

SEABOARD CORP /DE/
Form 10-K
February 21, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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 West 67th Street, Merriam, Kansas 66202

(Address of Principal Executive Offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common Stock \$1.00 Par Value	NYSE American

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the 260,841 shares of Seaboard common stock held by nonaffiliates was approximately \$1,042,059,795, based on the closing price of \$3,995.00 per share on July 1, 2017, the end of Seaboard's most recently completed second fiscal quarter. As of January 31, 2018, the number of shares of common stock outstanding was 1,170,550.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated parts of this report: (1) Seaboard Corporation's annual report to stockholders furnished to the SEC pursuant to Rule 14a-3(b) – Parts I and II; and (2) Seaboard Corporation's definitive proxy statement, which will be filed no later than 120 days after December 31, 2017, pursuant to Regulation 14A for the 2018 annual meeting of stockholders – Part III.

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Forward-looking Statements

This report, including information included or incorporated by reference in this report, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Seaboard Corporation and its subsidiaries (“Seaboard”). Forward-looking statements generally may be identified as statements that are not historical in nature and statements preceded by, followed by or that include the words “believes,” “expects,” “may,” “will,” “should,” “could,” “anticipates,” “estimates,” “intends” or similar expressions.

In more specific terms, forward-looking statements include, without limitation:

- statements concerning the projection of revenues, income or loss, capital expenditures, capital structure or other financial items;
 - statements regarding the plans and objectives of management for future operations;
- statements of future economic performance;
- statements regarding the intent, belief or current expectations of Seaboard and its management with respect to:
 - (i) Seaboard’s ability to obtain adequate financing and liquidity;
 - (ii) the price of feed stocks and other materials used by Seaboard;
 - (iii) the sale price or market conditions for pork, grains, sugar, turkey and other products and services;
 - (iv) the recorded tax effects under certain circumstances and changes in tax laws;
 - (v) the volume of business and working capital requirements associated with the competitive trading environment for the Commodity Trading and Milling division;
 - (vi) the charter hire rates and fuel prices for vessels;
 - (vii) the fuel costs and related spot market prices in the Dominican Republic;
 - (viii) the effect of the fluctuation in foreign currency exchange rates;
 - (ix) the profitability or sales volume of any of Seaboard’s divisions;
 - (x) the anticipated costs and completion timetables for Seaboard’s scheduled capital improvements, acquisitions and dispositions;
 - (xi) the productive capacity of facilities that are planned or under construction, and the timing of the commencement of operations at such facilities; or
 - (xii) other trends affecting Seaboard’s financial condition or results of operations, and statements of the assumptions underlying or relating to any of the foregoing statements.

This list of forward-looking statements is not exclusive. Seaboard undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions or otherwise. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to a variety of factors. The information contained in this Form 10-K and in other filings Seaboard makes with the Securities and Exchange Commission (the “SEC”), including without limitation, the information under the items “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K, identifies important factors which could cause such differences.

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SEABOARD CORPORATION

PART I

Item 1. Business

(a) General Development of Business

Originally founded in 1918, today Seaboard Corporation, a Delaware corporation organized in 1946, and its subsidiaries (“Seaboard”) are a diverse global agribusiness and transportation company. In the United States (“U.S.”), Seaboard is primarily engaged in pork production and processing and ocean transportation. Overseas, Seaboard is primarily engaged in commodity merchandising, grain processing, sugar production and electric power generation. Seaboard also has an equity method investment that has turkey operations in the U.S.

Seaboard Flour LLC and SFC Preferred, LLC, Delaware limited liability companies, collectively own approximately 76% of the outstanding common stock of Seaboard. Mr. Steven J. Bresky, President and Chief Executive Officer of Seaboard, and other members of the Bresky family, including trusts created for their benefit, own the equity interests of Seaboard Flour LLC and SFC Preferred, LLC.

(b) Financial Information about Segments

The financial information relating to reportable segments required by this item is incorporated herein by reference to Note 13 to the consolidated financial statements included in Seaboard’s annual report to stockholders furnished to the SEC pursuant to Rule 14a-3(b) and attached as Exhibit 13 to this annual report on Form 10-K (“Annual Report to Stockholders”).

(c) Narrative Description of Business

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

(i) Principal Products and Services

Pork Division – Seaboard, through its subsidiary Seaboard Foods LLC, engages in the business of hog production and pork processing in the U.S. Through these operations, Seaboard’s Pork division produces and sells fresh and frozen pork products to further processors, foodservice operators, grocery stores, distributors and retail outlets throughout the U.S., and, to a lesser extent, internationally. Other further processing companies also purchase fresh and frozen pork products in bulk and produce products, such as lunchmeat, ham, bacon and sausage. Fresh pork, such as loins, tenderloins and ribs are sold to distributors and grocery stores. The Pork division’s hog processing plant is located in Oklahoma and generally operates at capacity. The Pork division also has a ham-boning and processing plant in Mexico.

The Pork division’s hog production operations consist of the breeding and raising of over five million hogs annually primarily at facilities owned by Seaboard or at facilities owned and operated by third parties with whom Seaboard has grower contracts. The hog production operations are located in the Central U.S. As a part of the hog production operations, the Pork division produces specially formulated feed for the hogs at seven owned feed mills. The remaining hogs processed are purchased from third-party hog producers, primarily pursuant to purchase contracts.

The Pork division produces biodiesel at facilities in Oklahoma and Missouri. The biodiesel is produced from pork fat supplied by the division's Oklahoma pork processing plant and from other animal fat or vegetable oil supplied by non-Seaboard facilities. The biodiesel is sold to fuel blenders for distribution and in the retail markets.

