Seneca Foods Corp

Project Type: 10-Q

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Submission Information

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Emerging Growth Company	False
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Reporting Period	12/31/2022
Smaller Reporting Company?	False

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

For the quarterly period ended December 31, 2022

or

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

For the transition period from _____ to _____

Commission File Number 0-01989

Seneca Foods Corporation
(Exact name of Registrant as specified in its charter)

New York	**16-0733425**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
350 WillowBrook Office Park Fairport, New York	**14450**
(Address of principal executive offices)	(Zip code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant 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 registrant 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:

Class	Shares Outstanding at January 27, 2023
Common Stock Class A, $.25 Par	5,889,247
Common Stock Class B, $.25 Par	1,707,241

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Seneca Foods Corporation
Quarterly Report on Form 10-Q
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SENECA FOODS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	Unaudited December 31, 2022	Unaudited January 1, 2022	March 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	$ 12,516	$ 11,011	$ 10,904
Accounts receivable, net of allowance for credit losses of $77, $53, and $54, respectively	94,947	80,361	119,169
Assets held for sale	1,615	8,930	5,979
Inventories	780,457	481,978	410,331
Refundable income taxes	-	14,088	3,866
Other current assets	4,283	8,809	5,193
Total current assets	893,818	605,177	555,442
Property, plant and equipment, net	297,676	258,204	268,043
Right-of-use assets operating, net	26,012	38,442	34,008
Right-of-use assets financing, net	33,882	35,968	34,867
Pension assets	51,786	62,690	52,866
Other assets	1,670	1,878	1,804
Total assets	$ 1,304,844	$ 1,002,359	$ 947,030
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 156,065	$ 111,323	$ 87,602
Deferred revenue	14,412	12,199	7,655
Accrued vacation	11,682	11,951	11,611
Accrued payroll	12,469	9,885	16,998
Other accrued expenses	26,921	27,472	23,269
Income taxes payable	4,007	-	-
Current portion of long-term debt and lease obligations	21,344	27,111	26,020
Total current liabilities	246,900	199,941	173,155
Long-term debt, less current portion	399,948	123,808	109,624
Operating lease obligations, less current portion	17,219	24,533	22,533
Financing lease obligations, less current portion	17,382	21,587	19,942
Deferred income tax liability, net	34,362	32,361	32,944
Other long-term liabilities	3,954	5,575	4,995
Total liabilities	719,765	407,805	363,193
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	607	644	644
Common stock, $.25 par value per share	3,043	3,041	3,041
Additional paid-in capital	98,862	98,608	98,641
Treasury stock, at cost	(170,088)	(118,977)	(128,879)
Accumulated other comprehensive loss	(26,468)	(19,067)	(26,468)
Retained earnings	679,123	630,305	636,858
Total stockholders' equity	585,079	594,554	583,837
Total liabilities and stockholders’ equity	$ 1,304,844	$ 1,002,359	$ 947,030

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

SENECA FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Net sales	$ 473,254	$ 445,593	$ 1,178,289	$ 1,052,891
Costs and expenses:				
Cost of product sold	419,465	400,608	1,059,878	931,555
Selling, general and administrative	21,914	21,032	60,636	57,442
Plant restructuring charge (credit)	1,829	(110)	1,937	3
Other operating expense (income), net	229	399	(2,411)	681
Total costs and expenses	443,437	421,929	1,120,040	989,681
Operating income	29,817	23,664	58,249	63,210
Other income and expenses:				
Loss from equity investment	-	-	-	7,775
Other non-operating income	(2,017)	(2,218)	(5,070)	(6,969)
Interest expense, net	4,277	1,505	8,037	4,183
Earnings before income taxes	27,557	24,377	55,282	58,221
Income taxes	6,503	5,713	12,994	13,767
Net earnings	$ 21,054	$ 18,664	$ 42,288	$ 44,454
Earnings per share:				
Basic	$ 2.77	$ 2.16	$ 5.36	$ 5.02
Diluted	$ 2.74	$ 2.14	$ 5.31	$ 4.98
Weighted average common shares outstanding:				
Basic	7,582	8,603	7,858	8,813
Diluted	7,655	8,674	7,931	8,884

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

SENECA FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Comprehensive income:				
Net earnings	$ 21,054	$ 18,664	$ 42,288	$ 44,454
Total	$ 21,054	$ 18,664	$ 42,288	$ 44,454

