

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended March 31, 1995 -
Commission File No. 0-17196

MIDWEST GRAIN PRODUCTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

KANSAS

48-0531200

(State or Other Jurisdiction of
Incorporation or Organization)

IRS Employer
Identification No.

1300 Main Street, Atchison, Kansas 66002

(Address of Principal Executive Offices and Zip Code)

(913) 367-1480

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to

file such reports) and (2) has been subject to the filing requirements for at least the past 90 days. [x] YES [] NO

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

Common stock, no par value
9,765,172 shares outstanding
as of May 1, 1995.

INDEX

PART I. FINANCIAL INFORMATION	Page
Item 1. <u>Financial Statements</u>	
Independent Accountants' Review Report	2
Condensed Consolidated Balance Sheets as of March 31, 1995 and June 30, 1994	3
Condensed Consolidated Statements of Income for the Three Months and Nine Months Ended March 31, 1995 and 1994	5
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 1995 and 1994	6
Note to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
PART II. OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	12

- 1 -

Baird, Kurtz & Dobson
Certified Public Accountants

Independent Accountants' Review Report

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

We have reviewed the condensed consolidated balance sheet of
MIDWEST GRAIN PRODUCTS, INC. and subsidiaries as of March 31,
1995, and the related condensed consolidated statements of income

for the three month and nine month periods ended December 31, 1995 and 1994, and the related condensed consolidated statements of cash flows for the nine month periods ended March 31, 1995 and 1994.

These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES issued by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of June 30, 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and, in our report dated August 11, 1994, 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, 1994, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

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

Kansas City, Missouri
April 25, 1995
City Center Square, Suite 2700, 1100 Main, 816 221-6300
Kansas City, Missouri 64105 FAX 816 221-6380
With Offices in: Arkansas, Colorado, Kansas, Kentucky, Missouri,
Nebraska, Oklahoma
Member of Moores Rowland International

- 2 -
MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

ASSETS

	March 31, 1995	June 30, 1994
	(Unaudited)	_____
CURRENT ASSETS		
Cash and cash equivalents		\$ 3,832
Short-term investments	339	339
Receivables	19,616	20,457
Notes receivable	814	814
Inventories	15,851	13,229
Prepaid expenses	780	576
Refundable income taxes	836	
Deferred income taxes	876	876
	_____	_____
Total Current Assets	39,112	40,123
	_____	_____
INVESTMENTS		14,504

LONG-TERM RECEIVABLES	442	961
	_____	_____
PROPERTY AND EQUIPMENT, At cost	207,368	182,446
Less accumulated depreciation	73,944	69,888

133,424	112,558
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\$172,978	\$168,146
=====	=====

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

- 3 -

MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1995	June 30, 1994
	(Unaudited)	-----
CURRENT LIABILITIES		
Disbursements in excess of demand deposit cash	\$ 387	
Accounts payable	4,307	\$ 8,551
Accrued expenses	6,014	8,189
Income taxes payable		1,232
Total Current Liabilities	10,708	17,972
LONG-TERM DEBT	35,000	25,000
POST-RETIREMENT BENEFITS	5,513	5,045
DEFERRED INCOME TAXES	5,956	5,956
STOCKHOLDERS' EQUITY		
Capital stock		
Preferred, 5% noncumulative, \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common, no par; authorized 20,000,000 shares; issued 9,765,172 shares	6,715	6,715
Additional paid-in capital	2,485	2,485
Retained earnings	106,597	104,969
	115,801	114,173
	\$172,978	\$168,146
	=====	=====

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

- 4 -

MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1995 AND 1994

(Unaudited)

	Three Months		Nine Months	
	1995	1994	1995	1994
	(in thousands, except per share amounts)			
NET SALES	\$42,005	\$50,652	\$132,477	\$135,100
COST OF SALES	39,032	38,011	115,120	109,797
GROSS PROFIT	2,973	12,641	17,357	25,303
SELLING, GENERAL AND ADMINIS- TRATIVE EXPENSES	2,298	2,886	8,624	8,387
	675	9,755	8,733	16,916
OTHER OPERATING LOSS	(36)	(118)	(23)	(346)
INCOME FROM OPERATIONS	639	9,637	8,710	16,570
OTHER INCOME (LOSS)	(138)	92	182	12
INCOME BEFORE INCOME TAXES	501	9,729	8,892	16,582
PROVISION FOR INCOME TAXES	203	3,645	3,601	6,218
NET INCOME	\$ 298	\$ 6,084	\$ 5,291	\$10,364
	=====	=====	=====	=====
EARNINGS PER COMMON SHARE	\$.03	\$.62	\$.54	\$1.06
	=====	=====	=====	=====

