CORN PRODUCTS INTERNATIONAL INC
Form 10-Q
November 10, 2008

**Table of Contents**

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

**Form 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**FOR THE QUARTERLY PERIOD ENDED September 30, 2008**
**COMMISSION FILE NUMBER 1-13397**
**CORN PRODUCTS INTERNATIONAL, INC.**
(Exact name of Registrant as specified in its charter)
**DELAWARE**
(State or other jurisdiction of incorporation or organization)
**22-3514823**
(I.R.S. Employer Identification Number)

| **5 WESTBROOK CORPORATE CENTER,** WESTCHESTER, ILLINOIS | 60154 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

(708) 551-2600
(Registrant s telephone number, including area code)

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 þ No o

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. (Check one):

| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

| **CLASS** | **OUTSTANDING AT October 31, 2008** |
|---|---|
| Common Stock, $.01 par value | 74,485,384 shares |

**TABLE OF CONTENTS**

PART I FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS
ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
ITEM 4 CONTROLS AND PROCEDURES
PART II OTHER INFORMATION
ITEM 1 LEGAL PROCEEDINGS
ITEM 1A RISK FACTORS
ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
ITEM 6 EXHIBITS
SIGNATURES
EXHIBIT INDEX
EX-11
EX-31.1
EX-31.2
EX-32.1
EX-32.2

Table of Contents

## PART I FINANCIAL INFORMATION

**ITEM 1**
**FINANCIAL STATEMENTS**

### CORN PRODUCTS INTERNATIONAL, INC.
### Condensed Consolidated Statements of Income
### (Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(In millions, except per share amounts)** | **2008** | **2007** | **2008** | **2007** |
| Net sales before shipping and handling costs | $1,155.4 | $938.7 | $3,240.0 | $2,672.4 |
| Less: shipping and handling costs | 71.2 | 61.3 | 196.4 | 176.1 |
| Net sales | 1,084.2 | 877.4 | 3,043.6 | 2,496.3 |
| Cost of sales | 880.4 | 735.7 | 2,479.9 | 2,053.0 |
| Gross profit | 203.8 | 141.7 | 563.7 | 443.3 |
| Operating expenses | 66.8 | 61.7 | 207.8 | 184.1 |
| Other income-net | 10.8 | 8.0 | 14.4 | 7.2 |
| Operating income | 147.8 | 88.0 | 370.3 | 266.4 |
| Financing costs-net | 9.6 | 10.0 | 23.9 | 32.8 |
| Income before income taxes and minority interest | 138.2 | 78.0 | 346.4 | 233.6 |
| Provision for income taxes | 48.2 | 25.8 | 119.5 | 77.8 |
| | 90.0 | 52.2 | 226.9 | 155.8 |
| Minority interest in earnings | 1.9 | 1.1 | 6.1 | 4.1 |
| Net income | $ 88.1 | $ 51.1 | $ 220.8 | $ 151.7 |
| Weighted average common shares outstanding: | | | | |
| Basic | 74.7 | 75.0 | 74.4 | 74.8 |
| Diluted | 76.3 | 77.0 | 76.0 | 76.7 |
| Earnings per common share: | | | | |
| Basic | $ 1.18 | $ 0.68 | $ 2.97 | $ 2.03 |
| Diluted | $ 1.15 | $ 0.66 | $ 2.90 | $ 1.98 |

See Notes to Condensed Consolidated Financial Statements

Table of Contents

## PART I FINANCIAL INFORMATION

## ITEM I FINANCIAL STATEMENTS

## CORN PRODUCTS INTERNATIONAL, INC.
## Condensed Consolidated Balance Sheets

| (In millions, except share and per share amounts) | September 30, 2008 (Unaudited) | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 116 | $ 175 |
| Accounts receivable net | 575 | 460 |
| Inventories | 493 | 427 |
| Prepaid expenses | 18 | 14 |
| Deferred income taxes | 50 | 13 |
| **Total current assets** | 1,252 | 1,089 |
| Property, plant and equipment net | 1,501 | 1,500 |
| Goodwill and other intangible assets | 374 | 426 |
| Deferred income taxes | | 1 |
| Investments | 10 | 13 |
| Other assets | 71 | 74 |
| **Total assets** | $ 3,208 | $ 3,103 |
| **Liabilities and equity** | | |
| Current liabilities | | |
| Short-term borrowings and current portion of long-term debt | $ 223 | $ 130 |
| Deferred income taxes | 1 | 28 |
| Accounts payable and accrued liabilities | 604 | 516 |
| **Total current liabilities** | 828 | 674 |
| Non-current liabilities | 124 | 123 |
| Long-term debt | 505 | 519 |
| Deferred income taxes | 126 | 133 |
| Minority interest in subsidiaries | 20 | 21 |
| Redeemable common stock (500,000 shares issued and outstanding at September 30, 2008 and December 31, 2007) stated at redemption value | 18 | 19 |
| Share-based payments subject to redemption | 10 | 9 |
| **Stockholders equity** | | |
| Preferred stock authorized 25,000,000 shares- $0.01 par value none issued | | |
| | 1 | 1 |

| | | |
|---|---|---|
| Common stock authorized 200,000,000 shares- $0.01 par value 74,819,774 shares issued at September 30, 2008 and December 31, 2007 | | |
| Additional paid-in capital | **1,081** | **1,082** |
| Less: Treasury stock (common stock; 835,812 and 1,568,996 shares at September 30, 2008 and December 31, 2007, respectively) at cost | **(31)** | **(57)** |
| Accumulated other comprehensive loss | **(359)** | **(115)** |
| Retained earnings | **885** | **694** |
| **Total stockholders equity** | **1,577** | **1,605** |
| **Total liabilities and equity** | **$ 3,208** | **$ 3,103** |

See Notes to Condensed Consolidated Financial Statements

3

**Table of Contents**

**PART I FINANCIAL INFORMATION**

**ITEM 1**

**FINANCIAL STATEMENTS**

**CORN PRODUCTS INTERNATIONAL, INC.**

**Condensed Consolidated Statements of Comprehensive Income (Loss)**

**(Unaudited)**

| (In millions) | Three Months Ended September 30, 2008 | Three Months Ended September 30, 2007 | Nine Months Ended September 30, 2008 | Nine Months Ended September 30, 2007 |
|---|---|---|---|---|
| Net income | **$ 88** | **$51** | **$ 221** | **$152** |
| Comprehensive income (loss): | | | | |
| Gains (losses) on cash flow hedges, net of income tax effect of $136, $2, $12 and $11, respectively | **(223)** | **4** | **(19)** | **(17)** |
| Reclassification adjustment for (gains) losses on cash flow hedges included in net income, net of income tax effect of $32, $-, $61 and $12, respectively | **(52)** | **1** | **(101)** | **(19)** |
| Unrealized loss on investment, net of income tax effect of $1 | | | **(2)** | |
| Currency translation adjustment | **(134)** | **18** | **(122)** | **75** |
| Comprehensive income (loss) | **$(321)** | **$74** | **$ (23)** | **$191** |

