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Seneca Foods Corp
Form 10-Q
February 02, 2016
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 26, 2015 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 22, 2016 |
|---------------------------------|--|
| Common Stock Class A, \$.25 Par | 7,905,802 |
| Common Stock Class B, \$.25 Par | 1,967,898 |

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

| | Unaudited December 26, 2015 | Unaudited December 27, 2014 | March 31, 2015 |
|---|--------------------------------------|--------------------------------------|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 19,029 | \$ 23,006 | \$ 10,608 |
| Accounts Receivable, Net | 74,981 | 71,652 | 69,837 |
| Inventories: | | | |
| Finished Goods | 482,025 | 405,598 | 301,705 |
| Work in Process | 23,352 | 26,304 | 10,167 |
| Raw Materials and Supplies | 125,804 | 115,247 | 160,540 |
| Total Inventories | 631,181 | 547,149 | 472,412 |
| Deferred Income Taxes, Net | - | 9,549 | 6,997 |
| Other Current Assets | 12,387 | 21,824 | 27,439 |
| Total Current Assets | 737,578 | 673,180 | 587,293 |
| Property, Plant and Equipment, Net | 189,765 | 186,358 | 185,557 |
| Deferred Income Tax Asset, Net | 14,946 | 4,262 | 14,829 |
| Other Assets | 17,930 | 17,289 | 18,015 |
| Total Assets | \$ 960,219 | \$ 881,089 | \$ 805,694 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Notes Payable | \$ 402 | \$ 5,989 | \$ 9,903 |
| Accounts Payable | 99,256 | 102,640 | 68,105 |
| Accrued Vacation | 11,761 | 10,993 | 11,347 |
| Accrued Payroll | 6,181 | 4,868 | 6,344 |
| Other Accrued Expenses | 37,056 | 31,574 | 23,732 |
| Income Taxes Payable | 14,188 | 4,881 | 1,787 |
| Current Portion of Long-Term Debt | 311,864 | 2,484 | 2,530 |
| Total Current Liabilities | 480,708 | 163,429 | 123,748 |
| Long-Term Debt, Less Current Portion | 36,650 | 294,303 | 271,634 |
| Pension Liabilities | 40,622 | 19,790 | 54,960 |
| Other Long-Term Liabilities | 11,967 | 11,882 | 3,622 |
| Total Liabilities | 569,947 | 489,404 | 453,964 |
| Commitments and Contingencies | | | |
| Stockholders' Equity: | | | |
| Preferred Stock | 1,344 | 2,119 | 2,119 |
| Common Stock, \$.25 Par Value Per Share | 3,023 | 3,010 | 3,010 |
| Additional Paid-in Capital | 97,373 | 96,553 | 96,578 |
| Treasury Stock, at Cost | (63,358) | (39,095) | (61,277) |
| Accumulated Other Comprehensive Loss | (31,804) | (11,252) | (31,804) |
| Retained Earnings | 383,694 | 340,350 | 343,104 |
| Total Stockholders' Equity | 390,272 | 391,685 | 351,730 |
| Total Liabilities and Stockholders' Equity | \$ 960,219 | \$ 881,089 | \$ 805,694 |

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 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| Net Sales | \$432,198 | \$456,207 | \$971,658 | \$1,008,411 |
| Costs and Expenses: | | | | |
| Cost of Product Sold | 379,075 | 430,123 | 869,182 | 948,527 |
| Selling and Administrative | 19,505 | 18,759 | 51,955 | 50,681 |
| Restructuring | 9,624 | 889 | 9,558 | 889 |
| Other Operating Income | (24,197) | (5,033) | (24,600) | (4,839) |
| Total Costs and Expenses | 384,007 | 444,738 | 906,095 | 995,258 |
| Operating Income | 48,191 | 11,469 | 65,563 | 13,153 |
| Loss (Earnings) From Equity Investment | 46 | 55 | 132 | (231) |
| Interest Expense, Net | 1,932 | 1,431 | 4,894 | 3,917 |
| Earnings Before Income Taxes | 46,213 | 9,983 | 60,537 | 9,467 |
| Income Taxes | 15,090 | 2,164 | 19,924 | 2,333 |
| Net Earnings | \$31,123 | \$7,819 | \$40,613 | \$7,134 |
| Earnings Attributable to Common Stock | \$30,832 | \$7,711 | \$40,180 | \$6,995 |
| Basic Earnings per Common Share | \$3.12 | \$0.72 | \$4.06 | \$0.65 |
| Diluted Earnings per Common Share | \$3.10 | \$0.71 | \$4.04 | \$0.65 |

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

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In Thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| Comprehensive income: | | | | |
| Net earnings | \$31,123 | \$ 7,819 | \$40,613 | \$ 7,134 |
| Change in pension and post retirement benefits (net of tax) | - | - | - | - |
| Total | \$31,123 | \$ 7,819 | \$40,613 | \$ 7,134 |

