

MGP INGREDIENTS INC
Form DEF 14A
September 09, 2010

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 (Amendment No.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

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
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MGP Ingredients, Inc.
(Name of Registrant as Specified In Its Charter)

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

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**NOTICE OF 2010 ANNUAL MEETING OF
STOCKHOLDERS AND PROXY STATEMENT**



MGP INGREDIENTS, INC.

Cray Business Plaza

100 Commercial Street

Atchison, Kansas 66002

September 24, 2010

NOTICE OF ANNUAL MEETING

To the Stockholders:

The Annual Meeting of Stockholders of MGP Ingredients, Inc. will be held at the Presbyterian Community Center, 401 Santa Fe, Atchison, Kansas 66002, on Thursday, October 21, 2010, beginning at 10:00 a.m., local time, for the following purposes:

- To elect three directors, each for a three-year term expiring in 2013; and
- To transact such other business as may properly come before the meeting.

Holders of Common and Preferred Stock of record on the books of the Company at the close of business on September 1, 2010, will be entitled to vote at the meeting or any adjournment thereof.

DUE TO A CHANGE IN NYSE RULES, IF YOU HOLD YOUR SHARES IN A STREET NAME, YOUR BROKER WILL NOT BE ABLE TO VOTE YOUR SHARES WITH RESPECT TO THE ELECTION OF DIRECTORS IF YOU HAVE NOT PROVIDED DIRECTIONS TO YOUR BROKER.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE CAST YOUR VOTE AS SOON AS POSSIBLE. GENERALLY, YOU MAY VOTE BY TELEPHONE, BY INTERNET, OR BY COMPLETING, SIGNING AND RETURNING THE ENCLOSED PROXY/VOTING INSTRUCTION CARD. SPECIFIC INSTRUCTIONS APPEAR ON THE ENCLOSED PROXY/VOTING INSTRUCTION CARD.

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By Order of the Board of Directors

John R. Speirs
Chairman of the Board

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON OCTOBER 21, 2010. This Notice, the Company's proxy statement and its annual report to stockholders are available at www.proxyvote.com.

PROXY STATEMENT

This Proxy Statement and the enclosed form of Proxy/Voting Instruction Card are being furnished in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders of MGP Ingredients, Inc. (the Company) to be held on Thursday, October 21, 2010, as set forth in the preceding Notice. It is expected that this Proxy Statement and the enclosed form of Proxy/Voting Instruction Card will be mailed to stockholders commencing September 24, 2010.

GENERAL INFORMATION

The holders of outstanding shares of Common Stock and Preferred Stock of the Company at the close of business on September 1, 2010 are entitled to notice of and to vote at the Annual Meeting. The presence in person or by proxy of persons entitled to vote a majority of the issued and outstanding shares of each class of stock entitled to vote will constitute a quorum for the transaction of business at the meeting. As of September 1, 2010, there were 17,814,714 shares of Common Stock outstanding and 437 shares of Preferred Stock outstanding.

Generally, holders of Common and Preferred Stock each vote separately as a class with respect to each matter that the class is authorized to vote on, with each share of stock in each class being entitled to one vote. In the election of directors, the holders of Common Stock are entitled to vote on the election of Group A directors and the holders of Preferred Stock are entitled to vote on the election of Group B directors. The candidates for office who receive the highest number of votes will be elected. Although no other proposals are scheduled to come before the meeting, the affirmative vote of the holders of a majority of the shares of Preferred Stock and of the holders of a majority of the shares of Common Stock present in person or by proxy at the meeting and entitled to vote thereat (or such higher voting requirement as may be specified by law or the Company's Amended and Restated Articles of Incorporation) is required for approval of other proposals.

Abstentions will be counted as present for purposes of determining the existence of a quorum at the Annual Meeting. Abstentions will be treated as shares present and entitled to vote for purposes of any matter requiring the affirmative vote of a majority or other proportion of the shares present and entitled to vote. With respect to any matter brought before the Annual Meeting requiring the affirmative vote of a majority or other proportion of the outstanding shares of a class, an abstention or broker non-vote will have the same effect as a vote against the matter being voted upon. Neither abstentions nor broker non-votes will have any effect on the outcome of voting on the election of directors.

Stockholders of record may vote in person at the Annual Meeting or by granting a proxy. Common shares may be voted by proxy in one of the following ways: (i) by Internet at the address listed on the enclosed Proxy/Voting Instruction Card, (ii) by telephone using the toll-free number listed on the enclosed Proxy/Voting Instruction Card, or (iii) by returning the enclosed Proxy/Voting Instruction Card (signed and dated) in the envelope provided. All shares represented by a Proxy that is properly submitted and received in time for the meeting and not revoked will be voted. If a choice is specified with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made. If no choice is specified, the Proxy will be voted **FOR** each of the nominees named on the Proxy with respect to the election of directors.

Stockholders holding shares in street name are receiving a voting instruction card from their broker, trustee or other nominee, and should check the voting form used by that firm to determine whether the stockholder may provide voting instructions to the broker or other nominee by telephone or the Internet. Brokers who hold shares in street name for customers are required to vote shares in accordance with instructions received from the beneficial owners. The New York Stock Exchange's (the NYSE) Rule 452 restricts brokers who are record holders of shares from exercising authority to vote those shares. Brokers are permitted to vote on discretionary items if they have not received instructions from the beneficial owners, but they are not permitted to vote (a broker non-vote) on non-discretionary items absent instructions from the beneficial owner. With respect to the Annual Meeting, Rule 452 prohibits such brokers from exercising discretionary authority in the election of our

directors.

Persons with shares held in the Company's Employee Stock Purchase Plan (ESPP) will receive a Proxy/Voting Instruction Card in the same form that is sent to record holders of Common Stock and may give their voting instructions to the ESPP plan administrator by any of the methods specified above. If you hold shares in the ESPP and do not provide instructions, your shares will not be voted. Persons with shares in the Company's Employee Stock Ownership Plan (ESOP) are receiving a voting instruction card from the plan trustee. To vote these shares, ESOP participants will need to follow the instructions on the voting instruction card. The trustees will vote ESOP shares in a participant's account as directed by the participant. If no direction is given, it is anticipated that the trustees will vote the participant's shares in accordance with the recommendation of the Company's Board of Directors.

Proxies may be revoked at any time before they are exercised: (i) by written notice to the Corporate Secretary, (ii) by telephone or electronic notice to the Company's transfer agent, (iii) by a properly executed, later-dated written or electronic proxy, or (iv) by voting by ballot at the Annual Meeting. Your voting method will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person.

The principal executive offices of the Company are located at Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002 and the Company's telephone number at that address is (913) 367-1480.

ELECTION OF DIRECTORS

Nominees

One Group A Director and two Group B Directors are required to be elected at the Annual Meeting. The holders of the Common Stock are entitled to vote for the person nominated for the Group A position. The holders of Preferred Stock are entitled to vote for the persons nominated for the Group B positions. John R. Speirs has been nominated by the Board of Directors for election to the Group A position for a term expiring at the Annual Meeting in 2013. John E. Byom and Cloud L. Cray, Jr. have been nominated by the Board of Directors for election to Group B positions for terms expiring at the Annual Meeting in 2013. Mr. Speirs and Mr. Byom have been directors since 2004 and Mr. Cray has been a director since 1957. Each of the nominees has consented to serve if elected. If for any reason any of the nominees should not be available or able to serve, the Proxies will exercise discretionary authority to vote for substitutes deemed by them to be in the best interests of the Company.