See Notes to Condensed Consolidated Financial Statements

4

Table of Contents

## PART I FINANCIAL INFORMATION

**ITEM 1**

**FINANCIAL STATEMENTS**

### CORN PRODUCTS INTERNATIONAL, INC.

**Condensed Consolidated Statement of Stockholders Equity and Redeemable Equity**

**(Unaudited)**

| | STOCKHOLDERS EQUITY | | | | | | |
|---|---|---|---|---|---|---|---|
| **(in millions)** | **Common Stock** | **Additional Paid-In Capital** | **Treasury Stock** | **Accumulated Other Comprehensive Income (Loss)** | **Retained Earnings** | **Redeemable Common Stock** | **Share-based Payments Subject to Redemption** |
| **Balance, December 31, 2007** | **$1** | **$1,082** | **$(57)** | **$ (115)** | **$694** | **$ 19** | **$ 9** |
| Net income | | | | | **221** | | |
| Dividends declared | | | | | **(30)** | | |
| Losses on cash flow hedges, net of income tax effect of $12 | | | | **(19)** | | | |
| Amount of gains on cash flow hedges reclassified to earnings, net of income tax effect of $61 | | | | **(101)** | | | |
| Repurchase of common stock | | | **(1)** | | | | |
| Issuance of common stock on exercise of stock options | | **(8)** | **19** | | | | |
| Share-based compensation | | **3** | **8** | | | | **1** |
| Excess tax benefit on share-based compensation | | **3** | | | | | |
| | | **1** | | | | **(1)** | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Change in fair value of redeemable common stock | | | | | | | |
| Unrealized loss on investment, net of income tax effect of $1 | | | | **(2)** | | | |
| Currency translation adjustment | | | | **(122)** | | | |
| **Balance, September 30, 2008** | **$1** | **$1,081** | **$(31)** | **$ (359)** | **$885** | **$ 18** | **$ 10** |

See Notes to Condensed Consolidated Financial Statements

5

Table of Contents

**PART I FINANCIAL INFORMATION**

**ITEM 1**
**FINANCIAL STATEMENTS**

**CORN PRODUCTS INTERNATIONAL, INC.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| **(In millions)** | **2008** | **2007** |
| **Cash provided by (used for) operating activities:** | | |
| Net income | $ 221 | $ 152 |
| Non-cash charges (credits) to net income: | | |
| Depreciation and amortization | 98 | 93 |
| Minority interest in earnings | 6 | 4 |
| Changes in working capital: | | |
| Accounts receivable and prepaid items | (24) | (51) |
| Inventories | (103) | (39) |
| Accounts payable and accrued liabilities | 20 | 3 |
| (Payments) collections on margin accounts | (186) | 5 |
| Other | (16) | (18) |
| Cash provided by operating activities | 16 | 149 |
| **Cash provided by (used for) investing activities:** | | |
| Capital expenditures, net of proceeds on disposals | (160) | (105) |
| Payments for acquisitions (net of cash acquired of $7 in 2007) | | (59) |
| Other | 3 | 1 |
| Cash used for investing activities | (157) | (163) |
| **Cash provided by (used for) financing activities:** | | |
| Proceeds from borrowings | 119 | 337 |
| Payments on debt | (18) | (281) |
| Repurchases of common stock | (1) | (10) |
| Issuance of common stock | 11 | 13 |
| Dividends paid (including to minority interest shareholders) | (31) | (24) |
| Excess tax benefit on share-based compensation | 3 | 4 |
| Other | | (1) |
| Cash provided by financing activities | 83 | 38 |
| Effect of foreign exchange rate changes on cash | (1) | 2 |
| (Decrease) increase in cash and cash equivalents | (59) | 26 |

| | | |
|---|---|---|
| Cash and cash equivalents, beginning of period | **175** | **131** |
| Cash and cash equivalents, end of period | **$ 116** | **$ 157** |

See Notes to Condensed Consolidated Financial Statements

Table of Contents

**CORN PRODUCTS INTERNATIONAL, INC.**
**Notes to Condensed Consolidated Financial Statements**

**1. Interim Financial Statements**

References to the Company are to Corn Products International, Inc. and its consolidated subsidiaries. These statements should be read in conjunction with the consolidated financial statements and the related notes to those statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

The unaudited condensed consolidated interim financial statements included herein were prepared by management and reflect all adjustments (consisting solely of normal recurring items unless otherwise noted) which are, in the opinion of management, necessary to present a fair statement of results of operations and cash flows for the interim periods ended September 30, 2008 and 2007, and the financial position of the Company as of September 30, 2008. The results for the interim periods are not necessarily indicative of the results expected for the full years.

**2. Subsequent Event - Termination of Bunge Acquisition**

On June 23, 2008, the Company ( Corn Products ) and Bunge Limited ( Bunge ) announced that they had entered into a definitive agreement under which Bunge would acquire Corn Products in an all-stock transaction. On November 10, 2008, Bunge announced that it had terminated the merger agreement based upon the decision of the Corn Products Board of Directors to withdraw its recommendation in favor of adoption of the merger agreement. Under the terms of the merger agreement, Corn Products is obligated to reimburse Bunge for up to $10 million of Bunge s expenses in connection with the merger, which is expected to be recorded and paid in the fourth quarter of 2008.

Table of Contents

## 3. Share-Based Compensation

The Company accounts for share-based compensation under the provisions of Statement of Financial Accounting Standards No. 123R, Share-Based Payment.

A summary of information with respect to stock-based compensation is as follows:

| (in millions) | For the Three Months Ended September 30, 2008 | 2007 | For the Nine Months Ended September 30, 2008 | 2007 |
|---|---|---|---|---|
| Total stock-based compensation expense included in net income | $2.6 | $3.4 | $10.3 | $11.0 |
| Income tax benefit related to stock-based compensation included in net income | $0.9 | $1.1 | $ 3.6 | $ 3.7 |

*Stock Options:*

Under the Company s stock incentive plan, stock options are granted at exercise prices that equal the market value of the underlying common stock on the date of grant. The options are exercisable upon vesting, which for options granted in 2008 and 2007 occurs evenly over a three-year period from the date of the grant, and have a term of 10 years. Stock options granted prior to 2007 are exercisable upon vesting, which occurs in 50 percent increments at the one and two year anniversary dates of the date of grant, and also have a term of 10 years. Compensation expense is recognized on a straight-line basis for awards.

The Company granted non-qualified options to purchase 813 thousand shares of the Company s common stock during the nine months ended September 30, 2008. There were no non-qualified options granted during the third quarter of 2008.

The fair value of each option grant was estimated using the Black-Scholes option pricing model with the following assumptions:

| | September 30, 2008 | September 30, 2007 |
|---|---|---|
| Expected life (in years) | 5.3 | 5.3 |
| Risk-free interest rate | 2.91% | 4.76% |
| Expected volatility | 27.04% | 26.75% |
| Expected dividend yield | 1.16% | 0.98% |

The expected life of options represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company s historical exercise patterns. The risk-free interest rate is based on the US Treasury yield curve in effect at the time of the grant for periods corresponding with the expected life of the options. Expected volatility is based on historical volatilities of the Company s common stock. Dividend yields are based on historical dividend payments.

