repurchase its common stock from time to time in open market or privately negotiated purchases, which may be above or below the traded market price. During the period that the share repurchase program remains in effect, from time to time Seaboard may enter into a 10b5-1 plan authorizing a third party to make such purchases on behalf of Seaboard. The stock repurchases are being funded by cash on hand, and shares repurchased are being retired and resume the status of authorized and unissued shares. All stock repurchases are being made in compliance with applicable legal requirements and the timing of the repurchases and the number of shares repurchased at any given time depend upon market conditions, compliance with Securities and Exchange Commission regulations and other factors. The Board of Directors stock repurchase authorization does not obligate Seaboard to acquire a specific amount of common stock and the stock repurchase program may be suspended at any time at Seaboard's discretion.

In December 2012, Seaboard declared and paid a dividend of \$12.00 per share on the common stock. The increased amount of the dividend (which has historically been \$0.75 per share on a quarterly basis or \$3.00 per share on an annual basis) represented a prepayment of the annual 2013, 2014, 2015 and 2016 dividends (\$3.00 per share per year). Seaboard did not declare or pay a dividend in 2013. Seaboard does not currently intend to declare any further dividends for the years 2014-2016.

The changes in the components of other comprehensive loss (OCL), net of related taxes, are as follows:

| <i>(Thousands of dollars)</i> | Three Months Ended | | | | Nine Months Ended | | | |
|---|-----------------------|-----|-----------------------|-----|-----------------------|-----|-----------------------|-----|
| | September 27, 2014 | | September 28, 2013 | | September 27, 2014 | | September 28, 2013 | |
| Foreign currency translation adjustment | \$ (3,120) | | \$ (14,067) | | \$ (32,685) | | \$ (26,888) | |
| Investments: | | | | | | | | |
| Unrealized gain (loss) | 274 | | 376 | | 842 | | (933) | |
| Amounts reclassified from OCL to net earnings | (379) | (1) | (149) | (1) | 77 | (1) | (548) | (1) |
| Unrealized gain (loss) on investments | (105) | | 227 | | 919 | | (1,481) | |
| Unrealized gain on cash flow hedges | 149 | | - | | 235 | | - | |
| Pension cost: | | | | | | | | |
| Unrealized gain | - | | - | | - | | 1,310 | |
| Amounts reclassified from OCL to net earnings | 320 | (2) | 1,192 | (2) | 960 | (2) | 3,619 | (2) |
| Unrecognized pension cost | 320 | | 1,192 | | 960 | | 4,929 | |

| | | | | |
|--------------------------------------|------------|-------------|-------------|-------------|
| Other Comprehensive Loss, Net of Tax | \$ (2,756) | \$ (12,648) | \$ (30,571) | \$ (23,440) |
|--------------------------------------|------------|-------------|-------------|-------------|

(1) This represents realized gains on the sale of available-for-sale securities and was recorded in other investment income (loss), net.

(2) This primarily represents the amortization of actuarial losses that were included in net periodic pension cost and was recorded in operating income. See Note 6 for further discussion.

As discussed in Note 6 to the Condensed Consolidated Financial Statements, Seaboard recognized a one-time retirement agreement termination gain of \$1,310,000 net of tax, in unrecognized pension cost in other comprehensive income during the second quarter of 2013.

The components of accumulated other comprehensive loss, net of related taxes, are as follows:

| <i>(Thousands of dollars)</i> | September 27, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| Cumulative Foreign Currency Translation Adjustment: | \$ (188,098) | \$ (155,413) |
| Unrealized Gain on Investments: | 1,400 | 481 |
| Unrealized Gain (Loss) on Cash Flow Hedges: | 122 | (113) |
| Unrecognized Pension Cost: | (25,792) | (26,752) |
| Total Accumulated Other Comprehensive Loss | \$ (212,368) | \$ (181,797) |

The foreign currency translation adjustment primarily represents the effect of the Argentine peso currency exchange fluctuation on the net assets of the Sugar segment. At September 27, 2014, the Sugar segment had \$122,145,000 in net assets denominated in Argentine pesos and \$2,556,000 in net assets denominated in U.S. dollars. Management anticipates that the Argentine peso may continue to weaken against the U.S. dollar and thus it is anticipated that Seaboard could incur additional foreign currency translation adjustment losses in other comprehensive loss during the remainder of 2014.

At September 27, 2014 and September 28, 2013, income taxes for cumulative foreign currency translation adjustments were recorded using a 35% effective tax rate except for \$50,801,000 and \$10,514,000, respectively, related to certain subsidiaries for which no tax benefit was recorded. At September 27, 2014 and September 28, 2013, income taxes for all other components of accumulated other comprehensive loss were recorded using a 39% effective rate except for unrecognized pension cost of \$8,415,000 and \$19,954,000, respectively, related to employees at certain subsidiaries for which no tax benefit has been recorded.

