

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 September 30, 1998 - Commission File No. 0-17196

MIDWEST GRAIN PRODUCTS, INC.
(Exact Name of Registrant as Specified in Its Charter)

KANSAS
(State or Other Jurisdiction of
Incorporation or Organization)

48-0531200
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.

Common stock, no par value
9,700,172 shares outstanding
as of November 1, 1998

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[LOGO] Baird, Kurtz & Dobson City Center Square
 Certified Public Accountants 1100 Main Street, Suite 2700 <http://www.bkd.com>
 Kansas City, Missouri 64105-2112 Member of
 816-221-6300 Fax: 816-221-6380 Moores Rowland
 International

 Independent Accountants' Review Report

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

We have reviewed the accompanying condensed consolidated balance sheet of MIDWEST GRAIN PRODUCTS, INC. and subsidiaries as of September 30, 1998, and the related condensed consolidated statements of income for the three month periods ended September 30, 1998 and 1997, and the related condensed consolidated statements of cash flows for the three-month periods ended September 30, 1998 and 1997. These financial statements are the responsibility of the Company's management.

We conducted our review 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 review, 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, 1998, 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 August 4, 1998, 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, 1998, 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

Kansas City, Missouri
 October 28, 1998

[BKD Logo]

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

ASSETS

	September 30, 1998	June 30, 1998
	-----	-----
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 304	\$ 4,723
Receivables	24,504	26,369
Inventories	26,097	20,430
Prepaid expenses	1,341	753
Deferred income taxes	2,343	2,343
Income taxes receivable	898	1,334
	-----	-----
Total Current Assets	55,487	55,952
	-----	-----
PROPERTY AND EQUIPMENT, At cost		
	219,966	218,590
Less accumulated depreciation	116,359	112,976
	-----	-----
	103,607	105,614
	-----	-----
OTHER ASSETS		
	411	412
	-----	-----
	\$ 159,505	\$ 161,978
	=====	=====

See Accompanying Notes 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

	September 30, 1998	June 30, 1998
	-----	-----
	(Unaudited)	
CURRENT LIABILITIES		
Note payable--bank	\$ 1,000	\$ 1,000
Current maturities of long-term debt	2,296	2,360
Accounts payable	7,511	9,072
Accrued expenses	2,461	3,695
	-----	-----
Total Current Liabilities	13,268	16,127
	-----	-----
LONG-TERM DEBT		
	25,312	25,536
	-----	-----
POST-RETIREMENT BENEFITS		
	6,464	6,520
	-----	-----
DEFERRED INCOME TAXES		
	7,470	7,470
	-----	-----
STOCKHOLDERS' 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	98,579	97,913
	-----	-----
	107,783	107,117
Treasury stock, at cost		
Common; 1997 - 65,000 shares	(792)	(792)
	-----	-----
	106,991	106,325
	-----	-----
Total liabilities and stockholders' equity	\$ 159,505	\$ 161,978
	=====	=====

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

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

(Unaudited)

	1998	1997
	-----	-----
	(in thousands, except per share amounts)	
NET SALES	\$ 51,938	\$ 57,623
COST OF SALES	47,509	55,012
	-----	-----
GROSS PROFIT	4,429	2,611
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,906	2,644
	-----	-----
	1,523	(33)
OTHER OPERATING INCOME	41	14
	-----	-----
INCOME (LOSS) FROM OPERATIONS	1,564	(19)
OTHER INCOME (LOSS) NET		
Interest	(525)	(455)
Other	62	78
	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	1,101	(396)
PROVISION (CREDIT) FOR INCOME TAXES	435	(161)
	-----	-----
NET INCOME (LOSS)	\$ 666	\$ (235)
	=====	=====
EARNINGS (LOSS) PER COMMON SHARE	\$ 0.07	\$ (0.02)
	=====	=====

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

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

(Unaudited)

	1998	1997
	-----	-----
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 666	\$ (235)