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

- 5 -

MIDWEST GRAIN PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED MARCH 31, 1995 AND 1995
(Unaudited)

	1995	1994
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,291	\$ 10,364
Items not requiring (providing) cash:		
Depreciation	5,623	4,819
Gain on sale of assets	(205)	(36)
Deferred income taxes		(120)
Changes in:		
Accounts receivable	841	(3,295)
Inventories	(2,622)	(796)
Prepaid expenses	(204)	(153)
Disbursements in excess of demand deposit	387	
Accounts payable	(2,159)	178
Accrued expenses	(1,707)	(635)
Income taxes payable	(2,068)	1,512
Net cash provided by operating activities	3,177	11,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(28,648)	(32,995)
(Purchase) sale of short-term investments, net	14,505	(19,891)

Proceeds from sale of equipment	279	59
Proceeds from notes receivable		814
Payment received on note for sale of plant	518	5
	<hr/>	<hr/>
Net cash used in investing activities	(13,346)	(52,008)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	10,000	25,000
Principal payment on long-term debt		(50)
Dividends paid	(3,663)	(3,663)
	<hr/>	<hr/>
Net cash provided by financing activities	6,337	21,287
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,832)	(18,883)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,832	20,074
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 0	\$ 1,191
	=====	=====

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

- 6 -

MIDWEST GRAIN PRODUCTS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MARCH 31, 1995
(Unaudited)

NOTE: GENERAL

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's condensed consolidated financial position as of March 31, 1995, and the condensed consolidated results of its operations and its cash flows for the periods ended March 31, 1995 and 1994, and are of a normal recurring nature.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1995

RESULTS OF OPERATIONS

General

Sales and earnings for the third quarter of fiscal 1995 declined significantly compared to these same results for the third quarter of fiscal 1994. Lower sales of vital wheat gluten combined with reduced efficiencies associated with the start-up of new distillery equipment at the Company's Pekin, Illinois plant were principal causes for the decrease. The drop in wheat gluten volume resulted from reduced marketing opportunities due to increased gluten imports from Europe. The high sales of wheat gluten the Company experienced in the third quarter of fiscal 1994 resulted from an exceptionally large increase in demand during that period. This situation was principally caused by greatly increased requirements for gluten for use in fortifying flour due to poor protein levels in domestic and non-domestic wheat supplies. After a return to more normal crop conditions this past summer, the U.S. market began experiencing a substantial rise in imported wheat gluten from the European Union, where wheat starch and gluten capacities underwent sizeable increases. Profits from their highly subsidized and protected wheat starch business allow European producers to easily place their gluten surpluses in the United States market. Low U.S. tariff rates on wheat gluten provide little deterrence to this practice, while high tariffs in Europe effectively prohibit non-European Union member countries from competing in the wheat gluten and wheat starch markets there. Although the Company is actively seeking measures that would create a more level playing field, gluten imports from Europe continue to come into this country at a record pace.

The Company's unit sales of alcohol products in the third quarter were up significantly compared to the prior year's third quarter amount. A significant increase in unit sales of fuel grade alcohol, which is sold as an octane additive commonly known as ethanol, offset a decrease in unit sales of food grade alcohol, which is sold for beverage industrial and commercial applications. While market opportunities for food grade alcohol have remained strong, the lower unit sales of this product in the third quarter resulted from a change in the Company's alcohol production mix, which was required to satisfy heightened customer needs in the fuel market. The Company expects growth opportunities in the fuel grade market to continue, but at a more gradual rate due to the recent reversal of an Environmental Protection Agency regulation requiring that renewable fuel oxygenates such as grain-based ethanol play a larger role in satisfying future Clean Air Act requirements in certain areas of the country. The EPA regulation was rescinded by the U. S. Circuit Court of Appeals for the District of Columbia on

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1995

April 28, several months after a suit contesting the EPA's authority to issue the regulation was filed by two groups representing the petroleum industry. With completion of the distillery expansion in Pekin, which is designed to double Midwest Grain's total alcohol production capacity, the Company expects to improve its ability to satisfy demand in all of its alcohol markets more effectively. This expansion was scheduled to be on line by January 1995. However, the completion was delayed by unanticipated mechanical equipment problems with two new distillery feed driers. At the end of the quarter, intermediate repairs to the driers were completed by the equipment supplier. Since then, the Company has experienced increased alcohol production levels. Production is expected to improve further when final repairs to the equipment are completed late this summer. Substantial improvements in operational efficiencies should occur as a result.

