

HESS CORP
Form DEFA14A
March 04, 2013

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

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant R Filed by a Party other than the Registrant £

Check the appropriate box:

- £ Preliminary Proxy Statement
- £ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- £ Definitive Proxy Statement
- £ Definitive Additional Materials
- R Soliciting Material Pursuant to §240.14a-12

HESS CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

R No fee required.

£ Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

-

(2) Aggregate number of securities to which transaction applies:

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£ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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CORPORATE PARTICIPANTS

Jay Wilson Hess Corp - VP, IR

John Hess Hess Corp - Chairman of the Board & CEO

John Rielly Hess Corp - SVP & CFO

Greg Hill Hess Corp - Senior Executive, Board of Directors

CONFERENCE CALL PARTICIPANTS

Paul Sankey Deutsche Bank - Analyst

Edward Westlake Credit Suisse - Analyst

Evan Calio Morgan Stanley - Analyst

Roger Read Wells Fargo Securities - Analyst

Doug Leggate BofA Merrill Lynch - Analyst

Arjun Murti Goldman Sachs - Analyst

Doug Terreson ISI Group - Analyst

John Herrlin Societe Generale - Analyst

Blake Fernandez Howard Weil Incorporated - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Hess March 4, investor call. My name is Grant, and I'll be your operator for today. At this time all participants are in listen-only mode. We will be conduct a question and answer session toward the end of this conference.

(Operator Instructions)

As a reminder this call is being recorded for replay purposes. I would now like to turn the call over to Mr. Jay Wilson, Vice President Investor Relations. Please proceed, sir.

Jay Wilson - Hess Corp - VP, IR

Thank you, Grant. Good morning, everyone and thank you for joining us.

We have a lot to cover today, and I suggest that if you haven't done so already, turn to the slide presentation we posted at www.transforminghess.com. We'll ask you to follow along with our slides. John Hess will walk you through the first 18 slides. We encourage you to review the remaining slides, as well. I trust you've already seen the press release and a shareholder letter that we also released this morning. Both are also available on the website.

Before I turn it over to John Hess, some housekeeping. This presentation contains projections and other forward-looking statements within the meaning of the Securities Exchange Act of 1934. These projections and statements reflect the Company's current views with respect to future events and financial performance. No assurances, excuse me, no assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected, as a result of certain risk factors. A discussion of these risk factors is included in the Company's periodic reports filed with the Securities and Exchange Commission.

Finally, I will note that Hess, its directors, and certain of its executive officers may be deemed to be participants in the solicitations of proxies from shareholders in connection with the matters to be considered at our 2013 annual meeting. Hess intends to file a proxy statement and white proxy card with the 35,230 8,193

Other Long-Term Liabilities

13,447 3,509 3,775

Total Liabilities

711,832 647,136 553,064

Commitments and Contingencies

Stockholders' Equity:

Preferred Stock

707 1,324 1,324

Common Stock, \$.25 Par Value Per Share

3,038 3,024 3,024

Additional Paid-in Capital

98,136 97,433 97,458

Treasury Stock, at Cost

(69,941) (67,550) (66,499)

Accumulated Other Comprehensive Loss

(11,023) (28,396) (11,175)

Retained Earnings

401,488 400,775 401,072

Total Stockholders' Equity

422,405 406,610 425,204

Total Liabilities and Stockholders' Equity

\$1,134,237 \$1,053,746 \$978,268

*The
accompanying
notes are an
integral part of
these
unaudited
condensed
consolidated
financial
statements.*

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**SENECA FOODS
CORPORATION
AND
SUBSIDIARIES
CONDENSED
CONSOLIDATED
STATEMENTS
OF NET
EARNINGS**
(Unaudited)
(In Thousands,
Except Per Share
Data)

	Three Months Ended		Nine Months Ended	
	December	December	December	December
	30,	31,	30,	31,
	2017	2016	2017	2016
	(Restated)	(Restated)	(Restated)	(Restated)
Net Sales	\$387,689	\$356,767	\$1,015,086	\$981,508
Costs and Expenses:				
Cost of Product Sold	357,188	318,841	951,639	890,602
Selling, General and Administrative	20,112	21,116	56,430	57,023
Plant Restructuring Charge	101	1,316	157	2,778
Other Operating (Income) Loss	17	1,153	(2,615)	1,172
Total Costs and Expenses	377,418	342,426	1,005,611	951,575
Operating Income	10,271	14,341	9,475	29,933
Earnings From Equity Investment	-	(333)	(21)	(500)
Interest Expense, Net	4,012	2,414	10,662	6,709
Earnings (Loss) Before Income Taxes	6,259	12,260	(1,166)	23,724
Income Taxes (Benefit) Expense	1,882	4,471	(1,605)	8,149
Net Earnings	\$4,377	\$7,789	\$439	\$15,575
Earnings Applicable to Common Stock	\$4,354	\$7,712	\$420	\$15,416
Basic Earnings per Common Share	\$0.45	\$0.79	\$0.04	\$1.58
Diluted Earnings per Common Share	\$0.44	\$0.78	\$0.04	\$1.57

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**SENECA FOODS
CORPORATION
AND
SUBSIDIARIES
CONDENSED
CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME**
(Unaudited)
(In Thousands)

	Three Months Ended December 30, 2017 (Restated)		Nine Months Ended December 30, 2016 (Restated)	
	December 31, 2016 (Restated)	December 31, 2017 (Restated)	December 31, 2016 (Restated)	December 31, 2017 (Restated)
Comprehensive income:				
Net earnings	\$4,377	\$ 7,789	\$439	\$ 15,575
Change in pension, post retirement benefits and other (net of tax of \$30 and \$93)	50	-	152	-
Total	\$4,427	\$ 7,789	\$591	\$ 15,575

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**SENECA FOODS
CORPORATION
AND
SUBSIDIARIES
CONDENSED
CONSOLIDATED
STATEMENTS
OF CASH FLOWS**

(Unaudited)

(In Thousands)