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

SENECA FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	December 31, 2022	January 1, 2022
Cash flows from operating activities:		
Net earnings	$ 42,288	$ 44,454
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation & amortization	30,344	27,048
Gain on the sale of assets	(2,191)	(1,635)
Provision for restructuring	1,937	3
Loss from equity investment	-	7,775
Deferred income taxes	1,418	4,055
Changes in operating assets and liabilities:		
Accounts receivable	24,722	11,893
Inventories	(370,126)	(138,834)
Other current assets	910	(4,786)
Income taxes	7,873	(5,703)
Accounts payable, accrued expenses and other	73,345	44,645
Net cash used by operating activities	(189,480)	(11,085)
Cash flows from investing activities:		
Additions to property, plant and equipment	(56,509)	(36,437)
Proceeds from the sale of assets	5,013	4,773
Net cash used by investing activities	(51,496)	(31,664)
Cash flows from financing activities:		
Long-term borrowing	783,346	278,106
Payments on long-term debt	(493,022)	(248,383)
Other assets	-	(2,206)
Payments on financing leases	(6,515)	(5,803)
Purchase of treasury stock	(41,209)	(27,779)
Dividends	(12)	(12)
Net cash provided (used) by financing activities	242,588	(6,077)
Net increase (decrease) in cash and cash equivalents	1,612	(48,826)
Cash and cash equivalents, beginning of the period	10,904	59,837
Cash and cash equivalents, end of the period	$ 12,516	$ 11,011
Supplemental disclosures of cash flow information:		
Noncash transactions:		
Right-of-use assets obtained in exchange for lease obligations	$ 8,237	$ 20,259
Right-of-use assets derecognized upon early lease termination	$ 2,874	$ 1,546
Property, plant and equipment purchased on account	$ 970	$ 2,229
Sale of property, plant and equipment in exchange for note receivable	$ 750	$ -

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

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SENECA FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
First Quarter FY 2023:						
Balances, March 31, 2022	$ 644	$ 3,041	$ 98,641	$ (128,879)	$ (26,468)	$ 636,858
Net earnings	-	-	-	-	-	5,103
Cash dividends declared on preferred stock	-	-	-	-	-	(12)
Issue stock for bonus program	-	1	76	-	-	-
Equity incentive program	-	-	33	-	-	-
Purchase treasury stock	-	-	-	(15,923)	-	-
Balances, July 2, 2022	$ 644	$ 3,042	$ 98,750	$ (144,802)	$ (26,468)	$ 641,949
Second Quarter FY 2023:						
Net earnings	-	-	-	-	-	16,131
Equity incentive program	-	-	37	-	-	-
Preferred stock conversion	(32)	1	31	-	-	-
Purchase treasury stock	-	-	-	(21,069)	-	-
Balances, October 1, 2022	$ 612	$ 3,043	$ 98,818	$ (165,871)	$ (26,468)	$ 658,080
Third Quarter FY 2023:						
Net earnings	-	-	-	-	-	21,054
Cash dividends declared on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	39	-	-	-
Preferred stock conversion	(5)	-	5	-	-	-
Purchase treasury stock	-	-	-	(4,217)	-	-
Balances, December 31, 2022	$ 607	$ 3,043	$ 98,862	$ (170,088)	$ (26,468)	$ 679,123
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

	6% Voting Cumulative Callable Par $0.25	10% Voting Cumulative Convertible Par $0.025	Participating Convertible Par $0.025	Class A Common Par $0.25	Class B Common Par $0.25
Shares authorized and designated:					
December 31, 2022	200,000	1,400,000	29,780	20,000,000	10,000,000
Shares outstanding:					
December 31, 2022	200,000	807,240	29,780	5,867,759	1,707,241

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

SENECA FOODS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Preparation and Presentation

Seneca Foods Corporation (the "Company") is a leading provider of packaged fruits and vegetables with 26 facilities in eight states in support of its operations. The Company's principal products include canned vegetables, frozen vegetables, jarred fruit, 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, restaurant chains, industrial markets, other food packagers, export customers in 80 countries, and federal, state and local governments for school and other feeding programs.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial statements. While these statements reflect all adjustments (consisting of items of a normal recurring nature) that are, in the opinion of management, necessary for a fair presentation of the results of the interim period, they do not include all of the information and footnotes required by United States generally accepted accounting principles ("U.S. GAAP") for complete financial statement presentation. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements should be read in conjunction with the financial statement disclosures in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

Due to the seasonal nature of the business, quarterly operating results and cash flows are not necessarily indicative of the results that may be expected for other interim periods or the full year. All references to years are fiscal years ended or ending March 31 unless otherwise indicated. Certain percentage tables may not foot due to rounding. Certain previously reported amounts have been reclassified to conform to the current period classification.

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

The Company uses the same accounting policies in preparing quarterly and annual financial statements. A summary of significant accounting policies followed by the Company are set forth in Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

New Accounting Pronouncements and Policies

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

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

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2. Revenue Recognition

Revenue recognition is completed for most customers at a point in time when product control is transferred to the customer. In general, control transfers to the customer when the product is shipped or delivered to the customer based upon applicable shipping terms, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time. The Company does sell certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement provide that title to the specified inventory is transferred to the customer 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.

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

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Canned vegetables	$ 392,942	$ 373,205	$ 976,026	$ 860,737
Frozen vegetables	33,754	32,305	93,560	95,739
Fruit products	33,371	30,192	75,674	68,351
Snack products	3,360	2,550	10,035	9,647
Other	9,827	7,341	22,994	18,417
Net sales	$ 473,254	$ 445,593	$ 1,178,289	$ 1,052,891

As a result of certain contracts with customers, the Company has contract asset balances of $0.7 million, $0.9 million, and $0.9 million as of December 31, 2022, January 1, 2022, and March 31, 2022 respectively, which are included in other current assets on the condensed consolidated balance sheets.