The Pork division earns fees to market substantially all of the products produced by Triumph Foods, LLC ("Triumph") at its pork processing plant located in Missouri, and by Seaboard Triumph Foods, LLC ("STF") at its pork processing plant located in Iowa. As part of the operations, Seaboard and Triumph sell a portion of their hogs to be processed at the STF plant. Seaboard has a 50% noncontrolling interest in STF.

The Pork division has a 50% noncontrolling interest in Daily's Premium Meats, LLC ("Daily's"). Daily's produces and markets raw and pre-cooked bacon and ham under the Daily's® brand name primarily for the food service industry and, to a lesser extent, retail markets. Daily's has three further processing plants located in Utah, Montana and Missouri. Seaboard, STF and Triumph each supply raw product to Daily's.

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Commodity Trading and Milling Division – Seaboard’s Commodity Trading and Milling (“CT&M”) division is an integrated agricultural commodity trading, processing and logistics company. This division markets wheat, corn, soybean meal and other commodities in bulk to third parties and affiliated companies. The CT&M division is principally managed under the name of Seaboard Overseas and Trading Group and conducts business primarily through its subsidiaries, Seaboard Overseas Limited with offices in Colombia, Ecuador, Isle of Man, Kenya, Singapore, Korea and South Africa, Seaboard Overseas Trading and Shipping (PTY) Ltd. located in South Africa, PS International, LLC located in Chapel Hill, North Carolina and Canada, and its non-consolidated affiliates, ContiLatin del Peru S.A. located in Peru, Interra International, LLC located in Atlanta, Georgia, Plum Grove Pty Ltd located in Australia, and Zalar Holding S.A. located in Morocco. This division also operates an ocean transportation brokerage operation through Seaboard Bulk Services, Ltd. located in Greece. Seaboard integrates the service of delivering commodities to its customers through the use of chartered and owned bulk vessels.

On January 5, 2018, the CT&M division acquired five entities operating as Groupe Mimran (“Mimran”). Mimran operates three flour mills and an associated trading business located in Senegal, Ivory Coast and Monaco. Excluding the acquisition of Mimran, the CT&M division sources, transports and markets approximately ten million tons of agricultural commodities on an annual basis. All of the commodities marketed by this division are purchased from growing regions worldwide, with primary destinations being Africa, South America, the Caribbean and Asia.

The CT&M division also operates grain and feed milling and related businesses with 38 locations in 20 countries, including wheat flour mills in 16 countries, which are primarily supplied by the trading locations discussed above. The grain processing businesses are operated through 6 consolidated and 18 non-consolidated affiliates in Africa, South America, the Caribbean and Europe. These are primarily flour, feed and maize milling and oilseed crush businesses, which produce approximately five million metric tons of finished products per year. In addition, this division has a noncontrolling interest in poultry businesses in Africa and a bakery business in the Democratic Republic of Congo. Most of the products produced by these operations are sold in the countries in which the products are produced or into adjacent countries.

Marine Division – Seaboard, through its subsidiary, Seaboard Marine Ltd., and various foreign affiliated companies and third-party agents, provides cargo shipping services to 28 countries between the U.S., the Caribbean and Central and South America. Seaboard’s Marine division uses a network of offices and agents throughout the U.S., Canada, Central and South America and the Caribbean to book cargo to and from the U.S. and between the countries it serves. Through agreements with a network of connecting carriers, this division can transport cargo to and from numerous U.S. locations by either truck or rail to and from one of its U.S. port locations, where it is staged for export via vessel or received as import cargo from abroad.

The Marine division’s primary operations are located in Miami, Florida and includes a terminal located at PortMiami and off-dock warehouses for cargo consolidation and temporary storage. This division also operates a cargo terminal facility at the Port of Houston that includes an on-dock warehouse space for temporary storage of bagged grains, resins and other cargoes. This division also makes scheduled vessel calls in Brooklyn, New Orleans, Philadelphia, and 49 foreign ports. The Marine division’s fleet consists of 20 chartered and 3 owned vessels and dry, refrigerated and specialized containers and other related equipment.

Sugar Division – Seaboard, through its subsidiaries, Ingenio y Refineria San Martin del Tabacal S.R.L. and Alconoa S.R.L., as well as other Argentine non-consolidated affiliates, grows sugarcane, which it uses to produce refined sugar and alcohol in Argentina. This division also purchases sugar and alcohol in bulk from third parties mostly within Argentina for subsequent resale. The sugar products are mostly sold in Argentina, primarily to retailers, soft drink manufacturers and food manufacturers, with some exports to the U.S. and other South American countries. Seaboard's Sugar division grows a large portion of the sugarcane on the nearly 70,000 acres of land it owns in northern Argentina. The cane is processed at an owned mill, one of the largest in Argentina, with a current processing capacity of approximately 250,000 metric tons of sugar and approximately 27 million gallons of alcohol per year. Also, this division owns a 51 megawatt cogeneration power plant that is fueled by using sugarcane by-products, natural gas and other biomass when available.

Power Division – Seaboard, through its subsidiary, Transcontinental Capital Corp. (Bermuda) Ltd., is an unregulated independent power producer generating electricity for the local power grid in the Dominican

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Republic. Seaboard's Power division operates one owned power generating barge with capacity to generate approximately 108 megawatts of electricity that is secured on the Ozama River in Santo Domingo, Dominican Republic. The facility consists of a system of diesel engines mounted onto barge-type vessels and is capable of using natural gas or heavy fuel oil. This operation is exempt from U.S. regulations under the Public Utility Holding Company Act of 1938, as amended. Seaboard's Power division is not directly involved in the transmission or distribution of electricity and primarily sells on the spot market to wholly government-owned distribution companies. This division also has a 29.9% noncontrolling interest in a 300 megawatt electricity generating facility among a few other equity method investments in energy-related businesses in the Dominican Republic.