	Nine Months Ended	
	December 30,	December 31,
	2017	2016
	(Restated)	(Restated)
Cash Flows from Operating Activities:		
Net Earnings	\$439	\$15,575
Adjustments to Reconcile Net Earnings to Net Cash Used In Operations (Net of Acquisition):		
Depreciation & Amortization	23,112	18,209
(Gain) Loss on the Sale of Assets	(1,590)	149
Bargain Purchase Gain	(1,078)	-
Provision for Restructuring and Impairment	157	3,830
Earnings From Equity Investment	(21)	(500)
Deferred Income Tax Benefit	16	(1,705)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	11,891	9,431
Inventories	(125,691)	(89,964)
Other Current Assets	954	4,619
Income Taxes	240	5,856
Accounts Payable, Deferred Revenue, Accrued Expenses and Other Liabilities	64,823	24,791
Net Cash Used in Operations	(26,748)	(9,709)
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(21,120)	(23,389)
Cash Paid for Acquisition (Net of Cash Acquired)	(14,420)	-
Proceeds from the Sale of Assets	1,841	123
Net Cash Used In Investing Activities	(33,699)	(23,266)
Cash Flow from Financing Activities:		
Long-Term Borrowing	438,730	411,483
Payments on Long-Term Debt and Capital Lease Obligations	(373,298)	(374,577)
(Payments) Borrowings on Notes Payable	(166)	853
Other Assets	(235)	(1,273)
Purchase of Treasury Stock	(3,442)	(1,841)
Dividends	(12)	(12)

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Net Cash Provided by Financing Activities	61,577	34,633
Net Increase in Cash and Cash Equivalents	1,130	1,658
Cash and Cash Equivalents, Beginning of the Period	11,992	8,602
Cash and Cash Equivalents, End of the Period	\$13,122	\$10,260

Supplemental Disclosures of Cash Flow Information:

Noncash Transactions:

Property, Plant and Equipment Purchased Under Capital Lease Obligations	\$8,381	\$23,056
Silgan Payable	\$8,000	\$-

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**SENECA FOODS
CORPORATION
AND
SUBSIDIARIES
CONDENSED
CONSOLIDATED
STATEMENT OF
STOCKHOLDERS'
EQUITY**

(Unaudited)

(In Thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
Balance March 31, 2017 (Restated)	\$ 1,324	\$ 3,024	\$ 97,458	\$(66,499)	\$ (11,175)	\$ 401,072
Net earnings	-	-	-	-	-	439
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	75	-	-	-
Preferred stock conversion	(617)	14	603	-	-	-
Purchase treasury stock	-	-	-	(3,442)	-	-
Change in pension, post retirement benefits, other adjustment (net of tax of \$93)	-	-	-	-	152	-
Balance December 30, 2017 (Restated)	\$ 707	\$ 3,038	\$ 98,136	\$(69,941)	\$ (11,023)	\$ 401,488

	Preferred Stock		Common Stock			
	6% Cumulative Par Value \$.25 Callable at Par Voting	10% Cumulative Par Value \$.025 Convertible Voting	2003 Series Participating Convertible Par Value \$.025	2003 Series Participating Convertible Par Value \$.025	Class A Common Stock Par Value \$.25	Class B Common Stock Par Value \$.25
Shares authorized and designated: December 30, 2017	200,000	1,400,000	37,529	500	20,000,000	10,000,000
Shares outstanding: December 30, 2017	200,000	807,240	37,529	500	7,854,451	1,884,439

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

1. Unaudited Condensed Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of Seneca Foods Corporation (the “Company”) as of December 30, 2017 and results of its operations and its cash flows for the interim periods presented. All significant intercompany transactions and accounts have been eliminated in consolidation. The March 31, 2017 balance sheet was derived from the audited consolidated financial statements.

The results of operations for the three and nine month periods ended December 30, 2017 are not necessarily indicative of the results to be expected for the full year.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 2017 Annual Report on Form 10-K.

Other footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's 2017 Annual Report on Form 10-K.

All references to years are fiscal years ended or ending March 31 unless otherwise indicated. Certain percentage tables may not foot due to rounding.

Reclassifications—Certain previously reported amounts have been reclassified to conform to the current period classification.

Restatement of Previously Issued Financial Statements—On June 28, 2018, the Company concluded that it did not meet all of the criteria for bill and hold treatment under Staff Accounting Bulletin Topic 13 for the Green Giant contract. In particular, the Company determined that performance obligations were not complete at the time title transferred to the customer as the unlabeled products under this contract were not ready for shipment. The Company has determined that the audited consolidated financial statements as of and for the years ended March 31, 2016 and 2017 and the unaudited condensed consolidated financial statements as of and for each of the interim periods within the years ended March 31, 2017 and 2018 should be restated to correct these inadvertent errors in the application of generally accepted accounting principles dealing with complex and technical accounting issues relating to “bill and hold” revenue recognition. For more information, see footnote 2 of the Company’s March 31, 2018 10-K filed on June 29, 2018.

The Consolidated Statements of Cash Flows for the three and nine month periods ended December 30, 2017 and December 31, 2016 are not presented in the following tables because there is no impact on total cash flows from operating activities, investing activities and financing activities. The impact from the restatements within the operating activities section of the cash flow statement is illustrated in the balance sheet and income statement corrections presented below.

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The following tables present a summary of the effects of these restatements:

Consolidated Statements of Earnings (Loss)

Three Months Ended

	December 30, 2017 (Unaudited)			December 31, 2016 (Unaudited)		
	As Reported	Correction	As Restated	As Reported	Correction	As Restated
Net Sales	\$392,714	\$ (5,025)	\$387,689	\$369,705	\$ (12,938)	\$356,767
Cost of Products Sold	361,013	(3,825)	357,188	332,230	(13,389)	318,841
Gross Profit	31,701	(1,200)	30,501	37,475	451	37,926
Operating Income/(Loss)	11,471	(1,200)	10,271	13,890	451	14,341
Earnings/(Loss) Before Income Taxes	7,459	(1,200)	6,259	11,809	451	12,260
Income Tax (Benefit) Expense	(268)	2,150	1,882	3,628	843	4,471
Net Earnings (Loss)	7,727	(3,350)	4,377	8,181	(392)	7,789
Earnings Per Common Share-Basic	\$0.79	\$ (0.34)	\$0.45	\$0.83	\$ (0.04)	\$0.79
Earnings Per Common Share-Diluted	\$0.78	\$ (0.34)	\$0.44	\$0.82	\$ (0.04)	\$0.78