Items not requiring (providing) cash:		
Depreciation	3,398	3,460
Gain on sale of equipment	(3)	
Changes in:		
Accounts receivable	1,865	(209)
Inventories	(5,667)	(1,960)
Prepaid expenses	(587)	(508)
Accounts payable	(1,454)	1,146
Accrued expenses	(1,290)	(1,197)
Income taxes receivable	436	(911)
	-----	-----
Net cash used in operating activities	(2,636)	(414)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,499)	(1,179)
Proceeds from sale of equipment	5	
	-----	-----
Net cash used in investing activities	(1,494)	(1,179)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances (payments) on notes payable	2,000	(4,000)
Net payments of long-term debt	(2,289)	
	-----	-----
Net cash used in financing activities	(289)	(4,000)
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(4,419)	(5,593)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,723	6,005
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 304	\$ 412
	=====	=====

See Accompanying Notes to Condensed Consolidated Financial Statements and Independent Accountants= Review Report

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MIDWEST GRAIN PRODUCTS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 1998

(Unaudited)

NOTE: 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 September 30, 1998, and the condensed consolidated results of its operations and its cash flows for the periods ended September 30, 1998 and 1997, and are of a normal recurring nature.

See Independent Accountants= Review Report

MIDWEST GRAIN PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 1998

RESULT OF OPERATIONS

General

The Company's net income of \$666,000 in the first quarter of fiscal 1999 represented a sizeable improvement over the net loss of \$235,000 that was experienced in the first quarter of fiscal 1998. The upturn resulted primarily from lower raw material costs for wheat, corn and milo, and increased productivity in the Company's wheat gluten processing operations. Reduced grain prices were due to excellent growing conditions and abundant harvests during the spring, summer and early fall. Gluten production levels were raised partially in response to heightened market interest, but mainly in preparation to effectively satisfy future customer requirements resulting from an expected reduction in imports of subsidized and artificially priced wheat gluten from the European Union (E.U.).

On June 1, the White House implemented a three-year quota on imports of foreign wheat gluten following a unanimous recommendation from the United States International Trade Commission (ITC). The White House additionally announced that international negotiations would be pursued to address the underlying cause of the increase in imports of wheat gluten, particularly from the E.U., or to otherwise alleviate injury to the domestic industry.

During the first year of implementation, the quota will restrict wheat gluten imports to 126 million pounds, a reduction of approximately 30% compared to the amount of gluten imported by the U.S. during the Company's 1998 fiscal year. In each of the two following years, imports will be allowed to increase by 6%. Within the quota, separate quotas for the E.U., Australia and all other non-excluded countries were assessed. Countries excluded from the quota are Canada, Mexico, Israel and the beneficiary countries of the Caribbean Basin Economic Recovery Act or the Andean Trade Preferences Act.

According to recent government data, by early November 1998, the E.U.'s quota of 54 million pounds for the first 12-month quota period was already filled. The first year quota period ends May 31, 1998. As a result, the Company expects a more fair and stable competitive environment to exist in the U.S. wheat gluten market for much of the remainder of the current fiscal year.

The quota on imported gluten is consistent with the type of remedy requested by the Company and the Wheat Gluten Industry Council (WGIC) of the U.S. That request was made in a petition that was filed by the WGIC on September 19, 1997 under Section 201 of the Trade Act of 1974. The petition was filed on the grounds that the U.S. wheat gluten industry has been seriously injured by the surge in low priced wheat gluten imports from the E.U. Profits from their highly subsidized and protected wheat starch business have allowed E.U. producers to unload huge surpluses of wheat gluten, a co-product, in the U.S. market at prices below U.S. production costs. In recent years, this has forced domestic producers to drastically under-utilize production capacities and relinquish sizeable percentages of market share.

The Company expects the import quota to help establish a more level playing field in the U.S. wheat gluten market by offsetting lopsided trade advantages provided by the E.U. to E.U. producers. As a result, the Company increased gluten production levels to effectively supply future customer needs. In addition, the Company has intensified efforts to develop and market specialty wheat gluten products in niches that will be less affected by foreign competition.

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MIDWEST GRAIN PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

THREE MONTHS ENDED SEPTEMBER 30, 1998

The Company's production of food grade alcohol for beverage and industrial applications declined in the first quarter of fiscal 1999, compared to the prior year, due to a decline in demand. The production of fuel grade alcohol was essentially even with the amount produced in the first quarter of fiscal 1998. Prices for beverage and fuel grade alcohol decreased, compared to the prior year's first quarter levels. The decrease in beverage alcohol prices was partially due to the effects of lower costs for corn and milo, the principal raw

materials used in the Company's alcohol production process. Increased supplies of alcohol throughout the industry also contributed to this decline. The fall in fuel alcohol prices was caused principally by a decline in gasoline prices. Although total alcohol production decreased, unit sales of distillers feed, the principal by-product of the distillation, rose compared to a year ago. This increase; however, was offset by a fall in selling prices.