Note 9 - Segment Information

As of September 27, 2014, Seaboard's Pork segment sold to Triumph a 50% interest in Daily's for cash proceeds of \$72,500,000 plus a receivable of \$1,720,000 for preliminary working capital adjustments, resulting in a gain on sale of controlling interest in subsidiary of \$64,392,000 (\$39,279,000 net of taxes, or \$33.56 per share) in the third quarter of 2014. The final sale price is subject to agreement on the final working capital adjustments but any such remaining adjustment is not anticipated to be significant. Daily's produces and markets raw and pre-cooked bacon, ham and sausage and has two further processing plants located in Salt Lake City, Utah and Missoula, Montana. The Pork segment currently has a business relationship with Triumph under which Seaboard markets substantially all of the pork products produced at Triumph's plant in St. Joseph, Missouri. Through September 27, 2014, Seaboard consolidated the operating results of Daily's as part of its Pork segment operations. As a result of this transaction, Seaboard deconsolidated Daily's from its Condensed Consolidated Balance Sheet as of September 27, 2014 (see Note 1, Supplemental Non-Cash Transactions, for details of the impact on the Condensed Consolidated Balance Sheet from this deconsolidation). Seaboard's remaining 50% investment in Daily's will be accounted for in the Pork segment by using the equity method of accounting. Based on the cash consideration received for this transaction and preliminary third party valuations for fixed assets and certain intangible assets, it was determined the fair value of Seaboard's remaining 50% investment in Daily's exceeded book value by \$31,336,000, which is included in the gain on sale above, for a total fair value of \$72,500,000. In addition, both Seaboard and Triumph contributed \$2,000,000 each to Daily's as additional equity to provide Daily's with additional working capital resulting in a total investment in affiliate of \$74,500,000 related to Daily's for Seaboard as of September 27, 2014. Pro forma results of operations are not presented as the effects of deconsolidation are not material to Seaboard's results of operations, primarily as Seaboard supplies raw product to Daily's. Triumph also supplies raw product to Daily's. It is expected that both Seaboard and Triumph will continue to sell raw product to Daily's.

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The Tax Act signed into law in January 2013 as discussed in Note 4, renewed and extended the Federal blender's credits that Seaboard was entitled to receive for biodiesel it blends which had previously expired on December 31, 2011 and renewed retroactively to January 1, 2012 with an expiration of December 31, 2013. As a result, in the first quarter of 2013 the Pork segment recognized a one-time credit of approximately \$11,260,000 as revenues related to this Federal blender's tax incentive for gallons produced and sold in fiscal 2012. The Federal blender's credits have not been renewed for 2014.

The Commodity Trading and Milling segment has a 50% non-controlling interest in a bakery located in the Democratic Republic of Congo which began start-up operations in the fourth quarter of 2012. As part of its investment in this bakery, Seaboard has an interest bearing long-term note receivable from this bakery which has a decreasing balance with the first payment due in June 2015 and a final maturity date of December 2020. Repayment of this note is dependent upon this business improving existing operations to generate adequate future cash flows to make scheduled payments when due. In addition, the bakery has been incurring operating losses since it began operations as it continues to resolve equipment problems and attempt to gain market share. As of September 27, 2014, the recorded balance of this Note Receivable from Affiliates was \$34,556,000 and Seaboard's equity investment in this bakery was \$11,869,000. If the current operating results of this bakery do not improve in the future, there is a possibility that some of the recorded value of the Note Receivable from Affiliate could be deemed uncollectible or there could be a decline in value deemed other than temporary for the related equity investment, or both, during some future period which may result in a material charge to earnings. Including this investment, as of September 27, 2014 Seaboard had a total of \$71,593,000 of investments in, advances to and notes receivable from all of its affiliates in the Democratic Republic of Congo, which represents the single largest foreign country risk exposure for Seaboard's equity method investments. One of the other affiliates, to which Seaboard sells wheat, is the only supplier of flour to this bakery.

On September 24, 2014, Seaboard invested \$17,333,000 in a cargo terminal business in Jamaica for a 21% non-controlling interest. This investment will be accounted for in the Marine segment using the equity method reported on a three-month lag basis and thus Seaboard's first proportionate share of earnings will not be recognized until the first quarter of 2015.

The Power segment had been operating a floating power generating facility (72 megawatts) in the Dominican Republic under a short-term lease agreement. On April 1, 2014, Seaboard provided notice to cancel the lease. Seaboard ceased operations of the leased facility on September 3, 2014. Seaboard had previously sold this facility to the current owner in 2011. In conjunction with ceasing operations, Seaboard sold inventory related to these operations, the sale of which had been deferred until the end of the lease term. In addition, \$1,500,000 of the original sale price for this facility, which remained in escrow as security for the lease, was paid to Seaboard. Finalization of the transfer of the leased facility to the owner and related settlement of all items occurred on September 18, 2014. As a result, Seaboard recognized a \$4,953,000 gain from sale of assets in operating income related to these items in the third quarter of 2014.