3. Earnings per Common Share

Earnings per share for the three and nine months ended December 31, 2022 and January 1, 2022 are as follows (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Basic				
Net earnings	$ 21,054	$ 18,664	$ 42,288	$ 44,454
Deduct preferred stock dividends paid	6	6	17	17
Undistributed net earnings	21,048	18,658	42,271	44,437
Earnings attributable to participating preferred	82	72	169	171
Earnings attributable to common shareholders	$ 20,966	$ 18,586	$ 42,102	$ 44,266
Weighted average common shares outstanding	7,582	8,603	7,858	8,813
Basic earnings per common share	$ 2.77	$ 2.16	$ 5.36	$ 5.02
Diluted				
Earnings attributable to common shareholders	$ 20,966	$ 18,586	$ 42,102	$ 44,266
Add dividends on convertible preferred stock	5	5	15	15
Earnings attributable to common stock on a diluted basis	$ 20,971	$ 18,591	$ 42,117	$ 44,281
Weighted average common shares outstanding-basic	7,582	8,603	7,858	8,813
Additional shares issued related to the equity compensation plan	6	4	6	4
Additional shares to be issued under full conversion of preferred stock	67	67	67	67
Total shares for diluted	7,655	8,674	7,931	8,884
Diluted earnings per common share	$ 2.74	$ 2.14	$ 5.31	$ 4.98

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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 December 31, 2022, January 1, 2022, and March 31, 2022, first-in, first-out ("FIFO") based inventory costs exceeded LIFO based inventory costs, resulting in a LIFO reserve of $243.8 million, $159.3 million, and $164.5 million, respectively. In order to state inventories at LIFO, the Company recorded an increase to cost of products sold of $30.9 million and $19.0 million for the three months ended December 31, 2022 and January 1, 2022, respectively, and an increase to cost of products sold of $79.3 million and $30.7 million for the nine months ended December 31, 2022 and January 1, 2022, respectively.

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

	As of:		
	December 31, 2022	January 1, 2022	March 31, 2022
Finished products	$ 738,331	$ 515,225	385,681
In process	67,380	26,468	23,652
Raw materials and supplies	218,572	99,611	165,491
	1,024,283	641,304	574,824
Less excess of FIFO cost over LIFO cost	243,826	159,326	164,493
Inventories	$ 780,457	$ 481,978	$ 410,331

5. Property, Plant and Equipment

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

	As of:		
	December 31, 2022	January 1, 2022	March 31, 2022
Land and land improvements	$ 46,832	$ 42,889	$ 42,981
Buildings and improvements	210,991	197,080	202,444
Machinery and equipment	423,901	390,344	403,192
Office furniture, vehicles and computer software	11,397	10,018	10,003
Construction in progress	46,395	33,378	29,976
Property, plant and equipment, cost	739,516	673,709	688,596
Less: accumulated depreciation	(441,840)	(415,505)	(420,553)
Property, plant and equipment, net	$ 297,676	$ 258,204	$ 268,043

Depreciation expense totaled $8.7 million and $7.9 million for the three months ended December 31, 2022 and January 1, 2022, respectively. For the nine months ended December 31, 2022 and January 1, 2022, depreciation expense totaled $25.1 million and $22.5 million, respectively.

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6. 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 non-operating facilities and equipment 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 the condensed consolidated balance sheets (in thousands):

	As of:		
	December 31, 2022	January 1, 2022	March 31, 2022
Property, plant and equipment, net	$ 1,615	$ 8,930	$ 5,979
Current assets held for sale	$ 1,615	$ 8,930	$ 5,979

7. Long-Term Debt

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

	As of		
	December 31, 2022	January 1, 2022	March 31, 2022
Revolving credit facility	$ 313,808	$ 33,700	$ 20,508
Term loan	89,924	93,892	92,900
Other	216	216	216
Total long-term debt	403,948	127,808	113,624
Less current portion	4,000	4,000	4,000
Long-term debt, less current portion	$ 399,948	$ 123,808	$ 109,624

Revolving Credit Facility

On March 24, 2021, the Company entered into a Fourth Amended and Restated Loan and Security Agreement that provides for a senior revolving credit facility of up to $400.0 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.

On September 14, 2022, the Company entered into a First Amendment to the Fourth Amended and Restated Loan and Security Agreement (the “Amendment”) which amended several provisions to replace LIBOR with SOFR plus a spread adjustment as the interest rate benchmark on the Revolver. The transition to SOFR did not materially impact the interest rates applied to the Company’s borrowings. No other material changes were made to the terms of the Company’s Revolver as a result of the Amendment.

