
Seneca Foods Corp

Project Type: 10-K

EDGAR Submission Proof

Created At: 6/13/2019 9:22:26 AM EDT

Submission Information

Submission Type	10-K
Contact Name	RDG Filings
Contact Phone	1-415-643-6080
Exchange(s)	NONE
Filer CIK	0000088948
Filer CCC	*****
Reporting Period	3/31/2019
Well Known Seasoned Issuer?	False
Voluntary Filer?	False
Smaller Reporting Company?	True
Accelerated Filer Status	Accelerated Filer
Shell Company?	False

Documents

10-K	FORM 10-K
EX-4.1	Exhibit 4.1
EX-13	Exhibit 13
EX-21	Exhibit 21
EX-23	Exhibit 23
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-K

Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended March 31, 2019

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.)

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

14505
(Zip Code)

Registrant's telephone number, including area code

(315) 926-8100

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

<u>Title of Each Class</u>
Common Stock Class A, \$.25 Par
Common Stock Class B, \$.25 Par

<u>Trading Symbol</u>
SENEA
SENEB

<u>Name of Each Exchange on Which Registered</u>
NASDAQ Global Market
NASDAQ Global 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 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. (Check one):

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates based on the closing sales price per market reports by the NASDAQ Global Market System on October 1, 2018 was approximately \$217,512,000.

As of May 25, 2019, there were 7,605,049 shares of Class A common stock and 1,874,861 shares of Class B common stock outstanding.

Documents Incorporated by Reference:

- (1) Portions of the Annual Report to shareholders for fiscal year ended March 31, 2019 (the "2019 Annual Report") applicable to Part I, Item 1, Part II, Items 5-9A and Part IV, Item 15 of Form 10-K.
 - (2) Portion of the Proxy Statement to be issued in connection with the Registrant's annual meeting of stockholders (the "Proxy Statement") applicable to Part III, Items 10-14 of Form 10-K.
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SENECA FOODS CORPORATION

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Forward-Looking Statements

Certain of the statements contained in this annual report on Form 10-K are forward-looking statements made within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Forward-looking statements involve numerous risks and uncertainties. Forward-looking statements are not in the present or past tense and, in some cases, can be identified by the use of the words "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "seeks," "should," "likely," "targets," "may," "can" and other expressions that indicate future trends and events. A forward-looking statement speaks only as of the date on which such statement is made and reflects management's analysis only as of the date thereof. The Company undertakes no obligation to update any forward-looking statement. The following factors, among others discussed herein and in the Company's filings under the Exchange Act, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: costs and availability of raw materials, competition, cost controls, sales levels, governmental regulation, consumer preferences, industry trends, weather conditions, crop yields, natural disasters, recalls, litigation, reliance on third-parties, wage rates, and other factors. See also the factors described in "Part I, Item 1A. Risk Factors" and elsewhere in this report, and those described in the Company's filings under the Exchange Act.

PART I
Item 1

Business

History and Development of Seneca Foods Corporation

SENECA FOODS CORPORATION (the "Company") is one of North America's leading providers 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 and 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®, READ®, Green Valley® and CherryMan®. 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.

As of March 31, 2019, the Company's facilities consisted of 22 packaging plants strategically located throughout the United States, two can manufacturing plants, three seed packaging operations, a farming operation and a logistical support network. The Company also maintains warehouses which are generally located adjacent to its packaging plants. The Company is a New York corporation and its headquarters is located at 3736 South Main Street, Marion, New York and its telephone number is (315) 926-8100.

The Company was founded in 1949 and during its 71 years of operation, the Company has made over 50 strategic acquisitions including the purchase of the long-term license for the Libby's brand in 1983, the purchase of General Mills' Green Giant packaging assets and entry into an Alliance Agreement with General Mills Operations, LLC in 1995 and the acquisition of Chiquita Processed Foods in 2003. The Company believes that these acquisitions have enhanced the Company's leadership position in the private label and foodservice canned vegetable markets in the United States and significantly increased its international sales. In August 2006, the Company acquired Signature Fruit Company, LLC, a leading producer of canned fruits located in Modesto, California which was sold during 2019. In 2013, the Company completed its acquisition of 100% of the membership interest in Independent Foods, LLC. In April 2014, the Company purchased a 50% equity interest in Truitt Bros. Inc. In April 2018, the Company acquired the balance of the Truitt Bros. Inc. stock. In 2016, the Company acquired Gray & Company and Diana Foods Co., Inc., each leading providers of maraschino cherries and other cherry products. The plants acquired are in Hart, Michigan and Dayton, Oregon. During 2019, the Company sold its Modesto fruit operations, its Lebanon frozen packaging operation and its Marion Can Plant.

Available Information

The Company's Internet address is www.senecafoods.com. The Company's annual report on Form 10-K, the Company's 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 Exchange Act 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 manages its business on the basis of three reportable segments – the primary segment is the packaging and sale of fruits and vegetables, another segment is prepared foods and the last segment is the packaging and sale of chip products. These three segments constitute the food operation. The food operation constitutes 99% of total sales, of which approximately 73% is canned vegetable packaging, 8% is canned fruit packaging, 11% is frozen fruit and vegetable packaging, 7% for prepared foods and 1% is fruit chip packaging. The non-food operation, which is primarily related to the sale of cans and ends and outside revenue generated from our trucking and aircraft operations, represents 1% of the Company's total sales.

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Narrative Description of Business

Principal Products and Markets

Food Packaging

The Company's principal products include canned fruits and vegetables, frozen vegetables and other food products. The products are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. Additionally, products are sold to food service distributors, industrial markets, other food packagers, export customers in 90 countries and federal, state and local governments for school and other feeding programs. Food packaging operations are primarily supported by plant locations in New York, Michigan, Kentucky, Oregon, Wisconsin, Washington, Idaho, Illinois, and Minnesota. See Note 14 of Item 8, Financial Statements and Supplementary Data, for additional information about the Company's segments.

The following table summarizes net sales by major product category for the years ended March 31, 2019 and 2018:

Classes of similar products/services:	2019		2018	
	(In thousands)			
Net Sales:				
Green Giant *	\$	71,161	\$	124,811
Canned vegetables		815,780		721,121
Frozen		113,115		105,857
Fruit		91,941		91,019
Prepared foods		79,593		92,826
Snack		9,684		10,110
Other		18,307		17,150
Total	\$	1,199,581	\$	1,162,894

* Green Giant includes canned and frozen vegetables exclusively for B&G Foods.

Source and Availability of Raw Materials

The Company's food packaging plants are located in major vegetable producing states and in four fruit producing states. Fruits and vegetables are primarily obtained through supply contracts with independent growers.

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.

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). With the purchase of Signature Fruit Company, LLC, which also uses the Libby's[®] brand name, the Company re-negotiated the license agreement and created a new, combined agreement based on Libby's[®] revenue dollars for fruits, vegetables, and dry beans. A total of \$315,000 was paid as a royalty fee for the year ended March 31, 2019.

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

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Seasonal Business

While individual fruits and 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 fruits and vegetables are newly completed, inventories for these packaged fruits and vegetables are at their highest levels. For pears, the peak inventory time is mid-summer and for corn, the Company's highest volume vegetable, the peak inventory is in mid-autumn. For pears and cherries, the peak inventory is late-summer.

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands)				
Year ended March 31, 2019:				
Net sales	\$ 244,093	\$ 320,660	\$ 372,238	\$ 262,590
Gross margin	16,788	11,008	(2,096)	13,796
(Loss) earnings from continuing operations	(2,160)	(5,634)	(20,040)	(8,649)
Revolver outstanding (at quarter end)	207,610	242,947	214,161	155,278
Year ended March 31, 2018:				
Net sales	\$ 241,175	\$ 327,664	\$ 354,894	\$ 239,161
Gross margin	13,501	21,671	28,778	17,053
(Loss) earnings from continuing operations	(633)	1,443	8,886	353
Revolver outstanding (at quarter end)	226,010	272,609	290,196	293,459

Backlog

In the food packaging business, an end of year sales order backlog is not considered meaningful. Traditionally, larger customers provide tentative bookings for their expected purchases for the upcoming season. These bookings are further developed as data on the expected size of the related national harvests becomes available. In general, these bookings serve as a yardstick rather than as a firm commitment, since actual harvest results can vary notably from early estimates. In actual practice, the Company has substantially all of its expected seasonal production identified to potential sales outlets before the seasonal production is completed.

Competition and Customers

Competition in the food business 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 fruits and vegetables, but some producers of canned, frozen and other forms of fruit and vegetable products have sales which exceed the Company's sales. The Company is aware of approximately 14 competitors in the U.S. packaged vegetable industry, many of which are privately held companies. The Company is aware of approximately nine competitors in the U.S. packaged fruit industry. In addition, there are significant quantities of fruit that are imported from Europe, Asia, and South America.

During the past year, approximately 11% of the Company's packaged foods sales were packed for retail customers under the Company's branded labels of Seneca[®], Libby's[®], CherryMan[®], Green Valley[®], Aunt Nellie's[®] and READ[®]. About 20% of packaged foods sales were packed for institutional food distributors and 63% were retail packed under the private label of our customers. The remaining 6% was sold under a Contract Packing Agreement with B&G Foods (the "Green Giant Agreement") (see note 14 of Item 8, Financial Statements and Supplementary Data). Termination of the Green Giant Agreement would substantially reduce the Company's sales and profitability unless the Company was to enter into a new substantial supply relationship with Green Giant or another major vegetable marketer. The non-Green Giant customers represent a full cross section of the retail, institutional, distributor, and industrial markets; and the Company does not consider itself dependent on any single sales source other than sales attributable to the Green Giant Agreement.

The Company's principal branded products are its Libby's canned fruit and vegetable products, which rate among the top three national brands according to a leading market research firm.

The information under the heading "Results of Operations in Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2019 Annual Report is incorporated by reference.

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Environmental Regulation

Environmental Protection

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 material capital expenditures 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, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances.

Environmental Litigation and 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, worker's compensation and 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.

Employment

As of the end of December 2018, the Company had approximately 3,700 employees of which 3,300 full time and 400 seasonal employees work in food packaging and 100 full time employees work in other activities. The number of employees increases to approximately 7,000 due to an increase in seasonal employees during our peak pack season.

The Company has six collective bargaining agreements with three unions covering approximately 840 of its full-time employees. The terms of these agreements result in wages and benefits which are substantially the same for comparable positions for the Company's non-union employees. There are three agreements that will expire in calendar 2020, two agreements that will expire in calendar 2022 and one agreement that will expire in calendar 2023.

Domestic and Export Sales

The following table sets forth domestic and export sales from continuing operations:

	Fiscal Year	
	2019	2018
	(In thousands, except percentages)	
Net Sales:		
United States	\$ 1,109,704	\$ 1,076,270
Export	89,877	86,624
Total Net Sales	<u>\$ 1,199,581</u>	<u>\$ 1,162,894</u>
As a Percentage of Net Sales:		
United States	92.5%	92.6%
Export	7.5%	7.4%
Total	<u>100.0%</u>	<u>100.0%</u>

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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 Securities and Exchange Commission, 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.

Fruit and Vegetable Industry Risks

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

Canned fruit and vegetable categories are declining, with that; less shelf space is being 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 processed fruits 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 with a modest growth rate during the last 10 years. 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 fruits and vegetables we package. When the fruits and vegetables are ready to be picked, we must harvest and package them quickly or forego the opportunity to package fresh picked fruits and vegetables for an entire year. Most of our fruits and vegetables are grown by farmers under contract with us. Consequently, we must pay the contract grower for the fruits and 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 third and fourth quarters. Net sales generated during our third and fourth 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 fruit and 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. The adverse effects of weather-related reduced production may be partially mitigated by higher selling prices for the fruits and 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 fruits and vegetables, steel (used to make cans), ingredients, pouches and other packaging materials as well as the electricity 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.

Global Trade Policy Could Adversely Impact Our Results From Operations

Recently, the U.S. Government imposed 25% duties on the importation of steel from most of the steel producing countries around the world. Seneca Foods makes its own cans using tin-plated and tin-free steel purchased from both domestic and off-shore suppliers. The duties will potentially have an impact on the cost of steel that the Company has already committed for but yet not received from off-shore suppliers. In addition, based on information provided by domestic suppliers, the cost of steel in the future will substantially increase. This will create higher costs of the primary packaging used by the Company for its products. The ability to pass on these costs to our customers is an unknown risk. In addition, other countries have or are threatening to impose retaliatory duties on items produced in the U.S. including the Company's products. This will limit the export potential for the Company's products going forward.

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Risks Associated With Our Operations

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.

Green Giant products packed by us in fiscal years 2019 and 2018 constituted approximately 6% and 11%, respectively, of our total sales. Our sales of Green Giant product and financial performance under the Contract Packing Agreement depend to a significant extent on our success in producing quality Green Giant vegetables at competitive costs and B&G Foods success in marketing the products produced by us. The ability of B&G Foods to successfully market these products will depend upon B&G Foods's sales efforts as well as the factors described above under "Excess capacity in the fruit and vegetable industry has a downward impact on selling price." We cannot give assurance as to the volume of B&G Foods's sales and cannot control many of the key factors affecting that volume.

Additionally, purchases by the United States Department of Agriculture ("USDA") in fiscal year 2019 represented approximately 2.1% of our total sales. The purchase of our products by the USDA is done through the government's competitive bid process. We bid on stated product requirements and needs as presented by the USDA and, if we are the successful bidder, we fulfill the contract and deliver the product. The government contracting process is complex and subject to numerous regulations and requirements. Failure by us to comply with the regulations and requirements for government contracts could jeopardize our ability to contract with the government and could result in reduced sales or prohibition on submitting bids to the USDA. The government procurement process could also change and result in our inability to meet the new requirements. Additionally, the government's need for our products could decrease, which would result in reduced sales to the USDA.

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 vegetable products which we sell under our own brand names not only compete with vegetable products produced by vegetable packaging competitors, but also compete with products we produce and sell to other companies who market those products under their own brand names, such as the Green Giant vegetables we sell to B&G Foods under the Contract Packing Agreement and the fruits and 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.

If we are subject to product liability claims, we may incur significant and unexpected costs and our business reputation could be adversely affected.

