SEABOARD CORP /DE/
Form 10-Q
August 10, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 3, 2010

OR

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

For the transition period from_________________ to ____________________

Commission File Number 1-3390

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

Delaware	04-2260388
(State or other jurisdiction of incorporation or organization)	(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)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)
Smaller reporting company [ ]

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

There were 1,218,635 shares of common stock, $1.00 par value per share, outstanding on July 30, 2010.

Total pages in filing - 22 pages

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales:				
Products (includes sales to foreign affiliates of $117,391 $119,984, $243,221 and $260,900, respectively)	$ 781,538	$ 661,784	$1,554,125	$1,343,297
Services	235,910	183,822	450,630	398,705
Other	31,015	24,224	63,984	45,396
Total net sales	1,048,463	869,830	2,068,739	1,787,398
Cost of sales and operating expenses:				
Products	673,206	630,373	1,364,362	1,291,742
Services	202,530	166,719	388,258	341,067
Other	25,662	21,529	53,038	39,906
Total cost of sales and operating expenses	901,398	818,621	1,805,658	1,672,715
Gross income	147,065	51,209	263,081	114,683
Selling, general and administrative expenses	45,818	48,440	94,368	95,872
Operating income	101,247	2,769	168,713	18,811
Other income (expense):				
Interest expense	(1,600)	(3,243)	(3,916)	(7,099)
Interest income	3,862	4,818	7,318	8,144
Income from affiliates	6,536	3,698	11,424	7,592
Foreign currency gain (loss), net	(2,967)	3,128	(2,929)	(805)
Other investment income (loss), net	(2,159)	5,885	885	7,379
Miscellaneous, net	(2,830)	3,080	(2,636)	6,194
Total other income, net	842	17,366	10,146	21,405
Earnings before income taxes	102,089	20,135	178,859	40,216

Income tax benefit (expense)	(24,732)	6,425	(38,839)	2,490
Net earnings	$ 77,357	$ 26,560	$ 140,020	$ 42,706
Less: Net losses attributable to noncontrolling interests	247	359	362	186
Net earnings attributable to Seaboard	$ 77,604	$ 26,919	$ 140,382	$ 42,892
Earnings per common share	$ 63.21	$ 21.76	$ 114.02	$ 34.64
Dividends declared per common share	$ 0.75	$ 0.75	$ 1.50	$ 1.50
Average number of shares outstanding	1,227,628	1,237,010	1,231,207	1,238,126

See accompanying notes to condensed consolidated financial statements.

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

	July 3, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 54,143	$ 61,857
Short-term investments	546,134	407,351
Receivables, net of allowance	299,386	270,647
Inventories	464,648	498,587
Deferred income taxes	12,376	10,490
Deferred costs	74,762	95,788
Other current assets	106,394	80,582
Total current assets	1,557,843	1,425,302
Investments in and advances to affiliates	102,244	82,232
Net property, plant and equipment	680,112	691,343
Goodwill	40,628	40,628
Intangible assets, net	19,871	20,676
Other assets	63,892	76,952
Total assets	$2,464,590	$2,337,133
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to banks	$ 64,370	$ 81,262
Current maturities of long-term debt	1,670	2,337
Accounts payable	100,063	141,193
Deferred revenue	162,245	112,889
Other current liabilities	201,531	180,359
Total current liabilities	529,879	518,040
Long-term debt, less current maturities	76,337	76,532
Deferred income taxes	63,908	59,546
Other liabilities	130,111	137,596
Total non-current and deferred liabilities	270,356	273,674

Stockholders' equity:		
Common stock of $1 par value, Authorized 1,250,000 shares; issued and outstanding 1,224,626 and 1,236,758 shares	1,225	1,237
Accumulated other comprehensive loss	(117,044)	(114,786)
Retained earnings	1,777,139	1,655,222
Total Seaboard stockholders' equity	1,661,320	1,541,673
Noncontrolling interests	3,035	3,746
Total equity	1,664,355	1,545,419
Total liabilities and stockholders' equity	$2,464,590	$2,337,133

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended July 3, 2010	July 4, 2009
Cash flows from operating activities:		
Net earnings	$ 140,020	$ 42,706
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation and amortization	43,938	46,223
Income from affiliates	(11,424)	(7,592)
Dividends received from affiliates	1,390	1,937
Other investment income, net	(885)	(7,379)
Foreign currency exchange (gain) loss	(102)	1,789
Deferred income taxes	4,104	(12,932)
Loss (gain) from sale of fixed assets	(1,317)	834
Changes in current assets and liabilities:		
Receivables, net of allowance	(27,713)	54,352
Inventories	29,578	31,038
Other current assets	13,467	(52,251)
Current liabilities, exclusive of debt	15,186	60,454
Other, net	2,754	11,223
Net cash from operating activities	208,996	170,402
Cash flows from investing activities:		
Purchase of short-term investments	(409,700)	(218,683)
Proceeds from the sale of short-term investments	230,995	154,101
Proceeds from the maturity of short-term investments	39,997	35,196
Investments in and advances to affiliates, net	(8,062)	79
Capital expenditures	(39,048)	(28,456)
Proceeds from the sale of fixed assets	3,017	1,769
Payment received for the potential sale of power barges	-	15,000
Other, net	1,624	(589)
Net cash from investing activities	(181,177)	(41,583)

Cash flows from financing activities:		
Notes payable to banks, net	(16,894)	(100,400)
Principal payments of long-term debt	(928)	(989)
Repurchase of common stock	(16,635)	(3,370)
Dividends paid	(1,844)	(1,855)
Other, net	159	159
Net cash from financing activities	(36,142)	(106,455)
Effect of exchange rate change on cash	609	(2,766)
Net change in cash and cash equivalents	(7,714)	19,598
Cash and cash equivalents at beginning of year	61,857	60,594
Cash and cash equivalents at end of period	$ 54,143	$ 80,192

See accompanying notes to condensed consolidated financial statements.

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SEABOARD CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - Accounting Policies and Basis of Presentation

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

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

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Recently Adopted Accounting Standards

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

This Topic eliminates the quantitative approach previously required for determining the primary beneficiary of the VIE, which was based on determining which enterprise absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both. This Topic also amends Interpretation 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE and requires certain additional disclosures about the VIE. Seaboard adopted this Topic as of January 1, 2010. The adoption of this Topic did not have a material impact on Seaboard's financial position or net earnings.

Note 2- Investments

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

As of July 3, 2010 and December 31, 2009, the available-for-sale investments primarily consisted of money market funds, fixed rate municipal notes and bonds, corporate bonds, fixed income mutual funds and U.S. Government agency securities. At July 3, 2010, money market funds include $53,525,000 denominated in

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Euros. At July 3, 2010 and December 31, 2009, available-for-sale short-term investments included $26,448,000 and $14,710,000, respectively, held by a wholly-owned consolidated insurance captive to pay Seaboard's retention of accrued outstanding workers' compensation claims. At July 3, 2010 and December 31, 2009, amortized cost and estimated fair market value were not materially different for these investments.

As of July 3, 2010, the trading securities primarily consisted of high yield debt securities. Unrealized gains (losses) related to trading securities for the three and six months ended July 3, 2010 were $(490,000) and $928,000, respectively, and $794,000 and $578,000 for the three and six months ended July 4, 2009, respectively.

The following is a summary of the amortized cost and estimated fair value of short-term investments for both available-for-sale and trading securities at July 3, 2010 and December 31, 2009.

