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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2021

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	MGPI	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ 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 ☒ Accelerated filer
☐ Non-accelerated filer ☐ 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 ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
21,964,296 shares of Common Stock, no par value as of October 29, 2021

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 11, 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, per 9-liter case 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 share and per share amounts)

	Quarter Ended September 30,		Year to Date Ended September 30,	
	2021	**2020**	**2021**	**2020**
Sales	**$ 176,611**	$ 102,964	**$ 459,873**	$ 294,606
Cost of sales	**119,525**	79,802	**313,661**	227,531
Gross profit	**57,086**	23,162	**146,212**	67,075
Selling, general and administrative expenses	**24,202**	9,510	**65,165**	28,377
Operating income	**32,884**	13,652	**81,047**	38,698
Interest expense, net	**(1,116)**	(594)	**(2,708)**	(1,701)
Other income (loss), net	**(421)**	185	**(479)**	352
Income before income taxes	**31,347**	13,243	**77,860**	37,349
Income tax expense	**7,674**	2,862	**18,701**	8,636
Net income	**23,673**	10,381	**59,159**	28,713
Net loss attributable to noncontrolling interest	**203**	—	**279**	—
Net income attributable to MGP Ingredients, Inc.	**23,876**	10,381	**59,438**	28,713
Income attributable to participating securities	**(175)**	(69)	**(471)**	(192)
Net income used in Earnings Per Share calculation	**$ 23,701**	$ 10,312	**$ 58,967**	$ 28,521
Basic and diluted weighted average common shares	**21,981,201**	16,916,675	**20,293,818**	16,943,130
Basic and diluted Earnings Per Share	**$ 1.08**	$ 0.61	**$ 2.91**	$ 1.68

See accompanying notes to unaudited condensed consolidated financial statements

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

	Quarter Ended September 30,		Year to Date Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income attributable to MGP Ingredients, Inc.	**$ 23,876**	$ 10,381	**$ 59,438**	$ 28,713
Other comprehensive income, net of tax:				
Unrealized loss on foreign currency translation adjustment	**(141)**	—	**(134)**	—
Change in Company-sponsored post-employment benefit plan	**(89)**	74	**(40)**	89
Other comprehensive income (loss)	**(230)**	74	**(174)**	89
Comprehensive income attributable to MGP Ingredients, Inc.	**23,646**	10,455	**59,264**	28,802
Comprehensive loss attributable to noncontrolling interest	**203**	—	**279**	—
Comprehensive income	**$ 23,443**	**$ 10,455**	**$ 58,985**	**$ 28,802**

See accompanying notes to unaudited condensed consolidated financial statements

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

	September 30, 2021	December 31, 2020
Current Assets		
Cash and cash equivalents	**$ 16,162**	$ 21,662
Receivables (less allowance for credit losses, $150 and $24 at September 30, 2021, and December 31, 2020, respectively)	**92,152**	56,966
Inventory	**239,312**	141,011
Prepaid expenses	**2,888**	2,644
Refundable income taxes	**1,382**	—
Total current assets	**351,896**	222,283
Property, plant, and equipment	**391,111**	313,730
Less accumulated depreciation and amortization	**(193,863)**	(181,738)
Property, plant, and equipment, net	**197,248**	131,992
Operating lease right-of-use assets, net	**8,436**	5,151
Investment in joint ventures	**5,334**	—
Intangible assets, net	**219,355**	890
Goodwill	**227,588**	2,738
Other assets	**7,611**	3,521
Total assets	**$ 1,017,468**	$ 366,575
Current Liabilities		
Current maturities of long-term debt	**$ 3,227**	$ 1,600
Accounts payable	**37,004**	30,273
Federal and state liquor taxes payable	**6,498**	107
Income taxes payable	**—**	704
Accrued expenses and other	**39,737**	20,645
Total current liabilities	**86,466**	53,329
Long-term debt, less current maturities	**36,068**	38,271
Credit agreement - revolver	**208,382**	—
Long-term operating lease liabilities	**5,999**	3,057
Other noncurrent liabilities	**5,163**	7,094
Deferred income taxes	**60,479**	2,298
Total liabilities	**402,557**	104,049
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Capital stock		
Preferred, 5% non-cumulative; $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	**4**	4
Common stock		
No par value; authorized 40,000,000 shares; issued 23,125,166 shares at September 30, 2021 and 18,115,965 shares at December 31, 2020; and 21,963,574 and 16,915,862 shares outstanding at September 30, 2021 and December 31, 2020, respectively	**6,715**	6,715
Additional paid-in capital	**315,543**	15,503
Retained earnings	**315,022**	262,943
Accumulated other comprehensive income	**312**	486
Treasury stock, at cost, 1,161,592 and 1,200,103 shares at September 30, 2021 and December 31, 2020, respectively	**(22,406)**	(23,125)
Total MGP Ingredients, Inc. stockholders' equity	**615,190**	262,526
Noncontrolling interest	**(279)**	—
Total equity	**614,911**	262,526
Total liabilities and equity	**$ 1,017,468**	$ 366,575

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, 2021	2020
Cash Flows from Operating Activities		
Net income	**$ 59,159**	$ 28,713
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**13,668**	9,618
Gain on sale of assets	**5**	337
Share-based compensation	**5,247**	2,693
Deferred income taxes, including change in valuation allowance	**465**	460
Other, net	**(236)**	—
Changes in operating assets and liabilities, net of effects of acquisition:		
Receivables, net	**(5,593)**	(11,683)
Inventory	**(7,588)**	(5,673)
Prepaid expenses	**1,206**	(2,032)
Income taxes payable	**(2,086)**	(673)
Accounts payable	**(6,678)**	2,057
Accrued expenses and other	**15,859**	5,647
Federal and state liquor taxes payable	**(1,961)**	139
Other, net	**(682)**	(146)
Net cash provided by operating activities	**70,785**	29,457
Cash Flows from Investing Activities		
Additions to property, plant, and equipment	**(37,257)**	(13,507)
Purchase of business, net of cash acquired	**(149,613)**	(2,750)
Contributions to equity method investment	**(988)**	—
Proceeds from sale of property	—	688
Other, net	**(1,308)**	56
Net cash used in investing activities	**(189,166)**	(15,513)
Cash Flows from Financing Activities		
Payment of dividends and dividend equivalents	**(7,362)**	(6,144)
Purchase of treasury stock	**(767)**	(4,395)
Loan fees paid related to borrowings	**(666)**	(1,148)
Principal payments on long-term debt	**(813)**	(300)
Proceeds from credit agreement - revolver	**242,300**	54,700
Payments on credit agreement - revolver	**(32,300)**	(40,000)
Payment on assumed debt as part of the Merger	**(87,509)**	—
Net cash provided by financing activities	**112,883**	2,713
Effect of exchange rate changes on cash	**(2)**	—
Increase (decrease) in cash and cash equivalents	**(5,500)**	16,657
Cash and cash equivalents, beginning of period	**21,662**	3,309
Cash and cash equivalents, end of period	**$ 16,162**	$ 19,966

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For Year to Date Ended September 30, 2021
(Unaudited) (Dollars in thousands)

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive income	Treasury Stock	Non-controlling Interest	Total
Balance, December 31, 2020	$ 4	$ 6,715	$ 15,503	$ 262,943	$ 486	$ (23,125)	$ —	$ 262,526
Comprehensive income:								
Net income	—	—	—	15,427	—	—	—	15,427
Other comprehensive income	—	—	—	—	55	—	—	55
Dividends and dividend equivalents of $0.12 per common share and per restricted stock unit, net of estimated forfeitures	—	—	—	(2,052)	—	—	—	(2,052)
Share-based compensation	—	—	3,229	—	—	—	—	3,229
Stock shares awarded, forfeited or vested	—	—	(716)	—	—	716	—	—
Stock shares repurchased	—	—	—	—	—	(674)	—	(674)
Balance, March 31, 2021	4	6,715	18,016	276,318	541	(23,083)	—	278,511
Comprehensive income:								
Net income	—	—	—	20,135	—	—	(76)	20,059
Other comprehensive income	—	—	—	—	1	—	—	1
Dividends and dividend equivalents of $0.12 per common share and per restricted stock unit, net of estimated forfeitures	—	—	—	(2,653)	—	—	—	(2,653)
Share-based compensation	—	—	1,538	—	—	—	—	1,538
Stock shares awarded, forfeited or vested	—	—	(705)	—	—	705	—	—
Stock shares repurchased	—	—	—	—	—	(91)	—	(91)
Equity consideration for Merger	—	—	296,213			—		296,213
Balance, June 30, 2021	4	6,715	315,062	293,800	542	(22,469)	(76)	593,578
Comprehensive income:								
Net income	—	—	—	23,876	—		(203)	23,673
Other comprehensive loss	—	—	—	—	(230)		—	(230)
Dividends and dividend equivalents of $0.12 per common share and per restricted stock unit, net of estimated forfeitures	—	—	—	(2,654)	—	—	—	(2,654)
Share-based compensation	—	—	480	—	—	—	—	480
Stock shares awarded, forfeited, or vested	—	—	(64)	—	—	64	—	—
Stock shares repurchased	—	—	—	—	—	(1)	—	(1)
Equity consideration for Merger	—	—	65	—	—	—	—	65
Balance, September 30, 2021	**$ 4**	**$ 6,715**	**$ 315,543**	**$ 315,022**	**$ 312**	**$ (22,406)**	**$ (279)**	**$ 614,911**