The Turkey segment, accounted for using the equity method, represents Seaboard's investment in Butterball, LLC (Butterball). Butterball had total net sales for the three and nine months ended September 27, 2014 of \$486,971,000 and \$1,218,402,000, respectively, compared to total net sales for the three and nine months ended September 28, 2013 of \$444,787,000 and \$1,169,301,000, respectively. Butterball had operating income for the three and nine months ended September 27, 2014 of \$35,881,000 and \$85,311,000, respectively, compared to operating income (loss) for the three and nine months ended September 28, 2013 of \$1,282,000 and \$(3,238,000), respectively. In the first and third quarters of 2013, Butterball incurred additional charges for impairment of fixed assets related to the planned sale of its Longmont, Colorado facility of which Seaboard's proportionate share of these charges represented \$(1,155,000) and \$(3,859,000) recognized in loss from affiliates, for the three and nine months ended September 28, 2013, respectively. This facility was sold in the second quarter of 2014 for approximately the remaining net book value. As of September 27, 2014 and December 31, 2013, the Turkey segment had total assets of \$1,073,196,000 and \$907,004,000, respectively.

On December 31, 2012, Seaboard provided a loan of \$81,231,000 to Butterball, which was included in Notes Receivable from Affiliates. This loan was made to fund Butterball's purchase of assets from Gusto Packing Company, Inc., a pork and turkey further processor located in Montgomery, Illinois. In late March 2013, Butterball renegotiated its third party financing and on March 28, 2013 repaid in full this loan from Seaboard.

In conjunction with Seaboard's initial investment in Butterball in December 2010, Seaboard has a long-term note receivable from Butterball which had a balance of \$137,105,000 as of September 27, 2014. Part of the interest earned on this note is pay-in-kind

interest, which accumulates and is paid at maturity in December 2017.

The following tables set forth specific financial information about each segment as reviewed by Seaboard's management. Operating income for segment reporting is prepared on the same basis as that used for consolidated operating income. Operating income, along with income or losses from affiliates for the Commodity Trading and Milling segment, is used as the measure of evaluating segment performance because management does not consider interest, other investment income and income tax expense on a segment basis.

Sales to External Customers:

| <i>(Thousands of dollars)</i> | Three Months Ended | | Nine Months Ended | |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Pork | \$ 454,927 | \$ 435,981 | \$ 1,303,752 | \$ 1,262,083 |
| Commodity Trading and Milling | 858,497 | 857,994 | 2,562,001 | 2,553,510 |
| Marine | 205,260 | 219,466 | 616,684 | 676,347 |
| Sugar | 47,786 | 58,500 | 145,128 | 192,554 |
| Power | 51,622 | 73,607 | 158,503 | 221,386 |
| All Other | 4,549 | 2,557 | 10,800 | 8,560 |
| Segment/Consolidated Totals | \$ 1,622,641 | \$ 1,648,105 | \$ 4,796,868 | \$ 4,914,440 |

Operating Income (Loss):

| | | | | |
|-------------------------------|-----------|-----------|------------|------------|
| Pork | \$ 70,400 | \$ 34,099 | \$ 241,090 | \$ 89,997 |
| Commodity Trading and Milling | 13,309 | 8,808 | 43,502 | 29,746 |
| Marine | (4,564) | (15,033) | (15,013) | (22,413) |
| Sugar | 6,280 | 193 | 22,695 | 28,312 |
| Power | 15,044 | 13,429 | 19,489 | 41,405 |
| All Other | 531 | 216 | 860 | 354 |
| Segment Totals | 101,000 | 41,712 | 312,623 | 167,401 |
| Corporate Items | (4,914) | (7,942) | (16,995) | (16,624) |
| Consolidated Totals | \$ 96,086 | \$ 33,770 | \$ 295,628 | \$ 150,777 |

Income (Loss) from Affiliates:

| <i>(Thousands of dollars)</i> | Three Months Ended | | Nine Months Ended | |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Commodity Trading and Milling | \$ (4,729) | \$ (999) | \$ (6,934) | \$ (1,187) |
| Sugar | (112) | 54 | 636 | 171 |
| Turkey | 14,333 | (4,044) | 30,237 | (11,370) |
| Segment/Consolidated Totals | \$ 9,492 | \$ (4,989) | \$ 23,939 | \$ (12,386) |

Total Assets:

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| <i>(Thousands of dollars)</i> | September 27, 2014 | December 31, 2013 |
|-------------------------------|-----------------------|----------------------|
| Pork | \$ 790,645 | \$ 773,641 |
| Commodity Trading and Milling | 1,112,976 | 1,056,930 |
| Marine | 278,418 | 271,012 |
| Sugar | 184,589 | 226,245 |
| Power | 238,609 | 267,431 |
| Turkey | 383,344 | 342,083 |
| All Other | 7,289 | 6,428 |
| Segment Totals | 2,995,870 | 2,943,770 |
| Corporate Items | 474,199 | 474,278 |
| Consolidated Totals | \$ 3,470,069 | \$ 3,418,048 |

| |
|---|
| Investments in and Advances to Affiliates: |
|---|

| <i>(Thousands of dollars)</i> | September 27, 2014 | December 31, 2013 |
|-------------------------------|-----------------------|----------------------|
| Pork | \$ 74,500 | \$ - |
| Commodity Trading and Milling | 190,271 | 197,036 |
| Marine | 17,333 | - |
| Sugar | 2,634 | 2,768 |
| Turkey | 237,333 | 207,096 |
| Segment/Consolidated Totals | \$ 522,071 | \$ 406,900 |