While production of the Company's premium wheat starch noticeably increased above the fiscal 1998 fourth quarter level, it was down compared to last year's first quarter amount. The average selling price, however, remained approximately the same.

With consistently lower grain costs, improved conditions in the wheat gluten market, a realization of stable energy costs and improved production efficiencies, the Company expects to strengthen its competitive abilities and improve profitability going forward.

Sales

Net sales in the first quarter of fiscal 1999 were down approximately \$5.7 million compared to net sales in the first quarter of fiscal 1998. The decrease resulted mainly from lower selling prices for beverage and fuel grade alcohol and reduced alcohol and starch volumes. The drop in selling prices for fuel grade alcohol tracked a decline in gasoline prices. Sales of food grade alcohol for beverage and industrial applications during the quarter were down compared to sales during the first quarter the prior year, due largely to a decrease in unit sales. The price decrease for beverage alcohol reflected both a decline in demand and a reduction in raw material prices for corn and milo. Sales of distillers feed, a by-product of the alcohol production process, were also down compared with sales a year ago as lower selling prices somewhat offset an increase in units sold.

Wheat gluten sales were higher than sales during the first quarter of fiscal 1998 as the Company increased production in preparation for satisfying market requirements resulting from the expected realization of a fair competitive environment. An increase in wheat gluten selling prices compared to the prior year's first quarter contributed to the sales improvement.

Sales of wheat starch decreased as the result of lower unit sales, while selling prices for this product remained essentially unchanged compared to the first quarter of fiscal 1998.

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MIDWEST GRAIN PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)
THREE MONTHS ENDED SEPTEMBER 30, 1998

Cost of Sales

The cost of sales in the first quarter of fiscal 1999 decreased by approximately \$7.5 million compared to cost of sales in the first quarter of fiscal 1998. This occurred principally as the result of lower raw material costs for grain. Reduced energy costs, lower maintenance and repair costs, and decreased insurance costs were other major items which contributed to the reduction in total cost of sales.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, the Company enters into commodity contracts to reduce 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 first quarter of fiscal 1999, raw material costs included a net loss of \$1,036,000 on contracts settled during the quarter compared to a net income of \$605,000 for the first quarter of fiscal 1998.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first quarter of fiscal 1999 increased by approximately \$262,000 above selling, general and administrative expenses in the first quarter of fiscal 1998. The majority of this increase resulted from an additional reserve of \$400,000 for bad debts and costs related to research activities to strengthen the Company's development and sales of value-added specialty products made from wheat. Those increases were partially offset by a reduction in costs of employee benefit plans, commissions and professional services.

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

Net Income

As the result of the foregoing factors, the Company experienced net income of \$666,000 in the first quarter of fiscal 1999 compared to a net loss of \$235,000 in the first quarter of fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

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

	September 30, 1998	June 30, 1998
	-----	-----
	(in thousands)	
Cash and cash equivalents	\$ 304	\$ 4,723
Working capital	42,219	39,825
Amounts available under lines of credit	28,000	30,000
Notes payable and long-term debt	28,608	28,896
Stockholders' equity	106,991	106,325

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MIDWEST GRAIN PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

THREE MONTHS ENDED SEPTEMBER 30, 1998

The first quarter of fiscal 1999 saw the Company raise its production levels, building its inventories to meet customer needs for wheat gluten. The increased customer requirements are a result of the three-year import quota to create a more fair and stable competitive environment. The planned inventory buildup, together with ongoing capital improvements, has impacted short-term liquidity. The Company anticipates higher inventory and receivable levels during the second quarter as well to meet customer needs.

At September 30, 1998, the Company had \$3.7 million committed to improvements and replacements of existing equipment.

