UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2004.

or

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

For the transition period from to

Commission File Number: 0-17196

MGP INGREDIENTS, INC.
(Exact name of registrant as specified in its charter)

KANSAS	**48-0531200**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 Main Street, Atchison Kansas	**66002**
(Address of principal executive offices)	(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 such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). ☒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
15,908,830 shares outstanding
as of December 31, 2004

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors
and Stockholders
MGP Ingredients, Inc.
Atchison, Kansas

We have reviewed the accompanying condensed consolidated balance sheet of MGP Ingredients, Inc. as of December 31, 2004, and the related condensed consolidated statements of income for the three-month and six-month periods ended December 31, 2004 and 2003, and cash flows for the six-month periods ended December 31, 2004 and 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 the standards of the Public Company Accounting Oversight Board, 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 condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of June 30, 2004 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, 2004, 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, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ **BKD, LLP**

Kansas City, Missouri
January 25, 2005

MGP Ingredients, Inc.

Condensed Consolidated Balance Sheets (In Thousands)

Assets	**December31, 2004** (Unaudited)	**June 30, 2004**
Current Assets		
Cash and cash equivalents	**$ 8,283**	$ 6,488
Receivables, net of allowance of $297 at December 3l, 2004 and $252 at June 30, 2004	**25,360**	34,243
Inventories	**41,674**	32,775
Prepaid expenses	**2,384**	828
Deferred income taxes	**2,090**	2,090
Total current assets	**79,791**	76,424
Property and Equipment, at cost	**303,627**	296,377
Less accumulated depreciation	**193,869**	187,280
Total property and equipment, net	**109,758**	109,097
Other		
Insurance receivable	—	1,425
Other assets	**91**	91
Total other assets	**91**	1,516
Total assets	**$ 189,640**	$ 187,037

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

Condensed Consolidated Balance Sheets (In Thousands)

Liabilities and Stockholders' Equity	**December 31, 2004** (Unaudited)	**June 30, 2004**

Current Liabilities		
Current maturities of long-term debt	**$ 4,674**	$ 3,201
Accounts payable	**8,697**	10,576
Accrued expenses	**3,818**	7,815
Deferred income	**15,299**	12,598
Income taxes payable	**3,499**	2,423
Total current liabilities	**35,987**	36,613
Long-term Debt	**18,006**	12,561
Post-Retirement Benefits	**6,123**	5,977
Deferred Income Taxes	**11,877**	13,677
Stockholders' Equity		
Capital stock		
Preferred, 5% cumulative, $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	**4**	4
Common, no par; authorized 20,000,000 shares; issued 19,530,344 shares	**6,715**	6,715
Additional paid-in capital	**5,243**	5,005
Retained earnings	**122,395**	123,181
Accumulated other comprehensive loss -		
Cash flow hedges	**(598)**	(251)
	133,759	134,654
Treasury stock, at cost		
Common		
December 31, 2004 - 3,547,914 shares		
June 30, 2004 - 3,621,514 shares	**(16,112)**	(16,445)
	117,647	118,209
Total liabilities and stockholders' equity	**$ 189,640**	$ 187,037

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

Condensed Consolidated Statements Of Income(In Thousands)
Three And Six Months Ended December 31, 2004 And 2003
(Unaudited)

	Three Months		Six Months	
	2004	2003	2004	2003
Net sales	**$ 61,164**	$ 59,409	**$ 130,042**	$ 116,463
Cost of sales	**54,392**	54,289	**118,196**	109,656
Gross profit	**6,772**	5,120	**11,846**	6,807
Selling, general and administrative	**4,508**	5,078	**9,390**	8,776
	2,264	42	**2,456**	(1,969)
Other operating income	**140**	3,384	**426**	9,474
Operating income	**2,404**	3,426	**2,882**	7,505
Other income (expense)	**56**	(140)	**365**	141
Interest expense	**(384)**	(263)	**(690)**	(542)
Income before income taxes	**2,076**	3,023	**2,557**	7,104
Provision for income taxes	**722**	1,189	**912**	2,800
Net income	**1,354**	1,834	**1,645**	4,304
Other comprehensive loss	**(34)**	(93)	**(347)**	(123)
Comprehensive income (loss)	**$ 1,320**	$ 1,741	**$ 1,298**	$ 4,181
Basic earnings per common share	**0.08**	0.12	**0.10**	0.28
Diluted earnings per common share	**0.08**	0.12	**0.09**	0.28
Dividends per common share	**—**	—	**0.15**	0.075

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

Condensed Consolidated Statements Of Cash Flows(In Thousands)
Six Months Ended December 31, 2004 And 2003
(Unaudited)

	2004	2003
Operating Activities		
Net income	$ **1,645**	$ 4,304
Items not requiring cash		
Depreciation	**7,788**	7,354
Gain on sale/conversion of property and equipment	**(783)**	—
Deferred income taxes	**(1,800)**	—
Changes in:		
Accounts receivable	**8,883**	(1,651)
Inventories	**(9,246)**	(2,841)
Insurance receivable	**1,425**	(3,758)
Accounts payable and accrued expenses	**(4,851)**	15
Deferred income	**2,701**	(861)
Income taxes receivable	**1,076**	2,193
Other	**(1,410)**	(360)
Net cash provided by operating activities	**5,428**	4,395
Investing Activities		
Additions to property and equipment	**(9,566)**	(13,602)
Proceeds from sale/conversion of property and equipment	**875**	
Net cash used in investing activities	**(8,691)**	(13,602)
Financing Activities		
Purchase of treasury stock		(109)
Sales of treasury stock	**571**	51
Proceeds from issuance of long-term debt	**9,990**	—
Payments on long-term debt	**(3,072)**	(2,738)
Dividends paid	**(2,431)**	(1,148)
Net cash used in financing activities	**5,058**	(3,944)
Increase (Decrease) in Cash and Cash Equivalents	**1,795**	(13,151)
Cash and Cash Equivalents, Beginning of Period	**6,488**	17,539
Cash and Cash Equivalents, End of Period	**$ 8,283**	$ 4,388

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

Notes To Condensed Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of the Company's management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments. The condensed consolidated balance sheet as of June 30, 2004 has been derived from the audited consolidated balance sheet of the Company as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Form 10-K Annual Report for 2004 filed with the Securities and Exchange Commission. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Note 2. Earnings Per Share

Earnings per common share data is based upon the weighted average number of common shares outstanding. Employee stock-based compensation is the only potentially dilutive security held by the Company.

The Company has a stock option plan, which it accounts for under the recognition and measurement principles of APB Opinion No. 25*Accounting for Stock Issued to Employees,* and related Interpretations. No stock-based employee compensation cost is reflected in net income for stock options, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to all of the stock-based employee compensation under those plans.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2004	2003	2004	2003
	(in thousands except per share amounts)			
Net income, as reported	$ **1,354**	$ 1,834	$ **1,645**	$ 4,304
Plus: Stock-based employee compensation included in net income	**66**	120	**132**	120
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	**(156)**	(246)	**(312)**	(389)
Pro forma net income	$ **1,264**	$ 1,708	$ **1,465**	$ 4,035
Earnings per share				
Basic - as reported	**0.08**	0.12	**0.10**	0.28
Basic - pro forma	**0.08**	0.11	**0.09**	0.26

Diluted - as reported	**0.08**	0.12	**0.10**	0.28
Diluted - pro forma	**0.08**	0.11	**0.09**	0.26
Weighted average shares:				
Basic	**15,982,031**	15,318,048	**15,957,472**	15,325,118
Diluted	**16,452,782**	15,558,206	**16,586,519**	15,505,618

The December 31, 2003 earnings per share data presented has been adjusted to reflect the Company's 2-for-1 stock split that went into effect following the close of business on June 30, 2004.