	2010		2009	
(Thousands of dollars)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Money market funds	$169,629	$169,629	$153,699	$153,699
Fixed rate municipal notes and bonds	112,044	114,285	144,794	148,609
Corporate bonds	101,636	102,817	34,663	35,449
Fixed income mutual funds	60,090	59,990	-	-
U.S. Government agency securities	25,043	25,290	15,907	16,272
Variable rate demand notes	18,600	18,600	1,900	1,900
Asset backed debt securities	11,631	11,593	8,447	8,484
U.S. Treasury securities	9,229	9,358	-	-
Other	3,860	3,834	3,060	3,069
Foreign government debt securities	-	-	10,300	10,210
Total available-for-sale short-term investments	511,762	515,396	372,770	377,692
High yield trading debt securities	26,212	27,043	24,784	26,771
Other trading debt securities	3,598	3,695	2,669	2,888
Total available-for-sale and trading short-term Investments	$541,572	$546,134	$400,223	$407,351

The following table summarizes the estimated fair value of fixed rate securities designated as available-for-sale classified by the contractual maturity date of the security as of July 3, 2010.

(Thousands of dollars)	2010
Due within one year	$122,030
Due after one year through three years	135,969
Due after three years	53,569
Total fixed rate securities	$311,568

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

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Note 3 - Inventories

The following is a summary of inventories at July 3, 2010 and December 31, 2009:

July 3, December 31,

(Thousands of dollars)	2010	2009
At lower of LIFO cost or market:		
Live hogs and materials	$170,814	$192,999
Fresh pork and materials	19,500	22,398
	190,314	215,397
LIFO adjustment	(19,212)	(22,807)
Total inventories at lower of LIFO cost or market	171,102	192,590
At lower of FIFO cost or market:		
Grains and oilseeds	195,245	174,508
Sugar produced and in process	28,305	47,429
Other	42,508	46,804
Total inventories at lower of FIFO cost or market	266,058	268,741
Grain, flour and feed at lower of weighted average cost or market	27,488	37,256
Total inventories	$464,648	$498,587

As of July 3, 2010, Seaboard had $5,040,000 recorded in grain inventories related to its commodity trading business that are committed to various customers in foreign countries for which customer contract performance is a heightened concern. If Seaboard is unable to collect amounts from these customers as currently estimated or Seaboard is forced to find other customers for a portion of this inventory, it is possible that Seaboard could incur a material write-down in the value of this inventory if Seaboard is not successful in selling at the current carrying value. For similar inventories that existed prior to December 31, 2009, Seaboard incurred a write-down in the first quarter of 2009 in the amount of $8,801,000 (with no tax benefit recognized), or $7.10 per share.

Note 4 - Income Taxes

Seaboard's tax returns are regularly audited by federal, state and foreign tax authorities, which may result in adjustments. Seaboard's U.S. federal income tax returns have been reviewed through the 2004 tax year. There have not been any material changes in unrecognized income tax benefits since December 31, 2009. Interest related to unrecognized tax benefits and penalties was not material for the six months ended July 3, 2010.

Note 5 -Derivatives and Fair Value of Financial Instruments

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

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

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

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

The following table shows assets and liabilities measured at fair value on a recurring basis as of July 3, 2010 and also the level within the fair value hierarchy used to measure each category of assets. Seaboard uses the end of the reporting period to determine if there were any transfers between levels. There were no transfers

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between levels that occurred in the first six months of 2010. The trading securities classified as other current assets below are assets held for Seaboard's deferred compensation plans.

(Thousands of dollars)	Balance July 3, 2010	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities - short-term investments:				
Money market funds	$169,629	$169,629	$ -	$ -
Fixed rate municipal notes and bonds	114,285	-	114,285	-
Corporate bonds	102,817	-	102,817	-
Fixed income mutual funds	59,990	59,990	-	-
U.S. Government agency securities	25,290	-	25,290	-
Variable rate demand notes	18,600	-	18,600	-
Asset backed debt securities	11,593	-	11,593	-
U.S. Treasury securities	9,358	-	9,358	-
Other	3,834	-	3,834	-
Trading securities - short-term investments:				
High yield debt securities	27,043	-	27,043	-
Other debt securities	3,695	-	3,695	-
Trading securities - other current assets:				
Domestic equity securities	10,256	10,256	-	-
Foreign equity securities	6,582	3,314	3,268	-
Fixed income mutual funds	3,403	3,403	-	-
Money market funds	3,252	3,252	-	-
U.S. Treasury securities	2,319	-	2,319	-
U.S. Government agency securities	1,763	-	1,763	-
Other	143	133	10	-
Derivatives:				
Commodities	4,242	4,242	-	-
Foreign currencies	1,424	-	1,424	-
Total Assets	$579,518	$254,219	$325,299	$ -
Liabilities:				
Derivatives:				
Commodities	428	428	-	-
Interest rate swaps	2,931	-	2,931	-
Foreign currencies	1,037	-	1,037	-
Total Liabilities	$ 4,396	$ 428	$ 3,968	$ -

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

The fair value of long-term debt is estimated by comparing interest rates for debt with similar terms and maturities. The amortized cost and estimated fair values of investments and long-term debt at July 3, 2010 and December 31, 2009 are presented below.

	2010		2009	
(Thousands of dollars)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments, available-for-sale	$511,762	$515,396	$372,770	$377,692
Short-term investments, trading debt securities	29,810	30,738	27,453	29,659
Long-term debt	78,007	81,433	78,869	82,415

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

Commodity Instruments

Seaboard uses various grain, meal, hog, pork bellies and energy resource related futures and options to manage its risk to price fluctuations for raw materials and other inventories, finished product sales and firm sales commitments. At July 3, 2010, Seaboard had open net derivative contracts to sell 11,401,000 bushels of grain, 38,500 tons of soybean meal 1,344,000 gallons of heating oil, and 28,200,000 pounds of hogs. At December 31, 2009, Seaboard had open net derivative contracts to sell 13,955,000 bushels of grain, 1,344,000 gallons of heating oil, 87,900 tons of soybean meal and to purchase 2,720,000 pounds of hogs. From time to time, Seaboard may enter into speculative derivative transactions not directly related to its raw material requirements. Commodity derivatives are recorded at fair value with any changes in fair value being marked to market as a component of cost of sales on the Condensed Consolidated Statements of Earnings.

Foreign Currency Exchange Agreements

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

At July 3, 2010, Seaboard had trading foreign exchange contracts to cover its firm sales and purchase commitments and related trade receivables and payables with net notional amounts of $113,765,000 primarily related to the South African Rand.

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

Interest Rate Exchange Agreements

In May 2010, Seaboard entered into three ten-year interest rate exchange agreements which involve the exchange of fixed-rate and variable-rate interest payments over the life of the agreements without the exchange of the underlying notional amounts to mitigate the effects of fluctuations in interest rates on variable rate debt. Seaboard pays a fixed rate and receives a variable rate of interest on three notional amounts of $25,000,000 each. While Seaboard has certain variable rate debt, these interest rate exchange agreements do not qualify as hedges for accounting purposes. Accordingly, the changes in fair value of these agreements are recorded in Miscellaneous, net in the Condensed Consolidated Statement of Earnings.

In December 2008 and again in March 2009, Seaboard entered into ten-year interest rate exchange agreements with notional amounts of $25,000,000 each to mitigate the effects of fluctuations in interest rates, each with similar terms to agreements discussed above. In June 2009, Seaboard terminated both interest rate exchange agreements. Seaboard received payments in the amount of $3,981,000 to unwind these agreements.

Counterparty Credit Risk

Seaboard is subject to counterparty credit risk related to its foreign currency exchange agreements. The maximum amount of loss due to the credit risk of the counterparties for these agreements, should the counterparties fail to perform according to the terms of the contracts, was $1,424,000 as of July 3, 2010. Seaboard does not hold any collateral related to these agreements.

