

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 1996 - Commission File No. 0-17196

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

KANSAS

(State or Other Jurisdiction of
Incorporation or Organization)

48-0531200

IRS Employer
Identification No.

1300 Main Street, Atchison, Kansas 66002
(Address of Principal Executive Offices and Zip Code)

(913) 367-1480
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to the filing requirements for at least the past 90 days.

X YES NO

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

Common stock, no par value
9,765,172 shares outstanding
as of November 1, 1996.

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[GRAPHIC OMITTED]

Independent Accountants' Review Report

Kurtz &
Dobson

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

Certified
Public
Accountants

We have reviewed the condensed consolidated balance sheet of MIDWEST GRAIN PRODUCTS, INC. and subsidiaries as of September 30, 1996, and the related condensed consolidated statements of operations for the three month periods ended September 30, 1996 and 1995, and the related condensed consolidated statements of cash flows for the three month periods ended September 30, 1996 and 1995. These financial statements are the responsibility of the Company's management.

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

Based on our reviews, we are not aware of any material modifications that should be made to the 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, 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and, in our report dated August 9, 1996, 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, 1996, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

City Center Square
Suite 2700
1100 Main
Kansas City,
Missouri 64105
816 221-6300

/s/Baird Kurtz & Dobson

BAIRD, KURTZ & DOBSON

FAX: 816 221-6380

Kansas City, Missouri
October 23, 1996

With Offices In:

Arkansas
colorado
Kansas
Kentucky
Missouri
Nebraska
Oklahoma

Member of
Moores Rowland
International

MIDWEST GRAIN PRODUCTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS

	September 30, 1996 ----- (Unaudited)	June 30, 1996 -----
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,452	\$ 3,759
Receivables	24,718	18,365
Inventories	21,343	19,913
Prepaid expenses	1,025	573
Deferred income taxes	1,531	1,531
Income taxes receivable	2,909	3,063
	-----	-----
Total Current Assets	54,978	47,204
	-----	-----
PROPERTY AND EQUIPMENT, At cost	210,294	210,304
Less accumulated depreciation	88,600	85,155
	-----	-----
	121,694	125,149
	-----	-----
OTHER ASSETS	432	432
	-----	-----
	\$177,104	\$172,785
	=====	=====

See Accompanying Notes to Condensed Consolidated
Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1996 ----- (Unaudited)	June 30, 1996 -----
CURRENT LIABILITIES		
Note payable-bank	\$ 2,000	
Accounts payable	7,510	\$ 6,416
Accrued expenses	3,148	3,675
	-----	-----
Total Current Liabilities	12,658	10,091
	-----	-----
LONG-TERM DEBT	42,933	40,933
	-----	-----
POST-RETIREMENT BENEFITS	6,043	5,945
	-----	-----
DEFERRED INCOME TAXES	6,594	6,594
	-----	-----
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	99,672	100,018
	-----	-----
	108,876	109,222
	-----	-----
	\$177,104	\$172,785
	=====	=====

See Accompanying Notes to Condensed Consolidated
Financial Statements

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(Unaudited)

	1996 -----	1995 -----
	(in thousands, except per share amounts)	
NET SALES	\$53,173	\$47,160
COST OF SALES	51,110	48,097
	-----	-----
GROSS PROFIT (LOSS)	2,063	(937)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,163	2,463
	-----	-----
	(100)	(3,400)
OTHER OPERATING INCOME (LOSS)	102	(1)
	-----	-----

INCOME (LOSS) FROM OPERATIONS	2	(3,401)
OTHER INCOME (EXPENSE)		
Interest	(725)	(593)
Other	148	69
	-----	-----
LOSS BEFORE INCOME TAXES	(575)	(3,925)
PROVISION (CREDIT) FOR INCOME TAXES	(229)	(1,548)
	-----	-----
NET LOSS	\$ (346)	\$ (2,377)
	=====	=====
EARNINGS (LOSS) PER COMMON SHARE	\$ (.04)	\$ (.24)
	=====	=====

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

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(Unaudited)

	1996	1995
	-----	-----
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (346)	\$ (2,377)
Items not requiring (providing) cash:		
Depreciation	3,506	3,292
Gain on sale of equipment	(20)	(2)
Changes in:		
Accounts receivable	(6,353)	(1,171)
Inventories	(1,430)	(2,213)
Prepaid expenses	(452)	(330)
Accounts payable	1,094	3,331
Accrued expenses	(429)	(2,217)
Income taxes receivable	154	(2,776)
	-----	-----
Net cash used in operating activities	(4,276)	(4,463)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(62)	(2,631)
Proceeds from sale of equipment	31	22
Payment received on note for sale of plant		172
	-----	-----
Net cash used in investing activities	(31)	(2,437)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances on notes payable	2,000	2,000
Net proceeds from issuance of long-term debt	2,000	6,000
Dividends paid		(1,221)
	-----	-----
Net cash provided by financing activities	4,000	6,779
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(307)	(121)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,759	460
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,452	\$ 339
	=====	=====

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

MIDWEST GRAIN PRODUCTS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 1996

(Unaudited)

NOTE: GENERAL

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's condensed consolidated financial position as of September 30, 1996, and the condensed consolidated results of its operations and its cash flows for the periods ended September 30, 1996 and 1995, and are of a normal recurring nature.

