
Seneca Foods Corp

Project Type: 10-K

EDGAR Submission Proof

Created At: 6/13/2023 11:12:20 AM EDT

Submission Information

Submission Type	10-K
Return Copy?	off
Contact Name	RDG Filings
Contact Phone	1-415-643-6080
Exchange(s)	NONE
Confirmation of Paper Copy?	off
Filer CIK	0000088948
Filer CCC	*****
Emerging Growth Company	False
ex Transition Period	False
Reporting Period	3/31/2023
Well Known Seasoned Issuer?	False
Voluntary Filer?	False
Smaller Reporting Company?	False
Accelerated Filer Status	Accelerated Filer
Shell Company?	False

Documents

10-K	FORM 10-K
EX-13	Exhibit 13
EX-21	Exhibit 21
EX-23.1	Exhibit 23.1
EX-31.1	Exhibit 31.1
EX-31.2	Exhibit 31.2
EX-31.3	Exhibit 31.3
EX-32	Exhibit 32
GRAPHIC	g01.jpg

[Table of Contents](#)

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

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number 0-01989

Seneca Foods Corporation

(Exact name of Registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

16-0733425

(I. R. S. Employer Identification No.)

350 Willow Brook Office Park, Fairport, New York

(Address of principal executive offices)

14480

(Zip Code)

Registrant's telephone number, including area code: (585) 495-4100

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
Common Stock Class A, \$.25 Par	SENEA	NASDAQ Global Select Market
Common Stock Class B, \$.25 Par	SENEB	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of September 30, 2022, the last business day of the Registrant's most recently completed second fiscal quarter, was \$300,641,214 (based on the closing share price per market reports generated from the NASDAQ Global Select Market System on September 30, 2022).

As of May 25, 2023, there were 5,884,855 shares of Class A common stock and 1,707,210 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive Proxy Statement for the 2023 Annual Meeting of Shareholders to be held hereafter, and the Annual Report to Shareholders of Seneca Foods Corporation for the fiscal year ended March 31, 2023 (the "Annual Report"), included as Exhibit 13 to this Form 10-K, are incorporated by reference in Parts I, II, III, and IV hereof.

[Table of Contents](#)

SENECA FOODS CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED MARCH 31, 2023
TABLE OF CONTENTS

	Pages
PART I.	
Item 1. Business	2
Item 1A. Risk Factors	5
Item 1B. Unresolved Staff Comments	12
Item 2. Properties	12
Item 3. Legal Proceedings	13
Item 4. Mine Safety Disclosures	13
PART II.	
Item 5. Market for Registrant’s Common Stock, Related Security Holder Matters and Issuer Purchases of Equity Securities	13
Item 6. [Reserved]	13
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	13
Item 8. Financial Statements and Supplementary Data	13
Item 9. Changes in and Disagreements with Accountants on Accounting Financial Disclosure	14
Item 9A. Controls and Procedures	14
Item 9B. Other Information	14
PART III.	
Item 10. Directors, Executive Officers and Corporate Governance	14
Item 11. Executive Compensation	15
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	15
Item 13. Certain Relationships and Related Transactions, and Director Independence	15
Item 14. Principal Accountant Fees and Services	15
PART IV.	
Item 15. Exhibits and Financial Statement Schedules	15
Item 16. Form 10-K Summary	17
SIGNATURES	18

[Table of Contents](#)

Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they address future events, developments, and results and do not relate strictly to historical facts. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “seeks,” “should,” “likely,” “targets,” “may,” “can” and variations thereof and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties, and other important factors that could cause actual results to differ materially from those expressed. We believe important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- o the effects of rising costs and availability of raw fruit and vegetables, steel, ingredients, packaging, other raw materials, distribution and labor;
- o crude oil prices and their impact on distribution, packaging and energy costs;
- o an overall labor shortage, ability to retain a sufficient seasonal workforce, lack of skilled labor, labor inflation or increased turnover impacting our ability to recruit and retain employees;
- o climate and weather affecting growing conditions and crop yields;
- o our ability to successfully implement sales price increases and cost saving measures to offset cost increases;
- o the loss of significant customers or a substantial reduction in orders from these customers;
- o effectiveness of our marketing and trade promotion programs;
- o competition, changes in consumer preferences, demand for our products and local economic and market conditions;
- o the impact of a pandemic on our business, suppliers, customers, consumers and employees;
- o unanticipated expenses, including, without limitation, litigation or legal settlement expenses;
- o product liability claims;
- o the anticipated needs for, and the availability of, cash;
- o the availability of financing;
- o leverage and the ability to service and reduce debt;
- o foreign currency exchange and interest rate fluctuations;
- o the risks associated with the expansion of our business;
- o the ability to successfully integrate acquisitions into our operations;
- o our ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption;
- o other factors that affect the food industry generally, including:
 - recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations and the possibility that consumers could lose confidence in the safety and quality of certain food products;
 - competitors’ pricing practices and promotional spending levels;
 - fluctuations in the level of our customers’ inventories and credit and other business risks related to our customers operating in a challenging economic and competitive environment; and
 - the risks associated with third-party suppliers, including the risk that any failure by one or more of our third-party suppliers to comply with food safety or other laws and regulations may disrupt our supply of raw materials or certain finished goods products or injure our reputation; and
- o changes in, or the failure or inability to comply with, U.S., foreign and local governmental regulations, including environmental and health and safety regulations.

Any of these factors, as well as such other factors as discussed in (1) Part I, Item 1A., “Risk Factors” of this Annual Report on Form 10-K, (2) Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and (3) in our other periodic filings with the Securities and Exchange Commission (the “SEC”), could cause our actual results to differ materially from our anticipated results. The information provided in this Form 10-K is based upon the facts and circumstances known as of the date of this report, and any forward-looking statements made by us in this Form 10-K speak only as of the date on which they are made. Except as required by law, we undertake no obligation to update these forward-looking statements after the date of this Form 10-K to reflect events or circumstances after such date, or to reflect the occurrence of unanticipated events.

[Table of Contents](#)

PART I

Item 1. Business

Overview

Seneca Foods Corporation (“Seneca” or the “Company”) was founded in 1949 and has evolved through internal growth and strategic acquisitions into a leading provider of packaged fruits and vegetables, with 26 main facilities located throughout the United States. The facilities are comprised of plants for packaging, can manufacturing, seed production, a farming operation and a logistical support network. Food packaging operations are primarily supported by plant locations in New York, Michigan, Oregon, Wisconsin, Washington, Idaho, Illinois, and Minnesota. The Company also maintains warehouses which are generally located adjacent to its packaging plants. The Company is incorporated in New York with its headquarters located at 350 WillowBrook Office Park Fairport, New York and its telephone number is (585) 495-4100.

The Company’s business strategies are designed to grow its market share and enhance sales and margins. These strategies include: 1) expand the Company’s leadership in the packaged fruit and vegetable industry; 2) provide low-cost, high-quality vegetable products to consumers through the elimination of costs from the Company’s supply chain and investment in state-of-the-art production and logistical technology; 3) focus on growth opportunities to capitalize on higher expected returns; and 4) pursue strategic acquisitions that leverage the Company’s core competencies.

Available Information

The Company’s Internet address is www.senecafoods.com. The Company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available on the Company’s web site, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. All such filings on the Company’s web site are available free of charge. Information on our website is not part of the annual report on Form 10-K.

In addition, the Company’s website includes items related to corporate governance matters, including charters of various committees of the Board of Directors and the Company’s Code of Business Conduct and Ethics. The Company intends to disclose on its website any amendment to or waiver of any provision of the Code of Business Conduct and Ethics that would otherwise be required to be disclosed under the rules of the SEC and NASDAQ.

Financial Information about Industry Segments

The Company has historically managed its business on the basis of three reportable food packaging segments: (1) fruits and vegetables, (2) prepared food products and (3) snack products. The other category comprises non-food packaging sales which relate to the sale of cans, ends, seed, and outside revenue from the Company’s trucking and aircraft operations. During fiscal year 2021, the Company sold its prepared foods business, leaving just two reportable segments along with the other category. The Company’s food operation constituted 98% of total net sales in fiscal year 2023. Canned vegetables represented 83%, frozen vegetables represented 8%, fruit products represented 6%, and chip products represented 1% of the total food packaging net sales. Non-food packaging sales represented 2% of the Company’s fiscal year 2023 net sales. Refer to the information set forth under the heading “*Segment Information*” in Note 14 of the Notes to Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data”, for additional discussion about the Company’s segments.

Principal products and markets

The Company’s principal product offerings include canned, frozen and bottled produce, and snack chips. The Company manufactures and sells the following:

- private label products to retailers, such as supermarkets, mass merchandisers, and specialty retailers, for resale under the retailers’ own or controlled labels;
- private label and branded products to the foodservice industry, including foodservice distributors and national restaurant operators;
- branded products under national and regional brands that the Company owns or licenses, including Seneca®, Libby’s®, Aunt Nellie’s®, Cherryman®, Green Valley® and READ®;
- branded products under co-pack agreements to other major branded companies for their distribution; and
- products to the Company’s industrial customer base for repackaging in portion control packages and for use as ingredients by other food manufacturers.

[Table of Contents](#)

The Company’s 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, restaurants chains, industrial markets, other food processors, export customers in approximately 60 countries and federal, state and local governments for school and other food programs. Additionally, the Company packs canned and frozen vegetables under contract packing agreements. The following table summarizes net sales by major product category for fiscal years 2023 and 2022 (in thousands):

	Fiscal Year:	
	2023	2022
Canned vegetables	\$ 1,253,257	\$ 1,135,983
Frozen vegetables	121,211	123,895
Fruit products	91,495	84,708
Snack products	12,661	12,332
Other	30,728	28,362
	<u>\$ 1,509,352</u>	<u>\$ 1,385,280</u>

Source and Availability of Raw Materials

The Company’s high-quality products are primarily sourced from approximately 1,400 American farms. The Company purchases other raw materials, including steel, ingredients and packaging materials from commodity processors, steel producers and packaging suppliers. Raw materials and other input costs, such as labor, fuel, utilities and transportation, are subject to fluctuations in price attributable to a number of factors. Fluctuations in commodity prices can lead to retail price volatility and can influence consumer and trade buying patterns. The cost of raw materials, fuel, labor, distribution and other costs related to our operations can increase from time to time significantly and unexpectedly.

The Company continues to experience material cost inflation for many of its raw materials and other input costs attributable to a number of factors, including but not limited to, supply chain disruptions (including raw material shortages), labor shortages, and the war in Ukraine. While the Company has no direct exposure to Russia and Ukraine, it has experienced increased costs for transportation, energy, and raw materials due in part to the negative impact of the Russia-Ukraine conflict on the global economy. The Company attempts to manage cost inflation risks by locking in prices through short-term supply contracts, advance grower purchase agreements, and by implementing cost saving measures. The Company also attempts to offset rising input costs by raising sales prices to its customers. However, increases in the prices the Company charges its customers may lag behind rising input costs. Competitive pressures also may limit the Company’s ability to quickly raise prices in response to rising costs. To the extent the Company is unable to avoid or offset any present or future cost increases its operating results could be materially adversely affected.

Domestic and International Sales

The following table sets forth domestic and international sales (In thousands, except percentages):

	Fiscal Year	
	2023	2022
Net sales:		
Domestic	\$ 1,408,710	\$ 1,285,540
International	100,642	99,740
Total net sales	<u>\$ 1,509,352</u>	<u>\$ 1,385,280</u>
As a percentage of net sales:		
Domestic	93.3%	92.8%
International	6.7%	7.2%
Total	<u>100.0%</u>	<u>100.0%</u>

Intellectual Property

The Company's most significant brand name, Libby's®, is held pursuant to a trademark license granted to the Company in March 1982 and renewable by the Company every 10 years for an aggregate period expiring in March 2081. The original licensor was Libby, McNeill & Libby, Inc., then an indirect subsidiary of Nestlé, S. A. ("Nestlé") and the license was granted in connection with the Company's purchase of certain of the licensor's canned vegetable operations in the United States. Corlib Brands Management, LTD acquired the license from Nestlé during 2006. The license is limited to vegetables which are shelf-stable, frozen, and thermally packaged, and includes the Company's major vegetable varieties – corn, peas and green beans – as well as certain other thermally packaged vegetable varieties and sauerkraut.

[Table of Contents](#)

The Company is required to pay an annual royalty to Corlib Brands, now known as Libby's Brand Holding, Ltd., who may terminate the license for non-payment of royalty, use of the trademark in sales outside the licensed territory, failure to achieve a minimum level of sales under the licensed trademark during any calendar year or a material breach or default by the Company under the agreement (which is not cured within the specified cure period). A total of \$0.1 million was paid as a royalty fee for the fiscal year ended March 31, 2023.

The Company also sells canned vegetables, frozen vegetables, jarred fruit, and other food products under several other brands for which the Company has obtained registered trademarks, including, Aunt Nellie's®, CherryMan®, Green Valley®, READ®, Seneca®, and other regional brands.

Seasonality

While individual vegetables have seasonal cycles of peak production and sales, the different cycles are somewhat offsetting. Minimal food packaging occurs in the Company's last fiscal quarter ending March 31, which is the optimal time for maintenance, repairs and equipment changes in its packaging plants. The supply of commodities, current pricing, and expected new crop quantity and quality affect the timing and amount of the Company's sales and earnings. When the seasonal harvesting periods of the Company's major vegetables are newly completed, inventories for these packaged vegetables are at their highest levels. For peas, the peak inventory time is mid-summer and for corn and green beans, the Company's highest volume vegetables, the peak inventory is in mid-autumn. The seasonal nature of the Company's production cycle results in inventory and accounts payable reaching their lowest point late in the fourth quarter/early in the first quarter prior to the new seasonal pack commencing. As the seasonal pack progresses, these components of working capital both increase until the pack is complete.

The Company's revenues typically are highest in the second and third fiscal quarters. This is due, in part, because the Company's fruit and vegetable sales exhibit seasonal increases in the third fiscal quarter due to increased retail demand during the holiday season. In addition, the Company sells canned and frozen vegetables to a co-pack customer on a bill and hold basis at the end of each pack cycle, which typically occurs during these quarters.

These seasonal fluctuations are illustrated in the following table, which presents certain unaudited quarterly financial information for the periods indicated (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2023:				
Net sales	\$ 265,193	\$ 439,842	\$ 473,254	\$ 331,063
Gross margin	22,843	41,779	53,789	17,485
Net earnings	5,103	16,131	21,054	(9,150)
Fiscal Year 2022:				
Net sales	\$ 235,042	\$ 372,256	\$ 445,593	\$ 332,389
Gross margin	33,623	42,728	44,985	26,596
Net earnings	14,136	11,654	18,664	6,553

Competition

Competition in the packaged food industry is substantial with brand recognition and promotion, quality, service, and pricing being the major determinants in the Company's relative market position. The Company believes that it is a major producer of canned vegetables, frozen vegetables, and jarred fruit but some producers of these products have sales which exceed the Company's sales. The Company is aware of at least 13 competitors in the U.S. packaged fruit and vegetable industry, many of which are privately held companies.

Government Regulation

The Company is subject to extensive regulations in the United States by federal, state and local government authorities. In the United States, the federal agencies governing the manufacture, marketing and distribution of our products include, among others, the Federal Trade Commission ("FTC"), the United States Food & Drug Administration ("FDA"), the United States Department of Agriculture ("USDA"), the United States Environmental Protection Agency ("EPA") and the Occupational Safety and Health Administration ("OSHA"). Under various statutes, these agencies prescribe and establish, among other things, the requirements and standards for quality, safety and representation of the Company's products to the consumer in labeling and advertising.

[Table of Contents](#)

Environmental protection is an area that has been worked on diligently at each food packaging facility. In all locations, the Company has cooperated with federal, state, and local environmental protection authorities in developing and maintaining suitable antipollution facilities. In general, we believe our pollution control facilities are equal to or somewhat superior to those of our competitors and are within environmental protection standards. The Company does not expect any capital expenditures out of the ordinary course of business in order to comply with environmental regulations in the near future.

There has been a broad range of proposed and promulgated state, national and international regulations aimed at reducing the effects of climate change. In the United States, there is a significant possibility that some form of regulation will be forthcoming at the federal level to address the effects of climate change. Such regulation could result in the creation of additional costs in the form of taxes, consultant expenses, the restriction of output, investments of capital to maintain compliance with laws and regulations or required acquisition or trading of emission allowances.

Human Capital

Employment

As of March 31, 2023, Seneca Foods employed 2,809 full-time employees and averaged approximately an additional 3,600 seasonal employees during the Company's peak summer harvest season. 100% of our employees are located in the United States, distributed across the Company's facilities.

Culture

At Seneca Foods, we work hard every day to feed the world safe and nutritious products, while adhering to our fundamental beliefs (which can be found on our website). These beliefs include acting with integrity in all matters, treating employees with respect, and maintaining the highest standards for protecting our workers. We also believe in promoting from within, which has resulted in many long-tenured employees in leadership positions throughout the Company.

Employee Health and Safety

The health and safety of our employees is a top priority at Seneca Foods. The Company complies with all national and local laws of the jurisdictions in which we operate regarding worker health and safety. In addition, we work to continuously improve our safety record with worker safety training and Seneca's HERO (Health Environment Risk Observation) program, in which employees proactively identify and mitigate potential safety risks. At Seneca Foods, we believe that safety is everyone's responsibility, and the HERO program reflects that commitment, with close to 100% employee participation.

The Company also conducts annual safety audits at all processing locations to ensure compliance with Seneca and OSHA safety standards. External risk management services are also consulted as part of this process. The Company's management recognizes plants that achieve at least one million work hours or 1,000 days worked without a lost time injury to employees with the President's "Bronze Eagle" award, which is prominently displayed at many of our processing facilities.

Employee Training and Development

Seneca Foods believes in developing internal talent and providing employees with an opportunity for education and advancement. In support of this endeavor, we have developed two key programs. *SAVES* (Seneca Adding Value Employee System) focuses on employee empowerment, education, and application of lean manufacturing principles. The Company's dedicated *SAVES* instructors and project leaders educate employees and empower them to make process improvements at all of our processing facilities. *GROWS* (Get Rid of Waste Systemically) supports our leadership development efforts through continuous improvement project leadership.

Diversity, Equity and Inclusion

Seneca Foods believes that everyone should feel respected and welcome in our workplace. The Company is committed to providing equal opportunity in all aspects of employment, and to applying fair labor practices while respecting the national and local laws of the countries and communities where we have operations. The Company does not engage in or tolerate discrimination, intimidation, harassment, or any other unlawful conduct. We believe that a diverse and inclusive workforce provides the Company with the benefits of different viewpoints and perspectives, as well as a talented and innovative employee base.

Item 1A. Risk Factors

The following factors as well as factors described elsewhere in this Form 10-K or in other filings by the Company with the SEC, could adversely affect the Company's consolidated financial position, results of operations or cash flows. Other factors not presently known to us or that we presently believe are not material could also affect our business operations or financial results. The Company refers to itself as "we", "our" or "us" in this section.

[Table of Contents](#)

Fruit and Vegetable Industry Risks

Excess capacity in the fruit and vegetable industry has a downward impact on selling price.

