

SEABOARD CORP /DE/
Form 10-Q
August 11, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 4, 2015

OR

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

For the transition period from _____ to _____

Commission File Number 1-3390

Seaboard Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

66202
(Zip Code)

(913) 676-8800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

There were 1,170,550 shares of common stock, \$1.00 par value per share, outstanding on July 28, 2015.

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

	Three Months Ended		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net sales:				
Products (includes sales to affiliates of \$212,464, \$179,031, \$424,170 and \$375,017)	\$ 1,148,164	\$ 1,417,116	\$ 2,325,091	\$ 2,630,871
Service revenues	251,846	224,127	500,955	436,160
Other	27,876	53,348	54,198	107,196
Total net sales	1,427,886	1,694,591	2,880,244	3,174,227
Cost of sales and operating expenses:				
Products	1,081,425	1,249,249	2,200,088	2,354,832
Services	224,298	202,482	443,316	396,989
Other	22,634	45,433	44,147	99,391
Total cost of sales and operating expenses	1,328,357	1,497,164	2,687,551	2,851,212
Gross income	99,529	197,427	192,693	323,015
Selling, general and administrative expenses	67,867	63,088	133,192	123,473
Operating income	31,662	134,339	59,501	199,542
Other income (expense):				
Interest expense	(3,760)	(3,856)	(8,290)	(8,676)
Interest income	2,596	1,724	5,925	8,804
Interest income from affiliates	7,179	6,880	14,239	13,236
Income from affiliates	12,257	8,120	23,036	15,401
Other investment income (loss), net	(2,736)	2,787	3,812	3,360
Foreign currency gains (losses), net	363	(2,994)	1,775	(8,687)
Miscellaneous, net	3,517	(2,393)	(910)	(2,253)
Total other income, net	19,416	10,268	39,587	21,185
Earnings before income taxes	51,078	144,607	99,088	220,727
Income tax expense	(18,968)	(49,851)	(33,850)	(76,885)
Net earnings	\$ 32,110	\$ 94,756	\$ 65,238	\$ 143,842
Less: Net income attributable to noncontrolling interests	(459)	(762)	(685)	(1,045)
Net earnings attributable to Seaboard	\$ 31,651	\$ 93,994	\$ 64,553	\$ 142,797

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Earnings per common share	\$ 27.04	\$ 79.28	\$ 55.15	\$ 120.34
Other comprehensive income (loss), net of income tax benefit of \$682, \$725, \$824 and \$10,388:				
Foreign currency translation adjustment	(8,836)	(2,790)	(14,794)	(29,565)
Unrealized gain (loss) on investments	(3)	498	674	1,024
Unrealized gain (loss) on cash flow hedges	-	(275)	-	86
Unrecognized pension cost	945	320	2,227	640
Other comprehensive loss, net of tax	\$ (7,894)	\$ (2,247)	\$ (11,893)	\$ (27,815)
Comprehensive income	24,216	92,509	53,345	116,027
Less: Comprehensive income attributable to noncontrolling interests	(451)	(765)	(754)	(1,044)
Comprehensive income attributable to Seaboard	\$ 23,765	\$ 91,744	\$ 52,591	\$ 114,983
Average number of shares outstanding	1,170,550	1,185,633	1,170,550	1,186,640

See accompanying notes to condensed consolidated financial statements.

SEABOARD CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

*(Thousands of dollars except share and per share amounts)**(Unaudited)*

	July 4, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 80,093	\$ 36,459
Short-term investments	626,537	490,566
Receivables, net of allowance	488,986	633,965
Inventories	664,970	736,302
Deferred income taxes	46,435	45,647
Other current assets	124,684	110,053
Total current assets	2,031,705	2,052,992
Net property, plant and equipment	839,661	846,757
Investments in and advances to affiliates	605,014	543,411
Notes receivable from affiliates	191,778	197,270
Other assets	70,188	51,328
Total assets	\$ 3,738,346	\$ 3,691,758
Liabilities and Stockholders Equity		
Current liabilities:		
Notes payable to banks	\$ 103,252	\$ 75,524
Accounts payable	163,977	214,218
Deferred revenue	66,713	51,158
Other current liabilities	306,368	293,932
Total current liabilities	640,310	634,832
Deferred income taxes	76,029	95,538
Other liabilities and deferred credits	234,108	226,677
Total non-current liabilities	310,137	322,215
Commitments and contingent liabilities		
Stockholders equity:		
Common stock of \$1 par value, Authorized 1,250,000 shares; issued and outstanding 1,170,550 shares	1,171	1,171
Accumulated other comprehensive loss	(264,530)	(252,637)
Retained earnings	3,046,355	2,981,802
Total Seaboard stockholders equity	2,782,996	2,730,336
Noncontrolling interests	4,903	4,375
Total equity	2,787,899	2,734,711
Total liabilities and stockholders equity	\$ 3,738,346	\$ 3,691,758

See accompanying notes to condensed consolidated financial statements.