Nine Months Ended

	December 30, 2017 (Unaudited)			December 31, 2016 (Unaudited)		
	As Reported	Correction	As Restated	As Reported	Correction	As Restated
Net Sales	\$1,049,209	\$ (34,123)	\$1,015,086	\$979,566	\$ 1,942	\$981,508
Cost of Products Sold	981,344	(29,705)	951,639	891,904	(1,302)	890,602
Gross Profit	67,865	(4,418)	63,447	87,662	3,244	90,906
Operating Income/(Loss)	13,893	(4,418)	9,475	26,689	3,244	29,933
Earnings/(Loss) Before Income Taxes	3,252	(4,418)	(1,166)	20,480	3,244	23,724
Income Tax (Benefit) Expense	(2,524)	919	(1,605)	6,217	1,932	8,149
Net Earnings (Loss)	5,776	(5,337)	439	14,263	1,312	15,575
Earnings Per Common Share-Basic	\$0.59	\$ (0.55)	\$0.04	\$1.44	\$ 0.14	\$1.58
Earnings Per Common Share-Diluted	\$0.58	\$ (0.54)	\$0.04	\$1.43	\$ 0.14	\$1.57

Consolidated Balance SheetsAs of December 30, 2017
(Unaudited)

As of March 31, 2017 (Audited)

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	As Reported	Correction	As Restated	As Reported	Correction	As Restated
<u>Assets</u>						
Inventory	\$710,118	\$ 60,584	\$770,702	\$598,056	\$ 30,879	\$628,935
Total Current Assets	794,510	60,584	855,094	688,270	30,879	719,149
Total Assets	1,072,003	62,234	1,134,237	946,019	32,249	978,268
<u>Liabilities and Stockholders' Equity</u>						
Deferred Revenue	\$545	\$ 79,606	\$80,151	\$545	\$ 45,555	\$46,100
Total Current Liabilities	162,423	79,610	242,033	132,277	45,487	177,764
Total Liabilities	635,204	76,628	711,832	511,758	41,306	553,064
Stockholders' Equity	436,799	(14,394)	422,405	434,261	(9,057)	425,204
Total Liabilities and Stockholders' Equity	1,072,003	62,234	1,134,237	946,019	32,249	978,268

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	As of December 31, 2016		
	(Unaudited)		
	As Reported	Correction	As Restated
<u>Assets</u>			
Inventory	\$656,368	\$43,077	\$699,445
Total Current Assets	750,156	43,077	793,233
Total Assets	1,004,711	49,035	1,053,746
<u>Liabilities and Stockholders' Equity</u>			
Deferred Revenue	\$473	\$60,080	\$60,553
Total Current Liabilities	178,732	60,039	238,771
Total Liabilities	587,097	60,039	647,136
Stockholders' Equity	417,614	(11,004)	406,610
Total Liabilities and Stockholders' Equity	1,004,711	49,035	1,053,746

3. Acquisition

In April 2014, the Company purchased a 50% equity interest in Truitt Bros. Inc. ("Truitt") for \$16,242,000 which was accounted for as an equity investment. The purchase agreement granted the Company the right to acquire the remaining 50% ownership of Truitt in the future under certain conditions. On April 3, 2017, the Company purchased the remaining 50% equity interest in Truitt. This was considered a step acquisition, whereby the Company remeasured the previously held investment to fair value during the first quarter of 2018. As a result, the Company's first quarter 2018 net loss includes a non-taxable bargain purchase gain of \$1,096,000 of which \$562,000 was related to the remeasurement of the previously held investment. Gross profit in the first quarter of fiscal 2018 included a charge of \$542,000 related to the recognition of the Truitt inventory step-up through cost of sales for the portion of acquired inventory that was sold during the period. The business, based in Salem, Oregon, has two state-of-the-art plants located in Oregon and Kentucky. The purchase price for the more recent 50% was \$14,420,000 (net of cash acquired of \$3,030,000) plus the assumption of certain liabilities. The Company had an equity method investment of \$17,422,000, so the total investment was \$34,872,000. In conjunction with the closing, the Company paid off \$3,608,000 of liabilities acquired. The rationale for the acquisition was twofold: (1) the business is a complementary fit with our existing business and (2) Truitt is known for its industry innovation related to packing shelf stable foods in trays, pouches and bowls. This acquisition was financed with proceeds from the Company's revolving credit facility. The purchase price to acquire Truitt Bros., Inc. was allocated based on the internally developed fair value of the assets acquired and liabilities assumed and the independent valuation of inventory, intangibles, and property, plant, and equipment. The total purchase price of \$31,842,000 has been

allocated as follows (in thousands):

Purchase Price (net of cash received)	\$31,842
Approximate fair values of assets acquired and liabilities assumed:	
Current assets	\$22,823
Other long-term assets	1,744
Property, plant and equipment	28,696
Current liabilities	(5,068)
Deferred taxes	389
Other long-term liabilities	(15,664)
Bargain purchase gain	(1,078)
Total	\$31,842

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SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

The Company is continuing to evaluate the purchase price allocation and these preliminary estimates could change. Proforma results of operations for the Truitt acquisition are not presented because the effects are not material to the consolidated financial statements.

Inventories

First-In, First-Out (“FIFO”) based inventory costs exceeded LIFO based inventory costs by \$165,114,000 as of the end of the third quarter of fiscal 2018 as compared to \$151,269,000 as of the end of the third quarter of fiscal 2017. 4. The change in the LIFO Reserve for the three months ended December 30, 2017 was an increase of \$1,921,000 as compared to a decrease of \$5,082,000 for the three months ended December 31, 2016. The LIFO Reserve increased by \$21,275,000 in the first nine months of fiscal 2018 compared to a decrease of \$2,669,000 in the first nine months of fiscal 2017. This reflects the projected impact of an overall cost increase expected in fiscal 2018 versus fiscal 2017.

