



Cargill, Incorporated

(incorporated with limited liability in the State of Delaware, United States of America)

U.S.\$6,000,000,000

Euro Medium Term Note Program

SUPPLEMENT TO THE BASE PROSPECTUS INCORPORATING BY REFERENCE THE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED NOVEMBER 30, 2007 (THE "NEW DOCUMENT") OF CARGILL, INCORPORATED (THE "COMPANY") AND ITS SUBSIDIARIES

The Company has prepared this supplement to the base prospectus (the "**Base Prospectus Supplement**") which constitutes a supplement to the base prospectus for the purposes of article 13 of the Luxembourg law of 10 July 2005 on prospectuses for securities, which definition shall also include all information incorporated by reference herein) for use in connection with notes issued from time to time under the U.S.\$6,000,000,000 Euro Medium-Term Note Program (the "**Program**"). The Company has also prepared a base prospectus dated December 5, 2007 (the "**Base Prospectus**" which definition also includes all information incorporated by reference therein) which has been approved as a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") by the Luxembourg Commission de Surveillance du Secteur Financier (the "**CSSF**") on December 5, 2007, for use in connection with the issue of notes under the Program. This Base Prospectus Supplement, supplements and updates the Base Prospectus, and should be read in conjunction therewith. Terms used herein shall be deemed to be defined as set forth in the Base Prospectus.

The New Document has been previously published or is published simultaneously with this Base Prospectus Supplement, and has been filed with the CSSF, and is incorporated by reference in, and forms part of, this Base Prospectus Supplement. The New Document and this Base Prospectus Supplement will be available for collection and inspection as set out in the section "Documents Available for Collection and Inspection" in the Base Prospectus and on the Luxembourg Stock Exchange website (www.bourse.lu).

The Company accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge of the Company (who has taken all reasonable care to ensure such is the case) the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus Supplement and the Base Prospectus should be read in conjunction with the document which is incorporated by reference, which together, constitute a base prospectus for the purposes of the Prospectus Directive, and for a particular issue of or Tranche of Notes in conjunction with any applicable Final Terms.

To the extent that there is any inconsistency between (a) any statement in this Base Prospectus Supplement or any statement incorporated by reference into the Base Prospectus by this Base Prospectus Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus prior to the date of this Base Prospectus Supplement, the statements in (a) will prevail.

Save as disclosed in this Base Prospectus Supplement and the Base Prospectus there has been no other significant new factor, material mistake or material inaccuracy relating to the information included in the Base Prospectus since initial publication of the Base Prospectus.

In accordance with Article 13, paragraph 2 of the Luxembourg law of 10 July 2005 on prospectuses for securities, investors who have already agreed to purchase or subscribe for notes issued under the Program before this Base Prospectus Supplement is published, shall have the right, exercisable within a time limit of a minimum of two working days after the publication of this Base Prospectus Supplement, to withdraw their acceptances.

See "Risk factors" in the Base Prospectus for a discussion of certain risks that should be considered in connection with certain types of Notes which may be offered under the Program.

The New Document is incorporated as set out above, in compliance with Article 5.1 of the Prospectus Directive. The following table sets out the principal disclosure requirements which are satisfied by the information and is not exhaustive. Each page reference refers to the corresponding page in the New Document. References to A9 refer to the corresponding rule in Annex IX "Minimum Disclosure Requirements for Debt and Derivative Securities Registration Document (Schedule) (Debt and Derivative Securities with a Denomination per unit of at least EUR50,000)"

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Six Months Ended November 30, 2007 including the Quarterly Unaudited Financial Statements and Notes thereto		
<i>I. Overview</i>	<i>Pages 2</i>	<i>A9.5.1.1</i>
<i>II. Consolidated Review</i>	<i>Pages 3-7</i>	<i>A.9.4.1.5/A9.11.1/A9.11.2</i>
<i>III. Segment Review</i>	<i>Pages 8-14</i>	<i>A9.5.1.1/A9.11.1/A9.11.2</i>
<i>IV. Other Operating Matters</i>	<i>Pages 15-16</i>	<i>A9.4.1.5/A9.11.5</i>
<i>IV. Other Operating Matters – B. Litigation Summary</i>	<i>Pages 15-16</i>	<i>A9.11.5</i>
<i>V. Quarterly Unaudited Financial Statements</i>	<i>Pages 17-20</i>	<i>A9.11.1</i>
<i>Consolidated Balance Sheet</i>	<i>Page 17</i>	<i>A9.11.1</i>
<i>Consolidated Statement of Earnings</i>	<i>Page 18</i>	<i>A9.11.1</i>
<i>Consolidated Statement of Cash Flows</i>	<i>Page 19</i>	<i>A9.11.1</i>
<i>Consolidated Statement of Stockholders' Equity</i>	<i>Page 20</i>	<i>A9.11.1</i>
<i>VI. Notes to Consolidated Financial Statements</i>	<i>Pages 21-26</i>	<i>A9.11.1/A9.11.2</i>

Any other information not listed above but contained in such document is incorporated by reference for informational purposes only.

Confidential

CARGILL, INCORPORATED

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Six months ended Nov. 30, 2007, compared with six months ended Nov. 30, 2006

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This document may contain forward-looking statements that reflect management’s current view with respect to future results, achievements and financial performance. These statements may be identified by their use of forward-looking terminology such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks,” “approximates,” “suggests,” “intends,” “aims,” “plans,” “estimates,” or the negative of these words or other comparable terminology. Such forward-looking statements are subject to risks and uncertainties that may cause our actual results, achievements or performance to differ materially from those projected or implied. The most significant of these risks are described in this document.

I. OVERVIEW

Cargill, Incorporated, headquartered in Minneapolis, Minn., is an international provider of food, agricultural and risk management products and services with 158,000 employees in 66 countries. Founded as a grain warehousing and merchandising company in 1865, Cargill today is one of the largest, privately owned companies in the world. We are committed to using our knowledge and experience to collaborate with customers to help them succeed.

A. Corporate Organization

Cargill reports results from operations in five segments: Agriculture Services, Origination and Processing, Food Ingredients and Applications, Risk Management and Financial, and Industrial. Our business units operate in four geographic regions: Asia Pacific, Europe/Africa, Latin America and North America.