SEABOARD CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

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

	Six Months Ended	
	July 4, 2015	June 28, 2014
Cash flows from operating activities:		
Net earnings	\$ 65,238	\$ 143,842
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation and amortization	46,126	46,057
Gain from sale of fixed assets	(499)	(1,887)
Deferred income taxes	(19,538)	13,362
Pay-in-kind interest and accretion on notes receivable from affiliates	(8,765)	(7,535)
Income from affiliates	(23,036)	(15,401)
Dividends received from affiliates	18,326	1,823
Other investment income, net	(3,812)	(3,360)
Other, net	1,672	626
Changes in assets and liabilities:		
Receivables, net of allowance	145,444	69,297
Inventories	63,569	(51,365)
Other current assets	(14,193)	6,042
Current liabilities, exclusive of debt	(18,973)	(5,728)
Other, net	12,385	7,140
Net cash from operating activities	263,944	202,913
Cash flows from investing activities:		
Purchase of short-term investments	(313,417)	(567,264)
Proceeds from the sale of short-term investments	165,751	530,709
Proceeds from the maturity of short-term investments	15,877	3,338
Capital expenditures	(68,005)	(68,213)
Proceeds from the sale of fixed assets	24,079	2,252
Investments in and advances to affiliates, net	(49,831)	(1,786)
Principal payments received on long-term notes receivable from affiliates	74	-
Purchase of long-term investments	(22,258)	(2,333)
Other, net	(2,897)	(70)
Net cash from investing activities	(250,627)	(103,367)
Cash flows from financing activities:		
Notes payable to banks, net	30,757	(23,943)
Principal payments of long-term debt	-	(5,903)
Repurchase of common stock	-	(53,781)
Other, net	(226)	(18)
Net cash from financing activities	30,531	(83,645)
Effect of exchange rate change on cash	(214)	2,698
Net change in cash and cash equivalents	43,634	18,599
Cash and cash equivalents at beginning of year	36,459	55,055
Cash and cash equivalents at end of period	\$ 80,093	\$ 73,654

See accompanying notes to condensed consolidated financial statements.

SEABOARD CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 Accounting Policies and Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Seaboard Corporation and its domestic and foreign subsidiaries (Seaboard). All significant intercompany balances and transactions have been eliminated in consolidation. Seaboard's investments in non-consolidated affiliates are accounted for by the equity method. The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of Seaboard for the year ended December 31, 2014 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 adjustments) which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations for interim periods are not necessarily indicative of results to be expected for a full year. As Seaboard conducts its commodity trading business with third parties, consolidated subsidiaries and non-consolidated affiliates on an interrelated basis, gross margin on non-consolidated affiliates cannot be clearly distinguished without making numerous assumptions primarily with respect to mark-to-market accounting for commodity derivatives.

Use of Estimates

The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include those related to allowance for doubtful accounts, valuation of inventories, impairment of long-lived assets, potential write-down related to investments in and advances to affiliates and notes receivable from affiliates, income taxes and accrued pension liability. Actual results could differ from those estimates.

Supplemental Non-Cash Transactions

Seaboard has notes receivable from affiliates which accrue pay-in-kind interest income, primarily from one affiliate as discussed in Note 9. Seaboard recognized \$4,405,000 and \$8,765,000 of non-cash, pay-in-kind interest income and accretion of discount for the three and six months ended July 4, 2015, respectively, and \$3,907,000 and \$7,535,000 for the three and six months ended June 28, 2014, respectively, related to these notes receivable.

Recently Issued Accounting Standards Not Yet Adopted

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

January 1, 2018 and it is currently anticipated that Seaboard will apply this guidance using the cumulative effect transition method.

In July 2015, the FASB issued guidance to simplify the subsequent measurement of inventory; excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, inventory should be at the lower of cost and net realizable value. The new guidance is effective for interim and annual periods beginning after December 15, 2016 with early adoption permitted. Seaboard is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on net earnings.