The Company's unit sales of wheat starch in the third quarter rose above the prior year's third quarter level. The increase resulted mainly from higher volumes of modified wheat starches which are sold in a variety of special market niches. A planned 70% increase in wheat starch production capacity, that was originally slated for completion at the Pekin plant toward the end of this year's third quarter, was rescheduled for completion at the end of the fourth quarter. The postponement was prompted by the delay in the distillery expansion. A planned 40% increase in total gluten production capacity also was postponed from the third quarter, principally due to weakened unit sales caused by increased foreign competition. The rescheduling of this project will be based on a return to greater stability in the gluten market. While the Company believes unfavorable conditions, namely reduced efficiencies and intense foreign competition, will continue to have significant negative impact on results for the current quarter, it expects gradual improvements to occur from its projected higher alcohol capacities, and assuming a continuance of strong demand for its alcohol products and wheat starch.

Sales

Grain products sales for the third quarter of fiscal 1995 decreased by approximately \$8,647,000 below sales in the third quarter of fiscal 1994. The decrease was principally due to lower sales of vital wheat gluten, which fell nearly 50% as the result of reduced marketing opportunities caused by a large increase in gluten imports from Europe. An 18% increase in sales of alcohol products compared to the prior year's third quarter resulted from a significant jump in fuel alcohol volume. Sales of food grade alcohol for beverage, industrial and commercial applications declined, as a sizeable percentage of the Company's

- 9 -

MIDWEST GRAIN PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1995

alcohol production was shifted to the fuel category in response to pre-established customer requirements. Sales of distillers' feeds, a by-product of the alcohol production process, remained approximately even with levels experienced in the third quarter of fiscal 1994. A continued increase in sales of modified wheat starches pushed total wheat starch sales in this year's third quarter almost 7% above the prior year's third quarter level. The majority of the decrease in grain products sales for the first nine-month period of fiscal 1995, amounting to approximately \$2,623,000, was experienced in the third quarter. This mainly resulted from decreased volume sales of vital wheat gluten due to increased foreign competition and a reduction in market demand compared to the extraordinary demand experienced during the same period a year ago. Changes in selling prices of the Company's vital wheat gluten generally are due to fluctuations in grain costs and competition. Wheat starch prices traditionally track corn starch prices, with the exception of the Company's specialty modified starches. Fuel alcohol prices traditionally follow the movement of gasoline prices. Prices for food grade alcohol for beverage applications normally follow the movement of corn prices, while prices for food grade alcohol for industrial and commercial applications are normally consistent with prices for industrial alcohol derived from synthetic products such as petroleum.

Cost of Sales

The cost of sales in the third quarter of fiscal 1995 rose by approximately \$1 million above cost of sales in the same period the preceding year. Increased maintenance and repair costs, amounting to approximately \$832,000, and increased energy costs amounting to \$410,000 were offset by decreased raw material costs for grain. The higher maintenance and repair costs were mainly due to work associated with the distillery expansion at the Company's Pekin plant. Other manufacturing cost increases were due to higher costs for chemicals and additives resulting from increased production of modified wheat starches, and depreciation of buildings and equipment. The cost of sales for the first nine months of fiscal 1995 increased by approximately \$5.3 million over costs for the first nine months of fiscal 1994. The majority of this increase was primarily due to volume increases in the first quarter, as well as increased maintenance and repair costs in the second and third quarters.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the third quarter of fiscal 1995 were down approximately \$588,000 compared to the same period the prior year. This principally was due to a decrease of approximately \$302,000 in the Company's management

- 10 -

MIDWEST GRAIN PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1995

bonus program accrual, and a decrease of approximately \$265,000 in sales subject to commissions. The \$237,000 increase of expenses for the nine month period was primarily experienced during the first quarter and was incurred generally throughout the expense categories. The consolidated effective income tax rate increased as a result of federal and state tax rates.

The general effects of inflation were minimal.