GROUP A NOMINEE (For a term expiring in 2013)

JOHN R. SPEIRS

Mr. Speirs, age 61, has been a director since 2004. He is a member of the Audit Committee and the Human Resources and Compensation Committee. He serves in the capacity of lead director and was named Chairman of the Board upon the retirement of Ladd Seaberg from Board service on August 27, 2009. He is the Chairman and co-founder of Stellus Consulting, a Minneapolis, Minnesota-based strategy consulting firm formed in 2001 that specializes in business strategy, strategic visioning, merger and acquisition support and branding strategy. From 1998 to 2000 he served as Executive Vice President of Marketing for Diageo PLC and from 1989 to 1998 he served in various capacities with Pillsbury, the last being as Senior Vice President of Strategy and Brand Development from 1995 to 1998. Prior thereto he served as an officer and in other management capacities with Lever Brothers from 1975. The Company believes that Mr. Speirs' qualifications to serve on the Board include his experience as a member of senior management in both the food and alcohol industries and as a strategic planner.

GROUP B NOMINEES
(For terms expiring in 2013)

JOHN E. BYOM

Mr. Byom, age 56, has been a director since 2004. He is Chairman of the Audit Committee and a member of the Human Resources and Compensation Committee. Since October 2007, Mr. Byom has been an owner and the CEO of Classic Provisions, Inc., a specialty foods distribution company based in Plymouth, Minnesota. He is the former Chief Financial Officer of International Multifoods Corporation. He left that company in March 2005 after 26 years with the company, including four years as Vice President of Finance and Chief Financial Officer, from March 2000 to June 2004. After the sale of Multifoods to The J.M. Smucker Company in June 2004, he was President of Multifoods Foodservice & Bakery Products. Prior to his time as CFO, Mr. Byom was President, US Manufacturing from July 1999 to March 2000, and Vice President of Finance and IT for the North American Foods Division from 1993 to 1999. Mr. Byom held various other positions prior thereto, including Controller of the Bakery Products Division from 1990 to 1991 and Internal Auditor and Supervisor of Audit from 1979 to 1981. Mr. Byom also is a director of Prestige Brands Holdings, Inc. The Company believes that Mr. Byom's qualifications to serve on the Board include his background in finance, IT and internal audit, his experience as a chief financial officer and his public company board experience.

CLOUD L. CRAY, JR.

Mr. Cray, age 87, has been a director since 1957. He served as Chairman of the Board from 1980 until 2006 and as Chief Executive Officer from 1980 to September, 1988, and has been an officer or director of the Company for more than 50 years. He is the father of Karen Seaberg. The Company believes that Mr. Cray's qualifications to serve on the Board include his long tenure as a Board member and CEO of the Company, his familiarity with the markets in which the Company operates and his significant stock ownership.

OTHER
GROUP A DIRECTORS

GARY GRADINGER

Mr. Gradinger, age 67, has been a director since June 2005. His current term expires in 2011. He is a member of the Audit Committee, the Human Resources and Compensation Committee and the Nominating Committee. Since 1983, he has served as the Chairman and Chief Executive Officer of Golden Star, Inc., a privately owned company which is engaged in the production of textile cleaning, communication and safety products. He also serves as a director of Buffalo Funds, Buffalo Large Cap Fund, Inc., Buffalo High Yield Fund, Inc., Buffalo US Global Fund, Inc., Buffalo Balanced Fund, Inc. and Buffalo Small Cap Fund, Inc. The Company believes that Mr. Gradinger's qualifications to serve on the Board include his long experience as a CEO and his experience on boards of other publicly held companies.

LINDA E. MILLER

Ms. Miller, age 57, has been a director since June 2000. Her current term expires in 2012. She is a member of the Audit Committee, the Human Resources and Compensation Committee and the Nominating Committee. She is an independent marketing consultant and has been a member of the Engineering Management Graduate Faculty at the University of Kansas since 1989. She was previously employed by Dupont, Baxter Healthcare and the American Business Women's Association, Kansas City, Missouri. The Company believes that Ms. Miller's qualifications to serve on the Board include her experience as a marketing consultant and background as educator in the field of business management.

DARYL R. SCHALLER, Ph.D.

Dr. Schaller, age 66, has been a director since October, 1997. His current term expires in 2012. He is Chairman of the Human Resources and Compensation Committee and a member of the Audit Committee. He currently provides, and from 1996 through November 2001 provided, consulting services through his consulting firm, Schaller Consulting. He was Vice President of Research and Development of International Multifoods Corp., of Minneapolis, Minnesota, from November 2001 through June 2003. He retired from Kellogg Co. in 1996 after 25 years of service. He served Kellogg as its Senior Vice President - Scientific Affairs from 1994 until 1996, and previously was Senior Vice President - Research, Quality and Nutrition for Kellogg. The Company believes that Dr. Schaller's qualifications to serve on the Board include his education and extensive experience in the food industry.

**OTHER
GROUP B DIRECTORS**

MICHAEL BRAUDE

Mr. Braude, age 74, has been a director since 1991. His current term expires in 2012. He is Chairman of the Nominating Committee and a member of the Audit Committee and the Human Resources and Compensation Committee. He was the President and Chief Executive Officer of the Kansas City Board of Trade, a commodity futures exchange, from 1984 until his retirement in 2000. Mr. Braude is a director of Kansas City Life Insurance Company, a director of Midwest Trust Company, Kansas City, Missouri, a trustee of Midwest Research Institute and a trustee of the Kansas Public Employees Retirement System. The Company believes that Mr. Braude's qualifications to serve on the Board include his long tenure on the Board and his experience in and knowledge of commodity markets.

TIMOTHY W. NEWKIRK

Mr. Newkirk, age 42, has served as President and Chief Executive Officer since March 2008. His current term expires in 2011. He served as Director of Operations from May 2005 to March 2006, as Vice President and Chief Operating Officer from March 2006 to October 2006, and as President and Chief Operating Officer from October 2006 to March 2008. He began his career with the Company in 1991, serving initially as a distillery shift manager and later as a process engineer, project engineer and quality control manager at the Company's Atchison plant. He was promoted to manager of the Company's Pekin, Illinois plant in 1997, and served in that capacity until the spring of 2000, when he accepted the position of Vice

President of Operations for the former High Plains Corporation, an ethanol production company located in Wichita, Kansas, which in fiscal 2001 had approximately 150 employees. Mr. Newkirk was in charge of manufacturing operations at High Plains Corporation's three facilities. In January 2002, Mr. Newkirk became Vice President of Global Operations for Abengoa Bioenergy S.L. following that company's acquisition of High Plains Corporation. As Vice President of Global Operations, he managed Abengoa Bioenergy's five ethanol facilities in the United States and Europe. In August 2003 he was appointed Chief Operating Officer of Abengoa Bioenergy Corporation, which was the successor to the former High Plains Corporation. He held that position until his return to the Company as Director of Operations in the spring of 2005, in which position he was responsible for the operations of the Company's Atchison and Pekin facilities. The Company believes that Mr. Newkirk's qualifications to serve on the Board include his position as CEO of the Company and his extensive experience in distillery operations.

KAREN SEABERG

Mrs. Seaberg, age 63, has been a director since August 2009. Her current term expires in 2011. She has been an executive travel agent with the Atchison Travel Center for the past 20 years and is co-owner of a local Long John Silver's franchise in Atchison, Kansas. Mrs. Seaberg is active in civic affairs at the local and national levels including the 2004-06 Lewis & Clark National Bicentennial Commemoration, the Atchison Chamber of Commerce and the Atchison River Front/Downtown Development. She served on the Lewis & Clark Trail Heritage Foundation board from 2003 to 2007 and as its national president from 2007-2008. Mrs. Seaberg served on the Atchison Hospital Board from 1990 to 2004, and presently serves on the Board of the Cray Medical Research Foundation at the University of Kansas Medical Center, Kansas City, Kansas, a position she has held since 1995. She is the daughter of Cloud L. Cray, Jr. The Company believes that Mrs. Seaberg's qualifications to serve on the Board include her business and civic experience and organizational skills and her familiarity with the community in which the Company operates.

CERTAIN INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES

Standing Committees; Meetings; Independence.