Change in Accounting Method

During the second quarter of 2015, Seaboard invested an additional \$10,000,000 in a business operating a 300 megawatt electricity generating facility in the Dominican Republic. This investment increased Seaboard's ownership interest to 29.9% from less than 20%. Seaboard's previous investment of \$5,910,000 was accounted for using the cost method and as a result of this additional investment, Seaboard changed its accounting method to the equity method. This change in accounting requires Seaboard to present its prior period financial results to reflect the equity method of accounting from the date of the initial investment which resulted in a \$12,691,000 adjustment to retained earnings and a corresponding increase to its investment as of January 1, 2014. The results for the three and six months ended July 4, 2015 and

June 28, 2014, which represents Seaboard's portion of the income (losses) incurred by the investee were not material. There is no tax impact to Seaboard on these amounts. See Note 9 for more information.

Note 2 Investments

Seaboard's short-term investments are treated as either available-for-sale securities or trading securities. All of Seaboard's available-for-sale and trading securities are classified as current assets as they are readily available to support Seaboard's current operating needs. Available-for-sale securities are recorded at their estimated fair value with unrealized gains and losses reported, net of tax, as a separate component of accumulated other comprehensive loss. Trading securities are recorded at their estimated fair value with unrealized gains and losses reflected in other investment income (loss), net. At July 4, 2015, money market funds included \$969,000 denominated in British pounds and \$560,000 denominated in Canadian dollars.

The following is a summary of the amortized cost and estimated fair value of short-term investments for both available-for-sale and trading securities at July 4, 2015 and December 31, 2014.

<i>(Thousands of dollars)</i>	Cost	Value	Cost	Value
Money market funds	\$ 266,106	\$ 266,106	\$ 142,432	\$ 142,432
Corporate bonds	12,540	12,538	11,000	11,015
U.S. Government agency securities	9,437	9,480	9,684	9,666
Other available-for-sale investments	3,685	3,706	3,933	3,983
Total available-for-sale short-term investments	291,768	291,830	167,049	167,096
High yield trading debt securities	162,196	159,798	187,491	181,483
Equity mutual fund	86,309	84,557	83,809	82,542
Domestic equity ETF	59,155	61,914	31,307	32,651
Money market funds held in trading accounts	23,618	23,618	21,401	21,401
Other trading investments	5,719	4,820	6,173	5,393
Total trading short-term investments	336,997	334,707	330,181	323,470
Total short-term investments	\$ 628,765	\$ 626,537	\$ 497,230	\$ 490,566

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 4, 2015.

<i>(Thousands of dollars)</i>	2015
Due within one year	\$ 980
Due after one year through three years	9,841
Due after three years	12,542
Total fixed rate securities	\$ 23,363

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

Note 3 Inventories

The following is a summary of inventories at July 4, 2015 and December 31, 2014:

<i>(Thousands of dollars)</i>	July 4, 2015	December 31, 2014
At lower of LIFO cost or market:		
Live hogs and materials	\$ 212,405	\$ 208,641
Fresh pork and materials	27,140	28,573
	239,545	237,214
LIFO adjustment	(30,992)	(36,560)
Total inventories at lower of LIFO cost or market	208,553	200,654
At lower of FIFO cost or market:		
Grains, oilseeds and other commodities	266,388	320,066
Sugar produced and in process	51,069	48,863
Other	59,785	57,344
Total inventories at lower of FIFO cost or market	377,242	426,273
Grain, flour and feed at lower of weighted average cost or market	79,175	109,375
Total inventories	\$ 664,970	\$ 736,302

Note 4 Income Taxes

Seaboard's tax returns are regularly audited by federal, state and foreign tax authorities, which may result in material adjustments. Seaboard's U.S. federal income tax years are closed through 2010. There have not been any material changes in unrecognized income tax benefits since December 31, 2014. Interest related to unrecognized tax benefits and penalties was not material for the six months ended July 4, 2015.

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 4, 2015 and also the level within the fair value hierarchy used to measure each category of assets and liabilities. Seaboard uses the end of the reporting period to determine if there were any transfers between levels. There were no transfers between levels that occurred in the first six months of 2015. The trading securities classified as other current assets below are assets held for Seaboard's deferred compensation plans.