SENECA FOODS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table illustrates certain quantitative data for Revolver borrowings during fiscal year 2023 and fiscal year 2022 (in thousands):

	As of:		
	December 31, 2022	January 1, 2022	March 31, 2022
Outstanding borrowings	$ 313,808	$ 33,700	$ 20,508
Weighted average interest rate	5.85%	1.35%	1.71%

	Three Months Ended:		Nine Months Ended:	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Maximum amount of borrowings	$ 327,881	$ 54,264	$ 327,881	$ 54,264
Average outstanding borrowings	$ 269,833	$ 37,112	$ 140,996	$ 16,250
Weighted average interest rate	5.11%	1.34%	4.50%	1.34%

Term Loan

On May 28, 2020 the Company entered into an Amended and Restated Loan and Guaranty Agreement that provides for a $100.0 million unsecured term loan (the "Term Loan"), maturing on June 1, 2025. The amended and restated agreement converted the Term Loan to a fixed interest rate of 3.3012% until maturity rather than a variable interest rate in addition to requiring quarterly principal payments of $1.0 million, which commenced during fiscal year 2021. 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 maintaining a minimum EBITDA and minimum tangible net worth.

Subsequent to December 31, 2022, the Company amended the Term Loan and entered into a Second Amended and Restated Loan Agreement. Refer to Note 15 "Subsequent Events" for additional information.

8. Leases

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

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

Lease terms may include options to extend or terminate the lease, and the impact of these options are included in the calculation of the ROU asset and lease obligation only when the exercise of the option is at the Company's sole discretion and it is reasonably certain that the Company will exercise that option. The Company will not separate lease and non-lease components for its leases when it is impractical to separate the two. In addition, the Company may have 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.

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(Unaudited)

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	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Lease cost:				
Amortization of right of use asset	$ 1,703	$ 1,557	$ 4,960	$ 4,398
Interest on lease liabilities	239	263	720	799
Finance lease cost	1,942	1,820	5,680	5,197
Operating lease cost	2,926	4,739	10,810	14,699
Total lease cost	$ 4,868	$ 6,559	$ 16,490	$ 19,896
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from finance leases			$ 720	$ 799
Operating cash flows from operating leases			12,343	15,917
Financing cash flows from finance leases			6,515	5,803
			$ 19,578	$ 22,519
Right-of-use assets obtained in exchange for new finance lease liabilities			$ 4,053	$ 9,754
Right-of-use assets obtained in exchange for new operating lease liabilities			$ 4,184	$ 10,505
Weighted-average lease term (years):				
Financing leases			4.6	4.6
Operating leases			4.6	4.2
Weighted-average discount rate (percentage):				
Financing leases			3.6	3.4
Operating leases			4.4	4.2

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 December 31, 2022 were as follows (in thousands):

Years ending March 31:	Operating	Financing
Balance of 2023	$ 1,432	$ 2,467
2024	9,217	8,393
2025	6,025	5,061
2026	3,533	3,975
2027	3,021	2,917
2028-2033	5,521	5,278
Total minimum payment required	$ 28,749	$ 28,091
Less interest	2,631	2,264
Present value of minimum lease payments	26,118	25,827
Amount due within one year	8,899	8,445
Long-term lease obligations	$ 17,219	$ 17,382

9. Income Taxes

The Company's effective tax rate was 23.5% and 23.6% for the nine months ended December 31, 2022 and January 1, 2022, respectively. The effective tax rate decreased in the current nine-month interim period primarily due to the impact of federal credits, which reduced the effective rate by 0.5%. The overall effective rate decrease was partially offset by a 0.1% increase in each of the following as compared to the prior year nine-month interim period: state income taxes (net of federal benefits), permanent differences, interest and penalties, and other miscellaneous items.

10. Retirement Plans

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

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Service cost including administration	$ 1,310	$ 2,377	$ 6,180	$ 7,131
Interest cost	2,193	1,930	6,941	5,791
Expected return on plan assets	(4,027)	(4,276)	(12,079)	(12,829)
Amortization of prior service cost	22	23	68	68
Amortization of net loss	(205)	-	-	-
Net periodic benefit cost	$ (707)	$ 54	$ 1,110	$ 161

There were no pension contributions made during the nine months ended December 31, 2022 and January 1, 2022.

11. Stockholders' Equity

During the nine month period ended December 31, 2022, the Company repurchased 766,071 shares of its Class A Common Stock at a cost of $41.2 million, which are included in Treasury Stock. 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. The Company did not repurchase any of its Class B Common Stock in either nine month interim period. As of December 31, 2022, there are 4,605,419 shares or $170.1 million of repurchased stock being held as Treasury Stock. These shares are not considered outstanding.

12. 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:		
	December 31, 2022	January 1, 2022	March 31, 2022
Carrying value	$ 403,948	$ 127,808	$ 113,624
Estimated fair value	$ 396,408	$ 127,371	$ 108,608

13. Other Operating Income and Expense

The Company had net other operating expense of $0.2 million during the three months ended December 31, 2022, which was driven primarily by a write down of idle production equipment to estimated selling price, less commission, as the assets met the criteria to be classified as held for sale at December 31, 2022. The write down was partially offset by a gain on the sale of an aircraft. During the three months ended January 1, 2022, the Company had net other operating expense of $0.4 million, driven mostly by various miscellaneous expenses related to properties that were classified as held for sale during the prior year interim period.