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

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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In Thousands)

| | Nine Months Ended | |
|---|----------------------|----------------------|
| | December 26, 2015 | December 27, 2014 |
| Cash Flows from Operating Activities: | | |
| Net Earnings | \$40,613 | \$7,134 |
| Adjustments to Reconcile Net Earnings to | | |
| Net Cash Used in Operations: | | |
| Depreciation & Amortization | 15,884 | 16,495 |
| Gain on the Sale of Assets | (43) | (89) |
| Provision for Restructuring Charges | 9,558 | 889 |
| Loss (Earnings) From Equity Investment | 132 | (231) |
| Deferred Income Tax Benefit | (966) | (5,738) |
| Changes in Operating Assets and Liabilities (net of acquisition): | | |
| Accounts Receivable | 1,150 | 5,312 |
| Inventories | (130,398) | (95,899) |
| Other Current Assets | 15,739 | 11,770 |
| Income Taxes | 12,401 | 3,968 |
| Accounts Payable, Accrued Expenses and Other Liabilities | 23,465 | 40,557 |
| Net Cash Used in Operations | (12,465) | (15,832) |
| Cash Flows from Investing Activities: | | |
| Additions to Property, Plant and Equipment | (6,396) | (21,905) |
| Proceeds from the Sale of Assets | 156 | 326 |
| Cash Paid for Acquisition (Net of Cash Acquired) | (23,784) | - |
| Purchase Equity Method Investment | - | (16,308) |
| Net Cash Used in Investing Activities | (30,024) | (37,887) |
| Cash Flow from Financing Activities: | | |
| Long-Term Borrowing | 301,232 | 326,381 |
| Payments on Long-Term Debt | (238,871) | (248,110) |
| Payments on Notes Payable | (9,501) | (6,266) |
| Other | 143 | 94 |
| Purchase of Treasury Stock | (2,081) | (9,201) |
| Dividends | (12) | (12) |
| Net Cash Provided by Financing Activities | 50,910 | 62,886 |
| Net Increase in Cash and Cash Equivalents | 8,421 | 9,167 |
| Cash and Cash Equivalents, Beginning of the Period | 10,608 | 13,839 |
| Cash and Cash Equivalents, End of the Period | \$19,029 | \$23,006 |

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

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, 2015 | \$ 2,119 | \$ 3,010 | \$ 96,578 | \$(61,277) | \$ (31,804 |) \$343,104 |
| Net earnings | - | - | - | - | - | 40,613 |
| Cash dividends paid | | | | | | |
| on preferred stock | - | - | - | - | - | (23) |
| Equity incentive program | - | - | 33 | - | - | - |
| Stock issued for profit sharing plan | - | - | - | - | - | - |
| Preferred stock conversion | (775) | 13 | 762 | - | - | - |
| Purchase treasury stock | - | - | - | (2,081) | - | - |
| Balance December 26, 2015 | \$ 1,344 | \$ 3,023 | \$ 97,373 | \$(63,358) | \$ (31,804 |) \$383,694 |

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

SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

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 26, 2015 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, 2015 balance sheet was derived from the audited consolidated financial statements.

The results of operations for the three and nine month periods ended December 26, 2015 are not necessarily indicative of the results to be expected for the full year.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 2015 Annual Report on Form 10-K.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes which requires that all deferred tax liabilities and assets of the same tax jurisdiction or a tax filing group, as well as any related valuation allowance, be offset and be presented as a single noncurrent amount in a classified balance sheet. The Company adopted this standard during the third quarter of fiscal 2016 on a prospective basis. Prior periods were not retrospectively adjusted.

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 2015 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.

On October 30, 2015, the Company, B&G Foods North America ("B&G"), General Mills, Inc. and GMOL entered into a Relationship Transfer Agreement. Pursuant to the terms of the Relationship Transfer Agreement (i) the Company has consented to the assignment by GMOL of the Second Amended and Restated Alliance Agreement ("Alliance Agreement") and certain related agreements to B&G in connection with the sale by GMOL of its Green Giant and Le Sueur businesses to B&G, (ii) effective upon such assignment, each of the Company and General Mills have released the other party from any future obligations under the Alliance Agreement and certain related agreements; (iii) effective upon such assignment, the Company and B&G have agreed to amend certain terms of the Alliance Agreement; (iv) the Company and B&G have agreed to cooperate and negotiate in good faith to enter into new agreements to replace or supplement the Alliance Agreement and certain related agreements as soon as practicable and (v) GMOL has agreed to pay Seneca for this assignment \$24,275,000 at the closing of the sale of GMOL's Green Giant and Le Sueur business to B&G. The effective date of the assignment was November 2, 2015.

During the nine months ended December 26, 2015, the Company sold \$126,050,000 of Green Giant finished goods inventory to General Mills Operations, LLC ("GMOL") for cash, on a bill and hold basis, as compared to \$138,641,000 for the nine months ended December 27, 2014. 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.

SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

On October 30, 2015, the Company completed the acquisition of 100% of the stock of Gray & Company. The business, based in Hart, Michigan, is a processor of maraschino cherries and a provider of glaze or candied fruit products. This acquisition includes a plant in Dayton, Oregon. The purchase price was approximately \$23,784,000 (net of cash acquired) plus the assumption of certain liabilities. In conjunction with the closing, the Company paid off \$12,034,000 of liabilities acquired. The rationale for the acquisition was twofold: (1) the business is a
 2. complementary fit with our existing business and (2) it provides an extension of our product offerings. This acquisition was financed with proceeds from the Company's revolving credit facility. The purchase price to acquire Gray & Company was allocated based on the internally developed preliminary fair value of the assets acquired and liabilities assumed and the preliminary independent valuation of inventory, intangibles, and property, plant, and equipment. The purchase price of \$23,784,000 has been allocated as follows (in thousands):

