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

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2017

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	**45-4082531**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Commercial 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. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an "emerging growth company." See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
[ ] Large accelerated filer [X] Accelerated filer
[ ] Non-accelerated filer (Do not check if smaller reporting company [ ] Smaller Reporting Company
[ ] Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ]Yes [X] No

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

16,724,736 shares of Common Stock, no par value as ofOctober 26, 2017

INDEX

METHOD OF PRESENTATION

Throughout this Report, when we refer to "the Company," "MGP," "we," "us," "our," and words of similar import, we are referring to the combined business of MGP Ingredients, Inc. and its consolidated subsidiaries, except to the extent that the context otherwise indicates. In this document, for any references to Note 1 through Note 9, refer to the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1.

All amounts in this report, except for share, par values, bushels, gallons, pounds, mmbtu, proof gallons, per share, per bushel, per gallon, per proof gallon and percentage amounts, are shown in thousands unless otherwise noted.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except per share amounts)

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Sales	**$ 87,852**	$ 83,711	**$ 267,089**	$ 243,076
Less: excise taxes	**1,519**	3,820	**7,834**	5,958
Net sales	**86,333**	79,891	**259,255**	237,118
Cost of sales [a]	**67,708**	64,770	**202,764**	189,420
Gross profit	**18,625**	15,121	**56,491**	47,698
Selling, general and administrative expenses	**8,154**	6,981	**24,114**	19,706
Other operating income, net	**—**	(3,385)	**—**	(3,385)
Operating income	**10,471**	11,525	**32,377**	31,377
Gain on sale of equity method investment (Note 2)	**11,381**	—	**11,381**	—
Equity method investment earnings (loss) (Note 2)	**—**	664	**(348)**	2,260
Interest expense, net	**(224)**	(341)	**(934)**	(980)
Income before income taxes	**21,628**	11,848	**42,476**	32,657
Income tax expense (Note 4)	**7,491**	2,316	**13,292**	9,758
Net income	**$ 14,137**	$ 9,532	**$ 29,184**	$ 22,899
Income attributable to participating securities	**414**	294	**806**	711
Net income attributable to common shareholders and used in EPS calculation (Note 5)	**$ 13,723**	$ 9,238	**$ 28,378**	$ 22,188
Share information:				
Diluted weighted average common shares	**16,751,346**	16,653,717	**16,735,378**	16,626,024
Basic and diluted earnings per common share	**$ 0.82**	$ 0.55	**$ 1.70**	$ 1.33
Dividends and dividend equivalents per common share	**$ 0.89**	$ 0.02	**$ 0.97**	$ 0.10

[a] Includes related party purchases of $0 and $6,700 for the quarters ended September 30, 2017 and 2016, respectively. Includes related party purchases of $18,425 and $19,639 for the year to date periods ended September 30, 2017 and 2016, respectively.

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands, except per share amounts)

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Net income	**$ 14,137**	$ 9,532	**$ 29,184**	$ 22,899
Other comprehensive loss, net of tax:				
Change in post-employment benefits	**(39)**	(17)	**(120)**	(52)
Change in equity method investments	**—**	—	**—**	(4)
Other comprehensive loss	**(39)**	(17)	**(120)**	(56)
Comprehensive income	**$ 14,098**	$ 9,515	**$ 29,064**	$ 22,843

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	September 30, 2017	December 31, 2016
Current Assets		
Cash and cash equivalents	**$ 7,113**	$ 1,569
Receivables (less allowance for doubtful accounts: September 30, 2017 - $24; December 31, 2016 - $24)	**37,451**	26,085
Inventory	**89,652**	78,858
Prepaid expenses	**2,508**	1,684
Refundable income taxes	**233**	2,705
Total current assets	**136,957**	110,901
Property and equipment	**255,974**	246,219
Less accumulated depreciation and amortization	**(161,540)**	(153,428)
Property and equipment, net	**94,434**	92,791
Equity method investments (Note 2)	**—**	18,934
Other assets	**2,626**	2,710
Total assets	**$ 234,017**	$ 225,336
Current Liabilities		
Current maturities of long-term debt	**$ 368**	$ 4,359
Accounts payable	**20,710**	20,342
Accounts payable to affiliate, net	**—**	3,349
Accrued expenses	**9,715**	8,945
Total current liabilities	**30,793**	36,995
Long-term debt, less current maturities	**21,496**	16,218
Revolving credit facility	**12,296**	15,424
Deferred credits	**2,361**	2,978
Accrued retirement, health and life insurance benefits	**3,381**	3,604
Deferred income taxes	**3,788**	3,432
Other noncurrent liabilities	**465**	393
Total liabilities	**74,580**	79,044
Commitments and Contingencies (Note 6)		
Stockholders' Equity		
Capital stock		
Preferred, 5% non-cumulative; $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	**4**	4
Common stock		
No par value; authorized 40,000,000 shares; issued 18,115,965 shares at September 30, 2017 and December 31, 2016, and 16,723,696 and 16,658,765 shares outstanding at September 30, 2017 and December 31, 2016, respectively	**6,715**	6,715
Additional paid-in capital	**14,961**	14,279
Retained earnings	**155,175**	142,652
Accumulated other comprehensive loss, net of tax	**(493)**	(373)
Treasury stock, at cost		
Shares of 1,392,269 at September 30, 2017 and 1,457,200 at December 31, 2016	**(16,925)**	(16,985)
Total stockholders' equity	**159,437**	146,292
Total liabilities and stockholders' equity	**$ 234,017**	$ 225,336

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Year to Date Ended	
	September 30, 2017	September 30, 2016
Cash Flows from Operating Activities		
Net income	**$ 29,184**	$ 22,899
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	**8,441**	8,610
Distributions received from equity method investee	**7,131**	3,300
Gain on property insurance recoveries	**—**	(230)
Gain on sale of assets	**—**	(871)
Deferred income taxes, including change in valuation allowance	**356**	(1,216)
Share-based compensation	**2,130**	1,538
Gain on sale of equity method investment	**(11,381)**	—
Equity method investment (earnings) loss	**348**	(2,260)
Changes in Operating Assets and Liabilities:		
Receivables, net	**(11,366)**	(6,504)
Inventory	**(10,794)**	(16,910)
Prepaid expenses	**(824)**	283
Accounts payable	**4,193**	(3,340)
Accounts payable to affiliate, net	**(3,349)**	193
Accrued expenses	**790**	(2,241)
Income taxes payable	**2,472**	(642)
Deferred credit	**(617)**	(223)
Accrued retirement health and life insurance benefits	**(267)**	(542)
Net cash provided by operating activities	**16,447**	1,844
Cash Flows from Investing Activities		
Additions to plant, property and equipment	**(13,630)**	(12,666)
Return of equity method investment	**22,832**	—
Proceeds from property insurance recoveries	**14**	230
Proceeds from sale of property and other	**—**	1,208
Net cash provided by (used in) investing activities	**9,216**	(11,228)
Cash Flows from Financing Activities		
Stock shares repurchased	**(1,377)**	(1,518)
Payment of dividends	**(16,692)**	(1,722)
Proceeds on long-term debt	**20,000**	—
Principal payments on long-term debt	**(268)**	(2,259)
Proceeds from credit facility	**20,580**	23,408
Payments on credit facility	**(41,985)**	(9,158)
Loan fees incurred with borrowings	**(377)**	(114)
Net cash provided by (used in) financing activities	**(20,119)**	8,637
Increase (Decrease) in cash and cash equivalents	**5,544**	(747)
Cash and cash equivalents, beginning of year	**1,569**	747
Cash and cash equivalents, end of period	**$ 7,113**	$ —

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands)

	Capital Stock Preferred	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2016	$ 4	$ 6,715	$ 14,279	$ 142,652	$ (373)	$ (16,985)	$ 146,292
Comprehensive income:							
Net income	—	—	—	29,184	—	—	29,184
Other Comprehensive loss	—	—	—	—	(120)	—	(120)
Dividends and dividend equivalents, net of estimated forfeitures	—	—	—	(16,661)	—	—	(16,661)
Share-based compensation	—	—	1,686	—	—	—	1,686
Stock shares awarded, forfeited, and/or vested	—	—	(1,004)	—	—	1,437	433
Stock shares repurchased	—	—	—	—	—	(1,377)	(1,377)
Balance, September 30, 2017	**$ 4**	**$ 6,715**	**$ 14,961**	**$ 155,175**	**$ (493)**	**$ (16,925)**	**$ 159,437**

See accompanying notes to unaudited condensed consolidated financial statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

Note 1. Accounting Policies and Basis of Presentation.

The Company. MGP Ingredients, Inc. ("Company") is a Kansas corporation headquartered in Atchison, Kansas. It was incorporated in 2011 and is a holding company with no operations of its own. Its principal directly-owned operating subsidiaries are MGPI Processing, Inc. ("Processing") and MGPI of Indiana, LLC ("MGPI-I"). Processing was incorporated in Kansas in 1957 and is the successor to a business founded in 1941 by Cloud L. Cray, Sr. On January 3, 2012, MGP Ingredients, Inc. reorganized into a holding company structure (the "Reorganization") through a series of steps involving various legal entities. Prior to the Reorganization, Processing was named MGP Ingredients, Inc.

Basis of Presentation and Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements as of and for the quarter ended September 30, 2017 should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission ("SEC"). The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal and recurring adjustments) necessary to fairly present the results for interim periods in accordance with U.S. generally accepted accounting principles ("GAAP"). Pursuant to the rules and regulations of the SEC, certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted.

Use of Estimates. The financial reporting policies of the Company conform to GAAP. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The application of certain of these policies places significant demands on management's judgment, with financial reporting results relying on estimation about the effects of matters that are inherently uncertain. For all of these policies, management cautions that future events rarely develop as forecast, and estimates routinely require adjustment and may require material adjustment.

Inventory. Inventory includes finished goods, raw materials in the form of agricultural commodities used in the production process and certain maintenance and repair items. Bourbon and whiskeys are normally aged in barrels for several years, following industry practice; all barreled bourbon and whiskey is classified as a current asset. The Company includes warehousing, insurance, and other carrying charges applicable to barreled whiskey in inventory costs.

Inventories are stated at lower of cost or net realizable value on the first-in, first-out, or FIFO, method. Inventory valuations are impacted by constantly changing prices paid for key materials, primarily corn. Inventory consists of the following:

	September 30, 2017	December 31, 2016
Finished goods	**$ 16,236**	$ 14,002
Barreled distillate (bourbon and whiskey)	**58,582**	50,941
Work in process	**2,006**	1,933
Raw materials	**4,245**	4,274
Maintenance materials	**7,033**	6,231
Other	**1,550**	1,477
Total	**$ 89,652**	$ 78,858

Equity Method Investments. The Company accounted for its investments in non-consolidated subsidiaries under the equity method of accounting when the Company had significant influence, but did not have more than 50 percent voting control, and was not considered the primary beneficiary. Under the equity method of accounting, the Company reflected its investment in non-consolidated subsidiaries within the Company's Condensed Consolidated Balance Sheets as Equity method investments; the Company's share of the earnings or losses of the non-consolidated subsidiaries were reflected as Equity method investment earnings in the Condensed Consolidated Statements of Income.

The Company reviewed its investments in non-consolidated subsidiaries for impairment whenever events or changes in business circumstances indicated that the carrying amount of the investments may not be fully recoverable. Evidence of a loss in value that is other than temporary include, but are not limited to, the absence of an ability to recover the carrying amount of the investment, the inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment, or, where applicable, estimated sales proceeds which are insufficient to recover the carrying amount of the investment. If the fair value of the investment is determined to be less than the carrying value and the decline in value is considered to be other than temporary, an appropriate write-down is recorded based on the excess of the carrying value over the best estimate of fair value of the investment.

As of July 3, 2017, the Company has no equity method investments (see Note 2).

Revenue Recognition. Except as discussed below, revenue from the sale of the Company's products is recognized as products are delivered to customers according to shipping terms and when title and risk of loss have transferred. Income from various government incentive grant programs is recognized as it is earned.

The Company's Distillery segment routinely produces unaged distillate, and this product is frequently barreled and warehoused at a Company location for an extended period of time in accordance with directions received from the Company's customers. This product must meet customer acceptance specifications, the risks of ownership and title to the goods must be passed to the customer, and requirements for bill and hold revenue recognition must be met prior to the Company recognizing revenue from the sale of the product. Separate warehousing agreements are maintained for customers who store their product with the Company and warehouse services revenues are recognized as the services are provided.

Sales include customer paid freight costs billed to customers for the quarters ended September 30, 2017 and 2016 of $3,858 and $3,599, respectively and $10,936 and $10,272 for the year to date periods ended September 30, 2017 and 2016, respectively.

Income Taxes. The Company accounts for income taxes using an asset and liability method which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Evaluating the need for, and amount of a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all available evidence on a jurisdiction-by-jurisdiction basis. Such judgments require the Company to interpret existing tax law and other published guidance as applied to the Company's circumstances. As part of this assessment, the Company considers both positive and negative evidence about its profitability and tax situation. A valuation allowance is recognized if it is more likely than not that at least some portion of the deferred tax asset will not be realized.

Accounting for uncertainty in income tax positions requires management judgment and the use of estimates in determining whether the impact of a tax position is "more likely than not" of being sustained. The Company considers many factors when evaluating and estimating its tax positions, which may require periodic adjustment and which may not accurately anticipate actual outcomes. It is possible that amounts reserved for potential exposure could change as a result of the conclusion of tax examinations and, accordingly, materially affect the Company's reported net income after tax.

Earnings per Share. Basic and diluted earnings per share are computed using the two-class method, which is an earnings allocation formula that determines net income per share for each class of Common Stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income attributable to common shareholders by the weighted average shares outstanding during the period.

Long-Lived Assets and Loss on Impairment of Assets. Management reviews long-lived assets, mainly property and equipment assets, whenever events or circumstances indicate that usage may be limited and carrying values may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are determined to be impaired, the impairment is measured by the amount by which the asset carrying value exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No events or conditions occurred during the quarter ended September 30, 2017 that required the Company to test its long-lived assets for impairment.

Fair Value of Financial Instruments. The Company determines the fair values of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy is broken down into three levels based upon the observability of inputs. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value in its entirety requires judgment and considers factors specific to the asset or liability.

The Company's short term financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The carrying value of the short term financial instruments approximates the fair value due to their short term nature. These financial instruments have no stated maturities or the financial instruments have short term maturities that approximate market.

The fair value of the Company's debt is estimated based on current market interest rates for debt with similar maturities and credit quality. The fair value of the Company's debt was $35,753 and $37,412 at September 30, 2017 and December 31, 2016, respectively. The financial statement carrying value of total debt was $34,160 (including unamortized loan fees of $745) and $36,001 (including unamortized loan fees of$576) at September 30, 2017 and December 31, 2016, respectively. These fair values are considered Level 2 under the fair value hierarchy.

Recent Accounting Pronouncements.

In May 2017, the FASB issued Accounting Standards Update ("ASU") 2017-09,*Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting,*which clarifies what constitutes a modification of a share-based payment award. This ASU is effective for all entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is evaluating the effect that ASU 2017-09 will have on its consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017-07,*Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires companies to present the service cost component of net benefit cost in the same line items in which they report compensation cost. Companies will present all other components of net benefit cost outside operating income, if this subtotal is presented. This ASU is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is evaluating the effect that ASU 2017-07 will have on its consolidated financial statements and related disclosures.

ASU Transition Updates.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which aims to make leasing activities more transparent and comparable and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. This ASU is effective for all interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements and related disclosures. At September 30, 2017, the Company had various machinery and equipment operating leases, as well as operating leases for 208 rail cars and one office space.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which will replace numerous requirements in GAAP, including industry specific requirements, and provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. Since May 2014, the FASB has issued updates to ASU No. 2014-09. Update ASU No. 2015-14 was issued in August 2015, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*; update ASU No. 2016-08, *Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Gross versus Net)* was issued in March 2016; update ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing* was issued in April 2016; update ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients* was issued in May 2016; update ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* was issued in December 2016; and ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842) - Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments* was issued in September 2017. The core principle of the new standard, as well as the updates, is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. In July 2015, the FASB approved the deferral of the new standard's effective date by one year. The new standard is effective for annual reporting periods beginning after December 15, 2017. The FASB will permit companies to adopt the new standard early, but not before the original effective date of annual reporting periods beginning after December 15, 2016.