The Board has three standing committees: Audit Committee, Nominating Committee and Human Resources and Compensation Committee. The members of the Audit Committee, the Human Resources and Compensation Committee and the Nominating Committee throughout the last fiscal year were as follows: Audit Committee - John E. Byom (Chairman), Michael Braude, Gary Gradinger, Linda E. Miller, Daryl R. Schaller and John R. Speirs; Human Resources and Compensation Committee - Daryl R. Schaller (Chairman), Michael Braude, John E. Byom, Gary Gradinger, Linda E. Miller and John R. Speirs; Nominating Committee - Michael Braude (Chairman), Gary Gradinger and Linda Miller.

During the fiscal year ended June 30, 2010, the Board met 5 times, the Audit Committee met 8 times, the Human Resources Committee met 5 times and the Nominating Committee met 1 time. Each director attended more than 75% of the meetings of the Board and the Committees of which the director was a member.

The Board has determined that Michael Braude, John E. Byom, Gary Gradinger, Linda E. Miller, Daryl R. Schaller and John R. Speirs are each independent, as defined in Rule 4200 (a) (15) of the NASDAQ Stock Market.

Audit Committee.

The Audit Committee reviews the process involved in the preparation of the Company's annual audited financial statements and appoints a firm of independent public accountants to serve as independent auditor and to conduct that audit and review the Company's quarterly financial statements. It also reviews and makes recommendations with regard to the process involved in the Company's implementation of its conflict of interest and business conduct policy, is responsible for establishing and monitoring compliance under the code of ethics applicable to the chief executive and financial officers and oversees the Board's risk management process. In connection with this work, the Committee engages in regular discussions of the Company's risks with senior management, internal auditors and external auditors and annually reviews: (a) the adequacy of the Audit Committee's written charter that has been adopted by the Board of Directors; (b) the independence and financial literacy of each member of the Audit Committee; (c) the plan for and scope of the annual audit; (d) the services and fees of the independent auditor; (e) certain matters relating to the independence of the independent auditor; (f) certain matters required to be discussed with the independent auditor relative to the quality of the Company's accounting principles; (g) the audited financial statements and results of the annual audit; (h) recommendations of the independent auditor with respect to internal controls and other financial matters; (i) significant changes in accounting principles that are brought to the attention of the Committee; and (j) various other matters that are brought to the attention of the Committee.

The Board of Directors has determined that John E. Byom is an audit committee financial expert, as defined in Item 407(d)(5) of SEC Regulation S-K. The Board has determined that Mr. Byom is independent, as independence for audit committees is defined in the applicable listing standards of the NASDAQ Stock Market. Under SEC regulations, a person who is determined to be an audit committee financial expert will not be deemed an expert for any purpose, including without limitation for purposes of section 11 of the Securities Act of 1933. Further, the designation or identification of a person as an audit committee financial expert does not impose any duties, obligations or liability on such person that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification and does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

The Board of Directors has adopted a written charter for the Audit Committee, which may be found on the Company's website at www.mgpingredients.com.

The information in or referred to in the foregoing paragraph shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Audit Committee Report

The Audit Committee has reviewed and discussed with management the audited financial statements for the fiscal year ended June 30, 2010; has discussed with the independent auditor the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU ss. 380), as modified or supplemented; has received the written disclosures and letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit

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committee; and has discussed with the independent auditor the auditor's independence. Based on such review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended June 30, 2010 be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

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This report is made over the name of each continuing member of the Audit Committee at the time of such recommendation, namely John E. Byom (Chairman), Michael Braude, Gary Gradinger, Linda E. Miller, Daryl R. Schaller and John R. Speirs.

The Audit Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Nominating Committee.

The purposes of the Nominating Committee are to recommend to the Board the qualifications for new director nominees, candidates for nomination and policies concerning compensation and length of service. The Nominating Committee has a charter, a copy of which is available to stockholders on the Company's website at www.mgpingredients.com.

In identifying nominees for the Board of Directors, the Nominating Committee relies on personal contacts of the committee members and other members of the Board of Directors and management. The Nominating Committee will also consider candidates recommended by stockholders in accordance with its policies and procedures. However, the Nominating Committee may choose not to consider an unsolicited candidate recommendation if no vacancy exists on the Board. The Nominating Committee may, in its discretion, use an independent search firm to identify nominees.

The Nominating Committee believes each candidate for the Board should be a person known for his or her integrity and honesty. Although the Committee does not have a formal policy with regard to diversity in identifying candidates, it looks for education or experience, knowledge or skills that complement those of existing members and which may be helpful to the Board in exercising its oversight responsibilities. A sufficient number of Board members must meet the tests for independence set forth in the applicable listing standards of the NASDAQ Stock Market and Section 10A of the Exchange Act to permit the Company to satisfy applicable NASDAQ and legal requirements. The Committee also believes it is desirable for at least one Board member to be an audit committee financial expert, as defined in Rule 407(d)(5) of Regulation S-K. In considering candidates, the Committee may take into account other factors as it deems relevant.

In evaluating potential nominees, the Nominating Committee determines whether the nominee is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. The Nominating Committee generally will conduct a check of the individual's background and conduct personal interviews before recommending any candidate to the Board. The Nominating Committee in its sole discretion may require candidates (including a stockholder's recommended candidate) to complete a form of questionnaire to elicit information required to be disclosed in the Company's proxy statement.

Stockholders who wish to recommend candidates for consideration by the Nominating Committee in connection with next year's annual meeting should submit the candidate's name and related information in writing to the chairperson of the Nominating Committee in care of the Company's Secretary, at Cray Business Plaza, 100 Commercial Street, P.O. Box 130, Atchison, Kansas, 66002, on or before May 28, 2011. In addition to the name of the candidate, a stockholder should submit:

- his or her own name and address as they appear on the Company's records;

- if not the record owner, a written statement from the record owner of the shares that verifies the recommending stockholder's beneficial ownership and period of ownership and that provides the record holder's name and address as they appear on the Company's records;
- a statement disclosing whether such recommending stockholder is acting with or on behalf of any other person, entity or group and, if so, the identity of such person, entity or group;

- the written consent of the person being recommended to being named in the proxy statement as a nominee if nominated and to serving as a director if elected; and
- pertinent information concerning the candidate's background and experience, including information regarding such person required to be disclosed in solicitations of proxies for election of directors under Regulation 14A of the Securities Exchange Act of 1934, as amended.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee recommends to the Board of Directors the salary and incentive compensation of the Chief Executive Officer and other executive officers of the Company. The Committee reviews the scope and type of compensation plans for other management personnel and makes recommendations to the Board with respect to equity based-plans that are subject to Board approval. The Committee administers the Company's stock option and restricted stock plans, and also serves as an executive search committee. Each Committee member qualifies as a non-employee director under SEC Rule 16b-3 and as an outside director for purposes of Internal Revenue Code Section 162(m). The Committee has a charter, which may be found on the Company's website at www.mgpingredients.com.

The Committee typically meets four or five times a year and generally considers and recommends various components of the Company's compensation programs at regularly scheduled times throughout the year. Such programs typically originate as recommendations of management. At its March meeting, the Committee typically considers any proposed amendments to benefit plans that are to take effect in the following fiscal year. In June, it typically conducts performance and salary reviews of the CEO and receives the CEO's performance reviews and salary recommendations for other officers. Historically, it generally has considered long term incentive awards and performance goals for annual cash incentives in June or August.

When considering compensation matters, the Committee relies upon the experience of its members, the recommendations of management and outside consultants retained by the Committee. The Committee often uses The Hay Group for competitive market information on salaries and Pearl Meyer & Partners for similar information on annual cash and stock incentive awards. Pearl Meyer & Partners was also retained by the Committee in fiscal 2006 and 2008 to review and make recommendations with respect to the compensation of the outside directors. In developing particular programs, the consultants are retained by the Committee, although they also work directly with management for the purposes of gathering information and conducting interviews with management team members on key compensation issues.