Purchase Price (net of cash received) \$23,784

Allocated as follows:

| | |
|-------------------------------|----------|
| Current assets | \$36,256 |
| Intangibles | 330 |
| Other long-term assets | 3 |
| Property, plant and equipment | 15,447 |
| Deferred Taxes | (8,022) |
| Other long-term liabilities | (4,323) |
| Current liabilities | (15,907) |
| Total | \$23,784 |

First-In, First-Out ("FIFO") based inventory costs exceeded LIFO based inventory costs by \$150,818,000 as of the end of the third quarter of fiscal 2016 as compared to \$164,269,000 as of the end of the third quarter of fiscal 2015. The change in the LIFO Reserve for the three months ended December 26, 2015 was a decrease of \$11,662,000 as
 3. compared to an increase of \$5,315,000 for the three months ended December 27, 2014. The change in the LIFO Reserve for the nine months ended December 26, 2015 was a decrease of \$13,249,000 as compared to an increase of \$10,885,000 for the nine months ended December 27, 2014. This reflects the projected impact of an overall cost decrease expected in fiscal 2016 versus an overall cost increase in fiscal 2015.

4. During December 2015, the Company exercised \$75,000,000 for the in-season facility and \$100,000,000 for the off-season facility of the remaining \$150,000,000 accordion feature of its existing revolving credit facility pursuant to the Second Amended and Restated Loan and Security Agreement dated July 20, 2011. Maximum borrowings under the Revolver total \$400,000,000 from April through July and \$475,000,000 from August through March. The Revolver balance as of December 26, 2015 was \$309,211,000 and is included in Current Portion of 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.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

The increase in average amount of Revolver borrowings during the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015 was attributable to the Gray & Company acquisition of \$23,784,000 made in the third quarter of fiscal 2016, the \$23,100,000 pension contribution made in fiscal 2016 and Inventories which are \$84,032,000 higher than the same period last year, partially offset by the \$24,275,000 received from General Mills for the agreement assignment to B&G Foods and increased operating results in the first nine months of fiscal 2016 as compared to the first nine months of fiscal 2015.

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 2016 and fiscal 2015:

| | Third Quarter | | Year-to-Date | |
|--------------------------------|----------------|-----------|----------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | (In thousands) | |
| Reported end of period: | | | | |
| Outstanding borrowings | \$309,211 | \$255,000 | \$309,211 | \$255,000 |
| Weighted average interest rate | 1.82 % | 1.91 % | 1.82 % | 1.91 % |
| Reported during the period: | | | | |
| Maximum amount of borrowings | \$323,980 | \$323,646 | \$323,980 | \$323,646 |
| Average outstanding borrowings | \$285,576 | \$273,927 | \$245,520 | \$228,730 |
| Weighted average interest rate | 1.90 % | 1.57 % | 1.93 % | 1.52 % |

During the nine-month period ended December 26, 2015 the Company repurchased 73,844 shares or \$2,078,000 of its Class A Common Stock as Treasury Stock and 60 shares or \$2,000 of its Class B Common Stock also as Treasury Stock. As of December 26, 2015, there are 2,220,218 shares or \$63,358,000 of repurchased stock. These shares are not considered outstanding.

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

| | Three Months | | Nine Months Ended | |
|----------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|
| | Ended December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| | (In thousands) | | | |
| Service Cost | \$2,473 | \$ 2,129 | \$7,418 | \$ 6,386 |
| Interest Cost | 2,226 | 2,059 | 6,677 | 6,177 |
| Expected Return on Plan Assets | (2,769) | (2,841) | (8,306) | (8,520) |
| Amortization of Actuarial Loss | 964 | 88 | 2,891 | 263 |
| Amortization of Transition Asset | 27 | - | 82 | - |
| Net Periodic Benefit Cost | \$2,921 | \$ 1,435 | \$8,762 | \$ 4,306 |

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Total contributions of \$23,100,000 were made to the Pension Plan during the nine month period ended December 26, 2015 and a contribution of \$350,000 was made during the nine month period ended December 27, 2014.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 December 26, 2015

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

| | Long-Lived | | Other Costs | Total |
|---------------------------|----------------------|------------------|----------------|---------|
| | Severance Charges | Asset Charges | | |
| | (In thousands) | | | |
| Balance March 31, 2015 | \$715 | \$ 264 | \$270 | \$1,249 |
| First quarter credit | (81) | - | - | (81) |
| Second quarter charge | 15 | - | - | 15 |
| Third quarter charge | 104 | 1,706 | 7,814 | 9,624 |
| Cash payments/write offs | (649) | - | (503) | (1,152) |
| Balance December 26, 2015 | \$104 | \$ 1,970 | \$7,581 | \$9,655 |
| Balance March 31, 2014 | \$10 | \$ - | \$- | \$10 |
| Third quarter charge | 533 | 316 | 40 | 889 |
| Cash payments/write offs | (8) | - | - | (8) |
| Balance December 27, 2014 | \$535 | \$ 316 | \$40 | \$891 |

During the quarter ended December 26, 2015, the Company recorded a restructuring charge of \$9,634,000 related to the closing of a plant in the Northwest of which \$104,000 was related to severance cost, \$1,706,000 was related to asset impairments (contra fixed assets), and \$7,824,000 was related to other costs (mostly operating lease costs).

