

SEABOARD CORP /DE/  
Form 10-K  
February 27, 2013

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2012

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.)*

**9000 W. 67th Street, Shawnee Mission, Kansas 66202**

*(Address of principal executive offices)*

*(Zip Code)*

**(913) 676-8800**

*(Registrant's telephone number, including area code)*

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

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Title of each class

Name of each exchange on which registered

Common Stock \$1.00 Par Value

NYSE MKT

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

None

*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). Yes  No

The aggregate market value of the 299,566 shares of Seaboard common stock held by nonaffiliates was approximately \$638,968,287, based on the closing price of \$2,132.98 per share on June 29, 2012, the end of Seaboard's most recently completed second fiscal quarter. As of January 25, 2013, the number of shares of common stock outstanding was 1,197,513.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated by reference into the indicated parts of this report: (1) Seaboard Corporation's Annual Report to Stockholders furnished to the Commission pursuant to Rule 14a-3(b) Parts I and II; and (2) Seaboard Corporation's definitive proxy statement filed pursuant to Regulation 14A for the 2013 annual meeting of stockholders Part III.

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**Forward-Looking Statements**

This report, including information included or incorporated by reference in this report, contains certain 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 terms, forward-looking statements include, without limitation:

- statements concerning the projection of revenues, income or loss, capital expenditures, capital structure or other financial items;
- 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 sale 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 division;
  - (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 divisions;
  - (x) the anticipated costs and completion timetable for Seaboard's scheduled capital improvements, acquisitions and dispositions; or
  - (xi)

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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 Form 10-K and in other filings Seaboard makes with the Commission, including without limitation, the information under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K, identifies important factors which could cause such differences.

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**PART I**

**Item 1. Business**

**(a) General Development of Business**

Seaboard Corporation, a Delaware corporation, and its subsidiaries (Seaboard), is a diverse global agribusiness and transportation company. In the United States, Seaboard is primarily engaged in pork production and processing and ocean transportation. Overseas, Seaboard is primarily engaged in commodity merchandising, grain processing, sugar production and electric power generation. Seaboard also has an interest in turkey operations in the United States. See Item 1(c) (1) (ii) Status of Product or Segment below for a discussion of acquisitions, dispositions and other developments in specific divisions.

Seaboard Flour LLC and SFC Preferred LLC, Delaware limited liability companies, collectively own approximately 74.6 percent of the outstanding common stock of Seaboard. Mr. Steven J. Bresky, President and Chief Executive Officer of Seaboard, and other members of the Bresky family, including trusts created for their benefit, own the equity interests of Seaboard Flour LLC and SFC Preferred LLC.

**(b) Financial Information about Industry Segments**

The financial information relating to Industry Segments required by Item 1 of Form 10-K is incorporated herein by reference to Note 13 of the Consolidated Financial Statements appearing on pages 55 through 59 of the Seaboard Corporation Annual Report to Stockholders furnished to the Commission pursuant to Rule 14a-3(b) and attached as Exhibit 13 to this Report.

**(c) Narrative Description of Business**

**(1) Business Done and Intended to be Done by the Registrant**

**(i) Principal Products and Services**

**Pork Division** Seaboard, through its subsidiary Seaboard Foods LLC, engages in the business of hog production and pork processing in the United States. Through these operations, Seaboard produces and sells fresh and frozen pork products to further processors, foodservice operators, grocery stores, distributors and retail outlets throughout the United States. Internationally, Seaboard sells to these same types of customers in Japan, Mexico and numerous other foreign markets. Other further processing companies also purchase Seaboard's fresh and frozen pork products in bulk and produce products, such as lunchmeat, ham, bacon, and sausage. Fresh pork, such as loins, tenderloins and ribs are sold to distributors and grocery stores. Seaboard also sells further processed pork products consisting primarily of raw and pre-cooked bacon from its two bacon further processing plants. Seaboard sells some of its fresh products under the brand name Prairie Fresh® and its bacon and

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other further processed products under the Daily's® brand name. Seaboard's hog processing plant is located in Guymon, Oklahoma and generally operates at full capacity. Seaboard's bacon plants are located in Salt Lake City, Utah and Missoula, Montana. Seaboard has a majority interest in a ham-boning and processing plant in Mexico. Seaboard also earns fees, based primarily on the number of head processed, to market substantially all of the products produced by Triumph Foods LLC at their pork processing plant located in St. Joseph, Missouri.