Turkey Segment – Seaboard has a 50% noncontrolling voting interest in Butterball, LLC (“Butterball”). Butterball is a vertically integrated producer, processor and marketer of branded and non-branded turkey products. Butterball has four processing plants, two further processing plants and numerous live production and feed milling operations located in North Carolina, Arkansas, Missouri and Kansas. Butterball produces over one billion pounds of turkey each year. Butterball is a national supplier to retail and foodservice outlets, and also exports products to Mexico and numerous other foreign markets.

Other Businesses – Seaboard processes jalapeño peppers at its plant in Honduras, which are primarily shipped to and sold in the U.S.

The information required by this item with respect to the amount or percentage of total revenue contributed by any class of similar products or services, which account for 10% or more of consolidated revenue in any of the last three fiscal years, is set forth in Note 13 to the consolidated financial statements included in Seaboard's Annual Report to Stockholders, which information is incorporated herein by reference.

(ii) Status of Product or Segment

In August 2017, the Pork division acquired hog inventory and related assets from an existing farm operation for an investment of \$40 million. This acquisition provided additional sows to further increase Seaboard's capacity to fulfill its hog supply commitment for processing at the STF plant, which began operations in September 2017.

During 2017, the CT&M division acquired a pulse and grain elevator in Canada for \$14 million that complements an existing CT&M business in Canada, and invested an additional \$7 million in a grain trading and poultry business in Morocco. The additional investment increased Seaboard's ownership interest in this Moroccan business to 19.4% and, as a result, Seaboard changed its accounting method from the cost method to equity method effective on the date of the additional investment. On January 5, 2018, the CT&M division completed the acquisition of Mimran, including three flour mills in Senegal and Ivory Coast having a combined capacity of approximately 2,750 metric tons a day, and a trading business located in Monaco that is expected to increase Seaboard's annual grain trading volume by approximately 900,000 tons. The purchase price was \$375 million, plus an earn-out between zero and \$48 million, using the exchange rate in effect at closing.

Butterball closed its Montgomery, Illinois, further processing plant in 2017, resulting in charges primarily related to impaired fixed assets and accrued severance. Seaboard's proportionate share of these charges, recognized in income (loss) from affiliates, was \$18 million for the year ended December 31, 2017.

(iii) Sources and Availability of Raw Materials

None of Seaboard's businesses utilize material amounts of raw materials that are dependent on purchases from one supplier or a small group of dominant suppliers except the following: the Power segment has one primary supplier of natural gas, but the barge can run on other types of fuel; and the Turkey segment purchases a significant portion of its feed and grain used in the manufacturing of feed for its turkeys in North Carolina from Seaboard's 50% partner in Butterball.

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

Seaboard uses the trademark of Seaboard™.

The Pork division uses registered trademarks relating to its products, including Seaboard Farms®, Prairie Fresh®, A Taste Like No Other®, St. Joe Pork®, High Plains Bioenergy®, Prairie Fresh Prime®, Seaboard Foods®, Cook-in Bag®, 67th Street® and The Thrill Without The Grill®. Daily's, a non-consolidated affiliate of the Pork division, uses the trademarks Daily's®, Daily's Premium Meats Since 1893®, Buffet Brand® and Del Pueblo®. Seaboard considers the use of these trademarks important to the marketing and promotion of its pork products.

The Marine division uses the registered trademarks of Seaboard Marine® and Seaboard Solutions®. Seaboard believes there is significant recognition of these trademarks in the industry and by many of its customers.

The Sugar division markets certain sugar sales under the Chango® brand.

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

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

(v) Seasonal Business

The Turkey business is seasonal only on the whole bird side with the Thanksgiving and Christmas holidays driving the majority of those sales. Seaboard's other divisions are not seasonally dependent to any material extent.

(vi) Practices Relating to Working Capital Items

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

(vii) Depending on a Single Customer or Few Customers

Seaboard does not have sales to any one customer equal to 10% or more of consolidated revenues. The CT&M division derived 12% of its sales from a non-consolidated affiliate for the year ended December 31, 2017. The Sugar division derived 39%, 26% and 20% of its sales from one customer for the years ended December 31, 2017, 2016 and 2015, respectively, and another customer represented 10% of its sales for the year ended December 31, 2017. The Power division sells power in the Dominican Republic on the spot market accessed primarily by three wholly government-owned distribution companies. The Turkey Segment had one customer that represented 13% and 11% of its sales for the years ended December 31, 2017 and 2016, respectively, and another customer that represented 11% of its sales for the year ended December 31, 2017. No other division has sales to a few customers that, if lost, would have a material adverse effect on any such division or on Seaboard taken as a whole.

(viii) Backlog

Backlog is not material to Seaboard's businesses.

(ix) Government Contracts

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

(x) Competitive Conditions

Competition in Seaboard's Pork division comes from a variety of regional, national and international producers and processors and is based primarily on product quality, customer service and price. According to Successful Farming and Informa Economics, trade publications, Seaboard was ranked number three in pork production (based on sows in production) and number four in processing (based on daily processing capacity, including Triumph's and STF's capacity) in the U.S. in 2017.

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

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

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

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

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

(xi) Research and Development Activities

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

(xii) Environmental Compliance

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

(xiii) Number of Persons Employed by Registrant

At the time of this report, Seaboard, excluding the recent Mimran acquisition and non-consolidated affiliates, had approximately 11,800 employees, of whom approximately 6,400 were employed in the U.S.

(d) Financial Information about Geographic Areas

In addition to the narrative disclosure provided below, the financial information relating to export sales required by this item is incorporated herein by reference to Note 13 to the consolidated financial statements included in Seaboard's Annual Report to Stockholders.

