

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 Quarter Ended March 31, 2000 - Commission File No. 0-17196

MIDWEST GRAIN PRODUCTS, INC.

-----  
(Exact Name of Registrant as Specified in Its Charter)

KANSAS

48-0531200

-----  
(State or Other Jurisdiction  
Incorporation or Organization)

-----  
of IRS Employer  
Identification No.

1300 Main Street, Atchison, Kansas 66002

-----  
(Address of Principal Executive Offices and Zip Code)

(913) 367-1480

-----  
(Registrant's Telephone Number, Including Area Code)

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 the filing requirements for at least the past 90 days.

X    YES    NO  
---    ---    ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.  
792410.1

Common stock, no par value  
8,869,372 shares outstanding  
as of May 1, 2000.

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[LOGO]

Baird, Kurtz & Dobson

City Center Square  
1100 Main, Suite 2700  
Kansas City, Missouri 64105  
816 221-6300 FAX 816 221-6380  
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-----  
Independent Accountants' Review Report  
-----

Board of Directors and Stockholders  
Midwest Grain Products, Inc.  
Atchison, Kansas 66002

We have reviewed the condensed consolidated balance sheets of MIDWEST GRAIN PRODUCTS, INC. and subsidiaries as of March 31, 2000, and the related condensed consolidated statements of income for the three month and nine month periods ended March 31, 2000 and 1999, and the related condensed consolidated statements of cash flows for the nine month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with generally accepted accounting principles. We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of June 30, 1999, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and, in our report dated July 30, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 1999, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

s/Baird, Kurtz & Dobson  
BAIRD, KURTZ & DOBSON

Member of  
Moores Rowland International

Kansas City, Missouri  
April 26, 2000

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

ASSETS

March 31, 2000	June 30, 1999
-----	-----

(Unaudited)

CURRENT ASSETS		
Cash and cash equivalents	\$ 3,881	\$ 4,054
Receivables	30,036	26,656
Inventories	23,744	24,450
Prepaid expenses	1,399	1,174
Deferred income taxes	3,034	3,034
	-----	-----
Total Current Assets	62,094	59,368
	-----	-----
PROPERTY AND EQUIPMENT, At cost		
	229,078	224,381
Less accumulated depreciation	136,356	126,465
	-----	-----
	92,722	97,916
	-----	-----
OTHER ASSETS		
	137	86
TOTAL ASSETS		
	\$ 154,953	\$ 157,370
	=====	=====

See Accompanying Note to Condensed Consolidated  
Financial Statements and Independent Accountants'  
Review Report

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2000	June 30, 1999
	-----	-----
	(Unaudited)	
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 2,357	\$ 2,433
Accounts payable	9,410	9,129
Accrued expenses	3,592	4,296
Income taxes payable	2,313	457
	-----	-----
Total Current Liabilities	17,672	16,315
	-----	-----
LONG-TERM DEBT	18,681	21,099
	-----	-----
POST-RETIREMENT BENEFITS	6,197	6,312
	-----	-----
DEFERRED INCOME TAXES	8,199	8,199
	-----	-----
STOCKHOLDER' EQUITY		
Capital stock		
Preferred, 5% noncumulative, \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common, no par; authorized 20,000,000 shares; issued 9,765,172 shares	6,715	6,715
Additional paid-in capital	2,485	2,485
Retained earnings	103,104	99,183
	-----	-----
Treasury stock, at cost	112,308	108,387

Common; March 31, 2000 -

829,600 shares

June 30, 1999 - 239,100 shares (8,104) (2,942)

Total Stockholders' Equity	104,204	105,445
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 154,953	\$ 157,370

See Accompanying Note to Condensed Consolidated  
Financial Statements and Independent Accountants'  
Review Report

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands)

THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000 AND 1999

(Unaudited)

	Three Months		Nine Months	
	2000	1999	2000	1999
NET SALES	\$57,656	\$56,958	\$172,593	\$ 162,813
COST OF SALES	51,610	53,643	156,367	148,995
GROSS PROFIT	6,046	3,315	16,226	13,818
SELLING, GENERAL AND ADMINIS- TRATIVE EXPENSES	3,154	2,512	8,835	8,680
OTHER OPERATING INCOME	2,892	803	7,391	5,138
	1	40	45	145
INCOME FROM OPERATIONS	2,893	843	7,436	5,283
OTHER INCOME (LOSS)				
Interest	(354)	(467)	(1,115)	(1,553)
Other	119	7	161	117
INCOME BEFORE INCOME TAXES	2,658	383	6,482	3,847
PROVISION FOR INCOME TAXES	1,051	151	2,561	1,519
NET INCOME	\$ 1,607	\$ 232	\$ 3,921	\$ 2,328
EARNINGS PER COMMON SHARE	\$ .18	\$ .02	\$ .43	\$ .24