Food packagers are subject to significant liability should the consumption of their products cause injury or illness. We work with regulators, the industry and suppliers to stay abreast of developments. A product liability judgment against us could also result in substantial and unexpected expenditures, affect consumer confidence in our products, and divert management's attention from other responsibilities. Product liability claims may also lead to increased scrutiny by federal and state regulatory agencies and could have a material adverse effect on our financial condition and results of operation. Although we maintain comprehensive general liability insurance coverage, there can be no assurance that this level of coverage is adequate or that we will be able to continue to maintain our existing insurance or obtain comparable insurance at a reasonable cost, if at all. A product recall or a partially or completely uninsured judgment against us could materially and adversely affect our business, financial condition and results of operations.

We are increasingly dependent on information technology; disruptions, failures or security breaches of our information technology infrastructure could have a material adverse effect on our operations.

We may become exposed to potential liabilities with respect to the data that we collect, manage and process, and may incur legal costs if our information security policies and procedures are not effective or if we are required to defend our methods of collection, processing and storage of data. Future investigations, lawsuits or adverse publicity relating to our methods of handling data could adversely affect our business, results of operations, financial condition and cash flows due to the costs and negative market reaction relating to such developments.

We may not have the resources or technical expertise to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks will cause us to incur increased costs, including costs to hire additional personnel, purchase additional protection technologies, train employees, and engage third-party experts and consultants. In addition, data and security breaches can also occur as a result of non-technical issues, including breach by us or by persons with whom we have commercial relationships that result in the unauthorized release of confidential information. Any compromise or breach of our security could result in violation of applicable privacy and other laws, significant legal and financial exposure, and a loss of confidence in our security measures, which could have a material adverse effect on our results of operations and our reputation.

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, produce 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.

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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 three plants that produce 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 our 2019 fiscal year, we had approximately 3,700 employees of which 3,300 full time and 400 seasonal employees worked in food packaging and 100 employees worked in other activities. During the peak summer harvest period, we hire up to approximately 7,000 seasonal employees to help package fruits and vegetables. If there is an increase to minimum wage rates, this could have a negative impact on our costs 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.

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

There has been continued state legislative activity to ban Bisphenol-A ("BPA") from food contact packaging. 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 BPA containing materials. The Company, in collaboration with other can makers as well as enamel suppliers, has decided to aggressively work to find alternative materials for can linings not manufactured using BPA. However, commercially acceptable alternatives are not immediately available for some applications and there can be no assurance that these steps will be successful. Less than 1% of our canned product volume (excluding B&G Foods and purchased canned products) still includes BPA.

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 Food and Drug Administration ("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 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.

The Company's results are dependent on successful marketplace initiatives and acceptance by consumers of the Company's products.

The Company's product introductions and product improvements, along with its other marketplace initiatives, are designed to capitalize on new customer or consumer trends. The FDA recently 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, the Company must anticipate and react to these new trends and develop new products or packages to address them. While the Company devotes 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.

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Regulations related to “conflict minerals” may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used primarily in manufacturing our canned products.

On August 22, 2012, the SEC adopted a new rule requiring disclosures of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured by companies filing public reports. The rule, which requires a disclosure report to be filed by May 31 each year, requires companies to perform country of origin inquiries, due diligence as required, disclosure, and reporting whether such minerals originate from the Democratic Republic of Congo or an adjoining country. The conflict mineral rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals, including, tin, which is used primarily in the manufacture of our cans. The number of suppliers, who provide conflict-free minerals in steel production, or other components, may be limited. In addition, there may be significant costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in the manufacture of our cans, as well as costs of possible changes to products, packages, or sources of supply as a consequence of such verification activities. Since our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the procedures that we implement, which may hurt our business. In addition, we may encounter significant challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us, as well as our competitors, at a disadvantage if we are unable to do so.

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, 2019, we had approximately \$303.9 million of total indebtedness, including various debt agreements, capital lease and a \$155.3 million outstanding balance on our \$400.0 million to \$500.0 million revolving credit facility (“Revolver”). Scheduled debt service for fiscal 2019 is \$6.8 million. 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.

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

Our debt agreements and Revolver 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 Revolver and debt agreements could materially and adversely affect our business, financial condition and results of operations. We have pledged our accounts receivable, inventory and the capital stock or other ownership interests that we own in our subsidiaries to secure the credit facility. If a default occurred and was not cured, secured lenders could foreclose on this collateral.

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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, 2019, holders of Class B common stock and voting preferred stock held 88.3% 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, 2019, our current executive officers and directors beneficially owned 12.4% of our outstanding shares of Class A common stock, 50.1% of our outstanding shares of Class B common stock and 53.5% of our voting preferred stock, or 46.7% 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 do not pay dividends on our common stock and do not expect to pay common dividends in the future.

We have not declared or paid any cash dividends on our common stock in more than 25 years and we have no intention to do so in the near future. In addition, payment of cash dividends on our common stock is not permitted by the terms of our revolving credit facility.

Other Risks

Tax legislation could impact future cash flows.

The Company uses the Last-In, First-Out (LIFO) method of inventory accounting. As of March 31, 2019, we had a LIFO reserve of \$161.3 million which, at the U.S. corporate tax rate, represents approximately \$40.3 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 \$40.3 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.

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Item 1B

Unresolved Staff Comments

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Item 2

Properties

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

	Square Footage (000)	Acres
Food Group		
Nampa, Idaho	243	16
Payette, Idaho	392	43
Princeville, Illinois	286	478
East Bernstadt, Kentucky	246	15
Hart, Michigan	179	92
Traverse City, Michigan	58	43
Blue Earth, Minnesota	286	350
Glencoe, Minnesota	646	1,278
LeSueur, Minnesota	82	7
Montgomery, Minnesota	549	1,162
Rochester, Minnesota	1,070	650
Geneva, New York	769	602
Leicester, New York	200	91
Dayton, Oregon	82	19
Salem, Oregon	469	22
Dayton, Washington	250	28
Sunnyside, Washington	526	54
Yakima, Washington	122	8
Baraboo, Wisconsin	584	11
Cambria, Wisconsin	412	406
Clyman, Wisconsin	437	724
Cumberland, Wisconsin	389	305
Gillett, Wisconsin	324	105
Janesville, Wisconsin	1,227	342
Mayville, Wisconsin	297	367
Oakfield, Wisconsin	229	2,277
Ripon, Wisconsin	589	75
Non-Food Group		
Marion, New York	6	
Penn Yan, New York	27	4
Total	10,976	9,574

These facilities primarily package various fruit and vegetable products. Most of the facilities are owned by the Company. The Company is a lessee under a number of operating leases and capital leases for equipment and real property mostly used for packaging and warehousing.

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. In certain circumstances, the theoretical full efficiency levels are being reached; however, expansion of the number of production days or hours could increase the output by up to 20% for a season.

Certain of the Company's facilities are mortgaged to financial institutions to secure long-term debt. See Notes 5, 6 and 7 of Item 8, Financial Statements and Supplementary Data, for additional information about the Company's long-term debt and lease commitments.

Item 3

Legal Proceedings

See Note 15, "Legal Proceedings and Other Contingencies" to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplemental Data.

See also Item 1, Business -- Environmental Regulation, for information regarding environmental legal proceedings.

Item 4

Mine Safety Disclosures

Not Applicable.

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PART II

Item 5

Market for Registrant’s Common Stock, Related Security Holder Matters and Issuer Purchases of Equity Securities

Each class of preferred stock receives preference as to dividend payment and declaration over any common stock. In addition, refer to the information in the 2019 Annual Report, “Shareholder Information and Quarterly Results”, which is incorporated by reference.

Securities Authorized for Issuance Under Equity Compensation Plans

On August 10, 2007, the 2007 Equity Incentive Plan (the “2007 Equity Plan”) was approved by shareholders at the Company’s annual meeting. The 2007 Equity Plan had an initial 10-year term and 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. The 2007 Equity Plan was amended and extended for an additional 10-year term at the Company’s 2017 annual meeting. 3,127 shares were awarded in fiscal year 2019 under the terms of the 2007 Equity Plan. As of March 31, 2019, there were 59,113 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 Form 10-K.

The Company maintains an Executive Profit Sharing Bonus Plan, as amended (the “Executive Bonus Plan”), and a Manager Profit Sharing Bonus Plan, as amended (the “Manager Bonus Plan”). Each plan enables eligible employees to elect to acquire shares of the Company’s Class A Common Stock or Class B Common Stock in lieu of the cash bonus compensation payable under such plan. The number of shares to be issued upon an employee’s valid election is determined at the then current fair market value of such Common Stock. Each plan authorizes the issuance of up to 500,000 shares of Common Stock. As March 31, 2019 there were 496,833 shares available for issuance in lieu of cash compensation under the Executive Bonus Plan and 498,985 shares available under the Manager Bonus Plan. Nasdaq Rule 5635(c)(2) provides an exemption from the shareholder approval rules for plans that merely provide a convenient way to purchase shares from the Company at fair market value. Accordingly, no shareholder approval was required for the Executive Bonus Plan or Manager Bonus Plan.

There are no equity compensation plans not approved by the Company’s shareholders.

Common Stock Performance Graph

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
	Class A Common	Class B Common	Class A Common	Class B Common		
1/01/19 - 1/31/19	45,101	-	\$ 29.86	\$ -	-	
2/01/19 - 2/28/19	27,017	40	\$ 29.87	\$ 30.96	-	
3/01/19 - 3/31/19	14,327	-	\$ 24.36	\$ -	-	
Total	86,445	40	\$ 28.96	\$ 30.96	-	880,304

- (1) No shares were purchased under the Company's share repurchase program. The purchases were made in open market transactions by the Trustees of the Seneca Foods Corporation Employees' Savings Plan and the Seneca Foods, L.L.C. 401(k) Retirement Savings Plan to provide matching employee contributions under the Plans.
- (2) In 2012 the Company's Board of Directors authorized the repurchase of the Company's stock. The number of shares authorized for repurchase has been increased from time to time, most recently on March 10, 2015 when the repurchase program was increased to 2,500,000 shares. As of March 31, 2019, the Company has purchased 1,619,696 shares and there remains 880,304 shares available to purchase under the program.

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Item 6

Selected Financial Data

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Item 7

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

Refer to the information in the 2019 Annual Report, "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

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Item 8

Financial Statements and Supplementary Data

Refer to the information in the 2019 Annual Report, "Consolidated Financial Statements and Notes thereto including Report of Independent Registered Public Accounting Firm," which is incorporated by reference.

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 Chief Executive Officer and Chief Financial Officer, 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, 2019. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2019, the Company's disclosure controls and procedures: (1) were designed to ensure that material information relating to the Company is made known to our Chief Executive Officer and Chief Financial Officer 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, 2019. 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, 2019, 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. The report appears on the next page.

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

Shareholders and Board of Directors
Seneca Foods Corporation
Marion, New York

Opinion on Internal Control over Financial Reporting

We have audited Seneca Foods Corporation's (the "Company's") internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of March 31, 2019 and 2018, the related consolidated statements of net earnings (loss), comprehensive income (loss), stockholders' equity, and cash flows for each of the two years in the period ended March 31, 2019, and the related notes (collectively referred to as "the financial statements") and our report dated June 13, 2019 expressed an unqualified opinion thereon.

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, 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting 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 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/ BDO USA, LLP

Milwaukee, Wisconsin
June 13, 2019

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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, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B

Other Information

None.

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PART III

Item 10

Directors, Executive Officers and Corporate Governance

The information regarding directors is incorporated herein by reference from the section entitled “Information Concerning Directors” in the Company’s definitive Proxy Statement (“Proxy Statement”) to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for the Company’s Annual Meeting of Stockholders to be held on August 7, 2019. The Proxy Statement will be filed within 120 days after the end of the Company’s fiscal year ended March 31, 2019.

The information regarding executive officers is incorporated herein by reference from the section entitled “Executive Officers” in the Proxy Statement.

The information, if any, regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference from the section entitled “Delinquent Section 16(a) Reports” in the Proxy Statement.

Information regarding the Company’s code of business conduct and ethics found in the subsection captioned “Available Information” in Item 1 of Part I hereof is also incorporated herein by reference into this Item 10.

The information regarding the Company’s audit committee, its members and the audit committee financial experts is incorporated herein by reference from the subsection entitled “Audit Committee” in the section entitled “Board Governance” in the Proxy Statement.

Item 11

Executive Compensation

The information included under the following captions in the Proxy Statement is incorporated herein by reference: “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Outstanding Equity Awards at 2019 Fiscal Year-End,” “Pension Benefits,” “Compensation of Directors” and “Compensation Committee Interlocks.” The information included under the heading “Compensation Committee Report” in the Proxy Statement is 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

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the sections entitled “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management and Directors” in the Proxy Statement.

Item 13

Certain Relationships and Related Transactions, and Director Independence

The information regarding transactions with related parties and director independence is incorporated herein by reference from the sections entitled “Independent Directors” and “Certain Transactions and Relationships” in the Proxy Statement.

Item 14

Principal Accountant Fees and Services

The information regarding principal accountant fees and services is incorporated herein by reference from the section entitled “Principal Accountant Fees and Services” in the Proxy Statement.

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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 2019 Annual Report, are incorporated by reference in Item 8:

Consolidated Statements of Net Earnings (Loss) – Years ended March 31, 2019 and 2018
Consolidated Statements of Comprehensive Income (Loss) – Years ended March 31, 2019 and 2018
Consolidated Balance Sheets - March 31, 2019 and 2018
Consolidated Statements of Cash Flows – Years ended March 31, 2019 and 2018
Consolidated Statements of Stockholders' Equity – Years ended March 31, 2019 and 2018
Notes to Consolidated Financial Statements – Years ended March 31, 2019 and 2018
Reports of Independent Registered Public Accounting Firm

- | | <u>Pages</u> |
|---|--------------|
| 2. <u>Supplemental Schedule:</u> | |
| Report of Independent Registered Public Accounting Firm on Schedule | 18 |
| Schedule II—Valuation and Qualifying Accounts | 19 |
| 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. | |

3. Exhibits:

<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 filed August 18, 1995 for the quarter ended July 1, 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 (filed herewith)
10.1	Third Amended and Restated Loan and Security Agreement dated as of July 5, 2016 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, Bank of America, N.A., as agent, issuing bank, syndication agent, and lead arranger (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 5, 2016).
10.2	The Loan and Guaranty Agreement as of December 9, 2016 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 December 9, 2016).
10.3	An amendment dated November 5, 2018 to the Loan and Guaranty Agreement as of December 9, 2016 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 Quarterly Report on Form 10-Q for the quarter ended December 29, 2018).
10.4	An amendment dated May 9, 2019 to the Loan and Guaranty Agreement as of December 9, 2016 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, 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 13, 2019).
10.5	Indemnification Agreement between the Company and the directors of the Company (incorporated by reference to Exhibit 10 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002)
10.6*	Seneca Foods Corporation Executive Profit Sharing Bonus Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 27, 2017)
10.7*	Seneca Foods Corporation Manager Profit Sharing Bonus Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 27, 2017)

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- 13 [The material contained in the 2019 Annual Report to Shareholders under the following headings, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, Consolidated Financial Statements and Notes thereto including Independent Auditors’ Report, and “Corporate Information” \(filed herewith\)](#)
- 21 [List of Subsidiaries \(filed herewith\)](#)
- 23 [Consent of BDO USA, LLP \(filed herewith\)](#)
- 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 as 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 The following materials from Seneca Foods Corporation’s Annual Report on Form 10-K for the year ended March 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of net earnings (loss), (iii) consolidated statements of comprehensive income (loss), (iv) consolidated statements of cash flows, (v) consolidated statement of stockholders’ equity and (vi) the notes to the consolidated financial statements

* Indicates management or compensatory agreement

Item 16

Form 10-K Summary

None.

