
Seneca Foods Corp

Project Type: 10-Q

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Submission Information

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Reporting Period	12/28/2019
Smaller Reporting Company?	True

Documents

10-Q	FORM 10-Q
EX-31.1	Exhibit 31.1
EX-31.2	Exhibit 31.2
EX-32	Exhibit 32

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 28, 2019

Commission File Number 0-01989

Seneca Foods Corporation

(Exact name of Company as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

16-0733425

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

3736 South Main Street, Marion, New York

(Address of principal executive offices)

14505

(Zip Code)

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

Not Applicable

Former name, former address and former fiscal year,
if changed since last report

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Yes No

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

Title of Each Class

Common Stock Class A, \$.25 Par

Common Stock Class B, \$.25 Par

Trading Symbol

SENEA

SENEB

Name of Exchange on
Which Registered

NASDAQ Global Market

NASDAQ Global Market

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

Class

Common Stock Class A, \$.25 Par

Common Stock Class B, \$.25 Par

Shares Outstanding at January 24, 2020

7,418,535

1,735,636

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Seneca Foods Corporation
Quarterly Report on Form 10-Q
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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
 (In Thousands, Except Per Share Data)

	Unaudited December 28, 2019	Unaudited December 29, 2018	March 31, 2019
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 13,858	\$ 12,828	\$ 11,480
Accounts Receivable, Net	79,040	82,892	84,122
Contracts Receivable	7,620	-	-
Current Assets Held For Sale	-	20,339	1,568
Current Assets Held For Sale-Discontinued Operations	98	12,063	98
Inventories	493,065	575,935	501,684
Refundable Income Taxes	-	1,422	1,221
Other Current Assets	6,272	4,520	3,075
Total Current Assets	599,953	709,999	603,248
Property, Plant and Equipment, Net	219,311	246,014	239,273
Right-of-Use Assets Operating Net	67,915	-	-
Right-of-Use Assets Financing, Net	34,784	-	-
Deferred Income Taxes, Net	-	1,417	2,417
Noncurrent Assets Held For Sale-Discontinued Operations	1,054	1,739	1,143
Other Assets	9,643	2,890	2,801
Total Assets	\$ 932,660	\$ 962,059	\$ 848,882
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts Payable	\$ 84,295	\$ 93,586	\$ 61,024
Deferred Revenue	12,105	6,829	4,098
Accrued Vacation	11,898	11,404	11,678
Accrued Payroll	6,157	5,350	5,105
Other Accrued Expenses	19,903	22,194	19,363
Income Taxes Payable	4,869	-	-
Current Liabilities Held For Sale	-	142	61
Current Liabilities Held For Sale-Discontinued Operations	2,744	8,697	4,285
Current Portion of Operating Lease Obligations	24,430	-	-
Current Portion of Financing Lease Obligations	6,584	-	-
Current Portion of Capital Lease Obligations	-	5,922	6,418
Current Portion of Long-Term Debt	-	314,657	345
Total Current Liabilities	172,985	468,781	112,377
Long-Term Debt, Less Current Portion	225,337	10,715	265,900
Operating Lease Obligations, Less Current Portion	47,965	-	-
Financing Lease Obligations, Less Current Portion	27,007	-	-
Capital Lease Obligations, Less Current Portion	-	29,730	31,286
Pension Liabilities	19,463	27,356	17,349
Deferred Income Taxes, Net	866	-	-
Noncurrent Liabilities Held For Sale	-	593	305
Other Long-Term Liabilities	3,852	4,851	4,180
Total Liabilities	497,475	542,026	431,397
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock	703	707	707
Common Stock, \$.25 Par Value Per Share	3,040	3,038	3,039
Additional Paid-in Capital	98,338	98,236	98,260
Treasury Stock, at Cost	(87,194)	(74,896)	(75,740)
Accumulated Other Comprehensive Loss	(18,285)	(25,186)	(18,285)
Retained Earnings	438,583	418,134	409,504
Total Stockholders' Equity	435,185	420,033	417,485
Total Liabilities and Stockholders' Equity	\$ 932,660	\$ 962,059	\$ 848,882

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

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net Sales	\$ 392,971	\$ 372,238	\$ 1,027,898	\$ 936,991
Costs and Expenses:				
Cost of Product Sold	340,694	374,334	932,392	911,291
Selling, General and Administrative	19,986	19,389	53,936	55,432
Plant Restructuring Charge	793	1,396	6,745	2,279
Other Operating (Income) Loss	(1,617)	776	(8,618)	(3,498)
Total Costs and Expenses	359,856	395,895	984,455	965,504
Operating Income (Loss)	33,115	(23,657)	43,443	(28,513)
Other Income	(1,656)	(607)	(5,263)	(2,649)
Interest Expense, Net	2,690	3,864	9,183	11,587
Earnings (Loss) From Continuing Operations Before Income Taxes	32,081	(26,914)	39,523	(37,451)
Income Taxes (Benefit) From Continuing Operations	7,653	(6,874)	9,357	(9,617)
Earnings (Loss) From Continuing Operations	24,428	(20,040)	30,166	(27,834)
Earnings From Discontinued Operations (net of income taxes)	955	34,056	955	42,211
Net Earnings	\$ 25,383	\$ 14,016	\$ 31,121	\$ 14,377
Basic Earnings (Loss) per Common Share:				
Continuing Operations	\$ 2.65	\$ (2.07)	\$ 3.23	\$ (2.86)
Discontinued Operations	\$ 0.10	\$ 3.52	\$ 0.10	\$ 4.34
Net Basic Earnings per Common Share	\$ 2.75	\$ 1.45	\$ 3.33	\$ 1.48
Diluted Earnings (Loss) per Common Share:				
Continuing Operations	\$ 2.63	\$ (2.07)	\$ 3.20	\$ (2.86)
Discontinued Operations	\$ 0.10	\$ 3.50	\$ 0.10	\$ 4.31
Net Diluted Earnings per Common Share	\$ 2.73	\$ 1.43	\$ 3.31	\$ 1.45

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

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Comprehensive income:				
Net earnings	\$ 25,383	\$ 14,016	\$ 31,121	\$ 14,377
Change in pension, post retirement benefits and other (net of tax)	-	17	-	119
Total	\$ 25,383	\$ 14,033	\$ 31,121	\$ 14,496