B. Corporate Strategy

Cargill's vision is to be the global leader in nourishing people. We carry out our vision by combining our knowledge and experience in food, agriculture and risk management to create solutions that help customers succeed. Cargill began executing our customer solutions strategy in fiscal 2000. Since fiscal 2002, we have delivered six and a half consecutive years of improved financial performance.

II. CONSOLIDATED REVIEW

A. Financial Performance

All comparative figures are for the second quarter of fiscal 2008, which ended Nov. 30, 2007, and the second quarter of fiscal 2007, which ended Nov. 30, 2006.

Reclassification: Certain fiscal 2007 amounts in Sections II., III., IV. and V. were reclassified to conform with the current year presentation.

Consolidated summary of quarterly financial results

Dollars in millions	Three months ended		
	Nov. 30, 2007	Nov. 30, 2006	Percent change
Net earnings	\$ <u>954</u>	\$ <u>662</u>	44
Sales and other revenues	\$ 28,830	\$ 20,013	44

In the second quarter: Cargill earned \$954 million in the second quarter of fiscal 2008, up 44 percent from \$662 million in the same period a year ago.

Four of the five business segments increased earnings from the second quarter a year ago. The largest contribution came from Origination and Processing. The Industrial segment also was up significantly. Food Ingredients and Applications and Agriculture Services posted improved performances. Earnings in Risk Management and Financial declined moderately from last year.

Second-quarter revenues totaled \$28.8 billion, up \$8.8 billion or 44 percent, from the same period a year ago.

Consolidated summary of financial results

Dollars in millions	Six months ended		
	Nov. 30, 2007	Nov. 30, 2006	Percent change
Net earnings	\$ <u>1,871</u>	\$ <u>1,162</u>	61
Sales and other revenues	\$ 54,926	\$ 40,478	36
Total cash from operations	2,975	1,922	55
Capital investments	1,185	1,009	17

In the first six months: Cargill earned \$1.87 billion, up 61 percent from \$1.16 billion a year ago. This represents the strongest six-month performance in company history.

Six-month earnings in four of the five business segments increased earnings from the first half a year ago. Origination and Processing and the Industrial segments delivered the largest increase in earnings. Risk Management and Financial earnings declined moderately from the prior year.

Revenues reached \$54.9 billion, up \$14.4 billion or 36 percent, from the same period a year ago, with most business units reporting increased revenues in the first half.

B. Significant Developments

1. Acquisitions and alliances completed

The following acquisitions were completed in the second quarter of fiscal 2008:

- On Oct. 17, 2007, Cargill and Robinson Steel formed Cargill Robinson joint venture. It will produce and distribute branded sheet and plate steel. The venture jointly owns a production facility in Granite City, Ill.
- On Oct. 18, 2007, Cargill completed the purchase of full ownership of Agrograin, a Hungarian grain company. Cargill had acquired a minority interest and formed a joint venture in 1995. The acquisition is intended to enlarge Cargill's grain origination capacity in Central and Eastern Europe.
- On Nov. 27, 2007, Cargill formed a joint venture with Spanish cooperative Hojiblanca to source, trade and supply olive oils to customers worldwide.

The following acquisitions were completed in the first quarter of fiscal 2008:

- On June 27, 2007, Cargill purchased a 49 percent share of Spring Creek Mining, a coal company in Greymouth, New Zealand.
- Cargill purchased nine grain elevators and an export terminal in Canada from Saskatchewan Wheat Pool. The transaction, which included an exchange of assets in addition to cash, was completed on June 29, 2007.

2. Voluntary beef recall

Cargill Meat Solutions initiated two voluntary recalls of beef during the second quarter. On Oct. 6, it recalled 844,812 pounds of frozen ground beef patties produced at its plant in Butler, Wis., due to possible E. coli O157:H7 contamination. On Nov. 3, it recalled 1,084,384 pounds of ground beef produced at the Wyalusing, Pa., facility, also due to the possible presence of this pathogen. The company's food safety and meat processing experts are continually assessing processes to find opportunities for improvement. Cargill regards its reputation as a food safety innovator as a critical differentiator to its customers.

C. Liquidity and Capital Resources

Consolidated summary of cash flow

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Total cash from operations	\$ <u>2,975</u>	\$ <u>1,922</u>	55
Capital investments:			
Property additions	\$ 983	\$ 786	25
Business acquisitions, less cash received	84	80	5
Investments in nonconsolidated companies and purchase of minority interests	<u>118</u>	<u>143</u>	(17)
Total capital investments	\$ <u>1,185</u>	\$ <u>1,009</u>	17

1. Cash flow

Total cash from operations totaled \$3 billion for the first half of fiscal 2008, an increase of \$1.1 billion or 55 percent from a year ago. The increase reflects the company's improved profitability.

2. Capital investments

Business acquisitions, less cash received, were \$84 million in the first six months. Acquisitions and investments completed in the current period are discussed in Section II.B.1. Last year's second-quarter acquisitions included the Canadian grain-based food service and industrial businesses from The J.M. Smucker Company, Eagle Milling's feed milling and pet and animal wholesale products business based in Casa Grande, Ariz., and a one-third stake in RightShip, an Australian-headquartered ship vetting company.

3. Debt

The company's consolidated debt is made up of the debt of closely owned businesses and of The Mosaic Company, a publicly traded company in which Cargill is the majority shareholder. Cargill's total consolidated debt excluding Mosaic was \$19.4 billion as of Nov. 30, 2007, an increase of 8 percent from Aug. 31, 2007.

During the second quarter, Cargill completed a number of debt offerings including: \$500 million 5-year debt; \$400 million 30-year debt, \$900 million 10-year debt, a 7-year 105 million Swiss franc offering (approximately USD \$90 million) and a 6-year 10 billion yen (approximately USD \$87 million) offering. Proceeds from these transactions were used to replace maturing debt, pay off short-term debt and for general corporate purposes.

