
Seneca Foods Corp**Project Type: 10-Q**

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Emerging Growth Company	False
ex Transition Period	False
Reporting Period	1/1/2022
Smaller Reporting Company?	True

Documents

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

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q

(Mark one)



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

For the Quarter Ended January 1, 2022



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

For the transition period from ____ to ____

Commission File Number 0-01989

Seneca Foods Corporation

(Exact name of Registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

16-0733425

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

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 Act:

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

Emerging growth company

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

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

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

<u>Class</u>	<u>Shares Outstanding at February 1, 2022</u>
Common Stock Class A, \$.25 Par	6,736,047
Common Stock Class B, \$.25 Par	1,705,938

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

	Unaudited January 1, 2022	Unaudited December 26, 2020	March 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,011	\$ 14,149	\$ 59,837
Accounts receivable, net	80,361	95,439	92,221
Contracts receivable	878	1,207	911
Current assets held for sale	8,930	11,375	8,656
Inventories	481,978	410,927	343,144
Refundable income taxes	14,088	-	8,385
Other current assets	7,931	2,681	3,145
Total current assets	605,177	535,778	516,299
Property, plant and equipment, net	258,204	225,500	248,583
Right-of-use assets operating, net	38,442	47,183	42,193
Right-of-use assets financing, net	35,968	31,331	30,611
Pension assets	62,690	-	62,851
Other assets	1,878	18,749	8,811
Total assets	\$ 1,002,359	\$ 858,541	\$ 909,348
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 111,323	\$ 98,840	\$ 74,089
Deferred revenue	12,199	7,548	4,287
Accrued vacation	11,951	11,023	11,660
Accrued payroll	9,885	9,992	15,366
Other accrued expenses	27,472	26,957	24,403
Income taxes payable	-	4,274	-
Current portion of operating lease obligations	14,736	18,327	17,047
Current portion of financing lease obligations	8,375	6,608	6,778
Current portion of long-term debt	4,000	4,500	4,500
Total current liabilities	199,941	188,069	158,130
Long-term debt, less current portion	123,808	94,077	94,085
Operating lease obligations, less current portion	24,533	30,436	27,769
Financing lease obligations, less current portion	21,587	20,546	19,232
Pension liabilities	-	12,641	-
Deferred income tax liability, net	32,361	4,999	28,306
Other long-term liabilities	5,575	4,240	4,011
Total liabilities	407,805	355,008	331,533
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	644	678	663
Common stock, \$.25 par value per share	3,041	3,041	3,041
Additional paid-in capital	98,608	98,462	98,502
Treasury stock, at cost	(118,977)	(90,473)	(91,198)
Accumulated other comprehensive loss	(19,067)	(79,220)	(19,067)
Retained earnings	630,305	571,045	585,874
Total stockholders' equity	594,554	503,533	577,815
Total liabilities and stockholders' equity	\$ 1,002,359	\$ 858,541	\$ 909,348

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

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

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Net sales	\$ 445,593	\$ 484,392	\$ 1,052,891	\$ 1,162,851
Costs and expenses:				
Cost of product sold	400,608	406,688	931,555	987,642
Selling, general and administrative	21,032	22,613	57,442	60,211
Plant restructuring (credit)/charge	(110)	(118)	3	169
Other operating loss/(income)	399	(35,351)	681	(33,716)
Total costs and expenses	421,929	393,832	989,681	1,014,306
Operating income	23,664	90,560	63,210	148,545
(Income)/loss from equity investment	-	(728)	7,775	752
Other (income)/loss	(2,218)	(234)	(6,969)	2,457
Interest expense, net	1,505	1,531	4,183	4,586
Earnings before income taxes	24,377	89,991	58,221	140,750
Income taxes	5,713	17,531	13,767	29,479
Net earnings	<u>\$ 18,664</u>	<u>\$ 72,460</u>	<u>\$ 44,454</u>	<u>\$ 111,271</u>
Basic earnings per common share	\$ 2.16	\$ 7.96	\$ 5.02	\$ 12.18
Diluted earnings per common share:	\$ 2.14	\$ 7.90	\$ 4.98	\$ 12.09

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

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

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Comprehensive income:				
Net earnings	\$ 18,664	\$ 72,460	\$ 44,454	\$ 111,271
Total	<u>\$ 18,664</u>	<u>\$ 72,460</u>	<u>\$ 44,454</u>	<u>\$ 111,271</u>

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

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

	Nine Months Ended	
	January 1, 2022	December 26, 2020
Cash flows from operating activities:		
Net earnings	\$ 44,454	\$ 111,271
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation & amortization	27,048	24,302
Gain on the sale of assets	(1,635)	(35,976)
Provision for restructuring	3	169
Loss from equity investment	7,775	752
Deferred income taxes	4,055	12,871
Changes in operating assets and liabilities:		
Accounts receivable	11,893	20,766
Inventories	(138,834)	704
Other current assets	(4,786)	4,658
Income taxes	(5,703)	8,624
Accounts payable, accrued expenses and other	44,645	(45,051)
Net cash (used in)/provided by operating activities	<u>(11,085)</u>	<u>103,090</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(36,437)	(40,167)
Proceeds from the sale of assets	4,773	72,782
Net cash (used in)/provided by investing activities	<u>(31,664)</u>	<u>32,615</u>
Cash flows from financing activities:		
Long-term borrowing	278,106	468,181
Payments on long-term debt	(248,383)	(587,185)
Other assets	(2,206)	(6,407)
Payments on financing leases	(5,803)	(4,681)
Purchase of treasury stock	(27,779)	(2,154)
Dividends	(12)	(12)
Net cash used in financing activities	<u>(6,077)</u>	<u>(132,258)</u>
Net (decrease)/increase in cash and cash equivalents	(48,826)	3,447
Cash and cash equivalents, beginning of the period	59,837	10,702
Cash and cash equivalents, end of the period	<u>\$ 11,011</u>	<u>\$ 14,149</u>
Supplemental disclosures of cash flow information:		
Noncash transactions:		
Property, plant and equipment purchased under lease obligations	\$ 18,713	\$ 5,214
Property, plant and equipment purchased on account	<u>\$ 2,229</u>	<u>\$ 975</u>