See EXECUTIVE COMPENSATION AND OTHER MATTERS - Compensation Discussion and Analysis - How We Determine Compensation for further information on the processes we follow in setting compensation.

Board Leadership Structure and Role in Risk Management.

Our Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board. The Board believes it is in the best interests of the Company to make that determination in a manner that it believes best provides appropriate leadership for the Company at the time, based on the circumstances and direction of the Company and the membership of the Board. Our current structure has a separate Chief Executive Officer and Chairman of the Board of Directors who also acts in the capacity of lead director. Timothy W. Newkirk is our Chief Executive Officer and President and is responsible for day-to-day leadership of the Company. John Speirs serves as the Chairman

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of the Board and as lead director. The Board of Directors believes this is the most appropriate structure for the Company at this time, as it permits the President and Chief Executive Officer to focus his attention on managing our day-to-day business and enhances the ability of the Board of Directors to provide strong, independent oversight of the Company's management and affairs as we restructure our business.

Our Board of Directors has risk oversight responsibility for the Company and administers this through its audit committee. The audit committee oversees our risk management process through regular discussions of the Company's risks with senior management, internal auditors and external auditors.

Compensation Committee Interlocks and Insider Participation

No member of the Human Resources and Compensation Committee is now or was at any time during the past year an officer or employee of the Company or any of its subsidiaries, was formerly an officer of the Company or any of its subsidiaries, or had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K.

Human Resources and Compensation Committee Report

The Human Resources and Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth below in this Proxy Statement and based on such review and discussion recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee Members: Daryl Schaller, Chairman

Michael Braude

Gary Gradinger

Linda E. Miller

John E. Byom

John R. Speirs

The Human Resources and Compensation Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Discussion and Analysis

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This analysis provides an overview and analysis of our compensation programs and policies, the compensation decisions we made under those programs and policies and the factors we considered in making those decisions. We also provide a series of tables that present information about the compensation earned or paid in each of fiscal 2009 and fiscal 2010 to our named executive officers, including:

- Timothy W. Newkirk - Mr. Newkirk served as President and Chief Operating Officer in fiscal 2008 until March 5, 2008, when he was named Chief Executive Officer.
- Donald Coffey, Ph.D. Dr. Coffey has served as Executive Vice President of Sales and Marketing, as well as Research, Development and Innovation, since June 2009. Prior to that, he had been Executive Vice President of the Company's Ingredient Solutions segment since November 2008. He joined the Company as Vice President of Innovation in July 2007.
- Randall M. Schrick - Mr. Schrick served as Vice President - Engineering & Corporate Director of Distillery Products Manufacturing in fiscal 2008 and 2009 until June 2009 when he was named Vice President of Engineering. Since November 11, 2009, he also has served as President of Illinois Corn Processing, LLC, a 50% owned joint venture company which operates our former facility in Pekin, Illinois.

The discussion below is intended to help you understand the information provided in the tables and put that information into context within our overall compensation program.

Objectives of our Compensation Program

Our compensation program objectives are to align compensation programs with our business objectives and stockholders' interests, to reward performance, to be externally competitive and internally equitable and to retain talent on a long-term basis. In particular, our philosophy is to balance salary and benefits with incentive and equity compensation in order that the interests of the executive officers will be aligned with those of stockholders.

Components of Our Compensation Program

The principal components of our compensation program have been base salary, annual cash incentive awards, long term equity incentives and equity and non-equity based retirement compensation. As noted below, we recently determined to terminate our equity-based retirement compensation program.

- Base salary is designed to attract and retain executives over time. In setting base salaries, our objectives are to assure internal fairness of pay in terms of job size, external competitiveness so that we can attract and retain needed talent, and a consistent, motivating system for administering compensation. Base salaries of named executive officers are reported in the Salary column of the Summary Compensation Table.
- Annual cash incentive awards are intended to focus executives on factors deemed critical to our profitability. By rewarding named executive officers for good performance, we believe we help align their interests with those of our stockholders. Such awards, when paid to named executive officers, are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- Long-Term Incentives, which for the past several years have been in the form of restricted stock and prior to 2003 were in the form of stock options, are intended to motivate the achievement of key long-term financial performance goals and thereby generate stockholder value, provide management an opportunity to increase ownership of our stock, help attract and retain key employees and be cost efficient. The grant date fair value of awards, computed in accordance with FASB ASC Topic 718, made during fiscal 2009 to named executive officers is shown in the Stock Awards and Option Awards columns of the Summary Compensation Table. Due to a program change, awards based on fiscal 2008 performance were made in August 2008 (fiscal 2009). A second award was made during fiscal 2009 in June 2009 with respect to fiscal 2009 performance. As a result of the timing of the awards, the fair value of two awards is reflected in fiscal 2009 in the summary compensation table. Awards made with respect to fiscal 2010 were not made until August 2010 and, in accordance with the rules of the Securities and Exchange Commission relating to the reporting of stock awards, are not included in the Compensation table for fiscal 2010 but are discussed elsewhere herein. Any dividends paid on restricted shares during a fiscal year are included in the All Other Compensation column of the Summary Compensation Table for the year in which they are paid.
- Retirement Compensation

- Equity Based Retirement Compensation in prior years has been provided through our employee stock ownership plan (ESOP). Named executive officers participate in the ESOP on the same basis as other eligible employees. We have determined to take steps to terminate our ESOP and will no longer be making contributions thereunder.

- Non-Equity Based Retirement Compensation, provided through our IRC Section

401(k) plan, permits employees to reduce their current income taxes by making pre-tax contributions to increase, enhance and diversify their retirement savings. Named executive officers participate in the 401(k) plan on the same basis as other eligible employees.

- Amounts contributed by the Company under both the ESOP and the 401(k) plans are included in the All Other Compensation column of the Summary Compensation Table.

How we Determine Compensation.

As noted elsewhere in this Proxy Statement, our Human Resources and Compensation Committee recommends to the Board of Directors the salary and incentive compensation of the Chief Executive Officer and other executive officers of the company. The Committee reviews the scope and type of compensation plans for other management personnel and makes recommendations to the Board with respect to equity based plans that are subject to Board approval.

When considering compensation matters, the Human Resources and Compensation Committee relies upon the experience of its members and upon the recommendations of management. It also often uses and relies upon the recommendations of outside consultants retained by the Company. The Committee has used The Hay Group in connection with its recommendations for salary and Pearl Meyer & Partners in connection with aspects of certain programs for annual cash incentive awards and stock incentive awards.

Base Salary We generally determine salaries of named executive officers through the following process, which we generally undertake every three years. We most recently undertook this process in 2010. Our Vice President Human Resources develops a summary of the titles and job descriptions of senior officers and other employees and submits them to The Hay Group, which maintains survey data for similar sized manufacturing firms located in the Midwest. The Hay Group prepares a report identifying the ranges of compensation at these companies for persons with similar responsibilities to those employees described in the company-prepared summary. In addition, annually we obtain from The Hay Group updated information regarding average pay increases at the companies for which The Hay Group maintains survey data. This survey information or summaries thereof is provided to the Human Resources and Compensation Committee. The Committee reviews this information, considers any recommendation made by the CEO with respect to other named executive officers and tries to assure that each officer's base compensation falls within a range that is within 80% to 120% of a specified percentile of salaries paid to executives holding comparable positions at the surveyed companies. Although the ultimate goal is to compensate executive officers at the midpoint of this targeted range for comparable positions at companies within the survey, a particular individual's salary may fall above or below the targeted level because of his or her tenure, experience level or performance. In order to provide more competitive compensation, in June 2008 the Human Resources and Compensation Committee determined to increase the target for base salaries from the 25th to the 50th percentile of the market for base salaries.