During the nine months ended December 31, 2022, the Company had net other operating income of $2.4 million, which was driven primarily by a gain on the sale of the Company's western trucking fleet amongst other fixed assets and a true-up of the supplemental early retirement plan accrual, partially offset by the aforementioned write down of production equipment. During the nine months ended January 1, 2022, the Company had net other operating expense of $0.7 million, driven mostly by a charge for a supplemental early retirement plan offset by a gain on the sale of an aircraft.

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14. 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, 2022	$ -	$ -	$ -
First quarter charge	-	56	56
Second quarter charge	-	52	52
Third quarter charge	389	1,440	1,829
Cash payments/write offs	-	(1,548)	(1,548)
Balance December 31, 2022	$ 389	$ -	$ 389

	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	$ -	$ -	$ -

During the three months ended December 31, 2022, the Company ceased production of green beans at one of it's New York facilities. As a result, the Company incurred severance costs and also a write down of production equipment that will be sold in the next twelve months.

15. Subsequent Event

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

Term Loan A-1: The Amended Agreement continues certain aspects of the $100 million term loan described in Note 7 "Long-Term Debt", namely Term Loan A-1 will continue to bear interest at a fixed interest rate of 3.3012%, mature on June 1, 2025, and remain unsecured.

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

The Amended Agreement contains restrictive covenants usual and customary for loans of its type, in addition to financial covenants including minimum EBITDA and minimum tangible net worth which apply to both terms loans described above.

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

Seneca Foods Corporation is a leading provider of packaged fruits and vegetables, with facilities located throughout the United States. Our product offerings include canned, frozen and jarred produce and snack chips that 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®. Canned fruits and vegetables are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. We also sell products to foodservice distributors, restaurant chains, industrial markets, other food processors, export customers in over 80 countries and federal, state and local governments for school and other food programs. Additionally, the Company packs canned and frozen vegetables under contract packing agreements.

Business Trends

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

We continue to experience material cost inflation for many of our raw materials and other input costs attributable to a number of factors, including but not limited to, the COVID-19 pandemic, the war in Ukraine, supply chain disruptions (including raw material shortages) and labor shortages. While we have no direct exposure to Russia and Ukraine, we have experienced increased costs for transportation, energy and raw materials due in part to the negative impact of the Russia-Ukraine conflict on the global economy. We attempt to manage cost inflation risks by locking in prices through short-term supply contracts, advance grower purchase agreements, and by implementing cost saving measures. We also attempt to offset rising input costs by raising sales prices to our customers. However, increases in the prices we charge our customers may lag behind rising input costs. Competitive pressures also may limit our ability to quickly raise prices in response to rising costs. To the extent we are unable to avoid or offset any present or future cost increases our operating results could be materially adversely affected.

Results of Operations

Net Sales:

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

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Canned vegetables	$ 392,942	$ 373,205	$ 976,026	$ 860,737
Frozen vegetables	33,754	32,305	93,560	95,739
Fruit products	33,371	30,192	75,674	68,351
Snack products	3,360	2,550	10,035	9,647
Other	9,827	7,341	22,994	18,417
Net sales	$ 473,254	$ 445,593	$ 1,178,289	$ 1,052,891

Three Months Ended December 31, 2022 and January 1, 2022

Net sales totaled $473.3 million for the three months ended December 31, 2022 as compared with $445.6 million for the three months ended January 1, 2022. The overall net sales increase of $27.7 million, or 6.2%, was predominantly due to higher selling prices contributing favorability of $73.7 million offset by lower sales volumes having an unfavorable impact of $46.0 million to net sales, as compared to the prior year three-month interim period.

Net sales of canned vegetables, frozen vegetables and fruit products increased over the prior year quarter due to higher pricing necessitated by the material cost increases that the Company is experiencing. Volume in each of these product categories is down vs. the prior year quarter partially offsetting a portion of the favorability in net sales generated by increased pricing. Volume in the snack category was up slightly over the prior year quarter and combined with increased pricing contributed to the net sales increase of $0.8 million.

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

Nine Months Ended December 31, 2022 and January 1, 2022

Net sales amounted to $1,178.3 million for the nine months ended December 31, 2022 as compared with $1,052.9 million for the nine months ended January 1, 2022. The overall net sales increase of $125.4 million, or 11.9%, was due to higher selling prices contributing favorability of $160.7 million offset by lower sales volumes having an unfavorable impact of $35.3 million to net sales, as compared to the prior year nine-month interim period.

Net sales increased for canned vegetables, frozen vegetables, fruit products, and snack products over the prior year interim period due to higher pricing necessitated by the material cost increases that the Company is experiencing. Volume in each of these product categories is down vs. the prior year quarter partially offsetting a portion of the favorability in net sales generated by increased pricing.