Seaboard considers its relations with the governments of the countries in which its foreign subsidiaries and affiliates are located to be satisfactory, but foreign operations in lesser-developed countries are subject to risks of doing business such as potential civil unrest and government instability, increasing the exposure to potential expropriation, confiscation, war, insurrection, civil strife and revolution, sales price controls, currency inconvertibility and devaluation, and currency exchange controls. To minimize certain of these risks, Seaboard has insured its investment in an affiliated flour mill in the Democratic Republic of Congo to the extent available and deemed appropriate with the Overseas Private Investment Corporation, an agency of the U.S. Government. At the date of this report, Seaboard is not aware of any situations that could have a material effect on Seaboard's business.

(e) Available Information

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

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

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

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Executive Officers of the Registrant

The following table lists the executive officers of Seaboard. Generally, executive officers are elected at the annual meeting of the Board of Directors following the Annual Meeting of Stockholders and hold office until the next such annual meeting or until their respective successors are duly chosen and qualified. There are no arrangements or understandings pursuant to which any executive officer was elected.

Name (Age)	Positions and Offices with Registrant and Affiliates
Steven J. Bresky (64)	President and Chief Executive Officer
Robert L. Steer (58)	Executive Vice President, Chief Financial Officer
David M. Becker (56)	Senior Vice President, General Counsel and Secretary
James L. Gutsch (64)	Senior Vice President, Engineering
Ralph L. Moss (72)	Senior Vice President, Governmental Affairs
David S. Oswalt (50)	Senior Vice President, Finance and Treasurer
David H. Rankin (46)	Senior Vice President, Taxation and Business Development
Michael D. Trollinger (49)	Vice President, Corporate Controller and Chief Accounting Officer
Ty A. Tywater (48)	Vice President, Audit Services
David M. Dannov (56)	President, Seaboard Overseas and Trading Group
Edward A. Gonzalez (52)	President, Seaboard Marine Ltd.
Terry J. Holton (58)	President, Seaboard Foods LLC

Mr. Bresky has served as President and Chief Executive Officer of Seaboard since July 2006.

Mr. Steer has served as Executive Vice President, Chief Financial Officer of Seaboard since April 2011.

Mr. Becker has served as Senior Vice President, General Counsel and Secretary of Seaboard since April 2011.

Mr. Gutsch has served as Senior Vice President, Engineering of Seaboard since April 2011.

Mr. Moss has served as Senior Vice President, Governmental Affairs of Seaboard since April 2011.

Mr. Oswalt has served as Senior Vice President, Finance and Treasurer since April 2013, and previously as Senior Vice President, Taxation and Business Development of Seaboard from 2011 to 2013.

Mr. Rankin has served as Senior Vice President, Taxation and Business Development since April 2015 and previously as Vice President, Taxation and Business Development since April 2013 and Vice President of Seaboard from 2010 to 2013.

Mr. Trollinger has served as Vice President, Corporate Controller and Chief Accounting Office of Seaboard since March 2015. Prior to that, he served as Vice President, Finance & Operational Reporting for Jack Cooper Enterprises, Inc. from 2011 to 2015.

Mr. Tywater has served as Vice President, Audit Services of Seaboard since November 2008.

Mr. Dannov has served as President of Seaboard Overseas and Trading Group since August 2006.

Mr. Gonzalez has served as President of Seaboard Marine Ltd. since January 2005.

Mr. Holton has served as President of Seaboard Foods LLC since December 2011.

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Item 1A. Risk Factors

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

(a) General

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

- food spoilage or contamination;
- evolving consumer preferences and nutritional and health-related concerns;
- international, foreign, federal, state and local food processing regulations;
- consumer product liability claims;
- product tampering; and
- public perception of food production practices, including handling of production and live animals.

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

(2) International Operations Subject Seaboard to Risks That Could Have a Significant Impact on Seaboard's Business.

Seaboard is a diverse agribusiness and transportation company with global operations in several industries. Most of the sales and costs of Seaboard's divisions are significantly influenced by worldwide fluctuations in commodity prices or changes in foreign political and economic conditions. Accordingly, revenues, operating income and cash flows could fluctuate significantly from year to year. In addition, Seaboard's international activities pose risks not faced by companies that limit themselves to U.S. markets. These risks include:

- changes in foreign currency exchange rates;
- foreign currency exchange controls;
- changes in a specific country's or region's political or economic conditions, particularly in emerging markets;
- hyperinflation;
- heightened customer credit and execution risk;
- tariffs, other trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- legal and regulatory structures and unexpected changes in legal and regulatory requirements and any lawsuits that may arise;
- negative perception within a foreign country of a U.S. company doing business in that foreign country;
- compliance with U.S. laws and regulations for conducting international business such as Foreign Account Tax Compliance Act, Foreign Corrupt Practices Act and Office of Foreign Assets Control regulations;
- expropriation, civil unrest and government instability; and
- inconsistent application or enforcement of local laws, including tax laws.

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

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- negatively impact global demand for protein and grain-based products, which could result in a reduction of revenues, operating income and cash flows;
- decrease the value of Seaboard's investments in equity and debt securities, including pension plan assets, causing losses that would adversely impact Seaboard's net earnings; and
- impair the financial viability of Seaboard's insurers.

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

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

All of these hazards could result in death or injury to persons, loss of property, environmental damages, delays or rerouting. If one of Seaboard's vessels were involved in an incident, the resulting negative public perception could have a material adverse effect on Seaboard's business, financial condition and results of operations. Also, many aspects of the marine industry are subject to extensive governmental regulations. Compliance with applicable laws, regulations and standards may require installation of costly equipment or operational changes, while the failure to comply may result in administrative and civil penalties, criminal sanctions, the suspension or termination of Seaboard's operations or detention of its vessels.