In 2016, the Company established an implementation team consisting of internal and external representatives. The implementation team is in the process of assessing the impact the new standard will have on the consolidated financial statements, as well as gathering data and information for the expanded revenue disclosure required under the new standard. The scoping for the assessment is complete and the testing of individual contracts is also complete. Assessment findings have been compiled and are in the review process. In addition, the implementation team is in the process of identifying, and will then implement, appropriate changes to business processes, systems and/or controls to support recognition and disclosure under the new standard. The implementation team will report findings and progress of the project to management and the Audit Committee on a frequent basis through the effective date. The Company will adopt the requirements of the new standard in the first quarter of 2018 and anticipates using the modified retrospective transition method. While we have not identified any material differences in the amount and timing of revenue recognition related to ASU 2014-09, our evaluation is not complete and, accordingly, we have not yet reached a conclusion on the overall impacts of adopting ASU 2014-09.

Note 2. Equity Method Investments.

As of September 30, 2017, the Company had no investments accounted for using the equity method of accounting. Until July 3, 2017, the Company had a 30 percent interest in Illinois Corn Processing ("ICP"), which manufactured alcohol for fuel, industrial and beverage applications.

On July 3, 2017, the Company completed the sale of its 30 percent equity ownership interest in ICP to Pacific Ethanol Central, LLC ("Pacific Ethanol"), consistent with an Agreement and Plan of Merger ("Merger Agreement") entered into on June 26, 2017.

The Company received total cash proceeds of $9,000 (before transaction expenses and taxes), as well as a secured promissory note ("Note") with a principal amount of $14,008. On September 15, 2017, the Note was paid off and the Company received a total of $14,263, including principal, interest, and a final working capital adjustment. As a result of the ICP sale transaction, for the quarter and year to date period ended September 30, 2017, the Company reported a gain on sale of equity method investment of $11,381 (before tax), on its Condensed Consolidated Statements of Income.

The Merger Agreement also contemplated a special distribution of all of ICP's cash and cash equivalents to equity owners prior to the closing. On June 28, 2017, the Company received $6,600 representing its 30 percent share of a dividend in the amount of $22,000 approved on June 26, 2017. The Company also received a smaller distribution of $830 on June 30, 2017 representing its 30 percent share of an additional distribution in the amount of $2,765.

Summary Financial Information (unaudited). Condensed financial information related to the Company's non-consolidated equity method investment in ICP is shown below.

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
ICP's Operating results:				
Net sales [a]	**$ —**	$ 44,019	**$ 78,062**	$ 134,204
Cost of sales and expenses [b]	**—**	41,805	**79,224**	126,671
Net income (loss)	**$ —** [c]	$ 2,214	**$ (1,162)** [c]	$ 7,533

[a] Includes related party sales to MGPI of $0 and $6,700 for the quarters ended September 30, 2017 and 2016, respectively. Includes related party sales to MGPI of $17,672 and $19,639 for the year to date periods ended September 30, 2017 and 2016, respectively.

[b] Includes depreciation and amortization of $0 and $738 for the quarters ended September 30, 2017 and 2016, respectively. Includes depreciation and amortization of $1,720 and $2,221 for the year to date periods ended September 30, 2017 and 2016, respectively.

[c] The Company's equity method investment in ICP ended on July 3, 2017, when it completed the sale of its 30 percent equity ownership interest.

The Company's equity method investment earnings (loss) and gain on sale of equity method investment, based on unaudited financial statements, was as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Gain on sale of equity method investment	**$ 11,381** [a]	$ —	**$ 11,381** [a]	$ —
ICP (30% interest)	**—**	664	**(348)**	2,260
	$ 11,381	$ 664	**$ 11,033**	$ 2,260

[a] The Company's equity method investment in ICP ended on July 3, 2017, when it completed the sale of its 30 percent equity ownership interest.

The Company's equity method investment was as follows:

	September 30, 2017	December 31, 2016
ICP (30% interest)[a]	**$ —**	$ 18,934

[a] The Company's equity method investment in ICP ended on July 3, 2017, when it completed the sale of its 30 percent equity ownership interest.

Note 3. Corporate Borrowings.

Indebtedness Outstanding:

Description[a]	September 30, 2017	December 31, 2016
Credit Agreement - Revolver, 2.841% (variable rate) due 2022	**$ 12,848**	$ 16,000
Credit Agreement - Fixed Asset Sub-Line term loan (closed August 23, 2017 - see below)	—	5,253
Credit Agreement - Term Loan (closed August 23, 2017 - see below)	—	13,000
Secured Promissory Note, 3.71% (variable rate) due 2022	**2,057**	2,324
Prudential Term Loan, 3.53% (fixed rate) due 2017	**20,000**	—
Unamortized loan fees[b]	**(745)**	(576)
Total	**$ 34,160**	$ 36,001
Less current maturities of long term debt	**(368)**	(4,359)
Long-term debt	**$ 33,792**	$ 31,642

[a] Interest rates are as of September 30, 2017.
[b] Loan fees are being amortized over the life of the Credit Agreements.

Credit Agreements. On August 23, 2017, the Company entered into a new credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association. The new credit agreement replaces the Company's existing Third Amended and Restated Credit Agreement, which included a revolver, a fixed asset sub-line term loan, and a term loan. The Credit Agreement provides for a $150,000 revolving credit facility. The Company may increase the facility from time to time by an aggregate principal amount of up to $25,000 provided certain conditions are satisfied and at the discretion of the lender. The Credit Agreement matures on August 23, 2022.

The Credit Agreement includes certain requirements and covenants, which the Company was in compliance with at September 30, 2017. The Company incurred $183 of new loan fees related to the Credit Agreement during the quarter ended September 30, 2017. The unamortized balance of total loan fees related to the Credit Agreement was $552 at September 30, 2017 and is included in the carrying value of total debt on the Condensed Consolidated Balance Sheets as described above in the Fair Value of Financial Instruments section. The loan fees are being amortized over the life of the Credit Agreement.

As of September 30, 2017, the Company's total outstanding borrowings under the Credit Agreement were $12,848 leaving $137,152 available. The interest rate for the borrowings of the Credit Agreement at September 30, 2017 was 2.84 percent.

On August 23, 2017, the Company also entered into a Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement") with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc. The Note Purchase Agreement provides for the issuance of up to $75,000 of Senior Secured Notes, and the Company issued $20,000 of Senior Secured Notes with a maturity date of August 23, 2027. The Senior Secured Notes bear interest at a rate of 3.53 percent per year. The Note Purchase Agreement includes certain requirements and covenants, which the Company was in compliance with at September 30, 2017. The Company incurred $194 of new loan fees related to the Note Purchase Agreement during the quarter ended September 30, 2017. The unamortized balance of total loan fees related to the Note Purchase Agreement was $192 at September 30, 2017 and is included in the carrying value of total debt on the Condensed Consolidated Balance Sheets as described above in the Fair Value of Financial Instruments section. The loan fees are being amortized over the life of the Note Purchase Agreement.

Note 4. Income Taxes.

Income tax expense for the quarter and year to date period ended September 30, 2017 was $7,491 and $13,292, respectively, for an effective tax rate for the quarter of 34.6 percent and for the year to date period of 31.3 percent. The increase in tax expense compared to prior quarters in 2017, largely relates to the Company's sale of its interest in ICP (see Note 2), and the corresponding tax gain being recognized in the annual effective tax rate calculation.

The effective tax rate differs from the35 percent federal statutory rate on pretax income, primarily due to to state income taxes, the impact of income tax benefits related to share-based compensation as accounted for in ASU 2016-09, *Compensation - Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting,* the domestic production activities deduction, and state tax planning, including state income tax credits in Indiana and Kansas, and changes to the Company's valuation allowance. The Company released its valuation allowance related to its capital loss carryforward deferred tax asset into the annual effective tax rate calculation in the quarter ended June 30, 2017. This release was based upon the anticipated capital gain related to the Company's sale of its 30 percent equity ownership interest in ICP (see Note 2). As of September 30, 2017, the Company has a remaining valuation allowance of$106 related to state net operating loss carry forwards in states in which the Company no longer files tax returns.

Income tax expense for the quarter and year to date period endedSeptember 30, 2016, was $2,316 and $9,758, respectively, for an effective tax rate of19.5 percent for the quarter and 29.9 percent for the year to date period. The primary reasons for the increase in the effective tax rate from the prior year quarter and year to date period are a decrease in the amount of discrete excess tax benefits resulting from the implementation of ASU 2016-09, *Compensation - Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting*, relative to a higher amount of pretax earnings, and the dilutive effect of the gain on sale of ICP sale (see Note 2) on certain tax attributes including the domestic production activities deduction.

Note 5. Dividends and Earnings per Share.

Dividend and dividend equivalent information for year to date periods endedSeptember 30, 2017 and 2016 is detailed below:

Dividend and Dividend Equivalent Information (per Share and Unit)

Declaration date	Payment date	Declared	Paid	Total payment	
2017					
February 15, 2017	March 24, 2017	**$ 0.04**	**$ 0.04**	**$ 688**	
May 2, 2017	June 9, 2017	**0.04**	**0.04**	**688**	
August 1, 2017	September 8, 2017	**0.85**	**0.85**	**14,628**	(a)
August 1, 2017	September 11, 2017	**0.04**	**0.04**	**688**	
		$ 0.97	**$ 0.97**	**$ 16,692**	
2016					
March 7, 2016	April 14, 2016	$ 0.08	$ 0.08	$ 1,378	
August 1, 2016	September 8, 2016	0.02	0.02	344	
		$ 0.10	$ 0.10	$ 1,722	

(a) On August 1, 2017, the Company's board of directors declared a special dividend of $0.85 per share of common stock payable on September 8, 2017 to stockholders of record as of August 18, 2017. On June 27, 2017, the Company announced that it had entered into a merger agreement with an affiliate of SEACOR Holdings, Inc. and Pacific Ethanol Central, LLC that would result in a sale of its 30 percent equity ownership interest in ICP to Pacific Ethanol. The Company said at that time that it expected the board to approve a special dividend on completion of the transaction. The transaction was completed on July 3, 2017.

The computations of basic and diluted earnings per share for the quarter and year to date periods ended September 30, 2017 and 2016 are as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Operations:				
Net income[(a)]	**$ 14,137**	$ 9,532	**$ 29,184**	22,899
Income attributable to participating securities[(b)]	**414**	294	**806**	711
Net income attributable to common shareholders	**$ 13,723**	9,238	**$ 28,378**	22,188
Share information:				
Basic and diluted weighted average common shares[(c)]	**16,751,346**	16,653,717	**16,735,378**	16,626,024
Basic and diluted earnings per share	**$ 0.82**	$ 0.55	**$ 1.70**	$ 1.33

(a) Net income attributable to all shareholders.

(b) At September 30, 2017 and 2016, participating securities included 485,491 and 525,986 nonvested restricted stock units, respectively.

(c) Under the two-class method, weighted average common shares at September 30, 2017 and 2016, exclude nonvested, participating securities of 485,491 and 525,986, respectively.

Note 6. Commitments and Contingencies.

Commitments. Open purchase order commitments at September 30, 2017 related to raw materials and packaging used in the ordinary course of business were $51,539 extending out to December 2018. Open purchase order commitments at September 30, 2017 related to the purchase of capital assets were $6,116.

Certain commodities the Company uses in its production process are exposed to market price risk due to volatility in the prices for those commodities. The Company's grain supply contract for its Lawrenceburg and Atchison facilities permits the Company to purchase grain for delivery up to 12 months into the future at negotiated prices. The pricing for these contracts is based on a formula using several factors. The Company has determined that the firm commitments to purchase grain under the terms of these contracts meet the normal purchases and sales exception as defined under ASC 815, *Derivatives and Hedging*, and has excluded the fair value of these commitments from recognition within its consolidated financial statements until the actual contracts are physically settled.

The Company’s production process also involves the use of wheat flour and natural gas. The contracts for wheat flour and natural gas range from monthly contracts to multi-year supply arrangements; however, because the quantities involved have always been for amounts to be consumed within the normal expected production process, the Company has determined that these contracts meet the criteria for the normal purchases and sales exception and have excluded the fair value of these commitments from recognition within its consolidated financial statements until the actual contracts are physically settled.

Contingencies. There are various legal and regulatory proceedings involving the Company and its subsidiaries. The Company accrues estimated costs for a contingency when management believes that a loss is probable and can be reasonably estimated.

- On December 21, 2016, the U.S. Environmental Protection Agency (“EPA”) issued a Notice of Violation to the Company alleging the Company commenced construction of new aging warehouses for whiskey at its facility in Lawrenceburg, Indiana, without first applying for or obtaining a Clean Air Act permit and without adequately demonstrating to the EPA that emissions control equipment did not need to be installed to meet applicable air quality standards. The Company notes that neither EPA nor the State of Indiana have required emission control equipment for aging whiskey warehouses and, to our knowledge, no other whiskey distillers in the U.S. have been required to install emissions control equipment in their aging whiskey warehouses. No demand for a penalty has been made in connection with the Notice of Violation, but the Company believes it is probable that a penalty will be assessed. Although it is not possible to reasonably estimate a loss or range of loss at the date of this filing, the Company currently does not expect that the amount of any such penalty or related remedies would have a material adverse effect on the Company’s business, financial condition or results of operations.

- A chemical release occurred at the Company's Atchison facility on October 21, 2016, which resulted in emissions venting into the air. The Company reported the event to the EPA, the Occupational, Safety, and Health Administration ("OSHA"), and to Kansas and local authorities on that date, and is cooperating fully to investigate and ensure that all appropriate response actions are taken. The Company has also engaged outside experts to assist the investigation and response. The Company believes it is probable that a fine or penalty may be imposed by regulatory authorities, but it is currently unable to reasonably estimate the amount thereof for Kansas and local authorities since some investigations are not complete and could take several months up to a few years to complete. Private plaintiffs have initiated, and additional private plaintiffs may initiate, legal proceedings for damages resulting from the emission, but the Company is currently unable to reasonably estimate the amount of any such damages that might result. The Company's insurance is expected to provide coverage of any damages to private plaintiffs, subject to a deductible of $250, but certain regulatory fines or penalties may not be covered and there can be no assurance to the amount or timing of possible insurance recoveries if ultimately claimed by the Company. There was no significant damage to the Company's Atchison plant as a result of this incident. No other MGP facilities, including the distillery in Lawrenceburg, Indiana, were affected by this incident.

  OSHA completed its investigation and, on April 19, 2017, issued its penalty to the Company in the amount of $138. Management settled this assessment with OSHA in full for $75, which was paid on May 16, 2017. A portion, or all, of the penalty amount may be covered by insurance.

  The EPA informed the Company on August 1, 2017, that it intends to seek civil penalties of approximately $250 in connection with its investigation, while offering the Company the opportunity to settle the matter prior to the EPA proceeding with a formal enforcement action. The Company is seeking a negotiated settlement with the EPA. Since negotiations are ongoing and EPA-proposed penalties are not material to the quarter ended September 30, 2017, the Company has not included an accrual in its results. A portion, or all, of the settled penalty amount may be covered by insurance.

- The Alcohol and Tobacco Tax and Trade Bureau ("TTB") performed a federal excise tax audit of the Company’s subsidiaries, MGPI of Indiana, LLC and MGPI Processing, Inc., for the periods January 1, 2012 through July 31, 2015 and January 1, 2013 through July 31, 2015, respectively. TTB informed the Company that it would be assessing a penalty as a result of the audit, and the Company offered a settlement for the penalty. The settlement has been accepted in principle by the TTB and the amount expensed in the prior year was insignificant to the Company’s 2016 financial results.

Note 7. Employee and Non-Employee Benefit Plans.

Equity-Based Compensation Plans. The Company’s equity-based compensation plans provide for the awarding of stock options, stock appreciation rights, shares of restricted stock ("Restricted Stock"), and restricted stock units ("RSUs") for senior executives and salaried employees, as well as non-employee directors. The Company has two active equity-based compensation plans: the Employee Equity Incentive Plan of 2014 (the "2014 Plan") and the Non-Employee Director Equity Incentive Plan (the "Directors' Plan"). The 2014 Plan replaced the inactive Stock Incentive Plan of 2004.