Administrative services provided by the corporate office allocated to the individual segments represent corporate services rendered to and costs incurred for each specific segment with no allocation to individual segments of general corporate management oversight costs. Corporate assets include short-term investments, other current assets related to deferred compensation plans, fixed assets, deferred tax amounts and other miscellaneous items. Corporate operating losses represent certain operating costs not specifically allocated to individual segments and include costs related to Seaboard's deferred compensation programs (which are offset by the effect of the mark-to-market investments recorded in Other Investment Income (Loss), Net).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

Summary of Sources and Uses of Cash

Cash and short-term investments as of September 27, 2014 increased \$73.3 million to \$419.0 million from December 31, 2013. The increase was primarily the result of net cash from operating activities of \$283.3 million and proceeds from sale of controlling interest in subsidiary of \$72.5 million. Partially offsetting the increase was cash used for capital expenditures of \$94.7 million, principal payments of long-term debt of \$91.4 million, repurchases of common stock of \$53.8 million, decreases in notes payable of \$31.8 million and investments in affiliates of \$22.1 million. Cash from operating activities increased \$278.2 million for the nine months ended September 27, 2014 compared to the same period in 2013, primarily as a result of changes in working capital. Accounts receivables decreased in 2014, principally related to collections of U.S. tax receivables and also past due amounts in the Power segment, while accounts receivable increased in 2013 for U.S. tax receivables and the Power segment. Also, current liabilities increased in 2014 while they decreased in 2013 primarily from timing of payments related principally to the Commodity Trading and Milling segment.

Acquisitions, Capital Expenditures and Other Investing Activities

During the nine months ended September 27, 2014, Seaboard invested \$94.7 million in property, plant and equipment, of which \$43.3 million was expended in the Pork segment, \$25.0 million in the Marine segment and \$26.4 million in all other segments. The Pork segment expenditures were primarily for improvements to existing facilities and related equipment, compressed natural gas semi-tractors and related refueling stations and additional finishing barns. The Marine segment expenditures were primarily for purchases of cargo carrying and handling equipment. All other segments' capital expenditures were of a normal recurring nature and primarily include replacements of machinery and equipment, and general facility modernizations and upgrades.

For the remainder of 2014, management has budgeted capital expenditures totaling \$52.7 million. The Pork segment plans to spend \$12.4 million primarily for improvements to existing facilities and related equipment and additional finishing barns. The Commodity Trading and Milling segment plans to spend \$22.8 million primarily for payments of \$17.9 million for four dry bulk vessels being built for a total estimated cost of \$90.0 million and improvements to existing facilities and related equipment. However, Seaboard currently anticipates selling and leasing back these four vessels as they are completed which would result in Seaboard receiving back the amounts spent to build at each individual lease inception with no gain or loss on sale. Payments under the lease agreements will be finalized upon delivery of the vessels. The first vessel is scheduled for delivery in the fourth quarter of 2014 and the remaining three vessels are currently scheduled for early 2015. The Marine segment has budgeted \$11.6 million primarily for additional cargo carrying and handling equipment. In addition, management will be evaluating whether to purchase additional containerized cargo vessels for the Marine segment during 2014. The balance of \$5.9 million is planned to be spent in all other businesses primarily for normal upgrades to existing operations. Management anticipates paying for these capital expenditures from a combination of available cash, the use of available short-term investments and Seaboard's available borrowing capacity.

As of September 27, 2014, Seaboard's Pork segment sold to Triumph Foods, LLC a 50% interest in its Daily's Premium Meats division for cash of \$72.5 million, subject to final working capital adjustments. See Note 9 to the Condensed Consolidated Financial Statements for further discussion.

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In September 2014, Seaboard invested \$17.3 million in a cargo terminal business in Jamaica for a 21% non-controlling interest. See Note 9 to the Condensed Consolidated Financial Statements for further discussion.

In September 2013, Seaboard invested \$17.0 million in a flour production business in Brazil for a 50% non-controlling equity interest and provided a \$13.0 million long-term loan to this business. Also in September 2013, Seaboard invested \$7.4 million in a flour milling business in South Africa for a 49% non-controlling interest. In July 2013, Seaboard acquired a 50% non-controlling interest in a flour milling business in Gambia by making a total investment in and advances to this affiliate of \$7.3 million as of September 28, 2013 with an additional \$1.2 million made in the fourth quarter of 2013.

On March 28, 2013, Butterball, LLC (Butterball) repaid in full the \$81.2 million loan Seaboard made on December 31, 2012 to its non-consolidated affiliate to fund its purchase of assets from Gusto Packing Company, Inc. In addition, during the first quarter of 2013, Butterball paid a \$10.3 million cash dividend to Seaboard.

Financing Activities and Debt

On October 24, 2014, Seaboard entered into a Credit Agreement for a committed line of credit totaling \$50.0 million related to a foreign subsidiary for the Commodity Trading and Milling segment. This credit facility matures on October 23, 2015 and does not change existing debt covenants.

