

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, 1997
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 May 1, 1997.

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{LOGO}

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, 1997, and the related condensed consolidated statements of operations for the three month and nine month periods ended March 31, 1997 and 1996, and the related condensed consolidated statements of cash flows for the nine month periods ended March 31, 1997 and 1996. 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, 1996, 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 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.

Kansas City, Missouri
April 23, 1997

S/BAIRD, KURTZ & DOBSON
BAIRD, KURTZ & DOBSON

MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

ASSETS

	March 31, 1997	June 30, 1996
	-----	-----
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,891	\$ 3,759
Receivables	23,187	18,365
Inventories	24,781	19,913
Prepaid expenses	1,226	573
Deferred income taxes	1,531	1,531
Income taxes receivable		3,063
	-----	-----
Total Current Assets	53,616	47,204
	-----	-----
PROPERTY AND EQUIPMENT, At cost		
	212,511	210,304
Less accumulated depreciation	95,588	85,155
	-----	-----
	116,923	125,149
	-----	-----
OTHER ASSETS		
	432	432
	-----	-----
	\$170,971	\$172,785
	=====	=====

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

MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1997	June 30, 1996
	-----	-----
	(Unaudited)	

CURRENT LIABILITIES		
Notes payable	\$ 3,000	
Accounts payable	7,688	\$ 6,416
Accrued expenses	3,675	3,675
Income taxes payable	850	
	-----	-----
Total Current Liabilities	15,213	10,091
	-----	-----
LONG-TERM DEBT	32,933	40,933
	-----	-----
POST-RETIREMENT BENEFITS	6,147	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	100,880	100,018
	-----	-----
Total Stockholders' Equity	110,084	109,222
	-----	-----
	\$170,971	\$172,785
	=====	=====

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

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 1997
AND 1996

(Unaudited)

	Three Months		Nine Months	
	1996	1995	1996	1995
	-----	-----	-----	-----
	(in thousands, except per share amounts)			
NET SALES	\$54,449	\$53,871	\$162,871	\$156,782
COST OF SALES	51,975	52,567	153,445	152,796
	-----	-----	-----	-----
GROSS PROFIT	2,474	1,304	9,426	3,986
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,102	2,012	6,644	6,852
	-----	-----	-----	-----
	372	(708)	2,782	(2,866)
OTHER OPERATING INCOME	100	34	317	87
	-----	-----	-----	-----
INCOME (LOSS) FROM OPERATIONS	472	(674)	3,099	(2,779)
OTHER INCOME (LOSS)				
Interest	(611)	(706)	(2,015)	(2,198)
Other	145	701	339	692
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	6	(679)	1,423	(4,285)

PROVISION (CREDIT) FOR INCOME TAXES	3	(269)	561	(1,693)
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 3	\$ (410)	\$ 862	\$ (2,592)
	=====	=====	=====	=====
EARNINGS (LOSS) PER COMMON SHARE	\$.00	\$ (.04)	\$.09	\$ (.27)
	=====	=====	=====	=====

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

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED MARCH 31, 1997 AND 1996
(Unaudited)

	1997	1996
	-----	-----
(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 862	\$ (2,592)
Items not requiring (providing) cash:		
Depreciation	10,520	10,244
Gain on sale of assets	(17)	(30)
Changes in:		
Accounts receivable	(4,822)	(2,429)
Inventories	(4,868)	(2,424)
Prepaid expenses	(653)	
Other assets		(239)
Accounts payable	1,261	891
Accrued expenses	202	(699)
Income taxes payable	3,913	557
	-----	-----
Net cash provided by operating activities	6,398	3,279
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(2,355)	(4,699)
Proceeds from sale of equipment	89	69
Payment received on note for sale of plant		919
	-----	-----
Net cash used in investing activities	(2,266)	(3,711)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances on notes payable	3,000	6,000
Net principal payments on long-term debt	(8,000)	(3,975)
Dividends paid		(1,221)
	-----	-----
Net cash provided by (used in) financing activities	(5,000)	804
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(868)	372
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,759	460
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,891	\$ 832
	=====	=====

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

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MIDWEST GRAIN PRODUCTS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED MARCH 31, 1997 AND 1996

(Unaudited)

NOTE 1: GENERAL

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's condensed consolidated financial position as of March 31, 1997, and the condensed consolidated results of its operations and its cash flows for the periods ended March 31, 1997 and 1996, and are of a normal recurring nature.