If canned vegetable, frozen vegetable, or jarred fruit categories decline, less shelf space will be devoted to these categories in the supermarkets. Fresh and perishable businesses are improving their delivery systems around the world and the availability of fresh produce is impacting the consumers purchasing patterns relating to packaged fruit and vegetables. Our financial performance and growth are related to conditions in the United States' fruit and vegetable packaging industry which is a mature industry. Our net sales are a function of product availability and market pricing. In the fruit and vegetable packaging industry, product availability and market prices tend to have an inverse relationship: market prices tend to decrease as more product is available and to increase if less product is available. Product availability is a direct result of plantings, growing conditions, crop yields and inventory levels, all of which vary from year to year. Moreover, fruit and vegetable production outside the United States, particularly in Europe, Asia and South America, is increasing at a time when worldwide demand for certain products is being impacted by the global economic slowdown. These factors may have a significant effect on supply and competition and create downward pressure on prices. In addition, market prices can be affected by the planting and inventory levels and individual pricing decisions of our competitors. Generally, market prices in the fruit and vegetable packaging industry adjust more quickly to variations in product availability than an individual packager can adjust its cost structure; thus, in an oversupply situation, a packager's margins likely will weaken. We typically have experienced lower margins during times of industry oversupply.

In the past, the fruit and vegetable packaging industry has been characterized by excess capacity, with resulting pressure on our prices and profit margins. We have closed packaging plants in past years in response to the downward pressure on prices. There can be no assurance that our margins will improve in response to favorable market conditions or that we will be able to operate profitably during depressed market conditions.

Growing cycles and adverse weather conditions may decrease our results from operations.

Our operations are affected by the growing cycles of the vegetables we package. When the vegetables are ready to be picked, we must harvest and package them quickly or forego the opportunity to package fresh picked vegetables for an entire year. Most of our vegetables are grown by farmers under contract with us. Consequently, we must pay the contract grower for the vegetables even if we cannot or do not harvest or package them. Most of our production occurs during the second quarter (July through September) of our fiscal year, which corresponds with the quarter that the growing season ends for most of the produce packaged by us. A majority of our sales occur during the second and third quarters of each fiscal year due to seasonal consumption patterns for our products. Accordingly, inventory levels are highest during the second and third quarters, and accounts receivable levels are highest during the second and third quarters. Net sales generated during our second and third fiscal quarters have a significant impact on our results of operations. Because of these seasonal fluctuations, the results of any particular quarter, particularly in the first half of our fiscal year, will not necessarily be indicative of results for the full year or for future years.

We set our planting schedules without knowing the effect of the weather on the crops or on the entire industry's production. Weather conditions during the course of each vegetable crop's growing season will affect the volume and growing time of that crop. As most of our vegetables are produced in more than one part of the U.S., this somewhat reduces the risk that our entire crop will be subject to disastrous weather. The upper Midwest is the primary growing region for the principal vegetables which we pack, namely peas, green beans and corn, and it is also a substantial source of our competitors' vegetable production. A sizeable portion of our vegetable production areas are serviced with irrigation systems to help minimize (i) wet conditions for planting and (ii) dry conditions during the growing season. Any adverse effects of weather-related reduced production may be partially mitigated by higher selling prices for the vegetables which are produced.

The commodity materials that we package or otherwise require are subject to price increases that could adversely affect our profitability.

The materials that we use, such as raw fruit and vegetables, steel, ingredients, pouches and other packaging materials as well as the electricity, diesel fuel, and natural gas used in our business, are commodities that may experience price volatility caused by external factors, including market fluctuations, availability, currency fluctuations and changes in governmental regulations and agricultural programs. General inventory positions of major commodities, such as field corn, soybeans and wheat, all commodities with which we must compete for acreage, can have dramatic effects on prices for those commodities, which can translate into similar swings in prices needed to be paid for our contracted commodities. These programs and other events can result in reduced supplies of these commodities, higher supply costs or interruptions in our production schedules. If prices of these commodities increase beyond what we can pass along to our customers, our operating income will decrease.

[Table of Contents](#)

Risks Associated With Our Operations

Changes in economic conditions that impact consumer spending could harm our business.

The food products industry and our financial performance are sensitive to changes in overall economic conditions that impact consumer spending, including not limited to, inflation, economic volatility resulting from a pandemic and the war in Ukraine. Future economic conditions affecting consumer income such as employment levels, business conditions, interest rates, inflation and tax rates could reduce consumer spending or cause consumers to shift their spending to other products. Historic increases in inflation following the COVID-19 pandemic may cause consumers to be more sensitive to price changes. A general reduction in the level of consumer spending or shifts in consumer spending to other products could have a material adverse effect on our growth, sales, and profitability.

Pandemics or disease outbreaks may disrupt our business, including among other things, our supply chain, our manufacturing operations and customer and consumer demand for our products, and could have a material adverse impact on our business.

The spread of pandemics or disease outbreaks may negatively affect our operations. If a significant percentage of our workforce or the workforce of our third-party business partners is unable to work, including because of illness or travel or government restrictions in connection with a pandemic or disease outbreak, our operations may be negatively impacted. Some of our workforce dwell in company provided housing and therefore any outbreaks would need to be managed, to the extent possible, to meet health care protocols. Pandemics or disease outbreaks could result in a widespread health crisis that could adversely affect economies and financial markets, consumer spending and confidence levels resulting in an economic downturn that could affect customer and consumer demand for our products.

Our efforts to manage and mitigate these factors may be unsuccessful, and the effectiveness of these efforts depends on factors beyond our control, including the duration and severity of any pandemic or disease outbreak, as well as third party actions taken to contain its spread and mitigate public health effects.

The ultimate impact of a pandemic on our business will depend on many factors, including, among others, the duration of social distancing and stay-at-home mandates, our ability to continue to operate our manufacturing facilities and maintain the supply chain without material disruption, and the extent to which macroeconomic conditions resulting from the pandemic and the pace of the subsequent recovery may impact consumer eating habits.

We depend upon key customers.

Our products are sold in a highly competitive marketplace, which includes increased concentration and a growing presence of large-format retailers and discounters. Dependence upon key customers could lead to increased pricing pressure by these customers. A relatively limited number of customers account for a large percentage of the Company's total net sales. The top ten customers represented approximately 55%, and 53% of net sales for fiscal years 2023 and 2022, respectively. If we lose a significant customer or if sales to a significant customer materially decrease, our business, financial condition and results of operations may be materially and adversely affected.

If we do not maintain the market shares of our products, our business and revenues may be adversely affected.

All of our products compete with those of other national and regional food packaging companies under highly competitive conditions. The fruit and vegetable products which we sell under our own brand names not only compete with fruit and vegetable products produced by food packaging competitors, but also compete with products we produce and sell under contract packing agreements with other companies who market those products under their own brand names and the vegetables we sell to various retail grocery chains which carry our customer's own brand names.

The customers who buy our products to sell under their own brand names control the marketing programs for those products. In recent years, many major retail food chains have been increasing their promotions, offerings and shelf space allocations for their own fruit and vegetable brands, to the detriment of fruit and vegetable brands owned by the packagers, including our own brands. We cannot predict the pricing or promotional activities of our customers/competitors or whether they will have a negative effect on us. There are competitive pressures and other factors, which could cause our products to lose market share or result in significant price erosion that could materially and adversely affect our business, financial condition and results of operations.

Increases in logistics and other transportation-related costs could materially adversely impact our results of operations.

Our ability to competitively serve our customers depends on the availability of reliable and low-cost transportation. We use multiple forms of transportation to bring our products to market. They include trucks, intermodal, rail cars, and ships. Disruption to the timely supply of these services or increases in the cost of these services for any reason, including availability or cost of fuel, regulations affecting the industry, or labor shortages in the transportation industry, could have an adverse effect on our ability to serve our customers, and could materially and adversely affect our business, financial condition and results of operations.

[Table of Contents](#)

A recall of our products could have a material adverse effect on our business. In addition, we may be subject to significant liability should the consumption of any of our products cause injury, illness or death.

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from mislabeling, tampering by unauthorized third parties or product contamination or spoilage, including the presence of foreign objects, undeclared allergens, substances, chemicals, other agents or residues introduced during the growing, manufacturing, storage, handling or transportation phases of production. Under certain circumstances, we may be required to recall products, leading to a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. Even if a situation does not necessitate a recall, product liability claims might be asserted against us. We have from time to time been involved in product liability lawsuits, none of which have been material to our business. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, if the consumption of any of our products causes, or is alleged to have caused, a health-related illness in the future we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused injury, illness or death could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount we believe to be adequate. However, we cannot assure you that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall or the damage to our reputation resulting therefrom could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

Pending and future litigation may lead us to incur significant costs.

We are, or may become, party to various lawsuits and claims arising in the normal course of business, which may include lawsuits or claims relating to contracts, intellectual property, product recalls, product liability, the marketing and labeling of products, employment matters, environmental matters or other aspects of our business. Even when not merited, the defense of these lawsuits may divert our management's attention, and we may incur significant expenses in defending these lawsuits. In addition, we may be required to pay damage awards or settlements or become subject to injunctions or other equitable remedies, which could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. The outcome of litigation is often difficult to predict, and the outcome of pending or future litigation may have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

We face risks associated with our defined benefit pension plan.

We maintain a company-sponsored defined benefit pension plan. A deterioration in the value of plan assets resulting from poor market performance, a general financial downturn or otherwise could cause an increase in the amount of contributions we are required to make to these plans. For example, our defined benefit pension plan may from time to time move from an overfunded to underfunded status driven by decreases in plan asset values that may result from changes in long-term interest rates and disruptions in U.S. or global financial markets. For a more detailed description of the pension plan, refer to the information set forth under the heading "Retirement Plans" in Note 10 of the Notes to Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data." An obligation to make additional, unanticipated contributions to our defined benefit plans could reduce the cash available for working capital and other corporate uses, and may have a material adverse effect on our business, consolidated financial position, results of operations and liquidity.

Our business is dependent on our information technology systems and software, and failure to protect against or effectively respond to cyber-attacks, security breaches, or other incidents involving those systems, could adversely affect day-to-day operations and decision making processes and have an adverse effect on our performance and reputation.

The efficient operation of our business depends on our information technology systems, which we rely on to effectively manage our business data, communications, logistics, accounting, regulatory and other business processes. If we do not allocate and effectively manage the resources necessary to build and sustain an appropriate technology environment, our business, reputation, or financial results could be negatively impacted. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including systems failures, natural disasters, terrorist attacks, viruses, ransomware, security breaches or cyber incidents. Cyber-attacks are becoming more sophisticated and are increasing in the number of attempts and frequency by groups and individuals with a wide range of motives. A security breach of sensitive information could result in damage to our reputation and our relations with our customers or employees. Any such damage or interruption could have a material adverse effect on our business.

[Table of Contents](#)

We generate agricultural food packaging wastes and are subject to substantial environmental regulation.

As a food packager, we regularly dispose of produce wastes (silage) and processing water as well as materials used in plant operation and maintenance and our plant boilers, which generate heat used in packaging and can manufacturing operations, producing generally small emissions into the air. These activities and operations are regulated by federal and state laws and the respective federal and state environmental agencies. Occasionally, we may be required to remediate conditions found by the regulators to be in violation of environmental law or to contribute to the cost of remediating waste disposal sites, which we neither owned nor operated, but in which, we and other companies deposited waste materials, usually through independent waste disposal companies. Future possible costs of environmental remediation, contributions and penalties could materially and adversely affect our business, financial condition and results of operations.

Our production capacity for certain products and commodities is concentrated in a limited number of facilities, exposing us to a material disruption in production in the event that a disaster strikes.

We only have one plant that produces fruit products and one plant that produces pumpkin products. We have two plants that manufacture empty cans, one with substantially more capacity than the other, which are not interchangeable since each plant cannot necessarily produce all the can sizes needed. Although we maintain property and business interruption insurance coverage, there can be no assurance that this level of coverage is adequate in the event of a catastrophe or significant disruption at these or other Company facilities. If such an event occurs, it could materially and adversely affect our business, financial condition and results of operations.

We may undertake acquisitions or product innovations and may have difficulties integrating them or may not realize the anticipated benefits.

In the future, we may undertake acquisitions of other businesses or introduce new products, although there can be no assurances that these will occur. Such undertakings involve numerous risks and significant investments. There can be no assurance that we will be able to identify and acquire acquisition candidates on favorable terms, to profitably manage or to successfully integrate future businesses that we may acquire or new products we may introduce without substantial costs, delays or problems. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations.

We are dependent upon a seasonal workforce and our inability to hire sufficient employees may adversely affect our business.

At the end of December 2022, we had roughly 3,000 employees of which approximately 2,800 were full time, 100 seasonal employees worked in food packaging, and 100 employees worked in other activities. During the peak summer harvest period, we averaged approximately 3,600 additional seasonal employees to help package fruit and vegetables. If there is a shortage of seasonal labor, or if there is an increase to minimum wage rates, this could have a negative impact on our cost of operations. Many of our packaging operations are located in rural communities that may not have sufficient labor pools, requiring us to hire employees from other regions. An inability to hire and train sufficient employees during the critical harvest period could materially and adversely affect our business, financial condition and results of operations.

Increases in Labor Costs or Work Stoppages or Strikes Could Materially and Adversely Affect Our Financial Condition and Results of Operations

Personnel costs, including the costs of medical and other employee health and welfare benefits, have increased. These costs can vary substantially as a result of an increase in the number, mix and experience of our employees and changes in health care and other employment-related laws. There are no assurances that we will succeed in reducing future increases in such costs. Increases in personnel costs can also be amplified by low unemployment rates, preferences among workers in the labor market and general tight labor market conditions in any of the areas where we operate. Our inability to control such costs could materially and adversely affect our financial condition and results of operations. Although we consider our labor relations to be good, if a significant number of our employees engaged in a work slowdown, or other type of labor unrest, it could in some cases impair our ability to supply our products to customers, which could result in reduced sales, and may distract our management from focusing on our business and strategic priorities. Any of these activities could materially and adversely affect our financial condition and results of operations.

Environmental and other regulation of our business, including potential climate change regulation, could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.

Climate change serves as a risk multiplier increasing both the frequency and severity of natural disasters that may affect our business operations. Moreover, there has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. In the United States, there is a significant possibility that some form of regulation will be enacted at the federal level to address the effects of climate change. Such regulation could take several forms that could result in additional costs in the form of taxes, consultant costs, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances. Climate change regulation continues to evolve, and it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation.

[Table of Contents](#)

There may be increased governmental legislative and regulatory activity in reaction to consumer perception related to enamels.

There has been continued state legislative activity to ban certain enamels used to line cans; such as Bisphenol-A ("BPA"). These legislative decisions are predominantly driven by consumer perception that BPA may be harmful. These actions have been taken despite the scientific evidence and general consensus of United States and international government agencies that BPA is safe and does not pose a risk to human health. The legislative actions combined with growing public perception about food safety may require us to change some of the materials used as linings in our packaging materials. Failure to do so could result in a loss of sales as well as loss in value of the inventory utilizing certain materials. In collaboration with other can makers as well as enamel suppliers, we have aggressively worked to find alternative materials for can linings not manufactured using BPA. We have transitioned to BPANI (BPA Non-intent) and less than 1% of our canned product volume still includes BPA. Even though BPANI has been fully approved by the Food and Drug Administration ("FDA"), there could be future legislative or regulatory actions that claim BPANI also poses a risk to human health. Future changes or additional health and safety laws and regulations in connection with our products, packaging or processes may also impose upon us new requirements, costs, and changes to production. Such requirements, changes, liabilities, and costs could materially and adversely affect our business, financial condition and results of operations.

The implementation of the Food Safety Modernization Act of 2011 may affect operations.

The Food Safety Modernization Act ("FSMA") was enacted with the goal of enabling the FDA to better protect public health by strengthening the food safety system. FSMA was designed to focus the efforts of FDA on preventing food safety problems rather than relying primarily on reacting to problems after they occur. The law also provides the FDA with new enforcement authorities designed to achieve higher rates of compliance with prevention and risk-based food safety standards and to better respond to and contain problems when they do occur. The increased inspections, mandatory recall authority of the FDA, increased scrutiny of foreign sourced or supplied food products, and increased records access may have an impact on our business. As we are already in a highly regulated business, operating under the increased scrutiny of more FDA authority does not appear likely to negatively impact our business. The law also gives FDA important new tools to hold imported foods to the same standards as domestic foods.

Our results are dependent on successful marketplace initiatives and acceptance by consumers of our products.

Our product introductions and product improvements, along with other marketplace initiatives, are designed to capitalize on new customer or consumer trends. The FDA has issued a statement on sodium which referred to an Institute of Medicine statement that too much sodium is a major contributor to high blood pressure. Some of our products contain a moderate amount of sodium per recommended serving, which is based on consumer's preferences for taste. In order to remain successful, we must anticipate and react to these new trends and develop new products or packages to address them. While we devote significant resources to meeting this goal, we may not be successful in developing new products or packages, or our new products or packages may not be accepted by customers or consumers.

Financing Risks

Global economic conditions may materially and adversely affect our business, financial condition and results of operations.

Unfavorable economic conditions, including the impact of recessions in the United States and throughout the world, may negatively affect our business and financial results. These economic conditions could negatively impact (i) consumer demand for our products, (ii) the mix of our products' sales, (iii) our ability to collect accounts receivable on a timely basis, (iv) the ability of suppliers to provide the materials required in our operations and (v) our ability to obtain financing or to otherwise access the capital markets. The strength of the U.S. dollar versus other world currencies could result in increased competition from imported products and decreased sales to our international customers. A prolonged recession could result in decreased revenue, margins and earnings. Additionally, the economic situation could have an impact on our lenders or customers, causing them to fail to meet their obligations to us. The occurrence of any of these risks could materially and adversely affect our business, financial condition and results of operations.

Our ability to manage our working capital and our Revolver is critical to our success.

As of March 31, 2023, we had a \$180.6 million outstanding balance on our revolving credit facility ("Revolver"). During our second and third fiscal quarters, our operations generally require more cash than is available from operations. In these circumstances, it is necessary to borrow under our Revolver. Our ability to obtain financing in the future through credit facilities will be affected by several factors, including our creditworthiness, our ability to operate in a profitable manner and general market and credit conditions. Significant changes in our business or cash outflows from operations could create a need for additional working capital. An inability to obtain additional working capital on terms reasonably acceptable to us or access the Revolver would materially and adversely affect our operations. Additionally, if we need to use a portion of our cash flows to pay principal and interest on our debt, it will reduce the amount of money we have for operations, working capital, capital expenditures, expansions, acquisitions or general corporate or other business activities.

[Table of Contents](#)

Failure to comply with the requirements of our debt agreements could have a material adverse effect on our business.

Our debt agreements contain financial and other restrictive covenants which, among other things, limit our ability to borrow money, including with respect to the refinancing of existing indebtedness. These provisions may limit our ability to conduct our business, take advantage of business opportunities and respond to changing business, market and economic conditions. In addition, they may place us at a competitive disadvantage relative to other companies that may be subject to fewer, if any, restrictions. Failure to comply with the requirements of our debt agreements could materially and adversely affect our business, financial condition and results of operations. We have pledged our accounts receivable, inventory, equipment, certain facilities, capital stock, or other ownership interests that we own in our subsidiaries to secure certain debt. If a default occurred and was not cured, secured lenders could foreclose on this collateral.

Risks Relating to Our Stock

Our existing shareholders, if acting together, may be able to exert control over matters requiring shareholder approval.