During fiscal 2015, the Company recorded a restructuring charge of \$1,376,000 related to the closing of a plant in the Midwest of which \$842,000 was related to severance cost, \$264,000 was related to equipment costs (contra fixed assets), and \$270,000 was related to equipment relocation costs. During the first quarter of fiscal 2016, the Company reduced the severance portion of this accrual by \$81,000. During the second quarter of fiscal 2016, the Company increased the severance portion of this accrual by \$15,000. During the third quarter of fiscal 2016, the Company decreased the equipment relocation portion of this accrual by \$10,000.

8. During the quarter ended December 26, 2015, the Company recorded a gain of \$24,275,000 related to a contractual payment received in conjunction with a relationship transfer agreement with General Mills. During the quarter ended December 27, 2014, the Company recorded a gain of \$5,000,000 related to a contractual payment received in connection with the closing of a Midwest plant (see Note 7 above). During the quarter ended June 27, 2015, the Company reversed a provision for the Prop 65 litigation of \$200,000 and reduced an environmental accrual by \$82,000. In addition, during the six months ended September 27, 2014, there was a \$250,000 charge related to an environmental remediation. During the nine months ended December 26, 2015 and December 27, 2014, the Company sold some unused fixed assets which resulted in a gain of \$43,000 and \$89,000, respectively. These gains and the charge are included in other operating income in the Unaudited Condensed Consolidated Statements of Net Earnings.

SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on April 1, 2018 (beginning of fiscal 2019). Early adoption is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes which requires that all deferred tax liabilities and assets of the same tax jurisdiction or a tax filing group, as well as any related valuation allowance, be offset and be presented as a single noncurrent amount in a classified balance sheet. This standard is effective for the Company for fiscal years beginning after December 15, 2017 (beginning of fiscal 2019). Early adoption is permitted. The Company adopted this standard during the third quarter of fiscal 2016 on a prospective basis. Prior periods were not retrospectively adjusted.

There were no other recently issued accounting pronouncements that impacted the Company's condensed consolidated financial statements. In addition, the Company did not adopt any new accounting pronouncements (other than ASU 2015-17 above) during the quarter ended December 26, 2015.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

10. Earnings per share for the Quarters Ended December 26, 2015 and December 27, 2014 are as follows:

| Q U A R T E R | | Y E A R T O D A T E | |
|---------------|--------|---------------------|--------|
| Fiscal | Fiscal | Fiscal | Fiscal |
| 2016 | 2015 | 2016 | 2015 |

(In thousands, except per share amounts)

Basic

| | | | | |
|--|----------|---------|----------|---------|
| Net earnings | \$31,123 | \$7,819 | \$40,613 | \$7,134 |
| Deduct preferred stock dividends paid | 6 | 6 | 17 | 17 |
| Undistributed earnings | 31,117 | 7,813 | 40,596 | 7,117 |
| Earnings attributable to participating preferred | 285 | 102 | 416 | 122 |
| Earnings attributable to common shareholders | \$30,832 | \$7,711 | \$40,180 | \$6,995 |
| Weighted average common shares outstanding | 9,884 | 10,733 | 9,891 | 10,769 |
| Basic earnings per common share | \$3.12 | \$0.72 | \$4.06 | \$0.65 |

Diluted

| | | | | |
|---|----------|---------|----------|---------|
| Earnings attributable to common shareholders | \$30,832 | \$7,711 | \$40,180 | \$6,995 |
| Add dividends on convertible preferred stock | 5 | 5 | 15 | 15 |
| Earnings attributable to common stock on a diluted basis | \$30,837 | \$7,716 | \$40,195 | \$7,010 |
| Weighted average common shares outstanding-basic | 9,884 | 10,733 | 9,891 | 10,769 |
| Additional shares issuable related to the equity compensation plan | 2 | 4 | 2 | 4 |
| Additional shares to be issued under full conversion of preferred stock | 67 | 67 | 67 | 67 |
| Total shares for diluted | 9,953 | 10,804 | 9,960 | 10,840 |
| Diluted earnings per common share | \$3.10 | \$0.71 | \$4.04 | \$0.65 |

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As required by Accounting Standards Codification ("ASC") 825, "Financial Instruments," the Company estimates the fair values of financial instruments on a quarterly basis. The estimated fair value for long-term debt (classified as Level 2 in the fair value hierarchy) is determined by the quoted market prices for similar debt (comparable to the Company's financial strength) or current rates offered to the Company for debt with the same maturities.

11. Long-term debt, including current portion had a carrying amount of \$348,514,000 and an estimated fair value of \$349,137,000 as of December 26, 2015. As of March 31, 2015, the carrying amount was \$274,164,000 and the estimated fair value was \$274,999,000. The fair values of all the other financial instruments approximate their carrying value due to their short-term nature.