See Accompanying Note to Condensed Consolidated  
Financial Statements and Independent Accountants'  
Review Report

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

NINE MONTHS ENDED MARCH 31, 2000 AND 1999

(Unaudited)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,921	\$ 2,328
Items not requiring (providing) cash:		
Depreciation	10,095	10,197
(Gain) loss on sale of equipment	6	(19)
Changes in:		
Accounts receivable	(3,380)	1,780
Inventories	706	(7,637)
Prepaid expenses and other assets	(276)	(385)

Accounts payable	(38)	1,123
Accrued expenses	(819)	(75)
Income taxes receivable/payable	1,856	2,521
	-----	-----
Net cash provided by operating activities	12,071	9,833
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(4,594)	(5,071)
Proceeds from sale of equipment	6	31
	-----	-----
Net cash used in investing activities	(4,588)	(5,040)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(5,162)	(1,704)
Net payments on long-term debt	(2,494)	(2,322)
Net proceeds from issuance of long-term debt	-	2,000
	-----	-----
Net cash used in financing activities	(7,656)	(2,026)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(173)	2,767
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,054	4,723
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,881	\$ 7,490
	=====	=====

See Accompanying Note to Condensed Consolidated  
Financial Statements and Independent Accountants'  
Review Report

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MIDWEST GRAIN PRODUCTS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED MARCH 31, 2000

(Unaudited)

NOTE 1: GENERAL

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's condensed consolidated financial position as of March 31, 2000, and the condensed consolidated results of its operations and its cash flows for the periods ended March 31, 2000 and 1999, and are of a normal recurring nature.

The condensed consolidated balance sheet as of June 30, 1999 has been derived from the audited consolidated balance sheet as of that date.

See Independent Accountants' Review Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000

Item 2.

RESULTS OF OPERATIONS

## General

The Company's net income of \$1,607,000 in the third quarter of fiscal 2000 represented a significant improvement over the net income of \$232,000 that was experienced in the third quarter of fiscal 1999. The increase was principally due to the effects of heightened demand for the Company's vital wheat gluten, specialty and modified wheat proteins and wheat starches. Lower per unit costs for grain also contributed to the increase. These conditions partially offset the impact of reduced selling prices for the Company's alcohol products resulting from the continuation of excess alcohol supplies throughout the industry. To improve alcohol production efficiencies long-term, the Company currently is installing new distillation equipment at its Atchison plant. The project is scheduled for completion in the first quarter of fiscal 2001 and is expected to further enhance the Company's high quality food grade alcohol. In addition, the Company currently is experiencing increased demand for its fuel grade alcohol.

While the nearly two-year-old quota on imports of foreign wheat gluten has helped reduce some of the severe effects of excessive, artificially-priced gluten shipments from the European Union, the Company has seen a substantial increase in shipments from other parts of the world, particularly Poland. Also, with the opening of the third year of the quota on June 1, the market could experience a rapid influx of imports as individual foreign producers accelerate efforts to move product into the U.S. before quota limits placed on their respective countries are met. With the realization of stable to lower wheat prices in the months ahead, the Company would expect the impact of these conditions to be partially offset. In addition, the Company expects to realize continued growth in sales of its specialty wheat proteins, which are derived from wheat gluten and marketed for use in a variety of value-added food and non-food applications.

Third quarter sales of wheat starch were boosted largely by heightened demand for the Company's modified and specialty starches. To further serve customers' requirements for these unique ingredients, the Company recently completed the installation of additional production capacity at its Atchison plant.

## Sales

Net sales in the third quarter of fiscal 2000 increased nearly \$700,000 above net sales in the third quarter of fiscal 1999. The increase resulted principally from higher sales of wheat gluten and premium wheat starch.

Growth in wheat gluten sales in the third quarter occurred as the result of higher unit sales of wheat gluten and specialty wheat proteins together with a modest improvement in selling prices.