Holders of our Class B common stock are entitled to one vote per share, while holders of our Class A common stock are entitled to one-twentieth of a vote per share. In addition, holders of our 10% Cumulative Convertible Voting Preferred Stock, Series A, our 10% Cumulative Convertible Voting Preferred Stock, Series B and, solely with respect to the election of directors, our 6% Cumulative Voting Preferred Stock, which we refer to as our voting preferred stock, are entitled to one vote per share. As of March 31, 2023, holders of Class B common stock and voting preferred stock held 90.2% of the combined voting power of all shares of capital stock then outstanding and entitled to vote. These shareholders, if acting together, would be in a position to control the election of our directors and to effect or prevent certain corporate transactions that require majority or supermajority approval of the combined classes, including mergers and other business combinations. This may result in us taking corporate actions that you may not consider to be in your best interest and may affect the price of our common stock.

As of March 31, 2023, our current executive officers and directors beneficially owned 11.4% of our outstanding shares of Class A common stock, 50.07% of our outstanding shares of Class B common stock and 23.1% of our voting preferred stock, or 37.2% of the combined voting power of our outstanding shares of capital stock. This concentration of voting power may inhibit changes in control of the Company and may adversely affect the market price of our common stock.

Our certificate of incorporation and bylaws contain provisions that discourage corporate takeovers.

Certain provisions of our certificate of incorporation and bylaws and provisions of the New York Business Corporation Law may have the effect of delaying or preventing a change in control. Various provisions of our certificate of incorporation and bylaws may inhibit changes in control not approved by our directors and may have the effect of depriving shareholders of any opportunity to receive a premium over the prevailing market price of our common stock in the event of an attempted unsolicited takeover. In addition, the existence of these provisions may adversely affect the market price of our common stock. These provisions include:

- a classified board of directors;
- a requirement that special meetings of shareholders be called only by our directors or holders of 25% of the voting power of all shares outstanding and entitled to vote at the meeting;
- our board of directors has the power to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as the board of directors may determine;
- the affirmative vote of two-thirds of the shares present and entitled to vote is required to amend our bylaws or remove a director; and
- under the New York Business Corporation Law, in addition to certain restrictions which may apply to “business combinations” involving us and an “interested shareholder”, a plan for our merger or consolidation must be approved by two-thirds of the votes of all outstanding shares entitled to vote thereon. See “Our existing shareholders, if acting together, may be able to exert control over matters requiring shareholder approval.”

We have not paid dividends on our common stock in the past.

We have not declared or paid any cash dividends on our common stock in the past. In addition, payment of cash dividends on our common stock is not permitted by the terms of our revolving credit facility. This policy may be revisited under the correct circumstances in the future.

[Table of Contents](#)

Other Risks

Tax legislation could impact future cash flows.

We use the Last-In, First-Out (LIFO) method of inventory accounting. As of March 31, 2023, we had a LIFO reserve of \$264.5 million which, at the U.S. corporate tax rate, represents approximately \$66.1 million of income taxes, payment of which is delayed to future dates based upon changes in inventory costs. From time-to-time, discussions regarding changes in U.S. tax laws have included the potential of LIFO being repealed. Should LIFO be repealed, the \$66.1 million of postponed taxes, plus any future benefit realized prior to the date of repeal, would likely have to be repaid over some period of time. Repayment of these postponed taxes will reduce the amount of cash that we would have available to fund our operations, working capital, capital expenditures, expansions, acquisitions or general corporate or other business activities. This could materially and adversely affect our business, financial condition and results of operations.

The tax status of our insurance subsidiary could be challenged resulting in an acceleration of income tax payments.

In conjunction with our workers' compensation program, we operate a wholly owned insurance subsidiary, Dundee Insurance Company, Inc. We recognize this subsidiary as an insurance company for federal income tax purposes with respect to our consolidated federal income tax return. In the event the Internal Revenue Service ("IRS") were to determine that this subsidiary does not qualify as an insurance company, we could be required to make accelerated income tax payments to the IRS that we otherwise would have deferred until future periods.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table details the Company's manufacturing plants and warehouses:

Food Group	(000s) Square Footage	Acres
Nampa, Idaho	243	16
Payette, Idaho	392	43
Princeville, Illinois	288	568
Hart, Michigan	365	83
Traverse City, Michigan	58	43
Blue Earth, Minnesota	286	429
Glencoe, Minnesota	674	913
LeSueur, Minnesota	82	497
Montgomery, Minnesota	564	1,172
Rochester, Minnesota	835	620
Geneva, New York	769	593
Leicester, New York	204	91
Dayton, Oregon	82	19
Dayton, Washington	250	29
Yakima, Washington	122	8
Baraboo, Wisconsin	625	13
Berlin, Wisconsin	89	125
Cambria East, Wisconsin	399	401
Cambria West, Wisconsin	212	321
Clyman, Wisconsin	438	724
Cumberland, Wisconsin	400	307
Gillett, Wisconsin	324	105
Janesville, Wisconsin	1,234	342
Mayville, Wisconsin	239	354
Oakfield, Wisconsin	229	2,135
Ripon, Wisconsin	634	87
Non-Food Group (1)		
Fairport, New York	12	
Penn Yan, New York	27	4
Total	10,076	10,042

(1) The table does not include facilities in Albany, Oregon and Beverly, Washington that were idle and classified as an asset held for sale on our consolidated balance sheet as of March 31, 2023. The table also does not include a non-operational facility in Mendota, Illinois.

[Table of Contents](#)

The Company believes that these facilities are suitable and adequate for the purposes for which they are currently intended. All locations, although highly utilized, have the ability to expand as sales requirements justify. Because of the seasonal production cycles, the exact extent of utilization is difficult to measure.

Item 3. Legal Proceedings

The information set forth under the heading “*Legal Proceedings and Other Contingencies*” in Note 15 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant’s Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

Refer to the information in the 2023 Annual Report, attached as Exhibit 13 to this Annual Report on Form 10-K, under the section “Shareholder Information”, which is incorporated by reference.

Issuer Purchases of Equity Securities

On August 10, 2022, the Board approved an amendment to the Company’s stock repurchase program which increased the maximum number of shares to be repurchased under the program up to 2,000,000 shares of the Company's Class A and/or Class B Common Stock, including the shares of convertible participating preferred stock of the Company, (collectively, the “Common Stock”). Under the repurchase program, the Company may purchase shares of Common Stock from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the Securities and Exchange Commission. The Board also authorized the establishment of a stock trading plan pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, to make purchases of Common Stock pursuant to the stock repurchase program. The timing and amount of stock repurchases under the program, if any, will be at the discretion of management, and will depend on available cash, market conditions and other considerations. Therefore, we cannot assure you as to the number or aggregate dollar amount of shares, if any, that will be repurchased under the repurchase program. We may discontinue the program at any time.

Period	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
	Class A Common	Class B Common	Class A Common	Class B Common		
01/01/2023 – 01/31/2023		-		-		
02/01/2023 – 02/28/2023		-		-		
03/01/2023 – 03/31/2023		-		-		
Total	-	-		-	-	550,661

Item 6. Reserved

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Refer to the information in the 2023 Annual Report, attached as Exhibit 13 to this Annual Report on Form 10-K, under the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, which is incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Refer to the information in the 2023 Annual Report, attached as Exhibit 13 to this Annual Report on Form 10-K, under the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, which is incorporated by reference.

Item 8. Financial Statements and Supplementary Data

Refer to the information in the 2023 Annual Report, attached as Exhibit 13 to this Annual Report on Form 10-K, which is incorporated herein by reference.

[Table of Contents](#)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Co-Principal Financial Officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of March 31, 2023. Based upon this evaluation, our Principal Executive Officer and Co-Principal Financial Officers concluded that, as of March 31, 2023, the Company's disclosure controls and procedures: (1) were designed to ensure that material information relating to the Company is made known to our Principal Executive Officer and Co-Principal Financial Officers by others within those entities, particularly during the period in which this report was being prepared, so as to allow timely decisions regarding required disclosure and (2) were effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on our assessment, management believes that, as of March 31, 2023, our internal control over financial reporting is effective based on those criteria.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Certain information required by Part III is incorporated by reference from the Company's Definitive Proxy Statement for its 2023 Annual Meeting of Shareholders to be held on August 9, 2023 ("Proxy Statement"). The Proxy Statement will be filed within 120 days after the end of the Company's fiscal year ended March 31, 2023.

Item 10. Directors, Executive Officers and Corporate Governance

The following sections of the Proxy Statement are incorporated herein by reference:

- Information Concerning Directors
- Executive Officers
- Delinquent Section 16(a) Reports
- Board Governance
- Audit Committee Matters

[Table of Contents](#)

Item 11. Executive Compensation

The following sections of the Proxy Statement are incorporated herein by reference:

- Compensation Discussion and Analysis
- Summary Compensation Table
- Grants of Plan-Based Awards in Fiscal Year 2023
- Outstanding Equity Awards at 2023 Fiscal Year-End
- Option Exercises and Stock Vested in Fiscal Year 2023
- Pension Benefits
- Compensation of Directors
- Compensation Committee Interlocks
- Pay Versus Performance
- CEO Pay Ratio

The information included under the heading “Compensation Committee Report” in the Proxy Statement is also incorporated herein by reference; however, this information shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plans

The 2007 Equity Incentive Plan (the “2007 Equity Plan”) was approved by shareholders at the Company’s annual meeting on August 10, 2007 and extended on July 28, 2017. The 2007 Equity Plan expires in August 2027 and originally authorized the issuance of up to 100,000 shares of either Class A Common Stock and Class B Common Stock or a combination of the two classes of stock. During fiscal year 2023, 3,528 shares were awarded under the terms of the 2007 Equity Plan. As of March 31, 2023, there were 44,958 shares available for distribution as part of future awards under the 2007 Equity Plan. No additional shares have been awarded under the 2007 Equity Plan through the date of this Annual Report on Form 10-K. There are no equity compensation plans not approved by the Company’s shareholders.

The following sections of the Proxy Statement are incorporated herein by reference:

- Security Ownership of Certain Beneficial Owners
- Security Ownership of Management and Directors

Item 13. Certain Relationships and Related Transactions, and Director Independence

The following sections of the Proxy Statement are incorporated herein by reference:

- Independent Directors
- Certain Transactions and Relationships

Item 14. Principal Accountant Fees and Services

The following sections of the Proxy Statement are incorporated herein by reference:

- Principal Accountant Fees and Services

PART IV

Item 15. Exhibits and Financial Statement Schedule

A. Exhibits, Financial Statements, and Supplemental Schedule

1. Financial Statements – the following consolidated financial statements of the Registrant, included in the 2023 Annual Report to Shareholders, are incorporated by reference in Part II, Item 8 “Financial Statements and Supplementary Data”:
 - a. Consolidated Statements of Net Earnings – Years ended March 31, 2023, 2022, and 2021
 - b. Consolidated Statements of Comprehensive Income (Loss) – Years ended March 31, 2023, 2022, and 2021

[Table of Contents](#)

- c. Consolidated Balance Sheets – As of March 31, 2023 and 2022
 - d. Consolidated Statements of Cash Flows – Years ended March 31, 2023, 2022, and 2021
 - e. Consolidated Statements of Stockholders' Equity – Years ended March 31, 2023, 2022, and 2021
 - f. Notes to Consolidated Financial Statements – Years ended March 31, 2023, 2022, and 2021
 - g. Reports of Independent Registered Public Accounting Firm (PCAOB ID 6581)
2. Supplemental Schedule:
- a. Report of Independent Registered Public Accounting Firm on Schedule
 - b. Schedule II—Valuation and Qualifying Accounts

Other schedules have not been filed because the conditions requiring the filing do not exist or the required information is included in the consolidated financial statements, including the notes thereto.

<u>Exhibit Number</u>	<u>Description</u>
3.1	The Company's Restated Certificate of Incorporation, (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 11, 2010)
3.2	The Company's Bylaws (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended July 1, 1995 filed with the SEC on August 18, 1995)
3.3	Amendment to the Company's Bylaws (incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated November 6, 2007)
4.1	Description of Capital Stock (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2019)
10.1	Fourth Amended and Restated Loan and Security Agreement dated as of March 24, 2021 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, Green Valley Foods, LLC and certain other subsidiaries of Seneca Foods Corporation, the financial institutions party thereto as lenders, as agent, issuing bank, and syndication agent, and BofA Securities, Inc. as lead arranger (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 26, 2021)
10.2	First Amendment to Fourth Amended and Restated Loan and Security Agreement dated as of September 14, 2022 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, Green Valley Foods, LLC and certain other subsidiaries of Seneca Foods Corporation, the financial institutions party thereto as lenders, as agent, issuing bank, and syndication agent, and BofA Securities, Inc. as lead arranger (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2022, filed with the SEC on November 9, 2022)
10.3	Second Amended and Restated Loan and Guaranty Agreement as of January 20, 2023 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, Green Valley Foods, LLC and certain other subsidiaries of Seneca Foods Corporation and Farm Credit East, ACA (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 26, 2023)
10.4	Amendment 1 to Second Amended and Restated Loan and Guaranty Agreement as of May 23, 2023 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, Green Valley Foods, LLC and certain other subsidiaries of Seneca Foods Corporation and Farm Credit East, ACA (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 30, 2023)
10.5	Indemnification Agreement between the Company and the directors of the Company (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2020, filed with the SEC on November 4, 2020)
10.6*	Amended and Restated Seneca Foods Corporation Executive Profit Sharing Bonus Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on June 10, 2022)

Table of Contents

10.7*	Amended and Restated Seneca Foods Corporation Manager Profit Sharing Bonus Plan (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on June 10, 2022)
10.8*	2007 Equity Incentive Plan effective August 3, 2007 as extended on July 28, 2017 (incorporated by reference to Appendix A to the Company's Proxy Statement dated June 28, 2007)
10.9*	Seneca Foods Corporation Division Management Bonus Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 5, 2020)
10.10*	Executive Transition Services Agreement dated as of August 31, 2020 between the Company and Kraig H. Kayser (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2020, filed with the SEC on November 4, 2020)
10.11*	Supplemental Retirement Agreement between Seneca Foods Corporation and Kraig H. Kayser (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2020, filed with the SEC on November 4, 2020)
10.12*	Supplemental Retirement Agreement between Seneca Foods Corporation and Timothy J. Benjamin (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 11, 2021)
13	Portions of Annual Report to Shareholders for the fiscal year ended March 31, 2023 (filed herewith)
21	List of Subsidiaries (filed herewith)
23.1	Consent of Plante Moran, P.C. (filed herewith)
31.1	Certification of Paul L. Palmby as Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Michael S. Wolcott as Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.3	Certification of Timothy J. Benjamin as former Chief Financial Officer 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.INS	Inline XBRL Instance Document (filed herewith).
101.1.SCH	Inline XBRL Taxonomy Extension Calculation Schema Document (filed herewith)
101.2.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.3.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.4.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.5	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) (filed herewith)

* Indicates management or compensatory agreement

Item 16. Form 10-K Summary

None

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SENECA FOODS CORPORATION

By: /s/ Michael S. Wolcott
Michael S. Wolcott
Senior Vice President, Chief Financial Officer and Treasurer

June 13, 2023

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul L. Palmby</u> Paul L. Palmby	President and Chief Executive Officer Director (Principal Executive Officer)	June 13, 2023
<u>/s/ Michael S. Wolcott</u> Michael S. Wolcott	Senior Vice President, Chief Financial Officer, and Treasurer (Co-Principal Financial Officer)	June 13, 2023
<u>/s/ Timothy J. Benjamin</u> Timothy J. Benjamin	Former Senior Vice President, Chief Financial Officer, and Treasurer (Co-Principal Financial Officer)	June 13, 2023
<u>/s/ Gregory R. Ide</u> Gregory R. Ide	Vice President, Controller, and Assistant Secretary (Principal Accounting Officer)	June 13, 2023
<u>/s/ Kraig H. Kayser</u> Kraig H. Kayser	Director (Chairman)	June 13, 2023
<u>/s/ Kathryn J. Boor</u> Kathryn J. Boor	Director	June 13, 2023
<u>/s/ Peter R. Call</u> Peter R. Call	Director	June 13, 2023
<u>/s/ John P. Gaylord</u> John P. Gaylord	Director	June 13, 2023
<u>/s/ Linda K. Nelson</u> Linda K. Nelson	Director	June 13, 2023
<u>/s/ Michael R. Nozzolio</u> Michael R. Nozzolio	Director	June 13, 2023
<u>/s/ Donald J. Stuart</u> Donald J. Stuart	Director	June 13, 2023
<u>/s/ Keith A. Woodward</u> Keith A. Woodward	Director	June 13, 2023

Our Business

Exhibit 13

Seneca is a leading provider of packaged fruits and vegetables, with facilities located throughout the United States. Its high quality products are primarily sourced from approximately 1,400 American farms. 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® and READ®. The Company's 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, restaurants chains, industrial markets, other food processors, export customers in approximately 60 countries and federal, state and local governments for school and other food programs. Additionally, the Company packs canned and frozen vegetables under contract packing agreements.

The Company's business strategies are designed to grow its market share and enhance sales and margins. These strategies include: 1) expand the Company's leadership in the packaged fruit and vegetable industry; 2) provide low cost, high quality vegetable products to consumers through the elimination of costs from the Company's supply chain and investment in state-of-the-art production and logistical technology; 3) focus on growth opportunities to capitalize on higher expected returns; and 4) pursue strategic acquisitions that leverage the Company's core competencies.

All references to years are fiscal years ended March 31 unless otherwise indicated.

Fluctuations in Commodity, Production, Distribution and Labor Costs

We purchase raw materials, including raw produce, steel, ingredients and packaging materials from growers, commodity processors, steel producers and packaging suppliers. Raw materials and other input costs, such as labor, fuel, utilities and transportation, are subject to fluctuations in price attributable to a number of factors. Fluctuations in commodity prices can lead to retail price volatility and can influence consumer and trade buying patterns. The cost of raw materials, fuel, labor, distribution and other costs related to our operations can increase from time to time significantly and unexpectedly.

We continue to experience material cost inflation for many of our raw materials and other input costs attributable to a number of factors, including but not limited to, supply chain disruptions (including raw material shortages), labor shortages, and the war in Ukraine. While we have no direct exposure to Russia and Ukraine, we have experienced increased costs for transportation, energy, and raw materials due in part to the negative impact of the Russia-Ukraine conflict on the global economy. We attempt to manage cost inflation risks by locking in prices through short-term supply contracts, advance grower purchase agreements, and by implementing cost saving measures. We also attempt to offset rising input costs by raising sales prices to our customers. However, increases in the prices we charge our customers may lag behind rising input costs. Competitive pressures also may limit our ability to quickly raise prices in response to rising costs. To the extent we are unable to avoid or offset any present or future cost increases our operating results could be materially adversely affected.

Results of Operations - Fiscal Year 2023 versus Fiscal Year 2022

The following discussion is a comparison between fiscal year 2023 and fiscal year 2022 results. For a discussion of the Company's results of operations for the year ended March 31, 2022 compared to the year ended March 31, 2021, please refer to the information under the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2022 Annual Report, attached as Exhibit 13 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022, which was filed with the SEC on June 10, 2022.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Net Sales:

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

	Fiscal Year:	
	2023	2022
Canned vegetables	\$ 1,253,257	\$ 1,135,983
Frozen vegetables	121,211	123,895
Fruit products	91,495	84,708
Snack products	12,661	12,332
Other	30,728	28,362
	<u>\$ 1,509,352</u>	<u>\$ 1,385,280</u>

Net sales for fiscal year 2023 totaled \$1,509.4 million as compared to \$1,385.3 million for fiscal year 2022. The overall net sales increase of \$124.1 million, or 9.0%, was due to higher selling prices contributing favorability of \$204.0 million offset by lower sales volumes having an unfavorable impact of \$79.9 million to net sales, as compared to the prior fiscal year.