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For Year to Date Ended September 30, 2020
(Unaudited) (Dollars in thousands)

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2019	$ 4	$ 6,715	$ 14,029	$ 230,784	$ (246)	$ (20,242)	$ 231,044
Comprehensive income:							
Net income	—	—	—	9,842	—	—	9,842
Other comprehensive loss	—	—	—	—	(6)	—	(6)
Dividends and dividend equivalents of $0.12 per common share and per restricted stock unit, net of estimated forfeitures	—	—	—	(2,059)	—	—	(2,059)
Share-based compensation	—	—	902	—	—	—	902
Stock shares awarded, forfeited or vested	—	—	(567)	—	—	804	237
Stock shares repurchased	—	—	—	—	—	(4,395)	(4,395)
Balance, March 31, 2020	4	6,715	14,364	238,567	(252)	(23,833)	235,565
Comprehensive income:							
Net income	—	—	—	8,490	—	—	8,490
Other comprehensive income	—	—	—	—	21	—	21
Dividends and dividend equivalents of $0.12 per common share and per restricted stock unit, net of estimated forfeitures	—	—	—	(2,041)	—	—	(2,041)
Share-based compensation	—	—	662	—	—	—	662
Balance, June 30, 2020	4	6,715	15,026	245,016	(231)	(23,833)	242,697
Comprehensive income:							
Net income	—	—	—	10,381	—	—	10,381
Other comprehensive income	—	—	—	—	74	—	74
Dividends and dividend equivalents of $0.12 per common share and per restricted stock unit, net of estimated forfeitures	—	—	—	(2,043)	—	—	(2,043)
Share-based compensation	—	—	258	—	—	—	258
Stock shares awarded, forfeited, or vested	—	—	—	—	—	634	634
Balance, September 30, 2020	$ 4	$ 6,715	$ 15,284	$ 253,354	$ (157)	$ (23,199)	$ 252,001

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
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. ("the Company," and "MGP") is a Kansas corporation headquartered in Atchison, Kansas and is a leading producer and supplier of premium distilled spirits, branded spirits and food ingredients. Distilled spirits include premium bourbon and rye whiskeys and grain neutral spirits, including vodka and gin. Our distilled spirits are either packaged and sold under our own brands to distributors, sold, directly or indirectly, to manufacturers of other branded spirits, or direct to consumer. MGP is also a top producer of high quality industrial alcohol for use in both food and non-food applications. The Company's protein and starch food ingredients provide a host of functional, nutritional, and sensory benefits for a wide range of food products to serve the packaged goods industry. Our industrial alcohol and ingredients products are sold directly, or through distributors, to manufacturers and processors of finished packaged goods or to bakeries. The Company's distillery products are derived from corn and other grains (including rye, barley, wheat, barley malt, and milo), and its ingredient products are derived, primarily, from wheat flour.

On April 1, 2021, the Company acquired Luxco, Inc. and its affiliated companies ("Luxco", or "Luxco Companies") which is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. Luxco's operations predominately involve the producing, importing, bottling and rectifying of distilled spirits. See Note 3, Business Combination, for further details.

As a result of the merger with Luxco, during the second quarter 2021, the Company established a new reportable segment structure that separates Branded Spirits from the Distillery Products segment. The Ingredient Solutions segment remains unchanged. The new segment presentation reflects how management is now operating the business and making resource allocations. The Company now reports three operating segments: Distillery Products, Branded Spirits and Ingredient Solutions. Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation and prior periods have been revised to reflect the new operating segment structure.

Basis of Presentation and Principles of Consolidation. The unaudited 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 and year to date ended September 30, 2021, 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, 2020, 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.

The Company holds 60 percent interest in Dos Primos Tequila, LLC ("Dos Primos"). The Company consolidated Dos Primos activity on the financial statements and backs out the 40 percent non-controlling interest portion on a separate line.

Use of Estimates. The financial reporting policies of the Company conform to GAAP. The preparation of unaudited 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 demands on management's judgment, with financial reporting results relying on estimation about the effects of matters that are inherently uncertain, inclusive of the effects related to COVID-19. 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 as well as bottles, caps, and labels used in the bottling process and certain maintenance and repair items. Bourbon and whiskeys, included in inventory, 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, 2021	December 31, 2020
Finished goods	**$ 44,852**	$ 16,414
Barreled distillate (bourbons and whiskeys)	**159,897**	105,445
Raw materials	**22,667**	6,954
Work in process	**985**	1,805
Maintenance materials	**9,401**	8,634
Other	**1,510**	1,759
Total	**$ 239,312**	$ 141,011

Revenue Recognition. Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to receive in exchange for the performance obligations. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

Revenue is recognized for the sale of products at the point in time finished products are delivered to the customer in accordance with shipping terms. This is a faithful depiction of the satisfaction of the performance obligation because, at the point control passes to the customer, the customer has legal title and the risk and rewards of ownership have transferred, and the customer has present obligation to pay. For certain international customers, deposits are required in advance of shipment. These deposits are reported as contract liabilities until control passes to the customer and revenue is recognized.

The Company's Distillery Products segment routinely enters into bill and hold arrangements, whereby the Company produces and sells aged and unaged distillate to customers, and the product is barreled at the customer's request and warehoused at a Company location for an extended period of time in accordance with directions received from the Company's customers. Even though the aged and unaged distillate remains in the Company's possession, a sale is recognized at the point in time when the customer obtains control of the product. Control is transferred to the customer in bill and hold transactions when: customer acceptance specifications have been met, legal title has transferred, the customer has a present obligation to pay for the product, and the risk and rewards of ownership have transferred to the customer. Additionally, all of the following bill and hold criteria have to be met in order for control to be transferred to the customer: the reason for the bill and hold arrangement is substantive - the customer has requested the product be warehoused, the product has been identified as separately belonging to the customer, the product is currently ready for physical transfer to the customer, and the Company does not have the ability to use the product or direct it to another customer.

Warehouse services revenue is recognized over the time that warehouse services are rendered and as they are rendered. This is a faithful depiction of the satisfaction of the performance obligation because control of the aging products has already passed to the customer and there are no additional performance activities required by the Company, except as requested by the customer. The performance of the service activities, as requested, is invoiced as satisfied and revenue is concurrently recognized.

Excise Taxes. The Company is responsible for compliance with the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department (the "TTB") regulations which includes making timely and accurate excise tax payments. The Company is subject to periodic compliance audits by the TTB. Individual states also impose excise taxes on alcohol beverages in varying amounts. The Company calculates its Federal and state excise tax expense based upon units shipped and on its understanding of the applicable excise tax laws. Excise taxes that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer are excluded from revenue.

Recognition of Insurance Recoveries. Estimated loss contingencies are recognized as charges to income when they are probable and reasonably estimable. Insurance recoveries are not recognized until all contingencies related to the insurance claim have been resolved and settlement has been reached with the insurer. Insurance recoveries, to the extent of costs and losses, are reported as a reduction to costs on the Condensed Consolidated Statements of Income. Insurance recoveries, in excess of costs and losses, if any, would be reported as a separate caption in Operating income on the Condensed Consolidated

Statements of Income. Legally committed recovery amounts obtained prior to contingencies being resolved are recorded in Accrued expenses and other on the Condensed Consolidated Balance Sheets.

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. 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.

Earnings Per Share (“EPS”). Basic and diluted EPS 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 each year during the period.

Translation of Foreign Currencies. Assets and liabilities of Niche Drinks Co., Ltd. (“Niche”), a wholly-owned subsidiary of the Company whose functional currency is the British pound sterling, are translated to U.S. dollars using the exchange rate in effect at the condensed consolidated balance sheet date. Results of operations are translated using average rates during the period. Adjustments resulting from the translation process are included as a component of Accumulated other comprehensive income**.**

Business Combinations. Assets acquired and liabilities assumed during a business combination are generally recorded at fair market value as of the acquisition date. Goodwill is recognized to the extent that the purchase consideration exceeds the assets acquired and liabilities assumed. The Company uses its best estimate and third party valuation specialists to determine the fair value of the assets acquired and liabilities assumed. During the measurement period, which can be up to one year after the acquisition date, the Company can make adjustments to the fair value of the assets acquired and liabilities assumed, with the offset being an adjustment to goodwill.