The following table provides the amount of gain or (loss) recognized for each type of derivative and where it was recognized in the Condensed Consolidated Statement of Earnings for the three and six months ended July 3, 2010 and July 4, 2009.

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(Thousands of dollars)

		Three Months Ended		Six Months Ended	
		July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income
Commodities	Cost of sales	$ 7,059	$ 2,479	$23,127	$ 6,120
Foreign currencies	Cost of sales	13,370	(15,010)	9,076	(13,182)

Foreign currencies	Foreign currency	(1,146)	2,166	(1,171)	(3,566)
Interest rate	Miscellaneous, net	(3,124)	2,833	(3,124)	5,312

The following table provides the fair value of each type of derivative held as of July 3, 2010 and December 31, 2009 and where each derivative is included on the Condensed Consolidated Balance Sheets.

(Thousands of dollars)	Asset Derivatives			Liability De
	Balance Sheet Location	Fair Value July 3, 2010	December 31, 2009	Balance Sheet Location
Commodities	Other current assets	$4,242	$4,610	Other current liabilities
Foreign currencies	Other current assets	1,424	430	Other current liabilities
Interest rate	Other current assets	-	-	Other current liabilities

Note 6 - Employee Benefits

Seaboard maintains a defined benefit pension plan ("the Plan") for its domestic salaried and clerical employees. Effective January 1, 2010, Seaboard split a portion of employees from the Plan into a new defined benefit pension. However, the split did not change the employees' benefit and thus pension expense should not be materially impacted. Management is currently evaluating whether to make any contributions during 2010. At this time, no contributions are anticipated to be made in 2010 for the 2009 and 2010 plan years. Seaboard also sponsors non-qualified, unfunded supplemental executive plans, and unfunded supplemental retirement agreements with certain executive 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 of these plans was as follows:

	Three Months Ended		Six Months Ended	
(Thousands of dollars)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Components of net periodic benefit cost:				
Service cost	$ 1,558	$ 1,525	$ 3,169	$ 3,011
Interest cost	2,165	2,057	4,327	4,081
Expected return on plan assets	(1,573)	(1,322)	(3,107)	(2,382)
Amortization and other	994	1,289	1,997	2,495
Net periodic benefit cost$	3,144	$ 3,549	$ 6,386	$ 7,205

Note 7 - Commitments and Contingencies

Seaboard is subject to various legal proceedings related to the normal conduct of its business, including various environmental related actions. In the opinion of management, none of these actions is expected to result in a judgment having a materially adverse effect on the 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 allowing a lower borrowing rate or facilitating third party financing in order to further Seaboard's business objectives. Seaboard does not issue guarantees of third parties for compensation. As of July 3, 2010, Seaboard had guarantees outstanding to two third parties with a total maximum exposure of $1,354,000.

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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 July 3, 2010, Seaboard had outstanding letters of credit ("LCs") with various banks which reduced its borrowing capacity under its committed and uncommitted credit facilities by $42,720,000 and $4,766,000, respectively. Included in these amounts are LCs totaling $26,385,000, which support the Industrial Development Revenue Bonds included as long-term debt and $17,802,000 of LCs related to insurance coverages.

Note 8 - Stockholders' Equity and Accumulated Other Comprehensive Loss

Components of total comprehensive income, net of related taxes, are summarized as follows:

(Thousands of dollars)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009
Net earnings	$77,357	$26,560	$140,020	$42,706
Other comprehensive income net of applicable taxes:				
Foreign currency translation adjustment	(1,649)	(4,558)	(3,041)	(10,424)
Unrealized gain on investments, net	398	(1,132)	(702)	(211)
Unrecognized pension cost	772	885	1,485	1,721
Total comprehensive income	$76,878	$21,755	$137,762	$33,792

The components of and changes in accumulated other comprehensive loss for the six months ended July 3, 2010 are as follows:

(Thousands of dollars)	Balance December 31, 2009	Period Change	Balance July 3, 2010
Foreign currency translation adjustment	$ (77,576)	$(3,041)	$ (80,617)
Unrealized gain on investments, net	2,579	(702)	1,877
Unrecognized pension cost	(39,789)	1,485	(38,304)
Accumulated other comprehensive loss	$(114,786)	$(2,258)	$(117,044)

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 July 3, 2010, the Sugar segment had $157,235,000 in net assets denominated in Argentine pesos and $18,922,000 in net liabilities denominated in U.S. dollars.

With the exception of the foreign currency translation adjustment to which a 35% federal tax rate is applied, income taxes for components of accumulated other comprehensive loss were recorded using a 39% effective tax rate. In addition, the unrecognized pension cost includes $12,053,000 related to employees at certain subsidiaries for which no tax benefit has been recorded.

On November 6, 2009, the Board of Directors authorized Seaboard to repurchase from time to time prior to October 31, 2011 up to $100,000,000 market value of its Common Stock in open market or privately negotiated purchases which may be above or below the traded market price. Such purchases may be made by Seaboard or Seaboard may from time to time enter into a 10b5-1 plan authorizing a third party to make such purchases on behalf of Seaboard. The stock repurchase will be funded by cash on hand. Shares repurchased will be retired and shall resume the status of authorized and unissued shares. Any stock repurchases will be made in compliance with applicable legal requirements and the timing of the repurchases and the number of shares to be repurchased at any given time may depend on market conditions, Securities and Exchange Commission regulations and other factors. The Board's 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. For the six months ended July 3, 2010, Seaboard repurchased 12,132 shares of common stock at a cost of $16,635,000.

Note 9 - Segment Information

During the first half of 2008, Seaboard started operations at its newly constructed biodiesel plant. The ongoing profitability of this plant is primarily based on future sales prices, the price of alternative inputs, enforcement of government usage mandates and reinstituting federal tax credits, which expired at the end of 2009. Several tax credits were allowed to expire at the end of 2009 and certain members of the U.S. Congress have indicated these will be specifically reviewed during 2010. Management believes the federal tax credits may be renewed retroactive to January 1, 2010, during 2010. As of July 3, 2010, Seaboard performed an impairment evaluation of this plant and determined there was no impairment based on management's current assumptions of future production volumes, sales prices, cost inputs and the probabilities of the combination of federal usage mandates and tax credits being renewed. However, if the federal tax credits are not renewed as discussed above, and future market conditions do not produce projected sales prices or expected cost inputs or there is a material change in the enforcement of government usage mandates or other available tax credits, there is a possibility that some amount of the recorded value of this processing plant could be deemed impaired during some future period including 2010, which may result in a charge to earnings. The recorded value of these assets as of July 3, 2010 was $41,878,000.

Prior to the first quarter of 2009, the Sugar segment was named Sugar and Citrus reflecting the citrus and related juice operations of this business. During the first quarter of 2009, management reviewed its strategic options for the citrus business in light of a continually difficult operating environment. In March 2009, management decided not to process, package or market the 2009 harvest for the citrus and related juice operations. As a result, during the first quarter of 2009, a charge to earnings of $2,803,000 was recorded primarily to write-down the value of related citrus and juice inventories to net realizable value, considering such remaining inventory will not be marketed similar to prior years but instead liquidated. In the second quarter of 2009, management decided to integrate and transform the land previously used for citrus production into sugar cane production and thus incurred an additional charge to earnings of approximately $2,497,000 during the second quarter of 2009 in connection with this change in business. The remaining fixed assets from the citrus operations, primarily buildings and equipment, have either been sold under long-term agreements or integrated into the sugar business. However, since such sale agreements are long-term and collection of the sales price is not reasonably assured, the sale is being recognized under the cost recovery method and thus the gain on sale, which is not material, will not be recognized until proceeds collected exceed the net book value of the assets sold.