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

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
First Quarter FY 2022:						
Balances, March 31, 2021	\$ 663	\$ 3,041	\$ 98,502	\$ (91,198)	\$ (19,067)	\$ 585,874
Net earnings	-	-	-	-	-	14,136
Cash dividends declared on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(4,552)	-	-
Balances, July 3, 2021	\$ 663	\$ 3,041	\$ 98,527	\$ (95,750)	\$ (19,067)	\$ 599,998
Second Quarter FY 2022:						
Net earnings	-	-	-	-	-	11,654
Equity incentive program	-	-	30	-	-	-
Preferred stock conversion	(1)	-	1	-	-	-
Purchase treasury stock	-	-	-	(12,757)	-	-
Balances, October 2, 2021	\$ 662	\$ 3,041	\$ 98,558	\$ (108,507)	\$ (19,067)	\$ 611,652
Third Quarter FY 2022:						
Net earnings	-	-	-	-	-	18,664
Cash dividends declared on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	32	-	-	-
Preferred stock conversion	(18)	-	18	-	-	-
Purchase treasury stock	-	-	-	(10,470)	-	-
Balances, January 1, 2022	\$ 644	\$ 3,041	\$ 98,608	\$ (118,977)	\$ (19,067)	\$ 630,305
First Quarter FY 2021:						
Balances, March 31, 2020	\$ 681	\$ 3,041	\$ 98,384	\$ (88,319)	\$ (79,220)	\$ 459,797
Net earnings	-	-	-	-	-	20,706
Cash dividends declared on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	28	-	-	-
Balances, June 27, 2020	\$ 681	\$ 3,041	\$ 98,412	\$ (88,319)	\$ (79,220)	\$ 480,491
Second Quarter FY 2021:						
Net earnings	-	-	-	-	-	18,105
Equity incentive program	-	-	24	-	-	-
Purchase treasury stock	-	-	-	(1,163)	-	-
Balances, September 26, 2020	\$ 681	\$ 3,041	\$ 98,436	\$ (89,482)	\$ (79,220)	\$ 498,596
Third Quarter FY 2021:						
Net earnings	-	-	-	-	-	72,460
Cash dividends declared on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	23	-	-	-
Preferred stock conversion	(3)	-	3	-	-	-
Purchase treasury stock	-	-	-	(991)	-	-
Balances, December 26, 2020	\$ 678	\$ 3,041	\$ 98,462	\$ (90,473)	\$ (79,220)	\$ 571,045

	Preferred Stock				Common Stock	
	6% Voting Cumulative Callable Par \$0.25	10% Voting Cumulative Convertible Par \$0.025	Participating Convertible Par \$0.025	2003 Series Participating Convertible Par \$0.025	Class A Common Par \$0.25	Class B Common Par \$0.25
Shares authorized and designated:						
January 1, 2022	200,000	1,400,000	32,256	500	20,000,000	10,000,000
Shares outstanding:						
January 1, 2022	200,000	807,240	32,256	500	6,805,800	1,705,938

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

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 1, 2022

1. Unaudited Condensed Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of Seneca Foods Corporation (the "Company") as of January 1, 2022 and results of its operations and its cash flows for the interim periods presented. All significant intercompany transactions and accounts have been eliminated in consolidation. The March 31, 2021 balance sheet was derived from the audited consolidated financial statements.

The results of operations for the three and nine month periods ended January 1, 2022 are not necessarily indicative of the results to be expected for the full year.

For the nine months ended January 1, 2022 and December 26, 2020, the Company sold certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement(s) provide that title to the specified inventory is transferred to the customer(s) prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard.

Additionally, the Company assesses the potential for an other-than-temporary impairment of its equity method investment when impairment indicators are identified. The Company considers all available information, including the recoverability of the investment, the earnings and near-term prospects of the investment, factors related to the industry, amongst others relevant information. If an investment is considered to be impaired and the decline in value is other than temporary, an impairment charge is recorded. During fiscal 2021, the Company recorded an other-than-temporary impairment charge of \$9.7 million to its equity method investment representing the difference between the carrying value of the Company's investment and its proportionate share of the investment's fair value. During fiscal 2022, the Company recorded an impairment charge of \$6.3 million to reduce the carrying value of the investment to \$0, as the value of the investment was determined to not be recoverable. The charges were included in "(Income)/loss from equity investment" in the Company's Condensed Consolidated Statements of Net Earnings.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 2021 Annual Report on Form 10-K.

Other footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's 2021 Annual Report on Form 10-K.

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

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

2. Assets Held For Sale

The Company classifies its assets as held for sale at the time management commits to a plan to sell the asset, the asset is actively marketed and available for immediate sale, and the sale is expected to be completed within one year. Due to market conditions, certain assets may be classified as held for sale for more than one year as the Company continues to actively market the assets. The Company has certain non-operating assets in the Midwest in addition to non-operating facilities and equipment in the Pacific Northwest that meet the criteria to be classified as held for sale and are recorded 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 that were classified as held for sale in our Condensed Consolidated Balance Sheets (in thousands):

	As of:		
	January 1, 2022	December 26, 2020	March 31, 2021
Property, plant and equipment (net)	\$ 8,930	\$ 11,375	\$ 8,656
Current assets held for sale	\$ 8,930	\$ 11,375	\$ 8,656

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 January 1, 2022

3. Revenue Recognition

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

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Canned vegetables	\$ 373,205	\$ 394,492	\$ 860,737	\$ 917,801
Frozen vegetables	32,305	27,281	95,739	76,137
Fruit products	30,192	30,722	68,351	73,536
Snack products	2,550	2,778	9,647	8,194
Prepared foods	-	23,496	-	71,866
Other	7,341	5,623	18,417	15,317
	\$ 445,593	\$ 484,392	\$ 1,052,891	\$ 1,162,851

4. Inventories

The Company uses the last-in, first-out (“LIFO”) method of valuing inventory. An actual valuation of inventory under the LIFO method is made at the end of each fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels, production pack yields, sales and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation.

As of January 1, 2022 and December 26, 2020, first-in, first-out (“FIFO”) based inventory costs exceeded LIFO based inventory costs, resulting in a LIFO reserve of \$159.3 million and \$140.0 million, respectively. In order to state inventories at LIFO, the Company recorded an increase to cost of products sold of \$19.0 million for the three months ended January 1, 2022 as compared to a decrease to cost of products sold of \$4.7 million for the three months ended December 26, 2020. For the nine months ended January 1, 2022, the Company recorded an increase to cost of products sold of \$30.7 million as compared to a decrease to cost of products sold of \$4.3 million for the nine months ended December 26, 2020.