Note 3. Long Term Debt

Secured promissory note: On September 24, 2004 the Company borrowed $9,794,500 from GE Capital Public Finance, Inc. The Company's obligations are evidenced by a promissory note, bear interest at 5.26% per annum and are payable in 83 consecutive monthly payments of $183,777 and an 84th payment equal to the unpaid principal and interest, commencing November 1, 2004. The Company also entered a security agreement to secure the note. The security agreement grants a security interest in specified equipment located or to be located at the Company's KCIT facility in Kansas City, Kansas.

Line of credit: On November 30, 2004 the Company amended its line of credit to increase the borrowings permitted thereunder from $15 million to $20 million. As of December 31, 2004, there were no borrowings outstanding under the Company's line of credit. Borrowings under $500,000 bear interest at the prime rate. Interest on borrowings in excess of $500,000 is payable monthly at a rate equal to the greater of Commerce Bank's prime rate less 1%, or the Federal Funds Rate plus 1.5%. In addition, the Company pays a commitment fee equal to 0.25% per annum on the unused portion of the commitment. Principal is due upon the occurrence of an event of default or expiration of the line of credit, currently November 30, 2005.

The Line of Credit Agreement requires the Company to maintain certain financial ratios, including a minimum current ratio, minimum consolidated tangible net worth, debt to tangible net worth not to exceed certain limits and a minimum fixed charge coverage ratio. In addition, the Company may not permit consolidated funded debt (generally, asset acquisition related debt plus capitalized lease obligations) to exceed certain limits. Except as noted in the next sentence, other covenants generally are the same as those in Section 5 of the Note Agreement dated as of August 1, 1993 with the Principal Mutual Life Insurance Company and filed as Exhibit 4.1 to the Company's Report on Form 10-Q for the quarter ended September 30, 1993, and include covenants which impose limitations on the amount of current debt, liens, restricted payments, investments, mergers and acquisitions, guaranties and transactions with affiliates. The Line of Credit Agreement permits the Company to grant GE Capital Public Finance, Inc. a security interest in equipment located at the Company's Kansas City, Kansas facility to secure the Company's obligations to that entity referred to above under "Secured promissory note".

Note 4. Insurance Recoveries

On September 13, 2002, the Company's Atchison, Kansas distillery was shut down as the result of an explosion at the distillery. As a result, business interruption insurance proceeds of $5.7 million were recorded as other operating income for the three months ended September 30, 2003. Insurance proceeds of $8.7 million were recorded as other operating income for the six months ended December 31, 2003. The company received the remaining $1.4 million of the proceeds during the six months ended December 31, 2004.

During the six months ended December 31, 2004, the Company's Pekin, Illinois barge operation was damaged by an outside party. Net insurance proceeds resulted in a $703,000 gain recognized during the six months ended December 31, 2004, and is included as a component of other income.

Note 5. Contingencies

There are various legal proceedings involving the Company and its subsidiaries. Except as noted below, management considers that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the consolidated financial position or operations of the Company.

The Company is currently in negotiations with the United States Environmental Protection Agency (USEPA), the Illinois Attorney General's Office and the Illinois Environmental Protection Agency (IEPA) to settle enforcement proceedings related to emissions at the Pekin, Illinois location. The IEPA has requested a $650,000 penalty to resolve its complaint and the USEPA has proposed a federal penalty of $172,000. The Company has made an offer to settle which includes a cash payment and the installation of certain additional equipment at the plant, but regards the IEPA penalty request as unwarranted under the circumstances and has rejected it. As of December 31, 2004, the Company had accrued $300,000, which is included in other accrued liabilities, with respect to these matters. The amount of the ultimate settlement could differ materially in the near future.

Note 6. Operating Segments

The Company is a fully integrated producer of ingredients and distillery products. Products included within the ingredients segment consist of starches, including commodity wheat starch and modified and specialty wheat and potato starches, proteins, including commodity wheat gluten, specialty wheat, soy and other proteins, and mill feeds. Distillery products consist of food grade alcohol, including beverage alcohol and industrial alcohol, fuel alcohol, commonly known as ethanol, and distillers grain and carbon dioxide, which are by-products of the Company's distillery operations.

The operating profit for each segment is based on net sales less identifiable operating expenses. Interest expense, investment income and other general miscellaneous expenses have been excluded from segment operations and classified as Corporate. Receivables, inventories and equipment have been identified with the segments to which they relate. All other assets are considered as Corporate.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2004	2003	2004	2003
		(In thousands)		
Sales to customers				
Ingredients	$ **18,860**	$ 19,630	$ **41,614**	$ 41,547
Distillery products	**42,304**	39,779	**88,428**	74,916
	61,164	59,409	**130,042**	116,463
Depreciation				
Ingredients	**1,558**	1,483	**3,123**	2,944
Distillery products	**2,176**	2,030	**4,358**	4,067
Corporate	**158**	167	**307**	343
	$ **3,892**	$ 3,680	$ **7,788**	7,354
Income before income taxes				
Ingredients	**(1,684)**	2,075	**(1,800)**	4,646
Distillery products	**4,301**	1,400	**5,175**	3,305
Corporate	**(541)**	(452)	**(818)**	(847)
	$ **2,076**	$ 3,023	$ **2,557**	$ 7,104

	December 31, 2004	June 30, 2004
Identifiable assets		
Ingredients	$ 81,215	$ 86,965
Distillery products	83,695	79,624
Corporate	24,730	20,448
	$ **189,640**	$ **187,037**

Note 7. Pension and Post Retirement Benefit Obligations

In December 2003, the Financial Accounting Standards Board published a revision to Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits (SFAS 132R). The revisions require the Company to disclose in its interim financial statements the components of net periodic benefit cost recognized in the period along with the total employer contributions for the period and any changes in estimate of the total employer contributions expected to be paid for the fiscal year.

The components of the Net Periodic Benefit Cost for the three months and six months ended December 31 are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2004	2003	2004	2003
Service cost	$ **60**	$ 60	$ **120**	$ 120
Interest cost	**75**	81	**150**	162
Prior service cost	**(12)**	(4)	**(24)**	(8)
(Gain) loss	**(1)**	—	**(2)**	—
Total post-retirement benefit cost	$ **122**	$ 137	$ **244**	$ 274

The Company previously disclosed in its financial statements for the year ended June 30, 2004, amounts expected to be paid to plan participants. There have been no revisions to these estimates and there have no changes in the estimate of total employer contributions expected to be made for the fiscal year ended June 30, 2005.

Total employer contributions for the three months ended December 31, 2004 amounted to $7,000.

On December 8, 2003, the Medicare Prescription Drug, Improvement Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has been unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act. Accordingly, the net periodic post-retirement benefit costs above do not reflect any amount associated with the subsidy.

Note 8. New Accounting Pronouncements.

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment. The Statement generally provides that the cost of Share-Based Payments be recognized over the service period based on the fair value of the option or other instruments at the date of grant. The grant date fair value should be estimated using an option-pricing model adjusted for the unique characteristics of the options or other instruments granted. The Company must use the Black-Scholes option pricing model for outstanding options. With respect to future grants, the Company may elect to use the Black-Scholes option pricing model or may elect to determine the grant date fair value using an alternative method. This Statement will be effective for the Company beginning July 1, 2005. Note 2 above discloses the effect on net income and earnings per share using the grant date fair value of outstanding stock options based on the Black-Scholes option-pricing model.

In November 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 151, Inventory Costs, and amendment of ARB No. 43, Chapter 4. This Statement clarifies that items such as idle facility expense, excessive spoilage, double freight, and re-handling costs should be classified as a current-period charge. The Statement also requires the allocation of fixed production overhead to inventory based on the normal capacity of the production facilities. The Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company has not yet determined the impact that this new pronouncement will have on the Company's consolidated financial statements.