The Power segment sells approximately 34% of its power generation to a government-owned distribution company under a short-term contract for which Seaboard bears a concentrated credit risk as this customer, from time to time, has significant past due balances. This contract expired at the end of March 2010 but was renewed in May 2010 for one year, subject to early cancellation by either party.

On March 2, 2009, an agreement became effective under which Seaboard will sell its two power barges in the Dominican Republic for $70,000,000. The agreement calls for the sale to occur on or around January 1, 2011. During March 2009, $15,000,000 was paid to Seaboard (recorded as deferred revenue in current liabilities as of July 3, 2010) and the $55,000,000 balance of the purchase price was paid into escrow and will be paid to Seaboard at the closing of the sale. The net book value of the two barges was $20,090,000 as of July 3, 2010 and is classified as held for sale in other current assets. Accordingly, Seaboard ceased depreciation on the two barges as of January 1, 2010 but will continue to operate these two barges until a few weeks prior to the closing date of the sale. Seaboard will be responsible for the wind down and decommissioning costs of the barges. Completion of the sale is dependent upon several issues, including meeting certain baseline performance and emission tests. Failure to satisfy or cure any deficiencies could result in the agreement being terminated and the sale abandoned. Seaboard could be responsible to pay liquidated damages of up to approximately $15,000,000 should it fail to perform its obligations under the agreement, after expiration of applicable cure and grace periods. Seaboard will retain all other physical properties of this business and is currently finalizing plans to build a 106 megawatt power barge in the Dominican Republic for approximately 83,000,000 Euros plus additional project costs for a total of approximately $125,000,000. Such plans are expected to be finalized during the third or fourth quarter of 2010 with operations anticipated to begin in early 2012.

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:

(Thousands of dollars)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009
Pork	$ 348,284	$270,218	$ 666,190	$ 532,975
Commodity Trading and Milling	405,633	360,135	813,736	741,012
Marine	215,615	175,738	419,038	382,685
Sugar	45,036	35,197	98,858	77,204
Power	31,015	24,224	63,984	45,396
All Other	2,880	4,318	6,933	8,126
Segment/Consolidated Totals	$1,048,463	$869,830	$2,068,739	$1,787,398

Operating Income (Loss):

(Thousands of dollars)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009
Pork	$ 58,634	$ 3,952	$ 85,042	$ (13,125)
Commodity Trading and Milling	19,523	5,350	42,157	18,451
Marine	11,037	(2,308)	19,303	17,431
Sugar	9,545	(1,141)	20,822	1,157
Power	3,706	1,300	7,734	2,652
All Other	174	619	586	892
Segment Totals	102,619	7,772	175,644	27,458
Corporate Items	(1,372)	(5,003)	(6,931)	(8,647)
Consolidated Totals	$ 101,247	$ 2,769	$ 168,713	$ 18,811

Income from Affiliates:

(Thousands of dollars)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009
Commodity Trading and Milling	$ 6,033	$ 3,505	$ 10,850	$ 7,208
Sugar	503	193	574	384
Segment/Consolidated Totals	$ 6,536	$ 3,698	$ 11,424	$ 7,592

Total Assets:

(Thousands of dollars)	July 3, 2010	December 31, 2009
Pork	$ 742,656	$ 774,718
Commodity Trading and Milling	564,340	521,618
Marine	255,290	236,382
Sugar	207,137	205,155
Power	54,531	75,348
All Other	9,349	8,988
Segment Totals	1,833,303	1,822,209
Corporate Items	631,287	514,924
Consolidated Totals	$2,464,590	$2,337,133

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Investments in and Advances to Affiliates:

(Thousands of dollars)	July 3, 2010	December 31, 2009
Commodity Trading and Milling	$ 99,651	$ 79,883
Sugar	2,593	2,349
Segment/Consolidated Totals	$ 102,244	$ 82,232

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.

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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 July 3, 2010 increased $131.1 million to $600.3 million from December 31, 2009. The increase was the result of cash generated by operating activities of $209.0 million. During this same time, cash was primarily used for capital expenditures of $39.0 million, reduction of notes payable by $16.9 million and repurchases of common stock in the amount of $16.6 million. Cash from operating activities increased $38.6 million for the six months ended July 3, 2010 compared to the same period in 2009, primarily as a result of higher net earnings for the six months ended July 3, 2010 compared to the same period in 2009.

Acquisitions, Capital Expenditures and Other Investing Activities

During the six months ended July 3, 2010, Seaboard invested $39.0 million in property, plant and equipment, of which $3.4 million was expended in the Pork segment, $19.1 million in the Marine segment and $13.3 million in the Sugar segment. The Pork segment expenditures were primarily for improvements to existing facilities and related equipment. The Marine segment expenditures were primarily for purchases of cargo carrying and handling equipment. In the Sugar segment, the capital expenditures were primarily for the continued development of the cogeneration plant with the remaining amount for normal upgrades to existing operations. All other capital expenditures are of a normal recurring nature and primarily include replacements of machinery and equipment, and general facility modernizations and upgrades.

For the remainder of 2010 management has budgeted capital expenditures totaling $40.6 million. The Pork segment plans to spend $10.2 million for improvements to existing facilities and related equipment. The Marine segment has budgeted $15.6 million primarily for the purchase of additional cargo carrying and handling equipment and port development projects. In addition, management will be evaluating whether to purchase additional containerized cargo vessels for the Marine segment and dry bulk vessels for the Commodity Trading and Milling segment during 2010. The Sugar segment plans to spend a total of $8.3 million consisting of $2.9 million for the continued development of a 40 megawatt cogeneration plant, with the remaining amount for normal upgrades to existing operations. The cogeneration plant is expected to be operational by early 2011. The balance of $6.5 million is planned to be spent in all other businesses. Management anticipates paying for these capital expenditures from available cash, the use of available short-term investments or Seaboard's available borrowing capacity.

On March 2, 2009, an agreement became effective under which Seaboard agreed to sell its two power barges in the Dominican Republic on or around January 1, 2011 for $70.0 million. During March 2009, $15.0 million was paid to Seaboard and the $55.0 million balance of the purchase price was paid into escrow and will be paid to Seaboard at the closing of the sale. See Note 9 to the Condensed Consolidated Financial Statements for further discussion.

In late March 2010, Seaboard acquired a 50% non-controlling interest in an international commodity trading business located in North Carolina for approximately $7.7 million. There was an initial payment of $6.0 million made in March 2010 with the remaining $1.7 million recorded as a holdback payable over the next year upon verification of the balance sheet as of the date of closing and collection of certain receivables outstanding. This investment is accounted for using the equity method.

In late July, Seaboard finalized an agreement to invest in a bakery to be built in Central Africa. Seaboard will have a 50% non-controlling interest in this business. The total project cost is estimated to be $58.0 million but Seaboard's total investment has not yet been determined pending finalization of third party financing alternatives for a significant portion of the project.

Seaboard is currently finalizing plans to build a new 106 megawatt power barge in the Dominican Republic. The total cost of the project is estimated to be $125.0 million but Seaboard's total investment has not yet been determined pending finalization of third party financing alternatives for a significant portion of the project. During the second quarter of 2010, Seaboard made an advance payment of approximately $2.0 million related to the potential construction of the barge. If Seaboard ultimately decides not to build the barge, Seaboard would incur a charge to earnings to write-off this advance payment. Finalization of the plans is anticipated to occur during the third or fourth quarter of 2010 with operations anticipated to begin in early 2012.