The following table shows inventory by category and the related LIFO reserve (in thousands):

	As of:		
	January 1, 2022	December 26, 2020	March 31, 2021
Finished products	\$ 515,225	\$ 421,987	317,654
In process	26,468	38,552	25,175
Raw materials and supplies	99,611	90,387	128,987
	641,304	550,926	471,816
Less excess of FIFO cost over LIFO cost	159,326	139,999	128,672
Total inventories	\$ 481,978	\$ 410,927	\$ 343,144

5. Leases

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

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

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 January 1, 2022

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

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

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

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Lease cost:				
Amortization of right of use asset	\$ 1,557	\$ 1,200	\$ 4,398	\$ 3,531
Interest on lease liabilities	263	271	799	843
Finance lease cost	1,820	1,471	5,197	4,374
Operating lease cost	4,739	5,832	14,699	18,478
Total lease cost	<u>\$ 6,559</u>	<u>\$ 7,303</u>	<u>\$ 19,896</u>	<u>\$ 22,852</u>
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from finance leases			\$ 799	\$ 843
Operating cash flows from operating leases			15,917	19,833
Financing cash flows from finance leases			5,803	4,681
			<u>\$ 22,519</u>	<u>\$ 25,357</u>
Right-of-use assets obtained in exchange for new finance lease liabilities			\$ 9,754	\$ 1,489
Right-of-use assets obtained in exchange for new operating lease liabilities			\$ 8,959	\$ 3,725
Weighted-average lease term (years):				
Financing leases			4.6	4.7
Operating leases			4.2	3.5
Weighted-average discount rate (percentage):				
Financing leases			3.4	4.1
Operating leases			4.2	4.4

Undiscounted future lease payments under non-cancelable operating and financing leases, along with a reconciliation of undiscounted cash flows to operating and financing lease obligations, respectively, as of January 1, 2022 were as follows (in thousands):

Years ending March 31:	Operating	Financing
Balance of 2022	\$ 3,120	\$ 2,314
2023	15,254	9,255
2024	8,959	7,686
2025	5,119	4,302
2026	2,902	3,215
2027-2033	7,512	5,670
Total minimum payment required	<u>\$ 42,866</u>	<u>\$ 32,442</u>
Less interest	3,597	2,480
Present value of minimum lease payments	39,269	29,962
Amount due within one year	14,736	8,375
Long-term lease obligations	<u>\$ 24,533</u>	<u>\$ 21,587</u>

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 January 1, 2022

6. Revolving Credit Facility

On March 24, 2021, the Company entered into a Fourth Amended and Restated Loan and Security Agreement that provides for a senior revolving credit facility of up to \$400.0 million that is seasonally adjusted (the “Revolver”). Maximum borrowings under the Revolver total \$300.0 million from April through July and \$400.0 million from August through March. The Revolver balance is included in Long-Term Debt in the accompanying Condensed Consolidated Balance Sheet due to the Revolver’s March 24, 2026 maturity. In order to maintain availability of funds under the facility, the Company pays a commitment fee on the unused portion of the Revolver. The Revolver is secured by substantially all of the Company’s accounts receivable and inventories and contains borrowing base requirements as well as a financial covenant, if certain circumstances apply. The Company utilizes its Revolver for general corporate purposes, including seasonal working capital needs, to pay debt principal and interest obligations, and to fund capital expenditures and acquisitions. Seasonal working capital needs are affected by the growing cycles of the vegetables the Company packages. The majority of vegetable inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable produce are generally three months but can vary from a few days to seven months. Accordingly, the Company’s need to draw on the Revolver may fluctuate significantly throughout the year.

General terms of the Revolver include payment of interest at LIBOR plus a defined spread. The following table illustrates certain quantitative data for Revolver borrowings during fiscal 2022 and fiscal 2021 (in thousands):

	As of:	
	January 1, 2022	December 26, 2020
Outstanding borrowings	\$ 33,711	\$ -
Weighted average interest rate	1.35%	0.00%

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Maximum amount of borrowings	\$ 54,264	\$ 81,052	\$ 54,264	\$ 107,967
Average outstanding borrowings	\$ 37,112	\$ 32,099	\$ 16,250	\$ 45,022
Weighted average interest rate	1.34%	1.87%	1.34%	2.92%

7. Stockholders’ Equity

During the nine month period ended January 1, 2022, the Company repurchased 557,311 shares of its Class A Common Stock at a cost of \$27.8 million, and are included in Treasury Stock. During the nine-month period ended December 26, 2020, the Company repurchased 27,600 shares of its Class A Common Stock at a cost of \$2.2 million. The Company did not repurchase any of its Class B Common Stock in either nine month interim period. As of January 1, 2022, there are 3.7 million shares or \$119.0 million of repurchased stock being held as Treasury Stock. These shares are not considered outstanding.

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8. Retirement Plans

The net periodic benefit cost for the Company's pension plan consisted of (in thousands):

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Service cost including administration	\$ 2,377	\$ 923	\$ 7,131	\$ 7,442
Interest cost	1,930	2,302	5,791	6,907
Expected return on plan assets	(4,276)	(4,814)	(12,829)	(11,835)
Amortization of prior service cost	23	22	68	68
Amortization of net loss	-	2,257	-	7,317
Net periodic benefit cost	<u>\$ 54</u>	<u>\$ 690</u>	<u>\$ 161</u>	<u>\$ 9,899</u>

There were no pension contributions made during the nine months ended January 1, 2022. During the nine months ended December 26, 2020, the Company made a pension contribution of \$73.0 million on December 14, 2020 to offset declines in plan assets that had occurred as of the previous measurement date of March 31, 2020 due to a COVID-19 induced deterioration in market conditions and also to avoid variable rate PBGC premiums.