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Report of Independent Registered Public Accounting Firm

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

The audits referred to in our report dated June 13, 2019 relating to the consolidated financial statements of Seneca Foods Corporation, which is incorporated in Item 8 of Seneca Foods Corporation's Form 10-K for the year ended March 31, 2019 by reference to the annual report to shareholders for the year ended March 31, 2019 also included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when read in connection with the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP

Milwaukee, Wisconsin
June 13, 2019

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Schedule II
VALUATION AND QUALIFYING ACCOUNTS
 (In thousands)

	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, 2019:					
Allowance for doubtful accounts	\$ 56	\$ 1	\$ -	\$ -(a)	\$ 57
Income tax valuation allowance	\$ 3,865	\$ 6	\$ 117	\$ -	\$ 3,988
Year-ended March 31, 2018:					
Allowance for doubtful accounts	\$ 50	\$ 33	\$ -	\$ (27)(a)	\$ 56
Income tax valuation allowance	\$ 1,891	\$ 1,396	\$ 601	\$ (23)	\$ 3,865

(a) Accounts written off, net of recoveries.

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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 June 13, 2019

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

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/Arthur S. Wolcott</u> Arthur S. Wolcott	Chairman and Director	June 13, 2019
<u>/s/Kraig H. Kayser</u> Kraig H. Kayser	President, Chief Executive Officer, Director	June 13, 2019
<u>/s/Timothy J. Benjamin</u> Timothy J. Benjamin	Senior Vice President, Chief Financial Officer and Treasurer	June 13, 2019
<u>/s/Jeffrey L. Van Riper</u> Jeffrey L. Van Riper	Vice President, Controller, and Secretary (Principal Accounting Officer)	June 13, 2019
<u>/s/Kathryn J. Boor</u> Kathryn J. Boor	Director	June 13, 2019
<u>/s/Peter R. Call</u> Peter R. Call	Director	June 13, 2019
<u>/s/John P. Gaylord</u> John P. Gaylord	Director	June 13, 2019
<u>/s/Samuel T. Hubbard, Jr.</u> Samuel T. Hubbard, Jr.	Director	June 13, 2019
<u>/s/Thomas Paulson</u> Thomas Paulson	Director	June 13, 2019
<u>/s/Susan W. Stuart</u> Susan W. Stuart	Director	June 13, 2019
<u>/s/Keith A. Woodward</u> Keith A. Woodward	Director	June 13, 2019

SENECA FOODS CORPORATION
 DESCRIPTION OF CAPITAL STOCK

The following table sets forth the classes of our capital stock authorized and outstanding as of May 25, 2019:

Title of Class or Series	Number of Shares Authorized	Number of Shares Outstanding
Common Stocks:		
Class A Common Stock, \$0.25 par value per share.....	20,000,000	7,605,049
Class B Common Stock, \$0.25 par value per share.....	10,000,000	1,874,861
Preferred Stocks:		
Six Percent (6%) Voting Cumulative Preferred Stock, \$0.25 par value per share.....	200,000	200,000
Preferred Stock Without Par Value.....	30,000	0
Ten Percent (10%) Cumulative Convertible Voting Preferred Stock-Series A, \$0.25 stated value per share.	1,000,000	407,240
Ten Percent (10%) Cumulative Convertible Voting Preferred Stock-Series B, \$0.25 stated value per share..	400,000	400,000
Convertible Participating Preferred Stock.....	4,166,667	37,529
Convertible Preferred Stock Series 2003.....	967,742	500

Description of Class A Common Stock and Class B Common Stock

Voting. Under our Restated Certificate of Incorporation, as amended (the “Charter”), the holders of Class A common stock and Class B common stock have the right to vote for the election of all directors and on all other matters submitted to our shareholders. Subject to the Class A special rights discussed in detail below, each share of Class B common stock is entitled to one full vote on all matters on which shareholders currently are entitled to vote, including the election of directors. Each holder of Class A common stock is entitled to one-twentieth (1/20) of one vote per share on all matters on which shareholders are entitled to vote, including the election of directors. Cumulative voting is not authorized for the holders of common stock.

The holders of Class A common stock are entitled to vote as a separate class on any proposal to amend the Charter to increase the authorized number of shares of Class B common stock, unless the increased authorization does not exceed the number of shares of Class B common stock which must be issued in a proposed stock dividend with respect to Class B common stock and an equivalent stock dividend of Class A common stock will be effected concurrently with respect to Class A common stock.

In addition, Section 804 of the New York Business Corporation Law confers upon the holders of Class A common stock the right to vote as a class on any amendment to our Charter which would (i) exclude or limit the shareholders’ right to vote on any matter, except as such rights may be limited by voting rights given to new shares then being authorized; (ii) change Class A common stock by (a) reducing the par value, (b) changing the shares into a different number of the same class or into a different or same number of shares of a different class, or (c) fixing, changing or abolishing the designation of Class A common stock or any series thereof or any of the relative rights, preferences, and limitations of the shares; or (iii) subordinate their rights by authorizing shares having preferences which would be in any respect superior to their rights. Other provisions of the New York Business Corporation Law would entitle holders of Class A common stock to vote as a separate class for approval of any plan of merger, consolidation or exchange which would effect any change in Class A common stock described in the preceding sentence.

On proposals on which holders of Class A common stock are entitled to vote as a separate class, the proposal must be approved by a majority of the votes of all outstanding shares of Class A common stock. Consequently, holders of Class A common stock, by withholding such approval, can defeat a proposal notwithstanding that holders of a majority of Class B common stock vote in favor of the proposal.

Dividends and Other Distributions. Each share of Class A common stock and Class B common stock is equal in respect to dividends and other distributions in cash, stock or property except that (i) if declared, a dividend or distribution in our shares on Class A common stock will be paid only in Class A common stock, and (ii) if declared, a dividend or distribution in our shares on Class B common stock will be paid only in Class B common stock. The number of shares so paid as a dividend or distribution on each share of Class A common stock and Class B common stock shall be equal, although the class of the shares so paid shall differ depending upon whether the recipient of the dividend is a holder of Class A common stock or Class B common stock.

Mergers and Consolidations. In the event of our merger, consolidation, or combination with another entity (whether or not we are the surviving entity) or in the event of our dissolution, the holders of Class A common stock will be entitled to receive the same per share consideration as the per share consideration, if any, received by holders of Class B common stock in that transaction. However, any shares of common stock that holders of Class A common stock become entitled to receive in the transaction may have terms substantially similar to the Class A common stock themselves. Thus, the surviving entity in any such transaction could have a dual-class capital structure like ours and could, upon consummation of the merger or consolidation, give full voting shares to the holders of Class B common stock and one-twentieth (1/20) voting shares to the holders of Class A common stock.

Class A Special Rights. Our Charter contains a two-pronged “Class A special rights” provision which is intended to protect holders of Class A common stock in the event that a person attempts to gain control of us.

First, the Class A special rights seek to prevent a person who has crossed a certain ownership threshold from gaining control of us by acquiring Class B common stock without buying Class A common stock. If any person acquires more than 15% of the outstanding Class B common stock after August 5, 1995, referred to herein as the Threshold Date, and does not acquire after the Threshold Date a percentage of the Class A common stock outstanding at least equal to the percentage of Class B common stock that the person acquired in excess of the 15% threshold, such person will not be allowed to vote shares of Class B common stock acquired in excess of the 15% threshold. For example, if a person acquires 20% of the outstanding Class B common stock after the Threshold Date but acquires no Class A common stock, that person would be unable to vote the 5% of the Class B common stock acquired in excess of the 15% threshold. With respect to persons who owned our common stock on or prior to the Threshold Date, only shares of Class B common stock acquired after the Threshold Date will be counted in determining whether that shareholder has exceeded the 15% threshold for acquisitions of Class B common stock and only acquisitions of Class A common stock after the Threshold Date will be counted in determining whether that shareholder’s Class A common stock acquisitions have been at least equal to the acquisition of Class B common stock in excess of the 15% threshold. The inability of the person to vote the excess Class B common stock will continue until such time as a sufficient number of shares of Class A common stock have been acquired by the person to satisfy the requirements of the Class A special rights.

The second prong of the Class A special rights is an “equitable price” requirement. It is intended to prevent a person seeking to acquire control of us from paying a

discounted price for the Class A common stock required to be purchased by the acquiring person under the first prong of the Class A special rights. These provisions provide that an equitable price has been paid for shares of Class A common stock only when they have been acquired at a price at least equal to the greater of (i) the highest per share price paid by the acquiring person, in cash or in non-cash consideration, for any Class B common stock acquired within the 60 day periods preceding and following the acquisition of the Class A common stock or (ii) the highest closing market sale price of Class B common stock during the 30 day periods preceding and following the acquisition of the Class A common stock. The value of any non-cash consideration will be determined by our Board of Directors acting in good faith. The highest closing market sale price of a share of Class B common stock will be the highest closing sale price reported by NASDAQ Global Market or on any such other securities exchange then constituting the principal trading market for either class of the common stock. In the event that no quotations are available, the highest closing market sale price will be the fair market value during the 30 day periods preceding and following the acquisition of a share of Class B common stock as determined by our Board of Directors acting in good faith. The equitable price provision is intended to require a person seeking to acquire control of us to buy the Class B common stock and the Class A common stock at virtually the same time and the same price, as might occur in a tender offer, to ensure that the acquiring person would be able to vote the Class B common stock acquired in excess of the 15% threshold.

Under the Class A special rights, an acquisition of Class B common stock is deemed to include any shares that an acquiring person acquires directly or indirectly, in one transaction or a series of transactions, or with respect to which that person acts or agrees to act in concert with any other person. As used in the preceding sentence, "person" includes one or more persons and entities who act or agree to act in concert with respect to the acquisition or disposition of Class B common stock or with respect to proposing or effecting a plan or proposal to (a) a merger, reorganization or liquidation of us or a sale of a material amount of our assets, (b) a change in our Board of Directors or management, including any plan or proposal to fill vacancies on the Board of Directors or change the number or term of Directors, (c) a material change in our business or corporate structure, or (d) any material change in our capitalization or dividend policy. Unless there are affirmative attributes of concerted action, however, "acting or agreeing to act in concert with any other person" does not include acts or agreements to act by persons pursuant to their official capacities as directors or officers of us or because they are related by blood or marriage.

For purposes of calculating the 15% threshold, the following acquisitions and increases are excluded: (i) shares of Class B common stock held by any person on the Threshold Date, (ii) an increase in a holder's percentage ownership of Class B common stock resulting solely from a change in the total number of shares of Class B common stock outstanding as a result of our repurchase of Class B common stock since the last date on which that holder acquired Class B common stock, (iii) acquisitions of Class B common stock (a) made pursuant to contracts existing prior to the Threshold Date, including the acquisition of Class B common stock pursuant to the conversion provisions of Series A preferred stock outstanding prior to the Threshold Date, (b) by bequest or inheritance or by operation of law upon the death or incompetency of any individual, and (c) by any other transfer made without valuable consideration, in good faith and not for the purpose of circumventing the Class A special rights. A gift made to any person who is related to the donor by blood or marriage, a gift made to a charitable organization qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or a successor provision and a gift to a person who is a fiduciary solely for the benefit of, or which is owned entirely by, one or more persons or entities (a) who are related to the donor by blood or marriage or (b) which is a tax-qualified charitable organization or (c) both will be presumed to be made in good faith and not for purposes of circumventing the restrictions imposed by the Class A special rights.

The Class A special rights also provide that, to the extent that the voting power of any share of Class B common stock cannot be exercised pursuant to the provision, that share will be excluded from the determination of the total shares eligible to vote for any purpose for which a vote of shareholders is taken.

Convertibility. The Class B common stock is convertible into Class A common stock at any time on a share-for-share basis. The Class A common stock is not convertible into shares of Class B common stock unless the number of outstanding shares of Class B common stock falls below 5% of the aggregate number of outstanding shares of Class B common stock and Class A common stock. In that event, immediately upon the occurrence thereof, all of the outstanding Class A common stock is converted automatically into Class B common stock on a share-for-share basis and Class B common stock will no longer be convertible into Class A common stock. For this purpose, Class B common stock or Class A common stock repurchased by us and not reissued is not considered to be "outstanding" from and after the date of repurchase.

In the event of any such conversion of the Class A common stock, certificates which formerly represented outstanding shares of Class A common stock thereafter will be deemed to represent a like number of shares of Class B common stock, and all common stock then authorized will be deemed to be Class B common stock.

Preemptive Rights. Neither the Class A common stock nor the Class B common stock carry any preemptive rights enabling a holder to subscribe for or receive shares of the Company of any class or any other securities convertible into any class of our shares.

Trading Market. The Class A common stock and the Class B common stock are listed on the NASDAQ Global Market.

Description of Preferred Stocks

No dividends or other distributions are payable on our common stock unless dividends or distributions are first paid on the preferred stock. In the event of our liquidation or dissolution, the outstanding shares of preferred stock and convertible participating preferred stock would have priority over the common stock in the distribution of our remaining assets. The 10% Series A preferred stock is convertible into shares of common stock on the basis of one share of Class A common stock and one share of Class B common stock for every 20 shares of 10% Series A preferred stock.