As of September 27, 2014, Seaboard had a committed line of credit totaling \$200.0 million and uncommitted lines totaling \$189.6 million. As of September 27, 2014, there were no borrowings outstanding under the committed line of credit and borrowings under the uncommitted lines of credit totaled \$28.8 million, with all such borrowings related to foreign subsidiaries. Seaboard's borrowing capacity under its uncommitted lines was reduced by letters of credit totaling \$1.4 million.

In July 2014, Seaboard provided notice of optional prepayment to its lenders related to a credit agreement with an original maturity date of 2021. Accordingly, \$74.1 million was reclassified from long-term debt to current maturities of long-term debt as of June 28, 2014. The total principal payment of \$85.5 million was made on August 29, 2014. As a result, Seaboard paid a \$3.8 million fee for early payment which was charged to interest expense in the third quarter of 2014.

In April 2013, Seaboard provided notice of call for early redemption to holders of certain Industrial Development Revenue Bonds (IDRBs) effective May 13, 2013. Seaboard paid \$10.8 million in the second quarter of 2013. In December 2012, Seaboard provided notice of call for early redemption to holders of certain IDRBs effective January 14, 2013. Seaboard paid \$13.0 million in the first quarter of 2013.

As of September 27, 2014, Seaboard had cash and short-term investments of \$419.0 million, additional total net working capital of \$856.7 million and a \$200.0 million committed line of credit maturing on February 20, 2018. Accordingly, management believes Seaboard's combination of internally generated cash, liquidity, capital resources and borrowing capabilities will be adequate for its existing operations and any currently known potential plans for expansion of existing operations or business segments for 2014. Management intends to continue seeking opportunities for expansion in the industries in which Seaboard operates, utilizing existing liquidity, available borrowing capacity and other financing alternatives.

As of September 27, 2014, \$51.5 million of the \$419.0 million of cash and short-term investments were held by Seaboard's foreign subsidiaries and Seaboard could be required to accrue and pay taxes to repatriate these funds if needed for Seaboard's operations in the U.S. However, Seaboard's intent is to permanently reinvest these funds outside the U.S. and current plans do not demonstrate a need to repatriate them to fund Seaboard's U.S. operations.

For the nine months ended September 27, 2014, Seaboard used cash to repurchase 18,405 shares of common stock at a total price of \$53.8 million. See Note 8 to the Condensed Consolidated Financial Statements for further discussion of this item.

See Note 7 to the Condensed Consolidated Financial Statements for a summary of Seaboard's contingent obligations, including guarantees issued to support certain activities of non-consolidated affiliates or third parties who provide services for Seaboard.

RESULTS OF OPERATIONS

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Net sales for the three and nine month periods of 2014 decreased by \$25.5 million and \$117.6 million, respectively, over the same periods in 2013. The decreases primarily reflected lower sales volume of pork products and decreased payments received from the U.S. Government for biodiesel production for the Pork segment, lower sales volume for the Power segment, lower cargo volumes in certain markets for the Marine segment, and lower volumes of sugar sold for the Sugar segment. Partially offsetting these decreases were higher prices for pork products sold.

Operating income increased by \$62.3 million and \$144.9 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increases primarily reflected higher prices for pork products sold and, to a lesser extent, lower voyage costs for the Marine segment. Partially offsetting the increases were lower margins for biodiesel for the Pork segment and, for the nine month period, lower sales volume for the Power division.

| |
|---------------------|
| Pork Segment |
|---------------------|

| (Dollars in millions) | Three Months Ended | | Nine Months Ended | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | \$ 454.9 | \$ 436.0 | \$ 1,303.8 | \$ 1,262.1 |
| Operating income | \$ 70.4 | \$ 34.1 | \$ 241.1 | \$ 90.0 |

Net sales for the Pork segment increased \$18.9 million and \$41.7 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increases are primarily the result of higher prices for pork products sold. Partially offsetting the increases were lower sales volumes of pork products from processing fewer internally grown hogs, lower sales prices for biodiesel, decreased payments received from the U.S. Government for biodiesel production and, for the nine month period, lower sales volume of biodiesel. U.S. Government payments included a one-time credit of \$11.3 million recorded as revenues in the first quarter of 2013 related to the Tax Act, related to the Federal blender's credit that Seaboard was entitled to receive for biodiesel it blends but has not been renewed for 2014. See Note 9 to the Condensed Consolidated Financial Statements for further discussion of the Federal blender's credit.

Operating income for the Pork segment increased \$36.3 million and \$151.1 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increases are primarily the result of higher prices for pork products sold and, to a lesser extent, lower feed costs for hogs internally grown. Partially offsetting the increases were lower margins for biodiesel from items discussed above, increased costs for third party hogs and, especially for the three month period, lower sales volume of pork products produced.