**Table of Contents**

Stock option activity for the nine months ended September 30, 2008 was as follows:

| (dollars and shares in thousands, except per share) | Number of Options | Weighted Average Exercise Price per Share | Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2007 | 4,193 | $22.30 | | |
| Granted | 813 | 34.32 | | |
| Exercised | (543) | 20.02 | | |
| Cancelled | (41) | 33.59 | | |
| Outstanding at September 30, 2008 | 4,422 | 24.69 | 6.37 | $36,342 |
| Exercisable at September 30, 2008 | 3,161 | $20.90 | 5.34 | $36,342 |

For the nine months ended September 30, 2008, cash received from the exercise of stock options was $11 million and the income tax benefit realized from the exercise of stock options was $3 million. As of September 30, 2008, the total remaining unrecognized compensation cost related to non-vested stock options approximated $7 million, which will be amortized over the weighted-average period of approximately 1.9 years.

Additional information pertaining to stock option activity is as follows:

| (dollars in thousands, except per share) | Three Months Ended September 30, 2008 | Three Months Ended September 30, 2007 | Nine Months Ended September 30, 2008 | Nine Months Ended September 30, 2007 |
|---|---|---|---|---|
| Weighted average grant date fair value of stock options granted (per share) | $ | $ | $ 9.05 | $ 10.37 |
| Total intrinsic value of stock options exercised | $325 | $3,045 | $13,628 | $17,649 |

*Restricted Shares of Common Stock:*

The Company has granted restricted stock to certain employees that vest after a designated service period ranging from three to five years. The fair value of the restricted stock is determined based upon the number of shares granted and the quoted price of the Company s stock at the date of the grant. Expense recognized for the three and nine months ended September 30, 2008 was $0.3 million and $1.1 million, respectively, as compared to $0.4 million and $1 million in the comparable prior year periods.

Table of Contents

The following table summarizes restricted share activity for the nine months ended September 30, 2008.

| (shares in thousands) | Number of Restricted Shares | Weighted Average Fair Value |
|---|---|---|
| Non-vested at December 31, 2007 | 166 | $29.85 |
| Granted | 46 | 34.36 |
| Vested | (13) | 27.38 |
| Cancelled | (13) | 33.87 |
| Non-vested at September 30, 2008 | 186 | 30.51 |

As of September 30, 2008, the total remaining unrecognized compensation cost related to restricted stock approximated $3 million, which will be amortized on a weighted-average basis over 2.2 years.

**4. Inventories**

Inventories are summarized as follows:

| (in millions) | At September 30, 2008 | At December 31, 2007 |
|---|---|---|
| Finished and in process | $ 201 | $ 165 |
| Raw materials | 236 | 202 |
| Manufacturing supplies and other | 56 | 60 |
| Total inventories | $ 493 | $ 427 |

Table of Contents

**5. Segment Information**

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. Its North America operations include corn-refining businesses in the United States, Canada and Mexico. The Company s South America operations include corn-refining businesses in Brazil, Colombia, Ecuador, Peru and the Southern Cone of South America, which includes Argentina, Chile and Uruguay. The Company s Asia/Africa operations include corn-refining businesses in Korea, Pakistan, Malaysia, Kenya and China, and a tapioca root processing operation in Thailand.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2008 | 2007 | 2008 | 2007 |
| Net Sales | | | | |
| North America | $ 660.1 | $542.2 | $1,806.4 | $1,543.7 |
| South America | 304.8 | 229.9 | 874.4 | 648.8 |
| Asia/Africa | 119.3 | 105.3 | 362.8 | 303.8 |
| Total | $1,084.2 | $877.4 | $3,043.6 | $2,496.3 |
| Operating Income | | | | |
| North America | $ 104.9 | $ 58.3 | $ 265.7 | $ 187.8 |
| South America | 44.1 | 26.2 | 112.8 | 77.1 |
| Asia/Africa | 10.0 | 9.9 | 35.6 | 36.0 |
| Corporate | (11.2) | (6.4) | (43.8) | (34.5) |
| Total | $ 147.8 | $ 88.0 | $ 370.3 | $ 266.4 |

| (in millions) | At September 30, 2008 | At December 31, 2007 |
|---|---|---|
| Total Assets | | |
| North America | $ 1,861 | $ 1,716 |
| South America | 906 | 902 |
| Asia/Africa | 441 | 485 |
| Total | $ 3,208 | $ 3,103 |

Table of Contents

**6. Net Periodic Benefit Cost**

For detailed information about the Company s pension and postretirement benefit plans, please refer to Note 8 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

The following sets forth the components of net periodic benefit cost of the US and non-US defined benefit pension plans for the three and nine months ended September 30, 2008 and 2007:

| (in millions) | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | US Plans | | Non-US Plans | | US Plans | | Non-US Plans | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Service cost | $ 0.7 | $ 0.7 | $ 0.7 | $ 0.7 | $ 2.1 | $ 2.1 | $ 1.9 | $ 2.1 |
| Interest cost | 1.1 | 1.0 | 1.8 | 1.8 | 3.4 | 3.0 | 5.3 | 5.3 |
| Expected return on plan assets | (1.2) | (1.0) | (2.3) | (2.0) | (3.4) | (3.0) | (6.8) | (6.0) |
| Amortization of net actuarial loss (gain) | (0.2) | 0.2 | | 0.4 | 0.1 | 0.5 | 0.5 | 1.3 |
| Amortization of prior service cost | 0.4 | | 0.1 | | 0.4 | | 0.1 | |
| Settlement | 0.1 | | | | 0.2 | | | |
| Net pension cost | $ 0.9 | $ 0.9 | $ 0.3 | $ 0.9 | $ 2.8 | $ 2.6 | $ 1.0 | $ 2.7 |

The Company expects to make cash contributions of approximately $6 million to its Canadian pension plans during 2008, of which $5 million has been made through September 30, 2008. The Company has made cash contributions of $15 million to its US pension plans through September 30, 2008, which is the maximum amount it will contribute for 2008.