As of September 30, 2017, 280,074 RSUs had been granted under the 2014 Plan, with 14,616 of those forfeited for termination of employment. 62,995 shares had been granted related to the Directors' Plan as of September 30, 2017 and 485,491 shares of unvested RSUs were outstanding under the Company’s long-term incentive plans.

As of September 30, 2017, the estimated unaccrued amount of liability-classified awards yet to be granted in 2018, net of estimated forfeitures, was $1,177.

Note 8. Operating Segments.

The Company has two reportable segments: distillery products and ingredient solutions. The distillery products segment consists of food grade alcohol, including premium beverage alcohol and industrial alcohol, and distillery co-products, such as distillers feed (commonly called dried distillers grain in the industry), fuel grade alcohol, and corn oil. The distillery products segment also includes warehouse services, including barrel put away, barrel storage, and barrel retrieval services. Ingredient solutions consists of specialty starches and proteins, commodity starches and commodity proteins.

Operating profit for each segment is based on net sales less identifiable operating expenses. Non-direct selling, general and administrative expenses, interest expense, earnings (losses) from our equity method investments (including gain on sale of equity method investment), other special charges 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.

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Net Sales to Customers				
Distillery products	**$ 72,335**	$ 66,664	**$ 216,984**	$ 197,245
Ingredient solutions	**13,998**	13,227	**42,271**	39,873
Total	**86,333**	79,891	**259,255**	237,118
Gross Profit				
Distillery products	**16,501**	12,364	**49,069**	40,879
Ingredient solutions	**2,124**	2,757	**7,422**	6,819
Total	**18,625**	15,121	**56,491**	47,698
Depreciation and Amortization				
Distillery products	**2,128**	1,939	**6,300**	6,415
Ingredient solutions	**419**	399	**1,242**	1,253
Corporate	**340**	290	**899**	942
Total	**2,887**	2,628	**8,441**	8,610
Income (loss) before Income Taxes				
Distillery products	**14,836**	11,215	**44,485**	38,497
Ingredient solutions	**1,518**	2,016	**5,592**	4,767
Corporate	**5,274**	(1,383)	**(7,601)**	(10,607)
Total	**$ 21,628**	$ 11,848	**$ 42,476**	$ 32,657

The following table allocates assets to each segment:

	As of September 30, 2017	As of December 31, 2016
Identifiable Assets		
Distillery products	**$ 183,943**	$ 161,059
Ingredient solutions	**27,587**	27,109
Corporate	**22,487**	37,168
Total	**$ 234,017**	$ 225,336

Note 9. Subsequent Events.

On October 31, 2017, the Board of Directors declared a quarterly dividend payable to stockholders of record as of November 14, 2017, of the Company's Common Stock, and a dividend equivalent payable to holders of RSUs as of November 14, 2017, of $.04 per share and per unit, payable on December 8, 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.
(Dollar amounts in thousands, unless otherwise noted)

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This Report on Form 10-Q contains forward looking statements as well as historical information. All statements, other than statements of historical facts, regarding the prospects of our industry and our prospects, plans, financial position, and strategic plan may constitute forward looking statements. In addition, forward looking statements are usually identified by or are associated with such words as "intend," "plan," "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may," "will," "could," "encouraged," "opportunities," "potential," and/or the negatives or variations of these terms or similar terminology. Forward looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from those expressed or implied in the forward looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward looking statements is included in the section below titled "Risk Factors" (Item 1A). Forward looking statements are made as of the date of this report, and we undertake no obligation to update or revise publicly any forward looking statements, whether because of new information, future events or otherwise.

OVERVIEW

MGP is a leading producer and supplier of premium distilled spirits and specialty wheat proteins and starches. Distilled spirits include premium bourbon and rye whiskeys, and grain neutral spirits, including vodka and gin. We are also a top producer of high quality industrial alcohol for use in both food and non-food applications. Our proteins and starches provide a host of functional, nutritional and sensory benefits for a wide range of food products to serve the packaged goods industry. We have two reportable segments: our distillery products segment and our ingredient solutions segment.

MGP was incorporated in 2011 in Kansas, continuing a business originally founded by Cloud L. Cray, Sr. in Atchison, Kansas. The Company's ticker symbol is MGPI.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this Form 10-Q, as well as our audited consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations - General, set forth in our Annual Report on Form 10-K for the year ended December 31, 2016.

RESULTS OF OPERATIONS

Consolidated results

The table below details the consolidated results for the quarters ended September 30, 2017 and 2016:

	Quarter Ended September 30,			
	2017	2016	**2017 v. 2016**	
Net sales	**$ 86,333**	$ 79,891	8.1 %	
Cost of sales	**67,708**	64,770	4.5	
Gross profit	**18,625**	15,121	23.2	
Gross margin %	**21.6%**	18.9%	2.7	pp[a]
SG&A expenses	**8,154**	6,981	16.8	
Other operating income, net	**—**	(3,385)	(100.0)	
Operating income	**10,471**	11,525	(9.1)	
Operating margin %	**12.1%**	14.4%	(2.3)	pp
Gain on sale of equity method investment	**11,381**	—	100.0	
Equity method investment earnings	**—**	664	(100.0)	
Interest expense	**(224)**	(341)	(34.3)	
Income before income taxes	**21,628**	11,848	82.5	
Income tax expense	**7,491**	2,316	223.4	
Effective tax expense rate %	**34.6%**	19.5%	15.1	pp
Net income	**$ 14,137**	$ 9,532	48.3 %	
Net income margin %	**16.4%**	11.9%	4.5	pp

(a) Percentage points ("pp").

Net sales - Net sales for the quarter ended September 30, 2017 were $86,333, an increase of 8.1 percent compared to the year ago quarter, which was the result of increased net sales in both segments. Within the distillery segment, net sales were up 8.5 percent. Driven by strong demand, net sales of higher margin premium beverage alcohol products increased 16.1 percent and industrial alcohol net sales increased 1.0 percent, which resulted in an increase in total food grade alcohol net sales of 11.1 percent. Warehouse services revenue related to the storage of barreled whiskey increased, while lower margin distillers feed and related co-products net sales declined. Within the ingredient solutions segment, net sales were up 5.8 percent. Net sales of specialty wheat proteins and commodity wheat starch increased, while net sales of commodity wheat protein and specialty wheat starches declined (see Segment Results below).

Gross profit - Gross profit for the quarter ended September 30, 2017 was $18,625, an increase of 23.2 percent compared to the quarter ended September 30, 2016. The increase was driven by an increase in gross profit in the distillery products segment, partially offset by a decrease in gross profit in the ingredient solutions segment. In the distillery products segment, gross profit grew by $4,137, or 33.5 percent. In the ingredient solutions segment, gross profit declined by $633, or 23.0 percent (see Segment Results below).

SG&A expenses - SG&A expenses for the quarter ended September 30, 2017 were $8,154, an increase of 16.8 percent compared to the quarter ended September 30, 2016. The increase in SG&A was primarily due to an increase in personnel costs, professional fees, and advertising and promotion.

Operating income - Operating income for the quarter ended September 30, 2017 decreased to $10,471 from $11,525 for the quarter ended September 30, 2016, due to gross profit growth in our distillery products segment that was more than offset by a decrease in other operating income, net (primarily income recorded related to a legal settlement agreement and a gain on sale of long-lived assets recorded in the prior year), an increase in SG&A expenses, and a decline in gross profit in our ingredient solutions segment.

Operating income quarter-versus-quarter	**Operating Income**	**Change**	
Operating income for the quarter ended September 30, 2016	$ 11,525		
Increase in gross profit - distillery products segment[a]	4,137	35.9	pp[b]
Decrease in gross profit - ingredient solutions segment[a]	(633)	(5.5)	pp
Decrease in other operating income, net	(3,385)	(29.3)	pp
Increase in SG&A expenses	(1,173)	(10.2)	pp
Operating income for the quarter ended September 30, 2017	**$ 10,471**	**(9.1)%**	

[a] See segment discussion.
[b] Percentage points ("pp").

Equity method investment - Our equity method investment earnings decreased to $0 for the quarter ended September 30, 2017, from $664 for the quarter ended September 30, 2016. The decrease in earnings was due to the sale of our ICP equity method investment during the quarter, resulting in a gain on sale of equity method investment of $11,381 (before tax) (see Note 2).

Income tax expense - Income tax expense for the quarter ended September 30, 2017 was $7,491, for an effective tax rate for the quarter of 34.6 percent. Income tax expense for the quarter ended September 30, 2016 was $2,316, for an effective tax rate for the quarter of 19.5 percent. The primary reasons for the 15.1 percentage point increase in our effective tax rate quarter-versus-quarter are the effect of adopting ASU 2016-09, *Compensation - Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting* that allowed the Company to receive a tax-effected excess tax benefit windfall in the prior year quarter, and the dilutive effect of the gain on sale of equity method investment in the current quarter (see Note 2) on certain tax attributes including the domestic production activities deduction (see Note 4).

Earnings per share - Earnings per share was $0.82 for the quarter ended September 30, 2017 compared to $0.55 for the quarter ended September 30, 2016. Earnings per share increased, primarily due to the gain on sale of our equity method investment (see Note 2) and improved performance from operations, partially offset by a decrease in other operating income, net.

Change in basic and diluted earnings per share quarter-versus-quarter	**Basic and Diluted EPS**	**Change**	
Basic and diluted earnings per share for the quarter ended September 30, 2016	$ 0.55		
Change in operations[a]	0.09	16.4	pp[b]
Change in other operating income, net[a]	(0.14)	(25.5)	pp
Change in gain on sale of equity method investment	0.44	80.0	pp
Change in equity method investment earnings (loss)[a]	(0.03)	(5.5)	pp
Tax: Net effect of ASU 2016-09	(0.08)	(14.5)	pp
Change in income attributable to participating securities[c]	(0.01)	(1.8)	pp
Basic and diluted earnings per share for the quarter ended September 30, 2017	**$ 0.82**	**49.1 %**	

[a] Changes are net of tax based on the effective tax rate for the base year (2016), excluding the effect of the ASU 2016-09 adoption on the 2016 rate.
[b] Percentage points ("pp").
[c] See Note 5.

The table below details the consolidated results for the year to date periods ended September 30, 2017 and 2016:

	Year to date ended September 30,		
	2017	**2016**	**2017 v. 2016**
Net sales	**$ 259,255**	$ 237,118	9.3 %
Cost of sales	**202,764**	189,420	7.0
Gross profit	**56,491**	47,698	18.4
Gross margin %	**21.8 %**	20.1 %	1.7 pp[a]
SG&A expenses	**24,114**	19,706	22.4
Other operating income, net	**—**	(3,385)	(100.0)
Operating income	**32,377**	31,377	3.2
Operating margin %	**12.5 %**	13.2 %	(0.7) pp
Gain on sale of equity method investment	**11,381**	—	100.0
Equity method investment earnings (loss)	**(348)**	2,260	(115.4)
Interest expense	**(934)**	(980)	(4.7)
Income before income taxes	**42,476**	32,657	30.1
Income tax expense	**13,292**	9,758	36.2
Effective tax expense rate %	**31.3 %**	29.9 %	1.4 pp
Net income	**$ 29,184**	$ 22,899	27.4 %
Net income margin %	**11.3 %**	9.7 %	1.6 pp

(a) Percentage points ("pp").

Net sales - Net sales for the year to date period ended September 30, 2017 were $259,255, an increase of 9.3 percent compared to the year ago period, which was the result of increased net sales in both segments. Within the distillery segment, net sales were up 10.0 percent. Driven by strong demand, net sales of higher margin premium beverage alcohol products increased 20.4 percent, partially offset by a decline in industrial alcohol product net sales, which resulted in a net increase in total food grade alcohol net sales of 12.4 percent. Warehouse services revenue related to the storage of barreled whiskey also increased, while lower margin distillers feed and related co-products net sales declined. Within the ingredient solutions segment, net sales were up 6.0 percent. Commodity wheat starch, specialty wheat starches, and specialty wheat proteins increased, while net sales of commodity wheat protein declined (see Segment Results below).

Gross profit - Gross profit for the year to date period ended September 30, 2017 was $56,491, an increase of 18.4 percent compared to the year to date period ended September 30, 2016. The increase was driven by an increase in gross profit in both segments. In the distillery products segment, gross profit grew by $8,190, or 20.0 percent. In the ingredient solutions segment, gross profit grew by $603, or 8.8 percent (see Segment Results below).

SG&A expenses - SG&A expenses for the year to date period ended September 30, 2017 were $24,114, an increase of 22.4 percent compared to the year to date period ended September 30, 2016. The increase in SG&A was primarily due to an increase in personnel costs and advertising and promotion.

Operating income - Operating income for the year to date period ended September 30, 2017 increased to $32,377 from $31,377 for the year to date period ended September 30, 2016 due to gross profit growth in both our distillery products and ingredient solutions segments, partially offset by an increase in SG&A expenses and a decrease in other operating income, net (primarily income recorded related to a legal settlement agreement and a gain on sale of long-lived assets recorded in the prior year).

Operating income year to date-versus-year to date	Operating Income	Change	
Operating income for the year to date period ended September 30, 2016	$ 31,377		
Increase in gross profit - distillery products segment[a]	8,190	26.1	pp[b]
Increase in gross profit - ingredient solutions segment[a]	603	1.9	pp
Decrease in other operating income, net	(3,385)	(10.8)	pp
Increase in SG&A expenses	(4,408)	(14.0)	pp
Operating income for the year to date period ended September 30, 2017	**$ 32,377**	**3.2 %**	

[a] See segment discussion.
[b] Percentage points ("pp").

Equity method investment - Our equity method investment earnings decreased to a loss of $348 for the year to date period ended September 30, 2017, from earnings of $2,260 for the year to date period ended September 30, 2016. The decrease was due to the sale of our ICP equity method investment during the current period, resulting in a gain on sale of equity method investment of $11,381 (before tax), as well as lower operating results (see Note 2).

Income tax expense - Income tax expense for the year to date period ended September 30, 2017 was $13,292, for an effective tax rate for the year to date period of 31.3 percent. Income tax expense for the year to date period ended September 30, 2016 was $9,758, for an effective tax rate for the year to date period of 29.9 percent. The primary reasons for the 1.4 percentage point increase in our effective tax rate period-versus-period are the impact of share based compensation as accounted for in ASU 2016-09, *Compensation - Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting,* that allowed the Company to receive a tax-effected excess tax benefit windfall during the year ago period, and the dilutive effect of the gain on sale of equity method investment during the current year to date period (see Note 2) on certain tax attributes including the domestic production activities deduction (see Note 4).

Earnings per share - Earnings per share increased to $1.70 in the year to date period ended September 30, 2017 from $1.33 in the year to date period ended September 30, 2016, primarily due to the gain on sale of our equity method investment (see Note 2), improved performance from operations, partially offset by a decrease in other operating income, net, and a decline in equity method investment earnings.

Change in basic and diluted earnings per share year to date period-versus-year to date period	Basic and Diluted EPS	Change	
Basic and diluted earnings per share for the year to date period ended September 30, 2016	$ 1.33		
Change in operations[a]	0.18	13.5	pp[b]
Change in other operating income, net[a]	(0.13)	(9.7)	pp
Change in gain on sale of equity method investment	0.44	33.1	pp
Change in equity method investment earnings (loss)[a]	(0.10)	(7.5)	pp
Change in weighted average shares outstanding	(0.01)	(0.8)	pp
Change in income attributable to participating securities[c]	(0.01)	(0.8)	pp
Basic and diluted earnings per share for the year to date period ended September 30, 2017	**$ 1.70**	**27.8 %**	

[a] Changes are net of tax based on the effective tax rate for the base year (2016), excluding the effect of the ASU 2016-09 adoption on the 2016 rate.
[b] Percentage points ("pp").
[c] See Note 5.

SEGMENT RESULTS

Distillery Products

The following table shows selected financial information for our distillery products segment for the quarters ended September 30, 2017 and 2016.