(5) Seaboard's Common Stock Is Thinly Traded and Subject to Daily Price Fluctuations. The common stock of Seaboard is closely held and thinly traded on a daily basis on the NYSE American. Seaboard Flour LLC and SFC Preferred, LLC, which are beneficially owned by Mr. Steven Bresky, President and Chief Executive Officer of Seaboard, and other members of the Bresky family, hold approximately 76% of Seaboard's outstanding common stock. Accordingly, the price of a share of common stock could fluctuate more significantly from day-to-day than that of a share of widely held stock that is actively traded on a daily basis.

(6) Seaboard Has Investments in Non-Consolidated Affiliates That Are Managed by Third Parties. Seaboard has several equity method investments in which it owns 50% or less, with various third-party business partners owning the remaining equity. Due to the ownership structure of these affiliates, Seaboard does not have control in all the decision making and could be exposed to various business risks if the business partners' business practices do not align with Seaboard's best interests, which could adversely impact the results for Seaboard's income (loss) from affiliates.

(7) Seaboard Is Increasingly Dependent on Information Technology Systems to Manage and Support a Variety of Business Processes and Activities. Any significant breakdown, invasion, destruction, or interruption of these systems could negatively impact operations. In addition, there is a risk of business interruption and reputational damage from leakage of confidential information. Also, the disclosure of sensitive non-public company information through external media channels could lead to information loss. Any business interruptions or damage to Seaboard's reputation could negatively impact its financial condition, results of operations, and the market price of its common stock.

(b) Pork Division

- (1) **Fluctuations in Commodity Pork Prices Could Adversely Affect the Results of Operations.** Sales prices for this division's products are directly affected by both domestic and worldwide supply and demand for pork products and other proteins, all of which are determined by constantly changing market forces of supply and demand as well as other factors over which Seaboard has little or no control. Commodity pork prices demonstrate a cyclical nature over periods of years, reflecting changes in the supply of fresh pork and competing proteins on the market, especially beef and chicken. This division's results of operations could be adversely affected by fluctuations in pork commodity prices.
- (2) **Increases in Costs of This Division's Feed Components and Third-Party Hog Purchases Could Adversely Affect Costs and Operating Margins.** Feed costs are the most significant single component of the cost of raising hogs and could be materially affected by commodity price fluctuations for corn and soybean meal. The results of this division could be negatively affected by increased costs of its feed components. The continued operation of ethanol plants has elevated this risk as it has increased the competing demand for feed ingredients, primarily corn.

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Similarly, accounting for approximately 13% of this division's total hogs slaughtered, the cost of third-party hogs purchased fluctuates with market conditions and could have an impact on this division's total costs. The cost and supply of feed components and the third-party hogs that this division purchases are determined by constantly changing market forces of supply and demand, which are driven by matters over which Seaboard has no control, including weather, current and projected worldwide grain stocks and prices, grain export prices and supports, and governmental agricultural policies. This division attempts to manage certain of these risks through the use of financial instruments; however, this may also limit its ability to participate in gains from favorable commodity fluctuations. Unless wholesale pork prices correspondingly increase, increases in the prices of this division's feed components or in the cost of third-party hogs purchased would adversely affect Seaboard's operating margins.

- (3) Seaboard May Be Unable to Obtain Appropriate Personnel at Remote Locations. The remote locations of the pork processing plant and live hog operations and a more restrictive national policy on immigration could negatively affect the availability and cost of labor. This division is dependent on having sufficient properly trained operations personnel. Attracting and retaining qualified personnel is important to this division's success. The inability to acquire and retain the services of such personnel could have a material adverse effect on Seaboard's operations.
- (4) The Loss of This Division's Oklahoma Hog Processing Plant Could Adversely Affect the Business. This division is largely dependent on the continued operation of its Oklahoma hog processing plant. The loss of or damage to this plant for any reason, including fire, tornado or earthquake, or the occurrence of adverse governmental action could adversely affect the business of this division.
- (5) Environmental Regulation and Related Litigation Could Have a Material Adverse Effect on the Business. This division's operations and properties are subject to extensive and increasingly stringent laws and regulations pertaining to, among other things, odors, the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Failure to comply with these laws and regulations and any future changes to them could result in significant consequences to Seaboard, including civil and criminal penalties, liability for damages and negative publicity. Some requirements applicable to this division may also be enforced by citizen groups. Seaboard has incurred, and will continue to incur, operating expenditures to comply with these laws and regulations.
- (6) Health Risk to Livestock Could Adversely Affect Production, the Supply of Raw Materials and the Business. Seaboard is subject to risks relating to its ability to maintain animal health and control diseases. The general health of the hogs and the reproductive performance of the sows could have an adverse impact on production and production costs, the supply of raw material to this division's pork processing operations and consumer confidence. If this division's hogs are affected by disease, Seaboard could be required to destroy infected livestock, which could adversely affect this division's production or ability to sell or export its products. Moreover, the herd health of third-party suppliers could adversely affect the supply and cost of hogs available for purchase. Adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of this division's food products.
- (7) If This Division's Products Become Contaminated, It Could Be Subject to Product Liability Claims and Product Recalls. Pork products may be subject to contamination by disease producing organisms and foreign material. Once contaminated products have been shipped for distribution, illness and death may result if the organisms are not eliminated at the further processing, foodservice or consumer level. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and could have a material adverse effect on this division's business, reputation, prospects, results of operations and financial condition.
- (8)

International Trade Barriers Could Adversely Affect This Division's Operations. This division realizes a significant portion of its revenues from international markets, particularly Japan, Mexico and China. International sales are subject to risks related to general economic conditions, imposition of tariffs, quotas, trade barriers and other restrictions, enforcement of remedies in foreign jurisdictions and compliance with applicable foreign laws, and other economic and political uncertainties. These and other risks could result in border closings or other international trade barriers having an adverse effect on Seaboard's earnings.