Seaboard's hog production operations consist of the breeding and raising of over four million hogs annually primarily at facilities owned by Seaboard or at facilities owned and operated by third parties with whom Seaboard has grower contracts. The hog production operations are located in the States of Oklahoma, Kansas, Texas and Colorado. As a part of the hog production operations, Seaboard produces specially formulated feed for the hogs at six owned feed mills. The remaining hogs processed are purchased from third party hog producers, primarily pursuant to purchase contracts.

Seaboard produces biodiesel at a facility in Guymon, Oklahoma. The biodiesel is produced from pork fat from Seaboard's Guymon pork processing plant and from animal fat supplied by non-Seaboard facilities. The biodiesel is sold to third parties. The facility can also produce biodiesel from vegetable oil. Seaboard is able to reduce or stop production when it isn't economically feasible to produce based on input costs or the price of biodiesel.

Commodity Trading and Milling Division Seaboard's Commodity Trading and Milling Division is an integrated grain trading, grain processing and logistics company. This Division markets wheat, corn, soybean meal and other commodities in bulk to third parties and affiliated companies. This division is managed under the name of Seaboard Overseas and Trading Group, conducts business primarily through its subsidiaries, Seaboard Overseas Limited with

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offices in Colombia, Ecuador, Isle of Man and South Africa, Seaboard Overseas Trading and Shipping (PTY), Ltd. located in South Africa, and its non-consolidated affiliates, ContiLatin del Peru S.A. located in Lima, Peru, and Plum Grove Pty Ltd located in Fremantle, Australia. In addition, although to a lesser degree, Seaboard also markets various specialty grains and other commodities to third party customers, through its subsidiaries PS International, LLC (previously a non-consolidated affiliate through December 31, 2011; see Status of Product or Segment below for further discussion) located in Chapel Hill, North Carolina, with multiple international sales offices. This division also operates a grain and specialty crop storage and throughput facility through Fill-More Seeds, Inc. located in Fillmore, Canada, and an ocean transportation brokerage operation through Seaboard Bulk Services, Ltd. located in Athens, Greece. All of the commodities marketed by this division are purchased from growing regions worldwide, with primary destinations being Africa, South America and the Caribbean. The division sources, transports and markets approximately seven million tons of grains and proteins on an annual basis. Seaboard integrates the service of delivering commodities to its customers through the use of chartered bulk vessels and its six owned bulk carriers.

This division also operates grain and feed milling and related businesses with 28 locations in 14 countries, which are primarily supplied by the trading locations discussed above. The grain processing businesses are operated through five consolidated and twelve non-consolidated affiliates in Africa, the Caribbean and South America. These are flour, feed and maize milling businesses which produce approximately three million metric tons of finished products per year. In addition, this division has a non-controlling interest in a poultry business in Africa and a bakery business in the Democratic Republic of Congo. The bakery began operations in the fourth quarter of 2012. Most of the products produced by these operations are sold in the countries in which the products are produced or into adjacent countries.

Marine Division Seaboard, through its subsidiary, Seaboard Marine Ltd., and various foreign affiliated companies and third party agents, provides containerized cargo shipping service to 26 countries between the United States, the Caribbean Basin, and Central and South America. Seaboard uses a network of offices and agents throughout the United States, Canada, Latin America and the Caribbean Basin to book cargo to and from the United States and between the countries it serves. Through agreements with a network of connecting carriers, Seaboard can transport cargo to and from numerous U.S. locations by either truck or rail to and from one of its U.S. port locations, where it is staged for export via vessel or received as import cargo from abroad.