The following sets forth the components of net postretirement benefit cost for the three and nine months ended September 30, 2008 and 2007:

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Service cost | $ 0.5 | $0.4 | $ 1.3 | $1.2 |
| Interest cost | 0.8 | 0.7 | 2.3 | 2.1 |
| Amortization of prior service credit | (0.3) | | (0.2) | |
| Amortization of net actuarial loss | 0.3 | | 0.4 | 0.1 |
| Net postretirement benefit cost | $ 1.3 | $1.1 | $ 3.8 | $3.4 |

**7. Fair Value Measurements**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company has adopted the provisions of SFAS 157 with respect to financial assets and liabilities effective January 1, 2008, as required. In February 2008, the FASB issued Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, the Company has only adopted the provisions of SFAS 157 with respect to its financial assets and liabilities that are measured at fair value within its 2008 financial statements. The provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities. The major categories of assets and liabilities that are measured at fair value, for which the Company has not applied the provisions of SFAS No. 157, are as follows: reporting units measured at fair value in the first step of a goodwill impairment test under SFAS No. 142, and long-lived assets measured at fair value for an impairment test under SFAS No. 144. The adoption of SFAS 157 did not have a material impact on the Company s results of operations, financial condition or cash flow. As a result of the adoption of SFAS 157, the Company now provides additional disclosures in its notes to the financial statements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 also establishes a fair value hierarchy to improve consistency and comparability in fair value measurements and disclosures. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad categories referred to as Level 1, Level 2 and Level 3 inputs. Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for substantially the full term of the financial instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability or can be derived principally from or corroborated by observable market data. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Presented below are the fair values of the Company s financial instruments and derivatives at September 30, 2008:

| (in millions) | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Available for sale securities | $ 4 | $ 4 | | |
| Derivative assets | | | | |
| Derivative liabilities | $146 | $118 | $ 28 | |
| Long-term debt | $464 | | $464 | |

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ( SFAS 159 ). SFAS 159 allows entities the option to measure certain financial assets and liabilities at fair value at specified election dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. Subsequent unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS 159 and elected not to measure any additional financial instruments and other items at fair value.

**8. Debt**

The Company s long-term debt at September 30, 2008 includes $200 million of 8.45 percent senior notes that mature August 15, 2009. These borrowings are included in long-term debt as the Company expects to refinance the notes on a long-term basis prior to the maturity date.

**9. Mexican Tax on Beverages Sweetened with HFCS**

On January 1, 2002, a discriminatory tax on beverages sweetened with high fructose corn syrup ( HFCS ) approved by the Mexican Congress late in 2001, became effective. In response to the enactment of the tax, which at the time effectively ended the use of HFCS for beverages in Mexico, the Company ceased production of HFCS 55 at its San Juan del Rio plant, one of its three plants in Mexico. Over time, the Company resumed production and sales of HFCS to certain beverage customers. These sales increased significantly beginning late in the third quarter of 2004, and in 2005 and 2006, returned to levels attained prior to the imposition of the tax as a result of certain customers having obtained court rulings exempting them from paying the tax. The Mexican Congress repealed this tax effective January 1, 2007.

As previously disclosed in response to the imposition of the tax, the Company submitted an arbitration claim against the government of Mexico under the provisions of the North American Free Trade Agreement (NAFTA) seeking recovery for damages. In July 2006, a hearing of the NAFTA Tribunal in the case was held to determine whether Mexico has state responsibility for a violation of obligations owed by Mexico to foreign investors under NAFTA Chapter 11. On December 18, 2007, the Tribunal issued an order to the parties saying that it had completed its decision on liability, and indicating that briefing on damages should be based on a violation of NAFTA Article 1102, National Treatment. In a

**Table of Contents**

separate procedural order, the Tribunal set a timetable requiring written and oral argument on the damages questions to be completed by April 30, 2008 and a hearing to be held after June 16, 2008. Pursuant to that procedural order, on February 4, 2008 the Company submitted a memorial on damages together with supporting materials. The Company seeks damages and pre-judgment interest that would total $288 million if an award were to be rendered on December 31, 2008. In a Decision dated January 15, 2008, the Tribunal held that Mexico had violated NAFTA Article 1102, National Treatment. In July 2008, a hearing regarding the quantum of damages was held before the same Tribunal. The Tribunal has asked the parties for post-hearing written submissions on specific topics relative to the damages claims, which submissions were filed on October 31, 2008. The amount and timing of a final award by the Tribunal is not known at this time.

**ITEM 2**

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

**Overview**

We are one of the world s largest corn refiners and a major supplier of high-quality food ingredients and industrial products derived from the wet milling and processing of corn and other starch-based materials. The corn refining industry is highly competitive. Many of our products are viewed as commodities that compete with virtually identical products manufactured by other companies in the industry. However, we have thirty manufacturing plants located throughout North America, South America and Asia/Africa and we manage and operate our businesses at a local level. We believe this approach provides us with a unique understanding of the cultures and product requirements in each of the geographic markets in which we operate, bringing added value to our customers. Our sweeteners are found in products such as baked goods, candies, chewing gum, dairy products and ice cream, soft drinks and beer. Our starches are a staple of the food, paper, textile and corrugating industries.

We achieved record highs for net sales, operating income, net income and diluted earnings per common share for the third quarter and first nine months of 2008. This record performance was principally driven by increased sales and earnings in our North American and South American regions.

**Results of Operations**

We have significant operations in North America, South America and Asia/Africa. For most of our foreign subsidiaries, the local foreign currency is the functional currency. Accordingly, revenues and expenses denominated in the functional currencies of these subsidiaries are translated into US dollars at the applicable average exchange rates for the period. Fluctuations in foreign currency exchange rates affect the US dollar amounts of our foreign subsidiaries revenues and expenses. The impact of currency exchange rate changes, where significant, is provided below.

Table of Contents

**For The Three Months and Nine Months Ended September 30, 2008**
**With Comparatives for the Three Months and Nine Months Ended September 30, 2007**

**Net Income**. Net income for the quarter ended September 30, 2008 increased to $88.1 million, or $1.15 per diluted share, from $51.1 million, or $0.66 per diluted share, in the third quarter of 2007. Net income for the nine months ended September 30, 2008 increased to $220.8 million, or $2.90 per diluted share, from $151.7 million, or $1.98 per diluted share, in the prior year period. The increase in net income for the third quarter and nine months ended September 30, 2008 primarily reflects a significant increase in operating income driven by improved results in North America and South America. Results for the nine months ended September 30, 2008 include $4 million of expenses, or $0.05 per diluted common share, related to the proposed merger with Bunge Limited ( Bunge ), which has been terminated. Additionally, the 2007 periods include a $6 million pretax gain ($4 million net of income taxes, or $.05 per diluted common share) associated with our investment in the CME Group Inc.

**Net Sales**. Third quarter net sales totaled $1.08 billion, up 24 percent from third quarter 2007 net sales of $877 million. The increase reflects a 23 percent price/product mix improvement and a 2 percent benefit from foreign currency translation attributable to the weaker US dollar. Volume declined 1 percent. Co-product sales of $242 million for the third quarter grew 50 percent over the prior year period, driven principally by higher pricing. North American net sales for third quarter 2008 increased 22 percent to $660 million, from $542 million in the same period last year, reflecting a price/product mix improvement of 23 percent, partially offset by a 1 percent volume decline. In South America, third quarter 2008 net sales grew 33 percent to $305 million, from $230 million in third quarter 2007. This increase reflects a 20 percent price/product mix improvement, a 12 percent benefit attributable to stronger South American currencies and volume growth of 1 percent. In Asia/Africa, third quarter 2008 net sales increased 13 percent to $119 million, from $105 million in the year-ago period, as a 33 percent price/product mix improvement more than offset a 15 percent reduction attributable to weaker local currencies in Korea and Pakistan and a 5 percent volume decline principally driven by soft economic conditions in Korea.