<i>(Thousands of dollars)</i>	Balance July 4, 2015	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities - short-term investments:				
Money market funds	\$ 266,106	\$ 266,106	\$ -	\$ -
Corporate bonds	12,538	-	12,538	-
U.S. Government agency securities	9,480	-	9,480	-
Other available-for-sale investments	3,706	-	3,706	-
Trading securities - short-term investments:				
High yield trading debt securities	159,798	-	159,798	-
Equity mutual fund	84,557	84,557	-	-
Domestic equity ETF	61,914	61,914	-	-
Money market funds held in trading accounts	23,618	23,618	-	-
Other trading investments	4,820	2,453	2,367	-
Trading securities - other current assets:				
Domestic equity securities	36,294	36,294	-	-
Foreign equity securities	7,010	7,010	-	-
Fixed income mutual funds	3,587	3,587	-	-
Other	2,919	2,520	399	-
Derivatives:				
Commodities(1)	20,737	20,737	-	-
Interest rate swaps	1,368	-	1,368	-
Foreign currencies	2,285	-	2,285	-
Total Assets	\$ 700,737	\$ 508,796	\$ 191,941	\$ -
Liabilities:				
Derivatives:				
Commodities(1)	\$ 11,530	\$ 11,530	\$ -	\$ -
Interest rate swaps	5,348	-	5,348	-
Foreign currencies	1,606	-	1,606	-
Total Liabilities	\$ 18,484	\$ 11,530	\$ 6,954	\$ -

(1) Seaboard's commodity derivative assets and liabilities are presented in the Condensed Consolidated Balance Sheets on a net basis, including netting the derivatives with the related margin accounts. As of July 4, 2015, the commodity derivatives had a margin account balance of \$10,168,000 resulting in a net other current asset in the Condensed Consolidated Balance Sheet of \$19,852,000 and a net other current liability of \$477,000.

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The following table shows assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and also the level within the fair value hierarchy used to measure each category of assets.

<i>(Thousands of dollars)</i>	Balance December 31, 2014	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities - short-term investments:				
Money market funds	\$ 142,432	\$ 142,432	\$ -	\$ -
Corporate bonds	11,015	-	11,015	-
U.S. Government agency securities	9,666	-	9,666	-
Other available-for-sale investments	3,983	-	3,983	-
Trading securities - short term investments:				
High yield trading debt securities	181,483	-	181,483	-
Equity mutual fund	82,542	82,542	-	-
Domestic equity ETF	32,651	32,651	-	-
Money market funds held in trading accounts	21,401	21,401	-	-
Other trading investments	5,393	2,614	2,779	-
Trading securities - other current assets:				
Domestic equity securities	33,857	33,857	-	-
Foreign equity securities	6,532	6,532	-	-
Fixed income mutual funds	4,570	4,570	-	-
Other	2,676	2,405	271	-
Derivatives:				
Commodities(1)	6,136	6,136	-	-
Foreign currencies	1,675	-	1,675	-
Total Assets	\$ 546,012	\$ 335,140	\$ 210,872	\$ -
Liabilities:				
Derivatives:				
Commodities(1)	\$ 1,779	\$ 1,779	\$ -	\$ -
Interest rate swaps	7,715	-	7,715	-
Foreign currencies	407	-	407	-
Total Liabilities	\$ 9,901	\$ 1,779	\$ 8,122	\$ -

(1) Seaboard's commodity derivative assets and liabilities are presented in the Condensed Consolidated Balance Sheets on a net basis, including netting the derivatives with the related margin accounts. As of December 31, 2014, the commodity derivatives had a margin account balance of \$4,314,000 resulting in a net other current asset in the Condensed Consolidated Balance Sheet of \$9,267,000 and a net other current liability of \$596,000.

Financial instruments consisting of cash and cash equivalents, net receivables, notes payable, and accounts payable are carried at cost, which approximates fair value, as a result of the short-term nature of the instruments. The amortized cost and estimated fair values of investments at July 4, 2015 and December 31, 2014 are presented in Note 2.

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 the derivatives discussed below are not accounted for as hedges, fluctuations in the related commodity prices, currency exchange rates and interest rates could have a material impact on earnings in any given period. Seaboard also enters into speculative derivative transactions not directly related to its raw material requirements. The nature of Seaboard's market risk exposure has not changed materially since December 31, 2014.

Commodity Instruments

Seaboard uses various derivative futures and options to manage its risk to price fluctuations for raw materials and other inventories, finished product sales and firm sales commitments. At July 4, 2015, Seaboard had open net derivative contracts to purchase 32,400,000 pounds of hogs, 17,087,000 bushels of grain, 3,240,000 pounds of soybean oil, 312,000 tons of soybean meal and 220,000 pounds of dry whey powder and open net derivative contracts to sell 1,722,000 pounds of sugar. At December 31, 2014, Seaboard had open net derivative contracts to purchase 19,800,000 pounds of hogs, 19,620,000 pounds of soybean oil, 15,551,000 pounds of sugar, 10,697,000 bushels of grain, 88,000 pounds of dry whey powder and 85,000 tons of soybean meal and open net derivative contracts to sell 4,326,000 gallons of heating oil. Commodity derivatives are recorded at fair value with any changes in fair value being marked-to-market as a component of cost of sales in the Condensed Consolidated Statements of Comprehensive Income.