9. Plant Restructuring

The following table summarizes the rollforward of restructuring charges recorded and the accruals established (in thousands):

	Restructuring Payable		
	Severance	Other Costs	Total
Balance March 31, 2021	\$ -	\$ -	\$ -
First quarter charge	-	66	66
Second quarter charge	-	47	47
Third quarter charge	-	(110)	(110)
Cash payments/write offs	-	(3)	(3)
Balance January 1, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance March 31, 2020	\$ 202	\$ -	\$ 202
First quarter charge	219	44	263
Second quarter charge	8	16	24
Third quarter charge	-	(118)	(118)
Cash payments/write offs	(429)	58	(371)
Balance December 26, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the three months and nine months ended January 1, 2022 and December 26, 2020, the Company incurred restructuring charges primarily related to plants that were closed in previous periods, including severance, health care costs, and lease impairments, amongst other minor charges.

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10. Other Operating Income and Expense

During the three months ended January 1, 2022, the Company recorded a charge of \$0.5 million for various miscellaneous expenses related to properties that are held for sale. The Company also recorded miscellaneous income of \$0.1 million. During the three months ended December 26, 2020, the Company completed the sale of its prepared foods business to an unaffiliated buyer who was not a previous customer. The Company recorded a gain on the sale of the prepared food business of \$35.7 million. Additionally, the Company recorded a loss on the sale of unused fixed assets of \$0.3 million.

During the nine months ended January 1, 2022, the Company recorded a charge of \$2.4 million for supplemental early retirement plans and a charge \$0.5 million for various expenses related to properties that are held for sale. These expenses were partially offset by a gain from the sale of an aircraft of \$1.2 million, a gain of \$0.8 million from the sale of a plant in the Midwest, and a gain from debt forgiveness of \$0.5 million on an economic development loan in which the Company met all required milestones. The Company also recorded miscellaneous expenses of \$0.3 million. On December 18, 2020, the Company completed the sale of its prepared foods business to an unaffiliated buyer who was not a previous customer. The Company recorded a gain on the sale of the prepared food business of \$35.7 million. Additionally during the nine months ended December 26, 2020, the Company recorded a loss of \$0.4 million on the disposal of equipment from a sold Northwest plant and a loss on the sale of unused fixed assets of \$0.4 million. The Company also recorded a charge of \$1.2 million for a supplemental early retirement plan.

11. Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which was subsequently amended in November 2018 through ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." ASU No. 2016-13 will require entities to estimate lifetime expected credit losses for trade and other receivables along with other financial instruments which will result in earlier recognition of credit losses. Further, the new credit loss model will affect how entities in all industries estimate their allowance for losses for receivables that are current with respect to their payment terms. In November 2019, the FASB issued ASU No. 2019-10, which, among other things, deferred the application of the new guidance on credit losses for smaller reporting companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This guidance will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., a modified-retrospective approach). Effective as of April 1, 2022, the Company will no longer qualify as a smaller reporting company and is therefore no longer eligible for the above-mentioned deferral. The Company expects to adopt ASU No. 2016-03, and the related ASU No. 2018-19 amendments, beginning as of April 1, 2022 and is in the process of assessing the impact, if any, that this new guidance is expected to have on the Company's results of operations, financial condition and/or financial statement disclosures.

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2019-12 to simplify the accounting for income taxes by removing certain exceptions to the general principles and simplify areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enacted tax laws or rate changes. The new standard became effective for the Company during the first quarter of fiscal year 2022. The adoption of this ASU did not impact to the Company's consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting which provides optional guidance for a limited time to ease the potential accounting burden associated with the expected market transition away from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. LIBOR is used to determine interest expense related to the Company's Revolver, which matures in 2026. This update was effective starting March 12, 2020 and the Company may elect to apply the amendments prospectively through December 31, 2022. We are currently evaluating the effect that ASU 2020-04 will have on our consolidated financial statements and related disclosures.

There were no other recently issued accounting pronouncements that impacted the Company's condensed consolidated financial statements. In addition, the Company did not adopt any other new accounting pronouncements during the nine months ended January 1, 2022.

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12. Earnings per Common Share

Earnings per share for the three and nine months ended January 1, 2022 and December 26, 2020 are as follows (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Basic				
Net earnings	\$ 18,664	\$ 72,460	\$ 44,454	\$ 111,271
Deduct preferred stock dividends paid	6	6	17	17
Undistributed net earnings	18,658	72,454	44,437	111,254
Earnings attributable to participating preferred	72	285	171	437
Earnings attributable to common shareholders	<u>\$ 18,586</u>	<u>\$ 72,169</u>	<u>\$ 44,266</u>	<u>\$ 110,817</u>
Weighted average common shares outstanding	<u>8,603</u>	<u>9,071</u>	<u>8,813</u>	<u>9,095</u>
Basic earnings per common share	<u>\$ 2.16</u>	<u>\$ 7.96</u>	<u>\$ 5.02</u>	<u>\$ 12.18</u>
Diluted				
Earnings attributable to common shareholders	\$ 18,586	\$ 72,169	\$ 44,266	\$ 110,817
Add dividends on convertible preferred stock	5	5	15	15
Earnings attributable to common stock on a diluted basis	<u>\$ 18,591</u>	<u>\$ 72,174</u>	<u>\$ 44,281</u>	<u>\$ 110,832</u>
Weighted average common shares outstanding-basic	8,603	9,071	8,813	9,095
Additional shares issued related to the equity compensation plan	4	2	4	2
Additional shares to be issued under full conversion of preferred stock	67	67	67	67
Total shares for diluted	<u>8,674</u>	<u>9,140</u>	<u>8,884</u>	<u>9,164</u>
Diluted earnings per common share	<u>\$ 2.14</u>	<u>\$ 7.90</u>	<u>\$ 4.98</u>	<u>\$ 12.09</u>

13. Fair Value of Financial Instruments

On a quarterly basis, the Company estimates the fair values for financial instruments that are recorded at carrying value on the Consolidated Condensed Balance Sheets. The estimated fair value for long-term debt (classified as Level 2 in the fair value hierarchy) is determined by the quoted market prices for similar debt (comparable to the Company's financial strength) or current rates offered to the Company for debt with the same maturities. The fair value and carrying value of the Company's long-term debt are as follows (in thousands):

	As of:		
	January 1, 2022	December 26, 2020	March 31, 2021
Carrying value	\$ 127,808	\$ 98,577	\$ 98,585
Fair value	\$ 127,371	\$ 99,225	\$ 97,226

14. Income Taxes

The effective tax rate for continuing operations was 23.6% and 20.9% for the nine months ended January 1, 2022 and December 26, 2020, respectively. The effective tax rate was reduced in fiscal 2021 by 3.2% as a result of the receipt of interest related to a federal NOL carryback claim. Because a similar amount of interest has not been received in fiscal 2022, the rate is effectively increased by 3.2% when compared to the prior year period. The overall effective tax rate increase was offset primarily by a 0.4% decrease in the tax rate resulting from federal credits and incentives. The dollar amount of the credits and incentives did not change significantly, however, the projected pre-tax income decreased in fiscal 2022 as compared to fiscal 2021 resulting in the credits and incentives having a larger impact on the tax rate in fiscal 2022.