PRODUCT GROUP NET SALES

	Quarter Ended September 30,		Quarter-versus-Quarter Net Sales Change Increase / (Decrease)		Quarter-versus-Quarter Volume Increase / (Decrease)
	2017	2016			
	Amount	Amount	$ Change	% Change	% Change
Premium beverage alcohol	**$ 43,941**	$ 37,843	$ 6,098	16.1 %	
Industrial alcohol	**19,310**	19,114	196	1.0	
Food grade alcohol[a]	**$ 63,251**	$ 56,957	$ 6,294	11.1	
Fuel grade alcohol[a]	**1,458**	1,778	(320)	(18.0)	
Distillers feed and related co-products	**4,860**	5,805	(945)	(16.3)	
Warehouse services	**2,766**	2,124	642	30.2	
Total distillery products	**$ 72,335**	$ 66,664	$ 5,671	8.5 %	6.9% [a]

Other Financial Information

	Quarter Ended September 30,		Quarter-versus-Quarter Increase / (Decrease)	
	2017	2016	$ Change	% Change
Gross profit	**$ 16,501**	$ 12,364	$ 4,137	33.5 %
Gross margin %	**22.8%**	18.5%		4.3 pp[b]

[a] Volume change for alcohol products.
[b] Percentage points ("pp").

Driven by strong demand, net sales of higher margin premium beverage alcohol products within food grade alcohol increased 16.1 percent over the year-ago quarter, while lower margin industrial alcohol product net sales increased 1.0 percent, resulting in an overall food grade alcohol net sales increase of $6,294, or 11.1 percent. Declines in net sales of fuel grade alcohol products and distillers feed and related co-products were partially offset by an increase in warehouse services revenue, generated by increased storage of customer barrels of whiskey.

Gross profit increased quarter-versus-quarter by $4,137, or 33.5 percent. Gross margin for the quarter ended September 30, 2017 increased to 22.8 percent from 18.5 percent for the prior year quarter. The improvement in gross profit was primarily due to a decline in input costs, increased sales of higher margin premium beverage alcohol products, and an increase in warehouse services revenue. These gains were partially offset primarily by lower gross profit on distillers feed and related co-products.

Distillery Products

The following table shows selected financial information for our distillery products segment for the year to date periods ended September 30, 2017 and 2016.

PRODUCT GROUP NET SALES

	Year to date ended September 30, 2017 Amount	Year to date ended September 30, 2016 Amount	Period-versus-Period Net Sales Change Increase / (Decrease) $ Change	Period-versus-Period Net Sales Change Increase / (Decrease) % Change	Period-versus-Period Volume Increase / (Decrease) % Change
Premium beverage alcohol	**$ 131,868**	$ 109,546	$ 22,322	20.4 %	
Industrial alcohol	**57,775**	59,223	(1,448)	(2.4)	
Food grade alcohol[a]	**$ 189,643**	$ 168,769	$ 20,874	12.4	
Fuel grade alcohol[a]	**4,867**	5,345	(478)	(8.9)	
Distillers feed and related co-products	**14,514**	17,000	(2,486)	(14.6)	
Warehouse services	**7,960**	6,131	1,829	29.8	
Total distillery products	**$ 216,984**	$ 197,245	$ 19,739	10.0 %	9.5% [a]

Other Financial Information

	Year to date ended September 30, 2017	Year to date ended September 30, 2016	Period-versus-Period Increase / (Decrease) $ Change	Period-versus-Period Increase / (Decrease) % Change
Gross profit	**$ 49,069**	$ 40,879	$ 8,190	20.0 %
Gross margin %	**22.6%**	20.7%		1.9 pp[b]

[a] Volume change for alcohol products.
[b] Percentage points ("pp").

Driven by strong demand, net sales of higher margin premium beverage alcohol products within food grade alcohol increased 20.4 percent over the year-ago period, while lower margin industrial alcohol product net sales decreased 2.4 percent, resulting in an overall food grade alcohol net sales increase of $20,874, or 12.4 percent. Declines in net sales of distillers feed and related co-products and fuel grade alcohol products were partially offset by an increase in warehouse services revenue, generated by increased storage of customer barrels of whiskey.

Gross profit increased period-versus-period by $8,190, or 20.0 percent. Gross margin for the year to date period ended September 30, 2017 increased to 22.6 percent from 20.7 percent for the prior year period. The improvement in gross profit was primarily due to increased sales of higher margin premium beverage alcohol products, a decline in input costs, and an increase in warehouse services revenue. These gains were partially offset primarily by lower gross profit on distillers feed and related co-products.

Ingredient Solutions

The following table shows selected financial information for our ingredient solutions segment for the quarters ended September 30, 2017 and 2016.

PRODUCT GROUP NET SALES

	Quarter Ended September 30,		Quarter-versus-Quarter Net Sales Change Increase / (Decrease)		Quarter-versus-Quarter Volume Increase / (Decrease)
	2017	2016			
	Amount	Amount	$ Change	% Change	% Change
Specialty wheat starches	**$ 7,008**	$ 7,080	$ (72)	(1.0)%	
Specialty wheat proteins	**4,939**	4,188	751	17.9	
Commodity wheat starch	**1,948**	1,725	223	12.9	
Commodity wheat protein	**103**	234	(131)	(56.0)	
Total ingredient solutions	**$ 13,998**	$ 13,227	$ 771	5.8 %	7.3%

Other Financial Information

	Quarter Ended September 30,		Quarter-versus-Quarter Increase / (Decrease)	
	2017	2016	$ Change	% Change
Gross profit	**$ 2,124**	$ 2,757	$ (633)	(23.0)%
Gross margin %	**15.2%**	20.8%		(5.6) pp[(a)]

[(a)] Percentage points ("pp").

Total ingredient solutions net sales for the quarter ended September 30, 2017 increased by $771, or 5.8 percent, compared to the prior year quarter. This increase was primarily driven by increased net sales of specialty wheat proteins and commodity wheat starch, partially offset by decreased net sales of commodity wheat protein and specialty wheat starches, quarter-versus-quarter.

Gross profit decreased quarter-versus-quarter by $633, or 23.0 percent. Gross margin for the quarter ended September 30, 2017 decreased to 15.2 percent from 20.8 percent for the prior year quarter. The decline in gross profit was primarily due to decreased plant efficiencies and a lower average selling price, partially offset by a decline in input costs.

Ingredient Solutions

The following table shows selected financial information for our ingredient solutions segment for the year to date periods ended September 30, 2017 and 2016.

PRODUCT GROUP NET SALES

	Year to date ended September 30,		Period-versus-Period Net Sales Change Increase / (Decrease)		Period-versus-Period Volume Increase / (Decrease)
	2017	2016			
	Amount	Amount	$ Change	% Change	% Change
Specialty wheat starches	**$ 20,826**	$ 20,007	$ 819	4.1 %	
Specialty wheat proteins	**14,541**	13,960	581	4.2	
Commodity wheat starch	**6,302**	5,252	1,050	20.0	
Commodity wheat protein	**602**	654	(52)	(8.0)	
Total ingredient solutions	**$ 42,271**	$ 39,873	$ 2,398	6.0	11.8%

Other Financial Information

	Year to date ended September 30,		Period-versus-Period Increase / (Decrease)		
	2017	2016	$ Change	% Change	
Gross profit	**$ 7,422**	$ 6,819	$ 603	8.8 %	
Gross margin %	**17.6%**	17.1%		0.5	pp[(a)]

[(a)] Percentage points ("pp").

Total ingredient solutions net sales for the year to date period ended September 30, 2017 increased by $2,398, or 6.0 percent, compared to the prior year period. This increase was primarily driven by increased net sales of commodity wheat starch, specialty wheat starches, and specialty wheat proteins, partially offset by decreased net sales of commodity wheat protein, period-versus-period.

Gross profit increased period-versus-period by $603, or 8.8 percent. Gross margin for the period ended September 30, 2017 increased to 17.6 percent from 17.1 percent for the prior year period. The improvement in gross profit was primarily due to decreased input costs, partially offset by a lower average selling price.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate cash from operations while having ready access to capital at competitive rates. In periods when operating cash flow deficits, debt through our Credit Agreements (see Note 3) provides the primary source of cash to fund operating needs and capital expenditures. The same source of cash is used to fund shareholder dividends and other discretionary uses. Going forward, we expect to use cash to implement our invest to grow strategy, particularly in the distillery products segment. The overall liquidity of the Company reflects our strong business results and an effective cash management strategy that takes into account liquidity management, economic factors, and tax considerations. We expect our sources of cash, including our credit facility, to be adequate to provide for budgeted capital expenditures and anticipated operating requirements.

Operating Cash Flow

Cash provided by operations increased $14,603 to $16,447 for the year to date period ended September 30, 2017, from $1,844 for the year to date period ended September 30, 2016. This improvement in operating cash flow was primarily the result of net cash inflows related to net income, after giving effect to adjustments to reconcile net income to net cash provided by operating activities (depreciation and amortization, distribution received from equity method investee, gain on property insurance recoveries, deferred income taxes, including change in valuation allowance, gain on sale of assets, share-based compensation, gain on sale of equity method investment, and equity method investment earnings(loss)), the changes in accounts payable, inventory, income taxes, and accrued expenses, partially offset by cash outflows related to the changes in receivables, net, accounts payable to affiliate, net, and prepaid expenses.

Increases to Operating Cash Flow. Net income, after giving effect to adjustments to reconcile net income to net cash provided by operating activities, increased by $4,439, to $36,209 for the year to date period ended September 30, 2017 from $31,770 for the year to date period ended September 30, 2016. This increase over the prior year to date period was primarily due to a net income increase of $6,285, an increase in distribution received from equity method investee of $3,831, a decrease in equity method investment earnings of $2,608, an increase in deferred income taxes, including change in valuation allowance of $1,572, a decrease in gain on sale of assets of $871, an increase in share-based compensation of $592, partially offset by an increase in gain on sale of equity method investment of 11,381. Accounts payable increased $4,193 for the year to date period ended September 30, 2017, compared to a decrease of $3,340 for the year to date period ended September 30, 2016. The $7,533 change was primarily due to the timing of cash disbursements related to operating expenses. Inventory increased $10,794 for the year to date period ended September 30, 2017, compared to an increase of $16,910 for the year to date period ended September 30, 2016. The $6,116 change was primarily due to a smaller increase of barreled distillate inventory period-versus-period. The change in barreled distillate inventories for the year to date period ended September 30, 2017, was $7,641 compared to $16,693 for the year to date period ended September 30, 2016. Income taxes payable increased $2,472 for the year to date period ended September 30, 2017, compared to a decrease of $642 for the year to date period ended September 30, 2016. The $3,114 change was primarily due to the timing of estimated tax payments. Accrued expenses increased $790 for the year to date period ended September 30, 2017, compared to a decrease of $2,241 for the year to date period ended September 30, 2016. The $3,031 change was primarily due to decreases in incentive compensation accruals in the prior year period.

Decreases to Operating Cash Flow. Receivables, net, increased $11,366 for the year to date period ended September 30, 2017 compared to an increase of $6,504 for the year to date period ended September 30, 2016. The resulting $4,862 change was primarily due to increased net sales in the year to date period ended September 30, 2017 compared to the year to date period ended September 30, 2016 and the timing of collections. Accounts payable to affiliate, net, decreased $3,349 for the year to date period ended September 30, 2017, compared to an increase of $193 for the year to date period ended September 30, 2016. The $3,542 change was primarily due to the sale of ICP, our equity method investment affiliate. Prepaid expenses increased $824 for the year to date period ended September 30, 2017 compared to a decrease of $283 for the year to date period ended September 30, 2016. The resulting $1,107 change was primarily due to the timing of vendor invoices.

Investing Cash Flow

Net cash flow provided by investing activities increased $20,444 to $9,216 for the year to date period ended September 30, 2017 from $(11,228) for the year to date period ended September 30, 2016, primarily due to the sale of our equity method investment in ICP during the period, which resulted in a return of equity method investment of $22,832.

Capital Spending. We manage capital spending to support our business growth plans. Investments in plant, property and equipment were $13,630 and $12,666, respectively, for the year to date periods ended September 30, 2017 and 2016. Adjusted for the change in capital expenditures in accounts payable for the year to date periods ended September 30, 2017 and 2016 of $(3,826) and $112, respectively, total capital expenditures were $9,804 and $12,778, respectively. We expect approximately $22,000 in capital expenditures in 2017 for facility improvement and expansion (including warehouse expansion), facility sustenance projects, and environmental health and safety projects.

In 2015 and 2016, our Board of Directors approved a major expansion in warehousing capacity of $29,000 as part of the implementation of our five-year strategic plan to grow the whiskey category. Due to savings and efficiencies realized in the implementation of this project, the projected capital expenditures required have been reduced to approximately $28,000. As of September 30, 2017, we had incurred approximately $23,000 of this approved investment amount.

Financing Cash Flow

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including brand development and share repurchase activities) and the overall cost of capital. Total debt was $34,160 (net of unamortized loan fees of $745) at September 30, 2017 and $36,001 (net of unamortized loan fees of $576) at December 31, 2016. During the year to date period ended September 30, 2017, we had net payments of $1,673, and for the year to date period ended December 31, 2016, we had net borrowings of $11,991, on our Credit Agreements (see Note 3).

Dividends and Dividend Equivalents. On August 1, 2017, the Board of Directors declared a special dividend payable to stockholders of record as of August 18, 2017, of the Company's Common Stock, and a dividend equivalent payable to holders of RSUs as of August 18, 2017, of $0.85 per share and per unit. The total payment of $14,628, comprised of dividend payments of $14,215 and dividend equivalent payments of $413 (excluding estimated forfeitures), was paid on September 8, 2017.

On August 1, 2017, the Board of Directors declared a quarterly dividend payable to stockholders of record as of August 18, 2017, of the Company's Common Stock, and a dividend equivalent payable to holders of RSUs as of August 18, 2017, of $0.04 per share and per unit. The total payment of $688, comprised of dividend payments of $669 and dividend equivalent payments of $19 (excluding estimated forfeitures), was paid on September 11, 2017.

On May 2, 2017, the Board of Directors declared a quarterly dividend payable to stockholders of record as of May 15, 2017, of the Company's Common Stock, and a dividend equivalent payable to holders of RSUs as of May 15, 2017, of $0.04 per share and per unit. The total payment of $688, comprised of dividend payments of $668 and dividend equivalent payments of $20 (excluding estimated forfeitures), was paid on June 9, 2017.

On February 15, 2017, the Board of Directors declared a quarterly dividend payable to stockholders of record as of March 1, 2017, of the Company's Common Stock, and a dividend equivalent payable to holders of RSUs as of March 1, 2017, of $0.04 per share and per unit. The total payment of $688, comprised of dividend payments of $668 and dividend equivalent payments of $20 (excluding estimated forfeitures), was paid on March 24, 2017.

On August 1, 2016, the Board of Directors declared a quarterly dividend payable to stockholders of record as of August 15, 2016, of the Company's Common Stock, and a dividend equivalent payable to holders of RSUs as of August 15, 2016, of $0.02 per share and per unit. The total payment of $344, comprised of dividend payments of $334 and dividend equivalent payments of $10 (excluding estimated forfeitures), was paid on September 8, 2016.

On March 7, 2016, the Board of Directors declared an annual dividend payable to stockholders of record as of March 21, 2016, of the Company's Common Stock, and an annual dividend equivalent payable to holders of RSUs as of March 21, 2016, of $0.08 per share and per unit. The total payment of $1,378, comprised of dividend payments of $1,335 and dividend equivalent payments of $43 (excluding estimated forfeitures) was paid on April 14, 2016.

Financial Condition and Liquidity

Our principal uses of cash in the ordinary course of business are for input costs used in our production processes, salaries, capital expenditures, and investments supporting our strategic plan, such as the aging of barreled distillate. Generally, during periods when commodities prices are rising, our operations require increased use of cash to support inventory levels.

Our principal sources of cash are product sales and borrowing on our Credit Agreements. Under our Credit Agreements, we must meet certain financial covenants and restrictions and at September 30, 2017, we met those covenants and restrictions.

At September 30, 2017, our current assets exceeded our current liabilities by$106,164 largely due to our inventories of$89,652. At September 30, 2017 our cash balance was $7,113 and we have used our Credit Agreements for liquidity purposes, with$137,152 remaining for additional borrowings. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We regularly assesses our cash needs and the available sources to fund these needs. We utilize short- and long-term debt to fund discretionary items, such as capital investments and share repurchases. In addition, we have strong operating results such that financial institutions, if needed, should provide sufficient credit funding to meet short-term financing requirements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Certain commodities we use in our production process are exposed to market price risk due to volatility in the prices for those commodities. Our multi-year grain supply agreements for our Lawrenceburg and Atchison facilities permit us to purchase grain for delivery up to 12 months into the future at negotiated prices. The pricing for contracts is based on a formula using several factors. We have determined that the firm commitments to purchase grain under the terms of the supply agreements meet the normal purchases and sales exception as defined under Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, and have excluded the fair value of these commitments from recognition within our consolidated financial statements until the actual contracts are physically settled.