Net Income

Primarily as the result of the foregoing factors, net income in the third quarter of fiscal 1995 declined to \$298,000 from \$6,084,000 realized in the third quarter of fiscal 1994. Net income for the first nine months of fiscal 1995 decreased to \$5,291,000 from \$10,364,000 in the first nine months of fiscal 1994.

- 11 -

MIDWEST GRAIN PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1995

LIQUIDITY AND CAPITAL RESOURCES

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

March 31, 1995	June 30, 1994
-------------------	------------------

(in thousands)

Cash, cash equivalents and short-term investments	\$ 339	\$ 4,171
Long-term liquid investments		14,504
Long-term debt	35,000	25,000
Working capital	28,404	22,151

While the Company's working capital position improved during the nine month period, expenditures for plant additions, including the Pekin expansion, totalled \$28.6 million resulting in reduced investments held for this purpose and operating cash balances and increased borrowings. Higher inventory balances, primarily increased quantities of milo, and increased income tax payments during the first nine months also impacted short-term liquidity.

At March 31, 1995, the Company has amounts remaining to spend under capital improvement projects totalling approximately \$10.9 million. The expenditures in Pekin primarily relate to the new wheat starch facilities and expansion of the gluten facilities. Capital improvement projects in Atchison include normal improvements and expansions primarily in the gluten and starch processes and expanded storage facilities for gluten and starch.

After borrowing \$10 million on its lines of credit during the third quarter, remaining available balances total \$15 million.

Midwest Grain Products believes the above borrowings, existing working capital and working capital to be generated from future operations, will allow it to complete its expansion projects and meet expanded working capital needs.

- 12 -
PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 4(a) Copy of First Amended Line of Credit Loan Agreement providing for the Issuance of a Line of Credit Note in the amount of \$20,000,000.
- 4(b) Copy of Line of Credit Note Under First Amended Line of Credit Loan Agreement
- 15 Letter from independent public accountants pursuant to paragraph (d) of Rule 10-01 of Regulation S-X (incorporated by reference to Independent Accountants' Review Report at page 2 hereof)
- 20 Report to stockholders for the nine months ended March 31, 1995.
- 27 Financial Data Schedule for the nine months ended March 31, 1995.

(b) Reports on Form 8-K

The Company has filed no reports on Form 8-K during the quarter ended March 31, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on

its behalf by the undersigned thereunto duly authorized.

MIDWEST GRAIN PRODUCTS, INC.

5-9-95

By /s/ Ladd M. Seaberg

Date

Ladd M. Seaberg
President and Chief Executive
Officer

5-9-95

By /s/ Robert G. Booe

Date

Robert G. Booe, Vice President
and Chief Financial Officer

EXHIBIT 99

EXHIBIT INDEX

Exhibit Number	Description
4(a)	Copy of First Amended Line of Credit Loan Agreement providing for the Issuance of a Line of Credit Note in the amount of \$20,000,000.
4(b)	Copy of Line of Credit Note Under First Amended Line of Credit Loan Agreement
15	Letter from independent public accountants pursuant to paragraph (d) of Rule 10-01 of Regulation S-X (incorporated by reference to Independent Accountants' Review Report at page 2 hereof).
20	Report to Stockholders for the six months ended March 31, 1995.
27	Financial Data Schedule for the nine months ended March 31, 1995.

Exhibit 4(b)

LINE OF CREDIT NOTE

\$20,000,000

February 25, 1994

FOR VALUE RECEIVED, the undersigned, MIDWEST GRAIN PRODUCTS, INC., a Kansas corporation ("Borrower") hereby promises to pay to the order of Commerce Bank of Kansas City, N.A. ("Bank") at its offices in Kansas City, Missouri, the aggregate unpaid principal amount and accrued interest of all borrowings hereunder. The aggregate unpaid principal amount shall also become immediately due and payable, without demand or further action on the part of Bank upon the occurrence of an event of default as set forth in Section 4.1 of the Line of Credit Loan Agreement, as amended, dated November 30, 1993 (the "Agreement").

Interest on this note shall be calculated on the actual number of days on the basis of a year of 360 days. If the outstanding balance is less than \$500,000, the line of credit shall bear interest at a per annum rate equal to the Prime Rate. If the outstanding balance is \$500,000 or greater, the line of credit shall bear interest at the greater of either (1) the Prime Rate, minus 1%, or (2) the Federal Funds Rate plus 1.50%.