Revolving Credit Facility

The Company completed the closing of a new five-year revolving credit facility (“Revolver”) on July 5, 2016. Maximum borrowings under the Revolver total \$400,000,000 from April through July and \$500,000,000 from August through March. The Revolver balance as of December 30, 2017 was \$290,196,000 and is included in Long-Term Debt in the accompanying Condensed Consolidated Balance Sheet since the Revolver matures on July 5, 2021. The Company utilizes its Revolver for general corporate purposes, including seasonal working capital needs, to pay debt principal and interest obligations, and to fund capital expenditures and acquisitions. Seasonal working capital needs are affected by the growing cycles of the vegetables and fruits the Company processes. The majority of vegetable and fruit inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable and fruit produce are generally three months but can vary from a few days to seven months. Accordingly, the Company’s need to draw on the Revolver may fluctuate significantly throughout the year.

The decrease in average amount of Revolver borrowings during the first nine months of fiscal 2018 compared to the first nine months of fiscal 2017 was attributable to the \$100,000,000 term loan from Farm Credit which was obtained in December 2016 less the cash paid for the Truitt acquisition of \$14,420,000 made during the first nine months of fiscal 2018, Accounts Receivable which are \$7,168,000 lower than the same period last year (excluding the amount

from the acquisition), and total Inventories, excluding the inventories of the acquisition, which are \$55,181,000 higher than the same period last year, and net earnings in the last twelve months ended December 30, 2017 of \$759,000.

General terms of the Revolver include payment of interest at LIBOR plus a defined spread.

Table of Contents**SENECA FOODS CORPORATION AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****December 30, 2017**

The following table documents the quantitative data for Revolver borrowings during the third quarter and year-to-date periods of fiscal 2018 and fiscal 2017:

	Third Quarter		Year-to-Date	
	2018	2017	2018	2017
	(In thousands)		(In thousands)	
Reported end of period:				
Outstanding borrowings	\$290,196	\$232,586	\$290,196	\$232,586
Weighted average interest rate	3.04 %	2.00 %	3.04 %	2.00 %
Reported during the period:				
Maximum amount of borrowings	\$296,088	\$349,710	\$296,088	\$361,800
Average outstanding borrowings	\$280,960	\$301,395	\$246,414	\$289,949
Weighted average interest rate	2.82 %	1.89 %	2.59 %	1.88 %

Stockholders' Equity

6. During the nine-month period ended December 30, 2017 the Company repurchased 114,532 shares or \$3,441,000 of its Class A Common Stock as Treasury Stock. As of December 30, 2017, there are 2,414,678 shares or \$69,941,000 of repurchased stock. These shares are not considered outstanding.

Retirement Plans

7.

The net periodic benefit cost for the Company's pension plan consisted of:

Three Months Ended		Nine Months Ended	
December 30,	December 31,	December 30,	December 31,
2017	2016	2017	2016
(In thousands)			

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Service Cost	\$1,981	\$ 2,164	\$5,944	\$ 6,491
Interest Cost	1,985	1,919	5,956	5,756
Expected Return on Plan Assets	(3,673)	(2,978)	(10,640)	(8,934)
Amortization of Actuarial Loss	-	679	-	2,037
Amortization of Transition Asset	30	27	90	82
Net Periodic Benefit Cost	\$323	\$ 1,811	\$1,350	\$ 5,432

There was a contribution of \$2,500,000 to the pension plan in the nine month period ended December 30, 2017. There was a contribution of \$8,000,000 made in the nine month period ended December 31, 2016.

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8. The following table summarizes the rollforward of restructuring charges and related asset impairment charges recorded and the accruals established:

	Severance	Long-Lived Asset Charges	Other Costs	Total
	(In thousands)			
Balance March 31, 2017	\$37	\$ 4,773	\$305	\$5,115
First quarter charge	36	9	36	81
Second quarter charge (credit)	-	8	(33)	(25)
Third quarter charge (credit)	98	-	3	101
Cash payments/write offs	(73)	(3,888)	(311)	(4,272)
Balance December 30, 2017	\$98	\$ 902	\$-	\$1,000
Balance March 31, 2016	\$-	\$ 4,975	\$3,897	\$8,872
First quarter charge (credit)	127	(6)	1,064	1,185
Second quarter charge (credit)	112	(286)	451	277
Third quarter charge (credit)	1,261	62	(7)	1,316
Cash payments/write offs	(1,480)	164	(3,588)	(4,904)
Balance December 31, 2016	\$20	\$ 4,909	\$1,817	\$6,746

During fiscal 2016, the Company recorded a restructuring charge of \$10,302,000 related to the closing of a plant in the Northwest of which \$162,000 was related to severance cost, \$5,065,000 was related to asset impairments (contra fixed assets), and \$5,075,000 was related to other costs (mostly operating lease costs). During fiscal 2017, the Company adjusted this restructuring charge by \$1,829,000 related to the closing of this Northwest plant of which a charge of \$1,578,000 was related to severance cost, a credit of \$384,000 was related to asset impairments (contra fixed assets), and charge of \$635,000 was related to other costs (mostly operating lease costs).

During the nine months ended December 30, 2017, the Company recorded an additional restructuring charge of \$157,000 related to the previous closing of this Northwest plant.

Other Operating Income and Expense

During the nine months ended December 30, 2017, the Company sold unused fixed assets which resulted in a gain of \$1,590,000 as compared to a gain of \$149,000 during the nine months ended December 31, 2016. \$1,081,000 of the current year gain was related to the sale of a closed plant in the Midwest. In addition, the Company recorded a bargain purchase gain of \$1,078,000 as discussed in the Acquisition footnote during the nine months ended December 30, 2017. These items are included in other operating income in the Unaudited Condensed Consolidated Statements of Net Earnings.