Net sales for the nine months ended September 30, 2008 grew 22 percent to $3.04 billion from $2.50 billion a year ago. The increase reflects a 21 percent price/product mix improvement and a 4 percent benefit from foreign currency translation attributable to the weaker US dollar, which more than offset a 3 percent volume reduction. Co-product sales of $685 million for the first nine months of 2008 increased 53 percent over the prior year period, primarily reflecting higher pricing. In North America, net sales grew 17 percent to $1.81 billion from $1.54 billion a year ago, driven principally by price/product mix improvement of 18 percent and a currency translation benefit of 2 percent attributable to a stronger Canadian dollar. A volume decline of 3 percent in the region partially offset these increases. In South America, net sales increased 35 percent to $874 million from $649 million in the prior year period. This increase reflects price/product mix improvement of 22 percent and a 16 percent translation benefit related to stronger South American currencies, which more than offset a 3 percent volume decline. In Asia/Africa, net sales rose 19 percent to $363 million, from $304 million a year ago, as a 30 percent price/product mix improvement more than offset an 8 percent decrease attributable to weaker local currencies in Korea and Pakistan and a 3 percent volume decline principally driven by soft economic conditions in Korea.

Table of Contents

**Cost of Sales and Operating Expenses**. Cost of sales of $880 million for third quarter 2008 was up 20 percent from $736 million in the prior year period. Cost of sales for the first nine months of 2008 increased 21 percent to $2.48 billion from $2.05 billion a year ago. These increases principally reflect higher corn costs and currency translation attributable to the weaker US dollar. Gross corn costs were up approximately 29 percent in both the third quarter and first nine months of 2008 from the comparable prior year periods. Currency translation attributable to the weaker US dollar caused cost of sales for the third quarter and first nine months of 2008 to increase approximately 2 percent and 4 percent, respectively, from the year ago periods. Additionally, energy costs for the third quarter and first nine months of 2008 increased approximately 10 percent and 12 percent, respectively, over the prior year periods. Our gross profit margin for the third quarter and first nine months of 2008 was 18.8 percent and 18.5 percent, respectively, compared to 16.2 percent and 17.8 percent last year.

Operating expenses for the third quarter and first nine months of 2008 increased to $66.8 million and $207.8 million, respectively, from $61.7 million and $184.1 million last year. These increases primarily reflect higher compensation-related expenses, stronger foreign currencies and costs relating to the proposed merger with Bunge, which has been terminated. Currency translation attributable to the weaker US dollar caused operating expenses for the third quarter and first nine months of 2008 to increase approximately 2 percent and 3 percent, respectively, from the prior year periods. Operating expenses, as a percentage of net sales, were 6.2 percent and 6.8 percent for the third quarter and first nine months of 2008 respectively, down from 7.0 percent and 7.4 percent in the comparable prior year periods.

**Operating Income**. Third quarter 2008 operating income increased 68 percent to $147.8 million from $88.0 million a year ago, driven by strong earnings growth in North America and South America. Additionally, earnings in Asia/Africa increased 1 percent. The 2007 results included a $6 million gain associated with our investment in the CME Group Inc. Currency translation attributable to the weaker US dollar contributed approximately $3 million to the increase in operating income. North America operating income increased 80 percent to $104.9 million from $58.3 million a year ago, as earnings grew throughout the region, driven principally by higher product selling prices that more than offset increased corn and energy costs. South America operating income of $44.1 million for third quarter 2008 increased 68 percent from $26.2 million in the prior year period, reflecting strong earnings growth throughout the region, driven principally by higher product selling prices that more than offset increased corn and energy costs. Local currency appreciation and slightly improved volume also contributed to the increased earnings. Currency translation, primarily associated with the stronger Brazilian Real, contributed approximately $5 million to the operating income increase in the region. Asia/Africa operating income of $10.0 million was relatively unchanged from $9.9 million a year ago, as earnings growth in Pakistan, Thailand and China was substantially offset by lower earnings in South Korea where higher corn and ocean freight costs and reduced sales volume attributable to a weak economy continued to pressure earnings. Currency translation attributable to weaker Asian currencies reduced operating income by approximately $2 million in the region.

Operating income for the nine months ended September 30, 2008 increased 39 percent to $370.3 million from $266.4 million a year ago, as increased earnings in North America and South America more than offset a 1 percent decline in Asia/Africa. Currency translation attributable to the weaker US dollar contributed approximately $16 million to the increase in operating income. The 2007 results included a $6 million gain associated with

our investment in the CME Group Inc. North America operating income rose 41 percent to $265.7 million from $187.8 million a year ago, reflecting earnings growth throughout the region, driven principally by higher product selling prices that more than offset increased corn and energy costs. Currency translation attributable to the stronger Canadian dollar contributed approximately $6 million to the operating income increase in the region. South America operating income of $112.8 million for the first nine months of 2008 increased 46 percent from $77.1 million in the prior year period, reflecting strong earnings growth throughout the region particularly in Brazil and in the Southern Cone of South America. Currency translation, primarily associated with the stronger Brazilian Real, contributed approximately $14 million to the operating income increase in the region. Asia/Africa operating income decreased 1 percent to $35.6 million, from $36.0 million a year ago, as lower earnings in South Korea more than offset earnings growth in the rest of the region. Currency translation attributable to weaker Asian currencies reduced operating income by approximately $4 million in the region.

**Financing Costs-net**. Financing costs for the third quarter of 2008 declined 4 percent from the prior year period as foreign currency transaction gains and increased capitalized interest more than offset a reduction in interest income attributable to lower investment interest rates and increased interest costs associated with higher average borrowings. Financing costs for the first nine months of 2008 declined 27 percent from a year ago. This decrease mainly reflects foreign currency transaction gains, lower interest costs attributable to reduced average borrowings and borrowing rates and increased capitalized interest, partially offset by a decline in interest income.

**Provision for Income Taxes**. Our effective income tax rate for the third quarter and first nine months of 2008 was 34.9 percent and 34.5 percent, respectively, as compared to 33.1 percent and 33.3 percent in the prior year periods. The rate increases primarily reflect the effect of our anticipated income mix for full year 2008 as compared with 2007.

**Minority Interest in Earnings**. The increase in minority interest for the third quarter and first nine months of 2008 primarily reflects earnings growth in Pakistan and China.

**Comprehensive Income**. We recorded a comprehensive loss of $321 million for the third quarter of 2008, compared to comprehensive income of $74 million in the same period last year. For the first nine months of 2008, we recorded a comprehensive loss of $23 million, as compared with comprehensive income of $191 million a year ago. These decreases primarily reflect losses on cash flow hedges related to our corn and gas hedging contracts and unfavorable variances in the currency translation adjustment, which more than offset our net income growth. The unfavorable variances in the currency translation adjustment reflect a weakening in end of period foreign currencies during 2008 as compared to the prior year periods when foreign currencies were appreciating.