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MIDWEST GRAIN PRODUCTS, INC.

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

NINE MONTHS ENDED MARCH 31, 1997

RESULTS OF OPERATIONS

General

- - - - -

The Company's net income of \$3,000 in the third quarter of fiscal 1997 was a noticeable improvement over the prior year's third quarter net loss of \$410,000. A greater improvement was prevented by the intensification of competitive pressures in the Company's vital wheat gluten and food grade alcohol markets, and higher than normal energy costs. The increased energy costs, which the Company began experiencing midway through the second quarter, resulted from a significant jump in natural gas prices due to periods of extreme cold weather throughout much of the U.S. Since early March, those prices have returned to more normal levels, allowing the Company to realize improved production cost efficiencies.

Conditions in the wheat gluten market were adversely affected by increased competition from the European Union (E.U.), whose exports of cross-subsidized gluten to the U.S. have continued at record levels. As a result, the Company was unable to adjust the selling price of its gluten enough to effectively offset third quarter production costs. Previously announced consultations between the U.S. and E.U. to negotiate a mutually acceptable solution to this problem are still pending. Also pending are the results of a Section 301 investigation which was recently initiated by the Office of the U.S. Trade Representative in response to a petition filed by the Wheat Gluten Industry Council of the U.S.

The investigation targets certain E.U. wheat starch/gluten subsidies. When completed, the results will be forwarded to an international panel of the World Trade Organization for a determination as to the extent to which any corrective measures might be taken. The Wheat Gluten Council, of which the Company is a member, is prepared to seek additional legal action should a satisfactory remedy not materialize. In the meantime, efforts by the Company to develop specialty wheat gluten products for niche markets continue to garner increased, but gradual, interest.

While conditions in the Company's alcohol markets generally remain healthy, prices for food grade alcohol for beverage and industrial applications declined in the third quarter due mainly to increased competition from the start-up of new distillation capacities throughout the industry. Increased supplies of fuel grade alcohol caused a reduction in selling prices in that market as well.

MIDWEST GRAIN PRODUCTS, INC.

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

NINE MONTHS ENDED MARCH 31, 1997

Demand for the Company's premium wheat starch remains strong and should continue to result in increased utilization of capacity at Midwest Grain's Pekin, Illinois plant, where a new starch production facility was completed in the first quarter of fiscal 1996.

With a continued normalization of energy costs, consistently lower grain costs and improved production efficiencies, the Company expects to strengthen its competitive abilities and improve profitability in the fourth quarter of fiscal 1997.

Sales
- -----

Net sales in the third quarter of fiscal 1997 were approximately \$578,000 higher
See Independent Accountants' Review Report

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than sales in the third quarter of fiscal 1996. The increase principally resulted from increased sales of fuel grade alcohol due to a 67% rise in units sold. Sales of beverage alcohol decreased 26% in this year's third quarter compared to the same period the prior year as the result of reduced selling prices and units sold. Sales of food grade alcohol for industrial applications fell 13% due to a decline in production volume. Sales of distillers' feeds, a by-product of the alcohol production process, rose approximately 15%, due to slightly improved selling prices and a 13% increase in units sold. Wheat gluten sales were approximately even with sales in the third quarter of fiscal 1996 despite a moderate increase in unit output. Selling prices for this product fell substantially in the face of extreme competitive pressures from the European Union. Sales of wheat starch increased 5% as the result of higher volumes. Net sales for the first nine months of fiscal 1997 increased by approximately \$6,089,000 over sales for the first nine months of fiscal 1996. The increase occurred principally in the first quarter as the result of higher sales of wheat starch, food grade industrial alcohol, fuel grade alcohol and alcohol by-products compared to the prior year's first quarter.

Cost of Sales
- -----

The cost of sales in the third quarter of fiscal 1997 decreased by slightly more than \$592,000 compared to the cost of sales in the third quarter of fiscal 1996. This occurred primarily as the result of a \$3.6 million reduction in raw material costs for grain. This decrease was partially offset by an increase of approximately \$1.3 million in energy costs, due mainly to higher prices for natural gas, and an increase of almost \$900,000 in maintenance and repair costs. The cost of sales for the first nine months of

MIDWEST GRAIN PRODUCTS, INC.