Our production process also involves the use of wheat flour and natural gas. The contracts for wheat flour and natural gas range from monthly contracts to multi-year supply agreements and permit us to purchase wheat flour and natural gas for delivery up to 12 months into the future at negotiated prices. Because the quantities involved are for amounts to be consumed within the normal expected production process, we have determined that the contracts meet the criteria for the normal purchases and sales exception and have excluded the fair value of these commitments from recognition within our consolidated financial statements until the actual contracts are physically settled.

Interest Rate Exposures. Due to our credit agreements with Wells Fargo Bank, National Association and Prudential Financial, Inc. (see Note 3), we are exposed to market risks arising from adverse changes in interest rates. Established procedures and internal processes govern the management of this market risk.

Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. Based on weighted average outstanding variable-rate borrowings at September 30, 2017, a 100 basis point increase over the non-default rates actually in effect at such date would increase our interest expense on an annualized basis by $255. Based on weighted average outstanding fixed-rate borrowings at September 30, 2017, a 100 basis point increase in market rates would result in a decrease in the fair value of our outstanding fixed-rate debt of $1,183, and a 100 basis point decrease in market rates would result in an increase in the fair value of our outstanding fixed-rate debt of $1,272.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. As of the quarter ended September 30, 2017, our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls. During the fiscal quarter ended September 30, 2017, we initiated a plan that calls for modifications and enhancements to the Company's internal controls over financial reporting in relation to our upcoming adoption of the new revenue recognition standard effective in the first quarter of 2018. Such plan resulted in changes to certain process and procedures during the quarter. Specifically, we implemented/modified internal controls to address:

- Monitoring of the adoption process
- The gathering of information and evaluation of analysis used in the development of disclosures required prior to the new standard's effective date

As we continue the implementation process, we expect that there will be additional changes in internal controls over financial reporting. There were no other changes in the Company's internal controls over financial reporting during the fiscal quarter ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Part I, Item 3, Legal Proceedings of our Annual Report on Form 10-K for the year ended December 31, 2016 and Note 6 to this Report on Form 10-Q for information on certain proceedings to which we are subject.

We are a party to various other legal proceedings in the ordinary course of business, none of which is expected to have a material adverse effect on us.

ITEM 1A. RISK FACTORS

A detailed discussion and list of risks and uncertainties that could cause actual results and events to differ materially from such forward looking statements is included below. This replaces the discussion and list of Risk Factors described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016 and the update in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

ITEM 1A. RISK FACTORS

Our business is subject to certain risks and uncertainties. The following discussion identifies those which we consider to be most important. The following discussion of risks is not all inclusive. Additional risks not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, or results of operations.

RISKS THAT AFFECT OUR BUSINESS AS A WHOLE

An interruption of operations, a catastrophic event at our facilities, or a disruption of transportation services could negatively affect our business.

Although we maintain insurance coverage for various property damage and loss events, an interruption in or loss of operations at either of our facilities could reduce or postpone production of our products, which could have a material adverse effect on our business, results of operations and/or financial condition. To the extent that our value added products rely on unique or proprietary processes or techniques, replacing lost production by purchasing from outside suppliers becomes more difficult.

Our customers store a substantial amount of barreled inventory of aged premium bourbon and rye whiskeys at our Lawrenceburg facility. If there was a catastrophic event at our Lawrenceburg facility, our customers' business could be adversely affected. The loss of a significant amount of aged inventory through fire, natural disaster, or otherwise could result in a significant reduction in supply of the affected product or products and, if we are negligent in the custodial care of our customers' inventory, this could result in customer claims against us.

We also store a substantial amount of our own inventory of aged premium bourbon and rye whiskeys at our Lawrenceburg facility. If there was a catastrophic event at our Lawrenceburg facility, our business could be adversely affected. The loss of a significant amount of our aged inventory through fire, natural disaster, or otherwise could result in a reduction in supply of the affected product or products and could affect our long-term growth.

A disruption in transportation services could result in difficulties supplying materials to our facilities and impact our ability to deliver products to our customers in a timely manner.

Our profitability is affected by the costs of energy, grain, and wheat flour that we use in our business, the availability and cost of which are subject to weather and other factors beyond our control. We may not be able to recover the costs of commodities and energy by increasing our selling prices.

Grain and wheat flour costs are a significant portion of our costs of goods sold. Historically, the cost of such raw materials has been subject to substantial fluctuation, depending upon a number of factors which affect commodity prices in general and over which we have no control. These include crop conditions, weather, disease, plantings, government programs and policies, competition for acquisition of inputs such as agricultural commodities, purchases by foreign governments, and changes in demand resulting from population growth and customer preferences. The price of natural gas also fluctuates based on anticipated changes in supply and demand, weather and the prices of alternative fuels. Fluctuations in the price of commodities and natural gas can be sudden and volatile at times and have had, from time to time, significant adverse effects on the results of our operations. Higher energy costs could result in higher transportation costs and other operating costs.

We do not enter into futures and options contracts because we can purchase grain and wheat flour for delivery up to 12 months into the future under our grain supply agreements. We intend to contract for the future delivery of grain and wheat flour, only to protect margins on expected sales. On the portion of volume not hedged, we will attempt to recover higher commodity costs through higher selling prices, but market considerations may not always permit this. Even where prices can be adjusted, there would likely be a lag between when we experience higher commodity or natural gas costs and when we might be able to increase prices. To the extent we are unable to timely pass increases in the cost of raw materials to our customers under sales contracts, market fluctuations in the cost of grain, natural gas and ethanol may have a material adverse effect on our results of operations and financial condition.

We source our grain and wheat flour from a limited number of suppliers.

We have signed supply agreements with Bunge Milling and CGB for our grain supply (primarily corn) and Ardent Mills for our wheat flour. If any of these companies encounters an operational or financial issue, or otherwise cannot meet our supply demands, it could lead to an interruption in supply to us and/or higher prices than those we have negotiated or than are available in the market at the time.

We have incurred impairment and restructuring charges in the past and may suffer such charges in the future

We review long-lived assets and goodwill for impairment at year end or if events or circumstances indicate that usage may be limited and carrying values may not be recoverable. Should events indicate that assets cannot be used as planned, the realization from alternative uses or disposal is compared to their carrying value. If an impairment loss is measured, this estimate is recognized and affects our profitability. Considerable judgment is used in these measurements, and a change in the assumptions could result in a different determination of impairment loss and/or the amount of any impairment.

The markets for our products are very competitive, and our results could be adversely affected if we do not compete effectively.

The markets for products in which we participate are very competitive. Our principal competitors in these markets have substantial financial, marketing and other resources, and several are much larger enterprises than us.

We are dependent on being able to generate net sales and other operating income in excess of cost of products sold in order to obtain margins, profits and cash flows to meet or exceed our targeted financial performance measures. Competition is based on such factors as product innovation, product characteristics, product quality, pricing, color and name. Pricing of our products is partly dependent upon industry processing capacity, which is impacted by competitor actions to bring online idled capacity or to build new production capacity. If market conditions make our products too expensive for use in consumer goods, our revenues could be affected. If our principal competitors were to decrease their pricing, we could choose to do the same, which could adversely affect our margins and profitability. If we did not do the same, our revenues could be adversely affected due to the potential loss of sales or market share. Our revenue growth could also be adversely affected if we are not successful in developing new products for our customers or as a result of new product introductions by our competitors. In addition, more stringent new customer demands may require us to make internal investments to achieve or sustain competitive advantage and meet customer expectations.

Unsuccessful research activities or product launches could affect our profitability.

Research activities and product launch activities are inherently uncertain. The failure to launch a new product successfully can give rise to inventory write offs and other costs and can affect consumer perception of an existing brand. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for our products. If we were to have unsuccessful research activities or product launches, our profitability could be affected.

Work disruptions or stoppages by our unionized workforce could cause interruptions in our operations.

As of December 31, 2016, approximately 165 of our 311 employees were members of a union. Although our relations with our two unions are stable and our labor contracts do not expire until December 2017 and August 2019, there is no assurance that we will not experience work disruptions or stoppages in the future, which could have a material adverse effect on our business and results of operations and could adversely affect our relationships with our customers.

If we were to lose any of our key management personnel, we may not be able to fully implement our strategic plan, our system of internal controls could be impacted, and our operating results could be adversely affected.

We rely on the continued services of key personnel involved in management, finance, product development, sales, manufacturing and distribution, and, in particular, upon the efforts and abilities of our executive management team. The loss of service of any of our key personnel could have a material adverse effect on our business, financial condition, results of operations, and on our system of internal controls.

If we cannot attract and retain key management personnel, or if our search for qualified personnel is prolonged, our system of internal controls may be affected, which could lead to an adverse effect on our operating results. In addition, it could be difficult, time consuming and expensive to replace any key management member or other critical personnel, and no guarantee exists that we will be able to recruit suitable replacements or assimilate new key management personnel into our organization.

Covenants and other provisions in our credit facility could hinder our ability to operate. Our failure to comply with covenants in our credit agreements could result in the acceleration of the debt extended under such agreements, limit our liquidity, and trigger other rights of our lenders.

Our credit agreements contain a number of financial and other covenants that include provisions which require us, in certain circumstances, to meet certain financial tests. These covenants could hinder our ability to operate and could reduce our profitability. In addition, our credit agreement with Wells Fargo Bank permits the lender to modify borrowing base and advance rates, the effect of which may limit our available credit under the agreement. The lender may also terminate or accelerate our obligations under the credit agreement upon the occurrence of various events in addition to payment defaults and other breaches. Any acceleration of our debt, modification to reduce our borrowing base, or termination of our credit agreements would negatively impact our overall liquidity and may require us to take other actions to preserve any remaining liquidity. Although we anticipate that we will be able to meet the covenants in our credit agreements, there can be no assurance that we will do so, as there are a number of external factors that affect our operations over which we have little or no control.

Product recalls or other product liability claims could materially and adversely affect us.

Selling products for human consumption involves inherent legal and other risks, including product contamination, spoilage, product tampering, allergens, or other adulteration. We could decide to, or be required to, recall products due to suspected or confirmed product contamination, adulteration, misbranding, tampering, or other deficiencies. Although we maintain product recall insurance, product recalls or market withdrawals could result in significant losses due to their costs, the destruction of product inventory, and lost sales due to the unavailability of the product for a period of time. We could be adversely affected if our customers lose confidence in the safety and quality of certain of our products, or if consumers lose confidence in the food and beverage safety system generally. Adverse attention about these types of concerns, whether or not valid, may damage our reputation, discourage consumers from buying our products, or cause production and delivery disruptions.

We may also suffer losses if our products or operations cause injury, illness, or death. In addition, our marketing could face claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment or a related regulatory enforcement action against us, or a significant product recall, may materially and adversely affect our reputation and profitability. Moreover, even if a product liability or other legal or regulatory claim is unsuccessful, has no merit, or is not pursued, the negative publicity surrounding assertions against our products or processes could materially and adversely affect our product sales, financial condition, and operating results.

We are subject to extensive regulation and taxation, and compliance with existing or future laws and regulations, which may require us to incur substantial expenditures.

We are subject to a broad range of federal, state, local and foreign laws and regulations relating to the protection of the public health and the environment. Our operations are also subject to regulation by various federal agencies, including the TTB, OSHA, the FDA, and the EPA, and by various state and local authorities. Such regulations cover virtually every aspect of our operations, including production and storage facilities, importing ingredients, distribution of beverage alcohol products, marketing, pricing, labeling, packaging, advertising, water usage, waste water discharge, disposal of hazardous wastes and emissions and other matters.

Violations of any of these laws and regulations may result in administrative, civil or criminal fines or penalties being levied against us, including temporary or prolonged cessation of production, revocation or modification of permits, performance of environmental investigatory or remedial activities, voluntary or involuntary product recalls, or a cease and desist order against operations that are not in compliance. These laws and regulations may change in the future and we may incur material costs in our efforts to comply with current or future laws and regulations. These matters may have a material adverse effect on our business and financial results.

A failure of one or more of our key information technology systems, networks, processes, associated sites, or service providers could have a material adverse impact on our business.

We rely on information technology ("IT") systems, networks, and services, including internet sites, data hosting and processing facilities and tools, hardware (including laptops and mobile devices), software and technical applications and platforms, some of which are managed and hosted by third party vendors to assist us in the management of our business. The various uses of these IT systems, networks, and services include, but are not limited to: hosting our internal network and communication systems; enterprise resource planning; processing transactions; summarizing and reporting results of operations; business plans, and financial information; complying with regulatory, legal, or tax requirements; providing data security; and handling other processes necessary to manage our business. Although we have an offsite backup system and disaster recovery plan, any failure of our information systems could adversely impact our ability to operate. Routine maintenance or development of new information systems may result in systems failures, which may adversely affect our business, results of operations and financial results.

Increased IT security threats and more sophisticated cyber crime pose a potential risk to the security of our IT systems, networks, and services, as well as the confidentiality, availability, and integrity of our data. This can lead to outside parties having access to our privileged data or strategic information, our employees or our customers. Any breach of our data security systems or failure of our information systems may have a material adverse impact on our business operations and financial results. If the IT systems, networks, or service providers we rely upon fail to function properly, or if we suffer a loss or disclosure of business or other sensitive information, due to any number of causes, ranging from catastrophic events to power outages to security breaches, and our disaster recovery plans do not effectively address these failures on a timely basis, we may suffer interruptions in our ability to manage operations and reputational, competitive, or business harm, which may adversely affect our business operations or financial condition. In addition, such events could result in unauthorized disclosure of material confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, our employees, customers, and suppliers. Although we maintain insurance coverage for various cybersecurity risks, in any of these events, we could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and IT systems.

Damage to our reputation, or that of any of our key customers or their brands, could affect our stock price and business performance.

The success of our products depends upon the positive image that consumers have of the third party brands that use our products. Contamination, whether arising accidentally or through deliberate third party action, or other events that harm the integrity or consumer support for our and/or our customers' products and could affect the demand for our and/or our customers' products. Unfavorable media, whether accurate or not, related to our industry or to us or our products, or to the brands that use our products, marketing, personnel, operations, business performance or prospects could negatively affect our corporate reputation, stock price, ability to attract high quality talent or the performance of our business. Adverse publicity or negative commentary on social media outlets could cause consumers to react rapidly by avoiding our brands or choosing brands offered by our competitors, which could materially negatively affect our financial results, business and financial condition.

We May Not Be Able to Adequately Protect Our Intellectual Property Rights or May Be Accused of Infringing Intellectual Property Rights of Third Parties

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success, and we rely on trademark, copyright, and patent law, trade secret protection, and confidentiality and/or license agreements with our employees, customers, and others to protect our proprietary rights. We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Third parties that license our proprietary rights also may take actions that diminish the value of our proprietary rights or reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights.

Our intellectual property rights may not be upheld if challenged. Such claims, if proven, could materially and adversely affect our business and may lead to the impairment of the amounts recorded for goodwill and other intangible assets. If we are unable to maintain the proprietary nature of our technologies, we may lose any competitive advantage provided by our intellectual property. We and our customers and other users of our products may be subject to allegations that we or they or certain uses of our products infringe the intellectual property rights of third parties. The outcome of any litigation is inherently uncertain. Any intellectual property claims, with or without merit, could be time-consuming and expensive to resolve, could divert management attention from executing our business plan and could require us or our customers or other users of our products to change business practices and/or pay monetary damages or enter into licensing or similar arrangements. Any adverse determination related to intellectual property claims or litigation could be material to our business, cash flows and financial results.

RISKS SPECIFIC TO OUR DISTILLERY PRODUCTS SEGMENT

The relationship between the price we pay for grain and the sales prices of our distillery co-products can fluctuate significantly and affect our results of operations.