**Liquidity and Capital Resources**

Cash provided by operating activities for the first nine months of 2008 decreased to $16 million from $149 million a year ago. The decrease in operating cash flow primarily reflects payments on margin accounts relating to corn futures contracts and an increase in inventories principally due to higher raw material costs. Capital expenditures of $160 million for the first nine months of 2008 are in line with our capital spending plan for the year, which is currently expected to be in the range of $200 million to $250 million for full year 2008.

Table of Contents

We have a $500 million senior, unsecured revolving credit facility consisting of a $470 million US senior revolving credit facility and a $30 million Canadian revolving credit facility (the Revolving Credit Agreement ) that matures in April 2012. At September 30, 2008, there were no borrowings outstanding under the Revolving Credit Agreement. In addition, we have a number of short-term credit facilities consisting of operating lines of credit. At September 30, 2008, we had total debt outstanding of $728 million, compared to $649 million at December 31, 2007. The debt includes $200 million (face amount) of 8.45 percent senior notes due August 2009, $200 million (face amount) of 6.0 percent senior notes due 2017, $100 million (face amount) of 6.625 percent senior notes due 2037 and $229 million of consolidated subsidiary debt consisting of local country borrowings. Approximately $223 million of the consolidated subsidiary debt represents short-term borrowings. The 8.45 percent senior notes are included in long-term debt as we expect to refinance these notes prior to the maturity date. The weighted average interest rate on our total indebtedness was approximately 7.1 percent for the first nine months of 2008, down from 7.6 percent in the comparable prior year period.

On September 17, 2008, our board of directors declared a quarterly cash dividend of $0.14 per share of common stock. This dividend was paid on October 24, 2008 to stockholders of record at the close of business on October 2, 2008.

On June 23, 2008, we announced that we had entered into a definitive agreement with Bunge under which Bunge would acquire us in an all-stock transaction. On November 10, 2008, Bunge announced that it had terminated the merger agreement based upon the decision of the Corn Products Board of Directors to withdraw its recommendation in favor of adoption of the merger agreement. Under the terms of the merger agreement, Corn Products is obligated to reimburse Bunge for up to $10 million of Bunge s expenses in connection with the merger, which is expected to be recorded and paid in the fourth quarter of 2008.

Recent market conditions in the United States and Canada have resulted in an unusually high degree of volatility and increased the risks associated with various investments held in trust accounts with respect to certain of our defined benefit pension plans. There has been a negative return on plan assets during 2008 and the continuation of the declines in market value could have a negative impact on our future pension expense and funding requirements. The ultimate impact on the funded status will be determined based upon market conditions in effect at December 31, 2008.

We expect that our operating cash flows and borrowing availability under our credit facilities will be more than sufficient to fund our anticipated capital expenditures, acquisitions, dividends and other investing and/or financing strategies for the foreseeable future.

Hedging:

We are exposed to market risk stemming from changes in commodity prices, foreign currency exchange rates and interest rates. In the normal course of business, we actively manage our exposure to these market risks by entering into various hedging transactions, authorized under established policies that place clear controls on these activities. The counterparties in these transactions are generally highly rated institutions. We establish

credit limits for each counterparty. Our hedging transactions include but are not limited to a variety of derivative financial instruments such as commodity futures contracts and options, forward currency contracts and options, interest rate swap agreements and treasury lock agreements. See Note 7 of the notes to the condensed consolidated financial statements for additional information.

*Commodity Price Risk:*

We use derivatives to manage price risk related to purchases of corn and natural gas used in the manufacturing process. This includes the use of derivative contracts to manage corn price risk relating to firm-priced customer sales contracts. We periodically enter into futures and option contracts for a portion of our anticipated corn and natural gas usage, generally over the following twelve months, in order to hedge price risk associated with fluctuations in market prices. These readily available marketable exchange-traded futures contracts are recognized at fair value and have effectively reduced our exposure to changes in market prices for these commodities. Unrealized gains and losses associated with marking these contracts to market are recorded as a component of other comprehensive income. At September 30, 2008, our accumulated other comprehensive loss account included $71 million of losses, net of tax benefit of $42 million, related to these futures and options contracts. We expect that the anticipated gains (losses) will be reclassified into earnings as follows: $10 million in fourth quarter 2008; $(76 million) in 2009; and $(5 million) in 2010. The gains (losses) will be offset by changes in the underlying commodities cost.

*Foreign Currency Exchange Risk:*

Due to our global operations, we are exposed to fluctuations in foreign currency exchange rates. As a result, we have exposure to translational foreign exchange risk when our foreign operation results are translated to US dollars and to transactional foreign exchange risk when transactions not denominated in the functional currency of the operating unit are revalued. We primarily use foreign currency forward contracts, swaps and options to selectively hedge our foreign currency cash flow exposures. We generally hedge 12 to 18 months forward. As of September 30, 2008, we had approximately $12 million of net notional foreign currency swaps and forward contracts that hedged net liability transactional exposures.

*Interest Rate Risk:*

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt, and existing and future issuances of variable rate debt. Primary exposures include US Treasury rates, LIBOR, and local short-term borrowing rates. We use interest rate swaps and Treasury Lock agreements ( T-Locks ) to hedge our exposure to interest rate changes, to reduce the volatility of our financing costs, and to achieve a desired proportion of fixed versus floating rate debt, based on current and projected market conditions. Generally for interest rate swaps, we agree with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed notional principal amount. At September 30, 2008, we did not have any interest rate swaps outstanding.

In conjunction with our plan to refinance our 8.45 percent $200 million senior notes due August 2009, we intend to issue long-term, fixed rate debt in 2009. In order to manage our exposure to variability in the benchmark interest rate on which the fixed interest rate of the planned debt will be based, we entered into a T-Lock with respect to $50 million of such future indebtedness. The T-Lock is designated as a hedge of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-Lock was entered and the time the debt is issued. It is accounted for as a cash flow hedge. Accordingly, changes in the fair value of the T-Lock

are recorded to other comprehensive income until the consummation of the planned debt offering, at which time any realized gain (loss) will be amortized over the life of the debt. At September 30, 2008, our accumulated other comprehensive loss account included $4 million of losses, net of tax of $3 million, related to T-Locks.

**Critical Accounting Policies and Estimates**

Our critical accounting policies and estimates are provided in the Management s Discussion and Analysis of Financial Condition and Results of Operations included in our 2007 Annual Report on Form 10-K. There have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2008.