Sales of wheat starch increased as the result of higher unit sales, while selling prices for this product were slightly below selling prices in the third quarter of fiscal 1999. The lower selling prices occurred with a reduction in raw material prices for wheat.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000

Third quarter alcohol sales dropped below the level reached a year ago due to a decrease in total unit sales along with lower selling prices for fuel grade alcohol and food grade alcohol for beverage applications. The decline in alcohol selling prices was due to lower demand caused mainly by the continuation of excess supplies throughout the industry. In the final quarter of fiscal 2000, however, fuel alcohol prices have taken an upturn as demand has risen. Sales of distillers' feed, the principal by-product of the alcohol production process, dropped below sales of a year ago. This was due to lower unit sales as the selling price was approximately even with the same period the prior year.

Net sales for the first nine months of fiscal 2000 increased by approximately \$9.8 million above net sales for the first nine months of fiscal 1999. The majority of this increase occurred in the second quarter for the same reasons as cited above.

## Cost of Sales

The cost of sales in the third quarter of fiscal 2000 decreased by approximately \$2.0 million compared to cost of sales in the third quarter of fiscal 1999. The decrease was principally due to lower alcohol sales and lower per unit grain costs.

The cost of sales for the first nine months of fiscal 2000 rose by approximately \$7.4 million above the cost of sales for the first nine months the prior year. This was due to higher energy and manufacturing costs together with costs associated with increased volume sales, largely of gluten and alcohol products. Lower per unit grain prices partially offset the higher costs resulting from increased volumes.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, the Company enters into commodity contracts to reduce or hedge the risk of future grain price increases. The contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of contract costs when contract positions are settled and as related products are sold. For the third quarter of fiscal 2000, no contracts settled during the quarter while a net hedging loss of approximately \$836,000 was experienced for the third quarter of fiscal 1999. For the first nine months of fiscal 2000, raw material costs included a net hedging loss of \$1,204,000 on contracts compared to a net hedging loss of \$2,908,000 for the first nine months the prior year.

#### Selling General and Administrative Expenses

Selling, general and administrative expenses in the third quarter of fiscal 2000 increased by approximately \$642,000 above selling, general and administrative expenses in the third quarter of fiscal 1999. The increase was due largely to employee-related costs, industry association fees and costs related to increased marketing activities. These same factors, along with higher technology costs, resulted in an increase of approximately \$155,000 in selling, general and administrative expenses for the first nine months of fiscal 2000 compared to the first nine months of fiscal 1999. A sizeable reduction in bad debts partially offset this increase.

The consolidated effective income tax rate is consistent for all periods. The general effects of inflation were minimal.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000

#### Net Income

As the result of the foregoing factors, the Company experienced net income of \$1,607,000 in the third quarter of fiscal 2000 compared to net income of \$232,000 in the third quarter of fiscal 1999. For the first nine months of fiscal 2000, the Company had net income of \$3,921,000 versus net income of \$2,328,000 for the first nine months of fiscal 1999.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000

#### LIQUIDITY AND CAPITAL RESOURCES

The following table is presented as a measure of the Company's liquidity and financial condition:

	March 31, 2000 -----	June 30, 1999 -----
(in thousands)		
Cash and cash equivalents	\$ 3,881	\$ 4,054
Working capital	44,422	43,053
Amounts available under lines of credit	23,000	33,000

Notes payable and long-term debt	21,038	23,532
Stockholders' equity	104,204	105,445

Short-term liquidity continues to be impacted by the high inventory requirements to meet anticipated customer needs for wheat gluten. While still at high levels, gluten inventories have moderated somewhat during the past two quarters due to higher sales volumes and lower costs. As expected, the increased customer requirements result from the three-year import quota to create a more fair and stable competitive environment. The Company anticipates maintaining this high level to satisfy customer needs throughout fiscal 2000. Additionally, alcohol inventories have remained level as sales have approximated production, but excess supplies still exist throughout the industry.

Short-term liquidity was also impacted by open market purchases of 590,500 shares of the Company's common stock. These purchases were made to fund the Company's stock option plans and for other corporate purposes.

At March 31, 2000, the Company had \$6.8 million committed to improvements in production efficiencies and replacements of existing equipment, which includes the equipment described in the first and third paragraphs on page 8.