Interest will be payable monthly, in arrears, and at maturity, whether by acceleration or otherwise. Interest will be computed on the actual days outstanding based upon a year consisting of 360 days.

"Prime Rate" means the Prime Rate of interest established from time to time by Commerce Bank and designated as such for its internal convenience, and no representation is made that the

Prime Rate is the best, the lowest or a favored rate of interest. The rate of interest, if tied to the Prime Rate, shall change with and be effective on the date of each change in the Prime Rate.

"Federal Funds Rate" means the effective Federal Funds Rate as quoted by the Federal Reserve Bank of New York on a daily basis. The Federal Funds Rate is adjusted daily.

So long as the Agreement has not been terminated, Borrower may, from the date of this note through October 1, 1997 borrow, repay and reborrow sums, at any one time outstanding, not to exceed \$20,000,000. All advances and repayments hereunder shall be endorsed on the reverse hereof (or an attached schedule) by the Bank or holder, and between the undersigned and Bank, such endorsements and the balances derived from such endorsements shall be conclusively presumed to reflect the amounts advanced and repaid hereunder and the then outstanding and unpaid balance of sums advanced or readvanced hereunder.

The undersigned hereby waives presentment, protest, demand and notice of dishonor or default.

This note is issued pursuant to the terms of the Agreement, to which Agreement, and any amendments thereto, reference is hereby made for a statement of the terms and conditions under which this borrowing was made, and is to be repaid.

MIDWEST GRAIN PRODUCTS, INC.

By: /S/ Ladd M. Seaberg

Title: President - CEO

By: /s/ Robert Booe

Title: VP-CFO

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Exhibit 4(b)

LINE OF CREDIT NOTE

\$20,000,000

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Interest will be payable monthly, in arrears, and at maturity, whether by acceleration or otherwise. Interest will be computed on the actual days outstanding based upon a year consisting of 360 days.

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Prime Rate is the best, the lowest or a favored rate of interest. The rate of interest, if tied to the Prime Rate, shall change with and be effective on the date of each change in the Prime Rate.

"Federal Funds Rate" means the effective Federal Funds Rate as quoted by the Federal Reserve Bank of New York on a daily basis. The Federal Funds Rate is adjusted daily.

So long as the Agreement has not been terminated, Borrower may, from the date of this note through October 1, 1997 borrow, repay and reborrow sums, at any one time outstanding, not to exceed \$20,000,000. All advances and repayments hereunder shall be endorsed on the reverse hereof (or an attached schedule) by the Bank or holder, and between the undersigned and Bank, such endorsements and the balances derived from such endorsements shall be conclusively presumed to reflect the amounts advanced and repaid hereunder and the then outstanding and unpaid balance of sums advanced or readvanced hereunder.

The undersigned hereby waives presentment, protest, demand and notice of dishonor or default.

This note is issued pursuant to the terms of the Agreement, to which Agreement, and any amendments thereto, reference is hereby made for a statement of the terms and conditions under which this borrowing was made, and is to be repaid.

MIDWEST GRAIN PRODUCTS, INC.

By: /S/ Ladd M. Seaberg

Title: President - CEO

By: /s/ Robert Booe

Title: VP-CFO

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EXHIBIT 20

Letter To Our Stockholders

May 9, 1995

Dear Stockholder:

Reduced production efficiencies and the continuance of strong competition from European wheat gluten producers caused results for our third quarter of fiscal 1995 to decrease significantly compared to the prior year's third quarter results. Our net income for the quarter was \$298,000, or \$0.03 per share on sales of \$42,005,000. In the third quarter of fiscal 1994, our net income was \$6,084,000, or \$0.62 per share on sales of \$50,652,000.

A principal reason for the outstanding results we experienced in last year's third quarter was the extraordinary increase in demand for wheat gluten during that period. This mainly resulted from poor wheat protein levels domestically and abroad, requiring substantially more gluten than usual for use in fortifying flour. Following a return to more normal crop conditions this past summer, the U.S. market began experiencing a tremendous rise in imported wheat gluten from the European Union, where wheat starch and gluten capacities underwent sizeable increases. The escalation of this situation was a principal cause for a decline in our total results for the first nine months of fiscal 1995, which had net income of \$5,291,000, or \$0.54 per share on sales of \$132,477,000. Our net income for the first nine months of fiscal 1994 was \$10,364,000, or \$1.06 per share on sales of \$135,100,000.

