Seneca Foods Corp
Form 10-Q
January 25, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 30, 2017 Commission File Number 0-01989
Seneca Foods Corporation

(Exact name of Company as specified in its charter)

New York	16-0733425
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

3736 South Main Street, Marion, New York	14505
(Address of principal executive offices)	(Zip Code)

Company's telephone number, including area code 315/926-8100

Not Applicable

Former name, former address and former fiscal year,

if changed since last report

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the Company is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and an emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

If an emerging growth company, indicate by checkmark if the Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act

The number of shares outstanding of each of the issuer's classes of common stock at the latest practical date are:

Class	Shares Outstanding at January 19, 2018
Common Stock Class A, $.25 Par	7,854,451
Common Stock Class B, $.25 Par	1,884,439

Table of Contents

Seneca Foods Corporation
Quarterly Report on Form 10-Q
Table of Contents

		Page
PART 1	**FINANCIAL INFORMATION**	
Item 1	Financial Statements:	
	Condensed Consolidated Balance Sheets-December 30, 2017, December 31, 2016 and March 31, 2017	1
	Condensed Consolidated Statements of Net Earnings-Three and Nine Months Ended December 30, 2017 and December 31, 2016	2
	Condensed Consolidated Statements of Comprehensive Income-Three and Nine Months Ended December 30, 2017 and December 31, 2016	2
	Condensed Consolidated Statements of Cash Flows-Nine Months Ended December 30, 2017 and December 31, 2016	3
	Condensed Consolidated Statement of Stockholders' Equity-Nine Months Ended December 30, 2017	4
	Notes to Condensed Consolidated Financial Statements	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3	Quantitative and Qualitative Disclosures about Market Risk	18
Item 4	Controls and Procedures	19
PART II	**OTHER INFORMATION**	
Item 1	Legal Proceedings	20
Item 1A	Risk Factors	20
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 3	Defaults Upon Senior Securities	20
Item 4	Mine Safety Disclosures	20
Item 5	Other Information	20

Item 6 Exhibits	20
SIGNATURES	21

Table of Contents

SENECA FOODS CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Data)

	Unaudited December 30, 2017	Unaudited December 31, 2016	March 31, 2017
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$*13,122*	$*10,260*	$*11,992*
Accounts Receivable, Net	*66,233*	*67,357*	*72,080*
Assets Held For Sale	-	*5,025*	-
Inventories:			
Finished Goods	*576,896*	*511,838*	*435,247*
Work in Process	*39,542*	*24,642*	*32,528*
Raw Materials and Supplies	*93,680*	*119,888*	*130,281*
Total Inventories	*710,118*	*656,368*	*598,056*
Refundable Income Taxes	*2,222*	-	*2,471*
Other Current Assets	*2,815*	*11,146*	*3,671*
Total Current Assets	*794,510*	*750,156*	*688,270*
Property, Plant and Equipment, Net	*272,363*	*217,983*	*237,476*
Deferred Income Taxes, Net	-	*16,534*	-
Other Assets	*5,130*	*20,038*	*20,273*
Total Assets	$*1,072,003*	$*1,004,711*	$*946,019*
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes Payable	$-	$*1,255*	$*166*
Accounts Payable	*102,020*	*98,170*	*72,824*
Accrued Vacation	*12,428*	*11,702*	*11,867*
Accrued Payroll	*5,468*	*5,843*	*6,593*
Other Accrued Expenses	*32,804*	*41,826*	*32,493*
Income Taxes Payable	-	*8,830*	-
Current Portion of Long-Term Debt and Capital Lease Obligations	*9,703*	*11,106*	*8,334*

Total Current Liabilities	*162,423*	*178,732*	*132,277*
Long-Term Debt, Less Current Portion	*411,799*	*343,634*	*329,138*
Capital Lease Obligations, Less Current Portion	*37,447*	*25,992*	*34,194*
Pension Liabilities	*7,106*	*35,230*	*8,193*
Deferred Income Taxes, Net	*2,982*	-	*4,181*
Other Long-Term Liabilities	*13,447*	*3,509*	*3,775*
Total Liabilities	*635,204*	*587,097*	*511,758*
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	*415,882*	*411,779*	*410,129*
Total Stockholders' Equity	*436,799*	*417,614*	*434,261*
Total Liabilities and Stockholders’ Equity	$*1,072,003*	$*1,004,711*	$*946,019*