Distillers feed, fuel grade alcohol, and corn oil are the principal co-products of our alcohol production process and can contribute in varying degrees to the profitability of our distillery products segment. Distillers feed and corn oil are sold for prices which historically have tracked the price of corn, but, certain of our co-products compete with similar products made from other plant feedstocks, the cost of which may not have risen in unison with corn prices. We sell fuel grade alcohol, the prices for which typically, but not always, have tracked price fluctuations in gasoline prices. As a result, the profitability of these products could be affected.

Our strategic plan involves significant investment in the aging of barreled distillate. Decisions concerning the quantity of maturing stock of our aged distillate could affect our future profitability.

There is an inherent risk in determining the quantity of maturing stock of aged distillate to lay down in a given year for future sales as a result of changes in consumer demand, pricing, new brand launches, changes in product cycles, and other factors. Demand for products can change significantly between the time of production and the date of sale. It may be more difficult to make accurate prediction regarding new products and brands. Inaccurate decisions and/or estimations could lead to an inability to supply future demand or lead to a future surplus of inventory and consequent write down in the value of maturing stocks of aged distillate. As a result, profitability of the distillery products segment could be affected.

If the brands we develop or acquire do not achieve consumer acceptance, our growth may be limited, which could have a material adverse impact on our operating results.

A component of our strategic plan is to develop our own brands, particularly whiskeys. Risks related to this strategy include:

- Because our brands, internally developed and acquired, are early in their growth cycle or have not yet been developed, they have not achieved extensive brand recognition. Accordingly, if consumers do not accept our brands, we will not be able to penetrate our markets and our growth may be limited.
- We depend, in part, on the marketing initiatives and efforts of our independent distributors in promoting our products and creating consumer demand and we have limited or no control regarding their promotional initiatives or the success of their efforts.
- We depend on our independent distributors to distribute our products. The failure or inability of even a few of our independent distributors to adequately distribute our products within their territories could harm our sales and result in a decline in our results of operations.

- We compete for shelf space in retail stores and for marketing focus by our independent distributors, most of whom carry extensive product portfolios.
- The laws and regulations of several states prohibit changes of independent distributors, except under certain limited circumstances, making it difficult to terminate an independent distributor for poor performance without reasonable cause, as defined by applicable statutes. Any difficulty or inability to replace independent distributors, poor performance of our major independent distributors or our inability to collect accounts receivable from our major independent distributors could harm our business. There can be no assurance that the independent distributors and retailers we use will continue to purchase our products or provide our products with adequate levels of promotional support.

Warehouse expansion issues could affect our operations and/or adversely affect our financial results.

On October 21, 2015, we announced a major expansion in warehousing capacity. Our Board of Directors approved additional investments for the project, for a total approved investment of approximately $28,000. The program includes both the refurbishment of existing warehouse buildings and the construction of new warehouses. The first projects included in this program were completed in late 2015, with additional projects completed in 2016 and 2017. Additional warehouse capacity included in the approved program is expected to be completed by the end of 2018. There is the potential risk of completion delays, including risk of delay associated with required permits and cost overruns, which could affect our business, financial condition and results of operations.

Water scarcity or quality could negatively impact our production costs and capacity.

Water is the main ingredient in substantially all of our distillery products. It is also a limited resource, facing unprecedented challenges from climate change, increasing pollution, and poor management. As demand for water continues to increase, water becomes more scarce and the quality of available water deteriorates, we may be affected by increasing production costs or capacity constraints, which could adversely affect our results of operations, business and financial results.

We may be subject to litigation directed at the beverage alcohol industry.

Companies in the beverage alcohol industry are, from time to time, exposed to class action or other litigation relating to alcohol advertising, product liability, alcohol abuse problems or health consequences from the misuse of alcohol. Such litigation may result in damages, penalties or fines as well as damage to our reputation, which could have a material adverse effect on our cash flows, financial condition and financial results.

Adverse public opinion about alcohol could reduce demand for our products.

In recent years, there has been increased social and political attention directed at the beverage alcohol industry. The recent attention has focused largely on public health concerns related to alcohol abuse, including drunk driving, underage drinking, and the negative health impacts of the abuse and misuse of beverage alcohol.

Anti-alcohol groups have, in the past, advocated successfully for more stringent labeling requirements, higher taxes and other regulations designed to discourage alcohol consumption. More restrictive regulations, higher taxes, negative publicity regarding alcohol consumption and/or changes in consumer perceptions of the relative healthfulness or safety of beverage alcohol could decrease sales and consumption of alcohol and thus the demand for our products. This could, in turn, significantly decrease both our revenues and our revenue growth and have a material adverse effect on our results of operations, business and financial results.

RISKS SPECIFIC TO OUR INGREDIENT SOLUTIONS SEGMENT

Our focus on higher margin specialty ingredients may make us more reliant on fewer, more profitable customer relationships.

Our strategic plan for our ingredient solutions segment includes focusing our efforts on the sale of specialty proteins and starches to targeted domestic consumer packaged goods customers. Our major focus is directed at food ingredients, which are primarily used in foods that are developed to address consumers' desire for healthier and more convenient products; these consist of dietary fiber, wheat protein isolates and concentrates and textured wheat proteins. The bulk of our applications technology and research and development efforts are dedicated to providing customers with specialty ingredient solutions that deliver nutritional benefits, as well as desired functional and sensory qualities to their products. Our business and financial results could be materially adversely affected if our customers were to reduce their new product development ("NPD") activities or cease using our unique dietary fibers, starches and proteins in their NPD efforts.

Products competing with our Fibersym® resistant starch could lead to a decrease in sales volume or pricing, a decrease in margins and lower profitability.

Our patent rights to Fibersym® expired on June 6, 2017. We face competition with our Fibersym® resistant starch. The competition could lead to diminished returns and lower our margins. This factor could result in significant costs and could have a material adverse effect on our business, cash flows and financial results.

In November 2016, we announced that we filed a citizen petition with the FDA asking the agency to further confirm the status of our patented Fibersym® RW and FiberRite® RW resistant wheat starches as dietary fiber. A list of dietary fibers is currently being developed by the FDA under new food labeling rules, which were published on May 27, 2016 and have a scheduled compliance date of July 26, 2018. While our citizen petition is undergoing review, the current status of Fibersym® RW, along with FiberRite® RW, as accepted dietary fiber and a recognized fiber fortifying ingredient remains in place. A delay in confirmation by the FDA of our patented Fibersym® RW and FiberRite® RW resistant wheat starches as dietary fiber under the new food labeling rules in a timely manner could have a material adverse impact on ingredient solutions segment operating results.

The FDA announced on June 13, 2017, its intention to extend the compliance date of the new food labeling rules published on May 27, 2016 (see above). While the FDA will provide details of the extension through a Federal Register Notice at a later time, management expects it to be a significant extension, which mitigates the risk to ingredient solutions segment operating results described in the above paragraph for as long as the FDA extends compliance.

Adverse public opinion about any of our specialty ingredients could reduce demand for our products.

Consumer preferences with respect to our specialty ingredients might change. In fact, in recent years, we have noticed shifting consumer preferences and media attention directed to gluten, gluten intolerance, and "clean label" products. Shifting consumer preferences could decrease demand for our specialty ingredients. This could, in turn, significantly decrease our revenues and revenue growth, which could have a material adverse affect on our cash flows, financial condition and financial results.

RISKS RELATED TO OUR COMMON STOCK

Common Stockholders have limited rights under our Articles of Incorporation

Under our Articles of Incorporation, holders of our Preferred Stock are entitled to elect five of our nine directors and only holders of our Preferred Stock are entitled to vote with respect to a merger, dissolution, lease, exchange or sale of substantially all of our assets, or on an amendment to the Articles of Incorporation, unless such action would increase or decrease the authorized shares or par value of the Common or Preferred Stock, or change the powers, preferences or special rights of the Common or Preferred Stock so as to affect the holders of Common Stock adversely. Generally, the Common Stock and Preferred Stock vote as separate classes on all other matters requiring stockholder approval.

The majority of the outstanding shares of our Preferred Stock is beneficially owned by one individual, who is effectively in control of the election of five of our nine directors under our Articles of Incorporation.

The trading volume in our Common Stock fluctuates depending on market conditions. The sale of a substantial number of shares in the public market could depress the price of our stock and make it difficult for stockholders to sell their shares.

Our Common Stock is listed on the NASDAQ Stock Market. Our public float atDecember 31, 2016 was approximately 12,712,845 shares, as approximately 3,945,920 shares are held by affiliates. Over the year ended December 31, 2016, our daily trading volume as reported to us by NASDAQ fluctuated from31,600 to 3,103,500 shares (excluding block trades). When trading volumes are relatively light, significant price changes can occur even when a relatively small number of shares are being traded and an investor's ability to quickly sell quantities of stock may be affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There was no unregistered sale of equity securities during the quarter endedSeptember 30, 2017.

ISSUER PURCHASES OF EQUITY SECURITIES

	(1) Total Number of Shares (or Units) Purchased		(2) Average Price Paid per Share (or Unit)	(3) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(4) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2017 through July 31, 2017	—		—	—	
August 1, 2017 through August 31, 2017	4,243	[a]	57.75	—	
September 1, 2017 through September 30, 2017	—		—	—	
Total	4,243			—	

[a] Vested RSUs awarded under the 2004 Plan that we purchased to cover employee withholding taxes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None**.**

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) Disclosure of Unreported Form 8-K Information

On October 31, 2017, the Company entered into a new employment agreement with Augustus C. "Gus" Griffin, the Company's Chief Executive Officer and President. The new employment agreement (the "Employment Agreement") supersedes and replaces the employment agreement between the Company and Mr. Griffin dated July 28, 2014. A summary of the material terms and conditions of the Employment Agreement is set forth below.

Base Salary. Consistent with his existing arrangement with the Company, Mr. Griffin will receive a base salary of$565 for 2017. Mr. Griffin's base salary will be reviewed annually by the Human Resources and Compensation Committee of the Board in accordance with the performance evaluation practices of the Company, but it may not be decreased without Mr. Griffin's consent.

Term. The term of the Employment Agreement began on October 31, 2017 and terminates on May 31, 2020, unless otherwise terminated earlier.

Short-Term Incentive. Consistent with his existing arrangement with the Company, for 2017 Mr. Griffin's target short-term incentive ("STI") award under the Company's 2014 Short-Term Incentive Plan (the "STI Plan") for the attainment of the Company's performance measures will be $565. Mr. Griffin's threshold STI Plan award is 90 percent of the target and the maximum STI Plan award that Mr. Griffin may earn is 200 percent of the target award, subject to proration. The terms and conditions of the STI Plan for future years will be reviewed and established annually by the Compensation Committee.

Long-term Incentive. Consistent with his existing arrangement with the Company, the Compensation Committee has approved the long-term incentive goals for his service in 2017, and based on these goals and the Company's performance in 2017 he will in February 2018 receive an award of RSUs for his service in 2017, with performance at target resulting in an award of RSUs with a grant date fair value equal to 100 percent of his Base Compensation.

Atchison Residence Purchase. Unless Mr. Griffin is terminated for Cause or by Mr. Griffin other than for Good Reason (each as defined in the Employment Agreement), the Company will purchase his Atchison, Kansas residence from him following the expiration of the term upon his request for the original purchase price of $325 paid by Mr. Griffin.

Severance. Except in the event of a voluntary termination by Mr. Griffin without Good Reason or by the Company with Cause (each as defined in the Employment Agreement), upon a termination other than at the expiration of the term, Mr. Griffin will receive severance of two times his base salary. Except in the event of a voluntary termination by Mr. Griffin without Good Reason or by the Company for Cause, a pro rata long-term incentive award for the year in which termination occurs or the full-year award for any completed year unpaid as of the date of termination, and an amount equal to $2 times the number of full calendar months from the date of termination until the date in which Mr. Griffin and his spouse are Medicare-eligible. In addition, except in the limited circumstances described above, upon termination all RSUs that are then unvested will vest.

The preceding description of the Employment Agreement is a summary of its material terms, does not purport to be complete, and is qualified in its entirety by reference to the Employment Agreement, a copy of which is being filed as Exhibit 10.4 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 6. EXHIBITS

Exhibit Number	**Description of Exhibit**
2.1	Agreement and Plan of Merger, dated June 26, 2017, by and among Pacific Ethanol Central, LLC, ICP Merger Sub, LLC, Illinois Corn Processing, LLC, Illinois Corn Processing Holdings Inc., and MGPI Processing, Inc.
10.1	Secured Promissory Note dated July 3, 2017 issued to MGPI Processing, Inc. by ICP Merger Sub, LLC.
10.2	Credit Agreement between MGP Ingredients, Inc. and Wells Fargo Bank, National Association, dated August 23, 2017.
10.3	Note Purchase and Private Shelf Agreement between MGP Ingredients, Inc., PGIM, Inc., and certain purchasers affiliated with PGIM, Inc., dated August 23, 2017.
*10.4	Employment Agreement between Augustus C. Griffin and MGP Ingredients, Inc. entered into and effective as of October 31, 2017.
*31.1	CEO Certification pursuant to Rule 13a-14(a)
*31.2	CFO Certification pursuant to Rule 13a-14(a)
*32.1	CEO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350
*32.2	CFO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350
*101	The following financial information from MGP Ingredients, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of September 30, 2017, and December 31, 2016, (ii) Condensed Consolidated Statements of Income for the nine months ended September 30, 2017 and 2016, (iii) Condensed Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2017 and 2016, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, (v) Condensed Consolidated Statement of Changes in Stockholders' Equity, and (vi) the Notes to Condensed Consolidated Financial Statements.
*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:	November 2, 2017	By	/s/ Augustus C. Griffin
			Augustus C. Griffin, President and Chief Executive Officer
Date:	November 2, 2017	By	/s/ Thomas K. Pigott
			Thomas K. Pigott, Vice President, Finance and Chief Financial Officer

Exhibit Index

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*Filed herewith	

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into and to be effective as of the 31st of October, 2017, between Augustus C. Griffin, an individual (the "Executive") and MGP Ingredients, Inc., a Kansas corporation (the "Company"). The Executive and the Company are sometimes referred to herein collectively as the "Parties" or individually as a "Party".

WHEREAS, the Company and the Executive mutually desire the continued employment of Executive in his current capacities upon the terms and conditions set forth in this Agreement, which is intended and agreed to replace and supersede the Employment Agreement between the Company and the Executive that was entered into and effective as of July 28, 2014 (the "Old Employment Agreement");

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. **Term.** The continuation of Executive's employment, in the capacities specified herein, shall be under the terms and conditions set forth in this Agreement, rather than under the Old Employment Agreement, commencing on the date hereof and terminating on May 31, 2020 (the "Term"), unless terminated earlier pursuant to the terms of Section 5 hereof.

2. **Position and Responsibilities.**

(a) The Executive shall serve as President and Chief Executive Officer of the Company and in any other positions that the Company's Board of Directors (the "Board") shall direct. The Executive will have the duties, authorities and responsibilities commensurate with the duties, authorities and responsibilities of chief executive officers in publicly-traded United States-based companies of similar size, and such other duties, authorities and responsibilities as the Board designates from time to time that are not inconsistent with the Executive's positions. The Executive will report to, and be subject to direction of, the Board.

(b) During the Term of this Agreement, the Executive shall devote his best efforts to the business and affairs of the Company and shall devote all of his business time to perform the duties hereunder. Notwithstanding the foregoing, with the prior approval of the Board, the Executive may devote a reasonable portion of his time to serve on boards of directors, boards of managers or boards of trustees, or committees thereof, of companies or organizations involving no conflict of interest with the interests of the Company. The Executive will use reasonable efforts to comply in all material respects with all reasonable policies of the Company as are from time to time in effect and applicable to the Executive positions.

3. **Board Membership.** The Board will nominate Executive for re-election at the expiration of Executive's then-current term, as a member of the Board; provided that the foregoing shall not be required to the extent prohibited by law or regulatory requirements.

4. **Compensation.**

(a) Base Compensation. The gross base salary of the Executive for 2017 shall be $565,000 per year (the "Base Compensation"). The Base Compensation shall be paid in equal weekly payments or at such other times and in such other installments as are paid to other executives of the Company. The Base Compensation will be reviewed annually by the Human Resources and Compensation Committee of the Board (the "Compensation Committee") in accordance with the performance evaluation practices of the Company but may not be decreased without the consent of the Executive.