Seaboard's primary marine operation is located in Miami and includes a terminal located at the Port of Miami and off-dock warehouses for cargo consolidation and temporary storage. Seaboard also operates a cargo terminal facility at the Port of Houston that includes an on-dock warehouse space for temporary storage of bagged grains, resins and other cargoes. Seaboard also makes scheduled vessel calls in Brooklyn, New York, New Orleans, Louisiana and 45 foreign ports. At December 31, 2012, Seaboard's fleet consisted of 6 owned and approximately 30 chartered vessels, and dry, refrigerated and specialized containers and other related equipment.

Sugar Division Seaboard, through its subsidiary, Ingenio y Refineria San Martin del Tabacal and other Argentine non-consolidated affiliates, grows sugar cane, produces and refines sugar, and produces alcohol in Argentina. This division also purchases sugar in bulk from third parties mostly within Argentina for subsequent resale. The sugar products are mostly sold in Argentina, primarily to retailers, soft drink manufacturers, and food manufacturers, with some exports to the United States and other South American countries. Seaboard grows a large portion of the sugar cane on nearly 70,000 acres of land it owns in northern Argentina. The cane is processed at an owned mill, with a current processing capacity of approximately 250,000 metric tons of sugar and approximately 15 million gallons of alcohol per year. The sugar mill is one of the largest in Argentina. Also, this division operates a 38 megawatt cogeneration power plant. This plant primarily operates during the sugar harvest season, which is between May and November, with minimal operations outside of harvest season since this plant is primarily fueled using sugar by-product.



Power Division Seaboard, through its subsidiary, Transcontinental Capital Corp. (Bermuda) Ltd., operates as an independent power producer generating electricity for the local power grid in the Dominican Republic. Seaboard is not directly involved in the transmission or distribution of electricity. This operation is exempt from U.S. regulation under the Public Utility Holding Company Act of 1938, as amended. Seaboard primarily sells on the spot market accessed primarily by wholly government-owned distribution companies or partially government-owned generation companies. Through early 2011, this division operated two floating power generating facilities with a system of

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diesel engines capable of generating a combined rated capacity of approximately 112 megawatts of electricity. See Status of Product or Segment below for discussion of the sale of the two facilities, the subsequent short-term lease of one of the two facilities sold and the construction of a new replacement floating power generating facility that began commercial operations in March 2012. Seaboard continues to operate the floating power generating facilities, (one owned and one leased) with capacity to generate approximately 106 and 72 megawatts of electricity, respectively. The facilities are secured on the Ozama River in Santo Domingo, Dominican Republic.

**Turkey Segment** Seaboard owns a 50 percent non-controlling voting interest in Butterball, LLC ( Butterball ). The other 50 percent ownership interest is owned by a group consisting of Maxwell Farms, LLC, Goldsboro Milling Company and GM Acquisition LLC (collectively, the Maxwell Group ) based in North Carolina. Butterball is a vertically integrated producer, processor and marketer of branded and non-branded turkeys, and other turkey products. Butterball has five processing plants and numerous live production and feed milling operations located in North Carolina, Arkansas, Missouri and Kansas. Butterball produces approximately one billion pounds of turkey each year. Butterball is a national supplier to retail and foodservice outlets and also exports products to Mexico and numerous other foreign markets. On December 31, 2012, Butterball purchased the assets of Gusto Packing Company, Inc., a pork and turkey further processor located in Montgomery, Illinois.

**Other Businesses** Seaboard purchases and processes jalapeño peppers at its owned plant in Honduras. The processed peppers are primarily sold to a customer in the United States, and are shipped to the United States by Seaboard's Marine Division and distributed from Seaboard's port facilities.