Management is unable to predict future market prices for pork products, the cost of feed or the impact to Seaboard from the porcine epidemic diarrhea virus currently being experienced by the pork industry. In addition, the Federal blender's credit expired December 31, 2013 and current proposed, but still pending, Federal regulations, if approved, decrease U.S. Government mandates to use biofuels for 2014. However, management anticipates positive operating income for this segment for the remainder of 2014, although lower than the first nine months of 2014 as prices for pork products sold have begun to trend down from recent highs during 2014.

| |
|--|
| Commodity Trading and Milling Segment |
|--|

| (Dollars in millions) | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | \$ 858.5 | \$ 858.0 | \$ 2,562.0 | \$ 2,553.5 |
| Operating income as reported | \$ 13.3 | \$ 8.8 | \$ 43.5 | \$ 29.7 |
| Less mark-to-market adjustments | (9.2) | 5.7 | (13.8) | (3.3) |
| Operating income excluding mark-to-market adjustments | \$ 4.1 | \$ 14.5 | \$ 29.7 | \$ 26.4 |
| Loss from affiliates | \$ (4.7) | \$ (1.0) | \$ (6.9) | \$ (1.2) |

Net sales for the Commodity Trading and Milling segment increased \$0.5 million and \$8.5 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. Higher sales volumes of various commodities sold were principally offset by lower sales prices for such commodities, especially corn.

Operating income for this segment increased \$4.5 million and \$13.8 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increases primarily reflected fluctuations of \$14.9 million and \$10.5 million, respectively of marking to market derivative contracts as discussed below. Excluding the effects of mark-to-market adjustments for derivatives contracts as discussed below, operating income decreased \$10.4 million and increased \$3.3 million, for the three and nine month periods, respectively. The decrease for the three month period primarily reflected lower margins on commodity trading sales principally as a result of unfavorable market conditions. The increase for the nine month period primarily reflected improved operating income at certain milling locations partially offset by recoveries of \$4.3 million in 2013 of inventory write-downs for customer contract performance issues recognized in prior years.

Due to worldwide commodity price fluctuations, the uncertain political and economic conditions in the countries in which Seaboard operates and the current volatility in the commodity markets, management is unable to predict future sales and operating results for this segment. However, management anticipates positive operating income for this segment for the remainder of 2014, excluding the effects of marking to market derivative contracts.

Had Seaboard not applied mark-to-market accounting to its derivative instruments, operating income for this segment would have been lower by \$9.2 million and \$13.8 million, respectively, for the three and nine month periods of 2014 and operating income would have been higher by \$5.7 million and lower by \$3.3 million, respectively, for the three and nine month periods of 2013. While management believes its commodity futures and options and foreign exchange contracts 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. Accordingly, while the changes in value of the derivative instruments were marked to market, the changes in value of the firm purchase or sales contracts were not. As products are delivered to customers, these existing mark-to-market adjustments should be primarily offset by realized margins or losses as revenue is recognized over time and thus, these mark-to-market adjustments could reverse in fiscal 2014. Management believes eliminating these adjustments, as noted in the table above, provides a more reasonable presentation to compare and evaluate period-to-period financial results for this segment.

Loss from affiliates for the three and nine month periods of 2014 increased by \$3.7 million and \$5.7 million, respectively, from the same periods in 2013. The increases in losses primarily represent losses incurred in 2014 from a certain affiliate newly invested in by Seaboard during the latter half of 2013. Based on the uncertainty of local political and economic environments in the countries in which Seaboard's affiliates operate, management cannot predict future results.

Marine Segment

| <i>(Dollars in millions)</i> | Three Months Ended | | Nine Months Ended | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | \$ 205.3 | \$ 219.5 | \$ 616.7 | \$ 676.3 |
| Operating loss | \$ (4.6) | \$ (15.0) | \$ (15.0) | \$ (22.4) |

Net sales for the Marine segment decreased \$14.2 million and \$59.6 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The decreases were primarily the result of lower cargo volumes in certain markets, most notably Venezuela, during 2014 compared to 2013.

Operating loss decreased \$10.4 million and \$7.4 million for the three and nine month periods of 2014, respectively, compared to the same periods of 2013. These decreases were primarily the result of lower voyage costs, such as fuel costs and, to a lesser extent, charter hire, on a per unit shipped basis partially offset by, for the nine month period, lower operating results related to the Venezuela operations. Management cannot predict changes in future cargo volumes and cargo rates or to what extent changes in economic conditions in markets served will affect net sales or operating income during the remainder of 2014. However, based on recent market conditions, management anticipates this segment will not be profitable for the remainder of 2014.

Sugar Segment

| <i>(Dollars in millions)</i> | Three Months Ended | | Nine Months Ended | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | \$ 47.8 | \$ 58.5 | \$ 145.1 | \$ 192.6 |

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| | | | | |
|-------------------------------|----------|--------|---------|---------|
| Operating income | \$ 6.3 | \$ 0.2 | \$ 22.7 | \$ 28.3 |
| Income (loss) from affiliates | \$ (0.1) | \$ 0.1 | \$ 0.6 | \$ 0.2 |

Net sales for the Sugar segment decreased \$10.7 million and \$47.5 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The decreases primarily reflect lower volumes of sugar sold and, for the nine month period but to a lesser extent, lower sales prices for sugar. Sugar sales are denominated in Argentine pesos and the lower sales prices for sugar in terms of U.S. dollars was the result of exchange rate changes as the Argentine peso continued to weaken against the U.S. dollar in 2014, especially in the first quarter of 2014. Management cannot predict sugar and alcohol prices for the remainder of 2014, but management anticipates that the Argentine peso may continue to weaken against the U.S. dollar.