Operating and Non-Operating Income:

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

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Gross margin	11.4%	10.1%	10.0%	11.5%
Selling, general, and administrative expense	4.6%	4.7%	5.1%	5.5%
Other operating expense (income), net	0.0%	0.1%	(0.2%)	0.1%
Restructuring	0.4%	0.0%	0.2%	0.0%
Loss from equity investment	0.0%	0.0%	0.0%	0.7%
Other non-operating income	0.4%	0.5%	0.4%	0.7%
Interest expense, net	0.9%	0.3%	0.7%	0.4%

Three Months Ended December 31, 2022 and January 1, 2022

Gross margin: Gross margin for the three months ended December 31, 2022 was 11.4% as compared with 10.1% for the three months ended January 1, 2022. The increase in gross margin for the three months ended December 31, 2022 was due primarily to an increase in net sales and favorable sales mix in fiscal year 2023, partially offset by a higher LIFO charge. The Company’s LIFO charge for the three months ended December 31, 2022 was $30.9 million as compared to a charge of $19.0 million for the three months ended January 1, 2022. The increase in the LIFO reserve over the three months ended December 31, 2022 reflects the projected impact of expected cost increases throughout fiscal year 2023.

Selling, General, and Administrative: Selling, general, and administrative costs as a percentage of net sales for the three months ended December 31, 2022 were 4.6% as compared with 4.7% for the prior year quarter. The decrease in selling, general, and administrative costs as a percentage of net sales was due to the increase in net sales and the fixed nature of certain expenses.

Other Operating Expense (Income), net: The Company had net other operating expense of $0.2 million during the three months ended December 31, 2022, which was driven primarily by a write down of idle production equipment to estimated selling price, less commission, as the assets met the criteria to be classified as held for sale at December 31, 2022. The write down was partially offset by a gain on the sale of an aircraft. During the three months ended January 1, 2022, the Company had net other operating expense of $0.4 million, driven mostly by various miscellaneous expenses related to properties that were classified as held for sale during the prior year interim period.

Restructuring: During the three months ended December 31, 2022, the Company ceased production of green beans at one of its New York facilities. As a result, the Company incurred severance costs and a write down of production equipment that will be sold in the next twelve months.

Other Non-Operating Income: Other non-operating income totaled $2.0 million and $2.2 million for the three months ended December 31, 2022 and January 1, 2022, respectively, and is comprised of the non-service related pension amounts that are actuarially determined.

Interest Expense: Interest expense as a percentage of net sales was 0.9% for the three months ended December 31, 2022 as compared to 0.3% for the three months ended January 1, 2022. Interest expense increased from $1.5 million in the prior year quarter to $4.3 million for the current quarter as a result of higher interest rates and increased average borrowing levels.

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**ITEM 2 MANAGEMENTS DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OPERATIONS**

Nine Months Ended December 31, 2022 and January 1, 2022

Gross margin: Gross margin for the nine months ended December 31, 2022 was 10.0% as compared with 11.5% for the nine months ended January 1, 2022. The decrease in gross margin for the nine months ended December 31, 2022 was due primarily to a larger LIFO charge in fiscal year 2023. The Company's LIFO charge for the nine months ended December 31, 2022 was $79.3 million as compared to a charge of $30.7 million for the nine months ended January 1, 2022. The increase in the LIFO reserve over the nine months ended December 31, 2022 reflects the projected impact of expected cost increases throughout fiscal year 2023.

Selling, General, and Administrative: Selling, general, and administrative costs as a percentage of net sales for the nine months ended December 31, 2022 were 5.1% as compared with 5.5% for the comparable prior year nine-month interim period. The decrease in selling, general, and administrative costs as a percentage of net sales was due to the increase in net sales and the fixed nature of certain expenses.

Other Operating Expense (Income), net: During the nine months ended December 31, 2022, the Company had net other operating income of $2.4 million, which was driven primarily by a gain on the sale of the Company's western trucking fleet amongst other fixed assets and a true-up of the supplemental early retirement plan accrual, partially offset by the aforementioned write down of production equipment. During the nine months ended January 1, 2022, the Company had net other operating expense of $0.7 million, driven mostly by a charge for a supplemental early retirement plan offset by a gain on the sale of an aircraft.

Loss from Equity Investment: The Company's equity investment was written down to $0 in fiscal year 2022 due to an other-than-temporary impairment charge as the investment was determined to not be recoverable. The impairment resulted in a $7.8 million charge during the nine months ended January 1, 2022.

Other Non-Operating Income: Other non-operating income totaled $5.1 million and $7.0 million for the nine months ended December 31, 2022 and January 1, 2022, respectively, and is comprised of the non-service related pension amounts that are actuarially determined.

Interest Expense: Interest expense as a percentage of net sales was 0.7% for the nine months ended December 31, 2022 as compared to 0.4% for the nine months ended January 1, 2022. Interest expense increased from $4.2 million in the prior year nine-month interim period to $8.0 million for the nine months ended December 31, 2022 as a result of higher interest rates and increased average borrowing levels. through the first nine months of fiscal year 2023.