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. Statement No. 29 generally provides that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged subject to certain exceptions to the general rule. This Statement amends Opinion No. 29 to eliminate the exception for exchanges involving similar productive assets with a general exception for exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for nonmonetary asset exchanges in periods beginning after June 15, 2005. The Company has not yet determined the impact that this new pronouncement will have on the Company's consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

This section 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 "could" 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 and insurers. Any changes in the assumptions or factors could produce materially different results than those predicted and could impact stock values.

Results of Operations

Critical Accounting Policies

Reference is made to the *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies* incorporated by reference to Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004 for accounting policies which are considered by management to be critical to an understanding of the Company's financial statements.

Segments and Segment Results

The Company is a fully integrated producer of certain ingredients and distillery products and has two reportable segments, an ingredients segment and a distillery products segment. Products included within the ingredients segment consist of starches, including commodity wheat starch and specialty wheat starch, and proteins, including commodity wheat gluten, specialty wheat proteins, and mill feeds. Distillery products consist of food grade alcohol, including beverage alcohol and industrial alcohol, fuel alcohol, commonly known as ethanol, and distillers feed and carbon dioxide, which are by-products of the Company's distillery operations. Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations*

incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2004 for further information about the Company's segments.

The following is a summary of revenues and pre-tax profits/(loss) allocated to each reportable operating segment for the three months and six months ended December 31 in fiscal 2005 and fiscal 2004. (See Note 6 to Notes to Condensed Consolidated Financial Statements for additional information regarding the Company's operating segments.)

	Three Months Ended December 31		Six Months Ended December 31	
(dollars in thousands)	**2004**	**2003**	**2004**	**2003**
Ingredients				
Net sales	$ 18,860	$ 19,630	$ 41,614	$ 41,547
Pre-tax income (loss)	(1,684)	2,075	(1,800)	4,646
Distillery Products				
Net sales	$ 42,304	$ 39,779	$ 88,428	$ 74,916
Pre-tax income	4,301	1,400	5,175	3,305

General

While sales in the distillery segment were higher in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004, sales in the ingredients segment declined due principally to lower sales of commodity ingredients, which primarily consist of vital wheat gluten and commodity wheat starches. Sales of specialty ingredients, meanwhile, improved compared to the second quarter a year ago.

The increase in distillery products sales in the second quarter resulted from strengthened prices for both fuel grade and food grade alcohol as well as higher unit sales in the food grade area. Sales of distillers feed, the principal by-product of the alcohol production process, declined compared to a year ago due to lower selling prices. In the prior year's second quarter, production and sales of the Company's distillery products were still affected by the September, 2002 distillery explosion at the Atchison plant. By the end of fiscal 2004, production and unit sales of alcohol had returned to their pre-September, 2002 levels.

The reduction in sales of commodity ingredients was in line with the Company's strategy to place increased emphasis on the production and marketing of specialty ingredients, principally specialty wheat proteins and starches. The improvement in sales of specialty ingredients in the second quarter resulted mainly from strengthened unit sales of the Company's Polytriticum® line of protein- and starch-based resins, which are produced for use in pet chews and related products. However, Polytriticum® sales declined from the first quarter of the current year due to seasonal promotional activities at the customer level. Sales of the Company's specialty starches also increased due largely to higher unit sales of its Fibersym™ line of resistant starches, which was

introduced to the marketplace in the first quarter of fiscal 2004 and is sold for use in fiber-enhanced, reduced calorie and lower net carbohydrate food applications. Meanwhile, the Company experienced a substantial decline is sales of its Arise® line of specialty wheat protein isolates and, to a lesser extent, a reduction in sales of its the Wheatex® line of textured wheat proteins which primarily is sold for use in meat analog and meat extension formulations, but also has applications in various grain-based food products. The decrease in sales of the Arise® and Wheatex® ingredients resulted primarily from a decline in demand for low-carbohydrate foods. Due to this situation, the Company may face a partial or complete write-down of inventories that it built in anticipation of sustained strong demand for low-carbohydrate products.

As previously disclosed, the Company has been named as a defendant with Cargill, Incorporated in a lawsuit alleging patent infringement. *See Part II, Item 1., Legal Proceedings.* We are reviewing this matter with counsel and Cargill. To date, none of the product alleged to infringe has been sold.

Business interruption insurance proceeds received by the Company as compensation for the effects of the September, 2002 distillery explosion amounted to approximately $9.6 million in fiscal 2004 and were allocated to the Company's distillery products segment. Of that amount, approximately $5.7 million was recognized in the first quarter of fiscal 2004 and $3.0 million in the second quarter of fiscal 2004. No such proceeds were received by the Company in the first or second quarters of fiscal 2005 and none are anticipated for the remainder of the fiscal year.

Ingredients. Total ingredient sales in the second quarter of fiscal 2005 decreased by approximately $770,000, or 4 percent, compared to the prior year's second quarter. This was due to a $1.3 million, or 32 percent, decline in sales of commodity ingredients, which more than offset a $575,000, or 4 percent, increase in sales of specialty ingredients consisting primarily of specialty wheat proteins and wheat starches. The decrease in commodity ingredients resulted from the Company's decision to reduce vital wheat gluten and commodity starch sales and place increased emphasis on the production and marketing of specialty ingredients. Sales of mill feeds and other mill products decreased by approximately $417,000, or 62 percent, primarily as the result of a reduction in sales of bran to outside parties. The greatest increases in sales of specialty ingredients occurred in sales of the Company's protein- and starch-based resins to manufacturers of pet industry products and in sales of specialty starches to manufacturers of food products. These increases offset lower sales of specialty proteins primarily sold for use in food applications.

Distillery Products. Total sales of the Company's distillery products in the second quarter of fiscal 2005 rose by approximately $2.5 million, or 6 percent, compared to the second quarter of fiscal 2004. This increase was due to a $3.5 million, or 47 percent, increase in sales of food grade alcohol and a $3.1 million, or 14 percent, increase in sales of fuel grade alcohol. In the food grade area, sales of alcohol for industrial applications rose by $2.8 million, or 65 percent, while sales of alcohol for beverage applications rose by approximately $739,000, or 23 percent compared to the prior year's second quarter. Distillers feed sales decreased by approximately $1,279,000, or 17 percent, compared to the prior year's second quarter due to lower unit sales and selling prices. There were no sales of unfinished alcohol in the current year's second quarter, in contrast to $2.8 million in sales of unfinished alcohol during the second quarter of fiscal 2004

when production at the Atchison facility was affected by the September 13, 2002 distillery explosion.

In the second quarter of fiscal 2004, the Company recorded a payment of approximately $651,000 pre-tax ($394,000 net of income taxes) under a program that was implemented by the U.S. Department of Agriculture in December, 2000 to provide cash incentives for ethanol producers who increase their grain usage over comparable quarters to raise fuel alcohol production. No such payment from this program was recorded by the Company in the second quarter of fiscal 2005. The program extends through September, 2006, with funding determined annually. The Company's eligibility to participate in the program is determined from quarter to quarter, and the Company expects that funds received under the program through the remaining two quarters of fiscal 2005 will be less than were received during the corresponding quarters of fiscal 2004.

Sales

Net sales in the second quarter of fiscal 2005 rose by approximately $1.8 million, or nearly 3 percent, above net sales in the second quarter of fiscal 2004. This increase resulted from the $2.5 million increase in distillery products sales, which was partially offset by the decline in sales of ingredients. The rise in distillery products sales resulted mainly from higher selling prices for both food grade and fuel grade alcohol and higher unit sales of food grade alcohol. The decrease in ingredients sales was mainly due to reduced unit sales of commodity ingredients and lower unit sales of specialty proteins related to low-carbohydrate food applications. Sales of specialty starches, however, were higher than in the same period the prior year as the result of higher unit sales and slightly higher prices. Sales of the Company's Polytriticum® resins for use in pet industry product applications also increased due to higher unit sales.