In June 2010, the Company received a Notice of Violation of the California Safe Drinking Water and Toxic Enforcement Act of 1986, commonly known as Proposition 65, from the Environmental Law Foundation ("ELF"). This notice was made to the California Attorney General and various other government officials, and to 49 companies including Seneca Foods Corporation whom ELF alleges manufactured, distributed or sold packaged peaches, pears, fruit cocktail and fruit juice that contain lead without providing a clear and reasonable warning to consumers. Under California law, proper notice must be made to the State and involved firms at least 60 days before any suit under Proposition 65 may be filed by private litigants like ELF. That 60-day period has expired and to date neither the California Attorney General nor any appropriate district attorney or city attorney has initiated an action against the Company. However, private litigant ELF filed an action against the Company and 27 other named companies on September 28, 2011, in Superior Court of Alameda County, California, alleging violations of Proposition 65 and seeking various measures of relief, including injunctive and declaratory relief and civil penalties. The Company, along with the other named companies, vigorously defended the claim. A responsive answer was filed, the discovery process was completed and a trial on liability was held beginning in April of 2013 in accordance with court schedules. The trial was completed on May 16, 2013 and, on July 15, 2013

12. the judge issued a tentative and proposed statement of decision agreeing with the Company, and the other defendants, that the "safe harbor" defense had been met under the regulations relating to Proposition 65 and the Company will not be required to place a Proposition 65 warning label on the products at issue in the case. The trial decision was finalized and the decision was appealed by ELF with a filing dated October 3, 2013. The California Court of Appeal, First Appellate District, Division One unanimously rejected the appeal by ELF in a decision dated March 17, 2015. ELF filed a petition for review with the California Supreme Court on April 28, 2015, and the petition was denied on July 8, 2015. With the successful defense of the case, the remedies portion of the case was not litigated and the denial of review by the California Supreme Court effectively ends the action, with only a few procedural matters to clean-up as a result of the denial of review. Our portion of legal fees in defense of this action have been sizable, as would be expected with litigation resulting in trial, and the appeal, but have not had a material adverse impact on the Company's financial position, results of operations, or cash flows. Additionally, in the ordinary course of its business, the Company is made party to certain legal proceedings seeking monetary damages, including proceedings invoking product liability claims, either directly or through indemnification obligations, and we are not able to predict the probability of the outcome or estimate of loss, if any, related to any such matter.

SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 26, 2015

The effective tax rate was 32.9% and 24.6% for the nine month periods ended December 26, 2015 and December 27, 2014, respectively. The 8.3 percentage point increase in the effective tax rate represents an increase in tax expense as a percentage of book income when compared to the same period last year. The major contributor to this increase is with the federal credits for R & D, WOTC and fuel. These credits are largely fixed and with the significant increase in pre-tax earnings for the nine months ended December 26, 2015, these credits are a smaller percentage of pre-tax earnings in comparison to the nine months ended December 27, 2014. This accounts for 5.9 percent of the increase.

During fiscal 2016 and 2015, the Company entered into some interim lease notes which financed down payments for various equipment orders at market rates. As of December 26, 2015, some of these interim notes had not been converted into operating leases since the equipment was not placed in service. These notes, which total \$402,000 and \$5,989,000 as of December 26, 2015 and December 27, 2014, respectively, are included in Notes Payable in the accompanying Condensed Consolidated Balance Sheets. These notes are expected to be converted into operating leases within the next twelve months.

SENECA FOODS CORPORATION AND SUBSIDIARIES
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(Unaudited)

December 26, 2015

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

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

Results of Operations:

Sales:

Third fiscal quarter 2016 results include net sales of \$432,198,000, which represents a 5.3% decrease, or \$24,009,000, from the third quarter of fiscal 2015. The decrease in sales is attributable to a sales volume decrease of \$44,045,000 partially offset by higher selling prices/sales mix of \$20,036,000. The decrease in sales is primarily from a \$10,759,000 decrease in GMOL sales, an \$8,050,000 decrease in Canned Fruit sales, a \$5,859,000 decrease in Canned Vegetable sales and a \$2,059,000 decrease in Other sales partially offset by a \$2,750,000 increase in Frozen sales. Canned Fruit sales include \$11,039,000 from Gray & Company sales which was acquired during the third fiscal quarter of 2016.

Nine months ended December 26, 2015 include net sales of \$971,658,000, which represents a 3.6% decrease, or \$36,753,000, from the first nine months of fiscal 2015. The decrease in sales is attributable to a sales volume decrease of \$63,566,000 partially offset by higher selling prices/sales mix of \$26,813,000. The decrease in sales is primarily from a \$14,019,000 decrease in Canned Fruit sales, a \$17,878,000 decrease in GMOL sales, a \$1,340,000 decrease in Canned Vegetable sales and a \$414,000 decrease in Frozen sales and a \$3,384,000 decrease in Other sales.

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

| | Three Months | | Nine Months | |
|----------------------|--------------|----------|-------------|-----------|
| | Ended | | Ended | |
| | December | December | December | December |
| | 26, | 27, | 26, | 27, |
| | 2015 | 2014 | 2015 | 2014 |
| Canned Vegetables | \$239.3 | \$245.1 | \$574.5 | \$575.8 |
| Green Giant Alliance | 94.7 | 105.5 | 142.3 | 160.1 |
| Frozen | 26.2 | 23.4 | 70.3 | 70.7 |
| Fruit Products | 63.9 | 71.9 | 158.5 | 172.5 |
| Snack | 2.6 | 2.7 | 9.3 | 9.0 |
| Other | 5.5 | 7.6 | 16.8 | 20.3 |
| | \$432.2 | \$456.2 | \$971.7 | \$1,008.4 |

Operating Income:

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SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 December 26, 2015