Operating income increased \$6.1 million and decreased \$5.6 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increase for the three month period was primarily the result of lower costs per ton for sugar inventory sold as a result of the exchange rate changes noted above, while sales prices for sugar increased slightly. The nine month decrease primarily represents lower income from sugar sales as a result of lower volumes of sugar sold and lower sales prices as noted above. Partially offsetting the decreases was a \$4.3 million gain recorded in the second quarter of 2014 from a final insurance settlement for property damage and business interruption claims related to prior years. Management anticipates positive operating income for this segment for the remainder of 2014.

Power Segment

| <i>(Dollars in millions)</i> | Three Months Ended | | Nine Months Ended | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | \$ 51.6 | \$ 73.6 | \$ 158.5 | \$ 221.4 |
| Operating income | \$ 15.0 | \$ 13.4 | \$ 19.5 | \$ 41.4 |

Net sales for the Power segment decreased \$22.0 million and \$62.9 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The decrease for the three month period primarily reflects lower volumes. The decrease for the nine month period reflects lower volumes and, to a lesser extent, lower spot market rates. Although management cannot predict future spot market rates, sales volumes for the remainder of 2014 are anticipated to be lower than 2013 as a result of Seaboard cancelling the short-term leasing of a power generating facility on September 3, 2014, as further discussed in Note 9 to the Condensed Consolidated Financial Statements.

Operating income increased \$1.6 million and decreased \$21.9 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. Included in operating income for the three month period of 2014 was a gain on sale of assets of \$5.0 million as discussed in Note 9 to the Condensed Consolidated Financial Statements. Excluding this gain, operating income for the three month period decreased as a result of lower volumes. The decrease for the nine month period primarily reflects lower spot market rates and lower volumes partially offset by lower fuel costs per kilowatt hour generated. Management cannot predict future fuel costs or the extent that spot market rates will fluctuate compared to fuel costs. Based on recent market conditions, management currently cannot predict if this segment will be profitable for the remainder of 2014.

Turkey Segment

| <i>(Dollars in millions)</i> | Three Months Ended | | Nine Months Ended | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Income (loss) from affiliate | \$ 14.3 | \$ (4.0) | \$ 30.2 | \$ (11.4) |

The Turkey segment, accounted for using the equity method, represents Seaboard's investment in Butterball. The increase in income from affiliate for the three month and nine month periods of 2014 compared to the same periods in 2013 was primarily the result of lower feed costs and, especially in the three month period, higher prices of turkey products sold. Also during the first and third quarters of 2013, Butterball incurred additional charges for impairment of fixed assets related to the planned sale of its Longmont, Colorado facility. Seaboard's proportionate share represented \$1.2 million and \$3.9 million recognized in loss from

affiliate for the three and nine months ended September 28, 2013, respectively. This facility was sold in the second quarter of 2014 for approximately the remaining net book value. Management anticipates positive income for this segment for the remainder of 2014.

Interest Expense

Interest expense increased by \$5.8 million and \$9.8 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increases primarily reflect higher interest rates on notes payable related to foreign subsidiaries. Also included in the third quarter of 2014 was a \$3.8 million charge for early payment of debt as further discussed in Note 7 to the Condensed Consolidated Financial Statements.

Other Investment Income (Loss), Net

The fluctuations in other investment income (loss), net for the three and nine months of 2014 compared to the same periods in 2013 primarily reflect mark-to-market fluctuations from investments.

Foreign Currency Losses, Net

Foreign currency losses, net increased by \$0.4 million and \$7.8 million for the three and nine month periods of 2014, respectively, compared to the same periods in 2013. The increase for the nine month period reflects increased losses related to multiple currencies with the more significant increases related to the Zambian kwacha, Venezuelan bolivar, Euro Zone euro and South African rand. Seaboard operates in many developing countries. The political and economic conditions of these markets, along with fluctuations in the value of the U.S. dollar cause volatility in currency exchange rates which exposes Seaboard to fluctuating foreign currency gains and losses which cannot be predicted by Seaboard.

Gain on Sale of Controlling Interest in Subsidiary

Seaboard's Pork segment sold to Triumph Foods, LLC a 50% interest in its Daily's Premium Meats division resulting in a pre-tax gain of \$64.4 million recognized in the third quarter of 2014 related to this transaction. See Note 9 to the Condensed Consolidated Financial Statements for further discussion.

Miscellaneous, Net

The fluctuations in miscellaneous, net for the three and nine months of 2014 compared to the same periods in 2013 primarily reflect mark-to-market fluctuations from interest rate exchange agreements.

Income Tax Expense

The effective tax rate for the nine months of 2014 was higher than that for the nine months of 2013 primarily as the mix of projected domestic and foreign earnings for 2014 fluctuated from prior year resulting in more income taxed at a higher tax rate and tax expense of \$25.1 million from the gain from sale of controlling interest in a subsidiary in the third quarter of 2014 as discussed in Note 9 to the Condensed Consolidated Financial Statements. In addition, certain U.S. income tax provisions expired on December 31, 2013 and currently have not been renewed for 2014. The effective tax rate for the first nine months of 2013 was also impacted by a one-time tax benefit of \$7.9 million recorded in the first quarter of 2013 related to certain 2012 income tax credits as further discussed in Note 4 to the Condensed Consolidated Financial Statements.