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Financing Activities and Debt

As of July 3, 2010, Seaboard had committed lines of credit totaling $300.0 million and uncommitted lines totaling $162.8 million. As of July 3, 2010, there were no borrowings outstanding under the committed lines of credit and borrowings under the uncommitted lines of credit totaled $16.9 million. Outstanding standby letters of credit reduced Seaboard's borrowing capacity under its committed and uncommitted credit lines by $42.7 million and $4.8 million, respectively, primarily representing $26.4 million for Seaboard's outstanding Industrial Development Revenue Bonds and $17.8 million related to insurance coverage. Also included in notes payable as of July 3, 2010 was a term note of $47.5 million denominated in U.S. dollars.

Seaboard's remaining 2010 scheduled long-term debt maturities total $1.5 million. As of July 3, 2010, Seaboard had cash and short-term investments of $600.3 million with total net working capital of $1,028.0 million. 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 2010. Management does, however, periodically review various alternatives for future financing to provide additional liquidity for future operating plans as noted above for current proposed projects. 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.

On November 6, 2009, the Board of Directors authorized up to $100.0 million for a new share repurchase program. For the six months ended July 3, 2010, Seaboard used cash to repurchase 12,132 shares of common stock at a total price of $16.6 million. See Note 8 to the Condensed Consolidated Financial Statements for further discussion.

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

Net sales for the three and six month periods of 2010 increased by $178.6 million and $281.3 million, respectively, over the same periods in 2009, which primarily reflected an increase in sale prices for pork products, increased commodities trading volumes and higher cargo volumes for the Marine segment.

Operating income increased by $98.5 million and $149.9 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases primarily reflect higher Pork segment margins and, to a lesser extent, increased margins for the Sugar segment. The three month period also reflects an increase in operating income for the Marine segment as discussed below. In addition, the increases reflect a $12.6 million and $17.8 million fluctuation of marking to market Commodity Trading and Milling segment derivative contracts, as discussed below, for the three and six month periods of 2010 compared to the same periods in 2009.

Pork Segment

(Dollars in millions)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009
Net sales	$348.3	$270.2	$666.2	$533.0

Operating income (loss)	$ 58.6	$ 4.0	$ 85.0	$(13.1)

Net sales for the Pork segment increased $78.1 million and $133.2 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases primarily reflect an increase in overall sales prices for pork products.

Operating income for the Pork segment increased $54.6 million and $98.1 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases primarily relate to higher sales prices and, to a lesser extent, lower feed costs, partially offset by higher costs for hogs purchased from third parties. Management is unable to predict future market prices for pork products or the cost of feed and hogs purchased from third parties. However, management anticipates positive operating income for the remainder of 2010.

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In addition, as discussed in Note 9 to the Condensed Consolidated Financial Statements, there is a possibility that some amount of the biodiesel plant could be deemed impaired during some future period including fiscal 2010, which may result in a charge to earnings if current projections are not met.

Commodity Trading and Milling Segment

(Dollars in millions)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009
Net sales	$405.6	$360.1	$813.7	$741.0
Operating income as reported	$ 19.5	$ 5.4	$ 42.2	$ 18.5
Less mark-to-market adjustments	(10.7)	1.9	(19.5)	(1.7)
Operating income excluding mark-to-market adjustments	$ 8.8	$ 7.3	$ 22.7	$ 16.8
Income from affiliates	$ 6.0	$ 3.5	$ 10.9	$ 7.2

Net sales for the Commodity Trading and Milling segment increased $45.5 million and $72.7 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases are primarily the result of increased volumes of commodities sold, principally corn and, to a lesser degree, wheat for the six month period. Partially offsetting the increase were price decreases for commodities sold by the commodity trading business to third parties, especially for corn and, to a lesser degree, soybean meal and also, for the six month period, wheat.

Operating income for this segment increased $14.1 million and $23.7 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases for the three and six month period primarily reflect the $12.6 million and $17.8 million fluctuation of marking to market the derivative contracts as discussed below. In addition, the increase for the six month period also reflects the write-downs of $8.8 million in the first quarter of 2009 for certain grain inventories for customer contract performance issues and related lower of cost or market adjustments, as discussed further in Note 3 to the Condensed Consolidated Financial Statements.

Due to 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. However, management anticipates positive operating income for the remainder of 2010, excluding the potential effects of marking to market derivative contracts. In addition, see Note 3 to the Condensed Consolidated Financial Statements for discussion regarding certain grain inventories.

Had Seaboard not applied mark-to-market accounting to its derivative instruments, operating income would have been lower by $10.7 million and $19.5 million, respectively, for the three and six month periods of 2010, while operating income would have been higher by $1.9 million for the three month period in 2009 and lower by $1.7 million for the six month period of 2009. 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 mark-to-market adjustments should be primarily offset by realized margins or losses as revenue is recognized and thus, these mark-to-market adjustments could reverse in fiscal 2010. 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.

Income from affiliates for the three and six month periods of 2010 increased by $2.5 million and $3.7 million, respectively, from the same periods in 2009. Based on the uncertainty of local political and economic situations in the countries in which the flour and feed mills operate, management cannot predict future results.

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Marine Segment

	Three Months Ended		Six Months Ended	
(Dollars in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	$215.6	$175.7	$419.0	$382.7
Operating income (loss)	$ 11.0	$ (2.3)	$ 19.3	$ 17.4

Net sales for the Marine segment increased $39.9 million and $36.3 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009 primarily as a result of higher cargo volumes in most markets served during 2010 as economic activity continued to increase. The growth in volumes were partially offset by overall lower cargo rates in 2010 as rates in the first quarter of 2009 had just started to decline from the impacts of the slow economic conditions and continued to decline for most of 2009. Overall, cargo rates have remained fairly constant during 2010.

Operating income for the Marine segment increased $13.3 million and $1.9 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases were primarily the result of cost decreases for charterhire and, to a lesser extent, certain terminal and other operating costs on a per unit shipped basis. Partially offsetting the increases were lower cargo rates, as discussed above, and higher fuel costs for vessels and increased trucking costs on a per unit shipped basis. 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 2010. However, management anticipates this segment will be profitable for the remainder of 2010.

Sugar Segment

	Three Months Ended		Six Months Ended	
(Dollars in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	$ 45.0	$ 35.2	$ 98.9	$ 77.2
Operating income (loss)	$ 9.5	$ (1.1)	$ 20.8	$ 1.2
Income from affiliates	$ 0.5	$ 0.2	$ 0.6	$ 0.4

Net sales for the Sugar segment increased $9.8 million and $21.7 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases primarily reflect increased sugar and alcohol prices. Partially offsetting the increases were lower volumes of sugar sales as a result of less sugar purchased for resale. During the first quarter of 2010, Seaboard began sales of dehydrated alcohol to certain local oil companies under the national bio-ethanol program which requires alcohol to be blended with gasoline. As a result, Seaboard anticipates higher sales for 2010 compared to 2009. However, Argentine governmental authorities continue to attempt to control inflation by limiting the price of basic commodities, including sugar. Accordingly, management cannot predict sugar prices for the remainder of 2010.

Operating income increased $10.6 million and $19.6 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009. The increases primarily represent higher margins from the increase in sugar and alcohol prices discussed above. In addition, the increases also reflects a $2.5 million and $5.3 million charge to earnings for the three and six month periods of 2009 related to the write-down of citrus inventories, the integration and transformation of land previously used for citrus production into sugar cane production and related costs as discussed in Note 9 to the Condensed Consolidated Financial Statements which did not occur in 2010. Management expects this segment to be profitable for the remainder of 2010 although not at the same level as the first six months of 2010.