(b) Short-Term Incentives. For 2017, the Executive's target short-term incentive ("STI") award pursuant to the Company's Short-Term Incentive Plan (the "STI Plan") for the attainment of the Company's 2017 performance measures will be $565,000. The amount and timing of payments under the STI Plan will be at the discretion of the Compensation Committee (i) based on the attainment by the Company of quantitative performance measures set by the Board of Directors (but calculated in accordance with rules approved by the Compensation Committee) and qualitative goals for the Executive determined by the Compensation Committee, and (ii) are subject to satisfaction of conditions established by the Compensation Committee (which for 2017 include there being no uncured default in compliance with the Company's debt covenants under its Credit Agreement and minimum put away of 25,000 barrels of premium whiskey). The STI Plan performance measures for 2017, as determined by the Compensation Committee, have been provided to the Executive.

For 2017, the Executive's threshold STI Plan award is 90% of the target STI Plan award and the Executive's maximum STI Plan award, for attainment of Company performance measures greater than 120% of the target, is 200% of the target award. The terms and conditions of the STI Plan for future years in the Term will be reviewed and established annually by the Compensation Committee.

(c) Long-term Incentive. The Executive will be eligible to participate in the Company's long-term equity incentive ("LTI") program for each fiscal year during which Executive is employed under this Agreement, with an award for each year during the Term as determined by the Compensation Committee. The awards made under the Equity Plan in any given year during the Term will be for performance for the immediately preceding year pursuant to the Company's 2014 Equity Incentive Plan ("Equity Plan"). For 2017, the Compensation Committee has approved the long-term incentive goals for his service in 2017, and based on these goals and the Company's performance in 2017 he will in February 2018 receive an award of restricted stock units ("RSUs") for his service in 2017, with performance at target resulting in an award of RSUs with a grant date fair value equal to 100% of his Base Compensation. It is anticipated that future awards under the Equity Plan will be in the form of RSUs with three-year cliff vesting but the Company reserves the right to make awards with other terms and conditions determined by the Compensation Committee and in other forms permitted under the Equity Plan, including incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, other stock-based awards and cash performance awards.

(d) Expenses. The Executive shall be reimbursed, in accordance with and subject to the Company's expense reimbursement policies and procedures, for all reasonable expenses incurred by the Executive in performing services under this Agreement. The Executive will submit appropriate receipts, invoices and other evidence of expenditures as required by Company policy.

(e) Retirement. The Company will match contributions made by the Executive to the Company's 401(k) plan up to a maximum of six percent (6%) of the Executive's Base Compensation, which matching obligation will be subject to the then-current annual limit set by the Board.

(f) Welfare Benefits. During the Term, the Company shall provide the Executive and his family with benefits generally provided to its other executive officers under its welfare benefit plans, practices, policies and programs (including, without limitation, health, prescription, dental, disability, life and other insurance plans).

(g) Life and Disability Insurance. The Executive will be entitled to receive a group life insurance policy and long-term disability insurance, in each case consistent with benefits provided to other executive officers of the Company.

(h) Automobile Allowance. The Executive will be entitled to an allowance for a vehicle of a pre-tax amount of $500 per month (with an aggregate annual amount of $6,000).

(i) Vacation. Executive shall be entitled to twenty-five (25) days paid annual vacation, in accordance with the Company's policies and provided that such vacation times do not substantially interfere with the performance of his duties hereunder.

(j) House Purchase. The Executive relocated from Philadelphia, Pennsylvania and purchased a home located in Atchison, Kansas (which came with an adjacent lot; such lot and home are collectively referred to herein as the "House") in order to be close to the Company's headquarters in Atchison, Kansas. Unless the Executive's employment is terminated by the Company for "Cause" or by the Executive other than for Good Reason, the Company agrees to purchase the House at the original purchase price of $325,000 paid by the Executive within 30 days following the expiration of the Term and delivery of a written request for such purchase by the Executive in accordance with Section 11(e) of this Agreement.

5. **Termination of Employment.**

(a) By the Company with or without Cause. The Company may, at any time, in its sole discretion, terminate the Executive's employment upon written notice with or without Cause. For purposes of this Agreement, the term "Cause" means:

(i) commission by the Executive of an act that is materially detrimental to the Company or any direct or indirect subsidiary of the Company (each, an "Affiliate"), which act constitutes gross negligence or willful misconduct by Executive in the performance of the Executive's material duties to the Company or any Affiliate;

(ii) commission by the Executive of any act of dishonesty or breach of trust resulting in or intending to result in the Executive's personal gain or enrichment at the expense of the Company or any Affiliate;

(iii) violation by the Executive of Section 2 of this Agreement which violation, if curable, is not cured by the Executive within thirty (30) days after receipt by the Executive of written notice from the Company of such violation; or

(iv) violation by the Executive of Section 6 of this Agreement which violation, if curable, is not cured by the Executive within thirty (30) days after receipt by the Executive of written notice from the Company of such violation.

(b) By the Executive for Good Reason. The Executive may terminate his employment for Good Reason by providing not less than thirty (30) days' advance written notice of such termination to the Company in accordance with the following sentence. "Good Reason" shall mean the continuance of any of the following events after Executive provides the Company with at least thirty (30) days' advance written notice of such event (specifying the basis for Executive having Good Reason to terminate Executive's employment) and the Company fails to effect a correction, revocation or cure of such event within such period: (i) any material breach of this Agreement by the Company, including the failure to pay Executive any amount to which he is entitled under this Agreement; (ii) any reduction in the Executive's position, authority or responsibilities, including the assignment to Executive of any duties that are materially and adversely inconsistent with those assigned to him herein; or (iii) any reduction in Executive's Base Compensation, any reduction in the annual short-term incentive opportunity below 100% of Executive's Base Compensation or any reduction in the annual long-term incentive opportunity below 100% of Executive's Base Compensation.

(c) Death or Disability. If the Executive's employment is terminated because of the Executive's death, the termination of this Agreement will be effective immediately. If the Company determines in good faith that Disability of the Executive has occurred, the Company may provide the Executive written notice of termination. The term "Disability" means the Executive's absence from or inability to perform the Executive's material duties and responsibilities with the Company for one hundred thirty (130) business days in any consecutive twelve- (12-) month period as a result of incapacity due to mental or physical illness or injury. If, within thirty (30) days of such notice of termination, the Executive does not return to full-time performance of responsibilities, the Executive's employment will terminate automatically. If the Executive returns to full-time performance within thirty (30) days, such notice of termination will be cancelled and void hereunder. Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

(d) Severance.

(i) Upon a termination of the Executive's employment (other than by reason of death or Disability which is addressed in Section 5(d)(ii)), subject to the satisfaction of the Release Condition described in Section 5(f) below, the Executive will be entitled to receive:

(A) payment of the Executive's accrued and unpaid Base Compensation through the date of termination, the Executive's accrued and unused vacation days as of the date of termination, and reimbursement of incurred and unreimbursed expenses under Section 4(d), within thirty (30) days following the date of termination (collectively, the amounts in this subsection (A), the "Accrued Obligations");

(B) any STI award earned with respect to a fiscal year ending prior to the date of such termination but unpaid as of such date, payable at the same time in the year of termination as such payment would be made if the Executive continued to be employed by the Company (the "Prior Year STI Award");

(C) any LTI award with respect to a fiscal year ending prior to the date of such termination but unpaid as of such date, shall be granted at the same time in the year of termination as such grant would be made if the Executive continued to be employed by the Company (the "Prior Year LTI Award");

(D) unless the Executive was terminated for Cause or the Executive terminated his employment other than for Good Reason or the termination occurred at the expiration of the Term, an amount equal to the product of two (2) times the Executive's Base Compensation, which shall be paid in equal installments on the dates on which Executive's Base Compensation would otherwise have been paid in accordance with the Company's normal payroll dates in effect as of the date of Executive's termination of employment as if Executive's employment had continued for such period, provided that the delay of the payment of any such amounts pending satisfaction of the Release Condition described in Section 5(f) below shall be accumulated and paid on the first of the Company's first such scheduled payroll date following satisfaction of the Release Condition;

(E) unless the Executive was terminated for Cause or the Executive terminated his employment other than for Good Reason, any STI award related to the year in which the termination occurs calculated based on actual performance through the end of the applicable performance period and prorated for the number of days of the Executive's employment in the year in which the termination occurs, payable in a single lump sum at the same time as such payment would be made if the Executive continued to be employed by the Company (the "Pro-Rata Bonus"). The Pro-Rata Bonus shall supersede any conflicting provisions in the STI Plan;

(F) unless the Executive was terminated for Cause or the Executive terminated his employment other than for Good Reason, an LTI Award shall be made for the service of the Executive during the portion of the year in which the termination occurs (the "Pro-Rata LTI Award"), which Pro-Rata LTI Award shall be equal to the product of (x) the number of RSUs that would be included in a LTI award if he had served for the entire year in which the termination occurred, *times* (y) a fraction, with the numerator being the number of days of the Executive's employment in the year in which the termination occurs and the denominator being 365. The Pro-Rata LTI Award shall be granted at the same time as such award would be made if the Executive continued to be employed by the Company. The Pro-Rata LTI Award shall supersede any conflicting provision in the LTI Plan;

(G) unless the Executive was terminated for Cause or the Executive terminated his employment other than for Good Reason, all RSUs that have been granted to Executive (including those referenced in Section 5(d)(i)(C) and Section 5(d)(i)(F)), but that have not vested as of the date of termination of employment, shall vest in the Executive to the same extent as if his employment with the Company had continued through the expiration of the latest vesting period of the last RSUs awarded to him (the date of expiration of such last vesting period is referred to herein as the "Final Vesting Date"). The foregoing vesting provision shall supersede any conflicting provisions in any Agreement as to Award of RSUs that would otherwise require forfeiture of RSUs that were not vested as of the date of termination of employment;

(H) unless the Executive was terminated for Cause or the Executive terminated his employment other than for Good Reason, an amount equal to the product of (x) $2,000 *times* (y) the number of full calendar months between the month in which the Executive was terminated and the month in which the Executive and his current spouse reach the age at which both of them are eligible to receive Medicare (or similar benefits under any successor legislation replacing Medicare; referred to herein collectively as the "Medicare Eligibility Age")), payable in a single lump sum as soon as reasonably practical following satisfaction of the Release Condition described in Section 5(f) (the "Lump Sum Payment"). If, during the time period covered in clause (y) above ("Coverage Period"), the monthly COBRA premium for MGP coverage is greater than $2,000 ("COBRA Excess Amount"), then MGP shall pay the COBRA Excess Amount to Executive on the Company's last payroll date for each remaining month in the Coverage Period. If the Medicare Eligibility Age is increased after the Lump Sum Payment is made, then the Coverage Period shall be extended accordingly and an additional lump sum shall be paid to Executive, as soon as reasonably practicable, in an amount equal to the difference between the original Lump Sum Payment and the amount that would have been computed as the product of clauses (x) and (y) above if such extended Coverage Period had been used in clause (y) above to compute the original Lump Sum Payment.

(I) any other amounts or benefits due to the Executive under Section 4(f) of this Agreement or otherwise in accordance with the Company's benefit, fringe benefit plans, programs or policies, payable at such times and otherwise in accordance with the terms and conditions such arrangements (the "Other Benefits"); and

(ii) Upon a termination of employment due to the Executive's death or Disability, the Executive or a representative of the Executive shall be entitled to the Accrued Obligations, the Other Benefits, the Prior Year STI Award, the Prior Year LTI Award, the Pro-Rata Bonus, and an amount equal to the Executive's Base Compensation (which shall be paid in equal installments on the dates on which Executive's Base Compensation would otherwise have been paid in accordance with the Company's normal payroll dates in effect as of the date of Executive's termination of employment as if Executive's employment had continued for such period, provided that the delay of the payment of any such amounts pending satisfaction of the Release Condition described in Section 5(f) below shall be accumulated and paid on the first of the Company's first such scheduled payroll date following satisfaction of the Release Condition).

(e) Resignations. Upon any termination of the Executive's employment with the Company for any reason, the Executive agrees to promptly resign as a director of the Company and its Affiliates and from any other offices, directorships, trusteeships, committee memberships and fiduciary capacities held with, or on behalf of, the Company and its Affiliates. The Executive shall promptly execute any further documentation thereof as requested by the Company and, if the Executive is to receive any payments from the Company, execution of such further documentation shall be a condition thereof.

(f) Release Condition. Executive agrees that Executive shall be entitled to the amounts and benefits set forth in Sections 5(d)(i)(C), 5(d)(i)(D), 5(d)(i)(E), 5(d)(i)(F) and 5(d)(i)(H) only if (i) Executive executes a release of all claims against the Company (other than indemnity claims the Executive may have against the Company that arise under the Company's Bylaws or the director and officer insurance policies) in such reasonable form as the Company may reasonably prescribe and has not materially breached, as of the date of termination, Section 6 of this Agreement and does not materially breach such provisions at any time during the period for which such payments are to be made or vesting of RSUs is to take place, and (ii) such release becomes effective and irrevocable no later than seven (7) days following the date of Executive's termination of employment ("Release Condition"). If the Executive materially breaches Section 6 of this Agreement, the Company shall have no obligation to make any severance, other payment, or provide any benefit under this Agreement during the period in which such amounts are otherwise payable or such benefits are otherwise to be provided, but only to the extent such that the value of such foregone severance, other payment, or other benefits does not exceed the actual damages sustained by the Company with respect to such material breach.

(g) No Duplication of Benefits. Any termination payments made and benefits provided under this Agreement to the Executive shall be in lieu of any other severance payments or benefits for which the Executive may be eligible under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation. In the event any plan or grant provides for better treatment as to equity on a termination of employment than that provided herein, such better provision shall apply.

6. **Restrictions.** The Executive agrees that (i) he will possess and will continue to possess as a result of his services under this Agreement certain confidential and proprietary information regarding the Company, its business and its business plans and (ii) the use of any such confidential and proprietary information in a business or activity which competes with the Company would adversely affect the business and the Company's assets and provide the competing business with an unfair advantage over the Company. Accordingly, the parties wish to restrict the Executive's use and disclosure of such information and his ability to compete unfairly or enable others to compete unfairly with the Company. The Executive agrees to comply with the terms of this Section 6, all of which are reasonable and necessary to protect the confidential or proprietary business information and trade secrets of the Company and to prevent any unfair advantage from being conferred upon a competing business of the Company, as set forth below:

(a) Non-Hiring and Non-Solicitation of Employees. During the Term, and for a period ending on the Final Vesting Date (as defined in Section 5(d)(i)(G)), the Executive may not directly or indirectly recruit, solicit, or hire any executive or master distiller of the Company or its Affiliates or otherwise induce any such executive or master distiller of the Company or its Affiliates to leave the employment of the Company or an Affiliate to become an employee of or otherwise be associated with any other party or with the Executive or any company or business with which the Executive is or may become associated. Notwithstanding the foregoing, the restrictions in this Section 6(a) shall not apply with regard to (i) general solicitations that are not specifically directed to employees of the Company or its Affiliates (but the restrictions shall still apply to the hiring of any executive or master distiller who responds to such general solicitation), (ii) serving as a reference at the request of any employee or (iii) actions taken in the good faith performance of the Executive's duties for and/or for the benefit of the Company and/or its Affiliates. The running of the restriction period contained in this Section 6(a) will be suspended and shall not apply during any period of violation and/or any period of time during which litigation to enforce this covenant is pending, but only to the extent the Company prevails in such litigation. The Company hereby provides the following notice to the Executive, the contents of which supersedes any contrary provisions of this Agreement:

Pursuant to the Defend Trade Secrets Act of 2016, the Parties understand that an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(b) Non-Interference with Business Relations. During the Term and thereafter (except in the case of clause (ii) which shall continue for a period ending on the Final Vesting Date (as defined in Section 5(d)(i)(G))) (regardless of the circumstances of such termination and the length of this Agreement), the Executive agrees that, he shall not, directly or indirectly, (i) do anything to discredit or otherwise injure the reputation or goodwill of the Company or its Affiliates, (ii) without the written consent of the Company, solicit, induce or attempt to solicit or induce any customer or any person or entity known by Executive or which would be reasonably known by Executive to be an employee, independent contractor or other professional or business relation of the Company (or any Affiliate) to cease doing business, or change the amount or terms of business, with the Company (or any Affiliate), or (iii) in any way interfere with the Company's (or any Affiliate's) relationship with any customer, employee, independent contractor, or other professional or business relation of the Company or Affiliate. For purposes hereof, a customer of the Company shall be defined as any person or entity who has purchased any goods or services from the Company (or any Affiliate) during the one (1) year period preceding termination of Executive's employment in an amount equal to or greater than $5,000,000 in the aggregate.