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Seneca Foods Corporation (the “Company”) is a leading provider of packaged fruits and vegetables, with facilities located throughout the United States. The Company’s product offerings include canned, frozen and bottled produce and snack chips. Its products are sold under private label as well as national and regional brands that the Company owns or licenses, including Seneca®, Libby’s®, Aunt Nellie’s®, Cherryman®, Green Valley® and READ®. The Company’s canned fruits and vegetables are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. The Company also sells its products to foodservice distributors, industrial markets, other food processors, export customers in over 90 countries and federal, state and local governments for school and other food programs. The Company also packs canned and frozen vegetables under contract packing agreements. The Company’s raw product is harvested mainly between June through November.

Smaller Reporting Company Status:

Management performed the annual public float test as of the last business day of the Company’s second fiscal quarter ended October 2, 2021, and determined that the Company no longer qualifies as a smaller reporting company due to its public float exceeding \$250 million. The Company will continue to use the scaled disclosures permitted for a smaller reporting company through its annual report on Form 10-K for the fiscal year ending March 31, 2022. Beginning with the first quarterly report on Form 10-Q in fiscal 2023, the Company will no longer be eligible to rely on the scaled disclosure exemptions applicable to smaller reporting companies. The Company’s status as an accelerated filer was not impacted.

Impact of the COVID-19 Pandemic:

Business Impact – Commencing at the onset of the pandemic, we implemented a wide range of precautionary measures at our manufacturing facilities and other work locations in response to COVID-19. We have also been working closely with our supply chain partners to ensure that we can continue to provide uninterrupted service. To date, there has been minimal disruption in our supply chain network, including the supply of fruits and vegetables, packaging or other sourced materials. We also continue to work closely with our customers to meet their needs and ensure a consistent supply across our retail partners.

We continue to monitor the latest guidance from the CDC, FDA and other federal, state and local authorities regarding COVID-19 to ensure our safety protocols remain current to protect our employees, customers, suppliers and other business partners.

The COVID-19 pandemic continues to pose the risk that our employees, contractors, suppliers, customers and other business partners may be prevented from conducting business activities, partially or completely, for an indefinite period of time, including due to shutdowns that may be requested or required by governmental authorities or imposed by management, or that the pandemic may otherwise interrupt or impair business activities. The Company is actively encouraging employees to be vaccinated against COVID-19 and has achieved some success in these efforts. If a vaccination mandate is established by the government, management cannot currently predict the impact that requiring vaccination would have on our workforce, our ability to secure skilled labor in the future, or the cost of implementation and compliance with such rule, if put into effect.

Financial Impact to Date –The pandemic has to date had a positive impact on our operating results, and significantly improved our net sales, net income, and net cash provided by operating activities in fiscal 2021. For the nine months ended January 1, 2022, our net sales decreased when compared to the nine months ended December 26, 2020 due to the extraordinary demand for our products that began in March 2020 and carried into fiscal 2021 as the COVID-19 pandemic reached the United States and consumers began pantry loading and increasing their at-home consumption as a result of increased social distancing and stay-at-home and work-from-home mandates and recommendations. However, demand for our products remains strong and base business net sales are expected to be in line with pre-pandemic levels, prior to the extraordinary demand and pantry loading at the height of the pandemic. We continue to incur incremental costs to take the precautionary health and safety measures described above. Most of the incremental costs impact our costs of goods sold and the remaining portion impacts our selling, general and administrative expenses.

Expectations and Risk Factors in Light of the COVID-19 Pandemic –The ultimate impact of the COVID-19 pandemic on our business will depend on many factors, including, among others: how long social distancing and stay-at-home and work-from home policies and recommendations remain in effect; whether additional variants of COVID-19 will affect the United States and the rest of North America; our ability to continue to operate our manufacturing facilities, retain a sufficient seasonal workforce, fill open full time positions, maintain our supply chain without material disruption, procure ingredients, packaging and other raw materials when needed despite unprecedented demand in the food industry; the extent to which macroeconomic conditions resulting from the pandemic and the pace of the subsequent recovery may impact consumer eating and shopping habits; and the extent to which consumers continue to work remotely even after the pandemic subsides and how that may impact consumer habits. We have also seen and expect to continue to see cost inflation for various inputs, including steel, commodities, ingredients, packaging and transportation.

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Internal controls over financial reporting have not been impacted by COVID-19. Management is continuously monitoring to ensure controls are effective and properly maintained.

Results of Operations:

Net Sales:

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

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Canned vegetables	\$ 373,205	\$ 394,492	\$ 860,737	\$ 917,801
Frozen vegetables	32,305	27,281	95,739	76,137
Fruit products	30,192	30,722	68,351	73,536
Snack products	2,550	2,778	9,647	8,194
Prepared foods	-	23,496	-	71,866
Other	7,341	5,623	18,417	15,317
	<u>\$ 445,593</u>	<u>\$ 484,392</u>	<u>\$ 1,052,891</u>	<u>\$ 1,162,851</u>

Three Months Ended January 1, 2022 and December 26, 2020

Net sales amounted to \$445.6 million for the three months ended January 1, 2022 as compared with \$484.4 million for the three months ended December 26, 2020. The overall net sales decrease of \$38.8 million, or 8.0%, was primarily due to lower sales volumes, which equated to a \$63.5 million decrease partially offset by higher selling prices/improved sales mix generating a favorable impact of \$24.7 million over the prior year quarter.