Power Segment

	Three Months Ended		Six Months Ended	
(Dollars in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	$ 31.0	$ 24.2	$ 64.0	$ 45.4
Operating income	$ 3.7	$ 1.3	$ 7.7	$ 2.7

Net sales for the Power segment increased $6.8 million and $18.6 million for the three and six month periods of 2010, respectively, compared to the same periods in 2009 primarily reflecting higher rates. The higher rates were attributable primarily to higher fuel costs, a component of pricing. Operating income increased $2.4

million and $5.0 million for the three and six month periods of 2010, respectively, compared to the same

periods in 2009 primarily as a result of higher rates being in excess of higher fuel costs. There was no depreciation expense in 2010 related to the assets classified as held for sale although this was principally offset by increases in other production costs. See Note 9 to the Condensed Consolidated Financial Statements for the potential future sale of certain assets of this business and potential plans to build a new power barge. Management cannot predict future fuel costs or the extent to which rates will fluctuate compared to fuel costs, although management anticipates this segment will remain profitable for the remainder of 2010.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased by $2.6 million and $1.5 million for the three and six month periods of 2010 compared to the same periods in 2009. The decreases are primarily due to decreased personnel 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 discussed below). As a percentage of revenues, SG&A decreased to 4.4% and 4.6% for the three and six month periods of 2010 compared to 5.6% and 5.4% for the same periods in 2009 primarily as a result of increased sales principally in the Pork and Commodity Trading and Milling segments.

Interest Expense

Interest expense decreased $1.6 million and $3.2 million for the three and six month periods of 2010 compared to the same periods in 2009. The decreases are primarily the result of lower average level of both short and long-term borrowings.

Foreign Currency Gains (Losses), Net

The fluctuations in foreign currency gains (losses), net for the three and six months of 2010 compared to the same periods in 2009 primarily reflects foreign currency losses for the three month period of 2010 from Euro cash and short-term investment positions and Euro currency derivatives compared to foreign currency gains during 2009 in the Commodity Trading and Milling segment related to transactions denominated in the Euro and South African rand.

Other Investment Income (Loss), Net

Other investment income decreased $8.0 million and $6.5 million for the three and six month periods of 2010 compared to the same periods in 2009. The decreases primarily reflect losses of $2.4 million and $1.2 million for the three and six month periods of 2010 in the mark-to-market value of Seaboard's investments related to the deferred compensation programs in the first six months of 2010 compared to gains of $1.7 million and $1.1 million for the same periods in 2009. In addition, the three and six month periods of 2009 included income of $1.8 million and $3.9 million from the Power segment related to the settlement of a receivable, not directly related to its business and purchased at a discount.

Miscellaneous, Net

The decreases in miscellaneous, net income for the three and six month periods of 2010 compared to the same periods in 2009 primarily reflect a loss of $3.1 million in both periods in 2010 compared to gains of $2.8 million and $5.3 million on interest rate exchange agreements for the three and six month periods of 2009.

Income Tax Expense

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

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 purchase and sale contracts and forward purchases. Primary market risk exposures result from changing commodity prices, foreign currency exchange rates and interest rates. From time to time, Seaboard may also enter 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, 2009. See Note 5 to the Condensed Consolidated Financial Statements for further discussion.

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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 July 3, 2010. 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 July 3, 2010 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, 2009.

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
April 4 to April 30, 2010	2,550	1,340.94	2,550	89,431,292
May 1 to May 31, 2010	2,178	1,446.97	2,178	86,279,792
June 1 to July 3, 2010	1,952	1,493.08	1,952	83,365,296
Total	6,680	1,419.97	6,680	83,365,296

All purchases during the quarter were made under the authorization from our Board of Directors to purchase up to $100 million market value of Seaboard common stock announced on November 6, 2009. An expiration date of October 31, 2011 has been specified for this authorization. All purchases were made through open-market purchases and all the repurchased shares have been retired.

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

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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

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 terms, 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 and other products and services, (iv) statements concerning management's expectations of recorded tax effects under certain circumstances, (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 stability of the Dominican Republic's economy, fuel costs and related spot market prices and collection of receivables in the Dominican Republic, (viii) the ability of Seaboard to sell certain grain inventories in foreign countries at current cost basis and the related contract performance by customers, (ix) the effect of the fluctuation in foreign currency exchange rates, (x) statements concerning profitability or sales volume of any of Seaboard's segments, (xi) the anticipated costs and completion timetable for Seaboard's scheduled capital improvements, acquisitions and dispositions, (xii) the anticipated renewal of federal tax credits for biodiesel or (xiii) 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, Senior Vice President,
Chief Financial Officer
(principal financial officer)

Date: August 10, 2010

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

Date: August 10, 2010

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urity shown above are entirely hypothetical; they are based on prices of the Reference Stocks that may not be achieved on the Valuation Date and on assumptions that may prove to be erroneous. The actual market value of your Notes on the Maturity Date or at any other time, including any time you may wish to sell your Notes, may bear little relation to the hypothetical Payments at Maturity shown above, and those amounts should not be viewed as an indication of the financial return on an investment in the Notes.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two
Equity Securities
Royal Bank of Canada

SELECTED RISK CONSIDERATIONS

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Reference Stocks. These risks are explained in more detail in the section "Risk Factors" in the product prospectus supplement. In addition to the risks described in the prospectus supplement and the product prospectus supplement, you should consider the following:

- Principal at Risk — Investors in the Notes could lose all or a substantial portion of their principal amount if there is a decline in the trading price of the Lesser Performing Reference Stock between the Trade Date and the Valuation Date. If the Notes are not automatically called and the Final Stock Price of the Lesser Performing Reference Stock on the Valuation Date is less than its Trigger Price, the amount of cash that you receive at maturity will represent a loss of your principal that is proportionate to the decline in the closing price of the Lesser Performing Reference Stock from the Trade Date to the Valuation Date. Any Contingent Coupons received on the Notes prior to the Maturity Date may not be sufficient to compensate for any such loss.
- The Notes Are Subject to an Automatic Call — If on any Observation Date beginning in November 2018, the closing price of each Reference Stock is greater than or equal to its Initial Stock Price, then the Notes will be automatically called. If the Notes are automatically called, then, on the applicable Call Settlement Date, for each $1,000 in principal amount, you will receive $1,000 plus the Contingent Coupon otherwise due on the applicable Call Settlement Date. You will not receive any Contingent Coupons after the Call Settlement Date. You may be unable to reinvest your proceeds from the automatic call in an investment with a return that is as high as the return on the Notes would have been if they had not been called.
- You May Not Receive Any Contingent Coupons — We will not necessarily make any coupon payments on the Notes. If the closing price of either of the Reference Stocks on an Observation Date is less than its Coupon Barrier, we will not pay you the Contingent Coupon applicable to that Observation Date. If the closing price of either of the Reference Stocks is less than its Coupon Barrier on each of the Observation Dates and on the Valuation Date, we will not pay you any Contingent Coupons during the term of, and you will not receive a positive return on your Notes. Generally, this non-payment of the Contingent Coupon coincides with a period of greater risk of principal loss on your Notes. Accordingly, if we do not pay the Contingent Coupon on the Maturity Date, you will also incur a loss of principal, because the Final Stock Price of the Lesser Performing Reference Stock will be less than its Trigger Price.
- The Notes Are Linked to the Lesser Performing Reference Stock, Even if the Other Reference Stock Performs Better — If either of the Reference Stocks has a Final Stock Price that is less than its Trigger Price, your return will be linked to the lesser performing of the two Reference Stocks. Even if the Final Stock Price of the other Reference Stock has increased compared to its Initial Stock Price, or has experienced a decrease that is less than that of the Lesser Performing Reference Stock, your return will only be determined by reference to the performance of the Lesser Performing Reference Stock, regardless of the performance of the other Reference Stock.
- Your Payment on the Notes Will Be Determined by Reference to Each Reference Stock Individually, Not to a Basket, and the Payment at Maturity Will Be Based on the Performance of the Lesser Performing Reference Stock — The Payment at Maturity will be determined only by reference to the performance of the Lesser Performing Reference Stock, regardless of the performance of the other Reference Stock. The Notes are not linked to a weighted basket, in which the risk may be mitigated and diversified among each of the basket components. For example, in the case of notes linked to a weighted basket, the return would depend on the weighted aggregate performance of the basket components reflected as the basket return. As a result, the depreciation of one basket component could be mitigated by the appreciation of the other basket component, as scaled by the weighting of that basket component. However, in the case of the Notes, the individual performance of each of the Reference Stocks would not be combined, and the depreciation of one Reference Stock would not be mitigated by any appreciation of the other Reference Stock. Instead, your return will depend solely on the Final Stock Price of the Lesser Performing Reference