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SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company on April 1, 2018 (beginning of fiscal 2019). The standard permits the use of either the retrospective or cumulative effect transition method. The Company has selected the modified retrospective approach for its transition method and applied the five-step model of the new standard to a selection of contracts within each of the revenue streams and has compared the results to our current accounting practices. The Company's assessment efforts to date have included reviewing current accounting policies, processes, and system requirements, as well as assigning internal resources and engaging third-party consultants to assist in the process. Additionally, the Company has reviewed our current contracts and other arrangements to identify potential differences that could arise from the adoption of ASU 2014-09. Most notably, the Company is evaluating its current conclusions with respect to the timing of revenue recognition for certain co-pack contract arrangements where revenue is at point in time, to determine whether the application of ASU 2014-09 necessitates changes to such reporting whereby revenue would be recognized over time. The Company will continue to evaluate our business processes, systems and controls, and potential differences, if any, in the timing and method of revenue recognition. However, the Company will not be able to make a complete determination about the impact of the standard on its consolidated financial statements until the time of adoption based upon outstanding contracts at that time. The Company will continue its evaluation of the standards update through the date of adoption.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018 (beginning fiscal 2020 for the Company), including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we are still evaluating the impact of our pending adoption of the new standard on our consolidated financial statements, we expect that upon adoption we will recognize ROU assets and lease liabilities and that the amounts could be material.

In January 2017, the FASB issued ASU No. 2017-01 ("ASU 2017-01"), which clarifies the definition of a business, with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and early adoption is permitted for transactions which occur before the issuance or effective date of the amendments, only when the transaction has not been reported in the financial statements that have been issued or made available for issuance. ASU 2017-01 is to be applied on a prospective basis. The Company does not expect the adoption of ASU 2017-01 to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires that the service cost component of net periodic benefit costs from defined benefit and other postretirement benefit plans be included in the same statement of earnings captions as other compensation costs arising from services rendered by the covered employees during the period. The other components of net benefit cost will be presented in the statement of earnings separately from service costs. ASU 2017-07 is effective for fiscal years beginning after December 31, 2017 (fiscal year 2019 for the Company). Following adoption, only service costs will be eligible for capitalization into manufactured inventories, which should reduce diversity in practice. The amendments of ASU 2017-07 should be applied retrospectively for the presentation of the service cost component and the other components of net periodic benefit costs from defined benefit and other postretirement benefit plans in the statement of earnings and prospectively, on and after the effective date, for the capitalization of the service cost component into manufactured inventories. Early adoption is permitted as of the beginning of the Company's fiscal year 2018. The Company will adopt the new guidance in fiscal year 2019, and expects changes to earnings before income taxes to be immaterial in the year of adoption.

There were no other recently issued accounting pronouncements that impacted the Company's condensed consolidated financial statements. In addition, the Company did not adopt any new accounting pronouncements during the quarter ended December 30, 2017.

Table of Contents**SENECA FOODS CORPORATION AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****December 30, 2017****Earnings per Common Share**

11. Earnings per share for the quarters ended December 30, 2017 and December 31, 2016 are as follows:

(Thousands, except share amounts)	Q U A R T E R		Y E A R T O D A T E	
	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
	(Restated)	(Restated)	(Restated)	(Restated)
<u>Basic</u>				
Net earnings	\$4,377	\$ 7,789	\$439	\$ 15,575
Deduct preferred stock dividends paid	6	6	17	17
Undistributed earnings	4,371	7,783	422	15,558
Earnings attributable to participating preferred	17	71	2	142
Earnings attributable to common shareholders	\$4,354	\$ 7,712	\$420	\$ 15,416
Weighted average common shares outstanding	9,740	9,770	9,782	9,790
Basic earnings per common share	\$0.45	\$ 0.79	\$0.04	\$ 1.58
<u>Diluted</u>				
Earnings attributable to common shareholders	\$4,354	\$ 7,712	\$420	\$ 15,416
Add dividends on convertible preferred stock	5	5	15	15
Earnings attributable to common stock on a diluted basis	\$4,359	\$ 7,717	\$435	\$ 15,431
Weighted average common shares outstanding-basic	9,740	9,770	9,782	9,790
Additional shares issued related to the equity compensation plan	2	2	2	2
Additional shares to be issued under full conversion of preferred stock	67	67	67	67
Total shares for diluted	9,809	9,839	9,851	9,859

Diluted earnings per common share	\$0.44	\$ 0.78	\$0.04	\$ 1.57
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Fair Value of Financial Instruments

As required by Accounting Standards Codification ("ASC") 825, "Financial Instruments," the Company estimates the fair values of financial instruments on a quarterly basis. The estimated fair value for long-term debt (classified as Level 2 in the fair value hierarchy) is determined by the quoted market prices for similar debt (comparable to the Company's financial strength) or current rates offered to the Company for debt with the same maturities.

12. Long-term debt, including current portion had a carrying amount of \$415,448,000 and an estimated fair value of \$415,173,000 as of December 30, 2017. As of March 31, 2017, the carrying amount was \$332,633,000 and the estimated fair value was \$332,926,000. Capital lease obligations, including current portion had a carrying amount of \$43,501,000 and an estimated fair value of \$40,621,000 as of December 30, 2017. As of March 31, 2017, the carrying amount was \$39,033,000 and the estimated fair value was \$37,505,000. The fair values of all the other financial instruments approximate their carrying value due to their short-term nature.

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SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

Income Taxes

13. The effective tax rate was (137.7)% and 34.3% for the nine month periods ended December 30, 2017 and December 31, 2016, respectively. The 172.0 percentage point decrease in the effective tax rate represents the tax rate change which reduced the tax provision by \$1,241,000 due to the recently passed Tax Cut and Jobs Act. This amount reflects the effect of the rate change on beginning of the year deferred tax balances.

The Tax Cut and Jobs Act was signed into law on December 22, 2017 and reduced the federal corporate income tax rate from 35% to 21%.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

December 30, 2017

Seneca Foods Corporation (the “Company”) is a leading provider of packaged fruits and vegetables, with facilities located throughout the United States. The Company’s product offerings include canned, frozen and bottled produce and snack chips. Its products are sold under private label as well as national and regional brands that the Company owns or licenses, including Seneca®, Libby’s®, Aunt Nellie’s®, Cherryman®, Green Valley®, READ® and Seneca Farms®. The Company’s canned fruits and vegetables are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. The Company also sells its products to foodservice distributors, industrial markets, other food processors, export customers in over 90 countries and federal, state and local governments for school and other food programs. The Company packs Green Giant®, Le Sueur® and other brands of canned vegetables as well as select Green Giant® frozen vegetables for B&G Foods North America (“B&G”) under a contract packing agreement. In addition, the Seneca provides contract packing services mostly through its wholly owned subsidiary Truitt Bros., Inc.