- (9) The Operating Profit of the Biodiesel Production Facilities Could Be Adversely Impacted by Various Factors. The profitability of this division's biodiesel plants could be adversely affected by various factors, including the market price of pork fat, other animal fat and vegetable oil, which are utilized to produce biodiesel, and the market price for biodiesel, which is influenced by world oil prices and U.S. government mandates to use biofuels. Unfavorable changes in these prices over extended periods of time or adverse changes in U.S. government

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mandates to use biofuels could adversely affect this division's results of operations and could result in the potential impairment of the recorded value of the property, plant and equipment related to these facilities. Also, the Federal blender's credits are not permanent and may not be renewed.

(10) Difficulties Could Be Experienced in the Start-up of the STF Pork Processing Plant. STF's new pork processing plant in Sioux City, Iowa, began operations in September 2017. Significant operational delays, difficulty in hog procurement, or other difficulties encountered in the start-up of operations could have an adverse effect on results of operations.

(c) Commodity Trading and Milling Division

(1) This Division Is Subject to Risks Associated with Foreign Operations. This division principally operates in Africa, South America, the Caribbean and Europe and, in most cases, in what are generally regarded to be lesser-developed countries. Many of these foreign operations are subject to risks of doing business in lesser-developed countries, which are subject to potential civil unrest and government instability, increasing the exposure to potential expropriation, confiscation, war, insurrection, civil strife and revolution, corruption, currency inconvertibility and devaluation, and currency exchange controls, in addition to the risks of overseas operations mentioned in clause (a)(2) above. In addition, foreign government policies and regulations could restrict the purchase of various agricultural commodities and commodity products, reducing or limiting this division's ability to access materials or to limit this division's sales prices for products sold in local markets.

(2) Fluctuations in Commodity Prices Could Adversely Affect the Business of This Division. This division's sales are significantly affected by fluctuating worldwide prices for various commodities, such as wheat, corn, soybeans, soybean meal and, to a lesser degree, various other agricultural commodity products. These prices are determined by constantly changing market forces of supply and demand as well as other factors over which Seaboard has little or no control. European flour exports, donated food aid, flour dumping practices and worldwide and local crop production could contribute to these fluctuating market conditions and could have a significant impact on the trading and milling businesses' sales, value of commodities held in inventory and operating income.

(3) This Division Uses a Material Amount of Derivative Products to Manage Certain Market Risks. The commodity trading portion of this division enters into various commodity derivative and foreign exchange derivative transactions to create what management believes is an economic hedge for commodity trades it executes or intends to execute with its customers. This portion of the division also enters into speculative derivative transactions related to its market risks. Failure to execute or improper execution of a derivative position or a firmly committed sale or purchase contract or a speculative transaction that closes without the desired result or exposure to counter party risk could have an adverse impact on the results of operations and liquidity.

(4) This Division Is Subject to Higher Than Normal Risks for Attracting and Retaining Key Personnel. In the commodity trading environment, loss of a key employee such as a commodity trader could have a negative impact resulting from the loss of revenues as personal customer relationships can be vital to obtaining and retaining business with various foreign customers. In the milling portion of this division, employing and retaining qualified expatriate personnel are key elements of success given the difficult living conditions, the unique operating environments and the reliance on a relatively small number of executives to manage each individual location.

(5) This Division Faces Increasing Competition. This division is experiencing increasing competition in certain foreign markets by well-capitalized originators, traders of commodities making sales directly to end-use customers and industrial-asset owners that compete in the same markets as this division. If various raw-material originators refuse to sell commodities to Seaboard for sale in these foreign markets, it could be more challenging for this division to purchase commodities for sale to its customers at competitive prices. This division's sales volume and sale prices for commodities to customers, as well as results of operations, could be adversely impacted by such

increased competition.

(d) Marine Division

- (1) The Demand for This Division's Services Are Affected by International Trade and Fluctuating Freight Rates. This division provides cargo shipping services primarily from the U.S. to many different countries in the Caribbean and Central and South America. In addition to the risks of overseas operations mentioned in (a)(2) above, fluctuations in economic conditions, unstable or hostile local political situations in the countries in which this division operates, could affect import and export trade volumes and cargo freight rates and adversely affect this division's results of operations.