The information required by Item 1 of Form 10-K with respect to the amount or percentage of total revenue contributed by any class of similar products or services which account for 10 percent or more of consolidated revenue in any of the last three fiscal years is set forth in Note 13 of Seaboard's Consolidated Financial Statements, appearing on pages 55 through 59 of the Seaboard's Annual Report to Stockholders, furnished to the Commission pursuant to rule 14a-3(b) and attached as Exhibit 13 to this report, which information is incorporated herein by reference.

**(ii) Status of Product or Segment**

The Federal tax credits for biodiesel blended by the Pork division expired on December 31, 2011. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law renewing the Federal tax credits for biodiesel blended by the Pork division retroactive to January 1, 2012 with an expiration date of December 31, 2013.

In 2010, Seaboard finalized an agreement to invest in a bakery to be built in the Democratic Republic of Congo. Seaboard has a 50% non-controlling interest in this business. As of December 31, 2012, Seaboard invested \$46.3 million in this bakery. The bakery began operations in the fourth quarter of 2012.

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Effective, January 1, 2012, Seaboard increased its ownership from 50% to 70% in PS International, LLC (PSI), a specialty grain trading business located in Chapel Hill, North Carolina. Effective December 31, 2012, Seaboard increased its ownership from 70% to 85%.

In July 2012, the Commodity Trading and Milling segment made a down payment in the amount of \$8.3 million on four dry bulk vessels to be built for a total cost of approximately \$83.0 million. These vessels are expected to be completed in 2014 with the majority of the amount due in 2014.

On April 8, 2011, Seaboard closed the sale of its two existing power generating facilities in the Dominican Republic for \$73.1 million. On April 20, 2011, Seaboard signed a short-term lease agreement that allowed Seaboard to resume operations of one of the facilities (72 megawatts). Seaboard continues to operate this facility under a short-term lease agreement that may be canceled by either party. Seaboard and the purchaser also agreed to defer the sale to the purchaser of the inventory related to the EDM until the end of the lease term. Seaboard retained all other physical properties of this business and constructed a new 106 megawatt floating power generating facility for use in the Dominican Republic for \$136.0 million. This new facility was delivered in January 2012 and began commercial operations in March 2012.

As of April 1, 2012, the Power Division's tax holiday concession granted by the Dominican Republic government ceased.

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On December 31, 2012, Butterball purchased the assets of Gusto Packing Company, Inc., a pork and turkey further processor located in Montgomery, Illinois.

**(iii) Sources and Availability of Raw Materials**

None of Seaboard's businesses utilize material amounts of raw materials that are dependent on purchases from one supplier or a small group of dominant suppliers. However, the Turkey Segment purchases a significant portion of its feed for its turkeys in North Carolina from the Maxwell Group, Seaboard's 50% partner in Butterball.

**(iv) Patents, Trademarks, Licenses, Franchises and Concessions**

Seaboard uses the registered trademark of Seaboard®.

The Pork Division uses registered trademarks relating to its products, including Seaboard Farms®, Prairie Fresh®, A Taste Like No Other®, Daily's®, Daily's Premium Meats Since 1893®, St. Joe Pork®, High Plains Bioenergy®, Prairie Fresh Prime®, Seaboard Foods®, Buffet Brand®, Del Pueblo®, Cook in Bag® and The Thrill Without The Grill®. Seaboard considers the use of these trademarks important to the marketing and promotion of its pork products.

The Marine Division uses the trade name Seaboard Marine® and Seaboard Solutions® which are all registered trademarks. Seaboard believes there is significant recognition of these trademarks in the industry and by many of its customers.

Part of the sales within the Sugar Division are made under the Chango® brand in Argentina, where this division operates. Certain local sales prices are affected by government price control, primarily for one kilogram size bags, and sugar import duties imposed by the Argentine government, impacting local volume sold, as well as imported and exported volumes to and from international markets. Sourcing in the domestic market is also closely monitored by the local government.