The Company continues to maintain a strong working capital position and a low debt-to-equity ratio while generating strong earnings before interest, taxes and depreciation. Management believes this strong financial position and available lines of credit will allow the Company to effectively supply the increased customer needs for vital wheat gluten as market demand increases due to the effects of the quotas on imports of foreign wheat gluten, as well as its other products.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000

FORWARD-LOOKING INFORMATION

This report contains forward-looking statements as well as historical information. Forward-looking statements are identified by or are associated with such words as "intend," "believe," "estimate," "expect," "anticipate," "hopeful" and similar expressions. They reflect management's current beliefs and estimates of future economic circumstances, industry conditions, Company performance and financial results and are not guarantees of future performance. The forward-looking statements are based on many assumptions and factors including those relating to grain prices, energy costs, product pricing, competitive environment and related market conditions, operating efficiencies, access to capital and actions of governments. Any changes in the assumptions or factors could produce materially different results than those predicted and could impact stock values.



MIDWEST GRAIN PRODUCTS, INC.  
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
 FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2000

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company produces its products from wheat, corn and milo and, as such, is sensitive to changes in commodity prices. Grain futures and/or options are used as a hedge to protect against fluctuations in the market. The information regarding inventories and futures contracts at June 30, 1999, as presented in the annual report, is not significantly different from March 31, 2000.

MIDWEST GRAIN PRODUCTS, INC.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

15.1 Letter from independent public accountants pursuant to paragraph (d) of Rule 10-01 of Regulation S-X (incorporated by reference to Independent Accountants' Review Report at page 2 hereof.)

15.2 Letter from independent public accountants concerning the use of its Review Report in the Company's Registration Statement No. 333-51849.

27 Financial Data schedule for the quarter ending March 31, 2000

99 Press Release dated May 9, 2000 (w/o financial statements).

(b) Reports on Form 8-K

The Company has filed no reports on Form 8-K during the quarter ended March 31, 2000.

MIDWEST GRAIN PRODUCTS, INC.

SIGNATURES

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

MIDWEST GRAIN PRODUCTS, INC.

Date: May 11, 2000

s/Ladd M. Seaberg  
By \_\_\_\_\_  
Ladd M. Seaberg, President  
and Chief Executive Officer

Date: May 11, 2000

s/Robert G. Booe  
By \_\_\_\_\_  
Robert G. Booe, Vice President  
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No. -----	Description -----
15.1	Letter from independent public accountants pursuant to paragraph (d) of Rule 10-01 of Regulation S-X (incorporated by reference to Independent Accountants' Review Report at

page 2 hereof.)

- 15.2 Letter from independent public accountants concerning the use of its Review Report in the Company's Registration Statement No. 333-51849.
- 27 Financial Data schedule for the quarter ending March 31, 2000
- 99 Press Release dated May 9, 2000 (w/o financial statements).

[LOGO]

Baird, Kurtz & Dobson

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Kansas City, Missouri 64105  
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www.bkd.com

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

We are aware that our report dated April 26, 2000 on our review of the interim financial information of Midwest Grain Products, Inc. for the periods ended March 31, 2000 and 1999 is incorporated by reference in this registration statement. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

s/ Baird, Kurtz & Dobson  
BAIRD, KURTZ & DOBSON

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Kansas City, Missouri  
April 26, 2000

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<TABLE> <S> <C>

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Exhibit 27

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM  
MIDWEST GRAIN PRODUCTS, INC. CONSOLIDATED STATEMENT OF INCOME FOR  
THE NINE MONTHS ENDED MARCH 31, 2000 AND CONSOLIDATED BALANCE  
SHEET AS AT MARCH 31, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY  
REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<FN>

<F1> Reflects Receivables less Allowances.

<F2> Reflects retained earnings and additional paid in captial  
less cost of Treasury Stock.

<F3> Reflects cost of sales and selling, general &  
administrative expenses.

</FN>

</TABLE>

[Midwest Grain Products Logo and Address]

News Release

FOR IMMEDIATE RELEASE: MIDWEST GRAIN REPORTS SIGNIFICANT INCREASE  
IN THIRD QUARTER EARNINGS

ATCHISON, Kan., May 8, 2000--Midwest Grain Products, Inc. (MWGP), today reported that the company's net income for the third quarter of fiscal 2000 climbed to \$1,607,000, or 18 cents per share, significantly overshadowing the prior year's third quarter net income of \$232,000, or 2 cents per share. Sales for the period, which ended March 31, 2000, were \$57,656,000 compared to sales of \$56,958,000 for the third quarter of fiscal 1999.