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

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

	Nine Months Ended	
	December 28, 2019	December 29, 2018
Cash Flows from Operating Activities:		
Net Earnings (Loss) From Continuing Operations	\$ 30,166	\$ (27,834)
Net Earnings From Discontinued Operations (Net of Tax)	955	42,211
Adjustments to Reconcile Net Earnings (Loss) to Net Cash Provided By Operations:		
Depreciation & Amortization	22,644	23,550
Gain on the Sale of Assets	(9,049)	(55,863)
Provision for Restructuring and Impairment	5,573	6,537
Deferred Income Tax Benefit	3,283	4,159
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(2,538)	(5,537)
Inventories	8,619	52,836
Other Current Assets	(3,197)	(8,353)
Income Taxes	6,763	(280)
Accounts Payable, Accrued Expenses and Other Liabilities	52,101	15,004
Net Cash Provided By Operations	115,320	46,430
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(47,681)	(30,468)
Proceeds from the Sale of Assets	22,175	84,975
Net Cash (Used In) Provided By Investing Activities	(25,506)	54,507
Cash Flows from Financing Activities:		
Long-Term Borrowing	401,053	419,102
Payments on Long-Term Debt and Lease Obligations	(465,099)	(517,187)
Other Assets	(7,125)	226
Payments on Financing Leases	(4,799)	-
Purchase of Treasury Stock	(11,454)	(5,340)
Dividends	(12)	(12)
Net Cash Used In Financing Activities	(87,436)	(103,211)
Net Increase (Decrease) in Cash and Cash Equivalents	2,378	(2,274)
Cash and Cash Equivalents, Beginning of the Period	11,480	15,102
Cash and Cash Equivalents, End of the Period	\$ 13,858	\$ 12,828
Supplemental Disclosures of Cash Flow Information:		
Noncash Transactions:		
Property, Plant and Equipment Purchased Under Lease Obligations	\$ 9,782	\$ 258

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

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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (Unaudited)
 (In Thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
First Quarter FY 2020:						
Balance March 31, 2019	\$ 707	\$ 3,039	\$ 98,260	\$ (75,740)	\$ (18,285)	\$ 409,504
Net earnings	-	-	-	-	-	1,103
Cash dividends paid on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(2,744)	-	-
Operating lease impairment adjustment upon the adoption of ASU 2016-02 "Leases" (net of tax)	-	-	-	-	-	(2,019)
Balance June 29, 2019	\$ 707	\$ 3,039	\$ 98,285	\$ (78,484)	\$ (18,285)	\$ 408,576
Second Quarter FY 2020:						
Net earnings	-	-	-	-	-	4,635
Equity incentive program	-	-	25	-	-	-
Preferred stock conversion	(4)	1	3	-	-	-
Purchase treasury stock	-	-	-	(5,836)	-	-
Balance September 28, 2019	\$ 703	\$ 3,040	\$ 98,313	\$ (84,320)	\$ (18,285)	\$ 413,211
Third Quarter FY 2020:						
Net earnings	-	-	-	-	-	25,383
Cash dividends paid on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(2,874)	-	-
Balance December 28, 2019	\$ 703	\$ 3,040	\$ 98,338	\$ (87,194)	\$ (18,285)	\$ 438,583
First Quarter FY 2019:						
Balance March 31, 2018	\$ 707	\$ 3,038	\$ 98,161	\$ (69,556)	\$ (25,067)	\$ 403,780
Net loss	-	-	-	-	-	(8,755)
Cash dividends paid on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	25	-	-	-
Change in pension, post retirement benefits, other (net of tax)	-	-	-	-	(51)	-
Balance June 30, 2018	\$ 707	\$ 3,038	\$ 98,186	\$ (69,556)	\$ (25,118)	\$ 395,013
Second Quarter FY 2019:						
Net earnings	-	-	-	-	-	9,116
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(1,579)	-	-
Change in pension, post retirement benefits, other (net of tax)	-	-	-	-	(51)	-
Balance September 29, 2018	\$ 707	\$ 3,038	\$ 98,211	\$ (71,135)	\$ (25,169)	\$ 404,129
Third Quarter FY 2019:						
Net earnings	-	-	-	-	-	14,016
Cash dividends paid on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(3,761)	-	-
Change in pension, post retirement benefits, other (net of tax)	-	-	-	-	(17)	-
Balance December 29, 2018	\$ 707	\$ 3,038	\$ 98,236	\$ (74,896)	\$ (25,186)	\$ 418,134

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	Preferred Stock				Common Stock	
	6% Cumulative Par Value \$.25 Callable at Par Voting	10% Cumulative Par Value \$.025 Convertible Voting	Participating Convertible Par Value \$.025	2003 Series Participating Convertible Par Value \$.025	Class A Common Stock Par Value \$.25	Class B Common Stock Par Value \$.25
Shares authorized and designated: December 28, 2019	200,000	1,400,000	37,155	500	20,000,000	10,000,000
Shares outstanding: December 28, 2019	200,000	807,240	37,155	500	7,416,735	1,735,636

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

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 28, 2019

1. Unaudited Condensed Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of Seneca Foods Corporation (the "Company") as of December 28, 2019 and December 29, 2018 results of its operations and its cash flows for the interim periods presented. All significant intercompany transactions and accounts have been eliminated in consolidation. The March 31, 2019 balance sheet was derived from the audited consolidated financial statements.

The results of operations for the three and nine month periods ended December 28, 2019 are not necessarily indicative of the results to be expected for the full year.

During the nine months ended December 28, 2019, the Company sold on a gross basis including casing and labeling and future warehousing \$116,515,000 of Green Giant finished goods inventory to B&G Foods, Inc. for cash, on a bill and hold basis, as compared to \$65,741,000 for the nine months ended December 29, 2018. Under the terms of the bill and hold agreement, title to the specified inventory transferred to B&G. Under the new revenue recognition standard, this contract qualifies for bill and hold accounting treatment as the Company has concluded that control of the unlabeled products transfers to the customer at the time title transfers and the Company has the right to payment (prior to physical delivery), which results in earlier revenue recognition. Labeling and storage services that are provided after control of the goods has transferred to the customer are accounted for as separate performance obligations for which revenue is deferred until the services are performed.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 2019 Annual Report on Form 10-K.