Annual adjustments are usually made in June, effective at the start of the next fiscal year. When making annual adjustments, the Human Resources and Compensation Committee generally uses a matrix format that takes into account each executive's performance review and the extent to which his or her salary is above or below the midpoint for comparable positions. However, no adjustments were made at the start of fiscal 2009 because of the effect rising commodity prices were having on our performance and none were made at the start of fiscal 2010 because of our financial condition. Mr. Newkirk's base salary was increased from \$320,000 to \$360,000, effective April 19, 2010, based on information provided by the Hay Group, to bring his base salary more into alignment with base salaries for executives with similar positions with surveyed companies. Salary increases for fiscal 2011 for other executive officers generally ranged from 3% to 4%.

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Adjustments are sometimes made as a result of a promotion or other change in duties. Mr. Schrick's salary was adjusted in November 2009 when he was appointed President of Illinois Corn Processing, LLC.

Annual Cash Incentive. We believe a significant portion of the compensation of senior managers should be incentive based, and that by rewarding good performance, such arrangements help align the interests

of our named executive officers with those of stockholders. The goal of our annual program is to align more closely how we compensate employees with our business strategy. Specifically, we want to encourage employees to think about how they can contribute to driving Company profitability, reduce costs for goods and equipment and create efficiencies to improve our ongoing operations. We reward them for success by basing annual cash bonuses primarily on amounts earned in excess of what the Human Resources and Compensation Committee deemed a fair return on our assets.

Prior MEP Program. During the spring of 2007, members of the Human Resources and Compensation Committee and management discussed and developed a program based on what we called modified economic profit (MEP), which considered the dollar amount of wealth that was created or lost in a reporting period. In June 2007, the Committee recommended and the Board approved in concept a five year, annual cash incentive program under which annual awards were to be based on improvements in MEP. A definitive plan (the Prior MEP Program) was discussed and approved at meetings held in August of 2007. Under this program, MEP was defined as income from operations, net of taxes, less the product of total capital employed in our business times estimated cost of capital. Total capital represented current assets (excluding cash) less current liabilities plus the book value of plant, property and equipment, plus goodwill and other long term assets.

Under the Prior MEP Program, the Board established a targeted annual growth rate for MEP (Target) of \$3.15 million, which was equivalent to an average earnings per share increase of \$0.186 based on shares outstanding at August 30, 2007 and which the Committee felt would generate a reasonable rate of return to stockholders for their investment in the Company. It also established a starting hypothetical bonus pool amount (available pool amount) of \$10.5 million, which initial amount represented the amount that the Committee estimated would have been paid in fiscal 2008 through 2010 if the Company met target under the incentive program that was in effect in fiscal 2007, and which amount would amortize in equal increments (each increment, the amortized amount) over 5 years. Increases in MEP up to the Target amount were subject to payout; increases in excess of Target were to be added to the available pool amount. The Target and available pool amount were established to remove some of the volatility from our annual incentive plan that had been experienced in prior years.

In a year in which the change in MEP from the prior year was positive but less than the Target amount, participants would receive an incentive payment equal to the change in MEP plus 1/3 of the available pool amount, less the amortized amount. In a year in which the change in MEP from the prior year was positive and also greater than the Target amount, the amount of MEP in excess of the Target amount would be added to the available pool amount and the incentive payment would equal the Target amount plus 1/3 of the available pool amount, less the amortized amount. In a year in which the change in MEP from the prior year was negative, the available pool amount would be reduced by the amount of the negative change in MEP, not to exceed the Target amount, and the incentive payment, if any, would equal 1/3 of the remaining available pool amount, less the amortized amount. Had the targeted annual growth rate for MEP been achieved, the total amount that might have been paid as bonuses for fiscal 2009 was approximately \$2.7 million. However, the change in MEP from the prior year was negative, and the amount available for bonuses under the program for fiscal 2009 was \$0.

Had there been amounts available for bonuses in fiscal 2009, participation levels of participants under the cash incentive program would have been determined as follows. Each participant was assigned an incentive target based on a percentage of base pay so that a participant's targeted bonus opportunity equaled his or her incentive target multiplied by his or her base pay. These targets were recommended to the Committee by Pearl Meyer & Partners. The aggregate amount required to fund all bonuses at the targeted level would then have been determined. The bonus paid for each participant would then have been determined by multiplying the amount available for bonuses by a fraction, the numerator of which was his or her individual bonus opportunity and the denominator of which was the sum of all participants' bonus opportunities. Had the total payout exceeded the targeted level, each participant's bonus as a percentage of base pay would have been increased. Had it been less, each participant's bonus as a percentage of base salary would have decreased. As noted, no amount was available for bonuses and none were paid in fiscal 2009. The incentive targets for the named executive officers who were employed in 2009 are as set forth below.

| Participant | Incentive Target as a % of Base Pay |
|--------------------|--|
| Mr.. Newkirk | 80 |
| Dr. Coffey | 70 |
| Mr. Schrick | 70 |

Current MEP Program.

Over the course of fiscal 2008 and 2009, it became apparent to members of management and the Human Resources and Compensation Committee that the Prior MEP Program was not clearly understood by participants. Further, in fiscal 2009 we executed a strategic transformation in which we temporarily shut down one facility, sold another and substantially reduced production of fuel alcohol and commodity starch and protein products. As a result, our operations changed significantly and management and the Committee felt that such changes dictated some form of adjustment to the Prior MEP Program. To address these matters, members of management and the Committee developed a revised program based on MEP which the Committee recommended and the Board adopted in December 2009 (the Current MEP Program). This program applied to fiscal 2010 and we expect it will apply to future years.

Under the Current MEP Program, annual awards will be a percentage of base pay set by the Human Resources and Compensation Committee and will be based on improvements in MEP, whose definition has been changed to mean adjusted net income from operations (net income from operations, plus depreciation less capital expenditures), net of taxes paid during the specified fiscal year (Adjusted NOPAT), minus a charge representing our weighted estimated economic cost of capital (C) multiplied by the sum of average monthly total funded indebtedness plus average monthly total equity (TC). The formula we use for determining MEP is: $MEP = \text{Adjusted NOPAT} - (C \times TC)$. The Committee may determine whether any non-recurring or extraordinary item will be included in income from operations. The actual amount of awards that may be paid depend on the percentage of base pay set by the Committee and the extent to which improvement in MEP over the base period meets or exceeds targeted growth. No incentive compensation is payable if growth is less than 80% of target. Not more than 125% of the targeted bonus amount may be paid to a participant, which amount is payable if growth exceeds 110% of target.

For fiscal 2010, growth in MEP was measured from the fourth quarter of fiscal 2009, annualized, adjusted to eliminate assets then held for sale. The fourth quarter of fiscal 2009 was selected as the base because the Company's restructuring was substantially complete at the beginning of that quarter. The incentive targets and actual awards for the named executive officers, based on our having surpassed 110% of our targeted growth in MEP of \$2.25 million over the base period, are as set forth below. Participation levels were based on recommendations from Pearl Myers.

| Participant | Incentive Target as a % of Base Pay | 2010 Cash Incentive (\$) |
|--------------------|--|-------------------------------------|
| Mr. Newkirk | 100 | 400,000 |
| Mr. Schrick | 70 | 207,725 |
| Dr. Coffey | 70 | 161,875 |

As noted above, the Human Resources and Compensation Committee has discretion under the annual incentive plan to adjust factors used in determining incentive compensation and to include or exclude unusual items. In measuring our fiscal 2010 growth in MEP over the base period, the Committee determined to make several adjustments for matters of a one time nature which generally related to prior operations and the

Company's restructuring, the net effect of which increased Adjusted NOPAT by \$86,000. The Committee

determined to exclude from the calculation of Adjusted NOPAT a tax refund resulting from a change in tax law and the following items that increased income from operations: gain on sale of assets and out of period adjustments. The Committee also determined to exclude from the calculation of Adjusted NOPAT the following items that reduced income from operations: other operating costs, which relate to ongoing fixed costs of the Company's closed flour mill in Atchison and its plant in Pekin prior to its contribution to the Company's new joint venture, Illinois Corn Processing, (ICP), and losses incurred on the formation of ICP, and to include in the calculation the impact of higher prices paid for products purchased from ICP. These higher prices primarily resulted from lower than expected output during start-up of operations at ICP. In measuring our growth in MEP for 2011, the Committee intends to not include capital expenditures on a proposed process cooling water system project for our Atchison plant in the calculation of Adjusted NOPAT.