(c) Confidential Information. The Executive recognizes that the business interests of the Company and its Affiliates require the fullest practical protection and confidential treatment of all information, not generally known within the relevant trade group or by the public, including all Work Product (as defined below), business and marketing plans, training materials, promotional materials, illustrations, designs, plans, data bases, sources of supply, customer lists, vendor lists, market surveys and/or analyses, supplier and contractor lists, trade secrets, distillation processes, procedures and techniques, mash bills, and all other valuable or unique information and techniques acquired, developed or used by the Company or its Affiliates relating to the business, operations, suppliers, employees and customers of the Company or its Affiliates, regardless of whether such information is in writing, on computer disk or disk drive or in any other form (hereinafter collectively termed "Protected Information"). The Executive expressly acknowledges and agrees that the Protected Information constitutes trade secrets and/or confidential and proprietary business information of the Company (or its Affiliates, or its customers or suppliers, as the case may be). Protected Information shall not include information which is or becomes publicly known, through no breach of this Section 6 by the Executive. The Executive acknowledges that Protected Information is essential to the success of the business of the Company and its Affiliates, and it is the policy of the Company and its Affiliates to maintain as secret and confidential the Protected Information, which gives the Company or its Affiliates a competitive advantage over those who do not know the Protected Information is expressly and implicitly protected by the Company and its Affiliates from unauthorized disclosure. Accordingly, the Executive agrees to take all reasonable steps to hold such Protected Information in a fiduciary capacity, to keep secret and to treat confidentially, and not to permit any other person or entity to, directly or indirectly, appropriate, divulge, disclose or otherwise disseminate to any other person or entity nor use in any manner for him or any other person's or entity's purposes or benefit any Protected Information, and not to use or aid others in using any such Protected Information in competition with the Company or any Affiliate except (i) in furtherance of the performance of his duties to the Company or its Affiliates, whether under this Agreement or otherwise, or (ii) to the extent that disclosure is required by law. Executive shall not be in breach of this section in the event of disclosure, if such disclosure occurs through no action or fault of his own, or arises out of the willful, illegal or negligent actions of another individual or entity not under his control. This obligation of non-disclosure of information shall survive this Agreement and shall continue to exist for so long as such information remains Protected Information.

(d) Reasonableness of Restrictions. The Executive acknowledges and agrees that, given the nature of the business of the Company, and the Company's proposed business plans, the restrictions imposed upon the Executive by this Section 6 and the purposes for such restrictions are reasonable and are designed to protect the trade secrets, confidential and proprietary business information and the future success of the Company and its Affiliates without unduly restricting the Executive's future employment. If, at the time of enforcement of this Section 6, a court shall hold that any of the duration, scope or geographic restrictions stated herein are unreasonable under circumstances then existing, the parties agree (and shall stipulate, if necessary, in an appropriate pleading) that the maximum duration, scope or geographic area reasonable under such circumstances shall be substituted for the stated duration, scope or geographic area. The Executive acknowledges and agrees that in the event of his breach of any provision of this Section 6, the Company and its Affiliates will suffer irreparable harm and, accordingly, the Executive agrees that the Company's right to terminate this Agreement for Cause pursuant to Section 6(a) does not reflect the Company's damages on account of such breach, shall not be the Company's exclusive remedies, and that the Company shall be entitled to exercise any other remedies available to it at law or in equity, including injunctive relief or other equitable remedies. In the event of any breach of the provisions of this Section 6, the Executive further agrees that the time periods set forth in this Section 6 shall be extended by the period of such breach.

(e) Nondisparagement. During the Term and for two (2) years thereafter (the "Restricted Period"), the Executive agrees not to, with intent to damage, disparage or encourage or induce others to disparage the Company or its Affiliates or their respective officers, directors, employees or other service providers as of the date of termination of the Executive's employment (the "Company Parties"). For purposes of this Section 6(e), the term "disparage" includes, without limitation, comments or statements to the press, to the employees of the Company, or its Affiliates or to any individual or entity with whom the Company or its Affiliates has a business relationship (including, without limitation, any vendor, supplier, customer or distributor), or any public statement, that in each case is intended to, or can be reasonably expected to, damage any of the Company Parties in more than a de minimis manner. Notwithstanding the foregoing, nothing in this Section 6(e) shall prevent the Executive from (i) making any truthful statement to the extent, but only to the extent (A) necessary with respect to any litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement, in the forum in which such litigation, arbitration or mediation properly takes place or (B) required by law, legal process or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction over the Executive, (ii) making normal competitive statements during any period after the termination of the Executive's employment, (iii) making any statements in the good faith performance of the Executive's duties to Company or its Affiliates, and

(iv) rebutting any statements made by the Company or its Affiliates or their respective officers, directors, employees or other service providers.

(f) Documents and Processes, etc. Any information or innovations related to the business conducted by the Company or its Affiliates during the Term, including, but not limited to, inventions, improvements, methods, technology, programs, customer lists, reports, distribution records, brochures, instructions, manuals, processes, etc., which are, during the Term, conceived, developed, or improved upon by the Executive for use by the Company or any of its Affiliates, alone or in conjunction with other employees, managers or consultants (collectively called "Work Product"), shall be the exclusive property of the Company or the applicable Affiliate, and during and after termination of this Agreement for any reason whatsoever, and the Executive shall not use, duplicate, reveal or take with him any such Work Product or other materials of the Company or any Affiliate other than in furtherance of the performance of his duties to the Company or any Affiliate, whether under this Agreement or otherwise. To the extent that any such Work Product is not a work made for hire, the Executive hereby assigns to the Company or the applicable Affiliate all rights in such material. The Executive agrees to execute any documents at any time reasonably required by the Company in connection with the registration of copyright, patent application or other perfection of the ownership of the Work Product by the Company or the applicable Affiliate.

(g) Survival. No reference in this Agreement to expiration or termination of this Agreement means expiration or termination of this Section 6. The parties agree that Section 6 shall survive the expiration of the Term or earlier termination of this Agreement for whatever reason, except as otherwise expressly set forth hereunder.

7. **Cooperation.** During the Term and thereafter, the Executive agrees to reasonably assist and cooperate with the Company and/or any Affiliate (and their outside counsel) at mutually convenient times and places in connection with the defense or prosecution of any claim that may be made or threatened against or by the Company or any Affiliate, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company or any Affiliate, including any proceeding before any arbitral, administrative, judicial, legislative, or other regulatory body or agency, including preparing for and testifying in any proceeding to the extent such claims, investigations or proceedings materially relate to services performed or required to be performed by the Executive, or pertinent knowledge possessed by the Executive, in each case, other than any such proceeding in which the Executive and the Company and/or its Affiliates are adverse parties to one another or are reasonably likely to be or which relate to matters exclusively related to the period after termination of the Executive's employment with the Company. Upon presentment to the Company of appropriate documentation, the Company will pay directly or reimburse the Executive for the reasonable out-of-pocket expenses incurred as a result of such cooperation.

8. **Non-Contravention; No Conflict.** The Executive represents and warrants that the Executive is not a party to any agreement or restrictive covenant preventing him from performance of the services required under this Agreement. The Executive is not aware of any situation creating or appearing to create a conflict of interest between the Executive and the Company or any Affiliate. To the extent that the Executive is a party to any confidentiality or nondisclosure agreement, the Executive agrees to comply with all such agreements and to not use any confidential trade secret information of any third party while employed by the Company.

9. **Clawback.** If the Company is required to restate its financial results due for fiscal year 2016 or thereafter while the Executive is Chief Executive Officer of the Company due to material noncompliance with financial reporting requirements under United States federal securities laws as a result of misconduct or error (as determined in good faith by the Audit Committee or by the full Board of Directors), the Company may, in the good faith discretion of the Compensation Committee, take action to recoup from the Executive all or any portion of any performance-based or other incentive-based compensation, and profits realized from the sale of Shares (each such amounts shall be referred to as an "Award") received as equity compensation by the Executive, the amount of which had been determined in whole or in part upon performance goals relating to the restated financial results, or upon the Fair Market Value of Shares, regardless of whether the Executive engaged in any misconduct or was at fault or responsible in any way for causing the need for the restatement. In such an event, the Company or any Affiliate shall be entitled to recoup up to the amount, if any, by which the Award, or the Fair Market Value of the Shares, actually received by the Executive exceeded the payment or Fair Market Value, as applicable, that would have been received based on the restated financial results, and any profits from the sale of Shares transferred pursuant to an Award in excess of the profits that would have been received based on the restated financial results. The Company's and each Affiliate's right of recoupment shall apply only if demand for recoupment is made not later than three years following the payment of the applicable Award. Any recoupment shall be made net of any taxes the Executive paid (to the extent such taxes may not be reasonably recovered by the Executive) on the compensation subject to recoupment. The Executive acknowledges that the Executive is aware of (i) the provision of Section 304 of the Sarbanes-Oxley Act of 2002 and the right of the Securities Exchange Commission ("SEC") with respect thereto, (ii) Section 10D of the Securities Exchange Act of 1934, as amended ("Exchange Act"), which was added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and which requires listed companies to implement clawback policies that comply with listing requirement of the applicable stock exchange with respect to the recovery of incentive-based compensation in the event of an accounting restatement, (iii) proposed Rule 14D-1 which was proposed by the SEC to require such listing requirements to be established, and (iv) the Company's obligation to adopt a clawback policy that complies with the implementing Nasdaq listing standard that would be adopted after the SEC adopts a final rule under Section 10D of the Exchange Act (the "Dodd-Frank Clawback Policy"). The parties agree that this Section 9 may be amended by the Company to conform to the Dodd-Frank Clawback Policy when such policy is adopted by the Company in order to comply with the aforementioned Nasdaq listing standard. The following definitions apply for purposes of this Section 9:

(a) "Fair Market Value" means, as of any given date, (i) if the Shares are listed on NASDAQ Global Select Market (or another U.S. national securities exchange), the closing price on the date at issue, or if there is no closing price on such date, the closing price on the last preceding day for which there was a closing price; (ii) if the Shares are not listed on NASDAQ Global Select Market (or another U.S. national securities exchange), a value determined by the reasonable application of a reasonable valuation method as determined by the Compensation Committee in accordance with Section 409A of the Code.

(b) "Shares" means shares of the common stock, without par value, of the Company.

10. **Section 409A.** It is intended that this Agreement will comply with, or be exempt from, Section 409A of the Code and any regulations and guidelines promulgated thereunder (collectively, "Section 409A"), to the extent the Agreement is subject thereto, and the Agreement

shall be interpreted on a basis consistent with such intent. Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed on the date of the Executive's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment or benefit that is considered non-qualified deferred compensation under Section 409A payable on account of a "separation from service" that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (after taking into account any applicable exceptions to such requirement), such payment or benefit shall be made or provided on the date that is the earlier of (i) the expiration of the six- (6-) month period measured from the date of the Executive's "separation from service," or (ii) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 10 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the Executive's "termination of employment" (and corollary terms) with the Company shall be construed to refer to Executive's "separation from service" (within the meaning of Treas. Reg. Section 409A-1(h)) with the Company.

11. **Miscellaneous.**

(a) Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

(b) Withholding Taxes. From any payments due hereunder to the Executive from the Company, there will be withheld amounts required to satisfy liabilities for federal, state, and local taxes and withholdings. In addition, the Company agrees that except as would violate applicable securities law, (i) the Executive shall be permitted to sell Shares in order to satisfy any such taxes and withholding obligations and (ii) any minimum required tax withholding obligations on the Executive's equity compensation awards in respect of Shares may be satisfied by reducing the number of Shares otherwise payable under such award by an amount of such Shares having a fair market value equal to the amount of such tax withholding obligations.

(c) Amendment. Except as otherwise provided in Section 9, this Agreement may only be amended or modified by an instrument in writing signed by each of the parties hereto. No failure or delay on the part of either party to this Agreement in the exercise of any power or right, and no course of dealing between the parties hereto, shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude any further or other exercise thereof or the exercise of any other power or right. The remedies provided for herein are cumulative and not exclusive of any remedies which may be available to either party at law or in equity. Any waiver of any provision of this Agreement, and any consent to any departure by either party from the terms of any provision hereof, shall be effective only in the specific instance and for the specific purpose for which given. Nothing contained in this Agreement and no action or waiver by any party hereto shall be construed to permit any violation of any other provision of this Agreement or any other document or operate as a waiver by such party of any of his or its rights under any other provision of this Agreement or any other document.

(d) Assignment. This Agreement is binding upon and will inure to the benefit of the Executive and the Executive's heirs, executors, assigns and administrators or the Executive's estate and property and the Company and their successors and permitted assigns. The Executive may not assign or transfer to others the obligation to perform the Executive's duties hereunder. The Company may not assign this Agreement other than to a successor to all or substantially all of its business and then only upon such assignee's delivery to the Executive of a written assumption of this Agreement; provided, however, that the Company may assign this Agreement to an Affiliate with the Executive's consent, in which case, after such assignment, the "Company" means the Affiliate to which this Agreement has been assigned.

(e) Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified, the following business day after deposit with a reputable overnight courier service or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated below, or at such other address as such party may designate by ten (10) days' advance written notice to the other party.

(i) If to Company, to:

MGP Ingredients, Inc.
100 Commercial Street, Box 130
Atchison, Kansas 66002
Attention: Board of Directors

With a copy to:

Stinson Leonard Street LLP
1201 Walnut Street, Suite 2900
Kansas City, MO 64106
Attention: John A. Granda

(ii) If to the Executive, to:

Augustus C. Griffin
420 3rd Street
Atchison, KS 66002

(f) Binding Effect. This Agreement shall be binding upon, and inure to the benefit and be the obligation of the Company, its successors or assigns, as well as the Executive, his legal representatives, heirs and successors.

(g) Severability; Construction. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held by a court of competent jurisdiction to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement. Use of the word "including" shall not be limited by the terms following such word. All references to singular or plural terms shall mean the other where appropriate. The term "Affiliate" shall refer to subsidiaries of the Company now existing or hereafter formed or acquired.

(h) Descriptive Headings; Terms. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same document.

(j) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the internal laws (as opposed to conflict of law provisions) of the State of Kansas.

(k) Expenses. In the event of any litigation between the parties relating to this Agreement and their rights hereunder, the prevailing party shall be entitled to recover all reasonable litigation costs and reasonable attorneys' fees and expenses from the non-prevailing party (limited to one counsel for such party and one local counsel, if appropriate).

(l) Entire Agreement. This Agreement, together with any award agreements referenced herein, sets forth the entire understanding of the parties regarding the Executive's employment with the Company, and replace and supersede the Old Employment Agreement and any other previous understandings, agreements, discussions, letters or representations between such parties, written or oral, that may have related in any way to the subject matter hereof including, without limitation, any employment offers or term sheets dated as of or prior to the date hereof.

IN WITNESS WHEREOF, this Agreement has been executed by the Company and the Executive as of the date first above written.

COMPANY:

MGP INGREDIENTS, INC.

By: /s/ David Rindom__________

Name: David Rindom

Title: Vice President and Chief Administrative Officer

EXECUTIVE:

/s/ Augustus C. Griffin

Name: Augustus C. Griffin

Exhibit 31.1

CERTIFICATION

I, Augustus C. Griffin, 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 officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) 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

    d) 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 officers 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: November 2, 2017

/s/ Augustus C. Griffin

Augustus C. Griffin, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas K. Pigott, 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 officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) 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
   d) 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 officers 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: November 2, 2017

/s/ Thomas K. Pigott

Thomas K. Pigott, Vice President, Finance and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

OF

PERIODIC REPORT

I, Augustus C. Griffin, 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 quarter endedSeptember 30, 2017 (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: November 2, 2017

/s/ Augustus C. Griffin

Augustus C. Griffin
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, Thomas K. Pigott, 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 quarter endedSeptember 30, 2017 (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: November 2, 2017

/s/ Thomas K. Pigott
Thomas K. Pigott
Vice President, Finance 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.]