Other footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's 2019 Annual Report on Form 10-K.

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

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

2. Discontinued Operations

On July 13, 2018, the Company executed a nonbinding letter of intent with a perspective buyer of the Modesto facility. On October 9, 2018, the Company closed on the sale of the facility to this outside buyer with net proceeds of \$63,326,000. During the second quarter of fiscal 2019, the Company ceased use of the Modesto facility. Based on its magnitude of revenue to the Company (approximately 15%) and because the Company was exiting the production of peaches, this sale represented a significant strategic shift that has a material effect on the Company's operations and financial results. Accordingly, the Company has applied discontinued operations treatment for this sale as required by Accounting Standards Codification 210-05—*Discontinued Operations*. This business we are exiting is part of the Fruit and Vegetable segment.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 28, 2019

The following table presents information related to the major classes of assets and liabilities of Modesto that are classified as Held For Sale-Discontinued Operations in the Company's Consolidated Condensed balance sheets (in thousands):

	December 28 2019	December 29 2018	March 31 2019
Accounts Receivable	\$ -	\$ 1,441	\$ -
Inventories	-	4,645	-
Other Current Assets	98	5,977	98
Current Assets Held For Sale-Discontinued Operations	\$ 98	\$ 12,063	\$ 98
Other Assets	\$ 1,054	\$ 1,739	\$ 1,143
Noncurrent Assets Held For Sale-Discontinued Operations	\$ 1,054	\$ 1,739	\$ 1,143
Accounts Payable and Accrued Expenses	\$ 2,744	\$ 8,697	\$ 4,285
Current Liabilities Held For Sale-Discontinued Operations	\$ 2,744	\$ 8,697	\$ 4,285

The operating results of the discontinued operations that are reflected in the Unaudited Condensed Consolidated Statements of Net Earnings (Loss) from discontinued operations are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	December 28 2019	December 29 2018	December 28 2019	December 29 2018
Net Sales	\$ -	\$ 1,644	\$ -	\$ 111,693
Costs and Expenses:				
Cost of Product Sold	57	5,796	57	129,872
Selling, General and Administrative	-	137	-	1,135
Plant Restructuring (Credit) Charge (a)	(902)	854	(902)	4,350
Interest Expense (b)	-	-	-	1,077
Total cost and expenses	(845)	6,787	(845)	136,434
Loss From Discontinued Operations Before Income Taxes	845	(5,143)	845	(24,741)
Gain on the Sale of Assets Before Income Taxes (c) (d)	(430)	(50,411)	(430)	(80,677)
Income Tax Expense	320	11,212	320	13,725
Net Earnings From Discontinued Operations, Net of Tax	\$ 955	\$ 34,056	\$ 955	\$ 42,211
Supplemental Information on Discontinued Operations:				
Capital Expenditures	-	-	-	3,937
Depreciation	-	7	-	1,302

- (a) Includes \$902,000 credit for pension termination in both the three and nine month periods of the current year.
Includes \$278,000 and \$3,579,000 of Modesto severance in the three and nine month periods of prior year, respectively.
- (b) Includes interest on debt directly related to Modesto including the building mortgage and equipment capital leases and an allocation of the Company's line of credit facility.
- (c) Includes a \$24,211,000 gain from LIFO layer liquidations from the disposal of the inventory for both prior three and nine months.
- (d) Includes a \$4,975,000 gain on the sale of bins for the prior nine months period.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 28, 2019

3. Revenue Recognition

In the following table, segment revenue is disaggregated by product category groups (in millions).

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Canned Vegetables	\$ 251.4	\$ 259.5	\$ 657.3	\$ 631.1
B&G*	48.7	27.7	117.5	66.7
Frozen	27.8	29.7	72.3	87.5
Fruit Products	32.2	27.2	81.8	70.7
Chip Products	2.9	2.5	8.9	7.7
Prepared Foods	25.5	22.0	78.9	59.2
Other	4.5	3.6	11.2	14.1
	<u>\$ 393.0</u>	<u>\$ 372.2</u>	<u>\$ 1,027.9</u>	<u>\$ 937.0</u>

*B&G includes both canned and frozen vegetable sales exclusively for B&G.

4. Inventories

First-In, First-Out (“FIFO”) based inventory costs exceeded LIFO based inventory costs by \$153,884,000 as of the end of the third quarter of fiscal 2020 as compared to \$160,727,000 as of the end of the third quarter of fiscal 2019. The change in the LIFO Reserve for the three months ended December 28, 2019 was a decrease of \$11,337,000 as compared to an increase of \$25,776,000 for the three months ended December 29, 2018.

The change in the LIFO Reserve for the nine months ended December 28, 2019 was a decrease of \$7,457,000 as compared to an increase of \$15,722,000 for the nine months ended December 29, 2018. The prior year-to-date decrease includes a decrease of \$24,211,000 related to the LIFO impact of gain on sale of Modesto Fruit which is included in Other Operating Income under Discontinued Operations. The \$15,722,000 also includes an increase of \$39,933,000 related to Continuing Operations included in Cost of Product Sold. This reflects the projected impact of the disposal of Modesto Fruit partially offset by an overall cost increase expected in fiscal 2020 versus fiscal 2019.

	December 28, 2019	December 29, 2018	March 31, 2019
In Thousands			
Finished products	\$ 465,306	\$ 557,652	\$ 454,920
In process	34,685	41,100	42,045
Raw materials and supplies	146,958	137,910	166,060
	646,949	736,662	663,025
Less excess of FIFO cost over LIFO cost	153,884	160,727	161,341
Total inventories	<u>\$ 493,065</u>	<u>\$ 575,935</u>	<u>\$ 501,684</u>

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 28, 2019

5. Leases

The Company determines if an arrangement is a lease at inception of the agreement. Operating leases are included in right-of-use operating assets, and current and noncurrent operating lease obligations in the Company's Condensed Consolidated Balance Sheets. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If the lease does not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The right-of-use operating lease assets also include in its calculation any prepaid lease payments made and excludes any lease incentives received from the arrangement. The Company's lease terms may include options to extend or terminate the lease, and the impact of these options are included in the lease liability and lease asset calculations 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 nonlease components for its leases when it is impractical to separate the two, such as leases with variable payment arrangements. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The Company has operating leases for land, machinery and equipment. The Company also has finance leases for machinery and equipment. The commencement date used for the calculation of the lease obligation is the latter of the commencement date of the new standard (April 1, 2019) or the lease start date. Certain of the leases have options to extend the life of the lease, which are included in the liability calculation when the option is at the sole discretion of the Company and it is reasonably certain that the Company will exercise the option. 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 are not material. The Company currently has finance leases which were accounted for as capital leases under the previous standard and were unchanged as a result of this standard implementation.