Goodwill and Indefinite-Lived Intangible Assets. The Company records goodwill and other indefinite-lived intangible assets in connection with various acquisitions of businesses and allocates the goodwill and other indefinite-lived intangible assets to its respective reporting units. The Company evaluates goodwill for impairment at least annually, in the fourth quarter, or on an interim basis if events and circumstances occur that would indicate it is more likely than not that the fair value of a reporting unit is less than the carrying value. To the extent that the carrying amount exceeds fair value, an impairment of goodwill is recognized. Judgment is required in the determination of reporting units, the assignment of assets and liabilities to reporting units, including goodwill, and the determination of fair value of the reporting units. The Company separately evaluates indefinite-lived intangible assets for impairment. As of September 30, 2021, the Company determined that goodwill and indefinite-lived intangible assets were not impaired.

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 receivables 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 $251,053 and $44,548 at September 30, 2021 and December 31, 2020, respectively. The financial statement carrying value of total debt was $247,677 (including unamortized loan fees) and $39,871 (including unamortized loan fees) at September 30, 2021 and December 31, 2020, respectively. These fair values are considered Level 2 under the fair value hierarchy. Fair value disclosure for deferred compensation plan investments is included in Note 9.

Equity Method Investments. The condensed consolidated financial statements include the results of Luxco and its affiliated companies since April 1, 2021, when the Company obtained control through the Merger. The Company holds 50 percent interests in DGL Destiladores, S.de R.L. de C.V. ("DGL") and Agricola LG, S.de R.L. de C.V. ("Agricola") (combined "LMX"), which are accounted for as equity method investments since the date of acquisition. At September 30, 2021, the investment in LMX was $5,334, which is recorded in Investment in joint ventures on the Condensed Consolidated Balance Sheet. During the quarter and year to date ended September 30, 2021, the Company recorded a $405 and $739, respectively, loss from our equity method investments, which is recorded in Other income (loss), net on the Condensed Consolidated Statement of Income.

Recently Adopted Accounting Standard Updates. The Company did not adopt any new Accounting Standard Updates during the quarter ended September 30, 2021**.**

Note 2. Revenue

The Company generates revenues from the Distillery Products segment by the sale of products and by providing warehouse services related to the storage and aging of customer products. The Company generates revenues from the Branded Spirits and Ingredient Solutions segments by the sale of products. Revenue related to sales of products is recognized at a point in time whereas revenue generated from warehouse services is recognized over time. Contracts with customers include a single performance obligation (either the sale of products or the provision of warehouse services).

The following table presents the Company's sales by segment and major products and services:

	Quarter Ended September 30,		Year to Date Ended September 30,	
	2021	**2020**	**2021**	**2020**
Distillery Products				
Brown goods	**$ 42,793**	$ 32,068	**$ 129,600**	$ 86,038
White goods	**21,187**	16,210	**56,049**	47,922
Premium beverage alcohol	**63,980**	48,278	**185,649**	133,960
Industrial alcohol	**14,790**	19,461	**46,896**	64,032
Food grade alcohol	**78,770**	67,739	**232,545**	197,992
Fuel grade alcohol	**3,592**	1,274	**10,862**	3,970
Distillers feed and related co-products	**4,016**	6,119	**13,660**	19,889
Warehouse services	**4,666**	4,041	**12,949**	11,641
Total Distillery Products	**91,044**	79,173	**270,016**	233,492
Branded Spirits				
Ultra premium	**13,118**	2,365	**23,692**	3,049
Premium	**6,310**	72	**12,692**	243
Mid	**17,107**	—	**34,894**	—
Value	**19,057**	—	**40,001**	—
Other	**5,969**	12	**11,278**	29
Total Branded Spirits	**61,561**	2,449	**122,557**	3,321
Ingredient Solutions				
Specialty wheat starches	**12,231**	11,604	**35,051**	30,938
Specialty wheat proteins	**8,901**	7,994	**23,299**	20,372
Commodity wheat starches	**2,626**	1,596	**7,572**	5,247
Commodity wheat proteins	**248**	148	**1,378**	1,236
Total Ingredient Solutions	**24,006**	21,342	**67,300**	57,793
Total sales	**$ 176,611**	$ 102,964	**$ 459,873**	$ 294,606

Note 3. Business Combination

Description of the transaction. On January 22, 2021, the Company entered into a definitive agreement to acquire Luxco, and subsequently completed the merger on April 1, 2021 (the "Merger"). Luxco is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. As a result of the Merger, MGP increased its scale and market position in the branded-spirits sector and believes it strengthened its platform for future growth of higher valued-added products.

Following the Merger, the Luxco Companies became wholly-owned subsidiaries of MGP and are included within the Branded Spirits segment. The aggregate consideration paid by the Company in connection with the Merger was $237,500 in cash (less assumed indebtedness) and 5,007,833 shares of common stock of the Company, subject to adjustment for fractional shares (the "Company Shares," and together with the cash portion, the "Merger Consideration"). The Company Shares were valued at $296,213 and represented approximately 22.8 percent of the Company's outstanding common stock immediately following the closing of the Merger. The Merger Consideration was subject to customary purchase price adjustments related to, among other things, net working capital, acquired cash and assumed debt. The consideration paid at the Closing included a preliminary estimated purchase price adjustment. In September 2021, the parties finalized the purchase price adjustment, which decreased the cash consideration paid by approximately $608 and increased stock consideration by an additional 1,373 shares from the preliminary amounts that were paid at closing.

The cash portion of the Merger Consideration, the repayment of assumed debt, and transaction-related expenses were financed with borrowings under the Company's existing Credit Agreement which was drawn down on April 1, 2021. See Note 5, Corporate Borrowings, for further details.

For tax purposes, the transaction was structured partially as a tax-free reorganization and partially as a taxable acquisition, as defined in the Internal Revenue Code. The Company anticipates the amount transferred in a tax deferred manner, under the tax-free reorganization rules, will not create additional tax basis for the Company. The taxable component of the transaction will create additional tax basis and a corresponding future tax deduction for the Company.

The Merger was accounted for as a business combination in accordance with Financial Accounting Standards Board Accounting Standard Codification 805, Business Combinations ("ASC 805"), and as such, assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair value of the assets acquired and liabilities assumed are based upon a preliminary assessment of fair value and may change as valuations for certain tangible assets, intangible assets and contingent liabilities are finalized and the associated income tax impacts are determined. The Company expects to finalize the purchase price allocation as soon as practicable, but no longer than one year from the acquisition date.

Purchase Price Allocation. The following table summarizes the preliminary allocation of the consideration paid for Luxco to the preliminary estimated fair value of the assets acquired and liabilities assumed at the acquisition date, with the excess recorded to goodwill.

Consideration:		
Cash, net of assumed debt	$	150,092
Value of MGP Common Stock issued at close [(a)]		296,279
Fair value of total consideration transferred	$	446,371
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	479
Receivables		29,675
Inventory		90,854
Prepaid expenses		1,454
Property, plant and equipment, net		41,279
Investments in joint ventures		5,085
Intangible assets [(b)]		219,500
Other assets		4,257
Total assets		392,583
Current maturities of long-term debt [(c)]		87,509
Accounts payable		14,453
Federal and state liquor taxes payable		8,352
Accrued expenses and other		2,832
Other noncurrent liabilities		196
Deferred income taxes		57,720
Total liabilities		171,062
Goodwill		224,850
Total	$	446,371

(a) The Company issued 5,007,833 shares of MGP Common Stock which was valued at $59.15 per share on April 1, 2021. In September 2021, the parties finalized the purchase price adjustments which increased stock consideration by an additional 1,373 shares from the preliminary amounts that were paid at closing.
(b) Intangible assets acquired includes trade names with an estimated fair value of $178,100 and distributor relationships with an estimated fair value of $41,400.
(c) The fair value of Luxco's debt that was assumed by MGP in the transaction and repaid on the closing date.

In accordance with ASC 805 assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair value measurements of tangible and intangible assets and liabilities were based on significant inputs not observable in the market and represent Level 3 measurements within the fair value hierarchy. Level 3 inputs include discount rates that would be used by a market participant in valuing these assets and liabilities, projections of revenues and cash flows, distributor attrition rates, royalty rates and market comparable, among others. The fair value of work-in-process and finished goods inventory was determined using the comparative sales method and raw materials was determined using the replacement cost method.

Goodwill of $224,850 represents the excess of the consideration transferred over the estimated fair value of assets acquired net of liabilities assumed. No Goodwill is expected to be deductible for tax purposes. The Intangible assets acquired includes indefinite-lived intangible assets, trade names, with an estimated fair value of $178,100 and definite-lived intangible assets, distributor relationships, with an estimated fair value of $41,400 and a useful life of 20 years. The trade names and distributor relationships acquired by the Company have been adjusted to the estimated fair values using the relief from royalty method and multi-period earnings method, respectively. Management and a third party valuation team performed a preliminarily valuation analysis to determine the fair value of each trade name and distributor relationship.

Operating Results. The operating results of Luxco were consolidated with the Company's operating results subsequent to the merger date. During the quarter and year to date ended September 30, 2021, the Company recorded $59,057 and $118,355, respectively, of Sales and $6,038 and $12,559, respectively, of Income before income taxes, attributable to Luxco on it's Condensed Consolidated Statement of Income. During the quarter and year to date ended September 30, 2021, the Company has incurred $294 and $8,922, respectively, of transaction related costs, which are included in Selling, general and administrative expenses on the Condensed Consolidated Statements of Income.