Prepared foods decreased \$23.5 million, all due to volume, as the segment was exited in the third quarter of fiscal 2021 after the sale of the prepared foods business. Canned vegetable sales decreased \$21.3 million on reduced sales volumes during the three months ended January 1, 2022 given the extraordinary level of demand in fiscal 2021 due to consumer pantry loading resulting from the COVID-19 pandemic. The canned vegetable sales volume decrease was partially offset by higher selling prices. Additionally, there were slight decreases of \$0.5 million and \$0.2 million in fruit and snack product sales, respectively. Frozen vegetables partially offset the aforementioned categorical decreases, increasing by \$5.0 million, primarily due to higher sales volumes partially offset by lower selling prices/unfavorable sales mix, and other sales also increased by \$1.7 million.

Nine Months Ended January 1, 2022 and December 26, 2020

Net sales amounted to \$1,052.9 million for the nine months ended January 1, 2022 as compared with \$1,162.9 million for the nine months ended December 26, 2020. The overall net sales decrease of \$110.0 million, or 9.5%, was primarily due to lower sales volumes, which equated to a \$155.1 million decrease partially offset by higher selling prices/improved sales mix generating a favorable impact of \$45.1 million over the prior year interim period.

Canned vegetable sales decreased \$57.1 million, as there was extraordinary sales demand during the nine months ended December 26, 2020 due to consumer pantry loading that was experienced at the onset of the pandemic and continued throughout fiscal 2021. Prepared foods decreased \$71.2 million due to exiting the segment in fiscal 2021 after the sale of the prepared foods business. Additionally, there was a \$5.2 million decrease in fruit product sales. The noted decreases to net sales were partially offset by a \$19.6 million increase in frozen vegetable sales driven by increased sales volumes, a \$1.5 million increase in snack product sales, and a \$3.1 million increase in other sales.

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Operating Income:

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

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Gross margin	10.1%	16.0%	11.5%	15.1%
Selling	2.3%	2.2%	2.5%	2.2%
Administrative	2.4%	2.5%	3.0%	3.0%
Other operating loss/(income)	0.1%	-7.3%	0.1%	-2.9%
Operating income	5.3%	18.7%	6.0%	12.8%
Interest expense, net	0.3%	0.3%	0.4%	0.4%

Three Months Ended January 1, 2022 and December 26, 2020

Gross margin: Gross margin for the three months ended January 1, 2022 was 10.1% as compared with 16.0% for the three months ended December 26, 2020. The decrease in gross margin for the three months ended January 1, 2022 was due primarily to cost inflation for various inputs, including steel, commodities, ingredients, packaging and transportation as well as a large LIFO charge in fiscal 2022 as compared to a LIFO credit in fiscal 2021 LIFO. The Company's LIFO charge for the three months ended January 1, 2022 was \$19.0 million as compared to a credit of \$4.7 million for the three months ended December 26, 2020. The increase in the LIFO reserve over the three months ended January 1, 2022 reflects the projected impact of expected cost increases and an overall inventory quantity increase as compared to fiscal 2021. On an after-tax basis, LIFO decreased net earnings by \$14.3 million for the three months ended January 1, 2022 and increased net earnings by \$3.5 million for the three months ended December 26, 2020, based on the historical statutory federal income tax rate.

Selling: Selling costs as a percentage of net sales for the three months ended January 1, 2022 were 2.3% as compared with 2.2% for the prior year quarter. Selling costs as a percentage of net sales increased in part due to the decrease in net sales and the fixed nature of certain selling expenses.

Administrative: Administrative costs as a percentage of net sales for the three months ended January 1, 2022 were 2.4% as compared with 2.5% for the prior year quarter. The decrease in administrative costs as a percentage of net sales was due to the sale of the prepared foods business, and the Company no longer incurring the related administrative expenses for that business.

Other Operating Loss: During the three months ended January 1, 2022, the Company recorded a charge of \$0.5 million for various miscellaneous expenses related to properties that are held for sale. The Company also recorded miscellaneous income of \$0.1 million. During the three months ended December 26, 2020, the Company completed the sale of its prepared foods business to an unaffiliated buyer who was not a previous customer. The Company recorded a gain on the sale of the prepared food business of \$35.7 million. Additionally, the Company recorded a loss on the sale of unused fixed assets of \$0.3 million.

Interest Expense: Interest expense as a percentage of net sales was 0.3% for the three months ended January 1, 2022 and December 26, 2020. During the three months ended January 1, 2022, the weighted average interest rate was lower than the previous year, however average borrowings were slightly higher in fiscal year 2022. The net impact resulted in interest expense being down slightly in fiscal 2022. Net sales also decreased year over year which contributed to interest expenses as a percentage of net sales remaining flat when comparing fiscal 2022 to fiscal 2021.

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Nine Months Ended January 1, 2022 and December 26, 2020

Gross margin: Gross margin for the nine months ended January 1, 2022 was 11.5% as compared with 15.1% for the nine months ended December 26, 2020. The decrease in gross margin for the nine months ended January 1, 2022 was due primarily to cost inflation for various inputs, including steel, commodities, ingredients, packaging and transportation as well as a large LIFO charge in fiscal 2022 as compared to a LIFO credit in fiscal 2021 LIFO. The Company's LIFO charge for the nine months ended January 1, 2022 was \$30.7 million as compared to a credit of \$4.3 million for the nine months ended December 26, 2020. The increase in the LIFO reserve over the nine months ended January 1, 2022 reflects the projected impact of expected cost increases and an overall inventory quantity increase as compared to fiscal 2021. On an after-tax basis, LIFO decreased net earnings by \$23.0 million for the nine months ended January 1, 2022 and increased net earnings by \$3.2 million for the nine months ended December 26, 2020, based on the historical statutory federal income tax rate.

Selling: Selling costs as a percentage of net sales for the nine month period ended January 1, 2022 were 2.5% as compared with 2.2% for the same period of the prior year. Selling costs as a percentage of net sales increased in part due to the decrease in net sales and the fixed nature of certain selling expenses. Additionally, the Company incurred increased charges for certain shipping supplies in an effort to mitigate any potential future supply chain interruptions.

Administrative: Administrative costs as a percentage of net sales were 3.0% for the nine month periods ended January 1, 2022 and December 26, 2020. The sale of the Company's prepared foods business reduced administrative costs for the first nine months of fiscal 2022 when compared to the same period in fiscal 2021. However, net sales also decreased over the same time period and caused administrative expenses as a percentage of net sales to remain flat year over year.