The 10% Series B preferred stock is convertible into common stock on the basis of one share of Class A common stock and one share of Class B common stock for every 30 shares of 10% Series B preferred stock. The Convertible Participating Preferred Stock and Convertible Preferred Stock Series 2003 are each convertible on a share-for-share basis into shares of Class A common stock.

Restrictions on Hostile Acquisitions of Our Company--Certain Provisions of Our Charter and Bylaws

In addition to the restrictions imposed by the "Class A special rights" provisions, the Charter contains two super-majority voting provisions. Paragraph 5 of the Charter provides that the affirmative vote of two-thirds of the shares present and entitled to vote at the meeting is necessary to amend our bylaws. Paragraph 6 provides that a director may be removed regardless of cause only upon the affirmative vote of two-thirds of the shares entitled to vote for the election of that director. Both of these provisions reduce the possibility of the shareholders receiving and accepting hostile takeover bids, mergers, proxy contests, removal of current management, removal of directors or other changes in control.

Our bylaws provide for the staggered voting of directors for three-year terms so that shareholders desiring to replace the incumbent directors and gain control of the Board would be required to win at least two successive annual contests before their nominees constituted a majority of directors. Our bylaws require the affirmative vote of two-thirds of the shares present and entitled to vote to effectuate an amendment to the bylaws.

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

OVERVIEW

Our Business

Seneca Foods is one of North America's leading providers of packaged fruits and vegetables, with facilities located throughout the United States. Its high quality products are primarily sourced from over 2,000 American farms.

Seneca holds a large share of the retail private label, food service, and export canned vegetable markets, distributing to over 90 countries. Products are also sold under the highly regarded brands of Libby's®, Aunt Nellie's®, Green Valley®, READ®, Cherryman® and Seneca labels, including Seneca snack chips. In addition, Seneca provides vegetable products under a contract packing agreement with B&G Foods North America, under the Green Giant label.

On February 16, 2018, the Company announced production at its fruit (primarily peaches) processing plant in Modesto, California will cease prior to the 2018 production season. During the second fiscal quarter of 2019, the Company sold and transferred most of the remaining inventory in the facility and completed most of the labeling and casing required to PCP for the fruit inventory sold to them in the first quarter. The Company continued to ready the building and equipment for sale during the second quarter and into the third quarter. The Modesto operations have met the requirements (approximately a 15% reduction in revenue and a strategic shift away from producing peaches) for discontinued operations and those operations have been presented as such in these financial statements. During October 2018, the building and the land was sold to an unrelated third party for net proceeds of \$63,326,000 and the Company auctioned off the remaining equipment in the third quarter. See Note 3 Discontinued Operations in the Consolidated Financial Statements for more details.

During 2014, the Company acquired a 50% equity interest in Truitt Bros., Inc. ("Truitt") which was accounted for as an equity interest. During 2018, the Company purchased the remaining 50% equity interest in Truitt. Truitt is known for its industry innovation related to packing shelf stable foods in trays, pouches and bowls. The business, based in Salem, Oregon, has two state-of-the-art plants located in Oregon and Kentucky.

The Company's business strategies are designed to grow the Company's market share and enhance the Company's sales and margins and include: 1) expand the Company's leadership in the packaged fruit and vegetable industry; 2) provide low cost, high quality fruit and 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.

Restructuring

During 2019, the Company recorded an impairment and restructuring charges totaling \$11.7 million. Of this amount, \$2.3 relates to the partial closure of a plant in the Midwest (\$1.8 million is equipment moves and \$0.5 is severance), \$1.3 million related to the sale of a plant in the Northeast (\$0.5 million is equipment moves and \$0.8 million is severance), and \$0.3 million for the partial sale of a plant in the Northwest (\$0.2 million is severance, \$0.1 million is mostly equipment moves). In addition, the Company recorded a charge for an impairment of long-lived assets of \$7.8 million for a Northwest plant that will be ceasing production after this growing season.

During 2018, the Company recorded a restructuring credit of \$0.3 related to the closing of a plant in the Midwest and Northwest.

These charges are included under Plant Restructuring in the Consolidated Statements of Net Earnings (Loss).

Divestitures, Other Charges and Credits

Other operating income in 2019 includes a gain of the sale of a plant in the Northwest of \$4.1 million, a gain on the sale of a plant in the Northeast \$2.0 million and a gain on the partial closure of a plant of \$0.8 million. The Company also recorded a loss on the sale of an Eastern plant of \$0.6 million. The Company also recorded a gain for interest rate swap of \$0.3 million.

Other operating income in 2018 includes an acquisition gain of \$1.8 million, a gain on the sale of a plant of \$1.1 million and a gain on the partial sale of a plant of \$0.4 million. The Company also recorded a gain of \$0.4 million on the sale of fixed assets.

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

Liquidity and Capital Resources

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

The Company completed the closing of a five-year revolving credit facility ("Revolver") on July 5, 2016. Maximum borrowings under the Revolver total \$400.0 million from April through July and \$500.0 million from August through March. The Revolver balance as of March 31, 2019 was \$155.3 million and is included in Long-Term Debt in the accompanying Consolidated Balance Sheets due to the Revolver's July 5, 2021 maturity date. 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 the Company's accounts receivable and inventories and contains a financial covenant and borrowing base requirements. 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 packages. The majority of vegetable and fruit inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable and fruit produce are generally three months but can vary from a few days to seven months. Accordingly, the Company's need to draw on the Revolver may fluctuate significantly throughout the year.

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

Seasonality

The Company's revenues typically are higher in the second and third fiscal quarters. This is due, in part, because the Company sells, on a bill and hold basis, Green Giant canned and frozen vegetables to B&G Foods at the end of each pack cycle, which typically occurs during these quarters. B&G Foods buys the product from the Company at cost plus an equivalent case tolling fee. See the Critical Accounting Policies section for further details. The Company's non-Green Giant sales also exhibit seasonality with the third fiscal quarter generating the highest sales due to increased retail sales during the holiday season. The table below excludes the Modesto discontinued operations.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands)				
Year ended March 31, 2019:				
Net sales	\$ 244,093	\$ 320,660	\$ 372,238	\$ 262,590
Gross margin	16,788	11,008	(2,096)	\$ 13,796
(Loss) earnings from continuing operations	(2,160)	(5,634)	(20,040)	(8,649)
Revolver outstanding (at quarter end)	207,610	242,947	214,161	155,278
Year ended March 31, 2018:				
Net sales	\$ 241,175	\$ 327,664	\$ 354,894	\$ 239,161
Gross margin	13,501	21,671	28,778	\$ 17,053
(Loss) earnings from continuing operations	(633)	1,443	8,886	353
Revolver outstanding (at quarter end)	226,010	272,609	290,196	293,459

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

Short-Term Borrowings

The maximum level of short-term borrowings during 2019 was affected by the disposal of Modesto for \$65.0 million and the lower inventory by \$45.3 million due to the sale of certain facilities in the Northeast, Northwest and Modesto. The maximum level of short-term borrowings during 2018 was affected by the acquisition of Truitt using \$14.4 million partially offset by higher inventory due to the large pack totaling \$25.8 million. Details of the sales of facilities are outlined in Note 12 of the Notes to Consolidated Financial Statements.

General terms of the Revolver include payment of interest at LIBOR plus an agreed upon spread.

The following table documents the quantitative data for Short-Term Borrowings during 2019 and 2018:

	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
(In Thousands)				
Reported end of period:				
Revolver outstanding	\$ 155,278	\$ 293,459	\$ 155,278	\$ 293,459
Weighted average interest rate	4.00%	3.35%	4.00%	3.35%
Reported during period:				
Maximum Revolver	\$ 218,037	\$ 312,917	\$ 294,062	\$ 312,917
Average Revolver outstanding	\$ 185,127	\$ 300,075	\$ 215,208	\$ 259,792
Weighted average interest rate	4.10%	3.16%	3.73%	2.76%

Long-Term Debt

On December 9, 2016, the Company entered into a \$100.0 million unsecured term loan payable to Farm Credit East, ACA, with a variable interest rate. The maturity date for this term loan is December 9, 2021. The Company incurred financing costs totaling \$0.2 million which have been classified as a discount to the debt. This agreement contains certain covenants, including interest coverage ratio. On May 9, 2019, the Company entered into an amendment with waiver to the agreement to replace the interest coverage ratio financial covenant with a minimum EBITDA covenant. The first measurement of the minimum EBITDA covenant will be for the quarter ending on September 28, 2019 at which time the interest coverage ratio will no longer apply. In the meantime, the Company needs to maintain at least \$175.0 million of excess undrawn availability from its revolver facility at March 31, 2019 and June 29, 2019 to be in compliance with the agreement. As of March 31, 2019, the Company has maintained at least \$175.0 million of excess undrawn availability from its revolver facility.

The Company assumed a tax-exempt bond with the Truitt acquisition on April 3, 2017. At March 31, 2019, the total outstanding of this bond is \$10.0 million. The bond has a variable interest rate with a maturity date of October 1, 2032.

The Company’s debt agreements, including the Revolver and term loan, contain covenants that restrict the Company’s ability to incur additional indebtedness, pay dividends on the Company’s capital stock, make other restricted payments, including investments, sell the Company’s assets, incur liens, transfer all or substantially all of the Company’s assets and enter into consolidations or mergers. The Company’s debt agreements also require the Company to meet certain financial covenants, including a minimum fixed charge coverage ratio, a minimum EBITDA and minimum tangible net worth. The Revolver also contains borrowing base requirements related to accounts receivable and inventories. These financial requirements and ratios generally become more restrictive over time and are subject to allowances for seasonal fluctuations. The most restrictive financial covenant in the debt agreements is the EBITDA within the Farm Credit term loan which for fiscal year end 2020 will need to be greater than \$45 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, 2019.

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.

As of March 31, 2019, scheduled maturities of long-term debt in each of the five succeeding fiscal years and thereafter are presented below. The March 31, 2019 Revolver balance of \$155.3 million is presented as being due in fiscal 2022, based upon the Revolver’s July 20, 2021 maturity date (in thousands):

2020	\$ 345
2021	500
2022	255,184
2023	-
2024	-
Thereafter	10,216
Total	\$ 266,245

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

Restrictive Covenants

The Company's debt agreements, including the Revolver and term loan, contain covenants that restrict the Company's ability to incur additional indebtedness, pay dividends on the Company's capital stock, make other restricted payments, including investments, sell the Company's assets, incur liens, transfer all or substantially all of the Company's assets and enter into consolidations or mergers. The Company's debt agreements also require the Company to meet certain financial covenants, including a minimum fixed charge coverage ratio, a minimum EBITDA and minimum tangible net worth. The Revolver also contains borrowing base requirements related to accounts receivable and inventories. These financial requirements and ratios generally become more restrictive over time and are subject to allowances for seasonal fluctuations. The most restrictive financial covenant in the debt agreements is the minimum EBITDA within the Farm Credit term loan which for fiscal 2020 year end will be greater than \$45 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, 2019.

Capital Expenditures

Capital expenditures in 2019 totaled \$33.8 million and there were three major projects in 2019 as follows: 1) \$1.6 million to purchase land in Montgomery, Minnesota, 2) \$4.1 million for a warehouse in Hart, Michigan, and 3) \$2.0 for a production line in Janesville, Wisconsin. Capital expenditures in 2018 totaled \$30.5 million and there were two major projects in 2018 as follows: 1) \$2.8 million for the expansion of a production line in Princeville, Illinois, and 2) \$3.4 million for a warehouse in Payette, Idaho. In addition, there were lease buyouts, equipment replacements and other improvements in 2019 and 2018.

Accounts Receivable

In 2019, accounts receivable increased by \$17.9 million or 27.1% versus 2018 due to higher sales volume in the fourth quarter of 2019 compared to 2018 and a \$6.3 million increase in the true-up receivable from B&G Foods. In 2018, accounts receivable increased by \$6.7 million or 9.3% versus 2017, due to higher sales volume in the fourth quarter of 2018 compared to 2017 and the Truitt business we added in 2018.

Inventories

In 2019, inventories decreased by \$45.3 million primarily reflecting the effect of lower finished goods quantities from lower yields during the 2018 pack season and by the \$16.3 million LIFO reserve increase, partially offset by higher raw material quantities. The LIFO reserve balance was \$161.3 million at March 31, 2019 versus \$145.0 million at the prior year end.

The Company believes that the use of the LIFO method better matches current costs with current revenues.

Critical Accounting Policies

During the year ended March 31, 2019, the Company sold \$60.0 million 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 \$112.8 million for the year ended March 31, 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 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.

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.

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

Obligations and Commitments

As of March 31, 2019, the Company was obligated to make cash payments in connection with its debt, operating and capital leases, and purchase commitments. 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.

In addition, the Company's defined benefit plan has an unfunded pension liability of \$17.3 million which is subject to certain actuarial assumptions. The unfunded status decreased by \$5.9 million during 2019 reflecting the actual fair value of plan assets and the projected benefit obligation as of March 31, 2019. This unfunded status decrease was recognized via the actual gain on plan assets and the decrease in accumulated other comprehensive loss of \$6.8 million after the income tax expense of \$2.3 million. The increase in projected benefit obligation was a function of using the full yield curve approach and the change to using an updated mortality table. There was no change in the discount rate as it remained at 4.14%. During 2018, the Company converted to the 2006 base rates from the RP-2016 mortality study with the Blue Collar adjustment, with a generational projection of future mortality improvements from 2006 using Scale MP-2018 for calculating the pension obligation in 2018 and the related pension expense in 2019. The Company utilizes a full yield curve approach in the estimation of the service and interest 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.

Plan assets increased from \$212.8 million as of March 31, 2018 to \$233.1 million as of March 31, 2019 due to a gain on plan assets of \$26.7 million from a continued recovery in market conditions and a \$2.1 million contribution by the Company. The Company made this contribution to maintain its funding status at an acceptable level.

During 2019, the Company entered into new capital and operating leases of approximately \$8.3 million, based on the if-purchased value, which was primarily for agricultural and packaging equipment.

Purchase commitments represent estimated payments to growers for crops that will be grown during the calendar 2019 season.

Due to uncertainties related to uncertain tax positions, the Company is not able to reasonably estimate the cash settlements required in future periods.

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

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, 2019, the Company had \$11.4 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.

Cash Flows

In 2019, the Company's cash and cash equivalents decreased by \$3.6 million, which is due to the net impact of \$97.1 million provided by operating activities, \$67.0 million provided by investing activities, and \$167.7 million used in financing activities.