Upon adoption of ASU 2016-02, the Company determined its right-of-use assets related to the operating leases for its plant equipment in Sunnyside, Washington were partially impaired and therefore were reduced with a corresponding charge to retained earnings of \$2,019,000 (which is net of tax). The estimated lives of these assets will be shortened due to the planned closure of the facility after the year's pack.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense were as follows (In thousands):

	Three Months December 28, 2019	Nine Months December 28, 2019
Lease cost:		
Amortization of right of use asset	\$ 1,084	\$ 3,191
Interest on lease liabilities	321	1,033
Finance lease cost	1,405	4,224
Operating lease cost	7,545	23,234
Total lease cost	\$ 8,950	\$ 27,458
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$	1,033
Operating cash flows from operating leases		24,531
Financing cash flows from finance leases		4,799
Total	\$	30,363
Right-of-use assets obtained in exchange for new finance lease liabilities	\$	3,697
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	6,085
Weighted-average lease term (years):		
Financing leases		5.4
Operating leases		3.9
Weighted-average discount rate (percentage):		
Financing leases		4.2
Operating leases		4.6

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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 December 28, 2019 (in thousands) were as follows:

Years ending March 31:	Operating		Financing	
Balance of 2020	\$	5,435	\$	1,945
2021		26,301		7,782
2022		19,683		7,782
2023		13,446		7,782
2024		6,496		6,064
2025-2031		7,516		6,161
Total minimum payment required	\$	78,877	\$	37,516
Less interest		6,481		3,926
Present value of minimum lease payments		72,396		33,590
Amount due within one year		24,430		6,584
Long-term capital lease obligation	\$	47,966	\$	27,006

As the Company has not restated prior year information for its adoption of ASC Topic 842, the following presents its future minimum lease payments for operating and capital leases under ASC Topic 840 on March 31, 2019:

Years ending March 31:	Operating		Capital	
2020	\$	28,689	\$	7,827
2021		24,938		7,827
2022		17,526		7,827
2023		12,062		7,827
2024		5,950		6,102
2025-2031		6,927		5,267
Total minimum payment required	\$	96,092	\$	42,677
Less interest				4,973
Present value of minimum lease payments				37,704
Amount due within one year				6,418
Long-term capital lease obligation			\$	31,286

6. Revolving Credit Facility

The Company has a five-year revolving credit facility (“Revolver”) with maximum borrowings totaling \$400,000,000 from April through July and \$500,000,000 from August through March and the Revolver matures on July 5, 2021. The Revolver balance as of December 28, 2019 was \$114,689,000 and is included in Long-Term Debt in the accompanying Condensed Consolidated Balance Sheet. The Company utilizes its Revolver for general corporate purposes, including seasonal working capital needs, to pay debt principal and interest obligations, and to fund capital expenditures and acquisitions. Seasonal working capital needs are affected by the growing cycles of the vegetables and fruits the Company processes. The majority of vegetable and fruit inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable and fruit produce are generally three months but can vary from a few days to seven months. Accordingly, the Company’s need to draw on the Revolver may fluctuate significantly throughout the year.

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The decrease in the reported average outstanding Revolver borrowings during the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019 was attributable to the sale of various Company facilities during the period.

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

The following table documents the quantitative data for Revolver borrowings during the third quarter and year-to-date of fiscal 2020 and fiscal 2019:

	Third Quarter		Year-to-Date	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
Reported end of period:				
Outstanding borrowings	\$ 114,689	\$ 214,161	\$ 114,689	\$ 214,161
Weighted average interest rate	3.27%	4.02%	3.27%	4.02%
Reported during the period:				
Maximum amount of borrowings	\$ 137,418	\$ 242,947	\$ 151,477	\$ 294,062
Average outstanding borrowings	\$ 115,626	\$ 192,323	\$ 127,078	\$ 225,345
Weighted average interest rate	3.40%	3.86%	3.75%	3.64%

7. Stockholders' Equity

During the nine-month period ended December 28, 2019 the Company repurchased \$7,571,000 of its Class A Common Stock and \$3,883,000 of Class B Common Stock as Treasury Stock. As of December 28, 2019, there are 3,008,762 shares or \$87,194,000 of repurchased stock. These shares are not considered outstanding.

8. Retirement Plans

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(In thousands)			
Service Cost	\$ 2,283	\$ 1,831	\$ 6,848	\$ 6,716
Interest Cost	2,316	2,362	6,947	6,848
Expected Return on Plan Assets	(3,957)	(3,593)	(11,870)	(10,785)
Amortization of Prior Service Cost	30	30	90	90
Amortization of Net Loss	29	593	87	1,198
Net Periodic Benefit Cost	\$ 701	\$ 1,223	\$ 2,102	\$ 4,067

There were no contributions to the pension plan in the three and nine month periods ended December 28, 2019 and December 29, 2018, respectively.

Effective January 1, 2020, the Company closed its defined benefit pension plan to new participants. Employees excluded from the pension plan have a 3% match opportunity in the 401(k) plan.

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9. Plant Restructuring

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

	Restructuring Payable		
	Severance	Other Costs	Total
	(In thousands)		
Balance March 31, 2019	\$ 225	\$ 1	\$ 226
First quarter charge	586	4,220	4,806
Second quarter charge	386	760	1,146
Third quarter charge	28	765	793
Cash payments/write offs	(1,145)	(5,746)	(6,891)
Balance December 28, 2019	\$ 80	\$ -	\$ 80

	Restructuring Payable		
	Severance	Other Costs	Total
	(In thousands)		
Balance March 31, 2018	\$ -	\$ -	\$ -
First quarter charge	110	(72)	38
Second quarter charge	845	-	845
Third quarter charge	378	1,018	1,396
Cash payments/write offs	(976)	72	(904)
Balance December 29, 2018	\$ 357	\$ 1,018	\$ 1,375

During the nine months ended December 28, 2019 the Company recorded a restructuring charge of \$6,745,000 related to the closing of plants in the Midwest and Northwest of which \$5,266,000 was for accelerated amortization of right-of-use operating lease assets, \$2,354,000 was mostly related to equipment moves and \$1,000,000 was related to severance. The Company also recorded a credit of \$1,875,000 for the reduced lease liability of previously impaired leases.