Net sales of canned vegetables, fruit products, and snack products increased over the prior fiscal year due to higher pricing necessitated by the material cost increases that the Company is experiencing. Volume in each of these product categories is down versus the prior fiscal year partially offsetting a portion of the favorability in net sales generated by increased pricing. Net sales in the frozen vegetable category decreased as compared to the prior fiscal year as increased pricing did not offset volume declines, primarily in the frozen contract packing sales channel.

Operating Income:

The following table sets forth the percentages of net sales represented by selected items for fiscal year 2023 and fiscal year 2022 reflected in our consolidated statements of net earnings:

	Fiscal Year:	
	2023	2022
Gross margin	9.0%	10.7%
Selling, general, and administrative expense	5.4%	5.5%
Other operating (income) expense, net	-0.1%	0.1%
Operating income	3.5%	5.1%
Loss from equity investment	0.0%	0.6%
Other non-operating income	-0.4%	-0.7%
Interest expense, net	0.9%	0.4%
Income taxes	0.8%	1.1%

Gross Margin – Gross margin is equal to net sales less cost of products sold. As a percentage of net sales, gross margin was 9.0% for fiscal year 2023 as compared to 10.7% for fiscal year 2022. This decrease in gross margin was due primarily to a LIFO charge of \$100.0 million in fiscal year 2023 versus a LIFO charge of \$35.8 million in fiscal year 2022, a year over year negative impact to gross margin of \$64.2 million. Fiscal year 2023's large LIFO charge was driven by cost inflation for various inputs, including steel, commodities, labor, ingredients, packaging, fuel and transportation.

Selling, General and Administrative Expense – Selling, general and administrative expense was 5.4% of net sales in fiscal year 2023 and 5.5% of net sales in fiscal year 2022. The decrease as a percentage of net sales is primarily due to higher sales and the fixed nature of certain expenses.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Other Operating (Income) Expense, net – The Company had net other operating income of \$1.7 million in fiscal year 2023, which was driven primarily by gains on the sale of the Company's western trucking fleet and an aircraft, along with a favorable true-up of the supplemental early retirement plan accrual. This other operating income was partially offset by a write down of idle equipment to estimated selling price, less commission, as the assets met the criteria to be classified as held for sale.

The Company had net other operating expense of \$1.2 million in fiscal year 2022, which was driven by charges for supplemental early retirement plans and to maintain non-operating facilities classified as held for sale. These charges were partially offset by a net gain on the sale of assets and a gain from debt forgiveness on an economic development loan.

Restructuring – During fiscal year 2023, the Company incurred restructuring charges of \$3.6 million primarily due to ceasing production of green beans at a plant in the Northeast. The charges mainly consisted of severance and write-downs of production equipment that was to be scrapped or sold. The Company did not incur significant restructuring charges during fiscal year 2022.

Non-Operating Income:

Loss from Equity Investment – During fiscal year 2022, the Company incurred a pre-tax operating loss, including an impairment charge, of \$7.8 million in connection with its equity investment that experienced a decline in value deemed other-than-temporary. The Company's equity investment was written down to \$0 as of March 31, 2022, and therefore no loss was incurred from equity investment during fiscal year 2023.

Interest Expense, Net – Interest expense as a percentage of net sales was 0.9% for fiscal year 2023 as compared to 0.4% for fiscal year 2022. Interest expense increased from \$5.6 million in the prior fiscal year to \$14.3 million for fiscal year 2023 as a result of higher interest rates and increased borrowing levels.

Other Non-Operating Income Expense – Other non-operating income totaled \$6.8 million and \$9.3 million in fiscal years 2023 and 2022, respectively, and is comprised of the non-service related pension amounts that are actuarially determined. The amounts can either be income or expense depending on the results of the actuarial calculations. For details of the calculation of these amounts, refer to Note 10 of the Notes to Consolidated Financial Statements.

Income Taxes – As a result of the aforementioned factors, pre-tax earnings decreased from \$66.2 million in fiscal year 2022 to \$45.4 million in fiscal year 2023. Income tax expense totaled \$12.2 million and \$15.2 million in fiscal years 2023 and 2022, respectively. The Company's effective tax rate was 27.0% and 23.0% in fiscal years 2023 and 2022, respectively. In fiscal year 2023, the Company added a valuation allowance against state tax credits because it was determined that it was more likely than not that the credits will not be used prior to expiration. This change, along with other current year increases in the existing valuation allowances, had a 3.4% increase on the fiscal year 2023 effective tax rate. The effective tax rate was further increased by 0.6% due to state rate changes which were mostly caused by changes in the Company's business activities that impact state apportionment. For details of the calculation of the effective tax rate, refer to Note 9 of the Notes to Consolidated Financial Statements.

Earnings per Share:

	Fiscal Year:	
	2023	2022
Basic earnings per common share	\$ 4.23	\$ 5.83
Diluted earnings per common share:	\$ 4.20	\$ 5.79

For details of the calculation of these amounts, refer to Note 3 of the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources:

Material Cash Requirements – The Company's primary liquidity requirements include debt service, capital expenditures and working capital needs. Liquidity requirements are funded primarily through cash generated from operations and external sources of financing, including the revolving credit facility. The Company does not have any off-balance sheet financing arrangements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary of Cash Flows – The following table presents a summary of the Company's cash flows from operating, investing and financing activities (in thousands):

	Fiscal Year:	
	2023	2022
Cash (used in) provided by operating activities	\$ (212,796)	\$ 30,152
Cash used in investing activities	(64,877)	(45,187)
Cash provided by (used in) financing activities	279,025	(33,898)
Increase (decrease) in cash and cash equivalents	1,352	(48,933)
Cash and cash equivalents, beginning of year	10,904	59,837
Cash and cash equivalents, end of year	\$ 12,256	\$ 10,904

Net Cash (Used in) Provided by Operating Activities – For fiscal year 2023, cash used in operating activities was \$212.8 million, which consisted of a use of cash of \$286.7 million by operating assets and liabilities partially offset by net earnings of \$33.1 million, adjusted by non-cash charges of \$40.8 million. The non-cash charges were largely driven by \$40.9 million of depreciation and amortization. The change in operating assets and liabilities was largely due to inventories being a use of cash driven by the increased size of the fiscal year 2023 harvest in addition to material cost inflation to various production inputs.

For fiscal year 2022, cash provided by operating activities was \$30.2 million, which consisted of net earnings of \$51.0 million, adjusted by non-cash charges of \$50.4 million, partially offset by a use of cash of \$71.2 million in operating assets and liabilities. The non-cash charges were largely driven by \$36.5 million of depreciation and amortization. The change in operating assets and liabilities was largely due to inventories being a use of cash driven by a planned effort to raise inventory levels after the increased sales demand stemming from the COVID-19 pandemic significantly reduced inventory levels in the prior year. In addition to planning a larger seasonal pack to replenish depleted inventory, the Company began to experience material input cost inflation during fiscal year 2022, making the seasonal pack more costly to the Company.

The cash requirements of the business fluctuate significantly throughout the year to coincide with the seasonal growing cycles of vegetables. The majority of the inventories are produced during the packing months, from June through November, and are then sold over the following year. Cash flow from operating activities is one of the Company's main sources of liquidity.

Net Cash Used in Investing Activities – Net cash used in investing activities was \$64.9 million for fiscal year 2023 and consisted of cash used for capital expenditures of \$70.6 million partially offset by proceeds from the sale of assets totaling \$5.7 million.

Net cash used in investing activities was \$45.2 million for fiscal year 2022 and consisted of cash used for capital expenditures of \$53.4 million partially offset by proceeds from the sale of assets totaling \$8.2 million.

Net Cash Provided by (Used in) Financing Activities – Net cash provided by financing activities was \$279.0 million for fiscal year 2023, driven primarily by receiving proceeds from a new term loan of \$175 million and an increase in net borrowings on the Company's revolving credit facility of \$160.1 million during fiscal year 2023. Cash used to purchase treasury stock of \$41.2 million and to make payments on financing leases of \$8.8 million partially offset the cash provided by financing activities.

Net cash used in financing activities was \$33.9 million for fiscal year 2022, driven mostly by purchasing treasury stock of \$38.8 million and by making payments of \$7.9 million on financing leases. The use of cash in financing was partially offset by an increase in net borrowings on the Company's revolving credit facility of \$19.5 million.

Debt - The Company's primary cash requirements are to make payments on the Company's debt, finance seasonal working capital needs and to make capital expenditures. Internally generated funds and amounts available under the revolving credit facility are the Company's primary sources of liquidity, although the Company believes it has the ability to raise additional capital by issuing additional stock, if it desires.

Revolving Credit Facility – On March 24, 2021, the Company entered into a Fourth Amended and Restated Loan and Security Agreement that provides for a senior revolving credit facility of up to \$400.0 million that is seasonally adjusted (the "Revolver").

Maximum borrowing availability under the Revolver totals \$300.0 million from April through July and \$400.0 million from August through March. In order to maintain availability of funds under the facility, the Company pays a commitment fee on the unused portion of the Revolver.

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The Revolver is secured by substantially all of the Company’s accounts receivable and inventories and contains borrowing base requirements as well as a financial covenant, if certain circumstances apply. 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 fruits and vegetables the Company packages. The majority of vegetable inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable 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.

As of March 31, 2023 and 2022, the Revolver balance was \$180.6 million and \$20.5 million, respectively, and is included in Long-Term Debt in the accompanying Consolidated Balance Sheet due to the Revolver’s March 24, 2026 maturity.

The following table documents the quantitative data for short-term borrowings on the Revolver during fiscal years 2023 and 2022 (in thousands, except for percentages):

	As of:	
	March 31, 2023	March 31, 2022
Outstanding borrowings	\$ 180,598	\$ 20,508
Interest rate	6.34%	1.71%
	Fiscal Year:	
	2023	2022
Maximum amount of borrowings	\$ 350,828	\$ 58,323
Average outstanding borrowings	\$ 159,670	\$ 22,357
Weighted average interest rate	5.03%	1.37%

Long-Term Debt – On May 28, 2020 the Company entered into an Amended and Restated Loan and Guaranty Agreement with Farm Credit East, ACA that provides for a \$100.0 million unsecured term loan (“Term Loan”). The amended and restated agreement has a maturity date of June 1, 2025 and converted the Term Loan to a fixed interest rate rather than a variable interest rate in addition to requiring quarterly principal payments of \$1.0 million, which commenced during fiscal year 2021. The Company incurred financing costs totaling \$0.2 million which have been classified as a discount to the debt and are amortized over the life of the Term Loan. This agreement contains certain covenants, including maintaining a minimum EBITDA and minimum tangible net worth.

On January 20, 2023, the Company entered into a Second Amended and Restated Loan and Guaranty Agreement with Farm Credit East, ACA (the “Amended Agreement”). The Amended Agreement governs two term loans, summarized below:

Term Loan A-1: The Amended Agreement continues certain aspects of the \$100 million term loan described above, namely Term Loan A-1 will continue to bear interest at a fixed interest rate of 3.3012%, mature on June 1, 2025, and remain unsecured.

Term Loan A-2: The Amended Agreement adds an additional term loan in the amount of \$175 million that will mature on January 20, 2028, and is secured by a portion of the Company’s property, plant and equipment. Term Loan A-2 bears interest at a variable interest rate based upon the Secured Overnight Financing Rate (SOFR) plus an additional margin determined by the Company’s leverage ratio.

The Amended Agreement for Term Loan A-1 and Term Loan A-2 (collectively, the “Term Loans”) contains restrictive covenants usual and customary for loans of its type, in addition to financial covenants including minimum EBITDA and minimum tangible net worth which apply to both term loans described above. In connection with the Amended Agreement, the Company incurred \$0.6 million of financing costs which will be deferred and amortized over the life of Term Loan A-2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

As of March 31, 2023, scheduled maturities of long-term debt in each of the five succeeding fiscal years and thereafter are presented below. The Revolver balance is presented as being due in fiscal year 2026, based upon the Revolver's March 24, 2026 maturity date (in thousands):

2024	\$	10,000
2025		10,000
2026		267,598
2027		6,000
2028		149,500
Thereafter		216
Total	\$	<u>443,314</u>

The Company believes that its cash flows from operations, availability under its Revolver, and cash and cash equivalents on hand will provide adequate funds for the Company's working capital needs, planned capital expenditures, operating and administrative expenses, and debt service obligations for at least the next 12 months and the foreseeable future.

Restrictive Covenants – The Company's debt agreements, including the Revolver and Term Loans, contain customary affirmative and negative covenants that restrict, with specified exceptions, the Company's ability to incur additional indebtedness, incur liens, pay dividends on the Company's capital stock, make other restricted payments, including investments, transfer all or substantially all of the Company's assets, enter into consolidations or mergers, and enter into transactions with affiliates. The Company's debt agreements also require the Company to meet certain financial covenants including a minimum EBITDA and minimum tangible net worth. The Revolver contains borrowing base requirements related to accounts receivable and inventories and also requires the Company to meet a financial covenant related to a minimum fixed charge coverage ratio if (a) an event of default has occurred or (b) availability on the Revolver is less than the greater of (i) 10% of the commitments then in effect and (ii) \$25,000,000. The most restrictive financial covenant in the debt agreements is the minimum EBITDA within the Term Loans which for fiscal year 2023 was greater than \$75 million in EBITDA. The Company computes its financial covenants as if the Company were on the first-in, first out (FIFO) method of inventory accounting. The Company has met all such financial covenants as of March 31, 2023.

The Company's debt agreements limit the payment of dividends and other distributions. There is an annual total distribution limitation of \$50,000, less aggregate annual dividend payments totaling \$23,000 that the Company presently pays on two outstanding classes of preferred stock.

Standby Letters of Credit – The Company has standby letters of credit for certain insurance-related requirements. The majority of the Company's standby letters of credit are automatically renewed annually, unless the issuer gives cancellation notice in advance. On March 31, 2023, the Company had \$2.9 million in outstanding standby letters of credit. These standby letters of credit are supported by the Company's Revolver and reduce borrowings available under the Revolver.

Obligations and Commitments:

The Company is party to many contractual obligations involving commitments to make payments to third parties. These obligations impact the Company's short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Consolidated Balance Sheet as of March 31, 2023, while others are considered future obligations. Our contractual obligations primarily consist of operating leases, purchase obligations and commitments, long-term debt and related interest payments, and income taxes. All of these arrangements require cash payments over varying periods of time. Certain of these arrangements are cancelable on short notice and others require additional payments as part of any early termination.

See Notes 7 and 8 of Notes to Consolidated Financial Statements for information related to the Company's long-term debt and operating and financing leases, respectively.

Purchase obligations and commitments consist of open purchase orders to purchase raw materials, including raw produce, steel, ingredients and packaging materials, as well as commitments for products and services used in the normal course of business. The Company expects that the majority of these purchase obligations and commitments will be settled within one year.

The Company's contractual obligations related to income taxes are primarily related to unrecognized tax benefits. See Note 9 of Notes to Consolidated Financial Statements for information related to income taxes.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company has no off-balance sheet debt or other unrecorded obligations other than purchase commitments noted above.

Impact of Seasonality on Financial Position and Results of Operations:

While individual vegetables have seasonal cycles of peak production and sales, the different cycles are somewhat offsetting. Minimal food packaging occurs in the Company's last fiscal quarter ending March 31, which is the optimal time for maintenance, repairs and equipment changes in its packaging plants. The supply of commodities, current pricing, and expected new crop quantity and quality affect the timing and amount of the Company's sales and earnings. When the seasonal harvesting periods of the Company's major vegetables are newly completed, inventories for these packaged vegetables are at their highest levels. For peas, the peak inventory time is mid-summer and for corn and green beans, the Company's highest volume vegetables, the peak inventory is in mid-autumn. The seasonal nature of the Company's production cycle results in inventory and accounts payable reaching their lowest point late in the fourth quarter/early in the first quarter prior to the new seasonal pack commencing. As the seasonal pack progresses, these components of working capital both increase until the pack is complete.

The Company's revenues typically are highest in the second and third fiscal quarters. This is due, in part, because the Company's fruit and vegetable sales exhibit seasonal increases in the third fiscal quarter due to increased retail demand during the holiday season. In addition, the Company sells canned and frozen vegetables to a co-pack customer on a bill and hold basis at the end of each pack cycle, which typically occurs during these quarters. The following table shows quarterly information for selected financial statements items during fiscal years 2023, and 2022 to illustrate the Company's seasonal business (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2023:				
Net sales	\$ 265,193	\$ 439,842	\$ 473,254	\$ 331,063
Gross margin	22,843	41,779	53,789	17,485
Net earnings	5,103	16,131	21,054	(9,150)
Revolver outstanding (at quarter end)	78,965	229,213	313,808	180,598
Fiscal Year 2022:				
Net sales	\$ 235,042	\$ 372,256	\$ 445,593	\$ 332,389
Gross margin	33,623	42,728	44,985	26,596
Net earnings	14,136	11,654	18,664	6,553
Revolver outstanding (at quarter end)	1,000	51,679	33,711	20,508

Critical Accounting Policies and Estimates:

Revenue Recognition and Trade Promotion Expenses – Revenue recognition is completed for most customers at a point in time basis when product control is transferred to the customer. In general, control transfers to the customer when the product is shipped or delivered to the customer based upon applicable shipping terms, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time. During fiscal years 2023 and 2022, the Company sold certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement(s) provide that title to the specified inventory is transferred to the customer(s) prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard.

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 the Company's products to consumers, amounts paid to obtain favorable display positions in retail 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 the Company. 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Inventories – 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 is experiencing, the Company believes that the LIFO method was preferable over the FIFO (first-in, first-out) method because it better matches the cost of current production to current revenue. An actual valuation of inventory under the LIFO method is made at the end of each fiscal year based on the inventory levels and costs at that time. In contrast, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, production pack yields, sales and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation.

Long-Lived Assets – 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.

Income Taxes – As part of the income tax provision process of preparing the consolidated financial statements, the Company estimates income taxes. This process involves estimating current tax expenses together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. The Company then assesses the likelihood that any deferred tax assets will be recovered from future taxable income and to the extent it is believed the recovery is not likely, a valuation allowance is established. Refer to Note 9 of the Notes to Consolidated Financial Statements for the full tax reconciliation.

Pension Expense – The Company has a defined benefit plan which is subject to certain actuarial assumptions. The funded status of the pension plan is dependent upon many factors, including returns on invested assets and the level of certain market interest rates, employee-related demographic factors, such as turnover, retirement age and mortality, and the rate of salary increases. Certain assumptions reflect the Company's historical experience and management's best judgment regarding future expectations. The pension plan's funded status increased by \$6.4 million during fiscal year 2023 reflecting the actual fair value of plan assets and the projected benefit obligation as of March 31, 2023. This funded status increase was primarily driven by actuarial gains on the projected benefit obligation, as described in more detail below, partially offset by a combination of growth in the plan's projected benefit obligation due to service cost and interest cost and a negative return on plan assets.