Summary of debt

Dollars in millions	Nov. 30, 2007	Aug. 31, 2007	Increase (decrease)	Percent change
Cargill debt excluding Mosaic:				
Recourse debt:				
Short-term	\$ 7,237	\$ 7,996	\$ (759)	(9)
Long-term	<u>10,113</u>	<u>7,703</u>	<u>2,410</u>	31
Total recourse debt	\$ <u>17,350</u>	\$ <u>15,699</u>	\$ <u>1,651</u>	11
Nonrecourse debt from VIEs:				
Short-term	\$ 738	\$ 681	\$ 57	8
Long-term	<u>1,280</u>	<u>1,597</u>	<u>(317)</u>	(20)
Total nonrecourse debt	\$ <u>2,018</u>	\$ <u>2,278</u>	\$ <u>(260)</u>	(11)
Cargill debt excluding Mosaic	\$ <u>19,368</u>	\$ <u>17,977</u>	\$ <u>1,391</u>	8
Mosaic debt:				
Nonrecourse to Cargill	\$ 1,668	\$ 2,171	\$ (503)	(23)
Other debt	<u>14</u>	<u>14</u>	<u>--</u>	--
Total Mosaic debt	\$ <u>1,682</u>	\$ <u>2,185</u>	\$ <u>(503)</u>	(23)
Cargill consolidated debt	\$ <u>21,050</u>	\$ <u>20,162</u>	\$ <u>888</u>	4

Interest expense on short-term debt was \$184 million, up \$2 million or 1 percent from the first quarter of fiscal 2008. Interest expense on long-term debt was \$212 million, an increase of \$18 million or 9 percent from the first quarter. For the second quarter, interest expense for nonrecourse debt totaled \$50 million, excluding Mosaic.

Cargill's syndicated committed credit facility was \$4.25 billion on Nov. 30, 2007. It is structured as a revolving line of credit, consisting of a \$1.5 billion, 364-day facility and a \$2.75 billion, 5-year facility that matures in November 2011. The syndicated facility is supplemented by \$750 million of committed bilateral lines. These credit facilities provide backup liquidity to the company's commercial paper programs.

4. Credit rating

Summary of Cargill credit rating at Nov. 30, 2007		
Agency	Long-term rating	Short-term rating
Standard & Poor's	A	A-1
Moody's Investors Service	A2	P-1
Fitch Ratings	A	F1
Dominion Bond Rating Service (DBRS)	A (high)	R-1 (middle)

III. SEGMENT REVIEW

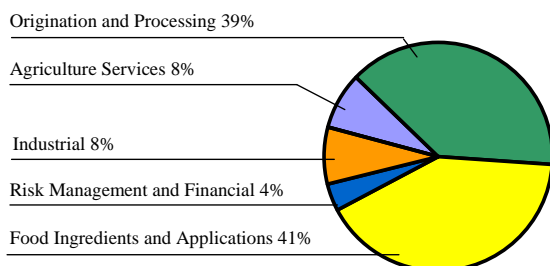
Reclassification: Certain fiscal 2007 amounts in this section were reclassified to conform with the current year presentation.

Summary of earnings by segment

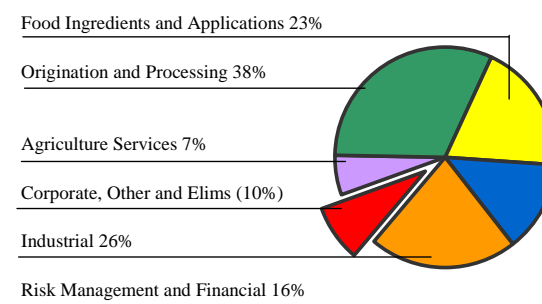
Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Agriculture Services	\$ 124.6	\$ 83.9	49
Origination and Processing	703.8	335.1	110
Food Ingredients and Applications	431.3	257.0	68
Risk Management and Financial	296.0	378.3	(22)
Industrial	490.6	117.5	318
Corporate, Other and Eliminations	<u>(175.0)</u>	<u>(9.9)</u>	--
Total	\$ <u>1,871.3</u>	\$ <u>1,161.9</u>	58

Fiscal 2008 first six months

Revenues by segment



Earnings by segment



Summary of sales and other revenues to unaffiliated customers by segment

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Agriculture Services	\$ 4,551.4	\$ 3,059.4	49
Origination and Processing	21,135.4	14,436.4	46
Food Ingredients and Applications	22,151.1	18,981.9	17
Risk Management and Financial	2,378.5	2,214.7	7
Industrial	4,573.3	1,672.2	173
Corporate, Other and Eliminations	<u>136.8</u>	<u>113.8</u>	20
Total	\$ <u>54,926.5</u>	\$ <u>40,478.4</u>	36

A. Agriculture Services

Agriculture Services provides crop and livestock producers worldwide with customized farm services and products.

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Revenues	\$ 4,551.4	\$ 3,059.4	49
Earnings	124.6	83.9	49

Segment earnings totaled \$124.6 million for the first six months, an increase of \$40.7 million or 49 percent over last year's first half. Revenues rose 49 percent to \$4.6 billion.

Cargill Animal Nutrition earnings in the second quarter were slightly below the year-ago level. Strong results in Asia, especially in South Korea and Vietnam, helped offset weaker performance in Latin America.

Earnings in the North American Cargill AgHorizons businesses, particularly in the United States, benefited from increased volume and volatility in the grain markets, as well as improved demand for crop inputs. Cargill's U.S. business generated favorable grain margins through proficient utilization of its storage, handling and risk management capabilities. Operations in Canada benefited as farmers positioned fertilizer products early due to rising prices.

Higher commodity prices and fertilizer sales also benefited Frontier Agriculture Limited, Cargill's U.K. agriculture joint venture. The venture's earnings were well above last year for the second-quarter period.

B. Origination and Processing

Origination and Processing connects producers and users of grain, oilseeds and other agricultural commodities through origination, processing, marketing and distribution services.

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Revenues	\$ 21,135.4	\$ 14,436.4	46
Earnings	703.8	335.1	110

Segment earnings reached \$703.8 million, double the year-ago results. Revenues were \$21.1 billion, up \$6.7 billion from the same period a year ago.