During the nine months ended December 29, 2018, the Company recorded a restructuring charge of \$2,279,000 related to the closing and sale of plants in the East and Northwest of which \$1,333,000 was related to severance cost, and \$946,000 which was related to other costs (mostly equipment moves).

10. Other Operating Income and Expense

During the nine months ended December 28, 2019 the Company recorded a gain on the partial sale of a plant in the Midwest of \$3,742,000 and a gain on the partial sale of a plant in the Northwest of \$1,737,000. The Company also recorded a gain of on the sale of unused fixed assets of \$3,139,000.

During the nine months ended December 29, 2018, the Company sold unused fixed assets which resulted in a gain of \$3,920,000 mostly related to the sale of a closed plant in the Midwest. These items are included in other operating income (loss) in the Unaudited Condensed Consolidated Statements of Net Earnings.

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11. Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. In July 2018, the FASB issued ASU No. 2018-11, Targeted Improvements – Leases (Topic 842)." This update provides an optional transition method that allows entities to elect to apply the standard retrospectively at the beginning of the period of adoption, versus recasting the prior periods presented. If elected, an entity would recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This guidance is effective for annual periods beginning after December 15, 2018. We adopted ASU 2016-02 as of April 1, 2019, using the optional transition method provided by ASU 2018-11. The standard resulted in the initial recognition of \$88,333,000 of total operating lease assets and \$91,025,000 of net operating lease liabilities and a net adjustment to retained earnings totaling \$2,019,000 (\$2,692,000 less tax effect of \$673,000) on the Condensed Consolidated Balance Sheet on April 1, 2019. The standard did not materially impact the Condensed Consolidated Statement of Income or Condensed Consolidated Statement of Cash Flows. At adoption, the Company recorded an adjustment to retained earnings of \$2,019,000, which includes an impairment loss that was related to a Northwest plant impairment which was incurred in March 2019 just prior to adoption of this standard. The disclosures required by the recently adopted accounting standard are included in Note 5 of the Notes to the Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. The amendments in this ASU should be applied on a retrospective basis to all periods presented. We are currently evaluating the effect that ASU 2018-14 will have on our condensed consolidated financial statements and related disclosures.

There were no other recently issued accounting pronouncements that impacted the Company's condensed consolidated financial statements. In addition, the Company did not adopt any other new accounting pronouncements during the quarter ended December 28, 2019.

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12. Earnings per Common Share From Continuing Operations

Earnings per share for the three and nine months ended December 28, 2019 and December 29, 2018 are as follows:

(Thousands, except per share amounts)	QUARTER		YEAR TO DATE	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Continuing Operations				
Basic				
Earnings (loss) from continuing operations	\$ 24,428	\$ (20,040)	\$ 30,166	\$ (27,834)
Deduct preferred stock dividends paid	6	6	17	17
Undistributed earnings (loss) from continuing operations	24,422	(20,046)	30,149	(27,851)
Earnings (loss) from continuing operations attributable to participating preferred	100	(79)	122	(109)
Earnings (loss) from continuing operations attributable to common shareholders	<u>\$ 24,322</u>	<u>\$ (19,967)</u>	<u>\$ 30,027</u>	<u>\$ (27,742)</u>
Weighted average common shares outstanding	9,176	9,625	9,307	9,694
Basic earnings (loss) per common share from continuing operations	<u>\$ 2.65</u>	<u>\$ (2.07)</u>	<u>\$ 3.23</u>	<u>\$ (2.86)</u>
Diluted				
Earnings (loss) from continuing operations attributable to common shareholders	\$ 24,322	\$ (19,967)	\$ 30,027	\$ (27,742)
Add dividends on convertible preferred stock	5	-	15	-
Earnings (loss) from continuing operations attributable to common stock on a diluted basis	<u>\$ 24,327</u>	<u>\$ (19,967)</u>	<u>\$ 30,042</u>	<u>\$ (27,742)</u>
Weighted average common shares outstanding-basic	9,176	9,625	9,307	9,694
Additional shares issued related to the equity compensation plan	2	-	2	-
Additional shares to be issued under full conversion of preferred stock	67	-	67	-
Total shares for diluted	<u>9,245</u>	<u>9,625</u>	<u>9,376</u>	<u>9,694</u>
Diluted earnings (loss) per common share from continuing operations	<u>\$ 2.63</u>	<u>\$ (2.07)</u>	<u>\$ 3.20</u>	<u>\$ (2.86)</u>

Note: For fiscal 2019 addbacks for equity compensation and additional shares that were anti-dilutive were excluded.

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Earnings per Common Share From Discontinued Operations

(Thousands, except per share amounts)	QUARTER		YEAR TO DATE	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Discontinued Operations				
<u>Basic</u>				
Earnings from discontinued operations	\$ 955	\$ 34,056	\$ 955	\$ 42,211
Deduct preferred stock dividends paid	6	6	17	17
Undistributed earnings from discontinued operations	949	34,050	938	42,194
Earnings from discontinued operations attributable to participating preferred	4	134	4	165
Earnings from discontinued operations attributable to common shareholders	\$ 945	\$ 33,916	\$ 934	\$ 42,029
Weighted average common shares outstanding	9,176	9,625	9,307	9,694
Basic earnings per common share from discontinued operations	\$ 0.10	\$ 3.52	\$ 0.10	\$ 4.34
<u>Diluted</u>				
Earnings from discontinued operations attributable to common shareholders	\$ 945	\$ 33,916	\$ 934	\$ 42,029
Add dividends on convertible preferred stock	5	5	15	15
Earnings from discontinued operations attributable to common stock on a diluted basis	\$ 950	\$ 33,921	\$ 949	\$ 42,044
Weighted average common shares outstanding-basic	9,176	9,625	9,307	9,694
Additional shares issued related to the equity compensation plan	2	2	2	2
Additional shares to be issued under full conversion of preferred stock	67	67	67	67
Total shares for diluted	9,245	9,694	9,376	9,763
Diluted earnings per common share from discontinued operations	\$ 0.10	\$ 3.50	\$ 0.10	\$ 4.31

Note: For fiscal 2019, add backs for equity compensation and additional shares that were anti-dilutive were excluded.

