

Edgar Filing: Seneca Foods Corp - Form 10-Q

Seneca Foods Corp
Form 10-Q
February 02, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10 Q

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

For the Quarter Ended December 27, 2014 Commission File Number 0-01989

Seneca Foods Corporation

(Exact name of Company as specified in its charter)

New York 16 0733425

(State or other jurisdiction of (I. R. S. Employer
incorporation or organization) Identification No.)

3736 South Main Street, Marion, New York 14505
(Address of principal executive offices) (Zip Code)

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

Not Applicable

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

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

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 issuer's classes of common stock at the latest practical date are:

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Class	Shares Outstanding at January 23, 2015
Common Stock Class A, \$.25 Par	8,717,440
Common Stock Class B, \$.25 Par	2,015,673

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Seneca Foods Corporation
Quarterly Report on Form 10-Q
Table of Contents

	Page	
PART 1	FINANCIAL INFORMATION	
Item 1	Financial Statements:	
	Condensed Consolidated Balance Sheets-December 27, 2014, December 28, 2013 and March 31, 2014	1
	Condensed Consolidated Statements of Net Earnings-Three and Nine Months Ended December 27, 2014 and December 28, 2013	2
	Condensed Consolidated Statements of Comprehensive Income-Three and Nine Months Ended December 27, 2014 and December 28, 2013	2
	Condensed Consolidated Statements of Cash Flows-Nine Months Ended December 27, 2014 and December 28, 2013	3
	Condensed Consolidated Statements of Stockholders' Equity-Nine Months Ended December 27, 2014	4
	Notes to Condensed Consolidated Financial Statements	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3	Quantitative and Qualitative Disclosures about Market Risk	17
Item 4	Controls and Procedures	18
PART II	OTHER INFORMATION	
Item 1	Legal Proceedings	19
Item 1A	Risk Factors	19
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3	Defaults Upon Senior Securities	19
Item 4	Mine Safety Disclosures	19
Item 5	Other Information	19
Item 6	Exhibits	19
SIGNATURES		21

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Data)

	Unaudited December 27, 2014	Unaudited December 28, 2013	March 31, 2014
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 23,006	\$ 17,891	\$ 13,839
Accounts Receivable, Net	71,652	73,034	76,964
Inventories			
Finished Goods	405,598	444,627	304,955
Work in Process	26,304	14,053	12,353
Raw Materials and Supplies	115,247	92,043	133,942
Total Inventories	547,149	550,723	451,250
Deferred Income Taxes, Net	9,549	7,507	8,412
Refundable Income Taxes	-	704	-
Other Current Assets	21,824	27,037	33,594
Total Current Assets	673,180	676,896	584,059
Property, Plant and Equipment, Net	186,358	182,206	183,917
Deferred Income Tax Asset, Net	4,262	6,525	-
Other Assets	17,289	929	877
Total Assets	\$ 881,089	\$ 866,556	\$ 768,853
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes Payable	\$ 5,989	\$ 4,392	\$ 12,255
Accounts Payable	102,640	118,022	71,219
Accrued Vacation	10,993	10,920	10,997
Accrued Payroll	4,868	5,884	7,516
Other Accrued Expenses	31,574	32,881	26,111
Income Taxes Payable	4,881	-	913
Current Portion of Long-Term Debt	2,484	2,136	2,277
Total Current Liabilities	163,429	174,235	131,288
Long-Term Debt, Less Current Portion	294,303	266,416	216,239
Deferred Income Taxes, Net	-	-	339
Other Long-Term Liabilities	31,672	44,561	27,355
Total Liabilities	489,404	485,212	375,221
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock	2,119	5,410	5,332
Common Stock, \$.25 Par Value Per Share	3,010	2,955	2,958
Additional Paid-in Capital	96,553	93,160	93,260
Treasury Stock, at Cost	(39,095)	(31,878)	(29,894)
Accumulated Other Comprehensive Loss	(11,252)	(22,548)	(11,252)
Retained Earnings	340,350	334,245	333,228
Total Stockholders' Equity	391,685	381,344	393,632
Total Liabilities and Stockholders' Equity	\$ 881,089	\$ 866,556	\$ 768,853

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

1

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS

(Unaudited)