Since 1996, the Company has recognized the need to ensure its operations will not be adversely impacted by Year 2000 software failures. New hardware and software has been acquired and installed for the core financial applications. All core financial modules, except order entry, have been tested successfully. The order entry module is in final modification and testing. The total costs incurred to date approximate \$200,000. Conversion to the new system is expected to be completed during fiscal 1999. The Company expects no additional significant costs to achieve Year 2000 compliance for these applications. Due to the stage of completion, testing of these applications as well as the non-complexity of the systems, the Company fully anticipates being compliant far in advance of December 31, 1999.

The Company also has surveyed its plant operations to determine which electrical and other instrumentation equipment relies on date-sensitive software and hardware. For those applications which have been identified, the Company has received bids to modify the equipment. In some cases, testing of certain equipment has already been completed. The cost to convert and test the identified processes is expected to be less than \$100,000. The Company anticipates having the conversions completed and tested during fiscal 1999. Should these conversions not be completed on a timely basis, the Company would be able to produce all products except specialty and modified wheat gluten and starches.

The Company is also in the process of surveying key vendors and customers regarding their abilities to achieve the Year 2000 compliance. Initial results of the surveys indicate these companies are knowledgeable of Year 2000 issues and are in the process of complying or have already complied.

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 when foreign quotas are reached as well as its other products.

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" "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 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.

PART II
OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders of the Company was held on October 8, 1998. The following actions were taken at the meeting:

1. Tom MacLeod, Jr. was elected to the office of Group A Director for a term expiring in 2001 with 6,715,491 common share votes for his election and 212,255 votes withheld.

2. Cloud L. Cray, Jr. was elected to the office of Group B Director for a term expiring in 2001 with 418 preferred share votes for his election and 0 votes withheld.

3. Robert J. Reintjes was elected to the office of Group B Director for a term expiring in 2000 with 418 preferred share votes for his election and 0 votes withheld.

4. A proposal to approve the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees was approved with 5,310,244 common share votes and 397 preferred share votes for approval, 569,982 common share votes against approval and 1,047,520 common shares and 21 preferred shares abstaining.

5. A proposal to amend the Midwest Grain Products, Inc. Stock Incentive Plan of 1996 was approved with 5,294,708 common share votes and 397 preferred share votes for approval, 562,203 common share votes against approval and 1,070,835 common shares and 21 preferred shares abstaining.

6. A proposal to approve amendments to the Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors and options granted thereunder were approved with 5,573,505 common share votes and 384 preferred share votes for approval, 280,586 common share votes and 13 preferred share votes against approval and 1,073,655 common and 21 preferred shares abstaining.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Copy of amendment to Midwest Grain Products, Inc. Stock Incentive Plan of 1996.

10.2 Copy of amendment to Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors.

10.3 Copy of amendments to Options granted under Midwest Grain Products, Inc. Stock Option Plans.

10.4 Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors, as amended.

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10.5 Form of Amended Option Agreements for the grant of Options under the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees.

10.6 Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. Stock Incentive Plan of 1996, as amended.

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.

20 Letter to stockholders for the three months ended September 30, 1998.

27 Financial data schedule.

(b) Reports on Form 8-K

The Company has filed no reports on Form 8-K during the quarter ended September 30, 1998.

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.

s/ Laidacker M. Seaberg

By _____

Date: November 12, 1998

Ladd M. Seaberg, President
and Chief Executive Officer

s/Robert G. Booe

Date: November 12, 1998

By _____
Robert G. Booe, Vice President
and Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number -----	Description -----
10.1	Copy of amendment to Midwest Grain Products, Inc. Stock Incentive Plan of 1996.
10.2	Copy of amendment to Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors.
10.3	Copy of amendments to Options granted under Midwest Grain Products, Inc. Stock Option Plans.
10.4	Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors, as amended.
10.5	Form of Amended Option Agreements for the grant of Options under the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees.
10.6	Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. Stock Incentive Plan of 1996, as amended.
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.
20	Letter to stockholders for the three months ended September 30, 1998.
27	Financial data schedule.