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- (2) Chartered Ships Are Subject to Fluctuating Rates. Time-charter expenses are one of this division's largest expenses. Certain ships are under charters longer than one year while others are less than one year. These costs can vary greatly due to a number of factors including the worldwide supply and demand for shipping. It is not possible to determine in advance whether a charter contract for more or less than one year will be favorable to this division's business. Accordingly, entering into long-term charter hire contracts during periods of decreasing charter hire costs, or short-term charter hire contracts during periods of increasing charter hire costs could have an adverse effect on this division's results of operations.
- (3) Increased Fuel Prices May Adversely Affect This Division's Business. Ship fuel expenses are one of this division's largest expenses and vary greatly from year to year depending on fuel prices. While most trade lanes have a series of fuel surcharges in place that seek to adjust revenues with changes in fuel prices, such mechanisms do not act with precision in terms of timing and amount. When fuel prices increase rapidly or consistently, the surcharge mechanism may not adjust revenues enough to offset the increase in costs. Fuel surcharges are also an area of competition among carriers, and market forces may preclude us from generating enough revenue from the fuel surcharges to offset any increase in costs, which may have a negative effect on this division's profitability. Also, but to a lesser extent, fuel price increases can impact inland transportation costs both in the U.S. and overseas.
- (4) Hurricanes May Disrupt Operations. This division's port operations can be subject to disruption due to hurricanes, especially at this division's major ports in Miami, Florida and Houston, Texas, which could have an adverse effect on this division's results of operations.
- (5) This Division Is Subject to Complex Laws and Regulations That May Adversely Affect the Revenues, Cost, Manner or Feasibility of Doing Business. Federal, state and local laws and domestic and international regulations governing worker health and safety, environmental protection, port and terminal security, and the operation of vessels, including fuel regulations, significantly affect this division's operations, including rate discussions and other related arrangements. Many aspects of the marine industry, including rate agreements and vessel cost sharing agreements, are subject to extensive governmental regulation by the Federal Maritime Commission, the U.S. Coast Guard, and U.S. Customs and Border Protection, and to regulation by private industry organizations. Compliance with applicable laws, regulations and standards may require installation of costly equipment or operational changes, while the failure to comply may result in administrative and civil penalties, criminal sanctions, the suspension or termination of Seaboard's operations or detention of its vessels. In addition, future changes in laws, regulations and standards, including allowed freight rate discussions and other related arrangements, may result in additional costs or a reduction in revenues.
- (6) This Division's Revenues and Cost Structure Are Dependent on the Continuation of Cost Sharing Arrangements. The division has entered into vessel cost sharing arrangements with other service providers that are short term in nature. If they are unable to be renewed or renewed with unfavorable terms it could result in a negative impact to the business.
- (e) Sugar Division
- (1) The Success of This Division Depends on the Condition of the Argentine Economy, Currency and Political Climate. This division operates a sugar mill, alcohol production and power generation facility in Argentina, locally growing a substantial portion of the sugarcane processed at the mill. Fluctuations in economic conditions or changes in the Argentine political climate could have an impact on the costs of operations, the sales prices of products, export opportunities and the exchange rate of the Argentine peso to the U.S. dollar. In this regard, local sales prices are affected by government price control and sugar import duties imposed by the Argentine government, impacting local volume sold, as well as imported and exported volumes to and from international markets. If import duties are changed, this could have a negative impact on this division's sales prices of its

products. In addition, the majority of the sales are within Argentina, and any Argentine government attempts to control inflation through retail price controls on mass consumption products, including sugar, could adversely impact the local sales prices of this division's products and the results of operations for this division. A devaluation of the Argentine peso would have a negative impact on this division's financial position.

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- (2) This Division Is Subject to the Risks That Are Inherent in any Agricultural Business. Seaboard's results of operations for this division may be adversely affected by numerous factors over which Seaboard has little or no control and that are inherent in any agricultural business, including reductions in the market prices for this division's products, adverse weather and growing conditions, pest and disease problems, and new government regulations regarding agriculture and the marketing of agricultural products. Of these risks, weather particularly could adversely affect the amount and quality of the sugarcane produced by this division and its competitors located in other regions of Argentina.
 - (3) The Loss of This Division's Sole Processing Facility Would Adversely Affect the Business. This division is largely dependent on the continued operation of a single sugar mill. The loss of or damage to this mill for any reason, including fire, tornado or earthquake, or the occurrence of adverse governmental action or labor unrest resulting in labor strikes would adversely affect the business of this division.
 - (4) Labor Relations Challenges Could Adversely Affect Operations. This division is dependent on unionized labor at its single sugar mill in Argentina. The political and economic environment in Argentina makes normal labor relations very challenging. Contributing to the situation are the historical policies of Argentina's government and the failure of the Argentine courts to enforce contractual obligations with unions and basic property rights. Interruptions in production as a result of labor unrest could adversely impact the quantity of sugarcane harvested and the amount of sugar, alcohol and power produced and could interfere with the distribution of products stored at the facility.
 - (5) The Operating Profit of the Alcohol Production Facility Could Be Adversely Impacted by Government Regulations. The profitability of this division's alcohol production facility could be adversely affected by Argentine government regulations regarding production quotas, fuel blends and sales prices in the bio-ethanol market. In addition, corn alcohol producers in Argentina have increased competition in the bio-ethanol market. Adverse changes in the Argentine government's regulations regarding bio-ethanol production quotas and fuel blends could adversely affect this division's results of operations.
 - (6) The Operating Profit of the Cogeneration Power Plant Could Be Adversely Impacted by Contract for the Sale of Energy. The sale price for energy produced and sold by this division's cogeneration power plant is based on a biomass cogeneration contract with the Argentine government. The profitability of the cogeneration power plant could be adversely affected by this division's failure to enforce the terms of the contract, which could adversely affect this division's results of operations and could result in the potential impairment of the recorded value of the property, plant and equipment related to this facility.
- (f) Power Division
- (1) This Division is Subject to Risks of Doing Business in the Dominican Republic. In addition to significant currency fluctuations and the other risks of overseas operations mentioned in clause (a)(2) above, this division could experience difficulty in obtaining timely collections of trade receivables from the government owned distribution companies or other companies that must also collect from the government in order to make payments on their accounts. Currently, the Dominican Republic does not allow a free market to enable prices to rise with demand, which could limit this division's profitability. The government has the ability to arbitrarily decide which power units will be able to operate, which can ultimately determine spot market prices for electricity generated and sold into the power grid and, therefore, could have adverse effects on results of operations.
 - (2) Fluctuations in Fuel Costs Could Adversely Affect This Division's Operating Margins. Fuel is the largest cost component of this division's business and, therefore, margins could be adversely affected by fluctuations in fuel prices if such fluctuations cannot be fully passed to customers through the spot market price mechanism.
 - (3)

Supply of Natural Gas is Limited in the Dominican Republic. Supply of natural gas in the Dominican Republic is limited to one primary supplier. Although the barge can run on other types of fuel, supply disruptions of natural gas could have a negative impact on this division's operating income.