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

1

Table of Contents

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 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Net Sales	$*392,714*	$*369,705*	$*1,049,209*	$*979,566*
Costs and Expenses:				
Cost of Product Sold	*361,013*	*332,230*	*981,344*	*891,904*
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	*381,243*	*355,815*	*1,035,316*	*952,877*
Operating Income	*11,471*	*13,890*	*13,893*	*26,689*
Earnings From Equity Investment	-	*(333*)	*(21*)	*(500*)
Interest Expense, Net	*4,012*	*2,414*	*10,662*	*6,709*
Earnings Before Income Taxes	*7,459*	*11,809*	*3,252*	*20,480*
Income Taxes (Benefit) Expense	*(268*)	*3,628*	*(2,524*)	*6,217*
Net Earnings	$*7,727*	$*8,181*	$*5,776*	$*14,263*
Earnings Applicable to Common Stock	$*7,690*	$*8,100*	$*5,730*	$*14,116*
Basic Earnings per Common Share	$*0.79*	$*0.83*	$*0.59*	$*1.44*
Diluted Earnings per Common Share	$*0.78*	$*0.82*	$*0.58*	$*1.43*

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

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

	Three Months Ended		Nine Months Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Comprehensive income:				
Net earnings	$ *7,727*	$ *8,181*	$ *5,776*	$ *14,263*
Change in pension, post retirement benefits and other (net of tax of $30 and $93)	*50*	-	*152*	-
Total	$ *7,777*	$ *8,181*	$ *5,928*	$ *14,263*

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

2

Table of Contents

SENECA FOODS CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Thousands)

	Nine Months Ended	
	December 30, 2017	December 31, 2016
Cash Flows from Operating Activities:		
Net Earnings	$5,776	$14,263
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	(903)	(3,637)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	11,891	9,431
Inventories	(95,986)	(88,661)
Other Current Assets	954	4,619
Income Taxes	240	5,856
Accounts Payable, Accrued Expenses and Other Liabilities	30,700	26,732
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)
Borrowings (Payments) on Notes Payable	(166)	853
Other Assets	(235)	(1,273)
Purchase of Treasury Stock	(3,442)	(1,841)
Dividends	(12)	(12)
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	$-

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

3

Table of Contents

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	$ *1,324*	$ *3,024*	$ *97,458*	$*(66,499)*	$ *(11,175)*	$*410,129*
Net earnings	-	-	-	-	-	*5,776*
Cash dividends 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	$ *707*	$ *3,038*	$ *98,136*	$*(69,941)*	$ *(11,023)*	$*415,882*

	Preferred Stock				Common Stock	
	6% Cumulative Par Value $.25	10% Cumulative Par Value $.025	Participating	2003 Series Participating	Class A	Class B
	Callable at Par	Convertible	Convertible Par	Convertible Par	Common Stock	Common Stock
	Voting	Voting	Value $.025	Value $.025	Par Value $.25	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.

4

Table of Contents

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.

During the *nine* months ended *December 30, 2017,* the Company sold *$112,768,000* of Green Giant finished goods inventory to B&G Foods, Inc. for cash, on a bill and hold basis, as compared to *$95,253,000* for the *nine* months ended *December 31, 2016.* Under the terms of the bill and hold agreement, title to the specified inventory transferred to B&G. The Company believes it has met the criteria required for bill and hold treatment.

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.

Table of Contents

SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

2. **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 *$1,078,000* 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*

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.

3. **Inventories**

   First-In, First-Out ("FIFO") based inventory costs exceeded LIFO based inventory costs by *$152,091,000* as of the end of the *third* quarter of fiscal *2018* as compared to *$139,709,000* as of the end of the *third* quarter of fiscal *2017.* The change in the LIFO Reserve for the *three* months ended *December 30, 2017* was an increase of *$994,000* as compared to a decrease of *$3,941,000* for the *three* months ended *December 31, 2016.* The LIFO Reserve increased by *$18,835,000* in the *first nine* months of fiscal *2018* compared to an increase of *$434,000* 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.*

4. **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.