Net sales in the first six months of fiscal 2005 were approximately $13.5 million, or 12 percent, higher than net sales in the first six months of fiscal 2004. This improvement was principally due to a $13.7 million, or 18 percent, increase in sales of distillery products and a $3.8 million, or 12 percent, increase in sales of specialty ingredients. These increases offset an approximately $3.7 million, or 39 percent decrease in sales of commodity ingredients.

Cost of Sales

The cost of sales in the second quarter of fiscal 2005 increased by approximately $100,000 over the cost of sales in the prior year's second quarter, primarily due to higher energy costs. The increased energy costs primarily resulted from higher natural gas prices, which were up approximately 23 percent compared to the second quarter of fiscal 2004. Energy costs were also affected by higher energy usage due to increased production over the second quarter of fiscal 2004 when operations at the Atchison plant were affected by the September, 2002 distillery explosion. Prices for wheat averaged approximately 2 percent higher, while prices for corn averaged 12 percent lower in the second quarter of fiscal 2004.

The cost of sales for the first six months of fiscal 2005 rose by approximately $8.5 million, or nearly 8 percent, over cost of sales for the first six months of fiscal 2004 due mainly to higher sales, higher wheat prices and higher energy costs during the first quarter. Wheat prices averaged 8 percent higher and corn prices were essentially even with those experienced in the first half of fiscal 2004. The increased energy costs primarily resulted from higher natural gas prices, which were up approximately 22 percent compared to the first six months of fiscal 2004. Energy costs were also affected by higher energy usage due to increased production over the first half of fiscal 2004 when operations at the Atchison plant were affected by the September, 2002 distillery explosion. To reduce its exposure to additional increases in natural gas prices caused by heightened demand in the winter months, the Company has contracted 82 percent of its anticipated gas supply requirements through February, 2005.

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. During the second quarter of fiscal 2005, the Company hedged approximately 58 percent of corn processed compared with 51 percent of corn hedged in the second quarter of fiscal 2004. Of the wheat processed by the Company in the second quarter of fiscal 2005, no wheat was hedged compared to 53 percent hedged in the prior fiscal year's second quarter. The Company also uses gasoline futures to hedge fuel alcohol sales made under contracts with price terms based on gasoline futures. In the second quarter of fiscal 2005, raw material costs included a net hedging loss of approximately $1.7 million compared to a net hedging gain of $465,000 in the second quarter of fiscal 2004.

During the first six months of fiscal 2005, the Company hedged approximately 56 percent of corn processed compared to 26 percent in the first half of fiscal 2004. Of the wheat processed by the Company in the first six months of fiscal 2005, none was hedged compared to 48 percent hedged in the first six months of fiscal 2004. In the first half of fiscal 2005, cost of sales included a net hedging loss of $2,223,000 compared to a net hedging gain of $381,000 in the first half of the prior fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the second quarter of fiscal 2005 were approximately $570,000, or 11 percent, lower than selling, general and administrative expenses in the second quarter of fiscal 2004. The decrease was mainly due to reduced costs associated with incentives, which were partially offset by higher professional and consultant fees and investor relations costs and various factors related to increased marketing and sales activities.

In the first six months of fiscal 2005, the Company's selling, general and administrative expenses increased by approximately $614,000, or 7 percent, above selling general and administrative expenses in the first six months of fiscal 2004. This increase was mainly due to increased costs associated with research and development, professional and consultant fees and investor relations. These increases were partially offset by a reduction in costs associated with incentives in the second quarter.

Other Operating Income

The decrease in other operating income in the second quarter of fiscal 2005 was principally due to the recognition of approximately $3 million less in business interruption insurance proceeds compared to the second quarter of fiscal 2004.

Taxes and Inflation

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 $1,354,000 in the second quarter of fiscal 2005 compared to net income of $1,834,000 in the second quarter of fiscal 2004. For the first six months of fiscal 2005, the Company had net income of $1,645,000 compared to net income of $4,304,000 in the first six months of fiscal 2004.

Liquidity and Capital Resources

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

	December 31, 2004	June 30, 2004
	(Dollars in Thousands)	
Cash and cash equivalents	$ 8,283	$ 6,488
Working capital	43,804	39,811
Amounts available under lines of credit	20,000	12,500
Notes payable and long-term debt	22,680	15,762
Stockholders' equity	117,647	118,209

Cash Flow. Cash flow from operations increased by $1.0 million during the first six months of fiscal 2005 compared to the first six months of fiscal 2004. This increase resulted from a combination of factors. The Company experienced an increase in total inventories of $9.2 million in the first six months of fiscal 2005 compared to a $2.8 million increase in the first six months of fiscal 2004. The increase in inventories was principally due to an increase of $4.9 million in alcohol, an increase of $1.0 million in distillers dried grains and an increase of $3.2 million in ingredient inventories. The increases in distillery inventories was due to increased production and reduced sales from the prior quarter. The increase in ingredient inventory resulted mainly

from a build up of commodity wheat gluten for use in processing into specialty proteins, sales of which were less than anticipated in the quarter. Accounts receivable showed a decrease of $8.9 million in the first six months of fiscal 2005 versus an increase of $1.6 million during the first six months of fiscal 2004. The decrease for the current six months period results primarily from reduced sales in the current period versus the prior quarter and improved collections. Accounts payable and accrued expenses showed a decrease of $4.8 million during the first six months of fiscal 2005 compared to no change during the first six months of the prior fiscal year. This was mainly attributable to $3.5 million in incentive plans and retirement plans and a reduction of $1.3 million in accounts payable. The Company invested $9.6 million in property and equipment and had net cash provided from financing activities of $5.0 million.

Capital Expenditures. During the thirteen weeks ended December 31, 2004, the Company made $3.6 million in capital expenditures, including an extrusion and packaging system in Kansas City and a feed dryer in Atchison. As of December 31, 2004, the Company's Board of Directors had approved $22.2 million in expenditures with respect to improvements and replacements of existing equipment, of which $22.2 million are expected to be made over the course of the next twelve months. As of December 31, 2004 the Company has contracts to acquire capital assets of approximately $15.3 million. The amounts approved do not include additional expenditures that the Company may make in connection with environmental proceedings to which the Company is a party . The Company estimates such amounts may range from approximately $2 to $7 million depending on whether the Company elects to install a new dryer that incorporates required pollution control equipment. See Part II, Item 1, *Legal Proceedings.* The Company anticipates that it may require additional external financing for some of the capital expenditures, but has not determined the amount, type or source of such financing.

Stock Sales and Purchases. During the quarter ended December 31, 2004, the company's employees exercised options on 1,400 shares of common stock and the Company received proceeds of approximately $7,550. As of December 31, 2004, the Board has authorized the purchase of approximately 1,614,000 shares of the Company's common stock. No purchases were made under this authorization during the quarter.

Contractual Obligations. As of December 31, 2004, the amount of notes payable and long term debt was $22.7 million compared to $15.7 million at June 30, 2004.

On November 30, 2004, the Company amended its primary line of credit agreement to increase the maximum amount available thereunder from $15 million to $20 million; As of December 31, 2004, there was $0 million borrowed under the line. The current expiration date of this line of credit is November 30, 2005.

On September 24, 2004 the Company borrowed $9,794,500 from GE Capital Public Finance, Inc. The Company's obligations are evidenced by a promissory note, bear interest at 5.26% per annum and are payable in 83 consecutive monthly payments of $183,777 and an 84th payment equal to the unpaid principal and interest, commencing November 1, 2004. The note may be prepaid at any time in its entirety subject to the payment of a prepayment premium equal to 3% of the original principal amount if the note is prepaid prior to the first anniversary, declining to 1%

if paid prior to the third anniversary and 0% thereafter. The note is secured by specified equipment located or to be located at the Company's KCIT facility in Kansas City, Kansas. Under the security agreement, the Company has agreed to indemnify the secured party against any claim arising in connection with the collateral.