Long-Term Incentives. At the 2004 Annual Meeting, stockholders approved the MGP Ingredients, Inc. Stock Incentive Plan of 2004 (the 2004 Plan), which authorized restricted stock as well as other forms of equity based awards. The 2004 Plan was amended at the 2009 Annual Meeting to, among other matters, increase the number of shares issuable under the 2004 Plan from 980,000 to 2,680,000. At September 1, 2010, 1,557,398 shares remain issuable under the 2004 Plan. We developed the 2004 Plan with the assistance of Pearl Meyer & Partners. In 2003 we asked them to recommend a program which motivated the generation of stockholder value, increased management ownership of stock and provided (i) a long term financial performance counterbalance to the short term orientation of salary and annual cash incentives, (ii) long term incentives in a cost efficient manner and (iii) a tool to help increase retention of and attract executives to the Company.

When it adopted the Prior MEP Program, the Board also approved a restricted stock program to be administered under the Company's 2004 Stock Incentive Plan and under which amounts awarded were based in part on improvements to MEP. Restricted stock awards generally are based on a percentage (approximately 85.7%) of the increase in MEP. However, subject to the discretion of the Human Resources and Compensation Committee, the maximum grant date market value of the awards made for any year to all participants is \$4.5 million and the minimum grant date market value made in any year to all participants, including years in which the change in MEP is negative, is \$1.5 million. The actual number of shares issued to all participants with respect to a fiscal year is determined on the date the Human Resources and Compensation Committee makes the awards. Shares awarded vest in 5 years and are eligible for dividends during the vesting period. Provisions for forfeiture and accelerated and pro rata vesting generally are similar to those under the guidelines for the Company's outstanding performance accelerated restricted stock awards granted under the 2004 Stock Incentive Plan in prior years. See *Potential Payments upon Termination or Change-in-Control*.

Because the change in MEP under the Prior MEP Program for fiscal 2009 was negative, shares were awarded at the minimum level. However, the value of shares awarded was only \$1.14 million instead of \$1.5 million due to insufficient available shares under the 2004 Stock Incentive Plan. The fiscal 2010 increase in MEP could have resulted in maximum grant level, but following discussions with management, the Committee determined to grant shares valued at \$2 million with respect to fiscal 2010 performance. The award date with respect to fiscal 2008 was August 28, 2008, the award date for fiscal 2009 was June 11, 2009 and the Award date with respect to fiscal 2010 was August 26, 2010. Subject to Human Resources and Compensation Committee discretion, each named executive officer's participation level generally is based on the ratio of his or her adjusted gross pay to the adjusted gross pay of all participants. This methodology was recommended to the Committee by Pearl Meyer & Partners. Participation levels of named executive officers for awards made with respect to fiscal 2008, 2009 and 2010 are as set forth below based on a grant date fair value per share of \$5.06 in August 28, 2008, \$3.00 on June 11, 2009 in fiscal 2009 and \$6.75 on August 26, 2010. The August 26, 2010 award is not reflected in the Compensation Table on page 18 because the grant date of the award was in fiscal 2011. The awards for both fiscal 2008 and 2009 are reported under fiscal 2009 in the Compensation Table on page 18 because the grant dates of both awards were in fiscal 2009.

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| Participant | 8/28/2008 | | 6/11/2009 | | 8/26/2010 | |
|-------------|-------------|---------------------------|-------------|---------------------------|------------|---------------------------|
| | # of shares | Grant date fair value(\$) | # of shares | Grant date fair value(\$) | # of share | Grant date fair value(\$) |
| Mr. Newkirk | 17,695 | 89,536 | 36,000 | 108,000 | 22,700 | 153,225 |
| Dr. Coffey | 10,834 | 54,820 | 21,000 | 63,000 | 14,300 | 96,525 |
| Mr. Schrick | 13,530 | 68,461 | 24,500 | 73,500 | 14,300 | 96,525 |

Retirement Compensation. Historically we have provided equity based retirement compensation through participation in our ESOP and non-equity based compensation through our 401(k) plan. Both are tax qualified defined contribution plans. The amounts of our contributions to the ESOP and the 401(k) Plan have been determined by the Board each year based on the Human Resources and Compensation Committee's recommendation. The Committee bases its recommendation primarily upon the recommendations of management as well as Company performance for the year. While the ESOP is invested primarily in Company stock, the 401(k) plan allows employees to direct and diversify their retirement accounts into various mutual funds. Due to our financial performance and cash needs in fiscal 2009, the Committee determined to make no contribution to either plan. In fiscal 2010, we determined to take steps to terminate our ESOP, and the Committee recommended contributing 8% of eligible compensation to the 401(k) Plan.

Named executive officers participate in both plans on the same basis as other employees. Shares purchased under the ESOP and amounts contributed under the 401(k) plan are allocated to participant accounts in proportion to each participant's eligible compensation, as defined, in the respective plan. Generally, ESOP accounts are distributed to terminated participants who have completed at least three years of service, upon death, permanent disability or retirement. Three years service is required for full vesting in the amount of the Company contribution to the 401(k) plan.

Other Compensation Programs. We do not provide executive perquisites of any significance. We also do not have significant executive benefits, such as supplemental executive retirement plans or deferred compensation arrangements.

Except for provisions in long-term incentive plans applicable to all participants, we generally do not have formal arrangements for paying severance to our executive officers upon their termination of employment or a change in control, but may negotiate severance arrangements on a case-by-case basis.

Tax and Accounting Considerations and Other Matters.

Tax Considerations. Under IRC Section 162(m), publicly held companies may not deduct compensation paid to named executive officers to the extent that an executive's compensation exceeds \$1,000,000 in any one year, unless such compensation is performance based. Because our incentive programs have a retention purpose as well as an incentive purpose, our Human Resources and Compensation Committee generally has not viewed it as practicable or in our best interests to qualify compensation programs under 162(m).

Accounting Considerations. We do not expect accounting treatment of differing forms of equity awards to vary significantly and, therefore, accounting treatment is not expected to have a material effect on the selection of forms of compensation. Compensation expense related to our performance accelerated restricted stock awards granted in prior years is based on the market price of the stock on the date the Board approved the program and is amortized over the vesting period of the awards. The amortization period may vary depending on whether we expect the vesting period to be three years or seven years. Compensation expenses related to the restricted stock awards that we made on August 28, 2008,

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June 11, 2009 and August 26, 2010 is based on market price of the stock on those dates and is being amortized in each case over five years.

Other Matters. Although we seek to increase management's opportunity to own our stock through our long term incentive program, we have not adopted share ownership guidelines; a number of our senior executives already have significant holdings, individually and/or through their participation in our ESOP.

We do not have a hedging policy, but our code of conduct prohibits short sales and trading in our stock on a short term basis.

We do not have a policy relating to the recovery of awards if the relevant performance measures upon which they were based are restated in a manner that would have reduced the size of the award, but we will be adopting one that conforms with regulations to be issued under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Recipients of fiscal 2010 awards who are officers have been advised that their awards will be subject to this policy to the extent applicable.