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

Operating Activities

Cash provided by operating activities increased to \$97.1 million in 2019 from \$13.2 million of cash used in operating activities in 2018. The increase is primarily attributable to net earnings in 2019 versus a net loss in 2018 which was a \$14.2 million swing. In addition, a significant decrease in inventories in 2019 primarily due to exiting the products in Modesto versus 2018 of \$168.0 million contributed to cash provided by operating activities. The reversal of the gains on the sale of assets reduced cash provided by operating activities by \$63.4 million in 2019 versus \$1.9 million in 2018. The 2019 earnings reflect a LIFO charge of \$16.3 million resulting in an increase in the tax payment deferral of \$4.1 million. During 2019, the Company made a \$2.1 million contribution to its pension plan compared to a \$2.7 million contribution in the previous year.

The cash requirements of the business fluctuate significantly throughout the year to coincide with the seasonal growing cycles of vegetables and fruits. 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.

Investing Activities

Cash provided by investing activities was \$67.0 million for 2019, principally reflecting proceeds from the sales of assets of \$104.4 million, partially offset by capital expenditures. Capital expenditures aggregated \$37.7 million in 2019 versus \$32.7 million in 2018. There were three major projects in 2019 as follows: 1) \$1.6 million purchase of land in Montgomery, Minnesota, 2) \$4.1 million for a warehouse in Hart, Michigan and 3) \$2.0 million for a production line in Janesville, Wisconsin.

Financing Activities

Cash used in financing activities was \$167.7 million in 2019 representing a net decrease in the debt (primarily the Revolver) of \$159.7 million and by the purchase of \$8.0 million of treasury stock during 2019. Cash provided by financing activities was \$61.3 million in 2018 representing a net increase in the debt of \$66.3 million which was partially offset by the purchase of \$4.6 million of treasury stock.

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

RESULTS OF CONTINUING OPERATIONS

Classes of similar products/services:	2019		2018	
	(In thousands)			
Net Sales:				
Green Giant *	\$	71,161	\$	124,811
Canned vegetables		815,780		721,121
Frozen		113,115		105,857
Fruit		91,941		91,019
Prepared foods		79,593		92,826
Snack		9,684		10,110
Other		18,307		17,150
Total	\$	1,199,581	\$	1,162,894

* Green Giant includes canned and frozen vegetables exclusively for B&G Foods.

Fiscal 2019 versus Fiscal 2018

Net sales for 2019 increased \$36.7 million, from \$1,162.9 million to \$1,199.6 million. The increase primarily reflects, a \$94.7 million increase in canned vegetables sales, a \$7.3 million increase in frozen sales, a \$1.1 million increase in other sales, a \$0.9 million increase in fruit sales, a \$0.4 million decrease in snack sales, and a \$53.7 million decrease in Green Giant sales, a \$13.2 million decrease in prepared food sales. The increase in sales is attributable to increased sales volume of \$2.4 million and higher selling prices/more favorable sales mix of \$34.3 million. The increased selling prices/more favorable sales mix is primarily due to canned vegetables.

Cost of product sold as a percentage of sales increased from 93.0% in 2018 to 96.7% in 2019 primarily as a result of a \$40.5 million LIFO charge increase in 2019, due to higher commodity and steel costs, a short pack and lower selling prices in 2019 versus 2018.

Selling, general and administrative expense was unchanged at 6.0% of sales in 2019 and 2018.

Other operating income in 2019 includes a gain of the sale of a plant in the Northwest of \$4.1 million, a gain on the sale of a plant in the Northeast \$2.0 million and a gain on the partial closure of a plant of \$0.8 million. The Company also recorded a loss on the sale of an Eastern plant of \$0.6 million. The Company also recorded a gain for interest rate swap of \$0.3 million. Other operating income in 2018 includes an acquisition gain of \$1.8 million, a gain on the sale of a plant of \$1.1 million and a gain on the partial sale of a plant of \$0.4 million. The Company also recorded a gain of \$0.4 million on the sale of fixed assets.

Plant impairment and restructuring costs, which are described in detail in the Restructuring section of Management’s Discussion and Analysis of Financial Condition and Results of Operations, increased from a benefit of \$(0.3) million in 2018 to a charge of \$11.7 million in 2019.

Interest expense, net, increased from \$12.8 million in 2018 to \$15.4 million in 2019 due in part to the higher interest rates on variable rate borrowings in 2019 versus 2018. Approximately \$3.0 million of this interest expense increase was as a result of rising interest rates. This was partially offset by lower average Revolver borrows which is net of certain long-term debt paid off during the year.

As a result of the aforementioned factors, continuing pre-tax earnings decreased from \$8.7 million in 2018 to pre-tax loss of \$(49.3) million in 2019. The effective tax rate was 25.9% in 2019 and (15.1)% in 2018. The increase of 41.0 percentage points in the effective tax rate for the year is the result of the change in income tax rate resulting from the Tax Cuts and Jobs Act in December 2017. The change in income tax rate resulted in a 42.1 percentage point decrease in the 2018 tax rate and it did not impact the 2019 income tax rate.

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

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 currently expect to adopt ASU 2016-02 as of April 1, 2019, using the optional transition method provided by ASU 2018-11. Our evaluation of ASU 2016-02 is ongoing and not complete. Our estimated date of completion of FASB ASC 842 technical assessment of applying the new standard to the Company's lease contracts is between Q4 of fiscal year 2019 and Q1 of Fiscal Year 2020. The estimated date of revised Internal Control over of Financial Reporting (ICFR) is Q1 of fiscal year 2020. The estimated date of draft footnote disclosures is Q1 of fiscal year 2020. The Company believes that the new standard will have a material impact on its consolidated balance sheet due to the recognition of ROU assets and liabilities for the Company's operating leases but it will not have a material impact on its statement of operations or liquidity. We expect our accounting for capital leases to remain substantially unchanged. The ASU also will require disclosures to help investors and other financial statement users to better understand the amount, timing and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Our leasing activity is primarily related to buildings and equipment.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with customers, now commonly referred to as Accounting Standards Codification Topic 606 ("ASC 606"). The FASB issued ASC 606 to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. ASC 606 requires the recognition of revenue when control of performance obligations as stipulated in the contracts, is transferred to a customer for an amount that reflects the consideration the entity expects to receive in exchange for promised goods and services. The Company adopted ASC 606 as of April 1, 2018, utilizing the full retrospective method of transition, which requires a restatement of each prior reporting period presented. In adopting ASC 606, the Company used the practical expedient where the transaction price allocated to the remaining performance obligations before the date of the initial application is not disclosed. The Company implemented new policies, processes and systems to enable both the preparation of financial information and internal controls over financial reporting in connection with its adoption of ASC 606. The primary impact of adopting ASC 606 on the Company's 2019 and 2018 revenue was to report the product sales to B&G as bill and hold sales, but deferring a small portion of the sale for future case and labeling services along with storage services. See Note 4 to the Consolidated Financial Statements for more information.

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

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This amendment is intended to allow a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting only from the December 2017 enacted United States Tax Cuts and Jobs Act (TCJA) and is not intended to impact underlying accounting guidance that requires that the effect of a change in tax laws or tax rates be included in income from operations. This update is effective for fiscal years beginning after December 31, 2018 with earlier adoption permitted. The Company has early adopted this update in its fourth quarter ended March 31, 2018 resulting in a \$2.4 million reclassification from accumulated other comprehensive loss and a corresponding \$2.4 million increase to retained earnings. This reclassification from accumulated other comprehensive loss relates to the deferred income tax stranded tax effects resulting from the change in the U.S. federal corporate income tax rate under the TCJA. The pension and post-retirement benefits adjustment is the Company's only component of accumulated other comprehensive loss.

Consolidated Statements of Net Earnings (Loss)

Seneca Foods Corporation and Subsidiaries

(In thousands of dollars, except per share amounts)

Years ended March 31,	2019	2018
Net sales	\$ 1,199,581	\$ 1,162,894
Costs and expenses:		
Cost of products sold	1,160,085	1,081,891
Selling, general, and administrative expense	72,549	70,185
Other operating income, net	(6,631)	(3,671)
Plant restructuring charge (credit)	11,657	(342)
Total costs and expenses	1,237,660	1,148,063
Operating (loss) income	(38,079)	14,831
Earnings from equity investment	-	(21)
Other income	(4,257)	(6,700)
Interest expense, net of interest income of \$28 and \$9, respectively	15,437	12,818
(Loss) Earnings From Continuing Operations Before Income Taxes	(49,259)	8,734
Income Taxes Benefit From Continuing Operations	(12,776)	(1,315)
(Loss) Earnings From Continuing Operations	(36,483)	10,049
Earnings (Loss) From Discontinued Operations (net of income taxes)	42,230	(18,529)
Net Earnings (loss)	\$ 5,747	\$ (8,480)
Basic Earnings (Loss) per Common Share:		
Continuing Operations	\$ (3.77)	\$ 1.02
Discontinued Operations	\$ 4.36	\$ (1.89)
Net Basic Earnings (Loss) per Common Share	\$ 0.59	\$ (0.87)
Diluted Earnings (Loss) per Common Share:		
Continuing Operations	\$ (3.77)	\$ 1.02
Discontinued Operations	\$ 4.33	\$ (1.89)
Net Diluted Earnings (Loss) per Common Share	\$ 0.59	\$ (0.87)

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Seneca Foods Corporation and Subsidiaries

(In thousands of dollars)

Years ended March 31,	2019	2018
Comprehensive income (loss) :		
Net earnings (loss)	\$ 5,747	\$ (8,480)
Change in pension and postretirement benefits (net of income tax of \$2,249 and \$3,774, respectively)	6,782	(11,483)
Total	\$ 12,529	\$ (19,963)

See notes to consolidated financial statements.

Consolidated Balance Sheets

Seneca Foods Corporation and Subsidiaries

(In thousands)

March 31,	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 11,480	\$ 15,102
Accounts receivable, less allowance for doubtful accounts of \$57 and \$56, respectively	84,122	66,210
Assets held for sale-discontinued operations	98	109,870
Inventories	501,684	546,959
Assets held for sale	1,568	-
Refundable income taxes	1,221	1,142
Other current assets	3,075	1,856
Total Current Assets	603,248	741,139
Deferred income tax asset, net	2,417	5,576
Noncurrent assets held for sale-discontinued operations	1,143	20,098
Other assets	2,801	3,489
Property, plant, and equipment:		
Land	25,832	25,603
Buildings and improvements	190,102	216,188
Equipment	421,639	430,445
Total	637,573	672,236
Less accumulated depreciation and amortization	398,300	413,693
Net property, plant, and equipment	239,273	258,543
Total Assets	\$ 848,882	\$ 1,028,845
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 61,024	\$ 56,752
Deferred revenue	4,098	8,362
Accrued vacation	11,678	11,691
Accrued payroll	5,105	4,955
Other accrued expenses	19,363	20,834
Current liabilities held for sale-discontinued operations	4,285	28,573
Current liabilities held for sale	61	-
Current portion of long-term debt and capital lease obligations	6,763	7,468
Total Current Liabilities	112,377	138,635
Long-term debt, less current portion	265,900	407,733
Pension liabilities	17,349	23,290
Other liabilities	4,180	5,829
Noncurrent liabilities held for sale	305	-
Noncurrent liabilities held for sale-discontinued operations	-	7,964
Capital lease obligations, less current portion	31,286	34,331
Total Liabilities	431,397	617,782
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock	707	707
Common stock	3,039	3,038
Additional paid-in capital	98,260	98,161
Treasury stock, at cost	(75,740)	(69,556)
Accumulated other comprehensive loss	(18,285)	(25,067)
Retained earnings	409,504	403,780
Total Stockholders' Equity	417,485	411,063
Total Liabilities and Stockholders' Equity	\$ 848,882	\$ 1,028,845

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Seneca Foods Corporation and Subsidiaries

(In thousands)

Years ended March 31,	2019	2018
Cash flows from operating activities:		
Net (loss) earnings	\$ 5,747	\$ (8,480)
Adjustments to reconcile net earnings to net cash provided by operations:		
Depreciation and amortization	31,235	31,547
Deferred income tax (benefit) expense	909	(5,677)
Gain on the sale of assets	(63,394)	(1,855)
Impairment and Restructuring provision	16,080	10,011
Earnings from equity investment	-	(21)
Bargain purchase gain	-	(1,786)
401(k) match stock contribution	1,773	1,501
Changes in operating assets and liabilities (net of acquisitions):		
Accounts receivable	(5,326)	(672)
Inventories	142,271	(25,681)
Other current assets	(1,029)	1,527
Accounts payable, accrued expenses, and other liabilities	(31,071)	(14,920)
Income taxes	(79)	1,319
Net cash provided by (used in) operating activities	97,116	(13,187)
Cash flows from investing activities:		
Additions to property, plant, and equipment	(37,728)	(32,665)
Proceeds from life insurance	343	-
Cash paid for acquisitions (net of cash acquired)	-	(14,420)
Proceeds from the sale of assets	104,387	2,075
Net cash provided by (used in) investing activities	67,002	(45,010)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	504,381	532,374
Payments of long-term debt and capital lease obligations	(664,108)	(466,048)
Payments on notes payable	-	(166)
Change in other assets	(33)	(272)
Purchase of treasury stock	(7,957)	(4,558)
Preferred stock dividends paid	(23)	(23)
Net cash (used in) provided by financing activities	(167,740)	61,307
Net increase (decrease) in cash and cash equivalents	(3,622)	3,110
Cash and cash equivalents, beginning of year	15,102	11,992
Cash and cash equivalents, end of year	\$ 11,480	\$ 15,102
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 15,424	\$ 13,475
Income taxes paid (refunded)	173	(3,082)
Noncash transactions:		
Property, plant and equipment issued under capital lease	4,199	8,381

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, 2017	\$ 1,324	\$ 3,024	\$ 97,458	\$ (66,499)	\$ (11,175)	\$ 409,874
Net loss	-	-	-	-	-	(8,480)
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	100	-	-	-
Contribution of 401(k) match	-	-	-	1,501	-	-
Purchase of treasury stock	-	-	-	(4,558)	-	-
Preferred stock conversion	(617)	14	603	-	-	-
Reclassification of certain tax effects	-	-	-	-	(2,409)	2,409
Change in pension and postretirement benefits adjustment (net of tax \$3,774)	-	-	-	-	(11,483)	-
Balance March 31, 2018	707	3,038	98,161	(69,556)	(25,067)	403,780
Net earnings	-	-	-	-	-	5,747
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	100	-	-	-
Common stock issuance	-	1	(1)	-	-	-
Contribution of 401(k) match	-	-	-	1,773	-	-
Purchase of treasury stock	-	-	-	(7,957)	-	-
Change in pension and postretirement benefits adjustment (net of tax \$2,249)	-	-	-	-	6,782	-
Balance March 31, 2019	\$ 707	\$ 3,039	\$ 98,260	\$ (75,740)	\$ (18,285)	\$ 409,504

	Preferred Stock				Common Stock	
	6% Cumulative Par Value \$0.25 Callable at Par Voting	10% Cumulative Par Value \$0.25 Convertible Voting	Participating Convertible Par Value \$0.25	2003 Series Participating Convertible Par Value \$0.25	Class A Common Stock Par Value \$0.25	Class B Common Stock Par Value \$0.25
Shares authorized and designated:						
March 31, 2019	200,000	1,400,000	37,529	500	20,000,000	10,000,000
Shares outstanding:						
March 31, 2018	200,000	807,240	37,529	500	7,860,033	1,884,439
March 31, 2019	200,000	807,240	37,529	500	7,667,913	1,874,861
Stock amount	\$ 50	\$ 202	\$ 447	\$ 8	\$ 2,535	\$ 504

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”) conducts its business almost entirely in food packaging, operating 27 plants and 31 warehouses in nine states. 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.