For the first nine months of fiscal 2000, the company had net income of \$3,921,000, or 43 cents per share, on sales of \$172,593,000, compared to net income of \$2,328,000, or 24 cents per share, on sales of \$162,813,000 for the first nine months of fiscal 1999.

According to Ladd Seaberg, president and chief executive officer, the third quarter earnings improvement resulted primarily from increased demand for vital wheat gluten, specialty wheat proteins and wheat starches. Lower raw material costs for grain on a per unit basis also had a favorable impact on the quarter's results, he noted. The company's third quarter alcohol sales, meanwhile, continued to be subjected to tight market conditions, squeezing selling prices below levels of a year ago. However, Seaberg reported, alcohol sales currently are benefitting from increased demand and improved pricing in the fuel grade sector.

Seaberg also reported that steady growth is expected to continue in sales of the company's value-added wheat-based ingredients, which are produced and marketed for use in a variety of food and non-food applications. "These products, consisting of specialty and modified proteins and starches, hold tremendous promise and are the focal point of our long-term growth strategies," Seaberg said. "They continue to effectively prove their ability to satisfy evolving needs in the marketplace such as helping customers meet growing demand for products that offer greater consumer convenience, selection and quality."

To strengthen the company's sales capabilities, "we are fortifying our marketing operations with an enhanced organizational structure that should allow us to more effectively and rapidly move our products, particularly our specialty proteins and starches, into a higher growth mode," Seaberg stated. "Measures we are taking include the creation of an executive vice president's position to oversee the development and implementation of all marketing and sales programs, and the addition of experienced formulation scientists to assist our sales personnel in providing enhanced technical support services to customers. Additionally, we intend to actively explore possibilities for future acquisitions and/or relationships that would complement our growth strategies, add to our profitability and help strengthen stockholder value," he said.

"In the immediate future," Seaberg continued, "we expect fuel alcohol demand to remain at or near the current higher level through the summer months when motor fuel usage in this country typically climbs." He added that grain-based fuel alcohol, or ethanol as it is commonly known, has

recently gained increased favor in the marketplace as "the safe, effective and logical answer" to the nation's gasoline oxygenate needs. This has resulted from the Environmental Protection Agency's recent proposal to phase-out MTBE, a synthetically-derived oxygenate, as the result of health-related environmental concerns. Seaberg also pointed out that prices for corn, which is used in the alcohol production process, have nudged up due mainly to concerns about dry soil conditions in sections of the nation's grain belt. As a result, improvements in fuel alcohol prices could be partially offset, he noted.

While continuing at a higher rate than was experienced a year ago, sales of the company's vital wheat gluten have slackened some since the end of the third quarter, Seaberg reported. "Although the nearly two-year-old quota on imports of foreign gluten has helped alleviate some of the severe effects of excessive, artificially-priced shipments from the European Union, we have seen a substantial rise in gluten shipments from other parts of the world, most notably Poland," he said. "Furthermore, with the opening of the third year of the quota on June 1, the market could be immediately inundated with imports as individual producers race to beat quota limits placed on their respective countries." Seaberg indicated that a stabilization or lowering of grain raw material costs could help counter these conditions in the gluten market.

Seaberg added that actions to improve the effectiveness of the quota presently are being pursued in Washington. "While there is no certainty as to when or to what extent additional steps might be taken, further action on this issue would reinforce the intent of the quota to help create a more level and stable playing field in the gluten market," Seaberg stated. "Additionally," he said, "it would demonstrate to the American public and to current and future trade partners that

the United States is sincere about enforcing necessary safeguard measures to preserve fair trade.

This news release contains forward-looking statements as well as historical information. Forward-looking statements are identified by or are associated with such words as "intend," "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may" and similar expressions. They reflect management's current beliefs and estimates of future economic circumstances, industry conditions, company performance and financial results and are not guarantees of future performance. The forward-looking statements are based on many assumptions and factors, including those relating to grain prices, gasoline prices, energy costs, product pricing, competitive environment and related marketing conditions, operating efficiencies, access to capital and actions of governments. Any changes in the assumptions or factors could produce materially different results than those predicted and could impact stock values.

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