Earnings in Cargill's Grain & Oilseed Supply Chain, a group of 13 business units, were up considerably from the second quarter a year ago. Aided by its global insight into supply and demand, the group took advantage of strong fundamentals driving demand for grain, oilseeds and other commodities, including freight. It ran more volume through its global asset base at higher rates of capacity utilization. It also measured and assessed risk ably in markets often distinguished by huge movements in prices.

Increased price volatility in futures and options markets during the quarter provided Cargill Cotton with profitable trading opportunities. That enabled the business to turn around the small loss incurred in the first quarter. Several factors, including the unstable political environment in Zimbabwe, drought in southeastern Africa and weaker demand from China, kept results through the first half below the year-ago level.

Despite lower available sugar volumes and less price volatility, Cargill Sugar generated strong trading profits in the second quarter. The business was well positioned for the prevailing market conditions. In spite of high freight rates, it also benefited from shipping large volumes of containerized sugar.

C. Food Ingredients and Applications

Food Ingredients and Applications serves food makers, food service companies and retailers with food and beverage ingredients, meat and poultry products, and new food applications.

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Revenues	\$ 22,151.1	\$ 18,981.9	17
Earnings	431.3	257.0	68

Segment earnings rose \$174.3 million or 68 percent from the first six months a year ago. Revenues increased by \$3.2 billion or 17 percent in the first six months.

1. Food ingredients

Earnings in the food ingredients businesses were led by stronger performance in Europe and Latin America. Results in North America declined moderately from last year.

Cargill Starches & Sweeteners Europe delivered a strong performance in the second quarter compared with a small loss in the same period a year ago. In January 2007, it shortened its sales contract periods to three to six months from 12 months, which provided more flexibility to adjust sales prices for changing raw material and energy costs. The business also purchased corn and wheat early in the year, which reduced its exposure to rising input costs. Additionally, the increased demand for agricultural raw materials for biofuel production tightened the market for sweeteners and starches.

Strong quarterly and year-to-date earnings in Cargill Malt were driven by gains on European barley inventory and higher margins across the industry.

Second-quarter earnings in Cargill Cocoa & Chocolate declined from the year-ago level as futures markets, used to hedge inventory positions, fell short of compensating for higher cocoa bean and carrying costs.

Earnings in Cargill Foods Venezuela strengthened substantially in the second quarter as the business concentrated on optimizing its mix of high-margin offerings. The subsequent improvement in sales prices for oil, pasta and flour products more than offset increases in raw material costs.

Despite lower sales volumes, higher sales prices on corn-based products yielded bigger gross margins in Cargill Starches & Sweeteners Brazil compared with the second quarter a year ago. Margins in its tapioca business were pressured by rising raw material costs and declining sales prices for finished products.

Although increased capacity utilization enhanced margins for sweetener and starch products, second-quarter earnings in Cargill Corn Milling North America lagged the year-ago level due to lower profitability in ethanol and risk management. Ethanol results were trimmed by higher corn costs and lower sales prices as new industry capacity came on line.

Horizon Milling's quarterly earnings were up significantly from the same period a year ago. The business took advantage of merchandising opportunities in a volatile market. Sales volumes and margins were solid.

2. Food system design

Large year-to-date gains in Cargill Juice North America resulted from the pricing of previously unpriced sales contracts at the end of the fruit season. The gains offset some of the prior periods' mark-to-market losses on futures hedges.

3. Animal protein

Earnings in the animal protein businesses were down overall compared with the previous year due primarily to unfavorable conditions in the U.S. beef industry.

As discussed in the fiscal 2008 first-quarter MD&A, the U.S. beef industry faces a challenging environment. High cattle costs paired with more industry production than merited by consumer demand compressed margins in the second quarter and led to a loss in Cargill's U.S. beef processing business. Both the U.S. and Argentine units were hurt by continued limited access to export markets due to trade restrictions.

Significantly higher grain costs in the turkey operations of Cargill Value Added Meats were partly recouped in sales prices. Higher raw material costs also reduced ground beef margins. Product recall expenses contributed to moderately lower earnings for the second quarter compared with last year.

Much-improved sales prices and volumes for exported poultry coupled with operational efficiency improvements boosted second-quarter earnings in Seara. The business incurred a sizable loss in the same period a year ago.

D. Risk Management and Financial

Risk Management and Financial provides customers and Cargill with risk management and financial solutions in world markets.

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Revenues	\$ 2,378.5	\$ 2,214.7	7
Earnings	296.0	378.3	(22)

Segment earnings declined \$82.3 million from the prior year.

CarVal Investors continued to be a key contributor to Cargill's results, although earnings were less than last year. Solid results were primarily due to profits from real estate sales in Europe and Hawaii, and gains on an investment in an energy company undergoing reorganization. Management fee income from the CarVal funds also enhanced results. Results included an impairment charge on investments in housing development projects negatively affected by credit and mortgage market uncertainties.

Market turmoil resulting from the disarray in subprime credit markets and the downturn in housing values led to a moderate decline in the value of Black River Asset Management investments. The subsidiary's management fee income held firm.

Although second-quarter earnings in Cargill Power & Gas North America were moderately below the year-ago level, its year-to-date earnings were much improved compared with the sizable loss incurred in the first half of last year. The business' successful management of electrical power flows and transmission relative to weather volatility and its expansion of its customer base generated solid results.

Strong demand from China and India, and port congestion in production countries such as Australia tightened supply and demand dynamics for coal and boosted selling prices. Aided by its global market analysis, Cargill Coal traded the market well and posted second-quarter earnings significantly ahead of last year's breakeven results.

Cargill Ferrous International capitalized on strong steel demand outside of the United States to strengthen earnings in the second quarter. Results were tempered by conditions within the U.S. steel market, where steel consumers' high inventory levels and low demand pressured margins and limited import opportunities.

E. Industrial

The Industrial segment supplies customers with fertilizer, salt, steel and industrial uses for agricultural feedstocks.

Dollars in millions	Nov. 30, 2007	Nov. 30, 2006	Percent change
Revenues	\$ 4,573.3	\$ 1,672.2	173
Earnings	490.6	117.5	318

Segment earnings and revenues were up significantly, due largely to improved results from Cargill's investment in The Mosaic Company, which benefited from global demand for fertilizers.

Increased salt mine production, higher sales prices and good sales volumes contributed to stronger earnings in Cargill's salt businesses.