13. Fair Value of Financial Instruments

As required by Accounting Standards Codification ("ASC") 825, "Financial Instruments," the Company estimates the fair values of financial instruments on a quarterly basis. The estimated fair value for long-term debt (classified as Level 2 in the fair value hierarchy) is determined by the quoted market prices for similar debt (comparable to the Company's financial strength) or current rates offered to the Company for debt with the same maturities. Long-term debt, including current portion had a carrying amount of \$225,337,000 and an estimated fair value of \$225,287,000 as of December 28, 2019. Long-term debt, including current portion had a carrying amount of \$325,373,000 and an estimated fair value of \$325,276,000 as of December 29, 2018. As of March 31, 2019, the carrying amount was \$266,245,000 and the estimated fair value was \$266,140,000. The fair values of all the other financial instruments approximate their carrying value due to their short-term nature.

14. Income Taxes

The effective tax rate from continuing operations was 23.7% and 25.7% for the nine month periods ended December 28, 2019 and December 29, 2018, respectively. The 2.0 percentage point decrease in the effective tax rate is due primarily to federal income tax credits and incentives. The dollar amount of the federal credits and incentives did not change significantly from 2019 to 2020. The decrease is the result of having a pre-tax loss in 2018 and pre-tax income in 2019. The 2018 federal credits and incentives created a tax benefit which increased the tax rate because of the pre-tax loss. The 2019 federal credits and incentives also created a tax benefit. However, in 2019 the tax benefit decreased the tax rate because of the pre-tax income.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
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Seneca Foods Corporation (the “Company”) is a leading provider of packaged fruits and vegetables, with facilities located throughout the United States. The Company’s product offerings include canned, frozen and bottled produce and snack chips. Its products are sold under private label as well as national and regional brands that the Company owns or licenses, including Seneca®, Libby’s®, Aunt Nellie’s®, Cherryman®, Green Valley®, READ® and Seneca Farms®. The Company’s canned fruits and vegetables are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. The Company also sells its products to foodservice distributors, industrial markets, other food processors, export customers in over 90 countries and federal, state and local governments for school and other food programs. The Company packs Green Giant®, Le Sueur® and other brands of canned vegetables as well as select Green Giant® frozen vegetables for B&G Foods North America (“B&G”) under a contract packing agreement. In addition, Seneca provides contract packing services mostly through its wholly owned subsidiary Truitt Bros., Inc.

During April 2019, the Company announced production at its fruit processing plant in Sunnyside, Washington will cease after the end of the 2019 production season. The Company will continue to store, case and label products at this facility until sometime later this year. The plant restructuring charge for Sunnyside right-of-use assets is being amortized over seven months.

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

Results of Operations:

Sales:

The third fiscal quarter 2020 results include net continuing sales of \$392,971,000, which represents a 5.6% increase, or \$20,733,000, from the third quarter of fiscal 2019. The net increase in sales is higher selling prices/sales mix of \$23,937,000 partially offset by a sales volume decrease of \$3,204,000. The increase in sales is primarily from a \$20,980,000 increase in B&G sales, a \$4,924,000 increase in other Canned Fruit sales, a \$3,506,000 increase in Prepared Food sales, an \$877,000 increase in Other sales, and a \$429,000 increase in Snack sales which was partially offset by a \$8,050,000 decrease in Canned Vegetable sales, and a \$1,933,000 decrease in Frozen sales.

The nine months ended 2020 results include net continuing sales of \$1,027,898,000, which represents a 9.7% increase, or \$90,907,000, from the third quarter of fiscal 2019. The net increase in sales is higher selling prices/sales mix of \$57,967,000 and a sales volume increase of \$32,940,000. The increase in sales is primarily from a \$50,875,000 increase in B&G sales, a \$26,205,000 increase in Canned Vegetable sales, a \$19,713,000 increase in Prepared Food sales, a \$11,012,000 increase in Canned Fruit sales, a \$1,224,000 increase in Snack sales which was partially offset by and a \$15,273,000 decrease in Frozen sales a \$2,849,000 decrease in Other sales.

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Canned Vegetables	\$ 251.4	\$ 259.5	\$ 657.3	\$ 631.1
B&G*	48.7	27.7	117.5	66.7
Frozen	27.8	29.7	72.3	87.5
Fruit Products	32.2	27.2	81.8	70.7
Chip Products	2.9	2.5	8.9	7.7
Prepared Foods	25.5	22.0	78.9	59.2
Other	4.5	3.6	11.2	14.1
	\$ 393.0	\$ 372.2	\$ 1,027.9	\$ 937.0

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

Operating Income:

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Gross Margin	13.3%	-0.6%	9.3%	2.7%
Selling	2.4%	2.6%	2.5%	2.8%
Administrative	2.7%	2.6%	2.8%	3.1%
Plant Restructuring	0.2%	0.4%	0.7%	0.2%
Other Operating Income	-0.4%	0.2%	-0.8%	-0.4%
Operating Income	8.4%	-6.4%	4.2%	-3.0%
Interest Expense, Net	0.7%	1.0%	0.9%	1.2%

For the three month period ended December 28, 2019, the gross margin increased from the prior year quarter from (0.6)% to 13.3% due primarily to a lower LIFO charge in the third quarter of 2020. The LIFO credit for continuing operations for the third quarter ended December 28, 2019 was \$11,337,000 or 2.9% of sales as compared to a charge of \$25,776,000 or 6.9% of sales for the third quarter ended December 29, 2018 and reflects the impact on the quarter of lower cost increases and lower yields for certain commodities in fiscal 2020, compared with fiscal 2019. On an after-tax basis, LIFO net earnings increased by \$8,503,000 for the quarter ended December 28, 2019 and LIFO net earnings decreased by \$19,332,000 for the quarter ended December 29, 2018, based on the historical statutory federal income tax rate.