(In Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	December	December	December	December
	27,	28,	27,	28,
	2014	2013	2014	2013
Net Sales	\$456,207	\$477,694	\$1,008,411	\$1,046,449
Costs and Expenses:				
Cost of Product Sold	430,123	446,516	948,527	973,212
Selling and Administrative	18,759	20,271	50,681	52,046
Restructuring	889	-	889	501
Other Operating (Income) Loss	(5,033)	365	(4,839)	(423)
Total Costs and Expenses	444,738	467,152	995,258	1,025,336
Operating Income	11,469	10,542	13,153	21,113
Loss (Earnings) From Equity Investment	55	-	(231)	-
Interest Expense, Net	1,431	1,424	3,917	4,799
Earnings Before Income Taxes	9,983	9,118	9,467	16,314
Income Taxes	2,164	2,272	2,333	1,518
Net Earnings	\$7,819	\$6,846	\$7,134	\$14,796
Earnings Attributable to Common Stock	\$7,711	\$6,622	\$6,995	\$14,307
Basic Earnings per Common Share	\$0.72	\$0.62	\$0.65	\$1.33
Diluted Earnings per Common Share	\$0.71	\$0.61	\$0.65	\$1.32

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		Nine Months Ended	
Ended		December	December
December	December	December	December
27,	28,	27,	28,
2014	2013	2014	2013

Comprehensive income:				
Net				
earnings	\$ 6,846	\$ 7,134	\$ 14,796	
Change				
in				
pension				
and				
post				
retirement				
benefits				
(net				
of				
tax)-	-	-	-	
Total	\$ 6,846	\$ 7,134	\$ 14,796	

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

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Thousands)

	Nine Months Ended	
	December	December
	27, 2014	28, 2013
Cash Flows from Operating Activities:		
Net Earnings	\$7,134	\$14,796
Adjustments to Reconcile Net Earnings to		
Net Cash (Used in) Provided by Operations:		
Depreciation & Amortization	16,495	17,543
Gain on the Sale of Assets	(89)	(348)
Impairment Provision	889	501
Deferred Income Tax Benefit	(5,738)	(2,535)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	5,312	9,899
Inventories	(95,899)	(71,153)
Other Current Assets	11,770	(1,738)
Income Taxes	3,968	(4,804)
Accounts Payable, Accrued Expenses and Other Liabilities	37,653	50,409
Net Cash (Used in) Provided by Operations	(18,505)	12,570
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(19,232)	(12,058)
Proceeds from the Sale of Assets	326	996
Purchase Equity Method Investment	(16,308)	-
Net Cash Used in Investing Activities	(35,214)	(11,062)
Cash Flow from Financing Activities:		
Long-Term Borrowing	326,381	362,048
Payments on Long-Term Debt	(248,110)	(363,682)
(Payment) Borrowings on Notes Payable	(6,266)	4,392
Other	94	207
Purchase of Treasury Stock	(9,201)	(674)
Dividends	(12)	(12)
Net Cash Provided by Financing Activities	62,886	2,279
Net Increase in Cash and Cash Equivalents	9,167	3,787
Cash and Cash Equivalents, Beginning of the Period	13,839	14,104
Cash and Cash Equivalents, End of the Period	\$ 23,006	\$17,891

The
accompanying
notes are an
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condensed
consolidated
financial
statements.

3

SENECA FOODS CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY

(Unaudited)
 (In Thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
Balance March 31, 2014	\$ 5,332	\$ 2,958	\$ 93,260	\$(29,894)	\$ (11,252) \$333,228
Net earnings	-	-	-	-	-	7,134
Cash dividends paid						
on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	75	-	-	-
Stock issued for profit sharing plan	-	1	56	-	-	-
Preferred stock conversion	(3,213)	51	3,162	-	-	-
Purchase treasury stock	-	-	-	(9,201)	-	-
Balance December 27, 2014	\$ 2,119	\$ 3,010	\$ 96,553	\$(39,095)	\$ (11,252) \$340,350

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

4

SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 27, 2014

1. Unaudited Condensed Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of Seneca Foods Corporation (the "Company") as of December 27, 2014 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, 2014 balance sheet was derived from the audited consolidated financial statements.

The results of operations for the three and nine month periods ended December 27, 2014 are not necessarily indicative of the results to be expected for the full year.