The Company has agreed to secure the note to GE Capital Public Finance, Inc. on or before March 31, 2005 by all the equipment at the KCIT facility. In order to do this, the Company will need to obtain a waiver from another of its lenders, The Principal Mutual Life Insurance Company. If the Company does not obtain such waivers, it will need to refinance either its note to GE Capital or the obligations to the insurance company, which aggregated $18.6 million at December 31, 2004. As an interim measure the Company might make a draw under its Line of Credit Agreement to pay one of these two obligations.

The Company previously disclosed a contractual obligation with Penford Corporation to purchase $6.2 million of product during fiscal 2005. It also may be required to compensate Penford for unrecovered costs of acquiring and processing unrequired starch if it does not purchase forecasted amounts during calendar 2005. Approximately $4.9 remains of the Company's fiscal 2005 requirement and the Company is negotiating revised terms with Penford that would permit extended delivery of the product.

Financial Covenants. In connection with the Company's loan and capital lease agreements, it is required, among other covenants, to maintain certain financial ratios, including a current ratio (current assets to current liabilities) of 1.5 to 1, minimum consolidated tangible net worth (stockholders' equity less intangible assets) equal to the greater of (i) $86 million or (ii) the sum of $86 million plus 50% of consolidated net income since September 30, 2001, debt to tangible net worth not to exceed 2.5 to 1, and a fixed charge ratio (generally, the ratio of (x) the sum of (a) net income [adjusted to exclude gains or losses from the sale or other disposition of capital assets and other matters] plus (b) provision for taxes plus (c) fixed charges, to (y) fixed charges) for the period of the four consecutive fiscal quarters ended as of the measurement date of 1.5 to 1. In addition, the Company may not permit consolidated funded debt (generally, asset acquisition related debt plus capitalized lease obligations) to exceed 60% of total capitalization.

As of December 31, 2004, the Company believes it was in compliance with the financial and other covenants in its loan, capital lease and line-of-credit agreements.

Lines of Credit. The Company's line of credit for $20 million available for general corporate purposes extends through November 2005.

Working Capital. Working capital increased by $4.0 million between June 30, 2004 and December 31, 2004. This increase was primarily due to increases in cash and inventories and a reduction of accounts receivable, accounts payable and accrued expenses.

New Accounting Pronouncements.

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment. The Statement generally provides that the cost of Share-Based Payments be recognized over the service period based on the fair value of the option or other instruments at the date of grant. The grant date fair value should be estimated using an option-pricing model adjusted for the unique characteristics of the options or other instruments granted. The Company must use the Black-Scholes option pricing model for outstanding options. With respect to future grants, the Company may elect to use the Black-Scholes option pricing model or may elect to determine the grant date fair value using an alternative method. This Statement will be effective for the Company beginning July 1, 2005. Note 2 above discloses the effect on net income and earnings per share using the grant date fair value of outstanding stock options based on the Black-Scholes option-pricing model.

In November 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 151, Inventory Costs, and amendment of ARB No. 43, Chapter 4. This Statement clarifies that items such as idle facility expense, excessive spoilage, double freight, and re-handling costs should be classified as a current-period charge. The Statement also requires the allocation of fixed production overhead to inventory based on the normal capacity of the production facilities. The Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company has not yet determined the impact that this new pronouncement will have on the Company's consolidated financial statements.

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. Statement No. 29 generally provides that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged subject to certain exceptions to the general rule. This Statement amends Opinion No. 29 to eliminate the exception for exchanges involving similar productive assets with a general exception for exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for nonmonetary asset exchanges in periods beginning after June 15, 2005. The Company has not yet determined the impact that this new pronouncement will have on the Company's consolidated financial statements.

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, 2004, as presented in the annual report, is not significantly different from December 31, 2004.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the design and effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequately designed and operating effectively to ensure that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this Form 10-Q Quarterly Report was being prepared.

(b) Changes in internal controls

In the course of documenting its internal control procedures, the Company has identified a control deficiency that may have been a material weakness. To correct this control deficiency, the Company made a change in its internal control over financial reporting. The Company is now reviewing invoices at period end to avoid recognition of revenues from FOB destination deliveries with delivery dates after the end of a period. Otherwise, there has been no change in the Company's internal control over financial reporting during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

National Starch and Chemical Investment Holding Corporation, Penford Australia, Ltd. and Penford Holdings Pty v Cargill, Inc and MGP Ingredients, Inc., Civil Action 04-1443, U.S. District Court, District of Delaware. Plaintiffs filed this suit on November 12, 2004 alleging infringement by Cargill and the Company of two US patents in connection with their production and sale of FiberSym™ HA, a product derived from high amylose corn. The complaint also alleges that the Company induced Cargill to infringe. The plaintiffs seek an injunction, treble damages, fees and costs. Cargill has filed an answer denying plaintiffs infringement claims and seeking a declaratory judgment that the referenced patents are invalid and that it is not infringing. The Company has only recently been served in this action and has not yet filed a response.

MGP Ingredients, Inc. et. al. v. Manildra Milling Corporation, United States District Court for the District of Kansas (Case No. 04-2278-CM). As previously report, the Company filed this case against Manildra on June 17, 2004, alleging infringement of United States Patent No. 5,855,946, which discloses and claims food-grade starches resistant to alpha-amylase degradation and methods of preparing the same. In bringing this action, the Company joined The Kansas State University Research Foundation, which owns the patent and has licensed it exclusively to the Company, involuntarily, as a plaintiff. The suit seeks injunctive relief, triple damages and attorneys' fees. Manildra has filed an answer denying the Company's substantive claim and a counterclaim it which it alleges among other matters, inequitable conduct of the applicant in procuring the patent, failure to disclose prior art, failure to name all inventors and that the prior art was known at the time of the invention. In its counterclaim, Manildra seeks a declaratory judgment that the patent is invalid, injunctive relief and costs and expenses, including attorney's fees.

Reference is made to Item 3. *Legal Proceedings* in the Company's Annual Report on Form 10-K for the year ended June 30, 2004 for information regarding certain other legal proceedings to which the Company or its Illinois subsidiary are subject.

One of the matters referred to in the Form 10-K involves an administrative proceeding brought by the Illinois Environmental Protection Agency ("IEPA") in 1997. As previously reported, the Company and the IEPA have been conducting air modeling to support the construction of new pollution control equipment for dryers at the facility of the Company's Illinois subsidiary. Currently, the modeling indicates that the Company will need to add the pollution control equipment plus raise certain air emission stacks. Although the equipment could be installed to the existing dryers, the Company may seek to install a new dryer that incorporates the required equipment and that should be more efficient. Should the Company elect to only add the necessary pollution control equipment, it estimates its costs will be about $2 million. Should it elect to install a new dryer, the estimated cost for the dryer and other related work is estimated at $5 to $7 million.

As previously reported, proceedings under the complaint filed by the IEPA are being held in abeyance by agreement of the parties pending completion of a satisfactory settlement. The Company had anticipated negotiating a settlement of the remainder of the State's claims, including any penalties. However, the state has recently suggested that it would require a fine of approximately $650,000 to resolve the Complaint. The Company is continuing to discuss this matter with the IEPA. Prospects for settlement of the complaint are uncertain. Resolution of the U.S. Environmental Protection Agency, Region V, enforcement initiative at the Illinois facility referred to in the 10-K remains linked to resolution of the IEPA complaint.

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

As shown in the following table, the Company did not repurchase any shares of stock during the three months ended December 31, 2004.