Pro Forma Information. The following table summarizes the unaudited pro forma financial results for the quarter and year to date ended September 30, 2021 and 2020, as if the Merger had occurred on January 1, 2020:

	Pro Forma Financial Information			
	Quarter Ended September 30,		Year to Date Ended September 30,	
	2021	**2020**	**2021**	**2020**
Sales	**$ 176,611**	$ 152,090	**$ 504,243**	$ 441,984
Net income	**23,673**	14,479	**68,934**	30,469
Basic and diluted earnings per share	**1.08**	0.66	**3.38**	1.39

The pro forma results are adjusted for items that are non-recurring in nature and directly attributable to the Merger, including the income tax effect of the adjustments. Merger related costs incurred by the Company of $294 and $8,922 for the quarter and year to date ended June 30, 2021, respectively, were excluded and $7,032 is assumed to have been incurred on January 1, 2020. Merger related costs incurred by Luxco of $3,132 were excluded from the year to date ended September 30, 2021 pro forma results. A non-recurring expense of $2,529 for the year to date ended September 30, 2021 related to the fair value adjustment of finished goods inventory estimated to have been sold was removed and included in the results for the year to date ended September 30, 2020. Other acquired tangible and intangible assets are assumed to be recorded at estimated fair value on January 1, 2020 and are amortized or depreciated over their estimated useful lives.

The summary pro forma financial information is for informational purposes only, is based on estimates and assumptions, and does not purport to represent what the Company's consolidated results of operations actually would have been if the Merger had occurred at an earlier date, and such data does not purport to project the Company's results of operations for any future period. The basic and diluted shares outstanding used to calculate the pro forma net income per share amounts presented above have been adjusted to assume shares issued at the closing of the Merger were outstanding since January 1, 2020.

Note 4. Goodwill and Intangible Assets

Definite-Lived Intangible Assets

The Company has a definite-lived intangible asset which was acquired as a result of the Merger. The distributor relationships have a carrying value of $40,365, net of accumulated amortization of $1,035. The distributor relationships have a useful life of 20 years. The amortization expense for the quarter and year to date ended September 30, 2021 was $517 and $1,035, respectively.

As of September 30, 2021, the expected future amortization expense related to definite-lived intangibles assets are as follows:

Remainder of 2021	$ 518
2022	2,070
2023	2,070
2024	2,070
2025	2,070
Thereafter	31,567
Total	$ 40,365

Goodwill and Indefinite-Lived Intangible Assets

The Company records goodwill and indefinite-lived intangible assets in connection with various acquisitions of businesses and allocates the goodwill and indefinite-lived intangible assets to its respective reporting units.

Changes in carrying amount of goodwill by business segment were as follows:

	Distillery Products		Branded Spirits		Ingredient Solutions		Total	
Balance, December 31, 2020	$	—	$	2,738	$	—	$	2,738
Acquisitions		—		224,850		—		224,850
Balance, September 30, 2021	**$**	**—**	**$**	**227,588**	**$**	**—**	**$**	**227,588**

Changes in carrying amount of trade name intangible assets by business segment were as follows:

	Distillery Products		Branded Spirits		Ingredient Solutions		Total	
Balance, December 31, 2020	$	—	$	890	$	—	$	890
Acquisitions		—		178,100		—		178,100
Balance, September 30, 2021	**$**	**—**	**$**	**178,990**	**$**	**—**	**$**	**178,990**

Note 5. Corporate Borrowings

The following table presents the Company's outstanding indebtedness:

Description[(a)]	**September 30, 2021**		**December 31, 2020**	
Credit Agreement - Revolver, 1.34% (variable rate) due 2025	**$**	**210,000**	$	—
Prudential Note Purchase Agreement, 3.53% (fixed rate) due 2027		**19,200**		20,000
Prudential Note Purchase Agreement, 3.80% (fixed rate) due 2029		**20,000**		20,000
Other long-term borrowings		**210**		—
Total indebtedness outstanding		**249,410**		40,000
Less unamortized loan fees[(b)]		**(1,733)**		(129)
Total indebtedness outstanding, net		**247,677**		39,871
Less current maturities of long-term debt		**(3,227)**		(1,600)
Long-term debt and Credit Agreement - Revolver	**$**	**244,450**	$	38,271

(a) Interest rates are as of September 30, 2021.
(b) Loan fees are being amortized over the life of the Credit Agreement and Note Purchase Agreement.

Credit Agreement. On February 14, 2020, the Company entered into a credit agreement (the "Credit Agreement") with multiple participants led by Wells Fargo Bank, National Association ("Wells Fargo Bank") that matures on February 14, 2025. The Credit Agreement provided for a $300,000 revolving credit facility. On May 14, 2021, the Credit Agreement was amended to increase the principal amount to $400,000 and to increase the amount of the revolving credit facility by up to an additional $100,000. The Company incurred $666 new loan fees related to the Credit Agreement during 2021. The Credit Agreement includes certain requirements and covenants, which the Company was in compliance with at September 30, 2021. As of September 30, 2021, the Company had $210,000 outstanding borrowings under the Credit Agreement leaving $190,000 available. The cash portion of the Merger Consideration, the repayment of assumed debt, and transaction-related expenses were financed with $242,300 borrowings under the Credit Agreement which was drawn down on April 1, 2021.

Note Purchase Agreements. The Company's Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement"), as amended by the First Amendment to Private Shelf Agreement as of February 14, 2020, the Second Amendment to Private Shelf Agreement as of September 30, 2020, the Third Amendment to Private Shelf Agreement as of January 25, 2021, and the Fourth Amendment to Private Shelf Agreement as of May 14, 2021, with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc., provides for the issuance of up to $105,000 of Senior Secured Notes (or any higher amount solely to the extent PGIM, Inc. has provided written notice to the Company of its authorization of such a higher amount) and issuance of $20,000 of Senior Secured Notes.

On July 29, 2021, PGIM, Inc. ("Prudential") provided the Company notice pursuant to Section 1.2 of the Note Agreement that Prudential has authorized an increase in the amount of the senior promissory notes that may be issued under the uncommitted shelf facility under the Note Agreement from $105,000 to $140,000, effective as of July 29, 2021. The deadline for issuing the notes under the shelf facility is August 23, 2023.

During 2017, the Company issued $20,000 of Senior Secured Notes with a maturity date of August 23, 2027. During 2019, the Company issued $20,000 of additional Senior Secured Notes with a maturity date of April 30, 2029. The Note Purchase Agreement includes certain requirements and covenants, which the Company was in compliance with at September 30, 2021.

Other long-term borrowings. As part of the Merger, the Company acquired additional long-term notes payable to certain counties in Kentucky.

Note 6. Income Taxes

The Company's tax provision for interim periods is determined using an estimated annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the estimated annual effective tax rate is updated and a year to date adjustment is made to the provision. The Company's quarterly effective tax rate can be subject to significant change due to the effect of discrete items arising in a given quarter. Beginning in the second quarter of 2021, the estimated annual effective tax rate includes both domestic and foreign entities acquired in the Merger. See Note 3, Business Combination, for further details.
Income tax expense for the quarter and year to date ended September 30, 2021, was $7,674 and $18,701, respectively, for an effective tax rate of24.5 percent and 24.0 percent, respectively. The effective tax rate for quarter and year to date ended September 30, 2021, differed from the 21 percent federal statutory rate on pretax income, primarily due to state taxes, income taxes on foreign subsidiaries acquired as a result of the Merger, nondeductible transaction costs, partially offset by state and federal credits and the deduction applicable to export activity.

Income tax expense for the quarter and year to date ended September 30, 2020, was $2,862 and $8,636, respectively, for an effective tax rate of21.6 percent and 23.1 percent, respectively. The effective tax rate for the quarter ended September 30, 2020 differed from the 21 percent federal statutory rate on pretax income, primarily due to state income taxes, partially offset by state and federal tax credits, the release of a portion of the Company's valuation allowance and the deduction applicable to export activity. The effective tax rate for the year to date ended September 30, 2020, differed from the 21 percent federal statutory rate on pretax income, primarily due to state taxes, partially offset by federal and state credits, and the deduction applicable to income derived from export activity.

Note 7. Equity and EPS

The computations of basic and diluted EPS:

	Quarter Ended September 30,		Year to Date Ended September 30,	
	2021	**2020**	**2021**	**2020**
Operations:				
Net income[(a)]	**$ 23,673**	$ 10,381	**$ 59,159**	$ 28,713
Less: net loss attributable to noncontrolling interest	**203**	—	**279**	—
Less: Income attributable to participating securities[(b)]	**(175)**	(69)	**(471)**	(192)
Net income used in EPS calculation	**$ 23,701**	$ 10,312	**$ 58,967**	$ 28,521
Share information:				
Basic and diluted weighted average common shares[(c)]	**21,981,201**	16,916,675	**20,293,818**	16,943,130
Basic and diluted EPS	**$ 1.08**	$ 0.61	**$ 2.91**	$ 1.68

(a) Net income attributable to all shareholders.
(b) Participating securities included 163,024 and 115,399 unvested restricted stock units ("RSUs"), at September 30, 2021 and 2020, respectively.
(c) Under the two-class method, basic and diluted weighted average common shares at September 30, 2021 and 2020 exclude unvested participating securities.