During fiscal year 2023, the actuarial gain in the pension plan's projected benefit obligation was driven by an increase in discount rates and the annual update in plan census data resulting in demographic gains, partially offset by an assumed salary increase rate for fiscal year 2024 in excess of the long-term rate. During fiscal year 2022, the actuarial gain in the pension plan's projected benefit obligation was primarily driven by an increase in discount rates. The gain was partially offset by actuarial losses due to a combination of data revisions resulting in the demographic losses, a change in near-term assumed salary increases, and an update to the most recently released mortality projection scale by the Society of Actuaries (SOA). Plan assets decreased from \$327.9 million as of March 31, 2022 to \$294.3 million as of March 31, 2023 primarily due to normal payments of benefits and a negative return on plan assets.

The pension plan was amended to freeze accruals to new hires and rehires effective January 1, 2020. Refer to Note 10 of the Notes to Consolidated Financial Statements for the full pension plan disclosures.

Non-GAAP Financial Measures:

Certain disclosures in this report include non-GAAP financial measures. A non-GAAP financial measure is defined as a numerical measure of our financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with GAAP in our consolidated balance sheets and related consolidated statements of net earnings, comprehensive income (loss), stockholders' equity and cash flows.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Adjusted net earnings is calculated on a FIFO basis and excludes the impact of the Company's loss on equity investment. The Company believes this non-GAAP financial measure provides for a better comparison of year-over-year operating performance. The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP. Set forth below is a reconciliation of reported net earnings to adjusted net earnings (in thousands):

	Fiscal Year:	
	2023	2022
Earnings before taxes, as reported	\$ 45,370	\$ 66,231
LIFO charge	100,034	35,821
Loss on equity investment	-	7,775
Adjusted earnings before taxes	145,404	109,827
Income tax at effective tax rates	39,259	25,251
Adjusted net earnings	\$ 106,145	\$ 84,576

Recently Issued Accounting Standards:

Effective April 1, 2022, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which was subsequently amended in November 2018 through ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses (“ASU 2016-13”). The amended guidance requires entities to estimate lifetime expected credit losses for trade and other receivables, including those that are current with respect to payment terms, along with other financial instruments which may result in earlier recognition of credit losses. The Company evaluated its existing methodology for estimating an allowance for doubtful accounts and the risk profile of its receivables portfolio and developed a model that includes the qualitative and forecasting aspects of the “expected loss” model under the amended guidance. In determining the Company's reserve for credit losses, receivables are assigned an expected loss based on historical information adjusted for forward-looking economic factors. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”). ASU 2020-04 provides an optional expedient and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The optional guidance can be applied from March 12, 2020 through December 31, 2022. ASU 2020-04 eases the potential accounting burden associated with the expected discontinuance of the London Interbank Offered Rate (LIBOR) and other interbank offered rates, which are being replaced by alternative reference rates such as the Secured Overnight Financing Rate (SOFR). The interest rates associated with the Company's previous borrowings under its senior revolving credit facility (as defined in Note 7, “Long-term Debt”) were tied to LIBOR. Subsequent to the amendment of the senior revolving credit facility agreement on September 14, 2022, the Company's borrowings are tied to SOFR plus a spread adjustment (see Note 7, “Long-term Debt”). The adoption of ASU 2020-04 as a result of this amendment did not have a material impact on the Company's consolidated financial statements.

There were no other recently issued accounting pronouncements that impacted the Company's consolidated financial statements. In addition, the Company did not adopt any other new accounting pronouncements during fiscal year 2023.

Management's Discussion and Analysis of Financial Condition and Results of Operations

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to the amount of interest expense we expect to pay with respect to our Revolver and Term Loan A-2 (collectively, "Variable Rate Debt"), which are both tied to the variable market rate SOFR. Interest rates on the remainder of our long-term debt, including Term Loan A-1, are fixed and not subject to interest rate volatility. The Company uses its Variable Rate Debt to finance seasonal working capital requirements, capital expenditures, acquisitions, and to pay debt principal and interest obligations. With \$193.6 million in average Variable Rate Debt during fiscal 2023, a hypothetical 1% change in interest rates would have had a \$1.9 million effect on interest expense.

Commodity Risk

The materials that the Company uses, such as vegetables, fruits, steel, ingredients, and packaging materials, as well as the electricity and natural gas used in the Company's business are commodities that may experience price volatility caused by external factors including market fluctuations, availability, weather, currency fluctuations, and changes in governmental regulations and agricultural programs. These events may result in reduced supplies of these materials, higher supply costs, or interruptions in the Company's production schedules. If prices of these raw materials increase and the Company is not able to effectively pass such price increases along to its customers, operating income will decrease. During fiscal year 2023, the Company purchased \$334.1 million of steel and \$192.9 million of raw produce, which are the two largest raw material input costs. A hypothetical 1% change in the cost for both steel and raw produce would have impacted product costs by \$3.3 million and \$1.9 million, respectively, during fiscal year 2023.

The principal effect of inflation in both commodity and consumer prices on the Company's operating results is to increase costs, both for products sold and SG&A expenses. Although the Company may attempt to offset these cost increases by increasing selling prices for its products, consumers may not have the buying power to cover these increased costs and may reduce their volume of purchases of those products. In that event, selling price increases may not be sufficient to completely offset the Company's cost increases.

The Company does not currently hedge or otherwise use derivative instruments to manage interest rate or commodity risks.

Consolidated Statements of Net Earnings

Seneca Foods Corporation and Subsidiaries

(In thousands, except per share amounts)

	Fiscal Year:		
	2023	2022	2021
Net sales	\$ 1,509,352	\$ 1,385,280	\$ 1,467,644
Costs and expenses:			
Cost of products sold	1,373,456	1,237,348	1,235,459
Selling, general, and administrative expense	81,072	76,343	79,950
Other operating (income) expense, net	(1,662)	1,174	(29,014)
Plant restructuring	3,550	70	182
Total costs and expenses	1,456,416	1,314,935	1,286,577
Operating income	52,936	70,345	181,067
Other income and expenses:			
Interest expense, net of interest income of \$528, \$63 and \$42, respectively	14,325	5,641	6,125
Loss from equity investment	-	7,775	11,453
Other non-operating (income) expense	(6,759)	(9,302)	3,473
Earnings before income taxes	45,370	66,231	160,016
Income taxes	12,232	15,224	33,916
Net earnings	\$ 33,138	\$ 51,007	\$ 126,100
Earnings per share:			
Basic	\$ 4.23	\$ 5.83	\$ 13.82
Diluted	\$ 4.20	\$ 5.79	\$ 13.72
Weighted average common shares outstanding:			
Basic	7,796	8,707	9,088
Diluted	7,870	8,778	9,158

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Seneca Foods Corporation and Subsidiaries

(In thousands)

	Fiscal Year:		
	2023	2022	2021
Comprehensive income:			
Net earnings	\$ 33,138	\$ 51,007	\$ 126,100
Change in pension and postretirement benefits, net of tax expense (benefit) of \$1,999, (\$2,423) and \$19,528, respectively	5,980	(7,401)	60,153
Total	<u>\$ 39,118</u>	<u>\$ 43,606</u>	<u>\$ 186,253</u>

See notes to consolidated financial statements.

Consolidated Balance Sheets

Seneca Foods Corporation and Subsidiaries

(In thousands)

	As of:	
	March 31, 2023	March 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,256	\$ 10,904
Accounts receivable, less allowance for doubtful accounts of \$34 and \$54, respectively	97,101	119,169
Inventories	708,811	410,331
Assets held for sale	4,358	5,979
Refundable income taxes	-	3,866
Other current assets	2,450	5,193
Total current assets	824,976	555,442
Property, plant, and equipment, net	301,212	268,043
Right-of-use assets operating, net	23,235	34,008
Right-of-use assets financing, net	33,571	34,867
Pension assets	59,304	52,866
Other assets	1,360	1,804
Total assets	\$ 1,243,658	\$ 947,030
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 69,232	\$ 87,602
Deferred revenue	9,956	7,655
Accrued vacation	11,143	11,611
Accrued payroll	16,772	16,998
Other accrued expenses	23,293	23,269
Income taxes payable	2,018	-
Current portion of long-term debt and lease obligations	25,792	26,020
Total current liabilities	158,206	173,155
Long-term debt, less current portion	432,695	109,624
Operating lease obligations, less current portion	16,675	22,533
Financing lease obligations, less current portion	17,293	19,942
Deferred income tax liability, net	31,625	32,944
Other liabilities	3,700	4,995
Total liabilities	660,194	363,193
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	351	644
Common stock	3,049	3,041
Additional paid-in capital	99,152	98,641
Treasury stock, at cost	(168,573)	(128,879)
Accumulated other comprehensive loss	(20,488)	(26,468)
Retained earnings	669,973	636,858
Total stockholders' equity	583,464	583,837
Total liabilities and stockholders' equity	\$ 1,243,658	\$ 947,030

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Seneca Foods Corporation and Subsidiaries

(In thousands)

	Fiscal Year:		
	2023	2022	2021
Cash flows from operating activities:			
Net earnings	\$ 33,138	\$ 51,007	\$ 126,100
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	40,941	36,523	32,375
Deferred income tax expense	(3,171)	7,061	16,650
Gain on the sale of assets	(2,872)	(1,861)	(31,938)
Provision for restructuring and impairment	4,333	284	182
Gain on debt forgiveness	-	(500)	-
Loss from equity investment	-	7,775	11,453
401(k) match stock contribution	1,515	1,107	1,479
Changes in operating assets and liabilities (net of acquisitions):			
Accounts receivable	22,098	(26,976)	24,280
Inventories	(298,480)	(67,187)	68,487
Other current assets	2,743	(1,109)	4,083
Accounts payable, accrued expenses, and other	(18,925)	19,509	(65,936)
Income taxes	5,884	4,519	(4,035)
Net cash (used in) provided by operating activities	(212,796)	30,152	183,180
Cash flows from investing activities:			
Additions to property, plant, and equipment	(70,628)	(53,367)	(71,431)
Proceeds from the sale of assets	5,751	8,180	73,688
Net cash (used in) provided by investing activities	(64,877)	(45,187)	2,257
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	951,510	398,550	478,059
Payments of long-term debt	(622,439)	(383,011)	(597,055)
Payments on financing leases	(8,814)	(7,868)	(6,321)
Change in other assets	-	(2,758)	(6,604)
Purchase of treasury stock	(41,209)	(38,788)	(4,358)
Preferred stock dividends paid	(23)	(23)	(23)
Net cash provided by (used in) financing activities	279,025	(33,898)	(136,302)
Net increase (decrease) in cash and cash equivalents	1,352	(48,933)	49,135
Cash and cash equivalents, beginning of year	10,904	59,837	10,702
Cash and cash equivalents, end of year	\$ 12,256	\$ 10,904	\$ 59,837
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 11,218	\$ 4,481	\$ 5,094
Income taxes	\$ 9,084	\$ 2,971	\$ 22,692
Noncash transactions:			
Right-of-use assets obtained in exchange for lease obligations	\$ 10,187	\$ 20,304	\$ 6,246
Right-of-use assets derecognized upon early lease termination	\$ 3,588	\$ 1,570	\$ 2,497
Property, plant and equipment purchased on account	\$ 1,177	\$ 1,267	\$ 19

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Seneca Foods Corporation and Subsidiaries

(In thousands, except share amounts)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
Balance March 31, 2020	\$ 681	\$ 3,041	\$ 98,384	\$ (88,319)	\$ (79,220)	\$ 459,797
Net earnings	-	-	-	-	-	126,100
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	100	-	-	-
Contribution of 401(k) match	-	-	-	1,479	-	-
Purchase of treasury stock	-	-	-	(4,358)	-	-
Preferred stock conversion	(18)	-	18	-	-	-
Change in pension and postretirement benefits adjustment (net of tax \$19,528)	-	-	-	-	60,153	-
Balance March 31, 2021	663	3,041	98,502	(91,198)	(19,067)	585,874
Net earnings	-	-	-	-	-	51,007
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	120	-	-	-
Contribution of 401(k) match	-	-	-	1,107	-	-
Purchase of treasury stock	-	-	-	(38,788)	-	-
Preferred stock conversion	(19)	-	19	-	-	-
Change in pension and postretirement benefits adjustment (net of tax \$2,423)	-	-	-	-	(7,401)	-
Balance March 31, 2022	644	3,041	98,641	(128,879)	(26,468)	636,858
Net earnings	-	-	-	-	-	33,138
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	150	-	-	-
Stock issued for profit sharing plan	-	-	76	-	-	-
Contribution of 401(k) match	-	-	-	1,515	-	-
Purchase of treasury stock	-	-	-	(41,209)	-	-
Preferred stock conversion	(293)	8	285	-	-	-
Change in pension and postretirement benefits adjustment (net of tax \$1,999)	-	-	-	-	5,980	-
Balance March 31, 2023	\$ 351	\$ 3,049	\$ 99,152	\$ (168,573)	\$ (20,488)	\$ 669,973
	Preferred Stock				Common Stock	
	6% Voting Cumulative Callable Par \$0.25	10% Voting Cumulative Convertible Par \$0.025	Participating Convertible Par \$0.025	2003 Series Participating Convertible Par \$0.025	Class A Common Par \$0.25	Class B Common Par \$0.25
Shares authorized and designated:						
March 31, 2023	200,000	1,400,000	8,292	-	20,000,000	10,000,000
Shares outstanding:						
March 31, 2021	200,000	807,240	33,855	500	7,353,545	1,709,638
March 31, 2022	200,000	807,240	32,256	500	6,627,318	1,705,930
March 31, 2023	200,000	807,240	8,292	-	5,928,424	1,707,241
Stock amount	\$ 50	\$ 202	\$ 99	\$ -	\$ 2,554	\$ 495

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

1. Summary of Significant Accounting Policies

Nature of Operations — Seneca Foods Corporation (the “Parent Company”) and subsidiaries (the “Company”) currently has 26 facilities in eight states in support of its main operations. The Company markets private label and branded packaged foods to retailers and institutional food distributors.

Principles of Consolidation — The consolidated financial statements include the accounts for the Parent Company and all of its wholly-owned subsidiaries after elimination of intercompany transactions, profits, and balances.

Use of Estimates in the Preparation of Financial Statements — The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the related revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Subsequent Events — The Company has evaluated subsequent events for disclosure through the date of issuance of the accompanying consolidated financial statements.

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

Cash Equivalents — The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Fair Value of Financial Instruments — The carrying values of cash and cash equivalents (Level 1), accounts receivable, short-term debt (Level 2) and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. See Note 12, Fair Value of Financial Instruments, for a discussion of the fair value of long-term debt.

The three-tier value hierarchy is utilized to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobserved inputs (Level 3). The three levels are defined as follows:

- Level 1- Quoted prices for identical instruments in active markets.
- Level 2- Quoted prices for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable.
- Level 3- Model-derived valuations in which one or more inputs or value-drivers are both significant to the fair value measurement and unobservable.

Accounts Receivable and Doubtful Accounts — Accounts receivable is stated at invoice value, which is net of any off-invoice promotions. In determining the Company’s reserve for credit losses, receivables are assigned an expected loss based on historical information adjusted for forward-looking economic factors. Management believes these provisions are adequate based upon the relevant information presently available.

Inventories — Substantially all inventories are stated at the lower of cost or market with cost determined using the last-in, first-out (“LIFO”) method. An actual valuation of inventory under the LIFO method is made at the end of each fiscal year based on the inventory levels and costs at that time. In contrast, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels, production pack yields, sales and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation.

Assets Held for Sale — The Company classifies its assets as held for sale at the time management commits to a plan to sell the asset, the asset is actively marketed and available for immediate sale, and the sale is expected to be completed within one year. Due to market conditions, certain assets may be classified as held for sale for more than one year as the Company continues to actively market the assets. Assets that meet the held for sale criteria are presented separately on the consolidated balance sheet at the lower of carrying value or estimated fair value less costs to sell and depreciation is no longer recognized.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

Property, Plant and Equipment — Property, plant, and equipment are stated at cost. Interest incurred during the construction of major projects is capitalized. For financial reporting, the Company provides for depreciation on the straight-line method at rates based upon the estimated useful lives of the various assets. The estimated useful lives are as follows:

	Years
Land improvements	10 - 20
Buildings and improvements	30
Machinery & equipment	10 - 15
Office furniture	3 - 5
Vehicles	3 - 7
Computer software	3 - 5

Long-Lived Assets — The Company assesses its long-lived assets for impairment whenever there is an indicator of impairment. Impairment losses are evaluated if the estimated undiscounted cash flows from using the assets are less than carrying value. A loss is recognized when the carrying value of an asset exceeds its fair value.

Additionally, the Company assesses the potential for an other-than-temporary impairment of its equity method investment when impairment indicators are identified by considering all available information, including the recoverability of the investment, the earnings and near-term prospects of the investment, factors related to the industry, amongst others relevant information. If an investment is considered to be impaired and the decline in value is other than temporary, an impairment charge is recorded. During fiscal year 2022, the Company recorded an impairment charge of \$6.3 million to reduce the carrying value of the equity method investment to \$0, as the value of the investment was determined to not be recoverable.

Deferred Financing Costs — Deferred financing costs incurred in obtaining debt are amortized on a straight-line basis over the term of the debt, which is not materially different than using the effective interest rate method. As of March 31, 2023 there were \$0.6 million of unamortized financing costs included in other assets related to the Company's revolving credit facility and \$0.6 million of unamortized financing costs related to its term loans that are included as a contra to long-term debt and current portion of long-term debt on the Consolidated Balance Sheets.

Revenue Recognition — Revenue recognition is completed for most customers at a point in time basis when product control is transferred to the customer. In general, control transfers to the customer when the product is shipped or delivered to the customer based upon applicable shipping terms, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time. The Company does sell certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement(s) provide that title to the specified inventory is transferred to the customer(s) prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard. See Note 2, Revenue Recognition, for further discussion of the policy.

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 sales, include amounts paid to retailers for shelf space, to obtain favorable display positions and to offer temporary price reductions for the sale of our products to consumers. Accruals for trade promotions are recorded primarily at the time of sale 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 the Company. 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. Final determination of the permissible deductions may take extended periods of time.

Concentration of Credit Risk — Financial instruments that potentially subject the Company to credit risk consist of trade receivables, interest-bearing investments, and cash and cash equivalents. Wholesale and retail food distributors comprise a significant portion of the trade receivables; collateral is generally not required. A relatively limited number of customers account for a large percentage of the Company's total net sales. The top ten customers represented approximately 55% and 53% of net sales for fiscal years 2023 and 2022, respectively. The Company closely monitors the credit risk associated with its customers. The Company places substantially all of its interest-bearing investments with financial institutions and monitors credit exposure. Cash and short-term investments in certain accounts exceed the federal insured limit; however, the Company has not experienced any losses in such accounts.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

Advertising Costs — Advertising costs are expensed as incurred and totaled \$2.2 million in each of fiscal years 2023 and 2022 and \$1.8 million in fiscal year 2021.

Income Taxes — The provision for income taxes includes federal and state income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities and tax credit carryforwards. The Company uses the flow-through method to account for its investment tax credits.

The Company evaluates the likelihood of realization of its net deferred income tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income, the projected reversal of temporary differences and available tax planning strategies that could be implemented to realize the net deferred income tax assets.