Period	Total Number Of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31, 2004	0	—		
November 1 - November 30, 2004	0			
December 1 - December 31, 2004	0			1,613,716 (a)

(a) On various dates, the Board of directors authorized the purchase of an aggregate of 6,000,000 shares of Common Stock of which 4,386,284 shares had been purchased as of December 31, 2004. This program was first announced on June 5, 1997. During the three months ended December 31, 2004, no shares were purchased under the program. The program has no expiration date.

Item 6. Exhibits

3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.)

3.2 Bylaws of the Company (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30,1989 (File Number 0-17196)

4.1 Line of Credit Loan Agreement dated as of November 25th, 2003 (incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.)

4.2 First Amendment to Line of Credit Agreement and related First Amended and Restated Line of Credit Note (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.)

*4.3	Second Amendment to Line of Credit Agreement and related Second Amended and Restated Line of Credit Note.
10	Stock Incentive Plan of 2004 (incorporated by reference to Exhibit 4.2 of Registrant's Form S-8 Registration Statement filed October 20, 2004 (File Number 333-119860)
*10.1	Guidelines for Issuance of Fiscal 2005 Restricted Share Awards.
*10.2	Agreement with Ladd M. Seaberg as to Award of Restricted Shares Granted under the Stock Incentive Plan of 2004 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names: Michael J. Trautschold—7,400 shares; Randy M. Schrick — 7,000 shares; Brian T. Cahill — 6,600 shares; Suhk Bassi, Ph.D. — 6,800 shares
*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 1 hereof).
*15.2	Letter from independent public accountants concerning the use of its Review Report in the Company's Registration Statement Nos. 333-51849 and 333-119860

*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

SIGNATURES

Pursuant to the requirements on 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.

MGP INGREDIENTS, INC.

Date: February 9, 2005	By /s/ Ladd M. Seaberg Ladd M. Seaberg, President and Chief Executive Officer
Date: February 9, 2005	By /s/ Brian T. Cahill Brian T. Cahill, Vice President and Chief Financial Officer

SECOND AMENDMENT
TO
LINE OF CREDIT LOAN AGREEMENT

THIS SECOND AMENDMENT TO LINE OF CREDIT LOAN AGREEMENT ("Second Amendment") is made effective as of November 30, 2004, by and between MGP INGREDIENTS, INC. ("Company") and COMMERCE BANK, N.A. ("Bank").

WHEREAS, Company and Bank entered into that certain Line of Credit Loan Agreement dated November 25, 2003, as amended pursuant to that certain First Amendment to Line of Credit Loan Agreement dated September 17, 2004 (as previously amended, the "Loan Agreement");

WHEREAS, pursuant to the terms of the Loan Agreement, the Line of Credit matures on November 30, 2004, and all sums outstanding on such date shall become due and payable in full; and

WHEREAS, Company desires to increase the maximum principal amount available under, and extend the maturity of and amend, the Line of Credit, as hereinafter set forth.

NOW, THEREFORE, Company and Bank agree as follows:

1. Terms used herein, which are defined in the Loan Agreement, shall have the meanings given to them in the Loan Agreement.

2. Section 1.1 of the Loan Agreement is hereby amended to read in its entirety as follows:

Subject to the terms of this Agreement, Bank will lend Borrower, from time to time until the termination hereof, such sums as Borrower may request, in minimum increments of $100,000, which shall not exceed in the aggregate principal amount at any one time outstanding the sum of Twenty Million Dollars ($20,000,000).

3. The first sentence to Section 1.3 of the Loan Agreement is hereby amended to read in its entirety as follows:

The Line of Credit shall be evidenced by the Second Amended and Restated Line of Credit Note in form and substance acceptable to Bank (the "Line of Credit Note").

4. Section 1.4 of the Loan Agreement is hereby amended to read in its entirety as follows:

Upon the occurrence of an Event of Default as defined in Section 4.1, or on November 30, 2005, the outstanding principal balance of

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the Line of Credit Note together with all accrued interest shall become immediately due and payable in full.

5. Section 3.1 of the Loan Agreement is hereby amended to read in its entirety as follows:

Section 3.1. Financial Covenants.

(a) Except as provided in subparagraph (b) below, comply with all Company Covenants as defined and contained in Section 5 of the Note Agreement dated as of August 1, 1993, between Borrower and the Principal Mutual Life Insurance Company (the "Principal Agreement") including, but not limited to, the following:

(1) Current Ratio. Maintain a Current Ratio of not less than 1.50 to 1.00.

(2) Consolidated Tangible Net Worth. Maintain Consolidated Tangible Net Worth at an amount not less than THE GREATER OF (i) $86,000,000, or (ii) the sum of $86,000,000 plus 50% of Consolidated Net Income for the period from and after September 30, 2001, to the date of determination thereof (considered as a single accounting period).

(3) Funded Debt. Not permit Consolidated Funded Debt to exceed 60% of total capitalization.

(4) Debt/Worth. Maintain a ratio of Debt to Tangible Net Worth of not more than 2.50 to 1.00.

(5) Fixed Charges Coverage Ratio. Maintain at the end of each fiscal quarter a ratio of Net Income Available for Fixed Charges to Fixed Charges for the 4 consecutive quarters then ending of not less than 1.50 to 1.00.

(b) Notwithstanding subparagraph (a) of this Section 3.1 and the provisions of Section 5.11 of the Principal Agreement, the Borrower may grant GE Capital Public Finance, Inc. (together with its successors and assigns, if any "Secured Party") a security interest in all of Borrower's equipment (as defined in the applicable Uniform Commercial Code), whether now owned or hereafter acquired, that is at any time located at the facility commonly known as 16 Kansas Avenue, Wyandotte County, Kansas 66105, together with all additions, attachments and accessories and any and all substitutions, replacements or exchanges therefor, and all insurance and/or other proceeds thereof, in each case whether now owned or hereafter acquired, to secure the Indebtedness of Borrower (as defined in that certain Master Security Agreement between Borrower and Secured Party dated September 24, 2004, as amended), including without limitation that certain Promissory Note dated September 24, 2004, in the original

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principal amount of $9,794,500. Borrower has provided Bank a copy of said Promissory Note and Master Security Agreement, as amended.

The Company Covenants shall survive any amendment, modification or termination of the Principal Agreement.

6. Subsection 4.1(c) of the Loan Agreement is hereby amended to read in its entirety as follows:

If Borrower shall default in the due performance or observance of any covenant undertaken by it under this Agreement and such default shall continue for a period of thirty (30) days after written notice from Bank; or

7. Subsection 4.1(d) of the Loan Agreement is hereby amended to read in its entirety as follows:

Default in the performance of the obligations of Borrower pursuant to any other note or agreement binding on Borrower, including, but not limited to, the Principal Agreement, resulting in the acceleration of payment obligations under any such note or agreement in an amount in excess of $1,000,000; or

8. Subsection 4.1(e) of the Loan Agreement is hereby amended to read in its entirety as follows:

Default in the performance of the obligations of Borrower pursuant to the industrial revenue bonds issued in the amount of $6,500,000 on August 22, 2001, as amended as of July 1, 2003, by the Unified Government of Wyandotte/Kansas City, Kansas, resulting in the acceleration of Borrower's obligations with respect to such bonds; or

9. Subsection 4.1(f) of the Loan Agreement is hereby amended to read in its entirety as follows:

Borrower shall be adjudicated a bankrupt, or make a general assignment for the benefit of its creditors, or there are instituted by or against Borrower any type of bankruptcy proceedings or any proceeding for the liquidation or the termination of Borrower's affairs, or the appointment of a receiver or trustee for Borrower or for any of Borrower's assets, which, in the case of proceedings instituted against the Borrower, are consented to by the Borrower or are not dismissed within 60 days after institution, or a properly filed petition for Borrower's reorganization under the Bankruptcy Code or otherwise is approved, or Borrower files a petition for arrangement under Chapter 11 of the Bankruptcy Code or any similar statute; or

10. Except to the extent specifically amended by this Second Amendment, the Loan Agreement shall remain in full force and effect.