For the nine month period ended December 28, 2019, the gross margin increased from the prior year period from 2.7% to 9.3% due primarily to a lower LIFO charge in the current year. The LIFO credit for the first nine months ended December 28, 2019 was \$7,457,000 or 0.7% of sales as compared to a charge of \$39,933,000 or 4.3% of sales for the nine months ended December 29, 2018 and reflects the impact on the nine months of lower cost increases and lower yields for certain commodities in fiscal 2020, compared with fiscal 2019. On an after-tax basis, LIFO net earnings increased by \$5,593,000 for the nine months ended December 29, 2018 and LIFO net earnings decreased by \$29,950,000 for the nine months ended December 29, 2018, based on the historical statutory federal income tax rate.

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For the three month period ended December 28, 2019, selling costs as a percentage of sales decreased from 2.6% to 2.4%. For the nine month period ended December 28, 2019, selling costs as a percentage of sales decreased from 2.8% to 2.5%.

For the three month period ended December 28, 2019, administrative expense as a percentage of sales increased from 2.6% to 2.7%. For the nine month period ended December 28, 2019, administrative expense as a percentage of sales decreased from 3.1% to 2.8%. This is primarily due to higher sales during the nine month period compared to same period in the prior year and the fixed nature of these administrative costs.

During the nine months ended December 28, 2019 the Company recorded a gain on the partial sale of a plant in the Midwest of \$3,742,000 and a gain on the partial sale of a plant in the Northwest of \$1,737,000. The Company also recorded a gain on the sale of unused fixed assets of \$3,139,000. During the nine months ended December 29, 2018, the Company sold unused fixed assets which resulted in a gain of \$3,920,000 mostly related to the sale of a closed plant in the Midwest. These items are included in other operating income (loss) in the Unaudited Condensed Consolidated Statements of Net Earnings.

Interest expense for the third quarter ended December 28, 2019, as a percentage of sales, decreased to 0.7% from 1.0% in third quarter ended December 29, 2018. Interest expense for the nine months ended December 28, 2019, as a percentage of sales, decreased to 0.9% from 1.2% in nine months ended December 29, 2018. During fiscal 2020, overall borrowings and interest rates were lower than the previous year.

Income Taxes:

The effective tax rate from continuing operations was 23.7% and 25.7% for the nine month periods ended December 28, 2019 and December 29, 2018, respectively. The 2.0 percentage point decrease in the effective tax rate is due primarily to federal income tax credits and incentives. The dollar amount of the federal credits and incentives did not change significantly from 2019 to 2020. The decrease is the result of having a pre-tax loss in 2018 and pre-tax income in 2019. The 2018 federal credits and incentives created a tax benefit which increased the tax rate because of the pre-tax loss. The 2019 federal credits and incentives also created a tax benefit. However, in 2019 the tax benefit decreased the tax rate because of the pre-tax income.

Earnings (Loss) per Share:

Continuing basic earnings (loss) per share were \$2.65 and \$(2.07) for the three months ended December 28, 2019 and December 29, 2018, respectively. Continuing diluted earnings (loss) per share were \$2.63 and \$(2.07) for the three months ended December 28, 2019 and December 29, 2018, respectively. Continuing basic earnings (loss) per share were \$3.23 and \$(2.86) for the nine months ended December 28, 2019 and December 29, 2018, respectively. Continuing diluted earnings (loss) per share were \$3.20 and \$(2.86) for the nine months ended December 28, 2019 and December 29, 2018, respectively. For details of the calculation of these amounts, refer to footnote 12 of the Notes to Condensed Consolidated Financial Statements.

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Liquidity and Capital Resources:

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

	December 28, 2019	December 29, 2018	March 31, 2019	March 31, 2018
Working Capital:				
Balance	\$ 426,968	\$ 241,218	\$ 490,871	\$ 602,504
Change in Quarter	(10,305)	(313,541)		
Current Portion of Long-Term Debt and Capital Lease Obligations	-	314,657	6,763	7,468
Long-Term Debt, Less Current Portion	225,337	10,715	265,900	407,733
Operating Lease Obligations, Less Current Portion	47,965	-	-	-
Financing Lease Obligations, Less Current Portion	27,007	-	-	-
Capital Lease Obligations, Less Current Portion	-	29,730	31,286	34,331
Total Stockholders' Equity Per Equivalent				
Common Share (see Note below)	47.01	43.39	43.27	41.73
Stockholders' Equity Per Common Share	47.47	43.79	43.67	42.11
Current Ratio	3.47	1.52	5.37	5.35

Note: Equivalent common shares are either common shares or, for convertible preferred shares, the number of common shares that the preferred shares are convertible into. See Note 9 of the Notes to Consolidated Financial Statements of the Company's 2019 Annual Report on Form 10-K for conversion details.

As shown in the Condensed Consolidated Statements of Cash Flows, net cash provided by operating activities was \$115,320,000 in the first nine months of fiscal 2020, compared to \$46,430,000 in the first nine months of fiscal 2019. The \$68,890,000 increase in cash provided is primarily attributable to the following items: an increase in cash provided by net earnings from continuing operations of \$58,000,000, a \$37,097,000 increase in cash provided by accounts payable, accrued expenses and other liabilities, a \$7,043,000 increase in cash provided by income taxes, a \$5,156,000 increase in cash provided by other current assets, and a \$2,999,000 increase in cash provided by account receivable. These increases were offset by a \$44,217,000 decrease in cash provided by inventory.

As compared to December 29, 2018, inventory decreased \$82,870,000 to \$493,065,000 at December 28, 2019. The components of the inventory decrease (excluding LIFO) reflect a \$92,346,000 decrease in finished goods, a \$6,415,000 decrease in work in process and a \$9,048,000 increase in raw materials and supplies. The finished goods increase reflects lower inventory quantities attributable to the lower calendar year 2019 pack versus the calendar year 2018 pack. The raw materials and supplies increase is primarily due to an increase in cans and raw steel quantities compared to the prior year. FIFO based inventory costs exceeded LIFO based inventory costs by \$153,884,000 as of the end of the third quarter of 2020 as compared to \$160,727,000 as of the end of the third quarter of 2019.