Share Issuance. On April 1, 2021, as part of the consideration for the Merger, the Company issued5,007,833 shares of common stock. The shares issued represented approximately 22.8 percent of the Company's outstanding stock immediately following the closing of the Merger. In September 2021, the parties finalized the purchase price adjustments, which increased stock consideration by an additional 1,373 shares from the preliminary amounts that were paid at closing.

Share Repurchase. On February 25, 2019, MGP's Board of Directors approved a $25,000 share repurchase authorization commencing February 27, 2019, through February 27, 2022. Under the share repurchase program, the Company can repurchase stock from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. This share repurchase program may be modified, suspended, or terminated by the Company at any time without prior notice. The Company did not repurchase any shares during the year to date ended September 30, 2021 and has $20,947 remaining under the share repurchase plan.

During the year to date ended September 30, 2020, the Company repurchased approximately 159,104 shares of MGP Common Stock for $4,053.

The Common Stock share activity:

	Shares Outstanding	
	Capital Stock Preferred	**Common Stock**
Balance, December 31, 2021	437	16,915,862
Issuance of Common Stock	—	35,114
Repurchase of Common Stock [(a)]	—	(10,376)
Balance, March 31, 2021	437	16,940,600
Issuance of Common Stock	—	5,022,122
Repurchase of Common Stock[(a)]	—	(1,489)
Balance, June 30, 2021	437	21,961,233
Issuance of Common Stock	—	**2,361**
Repurchase of Common Stock[(a)]	—	**(20)**
Balance, September 30, 2021	**437**	**21,963,574**

	Shares Outstanding	
	Capital Stock Preferred	**Common Stock**
Balance, December 31, 2020	437	17,028,125
Issuance of Common Stock	—	36,545
Repurchase of Common Stock[(b)]	—	(169,148)
Balance, March 31, 2020	437	16,895,522
Issuance of Common Stock	—	—
Repurchase of Common Stock[(a)]	—	—
Balance, June 30, 2020	437	16,895,522
Issuance of Common Stock	—	17,798
Repurchase of Common Stock[(a)]	—	(7)
Balance, September 30, 2020	437	16,913,313

(a) The Common Stock repurchases were for tax withholding on equity based compensation
(b) 159,104 shares that were repurchased during the quarter ended March 31, 2020 related to the share repurchase program. The remaining shares repurchased were related to tax withholding on equity based compensation

Note 8. Commitments and 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.

Dryer Fire Incident. During November 2020, the Company experienced a fire at the Atchison facility. The fire damaged certain equipment in the facility's feed drying operations and caused temporary loss of production time. At September 30, 2021, the Company received a legally binding commitment from their insurance carrier of $11,500 that was recorded as Receivables on the Condensed Consolidated Balance Sheet. During the quarter and year to date ended September 30, 2021, the Company recorded $6,404 and $16,244, respectively, of partial settlement from its insurance carrier as a reduction of Cost of sales. The Company recorded $16,500 related to legally committed insurance recovery amounts obtained prior to contingencies related to the insurance claim being resolved, in Accrued expenses and other on the Consolidated Balance Sheet at September 30, 2021. The Company is working to construct a replacement drying system. The Company's insurance is expected to provide coverage for business interruption and other losses from damage to property, plant and equipment, but there can be no assurance to the amount or timing of possible insurance recoveries.

Ransomware Cyber-Attack. In May 2020, the Company was affected by a ransomware cyber-attack that temporarily disrupted production at its Atchison facilities. The Company's financial information was not affected and there is no evidence that any sensitive or confidential company, supplier, customer or employee data was improperly accessed or extracted from our network. The Company has insurance related to this event and is currently evaluating if it will seek further recovery. Following the attack, MGP implemented a variety of measures to further enhance our cybersecurity protections and minimize the impact of any future attack. The Company's insurance may cover additional losses from this incident, but there can be no assurance as to the amount or timing of any possible insurance recoveries.

Shareholder matters. In 2020, two putative class action lawsuits were filed in the United States District Court for District of Kansas, naming the Company and certain of its current and former executive officers as defendants, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The plaintiffs sought to pursue claims on behalf of a class consisting of purchasers or acquirers of the Company's Common Stock during certain specified periods (the "Class Periods"). On May 28, 2020, the two lawsuits were consolidated and the Court appointed City of Miami Fire Fighters' and Police Officers' Retirement Trust as lead plaintiff. The consolidated action is captioned In re MGP Ingredients, Inc. Securities Litigation and the file is maintained under Master File No. 2:20-cv-2090-DDCJPO. On July 22, 2020, the Retirement Trust filed a consolidated Amended Complaint. The Consolidated Complaint alleged that the defendants made false and/or misleading statements regarding the Company's forecasts of sales of aged whiskey, and that, as a result the Company's Common Stock traded at artificially inflated prices throughout the Class Periods. The plaintiffs sought compensatory damages, interest, attorneys' fees, costs, and unspecified equitable relief, but have not specified the amount of damages being sought. On September 8, 2020, defendants filed a Motion to Dismiss the Consolidated Amended Complaint. On August 31, 2021, the court issued a Memorandum and Order granting the Motion to Dismiss dismissing plaintiff's claims with prejudice. The Plaintiff had until September 30, 2021 to file a notice of appeal and the Plaintiff did not appeal.

On May 11, 2020, Mitchell Dorfman, a shareholder in MGP, filed an action in the United States District Court for the District of Kansas, under the caption Dorfman, derivatively on behalf of MGP Ingredients v. Griffin, et al., Case 2:20-cv-02239. On June 4, 2020, Justin Carter, a shareholder in MGP, filed an action in the United States District Court for the District of Kansas, under the caption Carter, derivatively on behalf of MGP Ingredients v. Griffin, et al., Case 2:20-cv-02281. On June 18, 2020, Alexandra Kearns, a shareholder in MGP, filed an action in the District Court of Atchison County, Kansas, under the caption Kearns, derivatively on behalf of MGP Ingredients v. Griffin, et al., Case 2020-CV-000042. The defendants are certain of the Company's current and former officers and directors. The Company is a nominal defendant in each action. Plaintiffs allege that the Company was damaged as a result of the conduct of the individual defendants alleged in the MGP Ingredients, Inc. Securities Litigation, the repurchase of company stock at artificially inflated prices, and compensation paid to the individual defendants. The Complaint in Dorfman asserts claims for violations of Sections 14(a), 10(b), and 20(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, waste of corporate assets, and unjust enrichment. The Complaint in Carter asserts claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, waste of corporate assets, and unjust enrichment. The Petition in Kearns asserts claims for breach of fiduciary duties, waste of corporate assets, and unjust enrichment. The pleadings pray for an award of compensatory damages, including interest, in favor of the Company, for equitable relief related to the Company's corporate governance, for disgorgement of compensation, and for an award of attorneys' fees and costs. On July 13, 2020, defendants filed a Motion to Dismiss in Dorfman. On August 13, 2020, defendants filed a Motion to Stay the Kearns action pending the resolution of Dorfman. On November 3, 2020, the court entered an order providing that Defendants' response to the Carter Complaint shall be due 14 days after a ruling on the Motion to Dismiss filed in Dorfman.

On March 31, 2021, the Dorfman court issued a Memorandum and Order in which it granted defendants' Motion to Dismiss plaintiff's federal claims, dismissed those claims without prejudice, denied without prejudice defendants' Motion to Dismiss plaintiff's state claims, and stayed the case pending the Kansas Supreme Court's decision in Herington v. City of Wichita. Herington involves the issue of whether a federal decision that determines federal claims and dismisses pendent state law claims for lack of supplemental jurisdiction precludes the reassertion of the state law claims in state court. The Kearns court has not yet taken any action in response to the court's Memorandum and Order in Dorfman. On April 14, 2021, defendants in Carter filed a Motion to dismiss plaintiff's federal claims and to stay plaintiff's state claims until fourteen days after the Court rules on the state claims in Dorfman**.**

On November 25, 2020, Kenneth Laury filed an action in the District Court of Shawnee County, Kansas under the caption Laury v. MGP Ingredients, Inc., Case Number: 2020-CV-000609. The Petition alleges that plaintiff commenced the action under K.S.A. 17-6510 to enforce his alleged right to inspect books and records of the Company, in order to enable him to evaluate possible misconduct by the Company's Board of Directors and management. On January 8, 2021, the Company filed an answer to the Petition, denying that plaintiff has satisfied the statutory requirements for his demand. On May 13, 2021, the parties stipulated to the voluntary dismissal, with prejudice, of the action.