Income Taxes:

The Company's effective tax rate was 23.5% and 23.6% for the nine months ended December 31, 2022 and January 1, 2022, respectively. The effective tax rate decreased in the current nine-month interim period primarily due to the impact of federal credits, which reduced the effective rate by 0.5%. The overall effective rate decrease was partially offset by a 0.1% increase in each of the following as compared to the prior year nine-month interim period: state income taxes (net of federal benefits), permanent differences, interest and penalties, and other miscellaneous items.

Earnings per Share:

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

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Basic earnings per common share	$ 2.77	$ 2.16	$ 5.36	$ 5.02
Diluted earnings per common share:	$ 2.74	$ 2.14	$ 5.31	$ 4.98

For details of the calculation of these amounts, refer to Note 3 "Earnings per Common Share."

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

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):

	December 31, 2022	January 1, 2022	March 31, 2022	March 31, 2021
Working capital:				
Balance	$ 646,918	$ 405,236	$ 382,287	$ 358,169
Change in quarter	$ 87,494	$ (5,875)		
Current portion of long-term debt	$ 4,000	$ 4,000	$ 4,000	$ 4,500
Long-term debt, less current portion	$ 399,948	$ 123,808	$ 109,624	$ 94,085
Operating lease obligations, less current portion	$ 17,219	$ 24,533	$ 22,533	$ 27,769
Financing lease obligations, less current portion	$ 17,382	$ 21,587	$ 19,942	$ 19,232
Total stockholders' equity per equivalent common share (1)	$ 76.26	$ 69.04	$ 69.23	$ 63.05
Stockholders' equity per common share	$ 77.16	$ 69.78	$ 69.98	$ 63.68
Current ratio	3.62	3.03	3.21	3.27

Note (1): 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 11 of the Notes to Consolidated Financial Statements of the Company’s 2022 Annual Report on Form 10-K for conversion details.

As shown in the condensed consolidated statements of cash flows, net cash used by operating activities was $189.5 million for the nine months ended December 31, 2022, compared to $11.1 million used by operating activities for the same period of the prior year, a change of $178.4 million. The increase in cash used by operating activities is primarily comprised of an increase in cash used for working capital purposes. Inventories increased by $231.3 million, driven by the increased size of the current year harvest in addition to material cost inflation to various production inputs. The increase in inventory was partially offset by a decrease in accounts payable, accrued expenses, and other of $28.7 million, income taxes of $13.6 million and accounts receivable of $12.8 million.

Cash used by investing activities was $51.5 million for the nine months ended December 31, 2022 as compared to $31.7 million for the nine months ended January 1, 2022, an increase of $19.8 million. Additions to property, plant and equipment increased $20.1 million during the first nine months of fiscal 2023 compared to the same period of fiscal 2022, representing the majority of the increase.

Cash provided by financing activities was $242.6 million for the nine months ended December 31, 2022, an increase of $248.7 million compared to cash used by financing activities for the nine months ended January 1, 2022 of $6.1 million. Entering fiscal year 2022, the Company had cash and cash equivalents of $59.8 million on hand to use for seasonal pack needs prior to borrowing on the Revolver as compared to cash and cash equivalents of $10.9 million entering fiscal year 2023. Additionally, cost inflation in fiscal year 2023 is higher than the prior year driving seasonal borrowings for the pack higher as compared to the prior year. During the nine months ended December 31, 2022, the Company borrowed $783.3 million and paid down $493.0 million, providing net cash of $290.3 million, which was a change of $260.6 million compared to the comparable prior year period. Other than borrowings under the Revolver, there was no new long-term debt during the first nine months of fiscal year 2023. Additionally, during the first nine months of fiscal year 2023, the Company repurchased $41.2 million of its common stock, the majority of which was done through a stock repurchase program that was authorized in the first quarter of fiscal year 2022. By comparison, the Company repurchased $27.8 million during the nine months ended January 1, 2022, an increase in cash used by financing activities of $13.4 million over the comparable prior year period.

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.

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

On September 14, 2022, the Company entered into a First Amendment to the Fourth Amended and Restated Loan and Security Agreement (the "Amendment") which amended several provisions to replace LIBOR with SOFR plus a spread adjustment as the interest rate benchmark on the Revolver. The transition to SOFR did not materially impact the interest rates applied to the Company's borrowings. No other material changes were made to the terms of the Company's Revolver as a result of the Amendment.

The Company's credit facilities contain standard representations and warranties, events of default, and certain affirmative and negative covenants, including various financial covenants. At December 31, 2022, the Company was in compliance with all such covenants.

Subsequent to December 31, 2022, the Company amended the Term Loan and entered into a Second Amended and Restated Loan Agreement. Refer to Note 15 "Subsequent Events" for additional information.