Revenue Recognition — 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. See Note 4, 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 and interest-bearing investments. 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 sales. Green Giant sales to B & G Foods represented 6%, and 11% of net sales in each of 2019 and 2018, respectively. The top ten customers, including B & G Foods, represented approximately 47%, and 45% of net sales for 2019 and 2018, 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.

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 11, 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.

Notes to Consolidated Financial Statements

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, 2019, there were \$0.5 million of unamortized financing cost included in other current assets and \$0.1 million of unamortized financing costs included as a contra to long-term debt and current portion of long-term debt on the Consolidated Balance Sheets.

Inventories — Substantially all inventories are stated at the lower of cost; determined under the last-in, first-out (“LIFO”) method; or market.

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.

Assets Held for Sale—The Company classifies property and equipment as held for sale when certain criteria are met. At such time, the properties, including significant assets that are expected to be transferred as part of a sale transaction, 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. Assets classified as held for sale included buildings, land and equipment.

Discontinued Operations — Discontinued operations comprise those activities that have been disposed of during the period or that have been classified as held for sale at the end of the period, and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes. In fiscal 2019, the Company sold its Modesto fruit operations and began reporting the results of operations, cash flows and the balance sheet amounts pertaining to this as a component of discontinued operations in the consolidated financial statements.

Unless otherwise indicated, information in the notes to the consolidated financial statements relates to continuing operations.

Advertising Costs — Advertising costs are expensed as incurred. Advertising costs charged to continuing operations were \$2.1 million and \$2.4 million in 2019 and 2018, respectively.

Accounts Receivable and Doubtful Accounts — Accounts receivable is stated at invoice value, which is net of any off invoice promotions. A provision for doubtful accounts is recorded based upon an assessment of credit risk within the accounts receivable portfolio, experience of delinquencies (accounts over 15 days past due) and charge-offs (accounts removed from accounts receivable for expectation of non-payment), and current market conditions. Management believes these provisions are adequate based upon the relevant information presently available.

Notes to Consolidated Financial Statements

Earnings (Loss) 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. Restricted stock is included in all earnings (loss) per share calculations.

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.

Years ended March 31,	2019	2018
(In thousands, except per share amounts)		
Continuing Operations		
Basic		
Continuing operations (loss) earnings	\$ (36,483)	\$ 10,049
Deduct preferred stock dividends	23	23
Undistributed (loss) earnings	(36,506)	10,026
(Loss) earnings attributable to participating preferred shareholders	(143)	48
(Loss) earnings attributable to common shareholders	\$ (36,363)	\$ 9,978
Weighted average common shares outstanding	9,652	9,769
Basic (loss) earnings from continuing operations per common share	\$ (3.77)	\$ 1.02
Diluted		
(Loss) earnings attributable to common shareholders	\$ (36,363)	\$ 9,978
Add dividends on convertible preferred stock	-	20
(Loss) earnings attributable to common stock on a diluted basis	\$ (36,363)	\$ 9,998
Weighted average common shares outstanding-basic	9,652	9,769
Additional shares to be issued related to the equity compensation plan	-	3
Additional shares to be issued under full conversion of preferred stock	-	67
Total shares for diluted	9,652	9,839
Diluted (loss) earnings from continuing operations per share	\$ (3.77)	\$ 1.02

Years ended March 31,	2019	2018
(In thousands, except per share amounts)		
Discontinued Operations		
Basic		
Discontinued operations earnings (loss)	\$ 42,230	\$ (18,529)
Deduct preferred stock dividends	23	23
Undistributed earnings (loss)	42,207	(18,552)
Earnings (loss) attributable to participating preferred shareholders	166	(88)
Earnings (loss) attributable to common shareholders	\$ 42,041	\$ (18,464)
Weighted average common shares outstanding	9,652	9,769
Basic earnings (loss) from discontinued operations per common share	\$ 4.36	\$ (1.89)
Diluted		
Earnings (loss) attributable to common shareholders	\$ 42,041	\$ (18,464)
Add dividends on convertible preferred stock	20	-
Earnings (loss) attributable to common stock on a diluted basis	\$ 42,061	\$ (18,464)
Weighted average common shares outstanding-basic	9,652	9,769
Additional shares to be issued related to the equity compensation plan	3	-
Additional shares to be issued under full conversion of preferred stock	67	-
Total shares for diluted	9,722	9,769
Diluted earnings (loss) from discontinued operations per share	\$ 4.33	\$ (1.89)

Note: For fiscal 2019 addbacks for equity compensation and additional shares that were anti-dilutive were excluded from diluted earnings per share from continuing operations calculations.

Depreciation and Valuation — 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. Depreciation was \$29.5 million and \$29.0 million, in 2019, and 2018, respectively. The estimated useful lives are as follows: buildings and improvements — 30 years; machinery and equipment — 10-15 years; computer software — 3-5 years; vehicles — 3-7 years; and land improvements — 10-20 years.

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. Appraisals were used to help determine fair value. There was a \$7.8 million impairment loss recorded in 2019 related to a Northwest plant. There were no significant impairment losses in 2018.

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.

Notes to Consolidated Financial Statements

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 currently expect to adopt ASU 2016-02 as of April 1, 2019, using the optional transition method provided by ASU 2018-11. Our evaluation of ASU 2016-02 is ongoing and not complete. Our estimated date of completion of FASB ASC 842 technical assessment of applying the new standard to the Company’s lease contracts is between Q4 of fiscal year 2019 and Q1 of fiscal year 2020. The estimated date of revised Internal Control over of Financial Reporting (ICFR) is Q1 of fiscal year 2020. The estimated date of draft footnote disclosures is Q1 of Fiscal Year 2020. The Company believes that the new standard will have a material impact on its consolidated balance sheet due to the recognition of ROU assets and liabilities for the Company’s operating leases but it will not have a material impact on its statement of operations or liquidity. We expect our accounting for capital leases to remain substantially unchanged. The ASU also will require disclosures to help investors and other financial statement users to better understand the amount, timing and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Our leasing activity is primarily related to buildings and equipment.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with customers, now commonly referred to as Accounting Standards Codification Topic 606 (“ASC 606”). The FASB issued ASC 606 to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. ASC 606 requires the recognition of revenue when control of performance obligations as stipulated in the contracts, is transferred to a customer for an amount that reflects the consideration the entity expects to receive in exchange for promised goods and services. The Company adopted ASC 606 as of April 1, 2018, utilizing the full retrospective method of transition, which requires a restatement of each prior reporting period presented. In adopting ASC 606, the Company used the practical expedient where the transaction price allocated to the remaining performance obligations before the date of the initial application is not disclosed. The Company implemented new policies, processes and systems to enable both the preparation of financial information and internal controls over financial reporting in connection with its adoption of ASC 606. The primary impact of adopting ASC 606 on the Company’s 2019 and 2018 revenue was to report the product sales to B&G as bill and hold sales, but deferring a small portion of the sale for future case and labeling services along with storage services. See Note 4 to the Consolidated Financial Statements for more information.

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

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This amendment is intended to allow a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting only from the December 2017 enacted United States Tax Cuts and Jobs Act (TCJA) and is not intended to impact underlying accounting guidance that requires that the effect of a change in tax laws or tax rates be included in income from operations. This update is effective for fiscal years beginning after December 31, 2018 with earlier adoption permitted. The Company has early adopted this update in its fourth quarter ended March 31, 2018 resulting in a \$2.4 million reclassification from accumulated other comprehensive loss and a corresponding \$2.4 million increase to retained earnings. This reclassification from accumulated other comprehensive loss relates to the deferred income tax stranded tax effects resulting from the change in the U.S. federal corporate income tax rate under the TCJA. The pension and post-retirement benefits adjustment is the Company’s only component of accumulated other comprehensive loss.

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

Notes to Consolidated Financial Statements

2. Asset Held For Sale

As of March 31, 2019, the Company has certain operating units in the Midwest that met the criteria to be classified as held for sale, which requires the Company to present the related assets and liabilities as separate line items in our Consolidated Balance Sheets. The Company is required to record the assets held for sale at the lower of carrying value or fair value less costs to sell. The following table presents information related to the major classes of assets and liabilities that were held for sale in our March 31, 2019 Consolidated Balance Sheet (in thousands):

Property, Plant and Equipment (net)	\$	1,568
Current Assets Held For Sale	\$	<u>1,568</u>
Capital Lease Obligations Current Portion	\$	61
Current Liabilities Held For Sale	\$	<u>61</u>
Capital Lease Obligations	\$	305
Noncurrent Liabilities Held For Sale	\$	<u>305</u>

Notes to Consolidated Financial Statements

3. 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.

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 Balance Sheets (in thousands):

	March 31 2019	March 31 2018
Accounts Receivable	\$ -	\$ 12,586
Inventories	-	96,996
Other Current Assets	98	288
Current Assets Held For Sale-Discontinued Operations	\$ 98	\$ 109,870
Other Assets	\$ 1,143	\$ 1,616
Property, Plant and Equipment (net)	-	18,482
Noncurrent Assets Held For Sale-Discontinued Operations	\$ 1,143	\$ 20,098
Accounts Payable and Accrued Expenses	\$ 4,285	\$ 26,226
Long-Term Debt and Capital Leases Current Portion	-	2,347
Current Liabilities Held For Sale-Discontinued Operations	\$ 4,285	\$ 28,573
Long-Term Debt and Capital Lease Obligations	\$ -	\$ 7,964
Noncurrent Liabilities Held For Sale Discontinued Operations	\$ -	\$ 7,964

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

	Twelve Months Ended	
	March 31, 2019	March 31, 2018
Net Sales	\$ 111,693	\$ 165,668
Costs and Expenses:		
Cost of Product Sold	129,872	174,207
Selling, General and Administrative	1,135	3,329
Plant Restructuring Charge (a)	4,515	10,353
Interest Expense (b)	1,077	2,219
Total cost and expenses	136,599	190,108
Loss From Discontinued Operations Before Income Taxes	(24,906)	(24,440)
Gain on the Sale of Assets Before Income Taxes (c) (d) (e)	(80,632)	-
Income Tax Expense (Benefit)	13,496	(5,911)
Net Earnings (Loss) From Discontinued Operations, Net of Tax	\$ 42,230	\$ (18,529)

- (a) Includes \$3,746,000 of Modesto severance in fiscal 2019.
- (b) Includes interest on debt directly related to Modesto including the building mortgage and equipment leases and an allocation of the Company's line of credit facility.
- (c) Includes a \$24,211,000 gain as a result of LIFO layer liquidations from the disposal of the inventory for fiscal 2019.
- (d) Includes \$51,446,000 gain on the sale of Modesto plant and equipment in fiscal 2019.
- (e) Includes a \$4,975,000 gain on the sale of bins in fiscal 2019.

Supplemental Information on Discontinued Operations:

Capital Expenditures	3,937	2,274
Depreciation	1,302	2,095

Notes to Consolidated Financial Statements

4. Revenue Recognition

The Company adopted Accounting Standard Codification Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) as of April 1, 2018, utilizing the full retrospective method of transition, which requires a restatement of each prior reporting period presented. The Company implemented new policies, processes and systems to enable both the preparation of financial information and internal controls over financial reporting in connection with its adoption of ASC 606. The updated accounting policy for revenue recognition follows:

Nature of products

We manufacture and sell 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, revenue is disaggregated by product category groups (in millions):

	Year Ended	
	March 31, 2019	March 31, 2018
Canned Vegetables	\$ 815.8	\$ 721.1
B&G*	71.2	124.8
Frozen	113.1	105.9
Fruit Products	91.9	91.0
Chip Products	9.7	10.1
Prepared Foods	79.6	92.8
Other	18.3	17.2
	<u>\$ 1,199.6</u>	<u>\$ 1,162.9</u>

*B&G includes both canned and frozen vegetable sales exclusively for B&G under the Green Giant label.

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, 2019 which is included in deferred revenue.

Notes to Consolidated Financial Statements

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.

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

Contract asset and liability balances as of March 31, 2019 are immaterial. 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 B&G for Green Giant bill and hold sales.

Contract Costs

We have identified certain incremental costs to obtain a contract, primarily sales commissions, requiring capitalization under the new 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.

Impact of Adoption

Due to the changes in ASC 606, the March 31, 2018 inventory decreased \$36.9 million and deferred revenue decreased \$52.3 million. There were no material impacts to the Consolidated Statement of Cash Flows. The following table summarizes the impact of our adoption of ASC 606 on a full retrospective basis less discontinued operations on selected Consolidated Statement of Net Earnings (Loss) items.

	For the Twelve Months Ended March 31, 2018			
	As Reported (1)	606 Adjustments	Less Discontinued Operations	As Adjusted
Net sales	\$ 1,314,765	\$ 13,797	\$ (165,668)	\$ 1,162,894
Cost of products sold	1,240,178	15,920	(174,207)	1,081,891
Gross profit (loss)	74,587	(2,123)	8,539	81,003
Operating (loss) income	(5,267)	(2,123)	22,221	14,831
(Loss) earnings before income taxes	(20,283)	4,577	24,440	8,734
Net (loss) earnings from continuing operations	(13,811)	5,331	18,529	10,049

(1) These reported amounts for the twelve months ended March 31, 2018 are restated amounts. See the Company's Annual Report on Form 10-K for the year ended March 31, 2018 which was filed on June 29, 2018.