Stock.

- The Call Feature and the Contingent Coupon Feature Limit Your Potential Return — The return potential of the Notes is limited to the pre-specified Contingent Coupon Rate, regardless of the appreciation of the Reference Stocks. In addition, the total return on the Notes will vary based on the number of Observation Dates on which the Contingent Coupon becomes payable prior to maturity or an automatic call. Further, if the Notes are called due to the Call Feature, you will not receive any Contingent Coupons or any other payment in respect of any Observation Dates after the applicable Call Settlement Date. Since the Notes could be called as early as November 2018, the total return on the Notes could be minimal. If the Notes are not called, you may be subject to the full downside performance of the Lesser Performing Reference Stock even though your potential return is limited to the Contingent Coupon Rate. As a result, the return on an investment in the Notes could be less than the return on a direct investment in the Reference Stocks.

- Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity — The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of Royal Bank.
- Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes — The Notes are our senior unsecured debt securities. As a result, your receipt of any Contingent Coupons, if payable, and the amount due on any relevant payment date is dependent upon our ability to repay its obligations on the applicable payment dates. This will be the case even if the prices of the Reference Stocks increase after the Trade Date. No assurance can be given as to what our financial condition will be during the term of the Notes.
- There May Not Be an Active Trading Market for the Notes-Sales in the Secondary Market May Result in Significant Losses — There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and our other affiliates may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of ours may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.
- The Initial Estimated Value of the Notes Will Be Less than the Price to the Public — The initial estimated value set forth on the cover page and that will be set forth in the final pricing supplement for the Notes does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the prices of the Reference Stocks, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the estimated costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the underwriting discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined by RBCCM for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.
- The Initial Estimated Value of the Notes on the Cover Page of this Terms Supplement and that We Will Provide in the Final Pricing Supplement Are Estimates Only, Calculated as of the Time the Terms of the Notes Are Set — The initial estimated value of the Notes will be based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See “Structuring the Notes”

below. Our estimates are based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

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The value of the Notes at any time after the Trade Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

- Market Disruption Events and Adjustments — The payment at maturity, each Observation Date and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "General Terms of the Notes—Market Disruption Events" in the product prospectus supplement.
- Our Business Activities May Create Conflicts of Interest — We and our affiliates expect to engage in trading activities related to the Reference Stocks that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders' interests in the Notes and the interests we and our affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the share price of the Reference Stocks, could be adverse to the interests of the holders of the Notes. We and one or more of our affiliates may, at present or in the future, engage in business with the Reference Stock Issuers, including making loans to or providing advisory services. These services could include investment banking and merger and acquisition advisory services. These activities may present a conflict between our or one or more of our affiliates' obligations and your interests as a holder of the Notes. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Stocks. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by us or one or more of our affiliates may affect the share price of the Reference Stocks, and, therefore, the market value of the Notes.
- Owning the Notes Is Not the Same as Owning the Reference Stocks — The return on your Notes is unlikely to reflect the return you would realize if you actually owned shares of the Reference Stocks. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on these securities during the term of your Notes. As an owner of the Notes, you will not have voting rights or any other rights that holders of these securities may have. Furthermore, the Reference Stocks may appreciate substantially during the term of the Notes, while your potential return will be limited to the applicable Contingent Coupon payments.
- You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Reference Stocks — In the ordinary course of their business, our affiliates may have expressed views on expected movements in the Reference Stocks, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any Reference Stock may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the Reference Stocks from multiple sources, and you should not rely solely on views expressed by our affiliates.
- There Is No Affiliation Between the Reference Stock Issuers and RBCCM, and RBCCM Is Not Responsible for any Disclosure by the Reference Stock Issuers — We are not affiliated with the Reference Stock Issuers. However, we and our affiliates may currently, or from time to time in the future engage, in business with either Reference Stock Issuer. Nevertheless, neither we nor our affiliates assume any responsibilities for the accuracy or the completeness of any information that any other company prepares. You, as an investor in the Notes, should make your own investigation into the Reference Stocks.

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INFORMATION REGARDING THE REFERENCE STOCK ISSUERS

The Reference Stocks are registered under the Securities Exchange Act of 1934 (the "Exchange Act"). Companies with securities registered under that Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC's website at www.sec.gov. In addition, information regarding the Reference Stocks may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

The following information regarding the Reference Stock Issuers is derived from publicly available information.

We have not independently verified the accuracy or completeness of reports filed by the Reference Stock Issuers with the SEC, information published by it on its website or in any other format, information about it obtained from any other source or the information provided below.

We obtained the information regarding the historical performance of the Reference Stocks set forth below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Stocks should not be taken as an indication of their future performance, and no assurance can be given as to the market prices of any Reference Stock at any time during the term of the Notes. We cannot give you assurance that the performance of any Reference Stock will not result in the loss of all or part of your investment.

Apple Inc. ("AAPL")

Apple Inc. designs, manufactures, and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions.

The company's common stock is listed on the Nasdaq Global Select Market under the ticker symbol "AAPL."

The Goldman Sachs Group, Inc. ("GS")

The Goldman Sachs Group, Inc. is an investment banking and securities firm specializing in investment banking, trading and principal investments, asset management and securities services. The company provides services to corporations, financial institutions, governments, and high-net worth individuals.

The company's common stock is listed on the New York Stock Exchange under the ticker symbol "GS."

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HISTORICAL INFORMATION

The graphs below set forth the information relating to the historical performance of the Reference Stocks. In addition, below the graphs are tables setting forth the intra-day high, intra-day low and period-end closing prices of the Reference Stocks. The information provided in these tables is for the period from January 1, 2008 through May 15, 2018.

We obtained the information regarding the historical performance of the Reference Stocks in the graphs and tables below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of any Reference Stock should not be taken as an indication of its future performance, and no assurance can be given as to the prices of the Reference Stocks at any time. We cannot give you assurance that the performance of the Reference Stocks will not result in the loss of all or part of your investment.

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Historical Information for Apple Inc. (“AAPL”)
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2008 through May 15, 2018.