Impact of Seasonality on Financial Position and Results of Operations:

While individual vegetables have seasonal cycles of peak production and sales, the different cycles are somewhat offsetting. Minimal food packaging occurs in the Company's last fiscal quarter ending March 31, which is the optimal time for maintenance, repairs and equipment changes in its packaging plants. The supply of commodities, current pricing, and expected new crop quantity and quality affect the timing and amount of the Company's sales and earnings. When the seasonal harvesting periods of the Company's major vegetables are newly completed, inventories for these packaged vegetables are at their highest levels. For peas, the peak inventory time is mid-summer and for corn and green beans, the Company's highest volume vegetables, the peak inventory is in mid-autumn. The seasonal nature of the Company's production cycle results in inventory and accounts payable reaching their lowest point late in the fourth quarter/early in the first quarter prior to the new seasonal pack commencing. As the seasonal pack progresses, these components of working capital both increase until the pack is complete. Given the material cost increases incurred to date in fiscal year 2023, both inventory and accounts payable are higher than prior year levels as of December 31, 2022.

The Company's fruit and vegetable sales exhibit seasonal increases in the third and fourth fiscal quarters due to increased retail demand during the holiday seasons. In addition, the Company sells canned and frozen vegetables to a co-pack customer on a bill and hold basis at the end of each pack cycle, which typically occurs during the second and third quarters. The seasonal nature of the Company's sales, particularly holiday driven retail sales, result in the accounts receivable balance reaching its highest point at the end of the third and fourth fiscal quarters, while typically being the lowest at the end of the first quarter. One of the ways we attempt to offset material cost increases incurred is to increase selling prices, which resulted in a higher accounts receivable balance as compared to the prior year as of December 31, 2022.

Non-GAAP Financial Measures:

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

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

	Three Months Ended		Nine Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Earnings before income taxes, as reported	$ 27,557	$ 24,377	$ 55,282	$ 58,221
LIFO charge	30,898	19,015	79,333	30,654
Loss on equity investment	-	-	-	7,775
Adjusted earnings before income taxes	58,455	43,392	134,615	96,650
Income taxes at effective tax rates	13,737	10,241	31,635	22,809
Adjusted net earnings	$ 44,718	$ 33,151	$ 102,980	$ 73,841

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

New Accounting Standards

Refer to Note 1 “Basis of Preparation and Presentation.”

Critical Accounting Policies and Estimates

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

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

Inventories: The Company uses the lower of cost, determined under the LIFO method, or market, to value substantially all of its inventories. In the high inflation environment that the Company is experiencing, the Company believes that the LIFO method was preferable over the FIFO method because it better matches the cost of current production to current revenue. An actual valuation of inventory under the LIFO method is made at the end of each fiscal year based on the inventory levels and costs at that time. In contrast, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels, production pack yields, sales and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation.

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

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

Pension Expense: The Company has a defined benefit plan which is subject to certain actuarial assumptions. The funded status of the pension plan is dependent upon many factors, including returns on invested assets and the level of certain market interest rates, employee-related demographic factors, such as turnover, retirement age and mortality, and the rate of salary increases. Certain assumptions reflect the Company's historical experience and management’s best judgment regarding future expectations.

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

Forward-Looking Information

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

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

Any of these factors, as well as such other factors as discussed in our other periodic filings with the SEC, could cause our actual results to differ materially from our anticipated results. The information provided in this Form 10-Q is based upon the facts and circumstances known as of the date of this report, and any forward-looking statements made by us in this Form 10-Q speak only as of the date on which they are made. Except as required by law, we undertake no obligation to update these forward-looking statements after the date of this Form 10-Q to reflect events or circumstances after such date, or to reflect the occurrence of unanticipated events.

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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. There have been no material changes to the Company's exposure to market risk since March 31, 2022. 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.

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ITEM 4 CONTROLS AND PROCEDURES

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

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 31, 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 Note 15 to the Consolidated Financial Statements included in Part II Item 8 of the Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

Item 1A. Risk Factors
There have been no material changes to the risk factors disclosed in the Company's Annual Report Form 10-K for the period ended March 31, 2022 except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors.

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

	Total Number of Shares Purchased		Average Price Paid per Share			
Period	Class A Common	Class B Common	Class A Common	Class B Common	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
10/01/2022 – 10/31/2022	64,997	-	$ 54.31	-	64,997	
11/01/2022 – 11/30/2022	-	-	$ -	-		
12/1/2022 12/31/2022 (1)	11,148	-	$ 61.57	-		
Total	76,145	-	$ 55.38	-	64,997	550,661

(1) Includes 11,148 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
None.

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PART II – OTHER INFORMATION

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Paul L. Palmby pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Timothy J. Benjamin pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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.*) (filed herewith)

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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

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

February 8, 2023

By: /s/ Timothy J. Benjamin
Timothy J. Benjamin
Chief Financial Officer
(Principal Financial Officer)

February 8, 2023

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
(Principal Executive Officer)

February 8, 2023

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
(Principal Financial Officer)

February 8, 2023

EXHIBIT 32

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

In connection with the Quarterly Report of Seneca Foods Corporation (the "Registrant") on Form 10-Q for the period ended December 31, 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
(Principal Executive Officer)

February 8, 2023

/s/ Timothy J. Benjamin
Timothy J. Benjamin
Chief Financial Officer
(Principal Financial Officer)

February 8, 2023