Earnings in the steel manufacturing joint venture continued to lag the prior year's results, reflecting the soft U.S. steel market.

IV. OTHER OPERATING MATTERS

A. Business Disposals

Business disposals in the first quarter of fiscal 2008 included the sale of a biofuels investment and liquidations in Cargill's venture capital portfolio. Cargill did not have any significant business disposals in the second quarter of fiscal 2008. Proceeds from the 2008 disposals totaled \$110 million with gains of \$53 million, net of tax. Proceeds from disposals for the first half of fiscal 2007 totaled \$3 million with gains of \$1 million, net of tax.

B. Litigation Summary

In July and August 2000, an outbreak of E. coli 0157:H7 occurred in two Sizzler chain restaurants in the Milwaukee, Wis., area. According to a report issued by the state of Wisconsin, more than 60 confirmed cases of E. coli 0157:H7 illnesses and the death of one child are linked to the outbreak. Cargill Meat Solutions, through its distributor Sysco Services of Eastern Wisconsin, was a supplier of meat products to the two Milwaukee Sizzler restaurants. It was alleged that an unopened CMS sirloin tri-tip product taken from one of the restaurants tested positive for the same strain of E. coli as that found in the affected patrons. One consumer lawsuit remains pending in state court against CMS, relating to the death that was linked to the outbreak. Since the onset of this litigation, several consumer lawsuits against CMS have been settled, while several others have been dismissed. In January 2002, Sizzler USA Franchise, Inc., filed a third-party complaint against Cargill and a cross claim against CMS in state court for damages. While the consumer lawsuit and Sizzler's cross claim against CMS remain pending, Sizzler's third-party complaint against Cargill has been dismissed. E&B Management Co. of Waukesha, the Sizzler franchisee that operated the two Sizzler restaurants in Milwaukee, along with E&B's insurer (Secura Insurance, a Mutual Company), also recently filed a cross claim and a direct lawsuit against CMS, under a Guaranty provided by CMS to Sysco, on the grounds that E&B was a third-party beneficiary of the Guaranty. Trial is scheduled for July 2008.

On June 18, 2005, the State of Oklahoma filed a water quality lawsuit against Cargill and other poultry integrators in the U. S. District Court for the Northern District of Oklahoma, related to alleged nutrient loading in certain Oklahoma and western Arkansas watersheds. The lawsuit seeks damages and injunctive relief based upon the alleged adverse environmental impact of excess nutrients associated with the land application of poultry litter by the companies and contract growers. The parties were unsuccessful in mediating the claims. Answers from Cargill and the other defendants were filed in October 2005. We are preparing experts and other discovery plans. In March 2007, the court set a comprehensive case management order, which estimates that trial will take place in January 2009. Discovery to date has been mired in delays and motion practice, and the parties also are submitting various motions to dismiss, strike, stay or sever third-party claims. In November, the state filed a motion for a preliminary injunction to prevent the poultry companies from spreading litter in the watershed. To support the motion, the state claimed a health "emergency" has arisen from the practice. The court will hear the motion in a seven-day hearing in March 2008.

The outcome of any litigation is not predictable with certainty, or subject to the company's control. However, it is the opinion of management that any ultimate liability in any known litigation against the company has been provided for, or will not have a material adverse effect on our consolidated financial condition, cash flows or results of operations.

V. QUARTERLY UNAUDITED FINANCIAL STATEMENTS

Cargill, Incorporated and Subsidiaries
CONSOLIDATED BALANCE SHEET
 November 30, 2007 and November 30, 2006
 (In Millions)
 Unaudited

	AT NOVEMBER 30	
ASSETS	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,078	1,228
Short-term investments	467	419
Financial instruments purchased with agreements to resell	51	42
Trading securities	1,508	2,737
Accounts receivable, notes receivable, and accrued income, net	14,153	9,374
Inventories	14,630	11,670
Other	2,105	1,862
TOTAL CURRENT ASSETS	34,992	27,332
OTHER ASSETS		
Investments and advances	5,034	2,741
Goodwill	3,238	3,325
Other assets	5,577	5,380
TOTAL OTHER ASSETS	13,849	11,446
PROPERTY		
Owned property, plant & equipment	25,672	23,220
Property under capital leases	263	212
Construction in progress	1,765	1,378
	27,700	24,810
Less accumulated depreciation and amortization	13,030	11,400
NET PROPERTY	14,670	13,410
TOTAL ASSETS	\$ 63,511	52,188
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$ 7,237	6,941
Short-term debt, non-recourse	1,042	739
Financial instruments sold with agreements to repurchase	1,878	1,711
Accounts payable and accrued expenses	14,320	10,720
Accrued income taxes	882	861
TOTAL CURRENT LIABILITIES	25,359	20,972
OTHER LIABILITIES		
Long-term debt	10,127	6,720
Long-term debt, non-recourse	2,644	3,672
Deferred income taxes	1,032	941
Other deferred liabilities	3,058	2,741
TOTAL LIABILITIES	42,220	35,046
MINORITY INTERESTS IN SUBSIDIARIES	2,916	2,221
STOCKHOLDERS' EQUITY		
Capital stock	11	3
Retained earnings	16,928	14,340
Unearned ESOP compensation	(155)	(180)
Accumulated other comprehensive income	1,591	758
TOTAL STOCKHOLDERS' EQUITY	18,375	14,921
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 63,511	52,188

Certain fiscal 2007 balance sheet accounts have been reclassified to conform with the current year presentation. The Consolidated Balance Sheet has been prepared from the books and records of the Company including interim estimates that have not been subjected to external audit verification. In my opinion, the Consolidated Balance Sheet is fairly stated and in conformity with accounting principles generally accepted in the United States of America.