Other Operating Loss: During the nine months ended January 1, 2022, the Company recorded a charge of \$2.4 million for supplemental early retirement plans and a charge \$0.5 million for various expenses related to properties that are held for sale. These expenses were partially offset by a gain from the sale of an aircraft of \$1.2 million, a gain of \$0.8 million from the sale of a plant in the Midwest, and a gain from debt forgiveness of \$0.5 million on an economic development loan in which the Company met all required milestones. The Company also recorded miscellaneous expenses of \$0.3 million. On December 18, 2020, the Company completed the sale of its prepared foods business to an unaffiliated buyer who was not a previous customer. The Company recorded a gain on the sale of the prepared food business of \$35.7 million. Additionally during the nine months ended December 26, 2020, the Company recorded a loss of \$0.4 million on the disposal of equipment from a sold Northwest plant and a loss on the sale of unused fixed assets of \$0.4 million. The Company also recorded a charge of \$1.2 million for a supplemental early retirement plan.

Interest Expense: Interest expense as a percentage of net sales was 0.4% for the nine months ended January 1, 2022 and December 26, 2020. During the nine months ended January 1, 2022, the weighted average interest rate and average borrowings were lower than the previous year resulting in lower interest expense in fiscal 2022. Net sales also decreased year over year which contributed to interest expenses as a percentage of net sales remaining flat when comparing fiscal 2022 to fiscal 2021.

Income Taxes:

The effective tax rate for continuing operations was 23.6% and 20.9% for the nine months ended January 1, 2022 and December 26, 2020, respectively. The effective tax rate was reduced in fiscal 2021 by 3.2% as a result of the receipt of interest related to a federal NOL carryback claim. Because a similar amount of interest has not been received in fiscal 2022, the rate is effectively increased by 3.2% when compared to the prior year period. The overall effective tax rate increase was offset primarily by a 0.4% decrease in the tax rate resulting from federal credits and incentives. The dollar amount of the credits and incentives did not change significantly, however, the projected pre-tax income decreased in fiscal 2022 as compared to fiscal 2021 resulting in the credits and incentives having a larger impact on the tax rate in fiscal 2022.

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Earnings per Share:

A summary of the Company's earnings per common share is as follows:

	Three Months Ended		Nine Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
Basic earnings per common share	\$ 2.16	\$ 7.96	\$ 5.02	\$ 12.18
Diluted earnings per common share:	\$ 2.14	\$ 7.90	\$ 4.98	\$ 12.09

For details of the calculation of these amounts, refer to footnote 12 of the Notes to Condensed Consolidated Financial Statements.

Liquidity and Capital Resources:

The financial condition of the Company is summarized in the following table and explanatory review (dollar amounts in thousands, except per share data):

	As of:			
	January 1, 2022	December 26, 2020	March 31, 2021	March 31, 2020
Working capital:				
Balance	\$ 405,236	\$ 347,709	\$ 358,169	\$ 401,946
Change in quarter	\$ (5,875)	\$ 13,791		
Current portion of long-term debt	\$ 4,000	\$ 4,500	\$ 4,500	\$ 500
Long-term debt, less current portion	\$ 123,808	\$ 94,077	\$ 94,085	\$ 217,081
Operating lease obligations, less current portion	\$ 24,533	\$ 30,436	\$ 27,769	\$ 42,760
Financing lease obligations, less current portion	\$ 21,587	\$ 20,546	\$ 19,232	\$ 24,366
Total stockholders' equity per equivalent common share (1)	\$ 69.04	\$ 54.90	\$ 63.05	\$ 42.77
Stockholders' equity per common share	\$ 69.78	\$ 55.45	\$ 63.68	\$ 43.17
Current ratio	3.03	2.85	3.27	3.69

Note: Equivalent common shares are either common shares or, for convertible preferred shares, the number of common shares that the preferred shares are convertible into. See Note 9 of the Notes to Consolidated Financial Statements of the Company's 2021 Annual Report on Form 10-K for conversion details.

As shown in the Condensed Consolidated Statements of Cash Flows, net cash used in operating activities was \$11.1 million for the nine months ended January 1, 2022, compared to \$103.1 million provided by operating activities for the same period of the prior year, a decrease of \$114.2 million. For the first nine months of fiscal 2022 as compared to the first nine months of fiscal 2021, the reduction in cash provided by operating activities is primarily comprised of decreases in cash provided by inventories, \$139.5 million, accounts receivable, \$8.9 million, income taxes, \$14.3 million, and net earnings, \$66.8 million. The increase in cash provided by accounts payable, accrued expenses and other of \$89.7 million for the first nine months of fiscal 2022 as compared to the first nine months of fiscal 2021 partially offset the aforementioned decreases to operating cash flows.

Cash used in investing activities was \$31.7 million for the nine months ended January 1, 2022 as compared to \$32.6 million of cash provided by investing activities for the nine months ended December 26, 2020, a change of \$64.3 million. Proceeds from the sale of assets in the prior year period included the sale of the Company's prepared food business. There was not a sale of comparable size in the current year, which reduced cash provided by the sale of assets by \$68.0 million. Additions to property, plant and equipment decreased \$3.7 million during the first nine months of fiscal 2022 compared to the same period of fiscal 2021 to partially offset the overall decrease in cash used in investing activities.

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OF FINANCIAL CONDITION AND RESULTS OPERATIONS

January 1, 2022

Cash used in financing activities was \$6.1 million for the nine months ended January 1, 2022, a decrease of \$126.2 million compared to cash used in financing activities for the nine months ended December 26, 2020 of \$132.3 million. In fiscal 2021, the Company paid down substantially all of its Revolver given the additional sales as a result of pantry loading due to the COVID-19 pandemic. During 2021, the Company paid down \$587.2 million of debt, primarily the Revolver, and borrowed \$468.2 million resulting in a net use of cash totaling \$119.0 million. As sales began to normalize in 2022 after the height of the pandemic, the Company borrowed on the Revolver in support of seasonal working capital needs. During fiscal 2022, the Company borrowed \$278.1 million and paid down \$248.4 million, providing net cash of \$29.7 million, which was a swing of \$148.7 million compared to fiscal 2021. Other than borrowings under the Revolver, there was no new long-term debt during the first nine months of fiscal 2022. Additionally, during fiscal 2022 the Company repurchased \$27.8 million of its common stock under a stock repurchase program that was authorized in the first quarter of fiscal 2022. By comparison, the Company repurchased \$2.2 million during the nine months ended December 26, 2020, an increase in cash used in financing activities of \$25.6 million.