The Turkey Segment uses registered trademarks relating to its products, including Butterball® and Carolina Turkeys®. Seaboard considers the use of these trademarks important to marketing and promotion of its turkey products.

Patents, trademarks, franchises, licenses and concessions are not material to any of Seaboard's other divisions.

**(v) Seasonal Business**

The Sugar Division's cogeneration plant primarily operates during the sugar harvest season, which is between May and November, with minimal operations outside of harvest season since this plant is primarily fueled with sugar by-product. The Turkey business is seasonal only on the whole bird side with Thanksgiving and Christmas holidays driving the majority of those sales. Seaboard's other divisions are not seasonally dependent to any material extent.

**(vi) Practices Relating to Working Capital Items**

There are no unusual industry practices or practices of Seaboard relating to working capital items.

**(vii) Depending on a Single Customer or Few Customers**

Seaboard does not have sales to any one customer equal to 10% or more of consolidated revenues. The Pork Division derives approximately 10% of its revenues from a few customers in Japan through one agent. Historically, the Commodity Trading and Milling Division derives a significant portion of its operating income from sales to a non-consolidated affiliate. The Power Division sells power in the Dominican Republic on the spot market accessed primarily by three wholly government-owned distribution companies and two partially government-owned generation companies. The Turkey segment derives approximately 10% of its revenues from one customer. No other division has sales to a few customers which, if lost, would have a material adverse effect on any such division or on Seaboard taken as a whole.

**(viii) Backlog**

Backlog is not material to Seaboard's businesses.

**(ix) Government Contracts**

No material portion of Seaboard's business involves government contracts.

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**(x) Competitive Conditions**

Competition in Seaboard's Pork Division comes from a variety of national, international and regional producers and processors and is based primarily on product quality, customer service and price. According to recent publications by *Successful Farming* and *Informa Economics*, trade publications, Seaboard ranks as one of the nation's top five pork producers (based on sows in production) and top ten pork processors (based on daily processing capacity).

Seaboard's commodity trading business to third parties faces competition from numerous traders around the world in a very competitive environment with low margin percentages on most trades. Most of the grain processing and related businesses face competition from either imported products or other local producers in the same industries.

Seaboard's ocean liner service for containerized cargoes faces competition based on price, reliable sailing frequencies and customer service. Seaboard believes it is among the top five ranking ocean liner services for containerized cargoes in the Caribbean Basin and Central America based on cargo volume.

Seaboard's sugar business owns one of the largest sugar mills in Argentina and faces significant competition for sugar sales in the local Argentine market. Sugar prices in Argentina can fluctuate compared to world markets due to current Argentine government price control and protection policies.

Seaboard's Power Division is located in the Dominican Republic. Power generated by this division is sold on the spot market or to contract customers at prices based on market conditions and cost-based rates.

Competition for the Turkey Segment comes from a variety of national and regional producers and processors and is based primarily on product quality, customer service and price. Butterball ranks as one of the nation's top three turkey producers (based on live production).

**(xi) Research and Development Activities**

Seaboard and its Turkey Segment conduct research and development activities focused on various aspects of Seaboard's vertically integrated pork and turkey processing system, including improving product quality, production processes, animal genetics, nutrition and health. Incremental costs incurred to perform these tests are expensed as incurred and are not material to operating results.

**(xii) Environmental Compliance**

Seaboard and its Turkey Segment are subject to numerous Federal, state and local provisions relating to the environment which require the expenditure of funds in the ordinary course of business. Seaboard and its Turkey Segment do not anticipate making expenditures for these purposes, which, in the aggregate would have a material or significant effect on Seaboard's financial condition or results of operations.

**(xiii) Number of Persons Employed by Registrant**

As of December 31, 2012, Seaboard, excluding non-consolidated affiliates, had 11,295 employees, of whom 6,173 were employed in the United States. Approximately 2,100 employees in Seaboard's Pork Division were covered by collective bargaining agreements as of December 31, 2012. Seaboard considers its employee relations to be satisfactory.