11. **ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT, INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT, ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDINGS OR DISAPPOINTMENTS, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.**

BY SIGNING BELOW, YOU AND WE AGREE THAT THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN US.

12. This Second Amendment shall be governed by, and construed in accordance with, the laws of the State of Missouri.

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IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed by their respective officers as of the date written above.

MGP INGREDIENTS, INC.

By: Ladd M. Seaberg
Title: President & CEO

By: Briant T. Cahill
Title: CFO

COMMERCE BANK, N.A.

By: /s/ Lance Holden
Title: Senior Vice President

Guidelines for Issuance of Fiscal 2005 Restricted Share Awards
Adopted by the Human Resources Committee of the Board of Directors
of MGP Ingredients, Inc.

RECITALS:

1. MGP INGREDIENTS, INC. has adopted the Stock Incentive Plan of 2004 (the "Plan").

2. Under the provisions of Section 5 of the Plan, the Committee may grant Stock Incentives in the form of Stock Awards.

3. Under the provisions of the Plan, the Committee may provide for Stock Awards in the form of restricted shares (herein "Restricted Shares") to such eligible persons as may be selected by the Committee in its discretion.

Pursuant to the authority granted to it under the provisions of Section 13(c) of the Plan, the Committee adopts the following guidelines with respect to the issuance in 2004 of Stock Awards in the form of Restricted Shares.

A. **Terms of Awards of Restricted Shares.** Restricted Shares awarded under the Plan in 2005 are subject to the following terms and conditions.

(i) **Number of Shares.** The number of shares issued to a Participant pursuant to a Stock Award in the form of Restricted Shares shall be as determined by the Committee.

(ii) **Vesting.** Subject to the provisions of paragraphs C and D of these Guidelines, Restricted Shares issued as Stock Awards under the Plans shall vest (i.e., become owned by the Participant without a substantial risk of forfeiture) only upon either (a) the Participant's completion of seven (7) full years of employment with the Company, commencing on July 1, 2004 and ending on June 30, 2011, or (b) (1) the Participant's completion of three (3) full years of employment, commencing on July 1, 2004 and ending on June 30, 2007 and (2) the satisfaction by the Company of a Performance Measure, as specified below, established by the Committee (the "Restriction Period").

(c) **Performance Measure.** The Performance Measure shall be earnings per share on a cumulative basis over the period beginning on July 1, 2004 and ending on June 30, 2007 in the amount established by the Committee on or prior to the date of the 2005 Stock Awards. The Company's earnings per share shall be determined by the independent accounting firm regularly engaged by the Company and, except as follows, shall be determined in accordance with generally accepted accounting principles. The Committee may determine whether the calculation of earnings per share should include or exclude any unusual or non-recurring item or be adjusted to reflect any unusual or non-recurring event, such as an acquisition, divestiture, change in accounting principles or tax regulations. Without limiting the foregoing, in the event of a sale by the Company of shares of its stock, a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, reorganization or liquidation, or any other change in the corporate structure or shares of the Company, the Committee may make such equitable adjustments, designed to protect against dilution or enlargement, as it may deem appropriate with respect to the Performance Measure.

B. **Forfeiture.** Except as provided in paragraph C, if the employment of the Participant to whom Restricted Shares has been issued terminates for any reason prior to the end of the Restriction Period, such Restricted Shares shall be immediately forfeited by such Participant and cancelled by the Company.

C. **Further Conditions on Vesting and Forfeiture.**

(i) In the event of a Participant's death, Disability, Retirement or, in the sole discretion of the Committee, involuntary termination of employment without cause, in any such case after one year from the date of grant specified in the agreement evidencing the Stock Award but prior to June 30, 2007, the Restricted Shares issued to such Participant shall vest, on the date the Committee determines that the Performance Measure has been met, as to the number of Restricted Shares issued to such Participant multiplied by a fraction, the numerator of which shall equal the number of months (including fractional months as full months) that such Participant was employed by the Company, commencing as of July 1, 2004 and ending on the date of termination of employment, and the denominator of which shall be thirty-six. The balance of Restricted Shares issued to such Participant shall be forfeited by the Participant and cancelled by the Company. Pending determination by the Committee that the Performance Measure has been met, the provisions of paragraph E below shall continue to apply.

(ii) If the Performance Measure is not attained, then, in the event of a Participant's death, Disability, Retirement or, in the sole discretion of the Committee, involuntary termination of employment without cause, in any such case after three years from the date of grant specified in the agreement evidencing the Stock Award but prior to June 30, 2011, the Restricted Shares issued to such Participant shall vest on the date of termination as to the number of Restricted Shares issued to such Participant multiplied by a fraction, the numerator of which shall equal the number of months of employment (including fractional months as full months) that such Participant was employed by the Company, commencing as of July 1, 2004 and ending on the date of termination of employment, and the denominator of which shall be eighty-four. The balance of Restricted Shares issued to such Participant shall be forfeited by the Participant and cancelled by the Company.

(iii) Any Restricted Shares shall become fully vested in the Participant in the event of a Change of Control, as defined in the Plan.

(iv) As used herein, the term "Disability" shall mean the inability of a Participant to perform substantially such Participant's duties and responsibilities due to a physical or mental condition that would entitle such Participant to benefits under the Company's Long-Term Disability Plan (or any successor to the plan in effect on the date of adoption of these Guidelines) or, if no such plan is in effect, such condition as would enable the Participant to receive an award for permanent and total disability from the Social Security Administration, and the term "Retirement" means the attainment by the Participant of age 62.

(v) The Committee's determinations to permit vesting in the event of involuntary terminations of employment without cause need not be uniform and may be made selectively among participants, whether or not such participants are similarly situated.

D. **Issuance of Restricted Shares.** A certificate or certificates representing the number of shares awarded as a Stock Award in the form of Restricted Shares shall be issued from the Company's treasury shares and registered in the Participant's name and may bear substantially the following legend:

"The shares evidenced by this Certificate have been issued pursuant to the MGP Ingredients, Inc. Stock Incentive Plan of 2004 and a related agreement (the "Agreement") between the Company and the registered holder. The holder's rights are subject to the restrictions, terms and conditions of the Plan and to the Agreement, which restricts the transfer of the shares and subjects them to forfeiture to the Company under the circumstances referred to in the Agreement. This legend may be removed when the holder's rights to the shares vest under the Agreement."

All certificates so registered in the Participant's name shall be deposited with the Company, together with stock powers or other instruments of assignment, each endorsed in blank with a guarantee of signature deemed appropriate by the Company which would permit transfer to the Company of all or a portion of the Restricted Shares in the event such award is forfeited in whole or in part. Upon vesting and provision for taxes required to be withheld, such certificate or certificates evidencing unrestricted ownership of the requisite number of shares of Common Stock shall be delivered to the holder of such Stock Award.

E. **Rights with Respect to Restricted Shares.** The holder of an award of Restricted Shares shall have the following rights of a stockholder of the Company: voting rights and the right to receive dividends during any applicable Restriction Period.

F. **Non-Assignability.** Except as may be permitted by the Plan, until they have vested, Restricted Shares may not, by operation of law or otherwise, be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by the holder thereof or be subject to execution, attachment or other legal process.

G. **Provisions of Plan Apply.** Even though not set forth herein or in any related grant agreement, the provisions of the Plan applicable to Stock Awards, including those relating to adjustment of Stock Awards, shall apply to Restricted Shares.

H. **Taxes.** No certificates evidencing ownership of shares shall be delivered to the holder of a Stock Award upon vesting until the holder makes such provision as the Company deems appropriate for the payment of any taxes which the Company may withhold in connection with the vesting of such Stock Award. Withholding taxes resulting from vesting of Stock Awards may be settled with cash or shares of the Company's Common Stock in accordance with the following guidelines.