Current rules on the accounting for uncertainty on income taxes prescribe a minimum recognition threshold for a tax position taken or expected to be taken in a tax return that is required to be met before being recognized in the financial statements. Those rules also provide guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes interest and penalties accrued on unrecognized tax benefits as well as interest received from favorable settlements within income tax expense.

Earnings per Common Share — The Company has three series of convertible preferred stock, which are deemed to be participating securities that are entitled to participate in any dividend on Class A common stock as if the preferred stock had been converted into common stock immediately prior to the record date for such dividend. Basic earnings per share for common stock is calculated using the "two-class" method by dividing the earnings attributable to common stockholders by the weighted average of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing earnings attributable to common stockholders by the sum of the weighted average common shares outstanding plus the dilutive effect of convertible preferred stock using the "if-converted" method, which treats the contingently-issuable shares of convertible preferred stock as common stock. Restricted stock is included in the diluted earnings per share calculation.

Recently Issued Accounting Standards — Effective April 1, 2022, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which was subsequently amended in November 2018 through ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses ("ASU 2016-13"). The amended guidance requires entities to estimate lifetime expected credit losses for trade and other receivables, including those that are current with respect to payment terms, along with other financial instruments which may result in earlier recognition of credit losses. The Company evaluated its existing methodology for estimating an allowance for doubtful accounts and the risk profile of its receivables portfolio and developed a model that includes the qualitative and forecasting aspects of the "expected loss" model under the amended guidance. In determining the Company's reserve for credit losses, receivables are assigned an expected loss based on historical information adjusted for forward-looking economic factors. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides an optional expedient and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The optional guidance can be applied from March 12, 2020 through December 31, 2022. ASU 2020-04 eases the potential accounting burden associated with the expected discontinuance of the London Interbank Offered Rate (LIBOR) and other interbank offered rates, which are being replaced by alternative reference rates such as the Secured Overnight Financing Rate (SOFR). The interest rates associated with the Company's previous borrowings under its senior revolving credit facility (as defined in Note 7, "Long-term Debt") were tied to LIBOR. Subsequent to the amendment of the senior revolving credit facility agreement on September 14, 2022, the Company's borrowings are tied to SOFR plus a spread adjustment (see Note 7, "Long-term Debt"). The adoption of ASU 2020-04 as a result of this amendment did not have a material impact on the Company's consolidated financial statements.

There were no other recently issued accounting pronouncements that impacted the Company's consolidated financial statements. In addition, the Company did not adopt any other new accounting pronouncements during fiscal year 2023.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

2. Revenue Recognition

The Company applies the provisions of ASC 606-10, "Revenue from Contracts with Customers", and recognizes revenue under the core principle to depict the transfer of products to customers in an amount reflecting the consideration the Company expects to receive. The Company conducts its business almost entirely in food packaging, which contributed approximately 98% of the Company's fiscal year 2023 net sales.

Nature of products — The Company manufactures and sells the following:

- private label products to retailers, such as supermarkets, mass merchandisers, and specialty retailers, for resale under the retailers' own or controlled labels;
- private label and branded products to the foodservice industry, including foodservice distributors and national restaurant operators;
- branded products under our own proprietary brands, primarily on a national basis to retailers;
- branded products under co-pack agreements to other major branded companies for their distribution; and
- products to our industrial customer base for repackaging in portion control packages and for use as ingredients by other food manufacturers.

Disaggregation of revenue — In the following table, segment revenue is disaggregated by product category groups (in thousands):

	Fiscal Year:		
	2023	2022	2021
Canned vegetables	\$ 1,253,257	\$ 1,135,983	\$ 1,172,635
Frozen vegetables	121,211	123,895	102,197
Fruit products	91,495	84,708	88,431
Snack products	12,661	12,332	10,999
Prepared foods	-	-	71,866
Other	30,728	28,362	21,516
Total	\$ 1,509,352	\$ 1,385,280	\$ 1,467,644

When Performance Obligations Are Satisfied — A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company's primary performance obligation is the production of food products and secondarily case and labeling services and storage services for certain bill and hold sales.

Revenue recognition is completed primarily at a point in time basis when product control is transferred to the customer. In general, control transfers to the customer when the product is shipped or delivered to the customer based upon applicable shipping terms, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time.

Customer contracts generally do not include more than one performance obligation. When a contract does contain more than one performance obligation, we allocate the contract's transaction price to each performance obligation based on its relative standalone selling price. The standalone selling price for each distinct good is generally determined by directly observable data.

The performance obligations in our contracts are generally satisfied within one year. As such, we have not disclosed the transaction price allocated to remaining performance obligations for labeling and storage as of March 31, 2023 which is included in deferred revenue on the Consolidated Balance Sheet.

Significant Payment Terms — Our customer contracts identify the product, quantity, price, payment and final delivery terms. Payment terms usually include early pay discounts. We grant payment terms consistent with industry standards. Although some payment terms may be more extended, no terms beyond one year are granted at contract inception. As a result, we do not adjust the promised amount of consideration for the effects of a significant financing component because the period between our transfer of a promised good or service to a customer and the customer's payment for that good or service will be generally 30 days or less.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

Shipping — All shipping and handling costs associated with outbound freight are accounted for as fulfillment costs and are included in the cost of sales; this includes shipping and handling costs after control over a product has transferred to a customer.

Variable Consideration — In addition to fixed contract consideration, some contracts include some form of variable consideration. 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 sales, include amounts paid to retailers for shelf space, to obtain favorable display positions and to offer temporary price reductions for the sale of our products to consumers. Accruals for trade promotions are recorded primarily at the time of sale 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 the Company. 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. Final determination of the permissible deductions may take extended periods of time.

Contract Balances — The contract asset balances are \$0.6 million and \$0.9 million as of March 31, 2023 and 2022, respectively. Refer to Note 6, Assets Held for Sale, for contract liabilities. The Company does not have significant deferred revenue or unbilled receivable balances because of transactions with customers. The Company does have deferred revenue for prepaid case and labeling and storage services which have been collected from bill and hold sales.

Contract Costs — We have identified certain incremental costs to obtain a contract, primarily sales commissions, requiring capitalization under the standard. The Company continues to expense these costs as incurred because the amortization period for the costs would have been one year or less. The Company does not incur significant fulfillment costs requiring capitalization.

3. Earnings per Share

Earnings per share for fiscal years 2023, 2022 and 2021 are as follows (in thousands, except per share amounts):

	Fiscal Year:		
	2023	2022	2021
Basic			
Net earnings	\$ 33,138	\$ 51,007	\$ 126,100
Deduct preferred stock dividends	23	23	23
Undistributed earnings	33,115	50,984	126,077
Earnings attributable to participating preferred shareholders	109	196	493
Earnings attributable to common shareholders	\$ 33,006	\$ 50,788	\$ 125,584
Weighted average common shares outstanding	7,796	8,707	9,088
Basic earnings per common share	\$ 4.23	\$ 5.83	\$ 13.82
Diluted			
Earnings attributable to common shareholders	\$ 33,006	\$ 50,788	\$ 125,584
Add dividends on convertible preferred stock	20	20	20
Earnings attributable to common stock on a diluted basis	\$ 33,026	\$ 50,808	\$ 125,604
Weighted average common shares outstanding-basic	7,796	8,707	9,088
Additional shares to be issued related to the equity compensation plan	7	4	3
Additional shares to be issued under full conversion of preferred stock	67	67	67
Total shares for diluted	7,870	8,778	9,158
Diluted earnings per share	\$ 4.20	\$ 5.79	\$ 13.72

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

4. Inventories

The Company uses the LIFO method of valuing inventory as it believes this method allows for better matching of current production cost to current revenue. As of March 31, 2023 and 2022, first-in, first-out (“FIFO”) based inventory costs exceeded LIFO based inventory costs, resulting in a LIFO reserve of \$264.5 million and \$164.5 million, respectively. In order to state inventories at LIFO, the Company recorded an increase to cost of products sold of \$100.0 million and \$35.8 million for fiscal years 2023 and 2022, respectively. The inventories by category and the impact of using the LIFO method are shown in the following table (in thousands):

	As of:	
	March 31, 2023	March 31, 2022
Finished products	\$ 613,622	\$ 385,681
In process	75,123	23,652
Raw materials and supplies	284,593	165,491
	973,338	574,824
Less excess of FIFO cost over LIFO cost	264,527	164,493
Total inventories	<u>\$ 708,811</u>	<u>\$ 410,331</u>

5. Property, Plant and Equipment

Property, plant and equipment is comprised of the following (in thousands):

	As of:	
	March 31, 2023	March 31, 2022
Land and land improvements	\$ 46,978	\$ 42,981
Buildings and improvements	214,110	202,444
Machinery and equipment	421,067	403,192
Office furniture, vehicles and computer software	11,738	10,003
Construction in progress	40,539	29,976
Property, plant and equipment, cost	734,432	688,596
Less: accumulated depreciation	(433,220)	(420,553)
Property, plant and equipment, net	<u>\$ 301,212</u>	<u>\$ 268,043</u>

Depreciation expense totaled \$33.9 million, \$30.2 million, and \$27.1 million for fiscal years 2023, 2022, and 2021, respectively.

6. Assets Held For Sale

As of March 31, 2023, the Company has two non-operating facilities in the Pacific Northwest with a carrying value of \$3.1 million and related idle production equipment with a carrying value of \$1.2 million that have met the criteria to be classified as held for sale in our Consolidated Balance Sheets. The Company recorded charges of \$2.3 million and \$0.1 million in fiscal years 2023 and 2022, respectively, in order to properly reflect the carrying value of the assets held for sale as equal to the lower of carrying value or fair value less costs to sell.

As of March 31, 2023, the Company has executed sales agreements to sell one of the facilities and the related equipment therein to two unaffiliated buyers. A deposit of \$0.6 million has been received from the buyer of the production equipment and is recorded as a contract liability as of March 31, 2023, as the Company maintains control of the equipment until the sale is finalized. The contract liability is included in other accrued expenses on the Consolidated Balance Sheet as the sale is expected to close and control of the equipment transferred to the buyer within twelve months.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The following table presents information related to the major classes of assets and liabilities that were held for sale in our Consolidated Balance Sheets (in thousands):

	As of:	
	March 31, 2023	March 31, 2022
Property, plant and equipment (net)	\$ 4,358	\$ 5,979
Current assets held for sale	\$ 4,358	\$ 5,979

7. Long-Term Debt

Long-term debt is comprised of the following (in thousands):

	As of:	
	March 31, 2023	March 31, 2022
Revolving credit facility	\$ 180,598	\$ 20,508
Term loans		
Term Loan A-1		
Outstanding principal	89,000	93,000
Unamortized debt issuance costs	(68)	(100)
Term Loan A-1, net	88,932	92,900
Term Loan A-2		
Outstanding principal	173,500	-
Unamortized debt issuance costs	(551)	-
Term Loan A-2, net	172,949	-
Other	216	216
Total long-term debt	442,695	113,624
Less current portion	10,000	4,000
Long-term debt, less current portion	\$ 432,695	\$ 109,624

Revolving credit facility — On March 24, 2021, the Company entered into a Fourth Amended and Restated Loan and Security Agreement that provides for a senior revolving credit facility of up to \$400 million that is seasonally adjusted (the “Revolver”). Maximum borrowing availability under the Revolver totals \$300.0 million from April through July and \$400.0 million from August through March. The Revolver balance as of March 31, 2023 was \$180.6 million and is included in Long-Term Debt in the accompanying Consolidated Balance Sheet due to the Revolver’s March 24, 2026 maturity. In order to maintain availability of funds under the facility, the Company pays a commitment fee on the unused portion of the Revolver. The Revolver is secured by substantially all of the Company’s accounts receivable and inventories and contains borrowing base requirements as well as a financial covenant, if certain circumstances apply. 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 the Company packages. The majority of vegetable inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable 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.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The following table documents the quantitative data for short-term borrowings on the Revolver during fiscal years 2023 and 2022 (in thousands, except for percentages):

	As of:	
	March 31, 2023	March 31, 2022
Outstanding borrowings	\$ 180,598	\$ 20,508
Interest rate	6.34%	1.71%

	Fiscal Year:	
	2023	2022
Maximum amount of borrowings	\$ 350,828	\$ 58,323
Average outstanding borrowings	\$ 159,670	\$ 22,357
Weighted average interest rate	5.03%	1.37%

Term loans — On May 28, 2020 the Company entered into an Amended and Restated Loan and Guaranty Agreement with Farm Credit East, ACA that provides for a \$100.0 million unsecured term loan (the “Term Loan”). The amended and restated agreement has a maturity date of June 1, 2025 and converted the Term Loan to a fixed interest rate of 3.30% until maturity rather than a variable interest rate in addition to requiring quarterly principal payments of \$1.0 million, which commenced during fiscal year 2021. This agreement contains certain covenants, including maintaining a minimum EBITDA and minimum tangible net worth.

On January 20, 2023, the Company entered into a Second Amended and Restated Loan and Guaranty Agreement with Farm Credit East, ACA (the “Amended Agreement”). The Amended Agreement governs two term loans, summarized below:

Term Loan A-1: The Amended Agreement continues certain aspects of the \$100 million term loan described above, namely Term Loan A-1 will continue to bear interest at a fixed interest rate of 3.3012%, mature on June 1, 2025, and remain unsecured.

Term Loan A-2: The Amended Agreement adds an additional term loan in the amount of \$175 million that will mature on January 20, 2028, and is secured by a portion of the Company’s property, plant and equipment. Term Loan A-2 bears interest at a variable interest rate based upon SOFR plus an additional margin determined by the Company’s leverage ratio.

The Amended Agreement for Term Loan A-1 and Term Loan A-2 (collectively, the “Term Loans”) contains restrictive covenants usual and customary for loans of its type, in addition to financial covenants including minimum EBITDA and minimum tangible net worth which apply to both terms loans described above. In connection with the Amended Agreement, the Company incurred \$0.6 million of financing costs which will be deferred and amortized over the life of Term Loan A-2.

Covenants & other debt matters — The Company’s debt agreements, including the Revolver and term loan, contain customary affirmative and negative covenants that restrict, with specified exceptions, the Company’s ability to incur additional indebtedness, incur liens, pay dividends on the Company’s capital stock, make other restricted payments, including investments, transfer all or substantially all of the Company’s assets, enter into consolidations or mergers, and enter into transactions with affiliates. The Company’s debt agreements also require the Company to meet certain financial covenants including a minimum EBITDA and minimum tangible net worth. The Revolver contains borrowing base requirements related to accounts receivable and inventories and also requires the Company to meet a financial covenant related to a minimum fixed charge coverage ratio if (a) an event of default has occurred or (b) availability on the Revolver is less than the greater of (i) 10% of the commitments then in effect and (ii) \$25,000,000. The most restrictive financial covenant in the debt agreements is the minimum EBITDA within the Term Loan which for fiscal year 2023 was greater than \$75 million. The Company computes its financial covenants as if the Company were on the FIFO method of inventory accounting. The Company has met all such financial covenants as of March 31, 2023.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The Company's debt agreements limit the payment of dividends and other distributions. There is an annual total distribution limitation of \$50,000, less aggregate annual dividend payments totaling \$23,000 that the Company presently pays on two outstanding classes of preferred stock. The carrying value of assets pledged for secured debt, including the Revolver, is \$949.7 million as of March 31, 2023. Debt repayment requirements for the next five fiscal years are (in thousands):

2024	\$	10,000
2025		10,000
2026		267,598
2027		6,000
2028		149,500
Thereafter		216
Total	\$	<u>443,314</u>

8. Leases

The Company determines whether an arrangement is a lease at inception of the agreement. Presently, the Company leases land, machinery and equipment under various operating and financing leases.

Right-of-Use, or ROU, assets represent the Company's right to use the underlying assets for the lease term and lease obligations represent the net present value of the Company's obligation to make payments arising from these leases. ROU assets and lease obligations are recognized at commencement date based on the present value of lease payments over the lease term using the implicit lease interest rate or, when unknown, an incremental borrowing rate based on the information available at commencement date or April 1, 2019 for leases that commenced prior to that date.

Lease terms may include options to extend or terminate the lease, and the impact of these options are included in the calculation of the ROU asset and lease obligation only when the exercise of the option is at the Company's sole discretion and it is reasonably certain that the Company will exercise that option. The Company will not separate lease and non-lease components for its leases when it is impractical to separate the two. In addition, the Company has certain leases that have variable payments based solely on output or usage of the leased asset. These variable operating lease assets are excluded from the Company's balance sheet presentation and expensed as incurred. Leases with an initial term of 12 months or less, or short-term leases, are not recorded on the accompanying Consolidated Balance Sheets.

ROU assets and lease obligations for the Company's operating and financing leases are disclosed separately in the Company's Consolidated Balance Sheets.

The components of lease cost were as follows (in thousands):

	Fiscal Year:		
	2023	2022	2021
Lease cost:			
Amortization of right of use asset	\$ 6,715	\$ 5,970	\$ 4,746
Interest on lease liabilities	<u>959</u>	<u>1,048</u>	<u>1,102</u>
Finance lease cost	7,674	7,018	5,848
Operating lease cost	<u>13,506</u>	<u>19,250</u>	<u>23,736</u>
Total lease cost	<u>\$ 21,180</u>	<u>\$ 26,268</u>	<u>\$ 29,584</u>

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

	Fiscal Year:		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from finance leases	\$ 959	\$ 1,048	\$ 1,102
Operating cash flows from operating leases	13,736	19,010	23,864
Financing cash flows from finance leases	8,814	7,868	6,321
Total	\$ 23,509	\$ 27,926	\$ 31,287
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 5,825	\$ 9,754	\$ 1,985
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 4,362	\$ 10,550	\$ 4,261
Weighted-average lease term (years):			
Financing leases	4.7	4.6	4.5
Operating leases	4.6	4.3	3.5
Weighted-average discount rate:			
Financing leases	3.8%	3.4%	4.1%
Operating leases	4.4%	4.2%	4.4%

Undiscounted future lease payments under non-cancelable operating leases and financial leases, along with a reconciliation of undiscounted cash flows to operating and financing lease liabilities, respectively, as of March 31, 2023 were as follows (in thousands):

Years ending March 31:	Operating	Financing
2024	\$ 8,627	\$ 8,784
2025	6,092	5,353
2026	3,544	4,261
2027	3,028	3,203
2028	2,819	2,826
2029-2033	2,709	3,248
Total minimum payment required	\$ 26,819	\$ 27,675
Less interest	2,359	2,375
Present value of minimum lease payments	24,460	25,300
Amount due within one year	7,785	8,007
Long-term lease obligation	\$ 16,675	\$ 17,293

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

9. Income Taxes

The Company files a consolidated federal and various state income tax returns. The provision for income taxes is as follows (in thousands):

	Fiscal Year:		
	2023	2022	2021
Current:			
Federal	\$ 11,903	\$ 4,780	\$ 13,121
State	3,500	3,383	4,145
Total	15,403	8,163	17,266
Deferred:			
Federal	\$ (3,725)	\$ 7,017	\$ 13,486
State	554	44	3,164
Total	(3,171)	7,061	16,650
Total income taxes	\$ 12,232	\$ 15,224	\$ 33,916

A reconciliation of the expected U.S. statutory rate to the effective rate follows:

	Fiscal Year:		
	2023	2022	2021
Computed (expected tax rate)	21.0%	21.0%	21.0%
State income taxes (net of federal tax benefit)	3.8%	3.7%	3.1%
Federal credits	-1.2%	-0.8%	-0.3%
State rate changes	0.8%	0.3%	0.0%
State credit expiration	0.6%	0.9%	0.0%
Change in valuation allowance	2.3%	-1.1%	0.2%
Federal return to accrual	-0.1%	-0.9%	0.0%
State return to accrual	-0.2%	0.1%	0.0%
Federal net operating loss (NOL) carryback rate difference	0.0%	0.0%	-2.8%
Interest received on federal NOL carryback	0.0%	-0.3%	-0.2%
Uncertain tax benefits return to accrual	-0.1%	0.3%	0.0%
Other	0.1%	-0.2%	0.2%
Effective income tax rate	27.0%	23.0%	21.2%

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The Company's effective tax rate was 27.0%, 23.0%, and 21.2% in fiscal years 2023, 2022, and 2021, respectively. In fiscal year 2023, the Company added a valuation allowance against state tax credits because it was determined that it was more likely than not that the credits will not be used prior to expiration. This change, along with other current year increases in the existing valuation allowances, had a 3.5% increase on the fiscal year 2023 effective tax rate as compared to fiscal year 2022. The fiscal year 2023 effective tax rate was further increased by 0.6% versus fiscal year 2022 due to state rate changes which were mostly caused by changes in the Company's business activities that impact state apportionment.