MIDWEST GRAIN PRODUCTS, INC.
 NONQUALIFIED STOCK OPTION
 GRANTED UNDER THE 1996 STOCK OPTION PLAN FOR
 OUTSIDE DIRECTORS

Date of Grant: _____ 1,000 Shares
 Time of Grant: 12:01 a.m. CST

THIS OPTION IS NOT ASSIGNABLE

Grant. Midwest Grain Products, Inc., a Kansas corporation (the "Company"), hereby grants to the optionee named below an option to purchase, in accordance with and subject to the terms and restrictions set forth in the Midwest Grain Products, Inc. 1996 Stock Option Plan For Outside Directors (the "Plan"), and in this option, the number of shares of Common Stock, no par value, of the Company ("Shares") set forth below, at the price set forth below and expiring at the date set forth below:

Optionee: _____
 Number of Shares subject to option: 1,000
 Number of such Shares to be Incentive Options: 0
 Number of such Shares to be Nonqualified Options: 1,000
 Option price per Share: \$__.

Incentive Stock Option. This option is NOT intended to qualify as an incentive stock option under Section 422 of the Code, as amended from time to time and is therefore deemed to be a Nonqualified Option.

Exercisability. Subject to the terms of the Plan this Option shall become exercisable in full on -----.

Term. The option granted to you under this grant must be exercised, if at all, within ten years after the Date of Grant. In the event of your death, retirement from the Company or other termination of employment, whether voluntary or involuntary, the options will expire and may be exercised in the manner specified in Section 5 of the Plan.

Exercise. Upon exercise of an option, you may pay all or any part of the option price in cash, by check satisfactory to the Company or by transfer to the Company of shares of Mature Stock or other Common Stock which was not obtained through the exercise of a stock option owned by the Optionee. Common Stock transferred to the Company or withheld from shares to be distributed in payment of the option price or withholding taxes shall be valued at the Fair Market Value of the Common Stock on the date of the exercise.

Option Not Assignable. This Option is not transferable by you otherwise than by will or the laws of descent and distribution, and is exercisable, during your lifetime, only by you.

Payment of Taxes. The Plan grants the Company the authority to make such provision as the Company deems appropriate for the collection of any taxes which the Company may withhold in connection with the grant or exercise of options. Pursuant to that authority, the Company authorizes you to settle withholding taxes generated upon the exercise of Nonqualified Options by allowing you to pay the taxes with cash or shares of the Company's Common Stock in accordance with the following guidelines:

1. You may satisfy obligations to pay to the Company the amount of any federal, state or local income tax imposed on you as a result of the exercise of this option by either:

(a) Delivering to the Company a personal check satisfactory to the Company in the amount of the tax liability on the date that the amount of the tax to be withheld is to be determined (the "Tax Date"); or by

(b) Electing to pay the tax liability in shares of the Company's Common Stock ("Stock Payment Election") by

(1) directing the Company at or prior to the Tax Date to withhold from the number of shares to be issued to the optionee in connection with the exercise of a Nonqualified Option that number of shares equal to the amount of the tax liability divided by the fair market value (as defined by the Plans) of one share of the Company's common stock on the Tax Date; or

(2) delivering to the Company on the Tax Date good and marketable title to that number of shares of Mature Stock (as defined in the Plan) or other Stock which was not obtained through the exercise of a stock option owned by you, as shall equal the amount of the tax liability divided by the fair market value of one share of the Company's common stock on the Tax Date.

2. No fractional shares will be issued in connection with any election to satisfy a tax liability by paying in shares. The balance of any tax liability

representing a fraction of a share will be settled in cash.

3. The provisions of these rules relating to the use of stock to satisfy obligations may be unilaterally revised by the Committee from time to time to conform the same to any applicable laws or regulations.

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Compliance With Law. When the issue or transfer of the shares covered by this option may, in the opinion of the Company, conflict or be inconsistent with any applicable law or regulation of any governmental agency having jurisdiction, the Company reserves the right to refuse to issue or transfer said stock. The Company may also legend certificates covering shares purchase hereunder with usual and customary transfer restrictions to insure compliance with applicable securities laws, and may issue the same subject to its prior receipt of written representations from optionee in form and substance satisfactory to the Company.

IN WITNESS WHEREOF, this instrument has been executed by the Company as of this 11th day of October, 1996.

MIDWEST GRAIN PRODUCTS, INC.

By

Laidacker M. Seaberg
President and Chief Executive
Officer

ACKNOWLEDGMENT

I hereby acknowledge receipt of the above option and a copy of the Plan referred to in said option. I am familiar with the terms of the Plan, and I understand my rights under the option are subject to and governed by the terms of the Plan, as well as by the terms set forth in the foregoing option itself.