Notes to Consolidated Financial Statements

5. Revolving Credit Facility

The Company completed the closing of a five-year revolving credit facility (“Revolver”) on July 5, 2016. Maximum borrowings under the Revolver total \$400.0 million from April through July and \$500.0 million from August through March. The Revolver balance as of March 31, 2019 was \$155.3 million, with a weighted average interest rate of 4.00% (LIBOR plus a spread) and is included in Long-Term Debt in the accompanying Consolidated Balance Sheet. The Revolver is secured by accounts receivable and inventories with a carrying value of \$585.9 million. The Company had \$11.4 million and \$10.4 million of outstanding standby letters of credit as of March 31, 2019 and 2018, respectively, which reduces borrowing availability under the Revolver. See Note 6, Long-Term Debt, for additional comments related to the Revolver.

6. Long-Term Debt

	2019		2018	
	(In thousands)			
Revolving credit facility, 4.00% and 3.35%, due through 2022	\$	155,278	\$	293,459
Farm Credit term loan, 4.77% and 4.48%, due 2022		99,906		99,871
Bluegrass tax exempt bonds, 3.19% and 3.11%, due 2033		10,000		9,983
Lease financing obligations, 2.62%, due through 2020		-		4,028
Secured promissory note, 6.35%, due through 2020		262		1,046
Economic development note, 2.00%, due through 2021		583		793
Other		216		216
Total		266,245		409,396
Less current portion		345		1,663
Long-term debt	\$	265,900	\$	407,733

See Note 5, Revolving Credit Facility, for discussion of the Revolver.

On December 9, 2016, the Company entered into a \$100.0 million unsecured term loan payable to Farm Credit East, ACA, with a variable interest rate. The maturity date for this term loan is December 9, 2021. The Company incurred financing costs totaling \$0.2 million which have been classified as a discount to the debt. This agreement contains certain covenants, including interest coverage ratio. On May 9, 2019, the Company entered into an amendment with waiver to the agreement to replace the interest coverage ratio financial covenant with a minimum EBITDA covenant. The first measurement of the minimum EBITDA covenant will be for the quarter ending on September 28, 2019 at which time the interest coverage ratio will no longer apply. In the meantime, the Company needs to maintain at least \$175.0 million of excess undrawn availability from its revolver facility at March 31, 2019 and June 29, 2019 to be in compliance with the agreement. As of March 31, 2019, the Company has maintained at least \$175.0 million of excess undrawn availability from its revolver facility.

The Company assumed a tax-exempt bond with the Truitt acquisition on April 3, 2017. At March 31, 2019, the total outstanding of this bond is \$10.0 million. The bond has a variable interest rate with a maturity date of October 1, 2032.

The Company’s debt agreements, including the Revolver and term loan, contain covenants that restrict the Company’s ability to incur additional indebtedness, pay dividends on the Company’s capital stock, make other restricted payments, including investments, sell the Company’s assets, incur liens, transfer all or substantially all of the Company’s assets and enter into consolidations or mergers. The Company’s debt agreements also require the Company to meet certain financial covenants, including a minimum fixed charge coverage ratio, a minimum EBITDA and minimum tangible net worth. The Revolver also contains borrowing base requirements related to accounts receivable and inventories. These financial requirements and ratios generally become more restrictive over time and are subject to allowances for seasonal fluctuations. The most restrictive financial covenant in the debt agreements is the EBITDA within the Farm Credit term loan which for fiscal year end 2020 will need to be greater than \$45 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, 2019.

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 \$633.2 million.

Debt repayment requirements for the next five fiscal years are (in thousands):

Years ending March 31:		
2020	\$	345
2021		500
2022		255,184
2023		-
2024		-
Thereafter		10,216
Total	\$	266,245

Notes to Consolidated Financial Statements

7. Leases

The Company had capital leases of \$50.5 million as of March 31, 2019 and \$47.0 million as of March 31, 2018. The leases consist of a building lease expiring in 2030 with an interest rate of 5.15% and several equipment leases all with 7 year terms and various interest rates between 3.37% and 4.52%.

Leased assets under capital leases consist of the following:

	2019	2018
Buildings	\$ 5,313	\$ 5,313
Equipment	45,273	41,687
Total	50,586	47,000
Less accumulated amortization	10,265	5,795
Net	\$ 40,321	\$ 41,205

The Company has operating leases expiring at various dates through fiscal 2031. Operating leases generally provide for early purchase options one year prior to expiration.

The following is a schedule, by year, of minimum operating and capital lease payments due as of March 31, 2019 (in thousands):

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

Continuing lease expense in fiscal 2019 and 2018 was \$39.2 million and \$39.7 million, respectively.

Notes to Consolidated Financial Statements

8. Income Taxes

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

	2019	2018
	(In thousands)	
Current:		
Federal	\$ (283)	\$ (1,901)
State	93	352
Total	(190)	(1,549)
Deferred:		
Federal	\$ 1,220	\$ (5,560)
State	(310)	(117)
Total	910	(5,677)
Total income taxes (1)	\$ 720	\$ (7,226)

(1) Income tax expense (benefit) included in the financial statements is comprised of (\$12.8) million and (\$1.3) million from continuing operations and \$13.5 million and (\$5.9) million from discontinued operations in 2019 and 2018, respectively.

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

	2019	2018
Computed (expected tax rate)	21.0%	31.5%
State income taxes (net of federal tax benefit)	3.2	2.9
State tax credits	0.7	(4.8)
Federal credits	1.0	(6.8)
Manufacturer's deduction	-	0.4
Addition to uncertain tax positions	1.0	2.0
Difference between statutory and actual rate	-	(10.5)
Other permanent differences not deductible	(0.2)	(3.7)
Change in valuation allowance	(0.2)	22.6
Return to provision federal	(0.1)	(4.5)
Tax rate change	-	(42.1)
Other	(0.5)	(2.1)
Effective income tax rate	25.9%	(15.1)%

The effective tax rate for continuing operations was 25.9% in 2019 and (15.1)% in 2018. The increase of 41.0 percentage points in the effective tax rate for the year is the result of the change in income tax rate resulting from the Tax Cuts and Jobs Act. The change in income tax rate resulted in a 42.1 percentage point decrease in the 2018 tax rate and it did not impact the 2019 income tax rate.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant changes in U.S. tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation reduced the U.S. corporate tax rate from 31.5% for the Company's fiscal 2018 and then down to 21% starting in fiscal 2019. As a result of the enacted law, the Company was required to revalue deferred tax assets and liabilities at the rate in effect during their scheduled reversal. This revaluation resulted in a benefit of \$3.3 million to income tax expense and a corresponding reduction in the net deferred tax liability as of March 31, 2018. The other provisions of the Tax Cuts and Jobs Act did not have a material impact on the fiscal 2018 consolidated financial statements.

Notes to Consolidated Financial Statements

The following is a summary of the significant components of the Company's deferred income tax assets and liabilities as of March 31:

	2019	2018
	(In thousands)	
Deferred income tax assets:		
Future tax credits	\$ 5,124	\$ 5,030
Restructuring reserve	1,071	2,374
Employee benefits	2,030	2,440
Insurance	312	361
Other comprehensive loss	6,250	8,500
Interest	12	31
Future federal tax credits	654	443
Prepaid revenue	528	403
Other	298	714
Net operating loss and other tax attribute carryovers	5,628	4,512
Total assets	21,907	24,808
Deferred income tax liabilities:		
Property basis and depreciation difference	13,049	11,750
Inventory valuation	534	964
Intangibles	286	325
Pension	1,633	2,328
Total liabilities	15,502	15,367
Valuation allowance - non-current	3,988	3,865
Net deferred income tax asset	\$ 2,417	\$ 5,576

Net non-current deferred income tax assets of \$2.4 million as of March 31, 2019 and \$5.6 million as of March 31, 2018 are recognized in the Consolidated Balance Sheets.

The Company has State tax credit carryforwards amounting to \$1.5 million (California, net of Federal impact), \$1.5 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 2034 (Wisconsin), through 2034 (New York), and through 2028 (California). The Company has performed the required assessment regarding the realization of deferred tax assets and at March 31, 2019, the Company has recorded a valuation allowance amounting to \$4.0 million, which relates primarily to tax credit carryforwards which management has concluded it is more likely than not they will not all 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 taxes 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.

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 depending on their expected settlement. The change in the liability for the years ended March 31, 2019 and 2018 consists of the following:

	2019	2018
	(In thousands)	
Beginning balance	\$ 855	\$ 715
Tax positions related to current year:		
Additions	26	9
Tax positions related to prior years:		
Additions	-	154
Reductions	(2)	(23)
Lapses in statutes of limitations	(483)	-
Balance as of March 31,	\$ 396	\$ 855

Notes to Consolidated Financial Statements

Neither balances at March 31, 2019 nor 2018 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 the years ended March 31, 2019 and 2018, the Company recognized approximately \$0.1 million decrease and \$0.0 million, respectively, in interest and penalties. As of March 31, 2019 and 2018, the Company had approximately \$0.0 million and \$0.1 million, respectively, of interest and penalties accrued associated with unrecognized tax benefits.

Although management believes that an adequate provision has been made for uncertain tax positions, there is the possibility that the ultimate resolution could have an adverse effect on the earnings of the Company. Conversely, if resolved favorably in the future, the related provisions would be reduced, thus having a positive impact on earnings. During 2019, the statute of limitations lapsed on a number of uncertain tax positions and the lapse results in the positions no longer being uncertain. Therefore, in accordance with its accounting policies, the Company recorded a decrease to the liability and a decrease to tax expense of \$0.5 million.

The federal income tax returns for years after March 31, 2015 are subject to examination.

9. 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 \$.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.

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 2019 or 2018. 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, 2019, the Company has an aggregate of 6,761,971 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 37,529 shares outstanding as of March 31, 2019 and no conversions during the 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 500 shares outstanding as of March 31, 2019.

There are 407,240 shares of Series A 10% Preferred outstanding as of March 31, 2019 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 10% Preferred outstanding as of March 31, 2019 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 10% Preferred. There are 200,000 shares of 6% Preferred outstanding as of March 31, 2019 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 2019 and 2018.

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 2019, there were no 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, 2019 and 2018. Additionally, there were 38,029 shares of Class A reserved for conversion of the Participating Preferred Stock as of March 31, 2019 and 2018.

Treasury Stock — During 2019, the Company repurchased \$7.7 million, or 250,624 shares of its Class A Common Stock and \$0.3 million or 9,330 shares of its Class B Common Stock. As of March 31, 2019, there is a total of \$75.7 million, or 2,613,921 shares, of repurchased stock. These shares are not considered outstanding. The Company contributed \$1.8 million or 55,129 treasury shares for the 401(k) match in 2019 as described in Note 10, Retirement Plans.

Notes to Consolidated Financial Statements

10. Retirement Plans

The Company has a noncontributory defined benefit pension plan (the “Plan”) covering all employees who meet certain age-entry requirements and work a stated minimum number of hours per year. Annual contributions are made to the Plan sufficient to satisfy 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, 2019 and a statement of the unfunded status as of March 31, 2019 and 2018:

	2019		2018	
	(In thousands)			
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$	236,134	\$	216,022
Merge the Gray Plan into the Seneca Plan		-		3,796
Service cost		9,646		8,457
Interest cost		9,131		8,125
Actuarial loss (gain)		4,113		7,714
Benefit payments and expenses		(8,563)		(7,980)
Benefit obligation at end of year	\$	250,461	\$	236,134
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$	212,844	\$	207,829
Merge the Gray Plan into the Seneca Plan		-		3,300
Actual gain on plan assets		26,731		6,963
Employer contributions		2,100		2,732
Benefit payments and expenses		(8,563)		(7,980)
Fair value of plan assets at end of year	\$	233,112	\$	212,844
Unfunded Status	\$	(17,349)	\$	(23,290)

The unfunded status decreased by \$5.9 million during 2019 reflecting the actual fair value of plan assets and the projected benefit obligation as of March 31, 2019. This unfunded status decrease was recognized via the actual gain on plan assets and the decrease in accumulated other comprehensive loss of \$6.8 million after the income tax expense of \$2.3 million. The increase in projected benefit obligation was a function of using the full yield curve approach and the change to using an updated mortality table. There was no change in the discount rate as it remained at 4.14%. During 2018, the Company converted to the 2006 base rates from the RP-2016 mortality study with the Blue Collar adjustment, with a generational projection of future mortality improvements from 2006 using Scale MP-2018 for calculating the pension obligation in 2018 and the related pension expense in 2019. The Company utilizes a full yield curve approach in the estimation of the service and interest 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.

Plan assets increased from \$212.8 million as of March 31, 2018 to \$233.1 million as of March 31, 2019 due to a gain on plan assets of \$26.7 million from a continued recovery in market conditions and the \$2.1 million contribution by the Company. The Company made this contribution to maintain its funding status at an acceptable level.

Notes to Consolidated Financial Statements

	2019	2018
	(In thousands)	
Amounts Recognized in Accumulated Other Comprehensive Pre-Tax Loss		
Prior service cost	\$ (587)	\$ (707)
Net loss	(24,305)	(33,415)
Accumulated other comprehensive pre-tax loss	\$ (24,892)	\$ (34,122)

	Pension and post retirement plan adjustments, net of tax	
	(In thousands)	
Accumulated Other Comprehensive Loss		
Balance at March 31, 2018	\$	(25,067)
Other comprehensive gain		6,782
Balance at March 31, 2019	\$	(18,285)

The following table provides the components of net periodic benefit cost for the Plan for fiscal years 2019 and 2018:

	2019	2018
	(In thousands)	
Service cost	\$ 9,646	\$ 8,457
Interest cost	9,131	8,125
Expected return on plan assets	(15,104)	(15,050)
Amortization of net loss	1,597	106
Prior service cost	119	119
Net periodic benefit cost	\$ 5,389	\$ 1,757

The Plan's accumulated benefit obligation was \$231.2 million at March 31, 2019 and \$217.3 million at March 31, 2018.