Cash used in investing activities was \$25,506,000 in the first nine months of fiscal 2020 compared to cash provided in investing activities of \$54,507,000 in the first nine months of fiscal 2019. Additions to property, plant and equipment were \$47,681,000 in the first nine months of fiscal 2020 as compared to \$30,468,000 in first nine months of fiscal 2019. The Company received cash proceeds from the sale of various assets which totaled \$22,175,000 during the nine months ended December 28, 2019. The Company received cash proceeds from the sale of various assets from divested plants which totaled \$84,975,000 during the nine months ended December 29, 2018.

Cash used in financing activities was \$87,436,000 in the first nine months of fiscal 2020, which included borrowings of \$401,053,000 and the repayment of \$465,099,000 of long-term debt, principally consisting of borrowings and repayments on the revolving credit facility ("Revolver"). The Company made additional repayments on the Revolver from cash proceeds received from the sale of various assets. Other than borrowings under the Revolver, there was no new long-term debt during the first nine months of fiscal 2019. The Company repurchased \$11,454,000 and \$5,340,000 of stock during the first nine months of fiscal year 2020 and 2019, respectively.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)
December 28, 2019**

The Company entered into a five-year revolving credit facility on July 5, 2016. Available borrowings on the Revolver total \$400,000,000 from April through July and \$500,000,000 from August through March with a maturity date of July 5, 2021. The interest rate on the Revolver is based on LIBOR plus an applicable margin based on excess availability and the Company's fixed charge coverage ratio. As of December 28, 2019, the interest rate was approximately 3.27% on a balance of \$114,689,000. We believe that cash flows from operations, availability under our Revolver and other financing sources will provide adequate funds for our working capital needs, planned capital expenditures, and debt obligations for at least the next 12 months.

The Company's credit facilities contain standard representations and warranties, events of default, and certain affirmative and negative covenants, including various financial covenants.

New Accounting Standards

Refer to footnote 11 of the Notes to Condensed Consolidated Financial Statements.

Seasonality

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

Forward-Looking Information

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

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

- general economic and business conditions;

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)
December 28, 2019**

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

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

Critical Accounting Policies

During the nine months ended December 28, 2019, the Company sold \$116,515,000 of Green Giant finished goods inventory to B&G Foods North America ("B&G") for cash, on a bill and hold basis, as compared to \$65,741,000 for the nine months ended December 29, 2018. Under the terms of the bill and hold agreement, title to the specified inventory transferred to B&G. Under the new revenue recognition standard, this contract qualifies for bill and hold accounting treatment as the Company has concluded that control of the unlabeled products transfers to the customer at the time title transfers and the Company has the right to payment (prior to physical delivery), which results in earlier revenue recognition. Labeling and storage services that are provided after control of the goods has transferred to the customer are accounted for as separate performance obligations for which revenue is deferred until the services are performed.

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

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

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

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ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw material pricing and availability. In addition, the Company is exposed to fluctuations in interest rates, primarily related to its revolving credit facility and the \$100,000,000 term loan. To manage interest rate risk, the Company uses both fixed and variable interest rate debt plus fixed interest rate capital lease obligations. There have been no material changes to the Company's exposure to market risk since March 31, 2019.

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ITEM 4 Controls and Procedures

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

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 28, 2019, our disclosure controls and procedures were effective. The Company continues to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

There have been no changes during the period covered by this report to the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. [Legal Proceedings](#)

Refer to footnote 15 to the Consolidated Financial Statements included in Part II Item 8 of the Annual Report on Form 10-K.

Item 1A. [Risk Factors](#)

There have been no material changes to the risk factors disclosed in the Company’s Form 10-K for the period ended March 31, 2019 except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors.

Item 2. [Unregistered Sales of Equity Securities and Use of Proceeds](#)

Period	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
	Class A Common	Class B Common	Class A Common	Class B Common		
10/01/2019 – 10/31/2019	32,144	-	\$ 32.80	\$ -	32,144	
11/01/2019 – 11/30/2019 (1)	20,700	10,000	\$ 34.79	\$ 35.72	13,800	
12/01/2019 – 12/31/2019 (2)	19,000	-	\$ 38.41	\$ -	-	
Total	71,844	10,000	\$ 34.86	\$ 35.72	45,944	539,063

Note 1: 16,900 of these shares were purchased in open market transactions by the trustees under the Seneca Foods Corporation Employees' Savings Plan 401(k) Retirement Savings Plan to provide employee matching contributions under the plan.

Note 2: These shares were purchased in open market transactions by the trustees under the Seneca Foods Corporation Employees' Savings Plan 401(k) Retirement Savings Plan to provide employee matching contributions under the plan.

Item 3. [Defaults Upon Senior Securities](#)

None.

Item 4. [Mine Safety Disclosures](#)

None.

Item 5. [Other Information](#)

None.

Item 6. [Exhibits](#)

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

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

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

101 The following materials from Seneca Foods Corporation’s Quarterly Report on Form 10-Q for the nine months ended December 28, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of net earnings, (iii) condensed consolidated statements of comprehensive income, (iv) condensed consolidated statements of cash flows, (v) condensed consolidated statement of stockholders’ equity and (vi) the notes to condensed consolidated financial statements.

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SIGNATURES

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

Seneca Foods Corporation
(Company)

February 5, 2020

/s/ Kraig H. Kayser

Kraig H. Kayser
President and
Chief Executive Officer

February 5, 2020

/s/ Timothy J. Benjamin

Timothy J. Benjamin
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Kraig H. Kayser, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

Dated: February 5, 2020

By: /s/ Kraig H. Kayser

Kraig H. Kayser
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Timothy J. Benjamin, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

Dated: February 5, 2020

By: /s/ Timothy J. Benjamin

Timothy J. Benjamin
Chief Financial Officer

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 Quarterly Report of Seneca Foods Corporation (the "Registrant") on Form 10-Q for the period ended December 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kraig H. Kayser, Chief Executive Officer and Timothy J. Benjamin, 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.

/s/ Kraig H. Kayser
Kraig H. Kayser
Chief Executive Officer

February 5, 2020

/s/ Timothy J. Benjamin
Timothy J. Benjamin
Chief Financial Officer

February 5, 2020