- -----
Date Acknowledged

Signature of Optionee

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MIDWEST GRAIN PRODUCTS, INC.
 NONQUALIFIED STOCK OPTION
 GRANTED UNDER THE 1996 STOCK OPTION PLAN FOR
 OUTSIDE DIRECTORS

Date of Grant: _____ 1,000 Shares
 Time of Grant: 12:01 a.m. CST

THIS OPTION IS NOT ASSIGNABLE

Grant. Midwest Grain Products, Inc., a Kansas corporation (the "Company"), hereby grants to the optionee named below an option to purchase, in accordance with and subject to the terms and restrictions set forth in the Midwest Grain Products, Inc. 1996 Stock Option Plan For Outside Directors (the "Plan"), and in this option, the number of shares of Common Stock, no par value, of the Company ("Shares") set forth below, at the price set forth below and expiring at the date set forth below:

Optionee: _____
 Number of Shares subject to option: 1,000
 Number of such Shares to be Incentive Options: 0
 Number of such Shares to be Nonqualified Options: 1,000
 Option price per Share: \$__.

Incentive Stock Option. This option is NOT intended to qualify as an incentive stock option under Section 422 of the Code, as amended from time to time and is therefore deemed to be a Nonqualified Option.

Exercisability. Subject to the terms of the Plan this Option shall become exercisable in full on -----.

Term. The option granted to you under this grant must be exercised, if at all, within ten years after the Date of Grant. In the event of your death, retirement from the Company or other termination of employment, whether voluntary or involuntary, the options will expire and may be exercised in the manner specified in Section 5 of the Plan.

Exercise. Upon exercise of an option, you may pay all or any part of the option price in cash, by check satisfactory to the Company or by transfer to the Company of shares of Mature Stock or other Common Stock which was not obtained through the exercise of a stock option owned by the Optionee. Common Stock transferred to the Company or withheld from shares to be distributed in payment of the option price or withholding taxes shall be valued at the Fair Market Value of the Common Stock on the date of the exercise.

Option Not Assignable. This Option is not transferable by you otherwise than by will or the laws of descent and distribution, and is exercisable, during your lifetime, only by you.

Payment of Taxes. The Plan grants the Company the authority to make such provision as the Company deems appropriate for the collection of any taxes which the Company may withhold in connection with the grant or exercise of options. Pursuant to that authority, the Company authorizes you to settle withholding taxes generated upon the exercise of Nonqualified Options by allowing you to pay the taxes with cash or shares of the Company's Common Stock in accordance with the following guidelines:

1. You may satisfy obligations to pay to the Company the amount of any federal, state or local income tax imposed on you as a result of the exercise of this option by either:

(a) Delivering to the Company a personal check satisfactory to the Company in the amount of the tax liability on the date that the amount of the tax to be withheld is to be determined (the "Tax Date"); or by

(b) Electing to pay the tax liability in shares of the Company's Common Stock ("Stock Payment Election") by

(1) directing the Company at or prior to the Tax Date to withhold from the number of shares to be issued to the optionee in connection with the exercise of a Nonqualified Option that number of shares equal to the amount of the tax liability divided by the fair market value (as defined by the Plans) of one share of the Company's common stock on the Tax Date; or

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3. The provisions of these rules relating to the use of stock to satisfy obligations may be unilaterally revised by the Committee from time to time to conform the same to any applicable laws or regulations.

-2-

Compliance With Law. When the issue or transfer of the shares covered by this option may, in the opinion of the Company, conflict or be inconsistent with any applicable law or regulation of any governmental agency having jurisdiction, the Company reserves the right to refuse to issue or transfer said stock. The Company may also legend certificates covering shares purchase hereunder with usual and customary transfer restrictions to insure compliance with applicable securities laws, and may issue the same subject to its prior receipt of written representations from optionee in form and substance satisfactory to the Company.

IN WITNESS WHEREOF, this instrument has been executed by the Company as of this 11th day of October, 1996.

MIDWEST GRAIN PRODUCTS, INC.