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

| | Three Months Ended | | Nine Months Ended | | |
|------------------------|----------------------|----------------------|----------------------|----------------------|---|
| | December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 | |
| Gross Margin | 12.3 | %5.7 | %10.5 | %5.9 | % |
| Selling | 2.4 | %2.3 | %2.8 | %2.7 | % |
| Administrative | 2.2 | %1.8 | %2.6 | %2.3 | % |
| Restructuring | 2.2 | %0.2 | %1.0 | %0.1 | % |
| Other Operating Income | -5.6 | %-1.1 | %-2.5 | %-0.5 | % |
| Operating Income | 11.1 | %2.5 | %6.6 | %1.3 | % |
| Interest Expense, Net | 0.4 | %0.3 | %0.5 | %0.4 | % |

For the three month period ended December 26, 2015, the gross margin increased from the prior year quarter from 5.7% to 12.3% due primarily to higher net selling prices (after considering promotions) in the current year as compared to the prior year. The LIFO credit for the third quarter ended December 26, 2015 was \$11,662,000 as compared to \$5,315,000 charge for the third quarter ended December 27, 2014 and reflects the impact on the current quarter of the current decreased inflationary cost increases expected in fiscal 2016, compared to fiscal 2015. On an after-tax basis, LIFO increased net earnings by \$7,580,000 for the quarter ended December 26, 2015 and decreased net earnings by \$3,455,000 for the quarter ended December 27, 2014, based on the statutory federal income tax rate.

For the nine month period ended December 26, 2015, the gross margin increased from the prior year period from 5.9% to 10.5% due primarily to higher net selling prices (after considering promotions) compared to the prior year, and a LIFO credit in the current year as compared to a charge in the prior year. The LIFO credit for the nine months ended December 26, 2015 was \$13,249,000 as compared to a charge of \$10,885,000 for the nine months ended December 27, 2014 and reflects the impact on the nine months of decreased inflationary cost increases expected in fiscal 2016, compared to fiscal 2015. On an after-tax basis, LIFO increased net earnings by \$8,612,000 for the nine months ended December 26, 2015 and decreased net earnings by \$7,075,000 for the nine months ended December 27, 2014, based on the statutory federal income tax rate.

For the three month period ended December 26, 2015, selling costs as a percentage of sales increased slightly from 2.3% to 2.4% from the same period in the prior year. For the nine month period ended December 26, 2015, selling costs as a percentage of sales increased slightly from 2.7% to 2.8% from the same period in the prior year.

For the three month period ended December 26, 2015, administrative expense as a percentage of sales increased from 1.8% to 2.2% compared to the same period in the prior year. For the nine month period ended December 26, 2015, administrative expense as a percentage of sales increased from 2.3% for the third quarter ended December 27, 2014 to 2.6%. Administrative expense increased for the nine month period ended December 26, 2015 as a percentage of sales due primarily to lower net sales in the current year as compared to the same period in the prior year and higher employment costs in fiscal 2016.

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During the quarter ended December 26, 2015, the Company recorded a restructuring charge of \$9,634,000 related to the closing of a plant in the Northwest of which \$104,000 was related to severance cost, \$1,706,000 was related to equipment costs (contra fixed assets), and \$7,824,000 was related to other costs (mostly operating lease costs).

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

During fiscal 2015, the Company recorded a restructuring charge of \$1,376,000 related to the closing of a plant in the Midwest of which \$842,000 was related to severance cost, \$264,000 was related to equipment costs (contra fixed assets), and \$270,000 was related to equipment relocation costs. During the first quarter of fiscal 2016, the Company reduced the severance portion of this accrual by \$81,000. During the second quarter of fiscal 2016, the Company increased the severance portion of this accrual by \$15,000. During the third quarter of fiscal 2016, the Company decreased the equipment relocation portion of this accrual by \$10,000.

During the quarter ended December 26, 2015, the Company recorded a gain of \$24,275,000 related to a contractual payment received in conjunction with a relationship transfer agreement with General Mills. During the quarter ended December 27, 2014, the Company recorded a gain of \$5,000,000 related to a contractual payment received in connection with the closing of a Midwest plant. During the quarter ended June 27, 2015, the Company reversed a provision for the Prop 65 litigation of \$200,000 and reduced an environmental accrual by \$82,000. In addition, during the six months ended September 27, 2014, there was a \$250,000 charge related to an environmental remediation. During the nine months ended December 26, 2015 and December 27, 2014, the Company sold some unused fixed assets which resulted in a gain of \$43,000 and \$89,000, respectively. These gains and the charge are included in other operating income in the Unaudited Condensed Consolidated Statements of Net Earnings.

Interest expense for the three months ended December 26, 2015, as a percentage of sales, increased from 0.3% to 0.4% from the three months ended December 27, 2014. Interest expense for the nine months ended December 26, 2015, as a percentage of sales, increased from 0.4% to 0.5% from the third quarter ended December 27, 2014. This increase was due to higher interest expense related to the Company's Revolver partially offset by decreased long-term debt interest attributable to scheduled debt payments.