Table of Contents

SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

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 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 *$37,674,000* higher than the same period last year, partially offset by net earnings in the last *twelve* months ended *December 30, 2017* of *$4,126,000.*

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

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* %

5. **Stockholders’ Equity**

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

6.

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

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

7

Table of Contents

SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

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.*

Plant Restructuring

7. 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 *$1,590,000* 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

8. 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.

SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

Recently Issued Accounting Standards

9. 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 has 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 charges 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

10.

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

(Thousands, except share amounts)	QUARTER		YEAR TO DATE	
	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
Basic				
Net earnings	$*7,727*	$*8,181*	$*5,776*	$*14,263*
Deduct preferred stock dividends paid	*6*	*6*	*17*	*17*
Undistributed earnings	*7,721*	*8,175*	*5,759*	*14,246*
Earnings attributable to participating preferred	*31*	*75*	*29*	*130*
Earnings attributable to common shareholders	$*7,690*	$*8,100*	$*5,730*	$*14,116*
Weighted average common shares outstanding	*9,740*	*9,770*	*9,782*	*9,790*
Basic earnings per common share	$*0.79*	$*0.83*	$*0.59*	$*1.44*
Diluted				
Earnings attributable to common shareholders	$*7,690*	$*8,100*	$*5,730*	$*14,116*
Add dividends on convertible preferred stock	*5*	*5*	*15*	*15*
Earnings attributable to common stock on a diluted basis	$*7,695*	$*8,105*	$*5,745*	$*14,131*
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	$*0.78*	$*0.82*	$*0.58*	$*1.43*

11. **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. 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.

SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 30, 2017

Income Taxes

12. The effective tax rate was (*77.6*)*%* and *30.4%* for the *nine* month periods ended *December 30, 2017* and *December 31, 2016,* respectively. The *108.0* percentage point decrease in the effective tax rate represents the tax rate change which reduced the tax provision by *$3,040,000* 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%.*

Table of Contents

ITEM 2 MANAGEMENT'S 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 $392,714,000, which represents a 6.2% increase, or $23,009,000, from the third quarter of fiscal 2017. The net increase in sales is attributable to higher selling prices/sales mix of $34,554,000 partially offset by a sales volume decrease $11,545,000. The increase in sales is primarily from the acquisition of Truitt during the current year with sales of $28,214,000, a $2,055,000 increase in Frozen sales partially offset by a $3,757,000 decrease in B&G Foods, Inc. sales, 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 $1,049,209,000, which represents a 7.1% increase, or $69,643,000, from the first nine months of fiscal 2017. The net increase in sales is attributable to a sales volume increase of $32,903,000, and higher selling prices/sales mix of $36,740,000. The increase in sales is primarily from the acquisition of Truitt during the current year with sales of $69,352,000, a $10,316,000 increase in B&G Foods, Inc.

sales, a $12,181,000 increase in Canned Vegetable sales, $7,982,000 increase in Frozen sales, partially offset by 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, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Canned Vegetables	$226.1	$ 227.2	$564.8	$ 552.6
B&G*	42.3	46.1	123.8	113.5
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
	$392.7	$ 369.7	$1,049.2	$ 979.6

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

12

Table of Contents

ITEM 2 MANAGEMENT'S 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	December 31, 2016	December 30, 2017	December 31, 2016
Gross Margin	8.1%	10.1%	6.5%	8.9%
Selling	2.6%	3.0%	2.7%	2.9%
Administrative	2.5%	2.7%	2.7%	2.9%
Plant Restructuring	0.0%	0.4%	0.0%	0.3%
Other Operating Expense (Income)	0.0%	0.3%	-0.2%	0.1%
Operating Income	2.9%	3.8%	1.3%	2.7%
Interest Expense, Net	1.0%	0.7%	1.0%	0.7%

For the three month period ended December 30, 2017, the gross margin decreased from the prior year quarter from 10.1% to 8.1% due primarily to a higher LIFO charge in the third quarter of 2018. The LIFO charge for the third quarter ended December 30, 2017 was $994,000 as compared to a credit of $3,941,000 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 $785,000 for the quarter ended December 30, 2017 and decreased LIFO net earnings by $2,562,000 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 8.9% to 6.5% due primarily to a higher LIFO charge in the current year. The LIFO charge for the nine months ended December 30, 2017 was $18,835,000 as compared to a charge of $434,000 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 $14,880,000 for the nine months ended December 30, 2017 and decreased net earnings by $282,000 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 3.0% 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 2.7% for the same period in the prior year. The nine month decrease is primarily as a result of the Green Giant sales increase, which don't incur selling costs.