The Company’s raw product is harvested mainly between June through November.

Results of Operations:

Sales:

Third fiscal quarter 2018 results include net sales of \$387,689,000, which represents an 8.7% increase, or \$30,922,000, from the third quarter of fiscal 2017. The increase in sales is primarily from the acquisition of Truitt during the current year with sales of \$28,214,000, a \$4,156,000 increase in B&G Foods, Inc. sales, a \$2,055,000 increase in Frozen sales partially offset by, a \$1,105,000 decrease in Canned Vegetable sales, a \$1,241,000 decrease in Canned Fruit sales and a \$1,157,000 decrease in Other sales.

Nine months ended December 30, 2017 include net sales of \$1,015,086,000, which represents a 3.4% increase, or \$33,578,000, from the first nine months of fiscal 2017. The increase in sales is primarily from the acquisition of Truitt during the current year with sales of \$69,352,000, a \$12,181,000 increase in Canned Vegetable sales, \$7,982,000 increase in Frozen sales, partially offset by a \$25,749,000 decrease in B&G Foods, Inc. sales, a \$24,035,000 decrease in Canned Fruit sales, a \$3,999,000 decrease in Other sales and a \$2,154,000 decrease in Snack

sales.

The following table presents sales by product category (in millions):

	Three Months Ended		Nine Months Ended	
	December 30,	December 31,	December 30,	December 31,
	2017 (Restated)	2016 (Restated)	2017 (Restated)	2016 (Restated)
Canned Vegetables	\$226.1	\$227.2	\$564.8	\$552.6
B&G*	37.3	33.2	89.7	115.4
Frozen	27.3	25.3	78.5	70.5
Fruit Products	62.5	63.7	193.1	217.2
Chip Products	2.4	2.4	7.9	10.0
Truitt	28.2	0.0	69.4	0.0
Other	3.9	5.0	11.7	15.8
	\$387.7	\$356.8	\$1,015.1	\$981.5

*B&G includes frozen vegetable sales exclusively for B&G.

Table of Contents**ITEM 2 MANagements DISCUSSION AND ANALYSIS****OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****December 30, 2017**Operating Income:

The following table presents components of operating income as a percentage of net sales:

	Three Months Ended		Nine Months Ended	
	December 30, 2017 (Restated)	December 31, 2016 (Restated)	December 30, 2017 (Restated)	December 31, 2016 (Restated)
Gross Margin	7.9	% 10.6	% 6.3	% 9.3
Selling	2.6	% 3.1	% 2.8	% 2.9
Administrative	2.5	% 2.8	% 2.8	% 2.9
Plant Restructuring	0.0	% 0.4	% 0.0	% 0.3
Other Operating Expense (Income)	0.0	% 0.3	% -0.3	% 0.1
Operating Income	2.6	% 4.0	% 0.9	% 3.0
Interest Expense, Net	1.0	% 0.7	% 1.1	% 0.7

For the three month period ended December 30, 2017, the gross margin decreased from the prior year quarter from 10.6% to 7.9% due primarily to lower selling prices in the third quarter of 2018. The LIFO charge for the third quarter ended December 30, 2017 which was \$1,921,000 as compared to a credit of \$5,082,000 for the third quarter ended December 31, 2016 and reflects the impact on the quarter of higher cost increases incurred in fiscal 2018, compared with smaller cost increases to fiscal 2017. On an after-tax basis, LIFO net earnings decreased by \$1,249,000 for the quarter ended December 30, 2017 and decreased LIFO net earnings by \$3,303,000 for the quarter ended December 31, 2016, based on the historical statutory federal income tax rate.

For the nine month period ended December 30, 2017, the gross margin decreased from the prior year period from 9.3% to 6.3% due primarily to a higher LIFO charge in the current year. The LIFO charge for the nine months ended December 30, 2017 was \$21,275,000 as compared to a credit of \$2,669,000 for the nine months ended December 31, 2016 and reflects the impact on the nine months of cost increases expected in fiscal 2018, compared to cost decreases in fiscal 2017. On an after-tax basis, LIFO decreased net earnings by \$13,829,000 for the nine months ended December 30, 2017 and increased net earnings by \$1,732,000 for the nine months ended December 31, 2016, based on

the historical statutory federal income tax rate.

For the three month period ended December 30, 2017, selling costs as a percentage of sales decreased from 3.1% to 2.6% for the same period in the prior year. For the nine month period ended December 30, 2017, selling costs as a percentage of sales decreased from 2.9% to 2.8% for the same period in the prior year.

For the three month period ended December 30, 2017, administrative expense as a percentage of sales decreased from 2.8% to 2.5%. For the nine month period ended December 30, 2017, administrative expense as a percentage of sales decreased from 2.9% to 2.8% primarily due to lower employment costs in the current year.

During the nine months ended December 30, 2017, the Company sold some unused fixed assets which resulted in a gain of \$1,590,000. \$1,081,000 of the current year gain was related to the sale of a closed plant in the Midwest. In addition, the Company recorded a bargain purchase gain of \$1,078,000 as discussed in the Acquisition footnote to the Condensed Consolidated Financial Statements. During the quarter ended December 31, 2016, the Company recorded a charge for impairment of a long-term asset of \$1,052,000. During the nine months ended December 31, 2016, the Company sold some unused fixed assets which resulted in a loss of \$149,000. These items are included in other operating income in the Unaudited Condensed Consolidated Statements of Net Earnings.

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ITEM 2 MANagements DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 30, 2017

Interest expense for the third quarter ended December 30, 2017, as a percentage of sales, increased to 1.0% from 0.7% in third quarter ended December 31, 2016. For the nine month period ended December 30, 2017, interest expense as a percentage of sales increased from 0.7% to 1.1% compared to nine months ended December 31, 2016. During fiscal 2018, overall borrowings and interest rates were higher than the previous year.