Income Taxes:

The effective tax rate was 32.9% and 24.6% for the nine month periods ended December 26, 2015 and December 27, 2014, respectively. The 8.3 percentage point increase in the effective tax rate represents an increase in tax expense as a percentage of book income when compared to the same period last year. The major contributor to this increase is with the federal credits for R & D, WOTC and fuel. These credits are largely fixed and with the significant increase in pre-tax earnings for the nine months ended December 26, 2015, these credits are a smaller percentage of pre-tax earnings in comparison to the nine months ended December 27, 2014. This accounts for 5.9 percent of the increase.

Earnings per Share:

Basic earnings per share was \$3.12 and \$0.72 for the three months ended December 26, 2015 and December 27, 2014, respectively. Diluted earnings per share was \$3.10 and \$0.71 for the three months ended December 26, 2015 and December 27, 2014, respectively. Basic earnings per share was \$4.06 and \$0.65 for the nine months ended December 26, 2015 and December 27, 2014, respectively. Diluted earnings per share was \$4.04 and \$0.65 for the nine months ended December 26, 2015 and December 27, 2014, respectively. For details of the calculation of these amounts, refer to footnote 10 of the Notes to Condensed Consolidated Financial Statements.

Liquidity and Capital Resources:

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

SENECA FOODS CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

| | December 26, 2015 | December 27, 2014 | March 31, 2015 | March 31, 2014 |
|--|-------------------------|-------------------------|----------------------|----------------------|
| Working capital: | | | | |
| Balance | \$256,870 | \$509,751 | \$463,545 | \$452,771 |
| Change during quarter | 9,764 | (39,999) | | |
| Long-term debt, less current portion | 36,650 | 294,303 | 271,634 | 216,239 |
| Total stockholders' equity per equivalent common share (see Note) | 38.90 | 35.80 | 34.81 | 35.25 |
| Stockholders' equity per common share | 39.39 | 36.30 | 35.33 | 36.12 |
| Current ratio | 1.53 | 4.12 | 4.75 | 4.45 |

Note: Equivalent common shares are either common shares or, for convertible preferred shares, the number of common shares that the preferred shares are convertible into. See Note 7 of the Notes to Consolidated Financial Statements of the Company's 2015 Annual Report on Form 10-K for conversion details.

As shown in the Condensed Consolidated Statements of Cash Flows, net cash used in operating activities was \$12,465,000 in the first nine months of fiscal 2016, compared to net cash used in operating activities of \$15,832,000 in the first nine months of fiscal 2015. The \$3,367,000 decrease in cash used is primarily attributable to increased net earnings of \$33,479,000 as previously discussed, a \$8,669,000 increase in the impairment provision, a \$8,433,000 increase in cash provided by income taxes, a \$4,772,000 decrease in cash used by deferred taxes, a \$3,969,000 increase in cash provided by other current assets, partially offset by a \$34,499,000 higher increase in inventory in the first nine months of fiscal 2016 as compared to the first nine months of fiscal 2015, a \$17,092,000 decrease in the cash provided by Accounts Payable, Accrued Expenses and Other Liabilities, and a \$4,162,000 decrease in cash provided by accounts receivable.

As compared to December 27, 2014, inventory increased \$84,032,000 to \$631,181,000 at December 26, 2015. The components of the inventory increase reflect a \$76,427,000 increase in finished goods, a \$2,952,000 decrease in work in process and a \$10,557,000 increase in raw materials and supplies. The finished goods increase reflects higher inventory quantities and decreased sales volume as compared to the prior year. The raw materials and supplies increase is primarily due to an increase in cans and raw steel quantities compared to the prior year. FIFO based inventory costs exceeded LIFO based inventory costs by \$150,818,000 as of the end of the third quarter of 2016 as compared to \$164,269,000 as of the end of the third quarter of 2015.

Cash used in investing activities was \$30,024,000 in the first nine months of fiscal 2016 compared to cash used in investing activities of \$37,887,000 in the first nine months of fiscal 2015. Additions to property, plant and equipment were \$6,396,000 in the first nine months of fiscal 2016 as compared to \$21,905,000 in the first nine months of fiscal 2015. In October 2015, the Company acquired Gray & Company for \$23,784,000. In April 2014, the Company purchased a 50% equity interest in Truitt Bros. Inc. for \$16,308,000.

Cash provided by financing activities was \$50,910,000 in the first nine months of fiscal 2016, which included borrowings of \$301,232,000 and the repayment of \$238,871,000 of long-term debt, principally consisting of borrowing and repayment on the revolving credit facility ("Revolver"). Other than borrowings under the Revolver, there was no new long-term debt during the first nine months of fiscal 2016. In addition, the Company paid down

Notes Payable of \$9,501,000 during the nine month period ended December 26, 2015 related to some interim notes which became operating leases. During the nine months ended December 27, 2014, the Company repurchased \$9,201,000 of its Class A Common Stock as treasury stock.

During December 2015, the Company exercised \$75 million for the in-season facility and \$100 million for the off-season facility of the remaining \$150 million accordion feature of its existing revolving credit facility pursuant to the Second Amended and Restated Loan and Security Agreement dated July 20, 2011. Maximum borrowings under the Revolver total \$400,000,000 from April through July and \$475,000,000 from August through March. The interest rate on the Revolver is based on LIBOR plus an applicable margin based on excess availability and the Company's fixed charge coverage ratio. As of December 26, 2015, the interest rate was approximately 1.82% on a balance of \$309,211,000. We believe that cash flows from operations, availability under our Revolver and other financing sources will provide adequate funds for our working capital needs, planned capital expenditures, and debt obligations for at least the next 12 months.