**New Accounting Standards**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements ( SFAS 157 ), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements but applies to other accounting pronouncements that require or permit fair value measurements. On February 6, 2008, the FASB issued final Staff Positions that partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for certain non-financial assets and non-financial liabilities and also removes certain leasing transactions from the scope of SFAS 157. We adopted the provisions of SFAS 157 with respect to financial assets and liabilities effective January 1, 2008. See Note 7 of the notes to the condensed consolidated financial statements. The adoption of this statement did not have a material impact on our consolidated financial statements. We do not expect that the application of this statement to non-financial assets and non-financial liabilities will have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) ( SFAS 158 ). Among other things, SFAS 158 requires companies to: (i) recognize in the balance sheet, a net liability or asset and an offsetting adjustment to accumulated other comprehensive income, to record the funded status of defined benefit pension and other post-retirement benefit plans; (ii) measure plan assets and obligations that determine its funded status as of the end of the company s fiscal year; and (iii) recognize in comprehensive income the changes in the funded status of a defined benefit pension and postretirement plan in the year in which the changes occur. As required, we adopted the recognition and disclosure provisions of SFAS 158 effective December 31, 2006 in our annual report on Form 10-K for the year then ended. The requirement to measure the plan assets and benefit obligations as of the year-end balance sheet date is effective for fiscal years ending after December 15, 2008. We do not expect that the eventual change to using a year-end balance sheet measurement date will have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations ( SFAS 141R ), which replaces SFAS No. 141, Business Combinations. SFAS 141R, among other things, requires that all business combinations completed after the effective date of the statement be accounted for by applying the acquisition method (previously referred to as the purchase method). Under this method, an acquiring company is required

**Table of Contents**

to recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This replaces the cost allocation process used under SFAS 141 where the cost of the acquisition is allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. Acquisition-related costs, currently included in the cost of an acquisition and allocated to assets acquired and liabilities assumed under SFAS 141, are required to be recognized separately from an acquisition under SFAS 141R. SFAS 141R also requires that an acquiring company recognize contingent consideration at the acquisition date, measured at its fair value at that date. In the case of a bargain purchase, defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, the acquiring company is required to recognize a gain for that excess. Under SFAS 141, this excess (or negative goodwill) is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to the assets acquired. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application is not allowed. The adoption of SFAS 141R will impact accounting for future business combinations and the effect will be dependent upon the acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an Amendment of ARB No. 51 ( SFAS 160 ), which establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Among other things, SFAS 160 clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that is to be reported as equity in the consolidated balance sheet, as opposed to being reported in the mezzanine section of the balance sheet between liabilities and equity. Under SFAS 160, consolidated net income is to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. The statement requires disclosure of the amounts of consolidated net income attributable to the parent and to the non-controlling interest on the face of the consolidated statement of income. Additionally, SFAS 160 establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation and clarifies that such transactions are equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and is to be applied prospectively, except for the presentation and disclosure requirements which are to be applied retrospectively. Early adoption is prohibited. We are currently evaluating SFAS 160, but do not expect that the adoption of this statement will have a material effect on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 ( SFAS 161 ). SFAS 161 is intended to improve transparency in financial reporting by requiring additional disclosures with respect to derivative instruments and hedging activities, with particular emphasis as to the affects that such items have on the financial position, results of operations, and cash flows of an entity. Statement 161 is effective prospectively for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. We are currently evaluating SFAS 161, but do not expect that the adoption of this statement will have a material effect on our consolidated financial statements.

Table of Contents

**FORWARD-LOOKING STATEMENTS**

This Form 10-Q contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company intends these forward looking statements to be covered by the safe harbor provisions for such statements. These statements include, among other things, any predictions regarding the Company s prospects or future financial condition, earnings, revenues, expenses or other financial items, any statements concerning the Company s prospects or future operation, including management s plans or strategies and objectives therefor and any assumptions underlying the foregoing. These statements can sometimes be identified by the use of forward looking words such as may, will, should, anticipate, believe, plan, project, estimate, expect, intend, continue, pro forma, forecast or other similar express negative thereof. All statements other than statements of historical facts in this report or referred to or incorporated by reference into this report are forward-looking statements. These statements are based on current expectations, but are subject to certain inherent risks and uncertainties, many of which are difficult to predict and are beyond our control. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stockholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations expressed in or implied by these statements, based on various factors, including fluctuations in worldwide markets for corn and other commodities, and the associated risks of hedging against such fluctuations; fluctuations in aggregate industry supply and market demand; general political, economic, business, market and weather conditions in the various geographic regions and countries in which we manufacture and/or sell our products; fluctuations in the value of local currencies, energy costs and availability, freight and shipping costs, and changes in regulatory controls regarding quotas, tariffs, duties, taxes and income tax rates; operating difficulties**;** our ability to effectively integrate acquired businesses; labor disputes; genetic and biotechnology issues; changing consumption preferences and trends; increased competitive and/or customer pressure in the corn-refining industry; the outbreak or continuation of serious communicable disease or hostilities including acts of terrorism; and stock market fluctuation and volatility. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement as a result of new information or future events or developments. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of these risks, see Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2007 and subsequent reports on Forms 10-Q or 8-K.

Table of Contents

**ITEM 3**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This information is set forth in our Annual Report on Form 10-K for the year ended December 31, 2007, and is incorporated herein by reference. There have been no material changes to our market risk during the nine months ended September 30, 2008.

**ITEM 4**

**CONTROLS AND PROCEDURES**

Our management, including our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2008. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that all material information required to be filed in this report has been recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. There have been no changes in our internal control over financial reporting during the fiscal quarter that ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

## PART II OTHER INFORMATION

### ITEM 1
### LEGAL PROCEEDINGS

On June 23, 2008, a putative class action lawsuit, entitled *Simon v. Almeida, et al*., Case No. 08CH22717, was filed against Corn Products and its directors in the Circuit Court of Cook County, Illinois, County Department, Chancery Division. The complaint purported to be on behalf of all Corn Products stockholders (except the defendants and their affiliates). The complaint alleged that Corn Products directors violated their fiduciary obligations to Corn Products stockholders in approving the merger agreement. Specifically, the complaint alleged, among other things, that the directors failed to:

- undertake an adequate evaluation of Corn Products worth as a potential merger candidate;
- take adequate steps to enhance Corn Products value as a merger candidate;
- effectively expose Corn Products to the marketplace to create an open auction for Corn Products; and
- act independently to protect the interests of Corn Products stockholders.

The complaint sought various forms of relief, including injunctive relief that could have, if granted, prevented the completion of the merger.

On July 8, 2008, a second putative class action lawsuit entitled *Fuller v. Corn Products International, et al*., Case No. 08CH24465, was filed against Corn Products and its directors in the Circuit Court of Cook County, Illinois, County Department, Chancery Division. The complaint purported to be on behalf of all Corn Products stockholders (except the defendants and their affiliates). The complaint alleged that Corn Products directors violated their fiduciary obligations to Corn Products stockholders in approving the merger agreement. Specifically, the complaint alleged, among other things, that the directors:

- failed to take steps to maximize the value of Corn Products to its stockholders and took steps to avoid competitive bidding, to cap the price of Corn Products stock and to give the defendants an unfair advantage by failing to solicit other potential acquirors or alternative transactions;
- failed to properly value Corn Products;
- ignored or did not protect against conflicts of interest resulting from the directors own interrelationship or connection with the merger; and
- failed to disclose all material information to Corn Products stockholders.