On March 24, 2021, the Company entered into a Fourth Amended and Restated Loan and Security Agreement that provides for a senior revolving credit facility of up to \$400.0 million that is seasonally adjusted (the "Revolver"). Maximum borrowings under the Revolver total \$300.0 million from April through July and \$400.0 million from August through March. The Revolver balance is included in Long-Term Debt in the accompanying Condensed Consolidated Balance Sheet due to the Revolver's March 24, 2026 maturity. In order to maintain availability of funds under the facility, the Company pays a commitment fee on the unused portion of the Revolver. The Revolver is secured by substantially all of the Company's accounts receivable and inventories and contains borrowing base requirements as well as a financial covenant, if certain circumstances apply. The Company utilizes its Revolver for general corporate purposes, including seasonal working capital needs, to pay debt principal and interest obligations, and to fund capital expenditures and acquisitions. Seasonal working capital needs are affected by the growing cycles of the vegetables the Company packages. The majority of vegetable inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable produce are generally three months but can vary from a few days to seven months. Accordingly, the Company's need to draw on the Revolver may fluctuate significantly throughout the year.

The Company's credit facilities contain standard representations and warranties, events of default, and certain affirmative and negative covenants, including various financial covenants. At January 1, 2022, the Company was in compliance with all such covenants.

New Accounting Standards

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

Seasonality

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

Forward-Looking Information

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

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ITEM 2 MANAGERMENTS DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OPERATIONS

January 1, 2022

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

- general economic and business conditions;
- cost and availability of commodities and other raw materials such as vegetables, steel and packaging materials;
- transportation costs;
- climate and weather affecting growing conditions and crop yields;
- the availability of financing;
- leverage and the Company's ability to service and reduce its debt;
- potential impact of COVID-19 related issues at our facilities;
- an overall labor shortage, lack of skilled labor, labor inflation or increased turnover impacting the Company's ability to recruit and retain employees;
- foreign currency exchange and interest rate fluctuations;
- effectiveness of the Company's marketing and trade promotion programs;
- changing consumer preferences;
- competition;
- product liability claims;
- the loss of significant customers or a substantial reduction in orders from these customers;
- the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption;
- changes in, or the failure or inability to comply with, U.S., foreign and local governmental regulations, including environmental and health and safety regulations; and
- other risks discussed elsewhere in this report and the Company's other public filings with the Securities and Exchange Commission.

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

Critical Accounting Policies

For the nine months ended January 1, 2022 and December 26, 2020, the Company sold certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement(s) provide that title to the specified inventory is transferred to the customer(s) prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard.

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

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

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

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw material pricing and availability. In addition, the Company is exposed to fluctuations in interest rates, primarily related to its revolving credit facility. To manage interest rate risk, the Company uses both fixed and variable interest rate debt plus fixed interest rate lease obligations. There have been no material changes to the Company's exposure to market risk since March 31, 2021.

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ITEM 4 CONTROLS AND PROCEDURES

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

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of January 1, 2022, our disclosure controls and procedures were effective. The Company continues to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

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

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company’s Form 10-K for the period ended March 31, 2021 except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
	Class A Common	Class B Common	Class A Common	Class B Common		
10/01/2021 – 10/31/2021	46,595	-	\$ 52.14	-	46,595	
11/01/2021 – 11/30/2021(1)	78,370	-	\$ 49.62	-	65,206	
12/01/2020 – 12/31/2021	95,374	-	\$ 46.53	-	95,374	
Total	220,339	-	\$ 48.76	-	207,175	981,110

(1) Includes 13,164 shares that were purchased in open market transactions by the trustees under the Seneca Foods Corporation Employees' Savings Plan to provide employee matching contributions under the plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On February 9, 2022 the Board of Directors of Seneca Foods Corporation (the "Company") amended and restated the Company's Executive Profit Sharing Bonus Plan and the Company's Manager Profit Sharing Bonus Plan (each a "Plan" and collectively, the "Plans").

As amended, the performance criteria established under each Plan requires the Company's pre-tax profits for a fiscal year, calculated on a FIFO basis and adjusted to account for non-operating items such as unusual non-recurring gains or losses on asset sales, impairments and restructuring charges ("Annual Adjusted Earnings"), to equal or exceed a specific bonus target. The bonus target under each Plan is expressed as a percentage of the average Annual Adjusted Earnings for the prior ten-year period ("Average Adjusted Earnings"). The bonus targets range from 0% to 200% of Average Adjusted Earnings with each bonus target corresponding to a potential bonus payment calculated as a percentage of the employee's base salary earned during the fiscal year. As amended, the potential bonus payments under the Executive Profit Sharing Bonus Plan range from 10% to 50% of base salary and the potential bonus payments under the Manager Profit Sharing Bonus Plan range from 2.5% to 12.5% of base salary.

The foregoing discussion is qualified in its entirety by the terms and provisions of the Company's Executive Profit Sharing Bonus Plan and the Company's Manager Profit Sharing Bonus Plan which are to be filed as exhibits to the Company’s Annual Report on Form 10-K for the year ending March 31, 2022, and are incorporated herein by reference.

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Item 6. Exhibits

[31.1 Certification of Paul L. Palmby pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)

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

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

101.INS Inline XBRL Instance Document (filed herewith).

101.1.SCH Inline XBRL Taxonomy Extension Calculation Schema Document (filed herewith).

101.2.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).

101.3.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).

101.4.LAB Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).

101.5.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).

104 Cover page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

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SIGNATURES

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

Seneca Foods Corporation
(Company)

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

February 10, 2022

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

February 10, 2022

EXHIBIT 31.1

CERTIFICATION

I, Paul L. Palmby, certify that:

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

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

February 10, 2022

EXHIBIT 31.2

CERTIFICATION

I, Timothy J. Benjamin, certify that:

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

/s/ Timothy J. Benjamin

Timothy J. Benjamin
Chief Financial Officer

February 10, 2022

EXHIBIT 32

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

In connection with the Quarterly Report of Seneca Foods Corporation (the "Registrant") on Form 10-Q for the period ended January 1, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Paul L. Palmby, President and Chief Executive Officer, and Timothy J. Benjamin, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

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

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

February 10, 2022

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

February 10, 2022