1/9/2008

Date



Corporate Vice President and Controller

Cargill, Incorporated and Subsidiaries
CONSOLIDATED STATEMENT OF EARNINGS
Six Months Ended November 30, 2007 and November 30, 2006
(In Millions)
(Unaudited)

	Six Months Ended	
	<u>11/30/07</u>	<u>11/30/06</u>
Sales and other revenues	\$ 54,926	40,478
Cost of sales and other revenues (Exclusive of depreciation and amortization, as shown below)	48,012	35,544
Gross Profit	6,914	4,934
Expenses and other income		
Selling, general and administrative expenses	2,581	2,221
Depreciation and amortization of property	765	625
Interest on long-term debt	406	276
Interest on short-term debt	366	226
Restructuring and asset impairment charges	14	--
Other income, net	(135)	(15)
Earnings of consolidated companies before income taxes	2,917	1,601
Income tax expense	857	453
Net earnings of consolidated companies	2,060	1,148
Add equity in net earnings of nonconsolidated companies	163	98
Deduct minority interests in net earnings of consolidated subsidiaries	(352)	(84)
NET EARNINGS	<u>\$ 1,871</u>	<u>1,162</u>

The Consolidated Statement of Earnings has been prepared from the books and records of the Company including interim estimates that have not been subjected to external audit verification. In my opinion, the Consolidated Statement of Earnings is fairly stated and in conformity with accounting principles generally accepted in the United States of America.

1/9/2008

Date



Corporate Vice President and Controller

Cargill, Incorporated and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended November 30, 2007 and November 30, 2006
(In Millions)
(Unaudited)

	Six Months Ended	
	11/30/07	11/30/06
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 1,871	1,162
Minority interests in net earnings of consolidated subsidiaries	352	84
Noncash items included in earnings:		
Equity in net earnings of nonconsolidated companies, net of dividends	18	66
Depreciation and amortization of property	765	625
Restructuring and asset impairment charges	14	--
Deferred income taxes	(50)	(86)
Other, net	5	71
Total cash from operations	2,975	1,922
(Increase) in financial instruments purchased with agreements to resell	(33)	(4)
Decrease (increase) in trading securities	234	(497)
(Increase) in accounts receivable, notes receivable and accrued income	(2,862)	(948)
(Increase) in inventories	(3,024)	(2,330)
Increase in financial instruments sold with agreements to repurchase	372	1,070
Increase in accounts payable and accrued expenses	2,780	456
Decrease (increase) in other current assets and liabilities	339	(170)
Other, net	186	13
Net cash provided (used) by operating activities	967	(488)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(983)	(786)
Investments in businesses acquired, less cash received	(84)	(80)
Investments in nonconsolidated companies	(90)	(135)
Purchase of minority interests, less cash acquired	(28)	(8)
Total capital investments	(1,185)	(1,009)
Net proceeds from property and business disposals	138	21
Net investments in loan portfolios and real estate	150	(237)
Net investments in affiliated private investment funds	(939)	(44)
Other, net	(1)	(30)
Net cash used by investing activities	(1,837)	(1,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from short-term debt	173	1,411
Net proceeds from (payments on) short-term debt, non-recourse	200	(42)
Proceeds from long-term debt	2,394	848
Proceeds from long-term debt, non-recourse	196	749
Payments on long-term debt	(370)	(182)
Payments on long-term debt, non-recourse	(1,406)	(614)
Dividends paid to stockholders	(204)	(180)
Dividends paid to minority interests in subsidiaries	(52)	(36)
Capital stock transactions, net	(146)	(120)
Other, net	66	6
Net cash provided by financing activities	851	1,840
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19)	53
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,097	1,175
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,078	1,228

Certain fiscal 2007 cash flow accounts have been reclassified to conform with the current year presentation. The Consolidated Statement of Cash Flows has been prepared from the books and records of the Company including interim estimates that have not been subjected to external audit verification. In my opinion, the Consolidated Statement of Cash Flows is fairly stated and in conformity with accounting principles generally accepted in the United States of America.

1/9/2008
Date


Corporate Vice President and Controller

Cargill, Incorporated and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended November 30, 2007 and November 30, 2006
(In Millions)
(Unaudited)

	Capital Stock	Add'l. Paid In Capital	Compre- hensive Income	Retained Earnings	Unearned ESOP Compen- sation	Accum. Other Compre- hensive Inc./Loss	Total Stock- holders' Equity
Balance at May 31, 2006	\$ 3	--		13,385	(197)	679	13,870
Shares issued	--	4		--	--	--	4
Shares reacquired	--	(84)		(37)	--	--	(121)
Comprehensive income:							
Net earnings	--	--	\$ <u>1,162</u>	1,162	--	--	1,162
Other comprehensive income:							
Foreign currency translation adjustments	--	--	52	--	--	52	--
Unrealized gain on securities	--	--	20	--	--	20	--
Unrealized gain on cash flow hedges	--	--	5	--	--	5	--
Pension related adjustments	--	--	2	--	--	2	--
Other comprehensive income	--	--	<u>79</u>	--	--	--	79
Comprehensive income			<u>\$ <u>1,241</u></u>				
Stock based compensation	--	55		--	--	--	55
Tax benefit on ESOP dividends	--	--		10	--	--	10
Tax benefit on stock options exercises	--	23		--	--	--	23
Tax benefit on stock grants	--	2		--	--	--	2
Amort. of unearned ESOP compensation	--	--		--	17	--	17
Cash dividends	--	--		(180)	--	--	(180)
Balance at November 30, 2006	<u>\$ 3</u>	<u>--</u>		<u>14,340</u>	<u>(180)</u>	<u>758</u>	<u>14,921</u>
Balance at May 31, 2007	\$ 3	--		15,303	(164)	1,107	16,249
Shares issued	8	10		(8)	--	--	10
Shares reacquired	--	(79)		(68)	--	--	(147)
Comprehensive income:							
Net earnings	--	--	\$ <u>1,871</u>	1,871	--	--	1,871
Other comprehensive income:							
Foreign currency translation adjustments	--	--	449	--	--	449	--
Unrealized gain on securities	--	--	19	--	--	19	--
Unrealized gain on cash flow hedges	--	--	10	--	--	10	--
Pension related adjustments	--	--	6	--	--	6	--
Other comprehensive income	--	--	<u>484</u>	--	--	--	484
Comprehensive income			<u>\$ <u>2,355</u></u>				
Stock based compensation	--	37		--	--	--	37
Tax benefit on ESOP dividends	--	--		6	--	--	6
Tax benefit on stock options exercises	--	30		--	--	--	30
Tax benefit on stock grants	--	2		--	--	--	2
Investments in investment companies	--	--		28	--	--	28
Amort. of unearned ESOP compensation	--	--		--	9	--	9
Cash dividends	--	--		(204)	--	--	(204)
Balance at November 30, 2007	<u>\$ 11</u>	<u>--</u>		<u>16,928</u>	<u>(155)</u>	<u>1,591</u>	<u>18,375</u>

The Consolidated Statement of Stockholders' Equity has been prepared from the books and records of the Company including interim estimates that have not been subjected to external audit verification. In my opinion, the Consolidated Statement of Stockholders' Equity is fairly stated and in conformity with accounting principles generally accepted in the United States of America.