See Independent Accountants' Review Report

MIDWEST GRAIN PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1996

RESULTS OF OPERATIONS

General
- - - - -

While the Company incurred a net loss of \$346,000 in the first quarter of fiscal 1997, this performance represented a sizeable improvement over the prior year's first quarter net loss of \$2,377,000. It also was an improvement over the fourth quarter of fiscal 1996, when the Company experienced a net loss of \$814,000. The improved performance primarily resulted from adjustments made in selling prices for the Company's principal products to compensate for increased raw material costs for grain. The Company's strategy to maximize operating results by remaining highly flexible in targeting production levels and sales mix goals, and the continuation of its intense cash management program to reduce costs and

enhance cash flow contributed to the improvement.

Due to the combination of higher grain costs and relatively flat prices for wheat gluten and fuel alcohol at the beginning of the quarter, the Company extended a maintenance and repair shutdown at its Pekin, Illinois plant through the first two weeks of July. Although production levels declined as a result, the Company was able to minimize the impact of the unusually high grain costs, which were driven up by the continuation of a worldwide grain shortage. As the quarter progressed, demand for the Company's fuel alcohol, as well as its food grade alcohol for beverage and industrial applications, strengthened. Additionally, based on predictions for a good fall harvest in the United States, prices for corn and milo, which the Company uses in its alcohol production process, gradually dropped below the record levels they had reached in July.

Throughout the quarter, competitive pressures in the wheat gluten market continued to swell due to the expanding presence of cross-subsidized gluten imports from the European Union (E.U.). As a result, the Company was unable to adjust the selling price of its gluten enough to effectively offset increased costs for wheat. Previously announced consultations between the U.S. and E.U., which are expected to help correct the lopsided trade advantages enjoyed by E.U. gluten producers, are yet to be completed. While the Company waits for the consultations to conclude, possibilities for a legal remedy are being explored. In addition, efforts by the Company to develop specialty, value-added wheat gluten products for both food and industrial applications are being accelerated. The growth of these products, however, is expected to be gradual. Meanwhile, demand for the Company's premium wheat starch remained strong throughout the quarter. A 70% increase in Midwest Grain's starch production capacity in the first quarter of fiscal 1996 has made it possible for the Company to satisfy this and future increases in demand. Based on current indications, including a decline in grain costs and steady demand for alcohol products and wheat starch, the Company expects a return to profitability in the second quarter of fiscal 1997. In addition, new labor agreements have recently been ratified at both of the Company's plants.

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MIDWEST GRAIN PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

THREE MONTHS ENDED SEPTEMBER 30, 1996

Sales

- -----

Net sales in the first quarter of fiscal 1997 increased by approximately \$6.0 million above sales in the first quarter of fiscal 1996. The increase principally resulted from improved prices for all of the Company's principal products, which only partially offset a significant rise in grain costs. An increase in alcohol sales resulted from a 40% jump in the food grade industrial category due largely to a substantial increase in units sold. Beverage alcohol sales were approximately even with sales for the first quarter of the prior year, while fuel alcohol sales showed a nearly 50% decline due to strategically planned production decrease. Sales of distillers feeds, a by-product of the alcohol production process, climbed 20%, as more feed was produced in tandem with the increase in total alcohol units. Premium wheat starch sales rose almost 16% as the result of steady demand combined with a strengthening in price to compensate for higher wheat costs. Wheat gluten sales, meanwhile, were nearly equal to sales generated in the first quarter of fiscal 1996. Growth in this market was held down by the Company's inability to adequately make price adjustments reflective of increased raw material costs in the face of extreme competitive pressures from the European Union.

Costs of Sales

- -----

The cost of sales in the first quarter of fiscal 1997 increased by approximately \$3.0 million above the cost of sales in the first quarter of fiscal 1996. A principal cause was a \$5.0 million surge in raw material costs for grain. The increase was partially offset by a nearly \$1.2 million decrease in maintenance and repair costs, which returned to more normal levels following the completion of the Company's major expansion project at its Pekin, Illinois plant in the first quarter of fiscal 1996. Other costs, which vary with production, were lower due to planned production decline.

Selling, General and Administrative Expenses

- -----

Selling, general and administrative expenses in the first quarter of fiscal 1997 were down approximately \$300,000 compared to the prior year's first quarter. This decrease was spread through most expense categories as part of the Company's cash management program.

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 a net loss of \$346,000 in the first quarter of fiscal 1997 compared to a net loss of \$2,377,000 in the first quarter of fiscal 1996.

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MIDWEST GRAIN PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

THREE MONTHS ENDED SEPTEMBER 30, 1996

LIQUIDITY AND CAPITAL RESOURCES

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

	September 30, 1996	June 30, 1996
	-----	-----
	(in thousands)	
Cash and cash equivalents	\$ 3,452	\$ 3,759
Working capital	42,320	37,113
Amounts available under lines of credit	15,000	18,600
Note payable and long-term debt	44,933	40,933
Stockholders' equity	108,876	109,222

During this period of adversity, the Company has continued to generate positive cash flows, improve its working capital position and maintain a relatively low debt-to-equity ratio. The measures instituted a year ago, including stringent cost reductions, suspension of quarterly cash dividends to stockholders and changes in production, purchasing and marketing strategies remain in effect. Improved operations started to be felt during this quarter causing expected reductions in short-term liquidity as evidenced by increased levels of receivables and inventories.