**(d) Financial Information about Geographic Areas**

In addition to the narrative disclosure provided below, the financial information relating to export sales required by Item 1 of Form 10-K is incorporated herein by reference to Note 13 of Seaboard's Consolidated Financial Statements appearing on pages 55 through 59 of Seaboard's Annual Report to Stockholders furnished to the Commission pursuant to Rule 14a-3(b) and attached as Exhibit 13 to this report.

Seaboard considers its relations with the governments of the countries in which its foreign subsidiaries and affiliates are located to be satisfactory, but foreign operations in lesser-developed countries are subject to risks of doing business such as potential civil unrests and government instabilities, increasing the exposure to potential expropriation, confiscation, war, insurrection, civil strife and revolution, sales price controls, currency inconvertibility and devaluation, and currency exchange controls. To minimize certain of these risks, Seaboard has insured certain investments in its affiliate flour mills in Democratic Republic of Congo, Haiti, Lesotho, Madagascar, Republic of Congo and Zambia, to the extent available and deemed appropriate against certain of these risks with the Overseas Private Investment Corporation, an agency of the United States

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Government. At the date of this report, Seaboard is not aware of any situations which could have a material effect on Seaboard's business.

(e) **Available Information**

Seaboard electronically files with the Commission annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports pursuant to Section 13(a) or 15(d) of the Exchange Act. The public may read and copy any materials filed with the Commission at their public reference room located at 100 F Street N.E., Washington, D.C. 20549. The public may obtain further information concerning the public reference room and any applicable copy charges, as well as the process of obtaining copies of filed documents by calling the Commission at 1-800-SEC-0330.

The Commission maintains an internet website that contains reports, proxy and information statements, and other information regarding electronic filers at [www.sec.gov](http://www.sec.gov). Seaboard provides access to its most recent Form 10-K, 10-Q and 8-K reports, and any amendments to these reports, on its internet website, [www.seaboardcorp.com](http://www.seaboardcorp.com), free of charge, as soon as reasonably practicable after those reports are electronically filed with the Commission.

Please note that any internet addresses provided in this report are for information purposes only and are not intended to be hyperlinks. Accordingly, no information provided at such Internet addresses is intended or deemed to be incorporated herein by reference.

**Item 1A. Risk Factors**

Seaboard has identified important risks and uncertainties that could affect the results of operations, financial condition or business and that could cause them to differ materially from Seaboard's historical results of operations, financial condition or business, or those contemplated by forward-looking statements made herein or elsewhere, by, or on behalf of, Seaboard. Factors that could cause or contribute to such differences include those factors described below.

(a) **General**

(1) Seaboard's Operations are Subject to the General Risks of the Food Industry. The divisions of the business that are in the food products manufacturing industry are subject to the risks posed by:



- food spoilage or food contamination;
- evolving consumer preferences and nutritional and health-related concerns;
- federal, state, national, provincial and local food processing regulations;
- consumer product liability claims;
- product tampering; and
- public perception of food production practices.

If one or more of these risks were to materialize, Seaboard's revenues could decrease, costs of doing business could increase, and Seaboard's operating results could be adversely affected.

(2) Foreign Political and Economic Conditions Have a Significant Impact on Seaboard's Business. Seaboard is a diverse agribusiness and transportation company with global operations in several industries. Most of the sales and costs of Seaboard's divisions are significantly influenced by worldwide fluctuations in commodity prices or changes in foreign political and economic conditions. Accordingly, sales, operating income and cash flows can fluctuate significantly from year to year. In addition, Seaboard's international activities pose risks not faced by companies that limit themselves to United States markets. These risks include:

- changes in foreign currency exchange rates;
- foreign currency exchange controls;
- changes in a specific country's or region's political or economic conditions, particularly in emerging markets;
- hyperinflation;
- heightened customer credit and execution risk;
- tariffs, other trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- different legal and regulatory structures and unexpected changes in legal and regulatory requirements;

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- negative perception within a foreign country of a United States company doing business in that foreign country; and
- expropriation.