In the nine months ended December 27, 2014, the Company sold \$138,034,000 of Green Giant finished goods inventory to General Mills Operations, LLC ("GMOL") for cash, on a bill and hold basis, as compared to \$150,345,000 for the nine months ended December 28, 2013. Under the terms of the bill and hold agreement, title to the specified inventory transferred to GMOL. The Company believes it has met the criteria required for bill and hold treatment.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 2014 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 2014 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. In April 2014, the Company purchased a 50% equity interest in Truitt Bros. Inc. ("Truitt") for \$16,308,000. The purchase agreement grants the Company the right to acquire the remaining 50% ownership of Truitt in the future under certain conditions. Truitt is known for its industry innovation related to packing shelf stable foods in trays, pouches and bowls. Truitt has two state-of-the-art plants located in Oregon and Kentucky. This investment is included in Other Assets in the Condensed Consolidated Balance Sheets. This is a level 3 investment and is accounted for using the equity method of accounting.

3. First-In, First-Out ("FIFO") based inventory costs exceeded LIFO based inventory costs by \$164,269,000 as of the end of the third quarter of fiscal 2015 as compared to \$155,126,000 as of the end of the third quarter of fiscal 2014. The change in the LIFO Reserve for the three months ended December 27, 2014 was an increase of \$5,315,000 as compared to an increase of \$7,676,000 for the three months ended December 28, 2013. The change in the LIFO

Reserve for the nine months ended December 27, 2014 was an increase of \$10,885,000 as compared to an increase of \$22,111,000 for the nine months ended December 28, 2013. This reflects the projected impact of an overall lower cost increase expected in fiscal 2015 versus fiscal 2014.

SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 December 27, 2014

4. Maximum borrowings under the Revolver total \$300,000,000 from April through July and \$400,000,000 from August through March. The Revolver balance as of December 27, 2014 was \$255,000,000 and is included in Long-Term Debt in the accompanying Condensed Consolidated Balance Sheet since the Revolver matures on July 20, 2016. The Company utilizes its Revolver for general corporate purposes, including seasonal working capital needs, to pay debt principal and interest obligations, and to fund capital expenditures and acquisitions. Seasonal working capital needs are affected by the growing cycles of the vegetables and fruits the Company processes. The majority of vegetable and fruit inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable and fruit produce are generally three months but can vary from a few days to seven months. Accordingly, the Company's need to draw on the Revolver may fluctuate significantly throughout the year.

The increase in average amount of Revolver borrowings during the first nine months of fiscal 2015 compared to the first nine months of fiscal 2014 was attributable to the Truitt investment of \$16,308,000 made in the first quarter of fiscal 2015 and reduced operating results.

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

The following table documents the quantitative data for Revolver borrowings during the third quarter and year-to-date periods of fiscal 2015 and fiscal 2014:

	Third Quarter		Year-to-Date	
	2015	2014	2015	2014
	(In thousands)		(In thousands)	
Reported end of period:				
Outstanding borrowings	\$255,000	\$226,000	\$255,000	\$226,000
Weighted average interest rate	1.91 %	1.42 %	1.91 %	1.42 %
Reported during the period:				
Maximum amount of borrowings	\$323,646	\$318,601	\$323,646	\$318,601
Average outstanding borrowings	239,585	259,683	228,730	214,884
Weighted average interest rate	1.57 %	1.53 %	1.52 %	1.64 %

5. During the nine month period ended December 27, 2014, there were 207,365 shares, or \$3,213,000, of Participating Preferred Stock (at Stated Value), converted to Class A Common Stock. During the nine month period ended December 27, 2014, the Company repurchased 292,395 shares of its Class A Common Stock as Treasury Stock at an aggregate purchase price of \$9,201,000. As of December 27, 2014, there are 1,307,439 shares of Treasury Stock purchased for \$39,095,000 in the aggregate. These shares are not considered outstanding. During the three-month period ended June 28, 2014, there were 1,720 shares, or \$56,000 of Class B Common Stock issued in lieu of cash compensation under the Company's Profit Sharing Bonus Plan.

SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 December 27, 2014

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

	Three Months Ended		Nine Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
	(In thousands)			
Service Cost	\$2,030	\$ 1,863	\$6,089	\$ 5,588
Interest Cost	2,059	1,890	6,177	5,670
Expected Return on Plan Assets	(2,739)	(2,373)	(8,217)	(7,118)
Amortization of Actuarial Loss	87	584	263	1,752
Net Periodic Benefit Cost	\$1,437	\$ 1,964	\$4,312	\$ 5,892

A contribution of \$350,000 was made to the Pension Plan during the three month period ended December 27, 2014 and a contribution of \$2,000,000 was made during the three month period ended December 28, 2013.

7. The following table summarizes the restructuring charges recorded and the accruals established:

	Long-Lived Asset Severance Charges		Other Costs	Total
	(In thousands)			
Balance March 31, 2014	\$10	\$ -	\$ -	\$ 10