Although the intense competitive conditions in our wheat gluten market remain unchanged at this time, I am encouraged by the improved efficiencies we are beginning to experience through the increased utilization of our expanded distillery capacity in Pekin, Illinois. Completion of this expansion, which is designed to double our total alcohol production capacity, was delayed by mechanical equipment problems with new distillers feed drying equipment. Intermediate repairs to the equipment were completed by the supplier at the end of the third quarter. Production should further improve when permanent repairs to the equipment are completed late this summer.

Our total alcohol unit sales were up substantially in the third quarter as the result of a large increase in the fuel grade alcohol category. We are now also experiencing an increase in unit sales of food grade alcohol for industrial and beverage applications,

principally as a result of new capacity we have gained from our expansion in Pekin.

Growth opportunities in the fuel market, for which the majority of our expanded capacity is designed, remain viable but will occur more gradually due to a recent ruling by the U.S. Circuit Court of Appeals for the District of Columbia. On April 28, the Court reversed the Environmental Protection Agency's regulation requiring that renewable fuel oxygenates such as grain-based ethanol play a larger role in satisfying future Clean Air Act requirements in nine of the nation's smoggiest metropolitan areas. The Court's decision resulted from a suit filed against the EPA regulation last September by two groups representing the petroleum industry.

Favorable conditions continue to exist in our wheat starch market, where growth in our multiple modified and specialty varieties has occurred throughout the current fiscal year. Our ability to increase wheat starch production will be strengthened by the new starch processing capacity that we plan to have installed at our Pekin plant by the end of this year's fourth quarter.

Our planned wheat gluten capacity increase in Pekin remains on hold until greater stability returns to the market. Through our membership in the U.S. Wheat Gluten Industry Council, we are actively raising awareness of policies and practices that allow our European counterparts overwhelming competitive advantages. In concert with this program, we are seeking reasonable solutions to the problem with assistance from leading government officials.

In the meantime, with increased use of our expanded distillery operation, our overall operational efficiencies should steadily improve. While we don't expect marked improvements in results for this year's fourth quarter compared to the third quarter, we do expect more favorable conditions to prevail long-term.

As previously announced, a dividend of \$0.125 per share was declared and is payable May 9, 1995 to stockholders of record April 7, 1995.

Sincerely,

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

Corporate Profile

Founded in 1941, Midwest Grain Products, Inc., is a fully integrated producer of vital wheat gluten, premium wheat starch and alcohol products.

In addition to its major product lines, the Company also produces flour for internal use, and several by-products, including wheat bran, mill feeds, distillers feeds and carbon dioxide. The Company's principal raw material is grain, consisting of wheat, which is processed into all products, and corn and milo, which are

processed into alcohol and alcohol by-products.

Vital wheat gluten and premium wheat starch are sold primarily as food additives to enhance the nutritional value, appearance, texture, taste, and a variety of other characteristics of baked and processed foods. Alcohol products are produced as part of the gluten and starch processing operations. They consist of food grade alcohol for beverage, industrial and commercial applications, and fuel grade alcohol, which is sold as an octane additive for motor fuel.

The Company operates two processing plants in the United States. The corporate headquarters and original plant are located in Atchison, Kan. The plant located in Pekin, Ill., was acquired from the American Distilling Company in June, 1980. These facilities are operated 24 hours each day of the year and enable utilization in the Company's products of approximately 95% (by weight) of grain processed.

Midwest Grain Products, Inc.

1300 Main Street
PO Box 130
Atchison, Kansas 66002-0130

Phone: 913-367-1480

Symbol/Market: MWGP/NASDAQ

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MIDWEST GRAIN PRODUCTS, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED MARCH 31, 1995 AND CONDENSED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000835011

<NAME> MIDWEST GRAIN PRODUCTS, INC.

<MULTIPLIER> 1,000

<S>	<C>
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<PERIOD-START>	JUL-01-1994
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<EPS-DILUTED>	.54

<FN>
<F1>After deduction of allowances and addition of Notes Receivable.

<F2>See Note F1.

<F3>Reflects Retained Earnings and Additional Paid In Capital.

<F4>Reflects net sales plus Other Operating Loss and Other Income.

<F5>Consists of Selling, General and Administrative Expenses.

<F6>Total revenues includes "Other Income." Other Income reflects excess Other Income after deducting interest expense.

</FN>

</TABLE>