Period-Start Date	Period-End Date	High Intra-Day Price of this Reference Stock ($)	Low Intra-Day Price of this Reference Stock ($)	Period-End Closing Price of this Reference Stock ($)
1/1/2008	3/31/2008	28.60	16.49	20.50
4/1/2008	6/30/2008	27.46	20.65	23.92
7/1/2008	9/30/2008	25.84	14.37	16.24
10/1/2008	12/31/2008	16.63	11.31	12.33
1/1/2009	3/31/2009	15.70	11.17	15.02
4/1/2009	6/30/2009	20.91	14.84	20.35
7/1/2009	9/30/2009	26.98	19.20	26.48
10/1/2009	12/31/2009	30.56	25.82	30.23
1/1/2010	3/31/2010	33.93	27.18	33.56
4/1/2010	6/30/2010	39.86	28.48	35.93
7/1/2010	9/30/2010	42.10	33.65	40.54
10/1/2010	12/31/2010	46.66	39.68	46.24
1/1/2011	3/31/2011	52.13	46.41	49.78
4/1/2011	6/30/2011	50.71	44.38	47.95
7/1/2011	9/30/2011	60.41	47.75	54.45
10/1/2011	12/31/2011	60.96	50.61	57.86
1/1/2012	3/31/2012	88.77	58.43	85.64
4/1/2012	6/30/2012	92.00	75.53	83.43
7/1/2012	9/30/2012	100.72	81.43	95.32
10/1/2012	12/31/2012	96.68	71.61	76.15
1/1/2013	3/31/2013	79.29	59.86	63.23
4/1/2013	6/30/2013	66.53	55.01	56.58
7/1/2013	9/30/2013	73.39	57.32	68.11
10/1/2013	12/31/2013	82.16	68.33	80.16
1/1/2014	3/31/2014	80.02	70.51	76.68
4/1/2014	6/30/2014	95.05	73.05	92.93
7/1/2014	9/30/2014	103.74	92.57	100.75
10/1/2014	12/31/2014	119.75	95.18	110.38
1/1/2015	3/31/2015	133.60	104.64	124.43
4/1/2015	6/30/2015	134.54	123.10	125.43
7/1/2015	9/30/2015	132.97	92.00	110.30
10/1/2015	12/31/2015	123.81	104.82	105.26
1/1/2016	3/31/2016	110.42	92.40	108.99
4/1/2016	6/30/2016	112.39	89.47	95.60
7/1/2016	9/30/2016	116.17	94.37	113.05
10/1/2016	12/31/2016	118.69	104.09	115.82
1/1/2017	3/31/2017	144.50	114.76	143.66
4/1/2017	6/30/2017	156.64	140.06	144.02
7/1/2017	9/30/2017	164.94	142.41	154.12

10/1/2017	12/31/2017	177.20	152.46	169.23
1/1/2018	3/31/2018	183.49	150.25	167.78
4/1/2018	5/15/2018	190.37	160.63	186.44

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Auto-Callable Contingent Coupon Barrier Notes
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The graph below illustrates the performance of this Reference Stock from January 1, 2008 to May 15, 2018, assuming an Initial Stock Price of $186.44, which was the closing price of this Reference Stock on May 15, 2018. The red line represents a hypothetical Coupon Barrier and Trigger Price of $121.19, which is equal to 65.00% of the closing price on May 15, 2018, rounded to two decimal places. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

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Historical Information for The Goldman Sachs Group, Inc. (“GS”)
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2008 through May 15, 2018.

Period-Start Date	Period-End Date	High Intra-Day Price of this Reference Stock ($)	Low Intra-Day Price of this Reference Stock ($)	Period-End Closing Price of this Reference Stock ($)
1/1/2008	3/31/2008	215.05	140.27	165.39
4/1/2008	6/30/2008	203.30	161.22	174.90
7/1/2008	9/30/2008	190.00	86.85	128.00
10/1/2008	12/31/2008	142.00	47.44	82.06
1/1/2009	3/31/2009	115.64	59.13	106.02
4/1/2009	6/30/2009	151.17	103.95	147.44
7/1/2009	9/30/2009	188.00	135.24	184.35
10/1/2009	12/31/2009	193.59	160.20	166.70
1/1/2010	3/31/2010	178.72	147.84	170.63
4/1/2010	6/30/2010	185.94	131.03	131.27
7/1/2010	9/30/2010	157.25	129.50	144.58
10/1/2010	12/31/2010	171.61	144.71	167.64
1/1/2011	3/31/2011	175.29	153.29	158.47
4/1/2011	6/30/2011	164.40	128.30	133.09
7/1/2011	9/30/2011	139.25	91.40	94.55
10/1/2011	12/31/2011	118.06	84.28	90.43
1/1/2012	3/31/2012	128.70	92.42	124.37
4/1/2012	6/30/2012	125.54	90.43	95.86
7/1/2012	9/30/2012	122.60	91.16	113.68
10/1/2012	12/31/2012	129.72	113.84	127.56
1/1/2013	3/31/2013	158.68	129.64	147.15
4/1/2013	6/30/2013	168.18	137.31	151.25
7/1/2013	9/30/2013	169.75	149.28	158.21
10/1/2013	12/31/2013	177.44	152.85	177.26
1/1/2014	3/31/2014	181.11	159.77	163.85
4/1/2014	6/30/2014	171.07	151.65	167.44
7/1/2014	9/30/2014	188.50	161.63	183.57
10/1/2014	12/31/2014	198.05	171.30	193.83
1/1/2015	3/31/2015	195.73	172.27	187.97
4/1/2015	6/30/2015	218.74	186.96	208.79
7/1/2015	9/30/2015	214.57	167.49	173.76
10/1/2015	12/31/2015	199.90	169.91	180.23
1/1/2016	3/31/2016	177.48	139.06	156.98
4/1/2016	6/30/2016	168.90	138.20	148.58
7/1/2016	9/30/2016	172.33	142.64	161.27
10/1/2016	12/31/2016	245.54	160.26	239.45
1/1/2017	3/31/2017	255.10	220.86	229.72
4/1/2017	6/30/2017	232.89	209.66	221.90
7/1/2017	9/30/2017	237.58	214.67	237.19

10/1/2017	12/31/2017	262.10	233.70	254.76
1/1/2018	3/31/2018	275.29	239.30	251.86
4/1/2018	5/15/2018	262.38	227.42	241.56

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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The graph below illustrates the performance of this Reference Stock from January 1, 2008 to May 15, 2018, assuming an Initial Stock Price of $241.56, which was the closing price of this Reference Stock on May 15, 2018. The red line represents a hypothetical Coupon Barrier and Trigger Price of $157.01, which is equal to 65.00% of the closing price on May 15, 2018, rounded to two decimal places. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

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SUPPLEMENTAL DISCUSSION OF
U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 8, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences." The discussions below and in the accompanying product prospectus supplement do not address the tax consequences applicable to holders subject to Section 451(b) of the Code.

Under Section 871(m) of the Code, a "dividend equivalent" payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stocks or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Stocks or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about May 31, 2018, which is the third (3rd) business day following the Trade Date (this settlement cycle being referred to as "T+3"). See "Plan of Distribution" in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution—Conflicts of Interest" in the prospectus dated January 8, 2016. We expect to deliver the Notes on a date that is greater than two business days following the Trade Date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than two business days prior to the original Issue Date will be required to specify alternative arrangements to prevent a failed settlement.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

The value of the Notes shown on your account statement may be based on RBCCM's estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately three months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM's estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may initially be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”)) will be prepared in connection with the Notes. Accordingly, the Notes may not be offered to the public in any member state of the European Economic Area (the “EEA”), and any purchaser of the Notes who subsequently sells any of the Notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two
Equity Securities
Royal Bank of Canada

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression “offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and a “retail investor” means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Stocks. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Stocks, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.