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:

	2019	2018
Weighted Average Assumptions for Balance Sheet Liability at End of Year:		
Discount rate - projected benefit obligation	4.14%	4.14%
Expected return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%
Weighted Average Assumptions for Benefit Cost at Beginning of Year:		
Discount rate - pension expense	4.15%	4.35%
Discount rate - service cost	4.25%	4.58%
Discount rate - interest cost	3.87%	3.74%
Expected return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Notes to Consolidated Financial Statements

The Company's plan assets consist of the following:

	Target Allocation 2020	Percentage of Plan Assets at March 31, 2019	2018
Plan Assets			
Equity securities	99%	99%	99%
Debt securities	-	-	-
Real estate	-	-	-
Cash	1%	1%	1%
Total	100%	100%	100%

All securities, which are valued at fair market value, are considered to be level 1, due to their public active market.

	2019 Market Value	2018 Market Value
(In thousands)		
Assets by Industry Type		
Asset Category		
Cash and cash equivalents:		
Money market funds	\$ 1,387	\$ 595
Total cash and cash equivalents	1,387	595
Common equity securities:		
Materials	5,331	10,685
Industrials	16,080	21,738
Telecommunication services	24,370	18,120
Consumer staples	43,486	32,543
Energy	38,230	20,017
Financials	34,521	37,634
Health care	4,247	20,702
Information technology	28,750	19,945
Utilities	36,710	30,865
Total common equity securities	231,725	212,249
Total assets	\$ 233,112	\$ 212,844

Expected Return on Plan Assets

The expected long-term rate of return on Plan assets is 7.25%. The Company expects 7.25% to fall within the 40-to-50 percentile range of returns on investment portfolios with asset diversification similar to that of the Plan's target asset allocation.

Investment Policy and Strategy

The Company maintains an investment policy designed to achieve a long-term rate of return, including investment income through dividends and equity appreciation, sufficient to meet the actuarial requirements of the Plan. The Company seeks to accomplish its return objectives by prudently investing in a diversified portfolio of public company equities with broad industry representation seeking to provide long-term growth consistent with the performance of relevant market indices, as well as maintain an adequate level of liquidity for pension distributions as they fall due. The strategy of being fully invested in equities has historically provided greater rates of return over extended periods of time. The Company's gain on plan assets during 2019 was 12.6% as compared to the S&P 500 unaudited gain (excluding dividends) of 7.3%. Plan assets include Company common stock with a fair market value of \$12.8 million as of March 31, 2019 and \$15.3 million as of March 31, 2018.

Cash Flows

Expected contributions for fiscal year ending March 31, 2020 (in thousands):

Expected Employer Contributions	\$	-
Expected Employee Contributions		-

Notes to Consolidated Financial Statements

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

2020	\$	9,345
2021		10,067
2022		10,722
2023		11,470
2024		12,206
2025-2029		71,977

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 \$1.4 million and \$1.6 million in fiscal 2019 and 2018, respectively. In fiscal 2019 and 2018, 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.

11. Fair Value of Financial Instruments

The carrying amount and estimated fair values of the Company's debt are summarized as follows:

	2019		2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Long-term debt, including current portion	\$ 266,245	\$ 266,140	\$ 409,396	\$ 408,942

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.

12. Inventories

Effective December 30, 2007 (beginning of 4th quarter of fiscal Year 2008), the Company changed its inventory valuation method from the lower of cost, determined under the FIFO method, or market to the lower of cost, determined under the LIFO method, or market. In the high inflation environment that the Company was experiencing, the Company believed that the LIFO inventory method was preferable over the FIFO method because it better compares the cost of current production to current revenue. The effect of LIFO was to reduce continuing net earnings by \$30.4 million in 2019 and to reduce continuing net earnings by \$9.8 million in 2018, compared to what would have been reported using the FIFO inventory method. The reduction in continuing earnings per share was \$3.14 (\$3.14 diluted) in 2019; and a reduction in continuing earnings per share of \$1.00 (\$1.00 diluted) in 2018. There was a LIFO liquidation of \$28.7 million in 2019. Most of this LIFO liquidation in 2019 is reported as Discontinued Operations since it related to the Modesto fruit (see Discontinued Operations Note 3). There was no LIFO liquidations during the period ended March 31, 2018. The Company's inventory consist of the following at March 31:

	2019		2018	
	(In thousands)			
Finished products	\$	454,920	\$	499,984
In process		42,045		47,970
Raw materials and supplies		166,060		144,009
		663,025		691,963
Less excess of FIFO cost over LIFO cost		161,341		145,004
Total inventories	\$	501,684	\$	546,959

Notes to Consolidated Financial Statements

13. Other Operating Income and Expense

Other operating income in 2019 includes a gain of the sale of a plant in the Northwest of \$4.1 million, a gain on the sale of a plant in the Northeast \$2.0 million and a gain on the partial closure of a plant of \$0.8 million. The Company also recorded a loss on the sale of an Eastern plant of \$0.6 million. The Company also recorded a gain for interest rate swap of \$0.3 million.

Other operating income in 2018 includes an acquisition gain of \$1.8 million, a gain on the sale of a plant of \$1.1 million and a gain on the partial sale of a plant of \$0.4 million. The Company also recorded a gain of \$0.4 million on the sale of fixed assets.

14. Segment Information for Continuing Operations

The Company manages its business on the basis of three reportable segments — the primary segment is the packaging and sale of fruits and vegetables, secondarily, the packaging and sale of prepared food products, third, the sale of snack products and finally, other products. The Company markets its product almost entirely in the United States. Export sales represented 7.5% and 7.4%, of total sales in 2019 and 2018, respectively. In 2019 and 2018, the sale of Green Giant vegetables accounted for 6% and 11% of net sales, respectively. “Other” in the table below represents activity related to can sales, trucking, seed sales, and flight operations.

	Fruit and Vegetable	Prepared Foods	Snack	Other	Total
	(In thousands)				
2019:					
Net sales	\$ 1,091,997	\$ 79,593	\$ 9,684	\$ 18,307	\$ 1,199,581
Operating loss	(34,145)	(2,736)	(8)	(1,190)	(38,079)
Identifiable assets	788,860	55,378	2,056	1,347	847,641
Capital expenditures	33,794	1,427	54	2,354	37,629
Depreciation and amortization	24,785	3,980	249	919	29,933
2018:					
Net sales	\$ 1,042,808	\$ 92,826	\$ 10,110	\$ 17,150	\$ 1,162,894
Operating income	8,860	2,869	558	2,544	14,831
Identifiable assets	841,805	53,132	1,915	2,025	898,877
Capital expenditures	32,171	926	-	535	33,632
Depreciation and amortization	23,883	4,330	336	903	29,452

Classes of similar products/services:	2019	2018
	(In thousands)	
Net Sales:		
Green Giant *	\$ 71,161	\$ 124,811
Canned vegetables	815,780	721,121
Frozen	113,115	105,857
Fruit	91,941	91,019
Prepared foods	79,593	92,826
Snack	9,684	10,110
Other	18,307	17,150
Total	\$ 1,199,581	\$ 1,162,894

* Green Giant includes canned and frozen vegetables exclusively for B&G Foods.

Notes to Consolidated Financial Statements

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

During 2019, the Company recorded an impairment and restructuring charges of \$11.7 million related to continuing operations. Of this amount, \$2.3 relates to the partial closure of a plant in the Midwest (\$1.8 million is equipment moves and \$0.5 is severance), \$1.3 million related to the sale of a plant in the Northeast (\$0.5 million is equipment moves and \$0.8 million is severance), and \$0.3 million for the partial sale of a plant in the Northwest (\$0.2 million is severance, \$0.1 million is mostly equipment moves). In addition, the Company recorded a charge for an impairment of long-lived assets of \$7.8 million for a Northwest plant that will be ceasing production after this growing season.

During 2018, the Company recorded a restructuring charge of \$0.3 related to the closing of a plant in the Midwest and Northwest.

These charges are included under Plant Restructuring in the Consolidated Statements of Net Earnings (Loss). Severance Payable and Other Costs Payable are included in Other Accrued Expenses on the Consolidated Balance Sheets.

The following table summarizes the severance and other cost recorded and the accruals established during 2018 and 2019:

	Severance Payable	Other Cost Payable	Total
Balance March 31, 2017	\$ 37	\$ 305	\$ 342
Charge to expense	161	164	325
Cash payments/write offs	(198)	(469)	(667)
Balance March 31, 2018	-	-	-
Charge to expense	1,508	1	1,509
Cash payments/write offs	(1,283)	-	(1,283)
Balance March 31, 2019	\$ 225	\$ 1	\$ 226

Notes to Consolidated Financial Statements

17. Related Party Transactions

A small percentage (less than 1% in fiscal 2019 and 2018) of vegetables supplied to the Company's New York packaging plants are grown by a director of Seneca Foods Corporation, which supplied the Company approximately \$2.4 million and \$1.4 million, pursuant to a raw vegetable grower contract in fiscal 2019 and 2018, respectively.

During the years ended March 31, 2019 and 2018, the Company made charitable contributions to a related party foundation in the amount of approximately \$0.3 million and \$0.4 million, respectively. The Foundation is a nonprofit entity that supports charitable activities by making grants to unrelated organizations or institutions. This Foundation is managed by current employees of the Company.

18. Acquisitions

In April 2014, the Company purchased a 50% equity interest in Truitt Bros. Inc. ("Truitt") for \$16.2 million which was accounted for as an equity investment. The purchase agreement granted the Company the right to acquire the remaining 50% ownership of Truitt in the future under certain conditions. On April 3, 2017, the Company purchased the remaining 50% equity interest in Truitt. This was considered a step acquisition, whereby the Company remeasured the previously held investment to fair value during the first quarter of 2018. As a result, the Company's 2018 net loss includes a non-taxable bargain purchase gain of \$1.8 million of which \$0.9 million was related to the remeasurement of the previously held investment. Gross profit in the first quarter of fiscal 2018 included a charge of \$0.5 million related to the recognition of the Truitt inventory step-up through cost of sales for the portion of acquired inventory that was sold during the period. The business, based in Salem, Oregon, has two state-of-the-art plants located in Oregon and Kentucky. The purchase price for the more recent 50% was \$14.4 million (net of cash acquired of \$3.0 million) plus the assumption of certain liabilities. The Company had an equity method investment of \$17.4 million, so the total investment was \$34.9 million. In conjunction with the transaction closing, the Company paid off \$3.6 million of liabilities acquired. The rationale for the acquisition was twofold: (1) the business is a complementary fit with our existing business and (2) Truitt is known for its industry innovation related to packing shelf stable foods in trays, pouches and bowls. This acquisition was financed with proceeds from the Company's revolving credit facility. The purchase price to acquire Truitt Bros., Inc. was allocated based on the internally developed fair value of the assets acquired and liabilities assumed and the independent valuation of inventory, intangibles, and property, plant, and equipment. The total purchase price of \$31.8 million has been allocated as follows (in thousands):

Purchase Price (net of cash received)	\$	31.8
Approximate fair values of assets acquired and liabilities assumed:		
Current assets	\$	22.8
Other long-term assets		1.8
Property, plant and equipment		29.6
Current liabilities		(5.1)
Deferred taxes		0.2
Other long-term liabilities		(15.7)
Bargain purchase gain		(1.8)
Total	\$	31.8

19. Subsequent Event

During April 2019, the employees of Sunnyside, Washington were informed that we will cease operations at the facility upon completion of the 2019 pack season. The Company is currently evaluating the financial impact of this decision.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Seneca Foods Corporation
Marion, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Seneca Foods Corporation (the “Company”) as of March 31, 2019 and 2018, the related consolidated statements of earnings (loss), comprehensive income (loss), stockholders’ equity, and cash flows for each of the two years in the period ended March 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)*] issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated June 13, 2019 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, the Company has changed its method for recognizing revenue in the 2018 financial statements that reflect the accounting change due to the adoption of Accounting Standards Codification 606, Revenue from Contracts with Customers (Topic 606) effective April 1, 2018.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. 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 consolidated 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 consolidated 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.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2006.

Milwaukee, Wisconsin
June 13, 2019

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, 2019. 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, 2019, 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

Shareholders and Board of Directors
Seneca Foods Corporation
Marion, New York

Opinion on Internal Control over Financial Reporting

We have audited Seneca Foods Corporation's (the "Company's") internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of March 31, 2019 and 2018, the related consolidated statements of net earnings (loss), comprehensive income (loss), stockholders' equity, and cash flows for each of the two years in the period ended March 31, 2019, and the related notes (collectively referred to as "the financial statements") and our report dated June 13, 2019 expressed an unqualified opinion thereon.

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, 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting 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 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/ BDO USA, LLP

Milwaukee, Wisconsin
June 13, 2019

Corporate Information

The Company's common stock is traded on The NASDAQ Global Stock Market. The 7.7 million Class A outstanding shares and 1.9 million Class B outstanding shares are owned by 185 and 164 shareholders of record, as of March 31, 2019 and 2018, respectively. The high and low closing prices of the Company's common stock during each quarter of the past two years are shown below:

Class A: Quarter	2019		2018	
	High	Low	High	Low
First	\$ 30.05	\$ 26.45	\$ 38.15	\$ 30.00
Second	33.98	25.45	34.55	27.75
Third	35.90	26.84	36.60	28.60
Fourth	31.34	23.71	35.00	27.60

Class B: Quarter	2019		2018	
	High	Low	High	Low
First	\$ 32.55	\$ 27.45	\$ 39.00	\$ 34.80
Second	31.90	27.00	36.25	29.30
Third	35.37	28.00	35.95	32.00
Fourth	30.67	25.67	34.30	31.00

As of March 31, 2019, 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.

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
Gray Glace Products 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
Truitt Bros., Inc.	Oregon

Exhibit 23

Consent of Independent Registered Public Accounting Firm

Seneca Foods Corporation
Marion, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-12365, 333-145916 and 333-166846) of Seneca Foods Corporation of our reports dated June 13, 2019, 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, 2019 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ BDO USA, LLP

Milwaukee, Wisconsin

June 13, 2019

EXHIBIT 31.1

CERTIFICATION

I, Kraig H. Kayser, 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.

Dated: June 13, 2019

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 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.

Dated: June 13, 2019

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

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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kraig H. Kayser, President, 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.

By: /s/Kraig H. Kayser

Kraig H. Kayser
President and Chief Executive Officer
June 13, 2019

By: /s/Timothy J. Benjamin

Senior Vice President, Chief Financial Officer and Treasurer
June 13, 2019