2016 Atchison Chemical Release. A chemical release occurred at the Company's Atchison facility on October 21, 2016, which resulted in emissions venting into the air ("the Atchison Chemical Release"). Private plaintiffs have initiated, and additional private plaintiffs may initiate, legal proceedings for damages resulting from the Atchison Chemical Release, 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, but there can be no assurance to the amount or timing of possible insurance recoveries if ultimately claimed by the Company.

Note 9. 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 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").

As of September 30, 2021, 516,861 RSUs had been granted of the 1,500,000 shares approved under the 2014 Plan, and 121,557 shares had been granted of the 300,000 shares approved under the Directors' Plan. As of September 30, 2021, there were 168,074 unvested RSUs under the Company's long-term incentive plans and 163,024 were participating securities (Note 7).

Deferred Compensation Plan. The Company established an unfunded Executive Deferred Compensation Plan ("EDC Plan") effective as of June 30, 2018, with a purpose to attract and retain highly-compensated key employees by providing participants with an opportunity to defer receipt of a portion of their salary, bonus, and other specified compensation. The Company's obligations under this plan will change in conjunction with the performance of the participants' investments, along with contributions to and withdrawals from the plan. Realized and unrealized gains (losses) on deferred compensation plan investments were included as a component of Other income (loss), net on the Company's Condensed Consolidated Statements of Income for the quarter and year to date ended September 30, 2021. For quarter ended September 30, 2021, the Company had a loss on deferred compensation plan investments of $15 and for year to date ended September 30, 2021, the Company had a gain on deferred compensation plan investments of $261. For quarter and year to date ended September 30, 2020, the Company had a gain on deferred compensation plan investments of $185 and $352, respectively.

Plan investments are classified as Level 1 in the fair value hierarchy since the investments trade with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis. Participants were able to direct the deferral of a portion of their base salary and a portion of their estimated accrued Short-term incentive plan ("STI Plan") amounts that were paid during first quarter of the following year. Base salary amounts elected for deferral are deposited into the EDC Plan by the Company on a weekly basis and allocated by participants among Company-determined investment options. STI plan deferral were deposited, at the time of payment, into the EDC Plan by the Company and allocated by participants among Company-determined investment options.

At September 30, 2021 and December 31, 2020, the EDC Plan investments were $3,555 and $2,007, respectively, which were recorded in Other assets on the Company's Condensed Consolidated Balance Sheets. The EDC Plan current liabilities were $897 at September 30, 2021 and were included in Accrued expenses and other on the Company's Condensed Consolidated Balance Sheet. The EDC Plan non-current liabilities were $3,155 and $3,140 at September 30, 2021 and December 31, 2020, respectively, and were included in Other noncurrent liabilities on the Company's Condensed Consolidated Balance Sheets.

Note 10. Operating Segments

As discussed in Note 1, the Company established a new reportable segment structure as a result of the Merger and prior periods have been revised to reflect the new operating segments. At September 30, 2021, the Company had three segments: Distillery Products, Branded Spirits, and Ingredient Solutions. The Distillery Products segment consists of food grade alcohol and distillery co-products, such as distillers feed (commonly called dried distillers grain in the industry) and fuel grade alcohol. The Distillery Products segment also includes warehouse services, including barrel put away, storage, retrieval, and blending services. The Branded Spirits segment consists of producing, importing, bottling and rectifying of distilled spirits. Ingredient Solutions segment consists of specialty starches and proteins and commodity starches and proteins.

Operating profit for each segment is based on sales less identifiable operating expenses. Non-direct selling, general and administrative expenses, interest expense, other special charges, and other general miscellaneous expenses are excluded from segment operations and are classified as Corporate. Receivables, inventories, property, plant and equipment, leases, goodwill and intangible assets have been identified with the segments to which they relate. All other assets are considered as Corporate.

	Quarter Ended September 30,		Year to Date Ended September 30,	
	2021	**2020**	**2021**	**2020**
Sales to Customers				
Distillery Products	**$ 91,044**	$ 79,173	**$ 270,016**	$ 233,492
Branded Spirits	**61,561**	2,449	**122,557**	3,321
Ingredient Solutions	**24,006**	21,342	**67,300**	57,793
Total	**$ 176,611**	$ 102,964	**$ 459,873**	$ 294,606
Gross Profit				
Distillery Products	**$ 26,981**	$ 15,918	**$ 87,211**	$ 49,832
Branded Spirits	**23,217**	1,389	**41,737**	1,727
Ingredient Solutions	**6,888**	5,855	**17,264**	15,516
Total	**$ 57,086**	$ 23,162	**$ 146,212**	$ 67,075
Depreciation and Amortization				
Distillery Products	**$ 2,695**	$ 2,461	**$ 7,900**	$ 7,269
Branded Spirits	**1,743**	30	**3,481**	70
Ingredient Solutions	**531**	480	**1,487**	1,402
Corporate	**274**	303	**800**	877
Total	**$ 5,243**	$ 3,274	**$ 13,668**	$ 9,618
Income (loss) before Income Taxes				
Distillery Products	**$ 26,047**	$ 15,471	**$ 84,225**	$ 48,203
Branded Spirits	**9,293**	236	**15,182**	$ (1,829)
Ingredient Solutions	**6,214**	5,191	**15,121**	13,504
Corporate	**(10,207)**	(7,655)	**(36,668)**	(22,529)
Total	**$ 31,347**	$ 13,243	**$ 77,860**	$ 37,349

The following table allocates assets to each segment as of:

	September 30, 2021	**December 31, 2020**
Identifiable Assets		
Distillery Products	**$ 299,017**	$ 281,721
Branded Spirits	**652,543**	6,348
Ingredient Solutions	**44,494**	41,276
Corporate	**21,414**	37,230
Total	**$ 1,017,468**	$ 366,575

Note 11. Subsequent Events

Dividend. On November 1, 2021, the Company's Board of Directors declared a quarterly dividend payable to stockholders of record as of November 19, 2021, of the Company's Common Stock, and a dividend equivalent payable to holders of certain RSUs as of November 19, 2021, of $0.12 per share and per unit, payable on December 3, 2021.

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 titled "Risk Factors" (Item 1A) of our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A of the Form 10-Q for the quarter ended March 31, 2021. 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.

RECENT DEVELOPMENTS
Merger with Luxco. On January 22, 2021, we entered into a definitive agreement to acquire Luxco, Inc. and its affiliated companies ("Luxco", or "Luxco Companies"), and subsequently completed the merger on April 1, 2021. Luxco is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. Following the merger, the Luxco Companies became wholly-owned subsidiaries of MGP and are included in the Branded Spirits segment.(Note 3, Business Combination for additional information).

Dryer Fire Incident. During November 2020, we experienced a fire at the Atchison facility. The fire damaged certain equipment in the facility's feed drying operations and caused temporary loss of production time. During the quarter and year to date ended September 30, 2021, we recorded a $6,404 and $16,244, respectively, partial settlement from our insurance carrier as a reduction of Cost of sales. We are working to construct a replacement drying system. Our insurance is expected to provide coverage for business interruption and other losses from damage to property, plant and equipment, less deductibles, but there can be no assurance to the amount or timing of possible insurance recoveries.

COVID-19. As the COVID-19 pandemic continues, we are monitoring the guidance from federal, state and local public health authorities and will take the necessary actions to comply with the updated guidelines. The Company's business is part of the United States' critical infrastructure and thus is deemed to be an "essential business." As such, we continue to take the necessary and appropriate actions designed to protect our workforce as it continues its critical operations. We have continued to operate without any significant negative impacts; however this could be effected by voluntary or mandatory temporary closures of our facilities, interruptions to our supply chain or additional efforts to protect the health and safety of our employees. As of the date of this report, the Company's operations, supply chain and customer demand have not been significantly affected by COVID-19; however, we are monitoring the situation closely.

OVERVIEW

MGP is a leading producer and supplier of premium distilled spirits, branded spirits and food ingredients. Distilled spirits include premium bourbon and rye whiskeys and grain neutral spirits ("GNS"), 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 distilled spirits are either packaged and sold under our own brands to distributors, sold, directly or indirectly, to manufacturers of other branded spirits, or direct to consumer. The Company's protein and starch food ingredients provide a host of functional, nutritional, and sensory benefits for a wide range of food products to serve the packaged goods industry.

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, 2020.

RESULTS OF OPERATIONS

Consolidated results

The table below details the consolidated results for the quarters ended September 30, 2021 and 2020:

	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	2021 v. 2020	
Sales	**$ 176,611**	$ 102,964	71.5 %	
Cost of sales	**119,525**	79,802	49.8	
Gross profit	**57,086**	23,162	146.5	
Gross margin %	**32.3 %**	22.5 %	9.8	pp[(a)]
Selling, general, and administrative ("SG&A") expenses	**24,202**	9,510	154.5	
Operating income	**32,884**	13,652	140.9	
Operating margin %	**18.6 %**	13.3 %	5.3	pp
Interest expense, net	**(1,116)**	(594)	(87.9)	
Other income (loss), net	**(421)**	185	(327.6)	
Income before income taxes	**31,347**	13,243	136.7	
Income tax expense	**7,674**	2,862	168.1	
Effective tax expense rate %	**24.5 %**	21.6 %	2.9	pp
Net income	**$ 23,673**	$ 10,381	128.0 %	
Net income margin %	**13.4 %**	10.1 %	3.3	pp

(a) Percentage points ("pp").