1/9/2008

Date



Corporate Vice President and Controller

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The unaudited consolidated financial statements reflect, in the opinion of the management of Cargill, Incorporated, all normal recurring adjustments necessary for a fair statement of the financial position and results of operations and cash flows for the interim periods. The statements are condensed and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the audited consolidated financial statements and footnotes for the year ended May 31, 2007. The results of operations and cash flows for interim periods are not necessarily indicative of results for a full year.

A. Summary of Significant Accounting Policies

Significant accounting policies followed in preparing the consolidated financial statements are summarized below.

1. Nature of Business

The Company is engaged in the international marketing and processing of agricultural, industrial and financial commodities. Operating in 66 countries worldwide, the Company markets its products principally in four geographic regions: Asia/Pacific, Europe/Africa, Latin America and North America.

2. Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Cargill, Incorporated and all entities that we control by ownership of a majority voting interest as well as certain variable interest entities, where the Company is the primary beneficiary. Intercompany accounts and transactions are eliminated. Investments in companies where the Company does not have control, but has the ability to exercise significant influence (generally 20 percent to 50 percent ownership), are accounted for by the equity method. Net earnings include the Company's share of net income in these companies. Other investments where the Company is unable to exercise significant influence over operating and financial decisions are accounted for at cost.

3. Variable Interest Entities

The FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46R), which requires certain variable interest entities (VIEs) to be consolidated. FIN 46R separates entities into two groups: (1) those for which voting interests are used to determine consolidation and (2) those for which variable interests are used to determine consolidation. An entity is considered to be a VIE when it has equity investors who lack the characteristics of a controlling financial interest, or the entity's capital is insufficient to permit it to finance its activities without additional subordinated financial support. A VIE is consolidated by its primary beneficiary, which is the company that

absorbs a majority of the VIE's expected losses, receives a majority of the VIE's expected residual returns, or both. Entities not considered to be a VIE are evaluated for consolidation under the voting control model.

In the accompanying consolidated financial statements, the Company has applied FIN 46R to all entities. The consolidated VIEs include partnerships, LLCs, corporations and trusts that acquire, hold, restructure and dispose of performing and nonperforming loans and real estate assets as well as a few food businesses, power plants and synthetic lease structures. Consolidated VIEs are funded by a combination of equity and third party nonrecourse debt. The equity interests of consolidated VIEs not owned by the Company are reported as Minority Interests in Subsidiaries on the Company's consolidated balance sheet.

The Company also holds variable interests in the form of loan and equity investments in a variety of VIEs for which the Company is not the primary beneficiary. These VIEs primarily hold, restructure and dispose of performing and nonperforming loans and real estate assets.

4. Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on knowledge of current events and actions expected to be undertaken in the future, actual results may ultimately differ from estimates.

5. Revenue Recognition

The Company recognizes revenue from commodity or product sales when the goods are shipped or delivered depending upon when the customer has taken title and assumed the risks and rewards of ownership, prices are fixed or determinable and collectibility is reasonably assured. Additional revenue recognition policies for trading securities and derivatives and inventories are shown below.

6. Affiliated Private Investment Funds

The Company's noncontrolling investment in several affiliated private investment funds is included in the "investments and advances" line on the consolidated balance sheet. These affiliated private investment companies use investment company accounting and report all assets and liabilities at fair value. Investment company accounting has been retained by the Company for its investments in the funds and accordingly, the Company's share of each fund's earnings is included in the determination of net earnings.

The Company's subsidiary, Black River Asset Management LLC, is a global asset management company that has developed and marketed a number of affiliated private investment funds, under the Black River name, with differing types of investment strategies. Black River provides investment advisory services for these funds and for certain proprietary accounts for the Company.

During 2007, the Company restructured its value investment business into CarVal Investors, LLC (CarVal), a Cargill subsidiary. CarVal formed the CVI Global Value Fund (CVI Fund) to provide institutional investors with a variety of value investments including loan portfolios, corporate securities, real estate and special opportunities. An additional fund, Specialized Ventures Fund, was formed in the first quarter of fiscal 2008 to house U.S. residential loan portfolios and similar products. CarVal provides investment advisory services to the CVI Funds and for certain proprietary accounts for the Company.

7. Foreign Currency Translation

Gains and losses resulting from translating the financial statements of foreign subsidiaries, whose functional currency is the local currency, at the current rate are included directly in other comprehensive income.

Translation gains and losses of foreign subsidiaries operating in hyperinflationary economies and foreign subsidiaries where the U.S. dollar is the functional currency are included in net earnings currently.

8. Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of 90 days or less.

9. Short-term Investments

Short-term investments include highly liquid investments with original maturities greater than 90 days, but less than one year.

10. Asset Retirement Obligation

The Company incurs obligations related to the retirement of certain long-lived assets. The fair values of these retirement obligations are recorded as liabilities on a discounted basis at the time the obligations are incurred. Upon recognition of the liability, the cost is capitalized as part of the related long-lived asset and depreciated over the estimated useful life of the related asset. Accretion expense in connection with the discounted liability also is recognized over the estimated useful life of the related asset.

11. Resale and Repurchase Agreements

Financial instruments purchased with agreements to resell (reverse repurchase agreements) and financial instruments sold with agreements to repurchase (repurchase agreements) are treated as collateralized financing transactions and are recorded at the amount at which the financial instruments were initially acquired or sold, including accrued interest. Interest income is recorded on reverse repurchase agreements and interest expense is recorded on repurchase agreements.