For the three month period ended December 30, 2017, administrative expense as a percentage of sales decreased from 2.7% to 2.5%. For the nine month period ended December 30, 2017, administrative expense as a percentage of sales decreased from 2.9% to 2.7% 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.

Table of Contents

ITEM 2 MANAGEMENT'S 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 1.0% 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 (77.6)% and 30.4% for the nine month periods ended December 30, 2017 and December 31, 2016, respectively. The 108.0 percentage point decrease in the effective tax rate represents the tax rate change which reduced the tax provision by $3,040,000 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 $0.79 and $0.83 for the three months ended December 30, 2017 and December 31, 2016, respectively. Diluted earnings per share were $0.78 and $0.82 for the three months ended December 30, 2017 and December 31, 2016, respectively. Basic earnings per share were $0.59 and $1.44 for the nine months ended December 30, 2017 and December 31, 2016, respectively. Diluted earnings per share were $0.58 and $1.43 for the nine months ended December 30, 2017 and December 31, 2016, respectively. For details of the calculation of these amounts, refer to footnote 10 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	December 31, 2016	March 31, 2017	March 31, 2016
Working Capital:				
Balance	$632,087	$571,424	$555,993	$274,429
Change in Quarter	22,460	(21,139)		
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)	44.37	42.11	43.63	40.63
Stockholders' Equity Per Common Share	44.78	42.66	44.20	41.15
Current Ratio	4.89	4.20	5.20	1.69

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.

Table of Contents

ITEM 2 MANAGEMENT'S 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 a $95,986,000 increase in inventory in the first nine months of fiscal 2018 as compared to an $88,661,000 increase in inventory in the first nine months of fiscal 2017, decreased net earnings of $8,487,000 as previously discussed, and a $5,616,000 decrease in cash provided by income taxes, partially offset by a $3,968,000 increase in cash provided by accounts payable, accrued expenses and other liabilities, a $2,734,000 decrease in cash used by deferred income taxes and and a $2,460,000 increase in cash provided by accounts receivable.

As compared to December 31, 2016, inventory increased $53,750,000 to $710,118,000 at December 30, 2017 (including $16,076,000 increase from the Truitt Bros. Inc. acquisition). The components of the inventory increase reflect a $65,058,000 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 $152,091,000 as of the end of the third quarter of 2018 as compared to $139,709,000 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.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 30, 2017

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.

New Accounting Standards

Refer to footnote 9 of the Notes to Condensed Consolidated Financial Statements.

Seasonality

The Company's revenues are typically higher in the second and third fiscal quarters. This is due in part because the Company sells, on a bill and hold basis, Green Giant canned and frozen vegetables to B&G either weekly during production for specialty items, or at the end of each pack cycle, which typically occurs during these quarters. B&G buys the product from the Company at cost plus a specified fee for each equivalent case. See the Critical Accounting Policies section below for further details. The Company's non-Green Giant sales also 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
- other risks detailed from time to time in the reports filed by the Company with the SEC.

Table of Contents

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 30, 2017

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

During the nine months ended December 30, 2017, the Company sold $112,768,000 of Green Giant finished goods inventory to B&G Foods North America (“B&G”) for cash, on a bill and hold basis, as compared to $95,253,000 for the nine months ended December 31, 2016. Under the terms of the bill and hold agreement, title to the specified inventory transferred to B&G. The Company believes it has met the criteria required for bill and hold treatment.

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.

Table of Contents

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.

Table of Contents

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 effective. The Company continues to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

There have been no changes during the period covered by this report to the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. However, with the acquisition of Truitt Bros., Inc. on April 3, 2017, the Company is still in the process of evaluating their internal controls.

Table of Contents

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

	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
Period	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	1,066,829

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.

Table of Contents

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)
101	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 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.

Table of Contents

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)

January 25, 2018

/s/ Kraig H. Kayser

Kraig H. Kayser
President and
Chief Executive Officer

January 25, 2018

/s/Timothy J. Benjamin

Timothy J. Benjamin
Chief Financial Officer