SUMMARY COMPENSATION TABLE

FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

The following table shows the compensation that we paid during the last two fiscal years for services to us in all capacities to the person who served as our principal executive officer (PEO) in fiscal 2010 and to each of our two other most highly compensated executive officers serving as such at the end of fiscal 2010.

| Name and Principal Position | Year | Salary (\$)(1) | Stock Awards (\$)(2) | Non-Equity Incentive Plan Compensation (\$) | All Other Compensation (\$)(3)(4) | Total (\$) |
|---------------------------------|------|----------------|----------------------|---|-----------------------------------|------------|
| Timothy W. Newkirk (a) (PEO) | 2010 | 326,923 | | 408,654 | 19,744 | 755,321 |
| | 2009 | 320,000 | 197,537 | | 183 | 517,720 |
| Donald Coffey, Ph.D. (b) | 2010 | 185,000 | | 161,875 | 19,744 | 366,619 |
| | 2009 | 185,000 | 117,820 | | 183 | 303,003 |
| Randy M. Schrick (c) | 2010 | 228,630 | | 200,052 | 22,444 | 451,126 |
| | 2009 | 213,400 | 141,962 | | 183 | 355,545 |

(a) Mr. Newkirk has served as President and Chief Executive Officer since March 5, 2008.

(b) Dr. Coffey has served as Executive Vice President of Sales and Marketing, as well as Research, Development and Innovation, since June 2009. Prior to that, he had been Executive Vice President of the Company's Ingredient Solutions segment since November 2008.

(c) Mr. Schrick served as Vice President-Engineering & Corporate Director of Distillery Products Manufacturing in fiscal 2009 until June 2009 when he was named Vice President of Engineering. On November 11, 2009, he also was appointed President of Illinois Corn Processing, LLC, a 50% owned joint venture company which operates our former facility in Pekin, Illinois. In connection with this appointment, we agreed to retain Mr. Schrick through June 30, 2012, to reinstate him to his current salary and position if the joint venture replaces him prior to such date and to pay his moving expenses to the Pekin area.

(1) Includes the following amounts paid as director's fees: 2009- \$875 to Mr. Schrick and \$1,313 to Mr. Newkirk; 2010 - \$2,817 to Mr. Newkirk.

(2) The amount shown is the grant date fair value of awards made during the fiscal year computed in accordance with FASB ASC Topic 718. Accelerated or partial vesting may be permitted upon a change of control or if employment is terminated as a result of death, disability, retirement or termination without cause. We pay dividends on these shares during the vesting period, which are not taken into account in determining their grant date fair value.

(3) Excludes perquisites and other benefits, unless the aggregate amount of such compensation equals or exceeds \$10,000 for the named executive officer.

(4) Includes \$2,700 in relocation expenses paid for the benefit of Mr. Schrick in fiscal 2010. Also includes the Company's contributions to the Company's 401(k) plan allocated to the accounts of each named executive officer for fiscal 2010 in the following amounts: Mr. Newkirk-\$19,600; Mr. Schrick-\$19,600; Dr. Coffey-\$19,600. No contribution was made to the Employee Stock Ownership Plan for the account of named executive officers in fiscal 2009 or 2010 and none was made to the 401(k) Plan in fiscal 2009. Also includes amount paid by the Company towards the purchase of life insurance.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

FISCAL YEAR ENDED

JUNE 30, 2010

The following table shows information concerning stock options and restricted stock awards outstanding held by the named executive officers at June 30, 2010. No stock options of any of the named executive officers were repriced.

| Name | Option Awards | | | Stock Awards | |
|----------------------|-----------------|-----------|------------|----------------|--------------------|
| | Number of | | | | |
| | Securities | | | | |
| | Underlying | | Option | Number of | Market Value of |
| | Unexercised | Option | Expiration | Shares or | Shares or Units of |
| | Options | Exercise | Date | Units of Stock | Stock That Have |
| | (#) Exercisable | Price(\$) | | That Have Not | Not Vested (\$) |
| | | | | Vested (#) (1) | |
| Timothy W. Newkirk | 0 | | | 5,000(2) | 33,150 |
| | | | | 8,100(3) | 53,703 |
| | | | | 9,200(4) | 60,996 |
| | | | | 17,695(5) | 117,318 |
| | | | | 36,000(6) | 238,680 |
| Donald Coffey, Ph.D. | 0 | | | 10,834(5) | 71,829 |
| | | | | 21,000(6) | 139,230 |
| Randy M. Schrick | 2,000 | 4.65 | 6/08/2011 | 7,000(2) | 46,410 |
| | 18,000 | 6.44 | 6/12/2012 | 13,500(3) | 89,505 |
| | | | | 9,300(4) | 61,659 |
| | | | | 13,530(5) | 89,704 |
| | | | | 24,500(6) | 162,435 |

(1) Because they will vest in any event after seven years, we report performance accelerated restricted stock awards granted prior to fiscal 2008 in this column instead of as equity incentive plan awards.

(2) These shares will vest in 2011.

(3) These shares will vest in 2012.

(4) These shares will vest in 2013.

(5) These shares will vest in 2013.

(6) These shares will vest in 2014.

Potential Payments upon Termination or Change-in-Control

General

As noted above, except for provisions in long-term incentive plans applicable to all participants, we generally do not have formal arrangements for paying severance to named executive officers upon their termination or a change in control, but may negotiate severance arrangements on a case by case basis.

Restricted Stock Awards

Accelerated or partial vesting is permitted under our restricted stock awards upon a change of control or if employment is terminated as a result of death, disability, retirement or, in the discretion of the Human Resources and Compensation Committee, termination without cause. The following summarizes the arrangements provided for restricted share awards in the event of termination or change in control, although the Committee has discretion under the 2004 Plan to modify these arrangements and has exercised such discretion from time to time. We provide for change in control payments in our long term incentive plans so that employees will remain focused on our business in the event of potential or actual changes in control.

In the event of a participant's death, disability, retirement or, in the sole discretion of the Human Resources and Compensation Committee, involuntary termination of employment without cause, in any such case after one year from the date of grant specified in the agreement evidencing the stock award but prior to the end of the third fiscal year after the year in which the award was made, performance accelerated restricted shares issued to the participant in fiscal 2007 and prior years vest, on the date the Committee determines that the applicable performance measure has been met, as to the number of performance accelerated restricted shares issued to the participant multiplied by a fraction, the numerator of which equals the number of months (including fractional months as full months) that such participant was employed by us, commencing as of first day of the fiscal year in which the award was made and ending on the date of termination of employment, and the denominator of which is thirty-six. The balance of performance accelerated restricted shares issued to the participant is forfeited.

If the performance measure is not attained, then, in the event of a participant's death, disability, retirement or, in the sole discretion of the Human Resources and Compensation Committee, involuntary termination of employment without cause, in any such case after three years from the date of grant specified in the agreement evidencing the stock award but prior to the end of the seventh fiscal year after the fiscal year in which the award was made, the performance accelerated restricted shares issued to such participant vest on the date of termination as to the number of restricted shares issued to the participant multiplied by a fraction, the numerator of which equals the number of months of employment (including fractional months as full months) that the participant was employed by us, commencing as of the first day of the fiscal year in which the award was made and ending on the date of termination of employment, and the denominator of which is eighty-four. The balance of performance accelerated restricted shares is forfeited by the participant.

In the event of a participant's death, disability, retirement or, in the sole discretion of the Human Resources and Compensation Committee, involuntary termination of employment without cause, in any such case after three years from the date of grant specified in the agreement evidencing the stock award, restricted shares issued to the participant on August 28, 2008, June 11, 2009 and August 26, 2010 vest as to the number of restricted shares issued to the participant multiplied by a fraction, the numerator of which equals the number of months (including fractional months as full months) that such participant was employed by us, commencing as of July 1, 2008, June 11, 2009, and August 26, 2010, respectively, and ending on the date of termination of employment, and the denominator of which is sixty. The balance of restricted shares issued to the participant is forfeited.