Although the Company has completed major capital improvement projects at both plants, management continues to evaluate its plants to maintain and improve operating efficiencies. At September 30, 1996, the Company had \$2.2 million committed to improvements and replacements of existing equipment.

While the Company partially experienced improved operations during the first quarter due to the decline in grain prices, it expects to more fully feel these improvements during the second quarter. Management believes that the strategies which continue to be implemented, together with the Company's strong working capital and available lines of credit position it to take advantage of a return to more favorable conditions.

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PART II
OTHER INFORMATION

Item 4 Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders of the Company was held on October 10, 1996. The following actions were taken at the meeting:

1. Eleanor B. Schwartz, D.B.A. was elected to the office of Group A Director for a term expiring in 1999 with 8,238,888 votes for her election and 336,634 votes withheld.

2. Randall M. Schrick was elected to the office of Group B Director for a term expiring in 1999 with 410 votes for his election and 13 votes withheld.

3. Laidacker M. Seaberg was elected to the office of Group B Director for a term expiring in 1999 with 423 votes for his election and 0 votes withheld.

4. The Midwest Grain Products, Inc. Stock Incentive Plan of 1996 was approved with 6,481,100 votes for, 400,997 votes against and 825,795 votes abstaining.

5. The Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors was approved with 6,238,619 votes for, 641,872 votes against and 827,401 votes abstaining.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(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) Letter to stockholders for the three months ended September 30, 1996.

(27) Financial data schedule.

(b) Reports on Form 8-K

The Company has filed no reports on Form 8-K during the quarter ended September 30, 1996.

SIGNATURES

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

MIDWEST GRAIN PRODUCTS, INC.

s/Ladd M. Seaberg

By _____
Ladd M. Seaberg, President
and Chief Executive Officer

Date: November 11, 1996

s/Robert G. Booe

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

Date: November 11, 1996

EXHIBIT 20

LETTER TO STOCKHOLDERS

November 7, 1996

Dear Stockholder:

I am pleased to report that while our Company incurred a slight loss in net earnings in the first quarter of fiscal 1997, our operating income moved back to the plus side. This is consistent with strengthened conditions in the marketplace, which indicate a return to profitability in the second quarter.

Our first quarter net loss of \$346,000, or \$0.04 per share on sales of \$53,173,000 represented a substantial improvement over the prior year's first quarter net loss of \$2,377,000, or \$0.24 per share on sales of \$47,160,000. It also was better than our performance in the immediately preceding fourth quarter, when we experienced a net loss of \$814,000, or \$0.08 per share on sales of \$37,856,000. This improvement was realized as the result of a greater balance between selling prices of our principal products and raw material costs for grain together with our ability to exercise considerable flexibility in targeting production levels and sales mixes. Those factors were complemented by the continuation of our enhanced cash management program.

First quarter grain costs actually were much higher than during the same period a year ago. Prices for corn and milo, which we use in our alcohol production process, averaged 54% more per bushel, while prices for wheat, which we mill into flour and then further process into vital wheat gluten and premium wheat starch, averaged nearly 7% more per bushel. These increases were partially offset by sales price adjustments in each of our markets.

The combination of higher grain costs and relatively flat prices for wheat

gluten and fuel alcohol in the opening weeks of the first quarter prompted our decision to extend a maintenance and repair shutdown at our Pekin, Illinois plant through the first half of July. Although production levels

declined as the result of this shutdown, the decision allowed us to minimize the negative impact of the exceptionally high grain costs. Furthermore, as the quarter progressed, demand for our fuel alcohol, as well as our food grade alcohol for beverage and industrial applications strengthened. Conditions in these markets remain favorable, and corn and milo prices have fallen from their July record levels.

Conditions in the wheat gluten market, on the other hand, continue to be severely affected by the growing presence of gluten imports from the European Union (E.U.). Consultations between the United States and E.U., which are expected to help level the playing field, have not yet been completed as we previously had hoped. In the meantime, possibilities for a remedy through legal action are being aggressively explored.

As previously reported, we are accelerating our development of specialty wheat gluten products for both food and industrial applications. The growth of these products will be gradual, as has been the case with our successful list of modified and specialty wheat starches, which we began developing several years ago.

Looking ahead, I am encouraged by the current onset of more favorable conditions, both on the raw material side and in the majority of the markets we serve. Our production capabilities and the higher efficiencies we expect to attain should allow us to realize improved results as we go forward.

Sincerely,

s/Ladd M. Seaberg

Ladd M. Seaberg
President and CEO

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EXHIBIT 27

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MIDWEST GRAIN PRODUCTS, INC. CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996 AND CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<CIK> 0000835011

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<F2>	Reflects cost of sales and selling, general & administrative expenses.
</FN>	

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