Seaboard cannot provide assurance that it will be successful in competing effectively in international markets.

(3) Deterioration of Economic Conditions Could Negatively Impact Seaboard's Business. Seaboard's business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, availability of capital markets, consumer spending rates, energy availability and costs and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our meat products, grains and shipping services, or the cost and availability of our needed raw materials and packaging materials, thereby negatively affecting our financial results. The current national and global economic conditions, could, among other things:

- impair the financial condition of some of our customers and suppliers thereby increasing customer bad debts or non-performance by customers and suppliers;
- negatively impact global demand for protein and grain-based products, which could result in a reduction of sales, operating income and cash flows;
- decrease the value of our investments in equity and debt securities, including pension plan assets; and
- impair the financial viability of our insurers.

(4) Ocean Transportation Has Inherent Risks. Seaboard's owned and chartered vessels along with related cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- human error; and
- war, piracy and terrorism.

All of these hazards can result in death or injury to persons, loss of property, environmental damages, delays or rerouting. If one of Seaboard's vessels were involved in an accident, the resulting media coverage could have a material adverse effect on Seaboard's business, financial condition and results of operations.

(5) Seaboard's Common Stock is Thinly Traded and Subject to Daily Price Fluctuations. The common stock of Seaboard is closely held (74.6% is collectively owned by Seaboard Flour and SFC Preferred LLC, which are beneficially owned by S. Bresky and other members of the Bresky family) and thinly traded on a daily basis on the NYSE MKT. Accordingly, the price of a share of common stock can fluctuate more

significantly from day-to-day than that of a share of widely held stock that is actively traded on a daily basis.

**(b) Pork Division**

(1) Fluctuations in Commodity Pork Prices Could Adversely Affect Seaboard's Results of Operations. Sales prices for Seaboard's pork products are directly affected by both domestic and world-wide supply and demand for pork products and other proteins, all of which are determined by constantly changing market forces of supply and demand as well as other factors over which Seaboard has little or no control. Commodity pork prices demonstrate a cyclical nature over periods of years, reflecting changes in the supply of fresh pork and competing proteins on the market, especially beef and chicken. Seaboard's results of operations could be adversely affected by fluctuations in pork commodity prices.

(2) Increases in Costs of Seaboard's Feed Components and Hog Purchases Could Adversely Affect Seaboard's Costs and Operating Margins. Feed costs are the most significant single component of the cost of raising hogs and can be materially affected by commodity price fluctuations for corn and soybean meal. The results of Seaboard's Pork Division can be negatively affected by increased costs of Seaboard's feed components. Drought conditions in the U.S. and the continued operation of ethanol plants has elevated this risk as it has increased the competing demand for feed ingredients, primarily corn. Similarly, accounting for approximately 20% of Seaboard's total hogs slaughtered, the cost of third party hogs purchased fluctuates with market conditions and can have an impact on Seaboard's total costs. The cost and supply of feed components and the third party hogs that we purchase are determined by constantly changing market forces of supply and demand, which are driven by matters over which we have no

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control, including weather, current and projected worldwide grain stocks and prices, grain export prices and supports and governmental agricultural policies. Seaboard attempts to manage certain of these risks through the use of financial instruments, however this may also limit its ability to participate in gains from favorable commodity fluctuations. Unless wholesale pork prices correspondingly increase, increases in the prices of Seaboard's feed components or in the cost of third party hogs purchased would adversely affect Seaboard's operating margins.

(3) Seaboard May be Unable to Obtain Appropriate Personnel at Remote Locations. The remote locations of the pork processing plant and live hog opera