- (4) The Loss of This Division's Sole Facility Would Adversely Affect the Business. This division is dependent on the continued operation of a single facility. The loss of or damage to this facility for any reason, including fire, hurricane, tornado or earthquake, or the occurrence of adverse governmental actions or labor unrest resulting in labor strikes would adversely affect the business of this division.
- (g) Turkey Segment
- (1) Fluctuations in Commodity Turkey Prices Could Adversely Affect the Results of Operations. Sales prices for turkey products are directly affected by both domestic and worldwide supply and demand for turkey products and

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other proteins, which are determined by constantly changing market forces of supply and demand as well as other factors over which Butterball has little or no control. Butterball's results of operations and the value of Seaboard's investment in Butterball could be adversely affected by fluctuations in the turkey commodity prices.

- (2) **Increases in Costs of Butterball's Feed Components and Turkey Purchases Could Adversely Affect Costs and Operating Margins.** Feed costs are the most significant single component of the cost of raising turkeys and could be materially affected by commodity price fluctuations for corn, soybean meal and other commodity grain inputs. Butterball's results may be negatively affected by increased costs of the feed components. Butterball attempts to manage some of these risks through the use of financial instruments; however this may also limit its ability to participate in gains from favorable commodity fluctuations. Unless wholesale turkey prices correspondingly increase, increases in the prices of Butterball's feed components would adversely affect Butterball's results of operations and the value of Seaboard's investment in Butterball.
- (3) **Adverse Operating Results Could Result in Need for Additional Investment.** Butterball has third-party bank loan facilities separate from Seaboard that are secured by substantially all of the assets of Butterball. Adverse operating results could cause Butterball to default on such loan facilities, which could result in a significant adverse impact on Butterball's financial position, or result in Seaboard needing to increase its investment in Butterball.
- (4) **Decreased Perception of Value in the Butterball Brand Could Adversely Affect Sales Quantity and Price of Butterball Products.** Butterball is a premium brand name, built on a long history of offering a quality product that has been differentiated in the market. The value of the Butterball brand allows for sales of a higher unit price than other turkey products. In order to maintain this advantage, Butterball must continue to support the brand with successful marketing efforts. In addition, negative news reports for any reason related to the company or the turkey/poultry industry could negatively impact this brand perception, Butterball's results of operations and the value of Seaboard's investment in Butterball.
- (5) **The Loss of Butterball's Primary Further Processing Facility Could Adversely Affect Butterball's Business.** Although Butterball has four processing plants and two further processing plants, Butterball is disproportionately dependent on the continued operation of the processing plant in Mt. Olive, North Carolina, that handles a significant volume of the production of further processed turkey products. The loss of or damage to this plant for any reason, including fire, hurricane or tornado or occurrence of adverse governmental action could adversely affect the results of operations for Butterball and the value of Seaboard's investment in Butterball.
- (6) **If Butterball's Turkey Products Become Contaminated, the Company Could Be Subject to Product Liability Claims and Product Recalls.** Butterball's products may be subject to contamination by disease producing organisms and foreign material. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and may have a material adverse effect on the company's business, reputation, and prospects. This could adversely affect the results of operations and financial condition of Butterball and the value of Seaboard's investment in Butterball.
- (7) **Health Risk to Poultry Could Adversely Affect Production, the Supply of Raw Materials and Butterball's Business.** Butterball is subject to risks relating to its ability to maintain animal health and control diseases, such as avian influenza. The general health of the turkeys and reproductive performance could have an adverse impact on production and production costs, the supply of raw material to Butterball's processing operations and consumer confidence. If Butterball's turkeys are affected by disease, Butterball may be required to destroy infected birds, which could adversely affect Butterball's production or ability to sell or export its products. Adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of Butterball products, resulting in an adverse effect on Butterball's results of operations and the value of

Seaboard's investment in Butterball.

- (8) Butterball May Be Unable to Obtain Appropriate Personnel at Remote Locations. The remote locations of some of Butterball's processing plants and live turkey operations, along with a more restrictive national policy on immigration, could negatively affect the availability and cost of labor. Butterball is dependent on having sufficient properly trained operations personnel. Attracting and retaining qualified personnel is important to Butterball's success. The inability to acquire and retain the services of such personnel could have a material adverse effect on Butterball's operations and the value of Seaboard's investment in Butterball.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Seaboard's principal properties by division are described below:

(1) Pork - Seaboard's Pork division owns a hog processing plant in Guymon, Oklahoma. It has a daily double-shift capacity to process approximately 20,500 hogs and generally operates at capacity with additional weekend shifts depending on market conditions. Seaboard's hog production operations consist of the breeding and raising of over five million hogs annually at facilities it primarily owns or at facilities owned and operated by third parties with whom it has grower contracts. This division owns and operates seven centrally located feed mills, which have a combined capacity to produce approximately three million tons of formulated feed annually. These feed mills are used primarily to support Seaboard's existing hog production, and have the capability of supporting additional hog production in the future. These facilities are located in Iowa, Oklahoma, Texas, Kansas and Colorado. The Pork division also operates a ham-boning and processing plant in Mexico that has the capacity to process 96 million pounds of ham annually.

The Pork division owns biodiesel plants in Guymon, Oklahoma, and St. Joseph, Missouri, with the capacity to produce 46 million gallons and 28 million gallons, respectively, of biodiesel annually.

Daily's, a non-consolidated affiliate, owns three bacon further processing plants located in Salt Lake City, Utah, Missoula, Montana, and St. Joseph, Missouri. The Salt Lake City and Missoula plants are utilized near capacity throughout the year, while the St. Joseph plant is a fairly new production facility. The three plants have a combined daily smoking capacity of approximately 600,000 pounds of raw pork bellies.

STF, a non-consolidated affiliate, owns a pork processing plant in Sioux City, Iowa, that began operations in September 2017. The plant is expected to process about three million market hogs annually when operating a single shift.