By

Laidacker M. Seaberg
President and Chief Executive
Officer

ACKNOWLEDGMENT

I hereby acknowledge receipt of the above option and a copy of the Plan referred to in said option. I am familiar with the terms of the Plan, and I understand my rights under the option are subject to and governed by the terms of the Plan, as well as by the terms set forth in the foregoing option itself.

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Date Acknowledged

Signature of Optionee

-3-

MIDWEST GRAIN PRODUCTS, INC.
 NONQUALIFIED STOCK OPTION
 GRANTED UNDER THE 1996 STOCK OPTION PLAN FOR
 OUTSIDE DIRECTORS

Date of Grant: _____ 1,000 Shares
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Signature of Optionee

-3-

Baird,
Kurtz &
Dobson

Certified Public
Accountants

City Center Square
1100 Main Street, Suite 2700
Kansas City, MO 64105-2112
816 221-6300 Fax 816 221-6380

<http://www.bkd.com>
Member of
Moores Rowland
International

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

We are aware that our report dated October 28, 1998 on our review of the interim financial information of Midwest Grain Products, Inc. for the periods ended September 30, 1998 and 1997 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 a 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

October 24, 1998

BKD
We Deliver Results
----- 75
1923-1998

November 10, 1998

Dear Stockholder:

I am pleased to report that our Company's performance in the first quarter of fiscal 1999 resulted in a substantial improvement over the same period the prior year. In addition, the most recent government statistics indicate that in the five months since the implementation of a three-year quota on imports of foreign wheat gluten on June 1, the European Union (E.U.) has essentially met its first year quota of 54 million pounds. That amount is equivalent to just over half the record annual amount which the E.U. shipped into the United States in fiscal 1998.

With the E.U.'s quota for the initial 12-month quota period that ends May 31, 1999 now filled, a more fair and stable competitive environment should exist in the U.S. wheat gluten market for much of the remainder of our current fiscal year.

We ended this year's first quarter with net income of \$666,000, or \$0.07 per share, on sales of \$51,938,000 versus a net loss of \$235,000, or \$0.02 per share, on sales of \$57,623,000 for the first quarter of fiscal 1998. Lower grain costs and increased productivity, which was influenced by heightened market interest in our wheat gluten products, were mainly responsible for this turnaround.

Prices for wheat, corn and milo, our principal raw materials, declined as the result of this year's bumper harvests in the U.S. Productivity improved as the result of increased wheat gluten production in response to strengthened demand and in preparation for effectively satisfying customer needs following the expected reduction in imports of subsidized and artificially-priced E.U. gluten. Additionally, our sales of specialty wheat gluten products experienced growth during the quarter, contributing to our overall increase in gluten output.

Although our production of wheat starch was down compared to a year ago, it was considerably higher than the amount produced in the fourth quarter of fiscal 1998. While this increase resulted from a rise in sales of non-modified wheat starch, we currently are experiencing strengthened sales of our value-added modified starches as well.

Demand for our food grade alcohol fell below last year's first quarter level, resulting in price and volume decreases in the beverage category and reduced unit sales for industrial applications. Beverage alcohol selling prices primarily followed the decline in raw material costs for grain, but were also affected by increased alcohol supplies throughout the industry. Unit sales of our fuel grade alcohol were essentially even with sales a year ago. However, selling prices for this product declined, keeping pace with a downturn in gasoline prices. Optimizing our distillery operations to achieve improved efficiencies and increasing sales of food grade alcohol as conditions allow are among our top priorities at this time.

Our other principal priorities are to steadily increase our production and sales of vital wheat gluten as the effects of the import quota continue to materialize; make major market penetrations for our new specialty wheat gluten products through extensive marketing and promotional programs; and expand our sales of modified wheat starch to new areas of the food market. By meeting these goals and realizing stable or lower raw material costs for grain, favorable results should continue in the current quarter and beyond.

Sincerely,

s/Ladd M. Seaberg
Ladd M. Seaberg
President and CEO

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
MIDWEST GRAIN PRODUCTS, INC. CONSOLIDATED STATEMENT OF INCOME FOR
THE THREE MONTHS ENDED SEPTEMBER 30, 1998 AND CONSOLIDATED BALANCE
SHEET AS AT SEPTEMBER 30, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY
REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000835011

<NAME> MIDWEST GRAIN PRODUCTS, INC.

<MULTIPLIER> 1,000

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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>