In fiscal year 2021, the Company was able to carryback the NOL generated in the 2019 tax year at a 21% corporate tax rate to the 2015 tax year at a 35% corporate tax rate. The NOL carryback had a 2.8% decrease on the fiscal year 2021 rate and without this impact in fiscal year 2022, the tax rate effectively increased by 2.8% when comparing fiscal year 2022 to 2021. The year over year increase in the effective tax rate was partially offset by a decrease off 0.5% due to the federal income tax credits having a larger impact on the effective tax rate in fiscal year 2022, amongst other decreases noted in the table above.

The following is a summary of the significant components of the Company's deferred income tax assets and liabilities (in thousands):

	As of:	
	March 31, 2023	March 31, 2022
Deferred income tax assets:		
Future tax credits	\$ 4,995	\$ 5,244
Inventory valuation	8,797	3,098
Employee benefits	2,335	2,191
Insurance	471	345
State depreciation basis differences	3,218	-
Operating leases	942	-
Intangibles	1,514	-
Other comprehensive loss	7,117	8,975
Interest	8	3
Prepaid revenue	296	374
Net operating loss and other tax attribute carryovers	630	610
Other	339	-
Total assets	30,662	20,840
Deferred income tax liabilities:		
Property basis and depreciation difference	26,449	21,807
Inventory valuation	2,101	-
Intangibles	-	17
Right-of-use assets	7,045	5,764
Pension	21,528	21,253
Other	169	1,012
Total liabilities	57,292	49,853
Valuation allowance - noncurrent	4,995	3,931
Deferred income tax liability, net	\$ (31,625)	\$ (32,944)

Net deferred income tax liabilities of \$31.6 million and \$32.9 million as of March 31, 2023 and 2022, respectively, are recognized as noncurrent liabilities in the Consolidated Balance Sheets.

The Company has State tax credit carryforwards amounting to \$1.5 million (California, net of Federal impact), \$1.3 million (New York, net of Federal impact), and \$2.2 million (Wisconsin, net of Federal impact), which are available to reduce future taxes payable in each respective state through 2028 (California), through 2035 (New York), and through 2038 (Wisconsin). The Company has performed the required assessment regarding the realization of deferred tax assets and as of March 31, 2023, the Company has recorded a valuation allowance amounting to \$5.0 million, which relates primarily to tax credit carryforwards which management has concluded it is more likely than not they will not be realized in the ordinary course of operations. Although realization is not assured, management has concluded that it is more likely than not that the deferred tax assets for which a valuation allowance was determined to be unnecessary will be realized in the ordinary course of operations. The amount of net deferred tax assets considered realizable, however, could be reduced if actual future income or income tax rates are lower than estimated or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

Current rules on the accounting for uncertainty on income taxes prescribe a minimum recognition threshold for a tax position taken or expected to be taken in a tax return that is required to be met before being recognized in the financial statements. Those rules also provide guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company classifies the liability for uncertain tax positions in other accrued expenses or other long-term liabilities on the Consolidated Balance Sheets depending on their expected settlement date. The change in the liability for fiscal years 2023 and 2022 consists of the following (in thousands):

	As of:	
	March 31, 2023	March 31, 2022
Beginning balance	\$ 676	\$ 376
Tax positions related to current year:		
Additions	174	160
Tax positions related to prior years:		
Additions	-	215
Reductions	(38)	-
Lapses in statutes of limitations	(9)	(75)
Ending balance	\$ 803	\$ 676

The liability balances as of March 31, 2023 and 2022 do not include tax positions that are highly certain but for which there is uncertainty about the timing. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of these positions would not impact the annual effective tax rate but would accelerate the payment of cash to the tax authority to an earlier period.

The Company recognizes interest and penalties accrued on unrecognized tax benefits as well as interest received from favorable settlements within income tax expense. During fiscal years 2023 and 2022, the accrued interest and penalties balance and change during the respective fiscal years was not significant associated with unrecognized tax benefits.

Although management believes that an adequate position has been made for uncertain tax positions, there is the possibility that the ultimate resolution could have an adverse effect on the net earnings of the Company. Conversely, if resolved favorably in the future, the related provisions would be reduced, thus having a positive impact on net earnings. During fiscal year 2023, the statute of limitations lapsed on one uncertain tax position, which results in the position no longer being uncertain. As a result of this lapse and in accordance with its accounting policies, the Company recorded an insignificant decrease to the liability and tax expense.

The federal income tax returns for fiscal years after 2015 are open because the Company claimed refunds on taxable income for fiscal years 2017 and 2016. These years will remain open until fiscal years 2018 and 2020, which were taxable loss years, are closed however the exposure is limited to the refund amounts for each fiscal year. Fiscal years 2018, 2019, and 2020 are currently under audit with the Internal Revenue Service.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

10. Retirement Plans

The Company has a noncontributory defined benefit pension plan (the "Plan") covering most employees who meet certain age-entry requirements and work a stated minimum number of hours per year. The Plan was amended to freeze accruals to new hires and rehires effective January 1, 2020. The Plan was adequately funded as of March 31, 2023 and 2022 and no contributions were required to meet legal funding requirements.

The following tables provide a reconciliation of the changes in the Plan's benefit obligation and fair value of plan assets over the two-year period ended March 31, 2023 and a statement of the funded status as of March 31, 2023 and 2022 (in thousands):

	Fiscal Year:	
	2023	2022
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 275,001	\$ 286,063
Service cost	7,429	8,483
Interest cost	9,254	7,721
Actuarial gain	(47,403)	(972)
Benefit payments and expenses	(9,243)	(26,294)
Benefit obligation at end of year	<u>\$ 235,038</u>	<u>\$ 275,001</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 327,867	\$ 348,914
Actual return on plan assets	(23,169)	6,666
Benefit payments and expenses	(10,356)	(27,713)
Fair value of plan assets at end of year	<u>\$ 294,342</u>	<u>\$ 327,867</u>
Funded status	<u>\$ 59,304</u>	<u>\$ 52,866</u>

The Plan's funded status increased by \$6.4 million during fiscal year 2023 reflecting the actual fair value of plan assets and the projected benefit obligation as of March 31, 2023. This funded status increase was primarily driven by actuarial gains on the projected benefit obligation, as described in more detail below, partially offset by a combination of growth in the Plan's projected benefit obligation due to service cost and interest cost and a negative return on plan assets.

During fiscal year 2023, the actuarial gain in the pension plan's projected benefit obligation was driven by an increase in discount rates and the annual update in plan census data resulting in demographic gains, partially offset by an assumed salary increase rate for fiscal year 2024 in excess of the long-term rate. During fiscal year 2022, the actuarial gain in the pension plan's projected benefit obligation was primarily driven by an increase in discount rates. The gain was partially offset by actuarial losses due to a combination of data revisions resulting in the demographic losses, a change in near-term assumed salary increases, and an update to the most recently released mortality projection scale by the Society of Actuaries (SOA). Plan assets decreased from \$327.9 million as of March 31, 2022 to \$294.3 million as of March 31, 2023 primarily due to normal payments of benefits and a negative return on plan assets.

The following table provides the components of the Plan's accumulated other comprehensive loss, pre-tax (in thousands):

	Fiscal Year:		
	2023	2022	2021
Amounts Recognized in Accumulated Other Comprehensive Pre-Tax Loss			
Prior service cost	\$ (75)	\$ (167)	\$ (258)
Net loss	(28,310)	(36,136)	(26,265)
Accumulated other comprehensive pre-tax loss	<u>\$ (28,385)</u>	<u>\$ (36,303)</u>	<u>\$ (26,523)</u>

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The following table provides the components of net periodic benefit cost for the Plan for fiscal years 2023, 2022, and 2021 (in thousands):

	Fiscal Year:		
	2023	2022	2021
Service cost including administration	\$ 8,240	\$ 9,508	\$ 10,627
Interest cost	9,254	7,721	9,266
Expected return on plan assets	(16,104)	(17,114)	(15,804)
Amortization of net loss	-	-	9,919
Prior service cost	91	91	91
Net periodic benefit cost	<u>\$ 1,481</u>	<u>\$ 206</u>	<u>\$ 14,099</u>

The Company utilizes a full yield curve approach in the estimation of net periodic benefit cost components by applying the specific spot rates along the yield curve used in determination of the benefit obligation to their underlying projected cash flows.

Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used to measure the Company's benefit obligation and pension expense are shown in the following table:

	Fiscal Year:		
	2023	2022	2021
Weighted Average Assumptions for Balance Sheet Liability at End of Year:			
Discount rate - projected benefit obligation	5.04%	3.81%	3.43%
Rate of compensation increase	3.00%	3.00%	3.00%
Mortality table	Pri-2012 Blue Collar Generational Table Improvement Scale MP-2021	Pri-2012 Blue Collar Generational Table Improvement Scale MP-2021	Pri-2012 Blue Collar Generational Table Improvement Scale MP-2020

Weighted Average Assumptions for Benefit Cost at Beginning of Year:

Discount rate - benefit obligations	3.81%	3.43%	3.69%
Discount rate - interest cost	3.52%	2.68%	3.30%
Discount rate - service cost	3.93%	3.75%	3.87%
Expected return on plan assets	5.00%	5.00%	7.25%
Rate of compensation increase	3.00%	3.00%	3.00%

Plan Assets

Investment Policy and Strategy - The Company maintains an investment policy that utilizes a liability-driven investments approach to reduce the ongoing volatility of the Plan's funded status. During fiscal year 2023, the Company updated its current target allocation to be 20% allocated to a diversified mix of return-seeking investments including equities and alternative investments and 80% allocated to liability-hedging fixed income investments.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The Company's plan assets consist of the following:

	Target	Percentage of Plan	
	Allocation for:	Assets as of:	
	Fiscal Year	March 31,	March 31,
	2024	2023	2022
Equity securities	16%	13%	21%
Debt securities	80%	75%	61%
Real estate	2%	8%	7%
Cash	1%	1%	7%
Other	1%	3%	4%
Total	100%	100%	100%

The following tables set forth the Company's plan assets at fair value, by level within the fair value hierarchy (as defined in Note 1), as of March 31, 2023 and 2022, (in thousands):

As of March 31, 2023							
	Level 1	Level 2	Level 3	Subtotal	Measured at NAV (1)	Total	
Equity securities	\$ 25,045	\$ -	\$ -	\$ 25,045	\$ -	\$ 25,045	
Held in common/collective trusts							
Equity securities	-	-	-	-	12,639	12,639	
Real estate	-	-	-	-	24,766	24,766	
Debt securities	-	-	-	-	219,767	219,767	
Cash/short-term investments (2)	-	-	-	-	2,799	2,799	
Other investments	-	-	-	-	9,326	9,326	
Fair value of plan assets	\$ 25,045	\$ -	\$ -	\$ 25,045	\$ 269,297	\$ 294,342	

As of March 31, 2022							
	Level 1	Level 2	Level 3	Subtotal	Measured at NAV (1)	Total	
Equity securities	\$ 29,427	\$ -	\$ -	\$ 29,427	\$ -	\$ 29,427	
Held in common/collective trusts							
Equity securities	-	-	-	-	40,969	40,969	
Real estate	-	-	-	-	23,200	23,200	
Debt securities	-	-	-	-	200,224	200,225	
Cash/short-term investments (2)	-	-	-	-	22,224	22,224	
Other investments	-	-	-	-	11,822	11,822	
Fair value of plan assets	\$ 29,427	\$ -	\$ -	\$ 29,427	\$ 298,439	\$ 327,867	

- (1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy but are included to reconcile to the amounts presented in our Obligations and Funded Status table.
- (2) The cash/short term investments consist of a money market fund that holds individual, high quality, short duration fixed income investments, however the fund does not trade on public markets. The Company elected to consistently apply the practical expedient to all investments within common/collective trusts, and therefore, the fair value of this fund is measured at net asset value per share.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

Expected Return on Plan Assets

For fiscal year 2023, the expected long-term rate of return on Plan assets was 5.00%. For fiscal year 2024, the Company will increase the expected long-term rate of return on Plan assets to 6.15%. The Company expected 5.00% and 6.15% to fall within the 35 to 65 percentile range of returns on investment portfolios with asset diversification similar to that of the Plan's target asset allocation for fiscal years 2023 and 2024, respectively.

Cash Flows

Expected contributions for fiscal year ending March 31, 2024 (in thousands):

Expected Employer Contributions	\$	-
Expected Employee Contributions	\$	-

Estimated future benefit payments reflecting expected future service for the fiscal years ending March 31 (in thousands):

2024	\$	10,706
2025		11,446
2026		12,210
2027		12,975
2028		13,648
2029 - 2033		76,496

401(k) Plans

The Company also has employees' savings 401(k) plans covering all employees who meet certain age-entry requirements and work a stated minimum number of hours per year. Participants may make contributions up to the legal limit. The Company's matching contributions are discretionary. Costs charged to operations for the Company's matching contributions amounted to \$1.5 million, \$1.1 million, and \$1.6 million in fiscal years 2023, 2022, and 2021, respectively. In each of the aforementioned fiscal years, the matching contribution was entirely treasury stock. This stock portion of the matching contribution is valued at current market value while the treasury stock is valued at cost.

Unfunded Deferred Compensation Plan

The Company sponsors an unfunded nonqualified deferred compensation plan to permit certain eligible employees to defer receipt of a portion of their compensation to a future date. This plan was designed to compensate the plan participants for any loss of company contributions under the 401(k) plans. As of March 31, 2023 and 2022, the Company has accrued \$1.7 million and \$0.9 million, respectively, in connection with the unfunded deferred compensation plan.

11. Stockholders' Equity

Preferred Stock — The Company has authorized three classes of preferred stock consisting of 200,000 shares of Six Percent (6%) Voting Cumulative Preferred Stock, par value \$0.25 ("6% Preferred"); 30,000 shares of Preferred Stock Without Par Value to be issued in series by the Board of Directors, none of which are currently designated or outstanding; and 8,200,000 shares of Preferred Stock with \$0.025 par value, Class A, to be issued in series by the Board of Directors ("Class A Preferred"). The Board of Directors has designated four series of Class A Preferred including 10% Cumulative Convertible Voting Preferred Stock—Series A ("Series A Preferred"); 10% Cumulative Convertible Voting Preferred Stock—Series B ("Series B Preferred"); Convertible Participating Preferred Stock; and Convertible Participating Preferred Stock, Series 2003.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The Convertible Participating Preferred Stock and Convertible Participating Preferred Stock, Series 2003 are convertible at the holders' option on a one-for-one basis into shares of Class A Common Stock, subject to antidilution adjustments. These series of preferred stock have the right to receive dividends and distributions at a rate equal to the amount of any dividends and distributions declared or made on the Class A Common Stock. No dividends were declared or paid on this preferred stock in fiscal year 2023 or 2022. In addition, these series of preferred stock have certain distribution rights upon liquidation. Upon conversion, shares of these series of preferred stock become authorized but unissued shares of Class A Preferred and may be reissued as part of another series of Class A Preferred. As of March 31, 2023, the Company has an aggregate of 6,791,708 shares of non-designated Class A Preferred authorized for issuance.

The Convertible Participating Preferred Stock has a liquidation preference of \$12 per share and a stated value of \$11.931 per share. There were 8,292 shares outstanding as of March 31, 2023 and 23,964 conversions during the fiscal year. The Convertible Participating Preferred Stock, Series 2003 was issued as partial consideration of the purchase price in the Chiquita Processed Foods acquisition. The 967,742 shares issued in that 2003 acquisition were valued at \$16.60 per share which represented the then market value of the Class A Common Stock into which the preferred shares were immediately convertible. This series has a liquidation preference of \$15.50 per share and has no shares outstanding as of March 31, 2023.

There are 407,240 shares of Series A Preferred outstanding as of March 31, 2023 which are convertible into one share of Class A Common Stock and one share of Class B Common stock for every 20 shares of Series A Preferred. There are 400,000 shares of Series B Preferred outstanding as of March 31, 2023 which are convertible into one share of Class A Common Stock and one share of Class B Common Stock for every 30 shares of Series B preferred. There are 200,000 shares of 6% Preferred outstanding as of March 31, 2023 which are callable at their par value at any time at the option of the Company. The Company paid dividends of \$20,000 on the Series A and Series B Preferred and \$3,000 on the 6% Preferred during each of fiscal year 2023 and 2022.

Common Stock — The Class A Common Stock and the Class B Common Stock have substantially identical rights with respect to any dividends or distributions of cash or property declared on shares of common stock, and rank equally as to the right to receive proceeds on liquidation or dissolution of the Company after payment of the Company's indebtedness and liquidation right to the holders of preferred shares. However, holders of Class B Common Stock retain a full vote per share, whereas the holders of Class A Common Stock have voting rights of 1/20th of one vote per share on all matters as to which shareholders of the Company are entitled to vote. During fiscal year 2023, there were 1,319 shares of Class B Common Stock issued in lieu of cash compensation under the Company's Profit Sharing Bonus Plan.

Unissued shares of common stock reserved for conversion privileges of designated non-participating preferred stock were 33,695 of both Class A and Class B as of March 31, 2023 and 2022. Additionally, there were 8,292 and 32,756 shares of Class A reserved for conversion of the Participating Preferred Stock as of March 31, 2023 and 2022, respectively.

Treasury Stock — During fiscal year 2023 the Company repurchased \$41.2 million, or 766,071 shares of its Class A Common Stock and none of its Class B Common Stock. As of March 31, 2023, there is a total of \$168.6 million, or 4,566,242 shares, of repurchased stock. These shares are not considered outstanding. The Company contributed \$1.5 million or 39,177 treasury shares for the 401(k) match in fiscal year 2023 as described in Note 10, Retirement Plans.