As noted above, the Human Resources and Compensation Committee has exercised its discretion to modify these arrangements from time to time. The 2004 Plan permits accelerated vesting on a pro rata basis of restricted stock awards not intended to be qualified under Section 162(m) of the Internal Revenue Code when employment is terminated by reason of disability, death, retirement or, at the discretion of Human Resources and Compensation Committee, involuntarily without cause. The Committee has exercised its discretion to

permit such pro rata vesting of awards; the period over which performance accelerated restricted stock awards has been pro rated has been either thirty-six or eighty-four months, depending on whether the award in question vested on an accelerated basis for other employees.

All restricted shares become fully vested in the event of a change of control. A change in control is deemed to occur in the event of (i) certain acquisitions of 30% or more of our outstanding Common Stock and 50% of our outstanding Preferred Stock or 30% of the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors, (ii) certain changes of more than a majority of the membership of the Board of Directors or (iii) certain mergers which result in our stockholders owning less than 50% of the combined voting power of the surviving corporation.

Assuming termination without cause or that a change in control occurred as of June 30, 2010, the value of the restricted shares outstanding as of such date held by the named executive officers that would vest (a) in accordance with the terms of their grant awards and (b) if the Human Resources and Compensation Committee were to waive vesting requirements, is as shown below. Amounts shown are based on a price of \$6.52 per share, the closing market price on August 13, 2010.

| Name | Termination Value (\$) | | Change in Control Value(\$) |
|----------------------|------------------------|----------------|-----------------------------|
| | Per Grant Terms | Vesting Waived | |
| Timothy W. Newkirk | 181,706 | 495,487 | 495,487 |
| Donald Coffey, Ph.D. | 53,281 | 207,558 | 207,558 |
| Randy M. Schrick | 191,786 | 442,252 | 442,252 |

Annual Incentive Plan.

If an employee's employment during a fiscal year terminates for any reason, he or she shall not be entitled to the payment of incentive compensation for the fiscal year. However, the Human Resources and Compensation Committee has full discretion to determine that payment of a prorated annual component may be made when termination results from job elimination, reduction in work force or other similar Company initiative or is otherwise without cause, or is encouraged or induced by incentives offered by us. Upon a change in control, the annual incentive plan terminates. The Committee will determine MEP on an annualized basis, based on our performance through the most recently completed fiscal quarter for which financial results are available. Incentive compensation will be paid on a pro rata basis (measured through the end of such fiscal quarter) in accordance with the guidelines for payment of annual incentive compensation described in *Compensation Discussion and Analysis - Annual Cash Incentive*.

Policies and Practices as they relate to Risk Management.

We believe that the various components of our compensation program are effective in linking performance based compensation to shareholder interests without encouraging executives to take unnecessary risks. We also believe that our compensation program is properly balanced and does not encourage taking short term risks at the expense of long term results. Our annual incentive program is designed to encourage programs that have appropriate returns on our investment. To the extent that our annual incentive program might encourage actions contrary to our long term interest, the Human Resources and Compensation Committee retains discretion to modify factors relevant in determining annual compensation. Further, long term incentives are in the form of restricted stock awards, which are generally made on an annual basis and are subject to a multi-year vesting schedule. We believe that such awards appropriately link the interest of our executives and stockholders and balance the short term nature of annual cash incentives and any related risk of undue risk taking.

DIRECTOR COMPENSATION**FISCAL YEAR ENDED JUNE 30, 2010**

The following table shows compensation earned by or paid to all persons who were directors during the fiscal year ended June 30, 2010 who were not also executive officers during such period.

| Name | Fees Earned or Paid in Cash \$(1) | Stock Awards \$(2) (3) | All Other Compensation(\$) | Total (\$) |
|--------------------|--|---------------------------------------|---------------------------------------|-------------------|
| Michael Braude | 29,000 | 12,500 | | 41,500 |
| John E. Byom | 33,000 | 12,500 | | 45,500 |
| Cloud L. Cray, Jr. | 20,000 | 12,500 | | 32,500 |
| Gary Gradinger | 30,000 | 12,500 | | 42,500 |
| Linda E. Miller | 29,000 | 12,500 | | 41,500 |
| Daryl R. Schaller | 32,125 | 12,500 | | 44,625 |
| Karen Seaberg | 20,000 | 12,500 | | 32,500 |
| John R. Speirs | 180,000 | 12,500 | | 192,500 |

(1) During fiscal 2010, non-employee directors were paid a retainer at the rate of \$3,750 quarterly and meeting fees of \$1,000 for each meeting of the Board or committee thereof attended. The chairperson of the Audit Committee was paid an additional retainer at the rate of \$1,250 per meeting and the chairperson of the Human Resources and Compensation Committee was paid an additional retainer at the rate of \$625 per meeting. Employee directors received a fee of \$437.50 for attendance at each meeting of the Board of Directors. Mr. Speirs received an annual fee of \$150,000, payable monthly, for his service as lead director and Chairman of the Board. Fees paid employee directors are reflected in the Summary Compensation Table. During fiscal 2011, the quarterly retainer will be \$6,250, the meeting fee per Board meeting will be \$1,400, the payment per committee meeting will be the same as in fiscal year 2010, the Audit Committee chairperson additional meeting retainer will be \$1,500 and the Human Resources chairperson additional meeting retainer will be \$1,000. The annual fee for serving as lead director and Chairman of the Board will be \$165,000.

(2) Under the Non-Employee Directors Restricted Stock Plan, which was approved by stockholders at the 2006 Annual Meeting and amended at the 2009 Annual Meeting, on the first business day following the date of each annual meeting of stockholders, each non-employee director is awarded shares of restricted stock with a fair market value of \$12,500, as determined on such first business day following the annual meeting. The shares awarded become fully vested upon the occurrence of one of the following events: (1) the third anniversary of the award date, (2) the death of the director, or (3) a change in control, as defined in the Plan. The Human Resources and Compensation Committee may allow accelerated vesting in the event of specified terminations, including retirement at the end of the director's term, termination of service as a result of not standing for reelection and termination of service due to inability to substantially perform his or her duties. The amount shown in the table is the grant date fair value of the awards computed in accordance with FASB ASC Topic 718. Grant date fair value per share was assumed to be the closing price of the Company's stock on the grant date. We pay dividends on these shares during the vesting period, which are not taken into account in determining their grant date fair value.

(3) As of June 30, 2010, the number of shares subject to restricted stock awards held by each of the non-employee directors named in the table was as follows: Karen Seaberg 5,930 shares; all other directors named in the table 9,489 shares.

PRINCIPAL STOCKHOLDERS

The following table sets forth as of June 30, 2010 the number of shares beneficially owned and the percentage of ownership of the Company's Preferred Stock and Common Stock by (i) each person who is known by the Company to own beneficially more than 5% of either class of the Company's capital stock outstanding, (ii) each director of the Company, (iii) each of the executive officers named in the Summary Compensation Table, (iv) the MGP Ingredients, Inc. ESOP, and (v) all directors and executive officers of the Company as a group.

| Stockholder | Shares Beneficially Owned (a) | | | |
|--------------------------------|-------------------------------|------|-----------------|------|
| | Common Stock | | Preferred Stock | |
| | No. of Shares | % | No. of Shares | % |
| Michael Braude | 24,852 | * | | |
| John E. Byom (b) | 54,822 | * | | |
| Donald Coffey, Ph.D. | 31,834 | | | |
| Cloud L. Cray, Jr.(b)(d)(e)(m) | 3,821,669 | 21.9 | 333 | 76.2 |
| Richard B. Cray (d)(f)(m) | 26,000 | * | 334 | 76.4 |
| Gary Gradinger(b) | 45,597 | * | | |
| Linda E. Miller | 26,327 | * | | |
| Tim Newkirk(c)(g) | 85,570 | * | | |
| David E. Rindom (c)(h) | 121,318 | * | | |
| Daryl Schaller, Ph.D. (b) | 86,673 | * | | |