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

fiscal 1997 increased by nearly \$649,000 above the cost of sales in the first nine months of fiscal 1996. Raw material cost decreases in the second and third quarter offset most of a \$5.0 million increase in raw material costs experienced in the first quarter. Increased energy costs for the nine months were experienced during the second and third quarters.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the third quarter of fiscal 1997 were approximately even with selling, general and administrative expenses in the third quarter of fiscal 1996. For the first nine months of fiscal 1997, these costs decreased by approximately \$208,000 compared to the first nine months of fiscal 1996. This decrease was spread through most expense categories as part of the Company's cash management.

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 income of \$3,000 in the third quarter of fiscal 1997 compared to a net loss of \$410,000 in the third quarter of fiscal 1996. The Company's net income for the first nine months of fiscal 1997 was \$862,000, compared to a net loss of \$2,592,000 for the first nine months of fiscal 1996.

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MIDWEST GRAIN PRODUCTS, INC.

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

NINE MONTHS ENDED MARCH 31, 1997

LIQUIDITY AND CAPITAL RESOURCES

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

	March 31, 1997	June 30, 1996
	-----	-----
	(in thousands)	
Cash and cash equivalents	\$ 2,891	\$ 3,759
Working capital	38,403	37,113
Amounts available under lines of credit	24,000	18,600
Note payable and long-term debt	35,933	40,933
Stockholders' equity	110,084	109,222

The Company continues to generate positive cash flows, improve its working capital position and maintain a relatively low debt-to-equity ratio. The measures instituted during the last fiscal year, including stringent cost reductions, suspension of quarterly cash dividends to stockholders and changes in production, purchasing and marketing strategies, remain in effect. Improved operations offset by increased levels of inventories and receivables produced the cash flow necessary to reduce borrowings by \$5,000,000 during the first nine months of the fiscal year.

At March 31, 1997, the Company had \$2.0 million committed to improvements and replacements of existing equipment. This amount includes \$800,000 in feed dryer equipment to reduce emissions at the Pekin plant. For additional information

regarding this matter, refer to Part II, Item 1, relating to legal proceedings.

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.

FORWARD LOOKING INFORMATION

Readers are cautioned that in addition to historical information included herein, this Report also includes forward-looking statements and information that are based on management's beliefs as well as on assumptions made by and information currently available to management. When used in this Report, the words "anticipate," "intend," "plan," "believe," "estimate," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which could cause the Company's future results and stockholder values to differ materially from those expressed in such forward-looking statements.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

On April 13, 1997, an administrative proceeding was filed against the Company's Illinois subsidiary before the Illinois Pollution Control Board (the "Board"), by the Illinois Attorney General on behalf of the Illinois Environmental Protection Agency (the "Agency"). The proceeding relates to the Company's installation and operation of two feed dryers at its facility in Pekin, Illinois. The Complaint alleges that the dryers exceed the particulate emission limitations specified in the construction permits for the units; that the dryers are being operated without operating permits; and that the dryers were constructed without a Prevention of Significant Deterioration (PSD) construction permit setting forth a best available control technology ("BACT") emission limitation. The Complaint seeks a Board order ordering the Company to cease and desist from violations of the Illinois Environmental Protection Act and associated regulations, assessing a civil penalty, and awarding the state its attorneys fees.

The Company has filed an Answer before the Board admitting that compliance tests have shown particulate emissions in excess of the limits set forth in the construction permits, but denying the remainder of the State's claims. Since the time operational problems were discovered with the dryers' pollution control equipment, the Company has been conferring and negotiating with the Agency on the issues involved in the Complaint. The Company has submitted an application to the Agency for construction of new pollution control equipment for the dryers, at an estimated cost of approximately \$800,000. It is anticipated that the new equipment will bring emissions into compliance with all applicable limitations.

Proceedings under the Complaint are being held in abeyance by agreement of the parties pending completion of the Company's compliance activities. Once compliance has been achieved, the Company anticipates negotiating a settlement of the remainder of the State's claims. Based on the circumstances and a preliminary review of decisions by the Board in air pollution matters, the Company does not believe that any such settlement will be material to the business or financial condition of the Company.