It is the Company's policy to take delivery of financial instruments purchased with agreements to resell, which are generally U.S. government or U.S. government agency securities. The Company has the ability to sell or re-pledge the securities. The Company monitors the market value of the financial instruments to be resold daily and obtains additional collateral when deemed appropriate. The collateral for financial instruments sold with agreements to repurchase consists of securities, other assets, accounts receivable and notes receivable. The Company offsets resale and repurchase agreements that meet the applicable netting criteria.

12. Trading Securities and Derivatives

The Company is engaged in the leveraged trading of a diverse group of securities and, accordingly, its trading securities and trading securities sold, not yet purchased are recorded on trade date at fair value. These instruments are marked to market with realized and unrealized gains and losses included in the determination of net earnings. Interest on trading securities sold, not yet purchased is netted against interest income and shown as "sales and other revenues" in the consolidated statement of earnings.

Derivative instruments, including swaps, futures contracts, forward commitments, options and other similar types of contracts and commitments based on either interest rates or foreign exchange rates, as well as equity and commodity derivatives, are traded by the Company and are carried at their fair market value as either trading securities or trading securities sold, not yet purchased. The fair market value of almost all trading securities and derivatives, as described above, is determined from market prices quoted on public exchanges or based on management's best estimate subject to independent price verification. New complex instruments may have immature or limited markets. As a result, the pricing models used for valuation may require significant estimates and assumptions. An insignificant amount of positions are valued in this manner.

In addition to its trading activities, the Company utilizes various types of derivative instruments (principally options, futures and interest rate and currency swaps) to hedge interest rate, currency and other market risks arising from certain of its assets and liabilities. The Company values its derivative instruments in accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. The statement requires that all derivative instruments be recognized in the balance sheet at fair value with changes in such fair values recognized immediately in earnings unless specific hedging criteria are met. Effective changes in the fair value of derivatives designated as cash flow hedges and net foreign currency investment hedges are recorded in accumulated other comprehensive income. Amounts are reclassified from accumulated other comprehensive income when the underlying hedged item impacts net earnings and all ineffective changes in fair value are recorded currently in net earnings. Changes in the fair value of derivatives designated and effective as fair value hedges are recorded in earnings and are offset by corresponding changes in the fair value of the hedged item.

13. Inventories

Grain, cotton and other commodities for merchandising and oilseeds and other commodities for processing and products thereof are stated principally at market, adjusted for unrealized gains or losses on open cash contracts valued at market. Market is determined from market prices quoted on public commodity exchanges, adjusted for expected freight costs to normal delivery points and a price premium or discount to cover local supply and demand factors as estimated by management. The availability and market price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, domestic and foreign government farm programs and policies, global production and other factors. The Company generally minimizes the risk of market fluctuations by hedging these inventories with futures, cash, and foreign exchange contracts. Generally these contracts are valued at market and the resulting unrealized gains or losses are recognized currently in earnings. Dressed beef, poultry, salt and other products are valued at the lower of cost (last-in, first-out) or market. All other inventories are stated principally at the lower of cost or market.

14. Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated principally using the straight-line method over the estimated useful lives of the assets. The company periodically evaluates the carrying value of these long-lived assets when events and circumstances indicate the carrying value may not be recoverable. If the carrying value is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds fair market value.

15. Income Taxes

The Company and substantially all domestic subsidiaries are members of a group, which files a consolidated Federal income tax return. Federal income taxes or tax benefits are allocated to each company on the basis of its individual taxable income or loss and tax credits included in the return. The Company owns a majority share of The Mosaic Company, a publicly traded fertilizer company, which files separate federal and state income tax returns. Deferred income taxes are recognized for tax consequences of temporary differences by applying enacted statutory tax rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities.

It is generally the policy of the Company to reinvest unremitted earnings of foreign subsidiaries and corporate joint ventures indefinitely, or to remit earnings only when the tax effect is minor. Accordingly, no provision has been made for income taxes that may be payable upon remittance of such earnings. Federal income taxes on any amounts remitted would be partly offset by foreign tax credits.

16. Pension and Postretirement Plans

The Company and its subsidiaries have various pension and postretirement benefit plans covering most of its domestic employees and many of its foreign employees. Pension

benefits are based on years of service and compensation. Unrecognized net gains or losses are amortized over the expected remaining service lives of employees. Pensions are funded in compliance with U.S. government regulations or local laws and customs.

17. Share-based Payment Plans

The Company uses the fair value recognition provisions of SFAS 123 and expenses the value of stock options over the service period. In December 2004, the FASB revised SFAS 123. SFAS 123R further defines the concept of fair market value as it relates to share-based payment transactions as compensation expense. The provisions of this statement were effective for the Company in fiscal 2007 and did not have a material effect on the Company's consolidated financial position or results of operations.

18. Business Combinations and Goodwill

Business acquisitions are accounted for in accordance with SFAS 141, "Business Combinations," with the purchase price allocated to the assets and liabilities acquired, including goodwill and other intangibles, based on their estimated fair values at date of acquisition. Under SFAS 142, "Goodwill and Other Intangibles Assets," goodwill and intangible assets with indefinite lives are not amortized, but are reviewed annually for impairment or upon the occurrence of trigger events. Impairment assessments include comparing the fair value of a reporting unit with its carrying value, including goodwill. The assessments are performed using a variety of methodologies, including cash flow analyses, estimates of sales proceeds and appraisals.

19. Reclassifications

Certain fiscal 2007 amounts have been reclassified to conform with the current year presentation.

B. New Accounting Pronouncements - effective after the year ended May 31, 2007.

Accounting for Defined Benefit Pension and Other Postretirement Plans

During September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its balance sheet and to recognize the changes in the funded status in other comprehensive income in the year in which the changes occur. The statement also requires measurement of the funded status of defined benefit postretirement plans as of the end of the fiscal year instead of a date prior to the end of the fiscal year. Pursuant to SFAS 158, the Company will recognize the funded status of its defined benefit postretirement plans in its consolidated balance sheet as of May 31, 2008, and will adopt the measurement date provisions of SFAS 158 on May 31, 2009. The Company does not expect that adoption of SFAS 158 will have a material effect on consolidated stockholders' equity.