12. Fair Value of Financial Instruments

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

The carrying amount and estimated fair values of the Company's long-term debt are summarized as follows (in thousands):

	As of:			
	March 31, 2023		March 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt, including current portion	\$ 442,695	\$ 436,293	\$ 113,624	\$ 108,608

The estimated fair value for long-term debt 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 which is Level 2 from the fair value hierarchy. Since quoted prices for identical instruments in active markets are not available (Level 1), the Company makes use of observable market based inputs to calculate fair value, which is Level 2.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

13. Other Operating Income and Expense

The Company had net other operating income of \$1.7 million in fiscal year 2023, which was driven primarily by gains on the sale of the Company's western trucking fleet and an aircraft, along with a favorable true-up of the supplemental early retirement plan accrual. This other operating income was partially offset by a write down of idle equipment to estimated selling price, less commission, as the assets met the criteria to be classified as held for sale.

The Company had net other operating expense of \$1.2 million in fiscal year 2022, which was driven by charges for supplemental early retirement plans and to maintain non-operating facilities classified as held for sale. These charges were partially offset by a net gain on the sale of assets and a gain from debt forgiveness on an economic development loan.

The Company had net other operating income of \$29.0 million in fiscal year 2021, which was primarily comprised of a net gain on the sale of assets, due largely to the gain realized upon the divestiture of the Company's prepared foods business. The gain was partially offset by charges to maintain non-operational plants acquired in the Midwest, a charge for a supplemental early retirement plan, and a charge for severance.

14. Segment Information

The Company has historically managed its business on the basis of three reportable food packaging segments: (1) fruits and vegetables, (2) prepared food products and (3) snack products, with non-food packaging sales comprising the other category. The other category includes the sale of cans, ends, seed, and outside revenue from the Company's trucking and aircraft operations. During fiscal year 2021, the Company sold its prepared foods business, leaving just two reportable segments along with the other category. Export sales represented 6.7%, 7.2% and 7.2% of total sales in fiscal 2023, 2022 and 2021, respectively.

The following table summarizes certain financial data for the Company's reportable segments (in thousands):

	Fruit and Vegetable	Prepared Foods	Snack Products	Other	Total
Fiscal Year 2023:					
Net sales	\$ 1,465,963	\$ -	\$ 12,661	\$ 30,728	\$ 1,509,352
Operating income	51,272	-	(1,241)	2,905	52,936
Capital expenditures	64,192	-	131	7,482	71,805
Depreciation and amortization	40,256	-	102	583	40,941
Fiscal Year 2022:					
Net sales	\$ 1,344,586	\$ -	\$ 12,332	\$ 28,362	\$ 1,385,280
Operating income	66,750	-	75	3,520	70,345
Capital expenditures	47,421	-	67	4,612	52,100
Depreciation and amortization	36,126	-	121	276	36,523
Fiscal Year 2021:					
Net sales	\$ 1,363,263	\$ 71,866	\$ 10,999	\$ 21,516	\$ 1,467,644
Operating income	175,810	1,967	705	2,585	181,067
Capital expenditures	67,963	1,451	508	1,528	71,450
Depreciation and amortization	29,533	2,299	194	349	32,375

After the sale of the prepared foods business in fiscal year 2021, over 99% of the Company's total assets from the Consolidated Balance Sheets belong to the fruit and vegetable segment and this information is no longer necessary.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

15. Legal Proceedings and Other Contingencies

In the ordinary course of its business, the Company is made a party to certain legal proceedings seeking monetary damages, including proceedings involving product liability claims, workers' compensation along with other employee claims, tort and other general liability claims, for which it carries insurance, as well as patent infringement and related litigation. The Company is in a highly regulated industry and is also periodically involved in government actions for regulatory violations and other matters surrounding the manufacturing of its products, including, but not limited to, environmental, employee, and product safety issues. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company does not believe that an adverse decision in any of these legal proceedings would have a material adverse impact on its financial position, results of operations, or cash flows.

16. Plant Restructuring

The following table summarizes the restructuring charges recorded and the accruals established during fiscal years 2023, 2022 and 2021 (in thousands):

	Severance Payable	Other Costs	Total
Balance March 31, 2020	\$ 202	\$ -	202
Charge to expense	227	(45)	182
Cash payments/write offs	(429)	45	(384)
Balance March 31, 2021	-	-	-
Charge to expense	-	70	70
Cash payments/write offs	-	(70)	(70)
Balance March 31, 2022	-	-	-
Charge to expense	361	3,189	3,550
Cash payments/write offs	(244)	(3,189)	(3,433)
Balance March 31, 2023	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ 117</u>

During fiscal year 2023, the Company incurred restructuring charges primarily due to ceasing production of green beans at a plant in the Northeast. The charges mainly consisted of severance and write-downs of production equipment that was to be scrapped or sold. During fiscal years 2022 and 2021, the Company incurred restructuring charges primarily related to plants that were closed in previous periods, including severance, health care costs, and lease impairments, amongst other minor changes.

17. Related Party Transactions

During fiscal years 2023, 2022, and 2021, less than 1% of vegetables supplied to the Company are grown by a Director of Seneca Foods Corporation. The Company's grower purchases from the Director were \$3.1 million, \$2.9 million, and \$2.2 million in fiscal years 2023, 2022, and 2021, respectively, pursuant to a raw vegetable grower contract. The Chairman of the Audit Committee reviewed the relationship and determined that the contract was negotiated at arm's length and on no more favorable terms than to other growers in the marketplace.

The Company made charitable contributions to the Seneca Foods Foundation, a related party, in the amount of \$0.5 million, \$1.0 million and \$1.0 million in fiscal years 2023, 2022 and 2021, respectively. The Foundation is a nonprofit entity that supports charitable activities by making grants to unrelated organizations or institutions and is managed by current employees of the Company.

During fiscal year 2022, the Company recorded a liability for retirement arrangements to beneficiaries of certain former employees of the Company that have family relationships to two of the Company's current Directors. As of March 31, 2023 and 2022, the liability for these benefits totaled \$1.0 million and \$1.9 million, respectively. Payments are made monthly over the beneficiary's lifetime.

Notes to Consolidated Financial Statements

Seneca Foods Corporation and Subsidiaries

18. Subsequent Event

On May 23, 2023, the Company entered into Second Amended and Restated Loan and Guaranty Agreement Amendment 1 with Farm Credit East, ACA (“the Amendment”). The Amendment amends, restates and replaces in its entirety Term Loan A-2 (as defined in Note 7, Long-Term Debt) and provides a single advance term facility in the principal amount of \$125.0 million to be combined with the existing \$173.5 million Term Loan A-2 into one single \$298.5 million term loan (“Amended Term Loan A-2”). Amended Loan Term A-2 is secured by a portion of the Company’s property, plant and equipment and bears interest at a variable interest rate based upon SOFR plus an additional margin determined by the Company’s leverage ratio.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Seneca Foods Corporation.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Seneca Foods Corporation (the “Company”) as of March 31, 2023 and 2022, the related statements of consolidated net earnings, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited the Company’s internal control over financial reporting as of March 31, 2023, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our report dated June 13, 2023, expresses an unqualified opinion.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Inventory – Refer to Notes 1 and 4 in the consolidated financial statements

Critical Audit Matter Description

At March 31, 2023, the Company’s inventory was \$708.8 million. As described in Notes 1 and 4 to the consolidated financial statements, the Company accounts for substantially all its inventory at the lower of cost, determined using the last-in, first-out (LIFO) method, or market. As permitted by U.S. generally accepted accounting principles, the Company maintains its inventory costs and cost of goods sold on a first-in, first-out (FIFO) basis and adjusts total inventory and cost of goods sold from FIFO to LIFO at the end of each year. The Company values its inventory under the LIFO method based on the inventory levels and the prevailing inventory costs existing at that time.

Report of Independent Registered Public Accounting Firm

We identified valuation of inventory as a critical audit matter because of the significant assumptions, manual calculations, and judgements in the LIFO reserve. Auditing management's calculation was complex and required a high degree of auditor judgement and subjectivity when performing audit procedures and evaluating the audit evidence obtained.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's LIFO reserve included the following, among others:

- We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's calculation of the adjustments to convert FIFO inventory balances to LIFO, including controls over management's review of the manual calculations described above.
- Tested the completeness, accuracy, and relevance of the underlying data used in management's calculation to adjust the FIFO inventory balances to LIFO.
- Tested the calculations and application of management's methodologies related to the valuation estimates of the LIFO reserve.
- Tested the mathematical accuracy of management's manual calculation.

/s/ Plante Moran, P.C.

We have served as the Company's auditor since 2019.

Southfield, Michigan
June 13, 2023

Schedule II
VALUATION AND QUALIFYING ACCOUNTS
 (In thousands)

Seneca Foods Corporation and Subsidiaries

	Balance at beginning of period	Charged/ (credited) to income	Charged to other accounts	Deductions from reserve	Balance at end of period
Year-ended March 31, 2023:					
Allowance for doubtful accounts	\$ 54	\$ (20)	\$ -	\$ - (a)	\$ 34
Income tax valuation allowance	\$ 3,931	\$ 1,064	\$ -	\$ -	\$ 4,995
Year-ended March 31, 2022:					
Allowance for doubtful accounts	\$ 339	\$ (291)	\$ -	\$ (6) (a)	\$ 54
Income tax valuation allowance	\$ 4,674	\$ (743)	\$ -	\$ -	\$ 3,931
Year-ended March 31, 2021:					
Allowance for doubtful accounts	\$ 1,598	\$ (1,304)	\$ -	\$ (45) (a)	\$ 339
Income tax valuation allowance	\$ 4,473	\$ 201	\$ -	\$ -	\$ 4,674

(a) Accounts written off, net of recoveries.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Seneca Foods Corporation
Fairport, New York

The audit referred to in our report dated June 13, 2023 relating to the consolidated financial statements of Seneca Foods Corporation, which is incorporated in Item 8 of Form 10-K by reference to the Annual Report to Shareholders for the year ended March 31, 2023 and 2022 also included the audit of the consolidated financial statement schedule listed in the accompanying index. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audit.

In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Plante Moran, P.C.

We have served as the Company's auditor since 2019.

Southfield, Michigan
June 13, 2023

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on our assessment, management believes that, as of March 31, 2023, our internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accountant has issued its report on the effectiveness of the Company's internal control over financial reporting. Their report appears on the next page.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To the Stockholders and Board of Directors of Seneca Foods Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting as of March 31, 2023 of Seneca Foods Corporation (the “Company”), based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO framework”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2023, based on criteria established in the COSO framework.

We also have audited the accompanying consolidated balance sheets of the Company as of March 31, 2023 and 2022, the related consolidated statements of net earnings, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2023, and the related notes (collectively referred to as the “financial statements”), in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated June 13, 2023, expresses an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Item 9A, Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Plante Moran, P.C.

We have served as the Company's auditor since 2019.

Southfield, Michigan
June 13, 2023

Shareholder Information

Seneca Foods Corporation and Subsidiaries

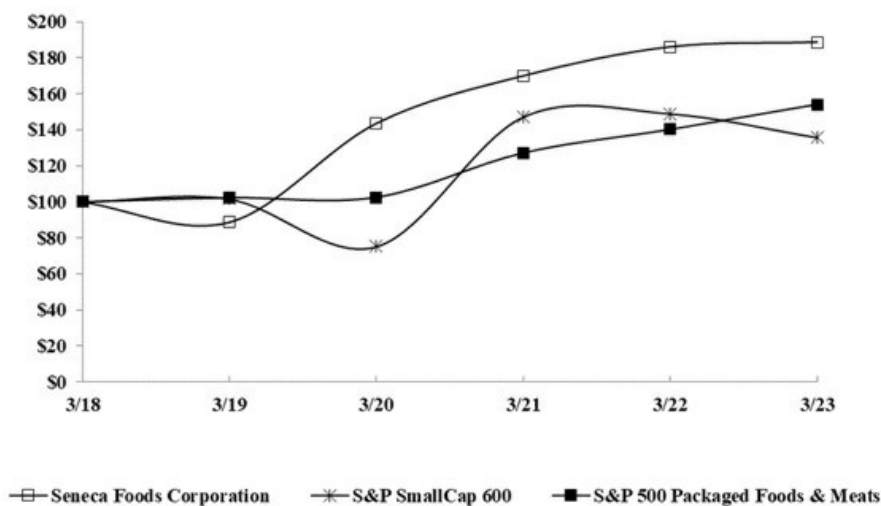
The Company's common stock is traded on The NASDAQ Global Select Market. The 5.9 million Class A outstanding shares and 1.7 million Class B outstanding shares are owned by 122 and 125 shareholders of record, as of March 31, 2023, and 2022, respectively.

As of March 31, 2023, the most restrictive credit agreement limitation on the Company's payment of dividends, to holders of Class A or Class B Common Stock is an annual total limitation of \$50,000, reduced by aggregate annual dividend payments totaling \$23,000 that the Company presently pays on two outstanding classes of preferred stock. Payment of dividends to common stockholders is made at the discretion of the Company's Board of Directors and depends, among other factors, on earnings, capital requirements, and the operating and financial condition of the Company. The Company has not declared or paid a common dividend in many years.

Stock Performance Graph

The graph below compares the cumulative total shareholder return on the Company's Class A Common Stock (SENEA) for the last five fiscal years ended March 31 with (1) the cumulative return on the S&P SmallCap 600 and (2) the cumulative return on the S&P Packaged Foods & Meats Index for this same time period. The graph assumes the investment of \$100 on March 31, 2018 and reinvestment of all dividends. The common stock price performance shown on the graph only reflects the change in the Company's SENEA price relative to the noted indices and is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
 Among Seneca Foods Corporation, the S&P SmallCap 600 Index and the S&P 500 Packaged Foods & Meats Index



*\$100 invested on 3/31/18 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

For the Fiscal Year Ended March 31,

	2018	2019	2020	2021	2022	2023
Seneca Foods Corporation	\$ 100.00	\$ 88.81	\$ 143.61	\$ 170.00	\$ 186.06	\$ 188.70
S&P SmallCap 600	\$ 100.00	\$ 101.57	\$ 75.27	\$ 147.02	\$ 148.83	\$ 135.71
S&P Packaged Foods and Meats Index	\$ 100.00	\$ 102.34	\$ 102.55	\$ 127.19	\$ 140.23	\$ 154.10

Filer: Seneca Foods Corp
Project Type: 10-K
Description: Form 10-K year ended 03-31-23

Document Type: EX-13
Document Version: 36
Project ID: 89345

Sequence: **45**
Created By: Robin Salone
Created At: 6/13/2023 11:12:20 AM EDT

Corporate Information

Seneca Foods Corporation and Subsidiaries

Directors

Kraig H. Kayser, Chairman Former President and Chief Executive Officer Seneca Foods Corporation	John P. Gaylord President Jacintoport Terminal Company	Paul L. Palmby President and Chief Executive Officer Seneca Foods Corporation
Kathryn J. Boor, Ph.D. Dean of the Graduate School and Vice Provost for Graduate Education at Cornell University	Linda K. Nelson Former Chief Financial Officer Birds Eye Foods	Donald J. Stuart Managing Partner/Founder Cadent Consulting Group
Peter R. Call President My-T Acres, Inc.	Michael F. Nozzolio Counsel Harris Beach PLLC	Keith A. Woodward Former Chief Financial Officer Tennant Company

Executive Officers

Paul L. Palmby, President Chief Executive Officer	Timothy R. Nelson, Senior Vice President Operations
Dean E. Erstad, Senior Vice President Sales and Marketing	Michael S. Wolcott, Senior Vice President Chief Financial Officer and Treasurer

Officers

Carl A. Cichetti, Senior Vice President Technology and Planning, Chief Information Officer	Aaron M. Girard, Senior Vice President Logistics
John D. Exner, General Counsel Secretary	Matt J. Henschler, Senior Vice President Technical Services and Development
Cynthia L. Fohrd, Senior Vice President Chief Administrative Officer	Gregory R. Ide, Vice President Corporate Controller and Assistant Secretary

Operations

Jon A. Brekken, Vice President Western Vegetable Operations	Leon Lindsay, Vice President Strategic Sourcing	James Quinlan, Vice President Can Manufacturing
Amiee Jo Castleberry, Vice President Human Resources	Eric E. Martin, Vice President Eastern Vegetable Operations	Mary Sagona, Vice President Accounting
Paul Hendrickson, Vice President Process Excellence	Beth Newell, General Manager Seneca Snack	Benjamin M. Scherwitz, Vice President Technical Services
Steven F. Lammers, Vice President Technical Services	Timothy Nolan, Vice President Information Technology	Richard L. Waldorf, Vice President Customer Service
Richard Leppert, General Manager Seneca Flight		

Sales and Marketing Groups

Carl B. Bowling, Vice President Branded Sales	Kevin F. Lipps, Vice President International Sales	Beau P. Simonson, Vice President Foodservice Dry Grocery
David Carter, Vice President Marketing and National Accounts	Victoria A. Ninneman, Vice President Industrial and Ingredient Sales	Courtney Schulis, Vice President Glace Sales
George E. Hopkins, III, Vice President Private Label Retail	Stephen J. Ott, Vice President Frozen Sales and Chain Accounts	Aaron L. Wadell, Vice President E-Business

Exhibit 21

LIST OF SUBSIDIARIES

The following is a listing of significant subsidiaries 100% owned by Seneca Foods Corporation, directly or indirectly:

<u>Name</u>	<u>State</u>
Dundee Insurance Company, Inc.	Utah
Gray & Company	Oregon
Green Valley Foods LLC	Delaware
Marion Foods, Inc.	New York
Portland Food Products Company	Oregon
Seneca Foods, LLC	Delaware
Seneca Snack Company	Washington

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-12365, 333-145916 and 333-166846) on Form S-8 of Seneca Foods Corporation with respect to our reports dated June 13, 2023, relating to the consolidated financial statements and the effectiveness of Seneca Foods Corporation's internal control over financial reporting, which appear in the Annual Report to Shareholders which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated June 13, 2023 relating to the consolidated financial statement schedule, which appears in this Form 10-K.

/s/ Plante Moran, P.C.

June 13, 2023
Southfield, Michigan

EXHIBIT 31.1

CERTIFICATION

I, Paul L. Palmby, certify that:

1. I have reviewed this annual report on Form 10-K of Seneca Foods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Paul L. Palmby
Paul L. Palmby
President and Chief Executive Officer
(Principal Executive Officer)

June 13, 2023

EXHIBIT 31.2

CERTIFICATION

I, Michael S. Wolcott, certify that:

1. I have reviewed this annual report on Form 10-K of Seneca Foods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Michael S. Wolcott

Michael S. Wolcott
Senior Vice President, Chief Financial Officer
and Treasurer
(Co-Principal Financial Officer)

June 13, 2023

EXHIBIT 31.3

CERTIFICATION

I, Timothy J. Benjamin, certify that:

1. I have reviewed this annual report on Form 10-K of Seneca Foods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Timothy J. Benjamin
Timothy J. Benjamin
Former Senior Vice President, Chief Financial
Officer and Treasurer
(Co-Principal Financial Officer)

June 13, 2023

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Seneca Foods Corporation (the "Registrant") on Form 10-K for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Paul L. Palmby, President, Chief Executive Officer, Michael S. Wolcott, Chief Financial Officer, and Timothy J. Benjamin, former Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Paul L. Palmby
Paul L. Palmby
President and Chief Executive Officer

June 13, 2023

By: /s/ Michael S. Wolcott
Michael S. Wolcott
Senior Vice President, Chief Financial Officer
and Treasurer

June 13, 2023

By: /s/ Timothy J. Benjamin
Timothy J. Benjamin
Former Senior Vice President, Chief Financial
Officer and Treasurer

June 13, 2023