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 Report to Stockholders for the three months ended December 31, 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 March 31, 1997.

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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.

5-13-97	s/Ladd M. Seaberg
-----	By-----
Date	Ladd M. Seaberg
	President and Chief Executive Officer
5-13-97	s/Robert G. Booe
-----	By-----
Date	Robert G. Booe, Vice President
	and Chief Financial Officer

See Independent Accountants' Review Report

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EXHIBIT INDEX

Exhibit Number	Description
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 Report to Stockholders for the three months ended December 31, 1996.
(27)	Financial data schedule

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<TABLE> <S> <C>

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EXHIBIT 27

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MIDWEST GRAIN PRODUCTS, INC. CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED DECEMBER 31, 1996 AND CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<CIK> 0000835011

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<MULTIPLIER> 1,000

<PERIOD-TYPE>

9-MOS

<FISCAL-YEAR-END>

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<PERIOD-START>

JUL-1-1996

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MAR-31-1997

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<FN>

<F1> Reflects retained earnings and additional paid in captial.

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

</FN>

</TABLE>

May 8, 1997

Dear Stockholder:

While we currently are experiencing much improved operational efficiencies, our Company's results for the third quarter of fiscal 1997 were weakened by competitive pressures in our vital wheat gluten and food grade alcohol markets. In addition, our energy costs remained considerably higher than normal during the first two months of the quarter due to an unusual spike in natural gas prices.

A return to more normal energy costs, and significantly lower grain costs compared to a year ago are allowing us to strengthen our competitive abilities through increased production output and efficiencies. In general, conditions for improved profitability in the fourth quarter are firmly taking shape.

Our net income in the third quarter amounted to \$3,000 on sales of \$54,449,000 compared to a net loss of \$410,000, or \$0.04 per share, on sales of \$53,871,000 for the same period the prior year.

For the first nine months of fiscal 1997, our net income totaled \$862,000, or \$0.09 per share, on sales of \$162,871,000. This represents a substantial improvement over the first nine months of fiscal 1996, when we experienced a net loss of \$2,592,000, or \$0.27 per share, on sales of \$156,782,000.

Increased supplies of alcohol in this year's third quarter, which resulted from the start-up of new production capacities throughout the industry, caused prices for our food grade alcohol to decline from their second quarter levels. Prices for fuel grade alcohol, as well as food grade alcohol for beverage applications, also fell below the prior year's third quarter levels.

Increased imports from the European Union (E.U.) continued to depress wheat gluten prices in the third quarter. The recent initiation of a Section 301 investigation by U.S. Trade Representative-Designate Charlene Barshefsky could help correct this problem by targeting certain E.U. starch/gluten subsidies. In addition, the possibility still exists for a bilateral solution to this unfair trade problem through consultations arising from the 1995 grains agreement with the E.U.

I encourage you to take a few moments to write to the Trade Representative and to U.S. Secretary of Agriculture Dan Glickman requesting that immediate action be taken to eliminate the E.U.'s lopsided trade advantages. These advantages include various subsidies and incentives which can be manipulated at will, plus a wide difference between our country's low tariff rates and the E.U.'s high tariffs, which effectively prohibit outside competition from entering the E.U.'s highly protected market. Ambassador Barshefsky's address is: Office of the U.S. Trade Representative, 600 South 17th St. N.W., Room 201, Washington, D.C. 20508. Secretary Glickman's address is: U.S. Department of Agriculture, 14th St. and Independence Ave., Washington, D.C. 20250. Incidentally, recent news reports point out that U.S. flour exporters face similar trade inequities resulting from many of the same E.U. policies that affect American gluten/starch manufacturers.

While working diligently to solve this problem, we are also placing considerable focus on the development and marketing of new specialty gluten products for industrial as well as food applications. Likewise, we continue to see new opportunities for growth in our premium wheat starch market, which should allow us to more fully utilize the expanded capacity that was strategically added to our Pekin, Illinois plant nearly a year and a half ago. In conclusion, we expect to improve our profitability by increasing production and strengthening efficiencies in all areas as conditions allow.

Sincerely,

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