Income Taxes:

The effective tax rate was (137.7)% and 34.3% for the nine month periods ended December 30, 2017 and December 31, 2016, respectively. The 172.0 percentage point decrease in the effective tax rate represents the tax rate change which reduced the tax provision by \$1,241,000 due to the recently passed Tax Cut and Jobs Act. This amount reflects the effect of the rate change on beginning of the year deferred tax balances.

The Tax Cut and Jobs Act was signed into law on December 22, 2017 and reduced the federal corporate income tax rate from 35% to 21%.

Earnings per Share:

Basic earnings per share were \$0.45 and \$0.79 for the three months ended December 30, 2017 and December 31, 2016, respectively. Diluted earnings per share were \$0.44 and \$0.78 for the three months ended December 30, 2017 and December 31, 2016, respectively. Basic earnings per share were \$0.04 and \$1.58 for the nine months ended December 30, 2017 and December 31, 2016, respectively. Diluted earnings per share were \$0.04 and \$1.57 for the nine months ended December 30, 2017 and December 31, 2016, respectively. For details of the calculation of these amounts, refer to footnote 11 of the Notes to Condensed Consolidated Financial Statements.

Liquidity and Capital Resources:

The financial condition of the Company is summarized in the following table and explanatory review:

	December 30, 2017 (Restated)	December 31, 2016 (Restated)	March 31, 2017 (Restated)	March 31, 2016 (Restated)
Working Capital:				
Balance	\$613,061	\$554,462	\$541,385	\$254,200
Change in Quarter	21,260	(20,677)		
Long-Term Debt, Less Current Portion	411,799	343,634	329,138	35,967
Capital Lease Obligations, Less Current Portion	37,447	25,992	34,194	4,988
Total Stockholders' Equity Per Equivalent Common Share (see Note below)	42.91	41.00	42.72	39.40
Stockholders' Equity Per Common Share	43.30	41.53	43.27	39.90
Current Ratio	3.53	3.32	4.05	1.55

Note: Equivalent common shares are either common shares or, for convertible preferred shares, the number of common shares that the preferred shares are convertible into. See Note 7 of the Notes to Consolidated Financial Statements of the Company's 2017 Annual Report on Form 10-K for conversion details.

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ITEM 2 MANagements DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 30, 2017

As shown in the Condensed Consolidated Statements of Cash Flows, net cash used in operating activities was \$26,748,000 in the first nine months of fiscal 2018, compared to \$9,709,000 in the first nine months of fiscal 2017. The \$17,039,000 increase in cash used is primarily attributable to an \$125,691,000 increase in inventory in the first nine months of fiscal 2018 as compared to \$89,964,000 increase in inventory in the first nine months of fiscal 2017, decreased net earnings of \$15,136,000 as previously discussed, and a \$5,616,000 decrease in cash provided by income taxes, partially offset by a \$40,032,000 increase in cash provided by accounts payable, deferred revenue, accrued expenses and other liabilities, a \$1,721,000 decrease in cash used by deferred income taxes and a \$2,460,000 increase in cash provided by accounts receivable.

As compared to December 31, 2016, inventory increased \$71,257,000 to \$770,702,000 at December 30, 2017 (including \$16,076,000 increase from the Truitt Bros. Inc. acquisition). The components of the inventory increase reflect a \$82,565,000 increase in finished goods, a \$14,900,000 increase in work in process and a \$26,208,000 decrease in raw materials and supplies. The finished goods increase is primarily due to the Truitt acquisition and reflects higher inventory quantities due to the magnitude and timing of the fiscal year 2018 pack versus fiscal year 2017 pack partially offset by increased sales volume as compared to the prior year. The raw materials and supplies decrease is primarily due to a decrease in cans and raw steel quantities compared to the prior year. FIFO based inventory costs exceeded LIFO based inventory costs by \$165,114,000 as of the end of the third quarter of 2018 as compared to \$151,269,000 as of the end of the third quarter of 2017.

Cash used in investing activities was \$33,699,000 in the first nine months of fiscal 2018 compared to cash used in investing activities of \$23,266,000 in the first nine months of fiscal 2017. Additions to property, plant and equipment were \$21,120,000 in the first nine months of fiscal 2018 as compared to \$23,389,000 in first nine months of fiscal 2017. The prior year purchases include \$4,767,000 of fixed assets purchased from Monsanto in connection with our seed processing in August 2016. In April 2017, the Company acquired the other 50% of Truitt Bros., Inc. for \$14,420,000 (net of cash acquired).

Cash provided by financing activities was \$61,577,000 in the first nine months of fiscal 2018, which included borrowings of \$438,730,000 and the repayment of \$373,298,000 of long-term debt, principally consisting of borrowing and repayment on the revolving credit facility (“Revolver”). Cash provided by financing activities was \$34,633,000 in the first nine months of fiscal 2017, which included borrowings of \$411,483,000 and the repayment of \$374,577,000 of long-term debt, principally consisting of borrowing and repayment on the Revolver. Other than borrowings under the Revolver, there was no new long-term debt during the first nine months of fiscal 2018. During the nine months ended December 31, 2016, the Company paid off \$22,596,000 of Industrial Revenue Bonds. During the nine months ended December 30, 2017, the Company repurchased \$3,442,000 of its Class A and Class B Common

Stock as treasury stock compared to \$1,841,000 in the prior period.

During the nine months ended December 30, 2017, the Company entered into \$8,381,000 of equipment capital leases compared to \$23,056,000 in the same period in the prior year.

The Company completed the closing of a new five-year revolving credit facility on July 5, 2016. Available borrowings on the Revolver total \$400,000,000 from April through July and \$500,000,000 from August through March with a maturity date of July 5, 2021. The interest rate on the Revolver is based on LIBOR plus an applicable margin based on excess availability and the Company's fixed charge coverage ratio. As of December 30, 2017, the interest rate was approximately 2.90% on a balance of \$290,196,000. We believe that cash flows from operations, availability under our Revolver and other financing sources will provide adequate funds for our working capital needs, planned capital expenditures, and debt obligations for at least the next 12 months.