Foreign Currency Exchange Agreements

Seaboard enters into foreign currency exchange agreements to manage the foreign currency exchange rate risk with respect to certain transactions denominated in foreign currencies. Foreign currency exchange agreements that are primarily related to an underlying commodity transaction are recorded at fair value with changes in value marked-to-market as a component of cost of sales in the Condensed Consolidated Statements of Comprehensive Income. Foreign exchange agreements that are not related to an underlying commodity transaction are recorded at fair value with changes in value marked-to-market as a component of foreign currency gains (losses), net in the Condensed Consolidated Statements of Comprehensive Income.

At July 4, 2015 and December 31, 2014, Seaboard had trading foreign currency exchange agreements to cover its firm sales and purchase commitments and related trade receivables and payables with net notional amounts of \$45,737,000 and \$143,961,000, respectively, primarily related to the South African rand.

Interest Rate Exchange Agreements

During 2014, Seaboard initially put into place four, approximately eight-year interest rate exchange agreements with mandatory early termination dates in the second half of 2014 and early 2015 for one of the agreements. During 2014 and 2015, these interest rate exchange agreements were terminated and replaced, each with a mandatory early termination date, which coincides with the revised anticipated delivery dates in 2015 of dry bulk vessels to be leased, and have similar terms as the original agreements terminated. In June 2015, one agreement was terminated and not renewed with the delivery of a bulk vessel now leased. Payments made by Seaboard to unwind these agreements were not material. These exchange agreements involve the exchange of fixed-rate and variable-rate interest payments without the exchange of the underlying notional amounts to mitigate the potential effects of fluctuations in interest rates on the anticipated four dry bulk vessel leases in 2015. Seaboard pays a fixed rate and receives a variable rate of interest on these three notional amounts outstanding of \$22,000,000 each. In 2010, Seaboard entered into three ten-year interest rate exchange agreements, which involve the exchange of fixed-rate and variable-rate interest payments over the life of the agreements without the exchange of the underlying notional amounts, to mitigate the effects of fluctuations in interest rates on variable rate debt. Seaboard pays a fixed rate and receives a variable rate of interest on these three notional amounts of \$25,000,000 each. All of Seaboard's outstanding interest rate exchange agreements do not qualify as hedges for accounting purposes. Accordingly, the changes in fair value of these agreements are recorded in miscellaneous, net in the Condensed Consolidated Statements of Comprehensive Income. At July 4, 2015 and December 31, 2014, Seaboard had six and seven interest rate exchange agreements outstanding, respectively, with a total notional value of \$141,000,000 and \$163,000,000, respectively.

Counterparty Credit Risk

From time to time Seaboard is subject to counterparty credit risk related to its foreign currency exchange agreements and interest rate swaps, should the counterparties fail to perform according to the terms of the contracts. As of July 4, 2015, Seaboard has a maximum amount of loss due to credit risk in the amount of \$2,285,000 with five counterparties related to foreign currency exchange agreements and \$1,368,000 with one counterparty related to the interest rate swaps. Seaboard does not hold any collateral related to these agreements.

The following table provides the amount of gain or (loss) recognized in income for each type of derivative and where it was recognized in the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 4, 2015 and June 28, 2014.

(Thousands of dollars)

		Three Months Ended		Six Months Ended	
		July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Commodities	Cost of sales	\$ 3,886	\$ 9,962	\$ (2,062)	\$ 3,378
Foreign currencies	Cost of sales	1,915	2,328	1,421	2,813
Foreign currencies	Foreign currency	69	(1,185)	1,602	(420)
Interest rate	Miscellaneous, net	3,568	(3,293)	(1,123)	(3,895)

The following table provides the fair value of each type of derivative held as of July 4, 2015 and December 31, 2014 and where each derivative is included in the Condensed Consolidated Balance Sheets.

(Thousands of dollars)

		Asset Derivatives		Liability Derivatives	
		July 4, 2015	December 31, 2014	July 4, 2015	December 31, 2014
Commodities(1)	Other current assets	\$20,737	\$ 6,136	Other current liabilities	\$ 11,530
Foreign currencies	Other current assets	2,285	1,675	Other current liabilities	407
Interest rate	Other current assets	1,368	-	Other current liabilities	5,348

(1) Seaboard's commodity derivative assets and liabilities are presented in the Condensed Consolidated Balance Sheets on a net basis, including netting the derivatives with the related margin accounts. As of July 4, 2015 and December 31, 2014, the commodity derivatives had a margin account balan