(i) Holders may deliver to the Company a personal check satisfactory to the Company in the amount of the tax liability.

(ii) Holders may elect to pay the tax liability in shares of the Company's Common Stock by directing the Company to withhold from the number of shares to be delivered upon vesting that number of shares equal to the amount of the tax liability divided by the fair market value (as defined by the Plan) of one share of the Company's common stock on the date the tax to be withheld is to be determined (the "Tax Date"); or

(iii) Holders may elect to pay the tax liability in shares of the Company's Common Stock bydelivering to the Company good and marketable title to that number of shares of Mature Stock (as defined in the Plan) owned by the holder 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.

(iv) If a holder does not notify the Company on or before the Tax Date as to the manner the holder wishes to provide for withholding taxes, the Company may, without notice to the holder, satisfy its withholding obligations as provided in clause (ii) above or any other manner permitted by law.

(v) 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 by the Participant.

(vi) The amount of tax which may be paid pursuant to a stock payment election under clause (ii), (iii) or (iv) above will be the Company's minimum required federal (including FICA and FUTA) and state withholding amounts at the time of the election to pay the taxes with surrendered or withheld shares.

(vii) The foregoing provisions 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

The undersigned Secretary of MGP Ingredients Inc. does hereby certify that the foregoing Guidelines were adopted by the Human Resources Committee of the Board of Directors of the Company on December 1, 2005.

/s/ Marta Myers
Marta Myers, Secretary

Exhibit 10.2

MGP INGREDIENTS, INC.
AGREEMENT AS TO AWARD OF RESTRICTED SHARES
GRANTED UNDER THE STOCK INCENTIVE PLAN OF 2004

Date of Grant: December 1, 2004
Time of Grant: 10:15 a.m. CST 14,800 Restricted Shares

In accordance with and subject to the terms and restrictions set forth in the MGP Ingredients, Inc. Stock Incentive Plan of 2004 (the "2004 Plan") and this Agreement, MGP INGREDIENTS, INC., a Kansas corporation (the "Company"), hereby grants to the Participant named below the number of Restricted Shares of Common Stock of the Company as set forth below:

Participant: **Laidacker M. Seaberg**
Number of Restricted Shares under the 2004 Plan: **14,800**

NOW, THEREFORE, the Company and the Participant hereby agree to the following terms and conditions:

1. Issuance of Restricted Shares. The shares described above are being issued by the Company to the Participant as Restricted Shares pursuant to the terms and provisions of the 2004 Plan and of the Guidelines for Issuance of Fiscal 2005 Restricted Share Awards (the "Guidelines") adopted by the Human Resources Committee of the Board of Directors of the Company, true copies of which are attached hereto as Exhibits A and B and incorporated herein by reference. Upon the execution of this Agreement, the Company shall issue in the Participant's name the aggregate number of Restricted Shares described above, subject to the provisions of the Guidelines requiring that such certificate or certificates be held in the custody of the Company.

2. Vesting in Restricted Shares. Subject to the provisions of the Guidelines, Restricted Shares shall vest in the Participant upon the Participant's completion of seven (7) full years of employment with the Company commencing on July 1, 2004. However, in the event that the Performance Measure is achieved, the Restricted Shares shall vest in the Participant upon completion of three (3) full years of employment commencing on July 1, 2004. The Performance Measure means that the Company has achieved earnings per share on a cumulative basis for the period beginning on July 1, 2004 and ending on June 30, 2007 of $3.15 per share. The Performance Measure is subject to adjustment, as provided in the Guidelines, and the inclusion or exclusion of unusual or non-recurring items is subject to the discretion of the Compensation Committee, as provided in the Guidelines. Except as provided in the Guidelines, the Restricted Shares issued to the Participant shall be forfeited to the Company if the Participant's employment with the Company is terminated prior to the end of the applicable Restriction Period.

3. Restriction on Transfer. The Participant shall not voluntarily sell, exchange, transfer, pledge, hypothecate, or otherwise dispose of any Restricted Shares to any other person or entity during the applicable Restriction Period. Any disposition or purported disposition made in violation of this paragraph shall be null and void, and the Company shall not recognize or give effect to such disposition on its books and records.

4. Legend on Certificates. In order that all potential transferees and others shall be put on notice of this Agreement and so long as the risk of forfeiture exists under the Plan and Guidelines, each certificate evidencing ownership of the Restricted Shares issued pursuant to the Plan (and any replacements thereto) shall bear a legend in substantially the following form:

> "The shares evidenced by this Certificate have been issued pursuant to the MGP Ingredients, Inc. Stock Incentive Plan of 2004 and a related agreement (the "Agreement") between the Company and the registered holder. The holder's rights are subject to the restrictions, terms and conditions of the Plan and to the Agreement, which restricts the transfer of the shares and subjects them to forfeiture to the Company under the circumstances referred to in the Agreement. This legend may be removed when the holder's rights to the shares vest under the Agreement."

5. Controlling Provisions. The provisions of the Guidelines shall apply to the award made under this Agreement. In the event of a conflict between the provisions of this Agreement and the Guidelines, the provisions of the Guidelines will control.

IN WITNESS WHEREOF, this Instrument has been executed as of this 3rd day of December, 2004.

MGP INGREDIENTS, INC.

By: /s/ Brian T. Cahill
Brian T. Cahill
Vice President/Chief Financial Officer

ACKNOWLEDGEMENT

I understand and agree that the Restricted Shares to be acquired by me are subject to the terms, provisions and conditions hereof and of the Plan and Guidelines, to all of which I hereby expressly assent. This Agreement shall be binding upon and inure to the benefit of the Company, myself, and our respective successors and legal representatives.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and may not be modified, amended, renewed or terminated, nor may any term, condition or breach of any term or condition be waived, except in writing signed by the parties sought to be bound thereby. Any waiver of any term, condition or breach shall not be a waiver of any term or condition of the same term or condition for the future or any subsequent breach. In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

Signed this 11th day of January, 2005.

/s/ Laidacker M. Seaberg
Signature of Participant

Exhibit 15.2

Accountants' Acknowledgement

We acknowledge the incorporation by reference in the Registration Statements on Form S-8 (Registration No. 333-119860 and 333-51849) of MGP Ingredients, Inc. (Company) of our report dated January 25, 2005, included with the Quarterly Report on Form 10-Q for the quarter ended December 31, 2004. 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 the Act.

/s/ **BKD, LLP**

Kansas City, Missouri
February 3, 2005

Exhibit 31.1

CERTIFICATION

I, Laidacker M. Seaberg, President and Principal Executive Officer of MGP Ingredients, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MGP Ingredients, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2005

/s/ Laidacker M. Seaberg
Laidacker M. Seaberg
President and Principal Executive Officer

CERTIFICATION

I, Brian Cahill, Vice President and Treasurer and Principal Financial and Accounting Officer of MGP Ingredients, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGP Ingredients, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2005

/s/ Brian Cahill
Brian Cahill
Vice President and Treasurer and Principal Financial and Accounting Officer

Exhibit 32.1

CERTIFICATION
OF
PERIODIC REPORT

I, Laidacker M. Seaberg, President and Chief Executive Officer of MGP Ingredients, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the Quarterly Period ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2005

/s/ Laidacker M. Seaberg
Laidacker M. Seaberg
President and Chief Executive Officer

[A signed original of this written statement required by Section 906 has been provided to MGP Ingredients, Inc. and will be retained by MGP Ingredients, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibit 32.2

CERTIFICATION
OF
PERIODIC REPORT

I, Brian T. Cahill, Vice President and Chief Financial Officer of MGP Ingredients, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the Quarterly Period ended December 31, 2004, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2005

/s/ Brian T. Cahill
Brian T. Cahill
Vice President and Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to MGP Ingredients, Inc. and will be retained by MGP Ingredients, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]