The Company's credit facilities contain standard representations and warranties, events of default, and certain affirmative and negative covenants, including various financial covenants. At December 30, 2017, the Company was in compliance with all such financial covenants.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

December 30, 2017

New Accounting Standards

Refer to footnote 10 of the Notes to Condensed Consolidated Financial Statements.

Seasonality

The Company's revenues are typically higher in the second and third fiscal quarters. The Company's sales exhibit seasonality with the third fiscal quarter generating the highest retail sales due to holidays that occur during that quarter.

Forward-Looking Information

The information contained in this report contains, or may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company or its officers (including statements preceded by, followed by or that include the words "believes," "expects," "anticipates" or similar expressions) with respect to various matters, including (i) the Company's anticipated needs for, and the availability of, cash, (ii) the Company's liquidity and financing plans, (iii) the Company's ability to successfully integrate acquisitions into its operations, (iv) trends affecting the Company's financial condition or results of operations, including anticipated sales price levels and anticipated expense levels, in particular higher production, fuel and transportation costs, (v) the Company's plans for expansion of its business (including through acquisitions) and cost savings, and (vi) the impact of competition.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on such statements, which speak only to events as of the date the statements were made. Among the factors that could cause actual results to differ materially are:

general economic and business conditions;
cost and availability of commodities and other raw materials such as vegetables, steel and packaging materials;
transportation costs;
climate and weather affecting growing conditions and crop yields;
the availability of financing;
leverage and the Company's ability to service and reduce its debt;
foreign currency exchange and interest rate fluctuations;
effectiveness of the Company's marketing and trade promotion programs;
changing consumer preferences;
competition;
product liability claims;
the loss of significant customers or a substantial reduction in orders from these customers;
changes in, or the failure or inability to comply with, U.S., foreign and local governmental regulations, including environmental and health and safety regulations; and

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ITEM 2 MANagements DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 30, 2017

other risks detailed from time to time in the reports filed by the Company with the SEC.

Except for ongoing obligations to disclose material information as required by the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this report or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

Trade promotions are an important component of the sales and marketing of the Company's branded products, and are critical to the support of the business. Trade promotion costs, which are recorded as a reduction of net sales, include amounts paid to encourage retailers to offer temporary price reductions for the sale of our products to consumers, amounts paid to obtain favorable display positions in retailers' stores, and amounts paid to retailers for shelf space in retail stores. Accruals for trade promotions are recorded primarily at the time of sale of product to the retailer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorized process for deductions taken by a retailer from amounts otherwise due to us. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by retailers for amounts they consider due to them. Final determination of the permissible deductions may take extended periods of time.

The Company uses the lower of cost, determined under the LIFO (last-in, first out) method, or market, to value substantially all of its inventories. In a high inflation environment that the Company was experiencing, the Company believes that the LIFO method was preferable over the FIFO method because it better compares the cost of current production to current revenue.

The Company assesses its long-lived assets for impairment whenever there is an indicator of impairment. Property, plant, and equipment are depreciated over their assigned lives. The assigned lives and the projected cash flows used to test impairment are subjective. If actual lives are shorter than anticipated or if future cash flows are less than anticipated, a future impairment charge or a loss on disposal of the assets could be incurred. Impairment losses are evaluated if the estimated undiscounted value of the cash flows is less than the carrying value. If such is the case, a loss is recognized when the carrying value of an asset exceeds its fair value.

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ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw material pricing and availability. In addition, the Company is exposed to fluctuations in interest rates, primarily related to its revolving credit facility and the \$100,000,000 term loan. To manage interest rate risk, the Company uses both fixed and variable interest rate debt plus fixed interest rate capital lease obligations. There have been no material changes to the Company's exposure to market risk since March 31, 2017.

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ITEM 4 Controls and Procedures

The Company maintains a system of internal and disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported on a timely basis. The Company's Board of Directors, operating through its Audit Committee, which is composed entirely of independent outside directors, provides oversight to the financial reporting process.

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 30, 2017, our disclosure controls and procedures were not effective due to a material weakness in the Company's internal control over financial reporting reported in the Company's Annual Report on Form 10-K for the year ended March 31, 2018 that the Company determined was also present as of December 30, 2017.

As a result of the control deficiencies identified in the Company's Annual Report on Form 10-K for the year ended March 31, 2018, the Company restated its unaudited quarterly financial information for the fiscal quarters ended December 30, 2017 and December 31, 2016. During the fiscal quarter ended December 30, 2017, there were no changes to the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Refer to footnote 13 to the Consolidated Financial Statements included in Part II Item 8 of the Annual Report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Form 10-K for the period ended March 31, 2017 except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	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) or Shares that May Yet Be Purchased Under the Plans or Programs
	Class A Common	Class B Common	Class A Common	Class B Common		
10/01/2017 – 10/31/2017	16,800(1)	-	\$35.73	\$ -		
11/01/2017 – 11/30/2017	4,950	-	\$29.34	\$ -	4,950	
12/01/2017 – 12/31/2017	-	-	\$-	\$ -		
Total	21,750	-	\$34.27	\$ -	4,950	1,083,629

Note 1: These shares were purchased in open market transactions by the trustees under the Seneca Foods Corporation Employees' Savings Plan 401(k) Retirement Savings Plan to provide employee matching contributions under the plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

31.1 Certification of Kraig H. Kayser pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

31.2 Certification of Timothy J. Benjamin pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

The following materials from Seneca Foods Corporation's Quarterly Report on Form 10-Q for the nine months ended December 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) condensed 101 consolidated balance sheets, (ii) condensed consolidated statements of net loss, (iii) condensed consolidated statements of comprehensive loss, (iv) condensed consolidated statements of cash flows, (v) condensed consolidated statement of stockholders' equity and (vi) the notes to condensed consolidated financial statements.

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SIGNATURES

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

Seneca Foods Corporation
(Company)

September 7, 2018 /s/Kraig H. Kayser
Kraig H. Kayser
President and Chief Executive Officer

September 7, 2018 /s/Timothy J. Benjamin
Timothy J. Benjamin
Chief Financial Officer