Other Financial Information

In May 2014, the Financial Accounting Standards Board issued guidance to develop a single, comprehensive revenue recognition model for all contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. Seaboard is currently evaluating the impact this new guidance will have on its consolidated financial statements and related disclosures. Seaboard will be required to adopt this guidance on January 1, 2017 and it is currently anticipated that Seaboard will apply this guidance using the cumulative

effect transition method.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Seaboard is exposed to various types of market risks in its day-to-day operations. Seaboard utilizes derivative instruments to mitigate some of these risks including both purchases and sales of futures and options to hedge inventories, forward purchases and sale contracts. Primary market risk exposures result from changing commodity prices, foreign currency exchange rates and interest rates. Seaboard also enters into speculative derivative transactions not directly related to its raw material requirements. The nature of Seaboard's market risk exposure related to these items has not changed materially since December 31, 2013. See Note 5 to the Condensed Consolidated Financial Statements for further discussion.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures - Seaboard's management evaluated, under the direction of our Chief Executive and Chief Financial Officers, the effectiveness of Seaboard's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) as of September 27, 2014. Based upon and as of the date of that evaluation, Seaboard's Chief Executive and Chief Financial Officers concluded that Seaboard's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports it files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required. It should be noted that any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any system of disclosure controls and procedures is based in part upon assumptions about the likelihood of future events. Due to these and other inherent limitations of any such system, there can be no assurance that any design will always succeed in achieving its stated goals under all potential future conditions.

Change in Internal Controls There has been no change in Seaboard's internal control over financial reporting required by Exchange Act Rule 13a-15 that occurred during the fiscal quarter ended September 27, 2014 that has materially affected, or is reasonably likely to materially affect, Seaboard's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes in the risk factors as previously disclosed in Seaboard's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information regarding Seaboard's purchase of its common stock during the quarter.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|-----------------------------------|--|---------------------------------|--|--|
| | | | | |
| June 29 to July 31, 2014 | - | - | - | 50,846,217 |
| August 1 to August 31, 2014 | - | - | - | 50,846,217 |
| September 1 to September 27, 2014 | - | - | - | 50,846,217 |
| Total | - | - | - | 50,846,217 |

There were no purchases made during the quarter pursuant to Seaboard's share repurchase program initially approved by Seaboard's Board of Directors in November 2009. In May 2014, the Board of Directors increased the dollar amount of Seaboard

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common stock authorized to be repurchased under the share repurchase program by \$20.0 million. The share repurchase program is in effect through October 31, 2015.

Item 6. Exhibits

- 31.1 Certification of the Chief Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following financial information from Seaboard Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014, formatted in XBRL (Extensible Business Reporting Language): (1) Condensed Consolidated Statements of Comprehensive Income, (2) Condensed Consolidated Balance Sheets, (3) Condensed Consolidated Statements of Cash Flows, and (4) the Notes to Unaudited Condensed Consolidated Financial Statements *.

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

This Form 10-Q contains forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Seaboard Corporation and its subsidiaries (Seaboard). Forward-looking statements generally may be identified as statements that are not historical in nature; and statements preceded by, followed by or that include the words believes, expects, may, will, should, could, anticipates, estimates, intends, or similar expressions. In more specific to forward-looking statements, include, without limitation: statements concerning projection of revenues, income or loss, capital expenditures, capital structure or other financial items, including the impact of mark-to-market accounting on operating income; statements regarding the plans and objectives of management for future operations; statements of future economic performance; statements regarding the intent, belief or current expectations of Seaboard and its management with respect to: (i) Seaboard's ability to obtain adequate financing and liquidity, (ii) the price of feed stocks and other materials used by Seaboard; (iii) the sales price or market conditions for pork, grains, sugar, turkey and other products and services; (iv) the recorded tax effects under certain circumstances and changes in tax laws; (v) the volume of business and working capital requirements associated with the competitive trading environment for the Commodity Trading and Milling segment; (vi) the charter hire rates and fuel prices for vessels; (vii) the fuel costs and related spot market prices in the Dominican Republic; (viii) the effect of the fluctuation in foreign currency exchange rates; (ix) the profitability or sales volume of any of Seaboard's segments; (x) the anticipated costs and completion timetable for Seaboard's scheduled capital improvements, acquisitions and dispositions; or (xi) other trends affecting Seaboard's financial condition or results of operations, and statements of the assumptions underlying or relating to any of the foregoing statements.

This list of forward-looking statements is not exclusive. Seaboard undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions or otherwise. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to a variety of factors. The information contained in this report, including without limitation the information under the headings Management's Discussion and Analysis of Financial Condition and Results of Operations, identifies important factors which could cause such differences.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEABOARD CORPORATION

by: /s/ Robert L. Steer
Robert L. Steer, Executive Vice President,
Chief Financial Officer
(principal financial officer)

Date: October 31, 2014

by: /s/ John A. Virgo
John A. Virgo, Senior Vice President, Corporate Controller
and Chief Accounting Officer
(principal accounting officer)

Date: October 31, 2014