Sales - Sales for quarter ended September 30, 2021 were $176,611, an increase of 71.5 percent compared to the year-ago quarter, which was the result of increased sales in the Branded Spirits, Distillery Products, and Ingredient Solutions segments. Within the Branded Spirits segment, sales were up 2,413.7 percent, due to the additional brands acquired as part of the Merger. Within the Distillery Products segment, sales were up 15.0 percent, primarily due to an increase in the sales of brown goods within premium beverage alcohol. Within the Ingredient Solutions segment, sales were up 12.5 percent, primarily due to increased sales of commodity wheat starches and specialty wheat proteins (see Segment Results).

Gross profit - Gross profit for quarter ended September 30, 2021 was $57,086, an increase of 146.5 percent compared to the year-ago quarter. The increase was driven by an increase in gross profit in Branded Spirits, Distillery Products and Ingredient Solutions segments. In the Branded Spirits segment, gross profit increased by $21,828 or 1,571.5 percent. In the Distillery Products segment, gross profit increased by $11,063, or 69.5 percent. In the Ingredient Solutions segment, gross profit increased by $1,033, or 17.6 percent (see Segment Results).

SG&A expenses - SG&A expenses for quarter ended September 30, 2021 were $24,202, an increase of 154.5 percent compared to the year-ago quarter. The increase in SG&A expenses was primarily driven by the assumption of Luxco's SG&A expenses.

Operating income - Operating income for quarter ended September 30, 2021 increased to $32,884 from $13,652 for quarter ended September 30, 2020, primarily due to an increase in gross profit in the Branded Spirits, Distillery Products and Ingredient Solutions segments, partially offset by the increase in the previously described SG&A expenses.

Operating income, quarter versus quarter	**Operating Income**	**Change**	
Operating income for quarter ended September 30, 2020	$ 13,652		
Increase in gross profit - Branded Spirits segment[(a)]	21,828	159.9	pp[(b)]
Increase in gross profit - Distillery Products segment[(a)]	11,063	81.0	pp
Increase in gross profit - Ingredient Solutions segment[(a)]	1,033	7.6	pp
Increase in SG&A expenses	(14,692)	(107.6)	pp
Operating income for quarter ended September 30, 2021	**$ 32,884**	**140.9 %**	

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

Income tax expense - Income tax expense for quarter ended September 30, 2021 was $7,674, for an effective tax rate of 24.5 percent. Income tax expense for the quarter ended September 30, 2020, was $2,862, for an effective tax rate of 21.6 percent. The increase in Income tax expense, quarter versus quarter, was primarily due to higher Income before income taxes, which lessened the effects of tax credits received.

Earnings per share ("EPS") - EPS was $1.08 for quarter ended September 30, 2021, compared to $0.61 for quarter ended September 30, 2020. The change in EPS, quarter versus quarter, was primarily due to an increase in Operating income, partially offset by an increase in shares outstanding.

Change in basic and diluted EPS, quarter versus quarter	**Basic and Diluted EPS**	**Change**	
Basic and diluted EPS for quarter ended September 30, 2020	$ 0.61		
Increase in operations[a]	0.88	144.3	pp[b]
Increase in other income (expense), net[a]	(0.03)	(4.9)	pp
Change in interest expense, net[a]	(0.02)	(3.3)	pp
Tax: Change in effective tax rate	(0.06)	(9.8)	pp
Increase in shares outstanding resulting from the Merger	(0.30)	(49.2)	pp
Basic and diluted EPS for quarter ended September 30, 2021	**$ 1.08**	**77.1 %**	

(a) Item is net of tax based on the effective tax rate for the base year (2020).
(b) Percentage points ("pp").

The table below details the consolidated results for year to date ended September 30, 2021 and 2020:

	Year to Date Ended September 30,			
	2021	**2020**	**2021 v. 2020**	
Sales	**$ 459,873**	$ 294,606	56.1 %	
Cost of sales	**313,661**	227,531	37.9	
Gross profit	**146,212**	67,075	118.0	
Gross margin %	**31.8 %**	22.8 %	9.0	pp[a]
SG&A expenses	**65,165**	28,377	129.6	
Operating income	**81,047**	38,698	109.4	
Operating margin %	**17.6 %**	13.1 %	4.5	pp
Interest expense, net	**(2,708)**	(1,701)	(59.2)	
Other income (loss), net	**(479)**	352	(236.1)	
Income before income taxes	**77,860**	37,349	108.5	
Income tax expense	**18,701**	8,636	116.5	
Effective tax expense rate %	**24.0 %**	23.1 %	0.9	pp
Net income	**$ 59,159**	$ 28,713	106.0 %	
Net income margin %	**12.9 %**	9.7 %	3.2	pp

(a) Percentage points ("pp").

Sales - Sales for year to date ended September 30, 2021 were $459,873, an increase of 56.1 percent compared to the year-ago period, which was the result of increased sales in the Branded Spirits, Distillery Products, and Ingredient Solutions segments. Within the Branded Spirits segment, sales were up 3,590.4 percent, due to the additional brands acquired as part of the Merger. Within the Distillery Products segment, sales were up 15.6 percent, primarily due to an increase in the sales of brown goods within premium beverage alcohol. Within the Ingredient Solutions segment, sales were up 16.5 percent, primarily due to increased sales of specialty wheat starches and proteins, and commodity wheat starches (see Segment Results).

Gross profit - Gross profit for year to date ended September 30, 2021 was $146,212, an increase of 118.0 percent compared to the year-ago period. The increase was driven by an increase in gross profit in the Branded Spirits, Distillery Products, and Ingredient Solutions segments. In the Branded Spirits segment, gross profit increased by $40,010 or 2,316.7 percent. In the Distillery Products segment, gross profit increased by $37,379, or 75.0 percent. In the Ingredient Solutions segment, gross profit increased by $1,748, or 11.3 percent (see Segment Results).

SG&A expenses - SG&A expenses for year to date ended September 30, 2021 were $65,165, an increase of 129.6 percent compared to the year-ago period. The increase in SG&A expenses was driven by the assumption of Luxco's SG&A, one-time acquisition related costs, and higher incentive compensation expense.

Operating income - Operating income for year to date ended September 30, 2021 increased to $81,047 from $38,698 for year to date period ended September 30, 2020, primarily due to an increase in gross profit in the Branded Spirits, Distillery Products, and Ingredient Solutions segments. These increases were partially offset by an increase in the above-described SG&A expenses.

Operating income, year to date versus year to date	**Operating Income**	**Change**	
Operating income for year to date ended September 30, 2020	$ 38,698		
Increase in gross profit - Branded Spirits segment[a]	40,010	103.4	pp(b)
Increase in gross profit - Distillery Products segment[a]	37,379	96.6	pp
Increase in gross profit - Ingredient Solutions segment[a]	1,748	4.5	pp
Increase in SG&A expenses	(36,788)	(95.1)	pp
Operating income for year to date ended September 30, 2021	**$ 81,047**	**109.4 %**	

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

Income tax expense - Income tax expense for year to date ended September 30, 2021 was $18,701, for an effective tax rate of 24.0 percent. Income tax expense for the year to date ended September 30, 2020, was $8,636, for an effective tax rate of 23.1 percent. The increase in Income tax expense, year to date versus year to date, was primarily due to higher Income before income taxes, which lessened the effects of tax credits received.

Earnings per share - EPS was $2.91 for year to date ended September 30, 2021, compared to $1.68 for year to date ended September 30, 2020. EPS increased, year to date versus year to date, primarily due to an increase in operations, partially offset by an increase in shares outstanding as a result of shares issued as part of the consideration paid for the Merger.

Change in basic and diluted EPS, year to date versus year to date	**Basic and Diluted EPS**	**Change**	
Basic and diluted EPS for year to date ended September 30, 2020	$ 1.68		
Increase in operations[a]	1.92	114.3	pp(b)
Decrease in weighted average shares outstanding, excluding the Merger impacts	0.01	0.6	pp
Change in interest expense, net[a]	(0.04)	(2.4)	pp
Increase in other income (expense), net[a]	(0.03)	(1.8)	pp
Tax: Change in effective tax rate	(0.04)	(2.4)	pp
Increase in shares outstanding resulting from the Merger	(0.59)	(35.1)	pp
Basic and diluted EPS for year to date ended September 30, 2021	**$ 2.91**	**73.2 %**	

(a) Item is net of tax based on the effective tax rate for the base year (2020).
(b) Percentage points ("pp").

SEGMENT RESULTS

Distillery Products

The following tables show selected financial information for the Distillery Products segment for the quarters ended September 30, 2021 and 2020.