The Company's credit facilities contain standard representations and warranties, events of default, and certain affirmative and negative covenants, including various financial covenants. At December 26, 2015, the Company was in compliance with all such financial covenants.

SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 26, 2015

New Accounting Standards

Refer to footnote 9 of the Notes to Condensed Consolidated Financial Statements.

Seasonality

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

Forward-Looking Information

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

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

SENECA FOODS CORPORATION AND SUBSIDIARIES
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(Unaudited)

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

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

Critical Accounting Policies

On October 30, 2015, the Company, B&G Foods North America ("B&G"), General Mills, Inc. and GMOL entered into a Relationship Transfer Agreement. Pursuant to the terms of the Relationship Transfer Agreement (i) the Company has consented to the assignment by GMOL of the Second Amended and Restated Alliance Agreement ("Alliance Agreement") and certain related agreements to B&G in connection with the sale by GMOL of its Green Giant and Le Sueur businesses to B&G, (ii) effective upon such assignment, each of the Company and General Mills have released the other party from any future obligations under the Alliance Agreement and certain related agreements; (iii) effective upon such assignment, the Company and B&G have agreed to amend certain terms of the Alliance Agreement; (iv) the Company and B&G have agreed to cooperate and negotiate in good faith to enter into new agreements to replace or supplement the Alliance Agreement and certain related agreements as soon as practicable and (v) GMOL has agreed to pay Seneca for this assignment \$24,275,000 at the closing of the sale of GMOL's Green Giant and Le Sueur business to B&G. The effective date of the assignment was November 2, 2015.

During the nine months ended December 26, 2015, the Company sold \$126,050,000 of Green Giant finished goods inventory to General Mills Operations, LLC ("GMOL") for cash, on a bill and hold basis, as compared to \$138,641,000 for the nine months ended December 27, 2014. Under the terms of the bill and hold agreement, title to the specified inventory transferred to GMOL. The Company believes it has met the revenue recognition criteria required for bill and hold treatment.

Trade promotions are an important component of the sales and marketing of the Company's branded products, and are critical to the support of the business. Trade promotion costs, which are recorded as a reduction of net sales, include amounts paid to encourage retailers to offer temporary price reductions for the sale of our products to consumers,

amounts paid to obtain favorable display positions in retailers' stores, and amounts paid to retailers for shelf space in retail stores. Accruals for trade promotions are recorded primarily at the time of sale of product to the retailer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorized process for deductions taken by a retailer from amounts otherwise due to us. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by retailers for amounts they consider due to them. Final determination of the permissible deductions may take extended periods of time.

SENECA FOODS CORPORATION AND SUBSIDIARIES
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(Unaudited)

December 26, 2015

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

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ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw material pricing and availability. In addition, the Company is exposed to fluctuations in interest rates, primarily related to its revolving credit facility. To manage interest rate risk, the Company uses both fixed and variable interest rate debt. There have been no material changes to the Company's exposure to market risk since March 31, 2015.

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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 26, 2015, 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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Item 1. Legal Proceedings

Refer to footnote 12 to the Condensed Consolidated Financial Statements included in Part I Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Form 10-K for the period ended March 31, 2015.

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

| Period | Total Number of Shares Purchased (1) | | Average Price Paid per Share | | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---------------------|--------------------------------------|----------------|------------------------------|----------------|--|--|
| | Class A Common | Class B Common | Class A Common | Class B Common | | |
| 10/01/15 – 10/31/15 | - | - | \$- | \$ - | - | - |
| 11/01/15 – 11/30/15 | 2,018 | - | 27.01 | - | - | - |
| 12/01/15 – 12/31/15 | 14,426 | - | 27.02 | - | - | - |
| Total | 16,444 | - | \$27.02 | \$ - | - | 1,267,354 |

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

10.1 Eighth Amendment to the Second Amended and Restated Loan and Security Agreement dated as of November 2, 2015 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, certain other subsidiaries of Seneca Foods Corporation, the financial institutions party thereto as lenders, Bank of America,

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N.A., as agent and issuing bank, RBS Citizens, N.A., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated with RBS Citizens, N.A., as joint lead arrangers (filed herewith).

Ninth Amendment to the Second Amended and Restated Loan and Security Agreement dated as of December 23, 2015 by and among Seneca Foods Corporation, Seneca Foods, LLC, Seneca Snack Company, certain other
10.2 subsidiaries of Seneca Foods Corporation, the financial institutions party thereto as lenders, Bank of America, N.A., as agent and issuing bank, RBS Citizens, N.A., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated with RBS Citizens, N.A., as joint lead arrangers (filed herewith).

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

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

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

101 The following materials from Seneca Foods Corporation's Quarterly Report on Form 10-Q for the three and nine months ended December 26, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of net earnings (loss), (iii) condensed consolidated statements of comprehensive income (loss), (iv) condensed consolidated statements of cash flows, (v) condensed consolidated statement of stockholders' equity and (vi) the notes to condensed consolidated financial statements.

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SIGNATURES

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

Seneca Foods Corporation
(Company)

/s/Kraig H. Kayser
February 2, 2016

Kraig H. Kayser
President and
Chief Executive Officer

/s/Timothy J. Benjamin
February 2, 2016

Timothy J. Benjamin
Chief Financial Officer