In addition, the *Fuller* complaint alleged that the terms of the merger agreement were designed to ensure that the sale of Corn Products to Bunge was preferential to Bunge, and to subvert the interests of plaintiff and other Corn Products stockholders. In particular, plaintiff alleged that the merger agreement contains unlawful provisions including the termination fee provisions, the no solicitation provisions, and the grant of matching rights to Bunge to match any superior proposal received by Corn Products. The complaint sought various forms of relief, including injunctive relief that could, if granted, have prevented the completion of the merger.

On July 9, 2008, a third putative class action lawsuit entitled *Smith v. Corn Products International, et al.*, Case No. 08CH24565, was filed against Corn Products and its directors in

the Circuit Court of Cook County, Illinois, County Department, Chancery Division. The complaint purported to be on behalf of all Corn Products stockholders (except the defendants and their affiliates). The allegations and relief sought in this case were substantially the same as that of the *Fuller* case, discussed above.

On July 14, 2008, the plaintiffs in the *Fuller* and *Smith* cases filed a motion to consolidate their cases with the *Simon* case. On July 15, 2008, the plaintiffs in the *Simon* case also filed a motion to consolidate the three cases and for appointment of Wolf Haldenstein Adler Freeman & Herz LLP (Wolf Haldenstein) as interim class counsel. On July 17, 2008, the plaintiffs in the *Simon* case withdrew the portion of their motion seeking appointment of Wolf Haldenstein as interim class counsel. On July 22, 2008, the Circuit Court of Cook County, Illinois, County Department, Chancery Division consolidated the *Fuller* and *Smith* cases with the *Simon* case and, on that same day, the plaintiffs in the *Simon* case re-filed their motion for appointment of Wolf Haldenstein as interim class counsel. On August 25, 2008, the Court entered an order appointing counsel for all three plaintiffs as co-lead counsel pursuant to their agreement.

On September 14, 2008, the plaintiffs filed a consolidated class action complaint in Cook County, Illinois (*Simon v. Almeida* 08 CH 22717 *consolidated with* 08 CH 24465 and 08 CH 24565). In addition to the claims in the original complaints, the consolidated complaint included allegations relating to, *inter alia*:

- the level of disclosure regarding the history of the transaction;
- the detail with which certain elements of the rationale for the transaction were disclosed;
- and whether the fairness opinions proffered by Lazard and JP Morgan continued to support the board of director s recommendation in favor of the merger.

On September 12, 2008, the Company filed a motion to dismiss the consolidated amended complaint for failure to state a claim.

On October 17, 2008, the Circuit Court of Cook County issued an order dismissing the consolidated amended complaint with prejudice pursuant to defendants motion. Plaintiffs have until November 17, 2008 to file a notice of appeal.

On August 20, 2008, a fourth action was filed in Delaware, captioned *Adams Family Limited Partnership, No. 1 v. Corn Products Int l, Inc.*, No. 3987. The allegations and relief sought in this case are substantially the same as those of the *Fuller* and *Smith* complaints filed in Illinois. On October 9, 2008, the Company moved to stay the Delaware (Adams) case in favor of the consolidated litigation pending in Cook County, Illinois. That motion is currently pending before the court in Delaware.

As previously disclosed, on April 4, 2006, we were served with complaints in two cases, Sun-Rype Products, Ltd v. Archer Daniels Midland, et al. (L051456 Supreme Court of British Columbia, Canada) and Ali Holdco, Inc. v. Archer Daniels Midland (06-CV-309948PD3 Ontario Superior Court of Justice, Canada), both purporting to be class action anti-competition cases. These lawsuits contain nearly identical allegations against a number of industry participants including us. The complaints seek unspecified damages for an alleged conspiracy to fix the price of high fructose corn syrup sold in Canada during the period between 1988 and June 1995. In the alternative, the complaints seek recovery under restitutionary principles. In May 2007, the Court ruled on a joint defendants motion to dismiss the British Columbia lawsuit (*Sun- Rype*) based on the statute of limitations. The court held that the plaintiffs causes of action

other than the claims based on restitutionary principles are time-barred. Appeals and cross-appeals regarding the order were argued in April 2008. On July 10, 2008, the Court of Appeal for British Columbia dismissed the defendants appeal and allowed part of the plaintiffs cross-appeal. The defendants have filed an application for leave to appeal to the Supreme Court of Canada. To date no answer or responsive pleading has been required in the Ontario lawsuit. The Company continues to believe the lawsuits are without merit and intends to defend them vigorously.

On October 21, 2003, we submitted, on our own behalf and on behalf of our Mexican affiliate, CPIngredientes, S.A. de C.V., (previously known as Compania Proveedora de Ingredientes, S.A. de C.V.) a Request for Institution of Arbitration Proceedings Submitted Pursuant to Chapter 11 of the North American Free Trade Agreement ( NAFTA ) (the Request ). The Request was submitted to the Additional Facility of the International Centre for Settlement of Investment Disputes and was brought against the United Mexican States. In the Request, we asserted that the imposition by Mexico of a discriminatory tax on beverages containing HFCS in force from 2002 through 2006 breached various obligations of Mexico under NAFTA. We sought damages, pre- and post-judgment interest, and costs of the proceeding. The case was bifurcated into two phases, liability and damages, and a hearing on liability was held before a Tribunal in July 2006. In a Decision dated January 15, 2008, the Tribunal held that Mexico had violated Article 1102 (National Treatment) of the NAFTA. In July 2008, a hearing regarding the quantum of damages was held before the same Tribunal. The claims for damages total US$288 million, including interest, assuming an award of damages as of December 31, 2008. The Tribunal has asked the parties for post-hearing written submissions on specific topics relative to the damages claims, which submissions were filed on October 31, 2008. The amount and timing of a final award by the Tribunal is not known at this time.

## ITEM 1A
## RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Table of Contents

**ITEM 2**
**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**
Issuer Purchase of Equity Securities:

| (shares in thousands) | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| July 1 July 31, 2008 | | | | 4,943 shares |
| August 1 August 31, 2008 | | | | 4,943 shares |
| Sept. 1 Sept. 30, 2008 | | | | 4,943 shares |
| Total | | | | |

The Company has a stock repurchase program, which runs through November 30, 2010, that permits the Company to repurchase up to 5 million shares of its outstanding common stock. As of September 30, 2008, the Company had repurchased 57 thousand shares under the program, leaving 4.94 million shares available for repurchase.

**ITEM 6**
**EXHIBITS**

a) Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index hereto.

All other items hereunder are omitted because either such item is inapplicable or the response is negative.

**Table of Contents**

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| | | **CORN PRODUCTS INTERNATIONAL, INC.** |
| DATE: | November 10, 2008 | By /s/ Cheryl K. Beebe |
| | | Cheryl K. Beebe<br>Vice President and Chief Financial Officer |
| DATE: | November 10, 2008 | By /s/ Robin A. Kornmeyer |
| | | Robin A. Kornmeyer<br>Vice President and Controller |

Table of Contents

## EXHIBIT INDEX

| Number | Description of Exhibit |
| --- | --- |
| 11 | Statement re: computation of earnings per share |
| 31.1 | CEO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002 |
| 31.2 | CFO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002 |
| 32.1 | CEO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002 |
| 32.2 | CFO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002 |