DISTILLERY PRODUCTS SALES

	Quarter Ended September 30,		Quarter versus Quarter Sales Change Increase/(Decrease)	
	2021	2020	$ Change	% Change
Brown goods	$ 42,793	$ 32,068	$ 10,725	33.4 %
White goods	21,187	16,210	4,977	30.7
Premium beverage alcohol	63,980	48,278	15,702	32.5
Industrial alcohol	14,790	19,461	(4,671)	(24.0)
Food grade alcohol	78,770	67,739	11,031	16.3
Fuel grade alcohol	3,592	1,274	2,318	181.9
Distillers feed and related co-products	4,016	6,119	(2,103)	(34.4)
Warehouse services	4,666	4,041	625	15.5
Total Distillery Products	$ 91,044	$ 79,173	$ 11,871	15.0 %

	Change in Quarter versus Quarter Sales Attributed to:		
	Total [(a)]	Volume[(b)]	Net Price/Mix[(c)]
Premium beverage alcohol	32.5%	19.9%	12.6%

Other Financial Information

	Quarter Ended September 30,		Quarter versus Quarter Increase / (Decrease)	
	2021	2020	$ Change	% Change
Gross profit	$ 26,981	$ 15,918	$ 11,063	69.5 %
Gross margin %	29.6 %	20.1 %		9.5 pp[(d)]

(a) Total sales change is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.
(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.
(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.
(d) Percentage points ("pp").

Total sales of Distillery Products for the quarter ended September 30, 2021 increased by $11,871, or 15.0 percent, compared to the prior year quarter. Sales of brown goods and white goods within premium beverage alcohol, fuel grade alcohol, and warehouse services increased while industrial alcohol, and distillers feed and related co-products decreased compared to the prior year quarter. The increase in sales of brown goods, white goods and fuel grade alcohol was driven by higher sales volume and higher average selling price. These increases were offset by a decrease in sales of industrial alcohol which was driven by lower sales volume due to the discontinuing of the ICP third party sales and marketing services. The decrease in sales of distillers feed and related co-products was due to lower average selling price, partially offset by higher sales volume, both of which are results of the Dryer Fire Incident (see Note 8, Commitments and Contingencies for further details).

Gross profit increased quarter versus quarter by $11,063, or 69.5 percent. Gross margin for the quarter ended September 30, 2021 increased to 29.6 percent from 20.1 percent for the prior year quarter. The increase in gross profit was primarily due to higher sales volume and higher average selling price on brown goods. Additionally, the increase in gross profit was also due to higher average selling price on industrial alcohol, white goods and fuel grade alcohol, partially offset by higher input costs of industrial alcohol and white goods.

The following tables show selected financial information for the Distillery Products segment for the year to date ended September 30, 2021 and 2020.

DISTILLERY PRODUCTS SALES

	Year to Date Ended September 30,		Year to Date versus Year to Date Sales Change Increase/(Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Brown Goods	**$ 129,600**	$ 86,038	$ 43,562	50.6 %
White Goods	**56,049**	47,922	8,127	17.0
Premium beverage alcohol	**185,649**	133,960	51,689	38.6
Industrial alcohol	**46,896**	64,032	(17,136)	(26.8)
Food grade alcohol	**232,545**	197,992	34,553	17.5
Fuel grade alcohol	**10,862**	3,970	6,892	173.6
Distillers feed and related co-products	**13,660**	19,889	(6,229)	(31.3)
Warehouse services	**12,949**	11,641	1,308	11.2
Total Distillery Products	**$ 270,016**	$ 233,492	$ 36,524	15.6 %

	Change in Year to Date versus Year to Date Sales Attributed to:		
	Total[(a)]	**Volume**[(b)]	**Net Price/Mix**[(c)]
Premium beverage alcohol	**38.6%**	**31.1%**	**7.5%**

Other Financial Information

	Year to Date Ended September 30,		Year to Date versus Year to Date Increase / (Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Gross profit	**$ 87,211**	$ 49,832	$ 37,379	75.0 %
Gross margin %	**32.3 %**	21.3 %		11.0 pp[(d)]

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.
(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.
(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.
(d) Percentage points ("pp").

Total sales of Distillery Products for year to date ended September 30, 2021 increased by $36,524, or 15.6 percent compared to the year-ago period. Sales of brown goods and white goods within premium beverage alcohol, fuel grade alcohol, and warehouse services increased while industrial alcohol, and distillers feed and related co-products decreased compared to the year-ago period. The increase in sales of brown goods, white goods and fuel grade alcohol was driven by higher sales volume and higher average selling price. These increases were partially offset by a decrease in sales of industrial alcohol which was driven by lower sales volume due to the discontinuing of the ICP third party sales and marketing services, partially offset by higher average selling price. The decrease in sales of distillers feed and related co-products was due to lower average selling price, partially offset by higher sales volume, both of which are results of the Dryer Fire Incident (see Note 8, Commitments and Contingencies for further details).

Gross profit for year to date ended September 30, 2021 increased by $37,379, or 75.0 percent compared to the year-ago period. Gross margin for year to date ended September 30, 2021 increased to 32.3 percent from 21.3 percent for the prior year period. The increase in gross profit was primarily due to higher sales volume on brown goods as well as higher average selling price on industrial alcohol, white goods and fuel grade alcohol. The increase in gross profit was partially offset by higher input costs of industrial alcohol, white goods and brown goods as well as lower average selling price on distillers feed and related co-products.

Branded Spirits

The following tables show selected financial information for the Branded Spirits segment for the quarters ended September 30, 2021 and 2020.

BRANDED SPIRITS SALES

	Quarter Ended September 30,		Quarter versus Quarter Sales Change Increase/(Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Ultra premium	**$ 13,118**	$ 2,365	$ 10,753	454.7 %
Premium	**6,310**	72	6,238	8,663.9
Mid	**17,107**	—	17,107	n/a
Value	**19,057**	—	19,057	n/a
Other	**5,969**	12	5,957	49,641.7
Total Branded Spirits	**$ 61,561**	$ 2,449	$ 59,112	2,413.7 %

Change in Quarter versus Quarter Sales Attributed to:

	Total (a)	**Volume(b)**	**Net Price/Mix(c)**
Total Branded Spirits	**2,413.7%**	**16,253.1%**	**(13,839.4)%**

Other Financial Information

	Quarter Ended September 30,		Quarter versus Quarter Increase / (Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Gross profit	**$ 23,217**	$ 1,389	$ 21,828	1,571.5 %
Gross margin %	**37.7 %**	56.7 %		(19.0) pp(d)

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.
(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.
(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.
(d) Percentage points ("pp").

Total sales of Branded Spirits for the quarter ended September 30, 2021 increased by $59,112, or 2,413.7 percent compared to the prior year quarter. Sales of value, mid, ultra premium, premium, and other increased compared to the prior year quarter, primarily due to the additional brands acquired as part of the Merger.

Gross profit increased quarter versus quarter by $21,828, or 1,571.5 percent. Gross margin for the quarter ended September 30, 2021 decreased 19.0 percent to 37.7 percent from 56.7 percent for the prior year quarter. The increase in gross profit was primarily due to the additional brands acquired as part of the Merger. The decrease in gross margin was due to sales price mix, as the vast majority of the Company's branded spirits sales pre-merger were in the ultra premium category.

The following tables show selected financial information for the Branded Spirits segment for year to date ended September 30, 2021 and 2020.

BRANDED SPIRITS SALES

	Year to Date Ended September 30,		Year to Date versus Year to Date Sales Change Increase/(Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Ultra Premium	**$ 23,692**	$ 3,049	$ 20,643	677.0 %
Premium	**12,692**	243	12,449	5,123.1 %
Mid	**34,894**	—	34,894	n/a
Value	**40,001**	—	40,001	n/a
Other	**11,278**	29	11,249	38,789.7 %
Total Branded Spirits	**$ 122,557**	$ 3,321	$ 119,236	3,590.4 %

	Change in Year to Date versus Year to Date Sales Attributed to:		
	Total [(a)]	**Volume**[(b)]	**Net Price/Mix**[(c)]
Total Branded Spirits	**3,590.4%**	**22,743.4%**	**(19,153.0)%**

Other Financial Information

	Year to Date Ended June 30,		Year to Date versus Year to Date Increase / (Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Gross profit	**$ 41,737**	$ 1,727	$ 40,010	2,316.7 %
Gross margin %	**34.1 %**	52.0 %		(17.9) pp[(d)]

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.
(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.
(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.
(d) Percentage points (“pp”).

Total sales of Branded Spirits for year to date ended September 30, 2021 increased by $119,236, or 3,590.4 percent compared to the year-ago period. Sales of value, mid, ultra premium, premium, and other increased compared to the year-ago period, primarily due to the additional brands acquired as part of the Merger.

Gross profit for year to date ended September 30, 2021 increased by $40,010, or 2,316.7 percent. Gross margin for year to date ended September 30, 2021 decreased 17.9 percent to 34.1 percent from 52.0 percent for the prior year. The increase in gross profit was primarily due to the additional brands acquired as part of the Merger. The decrease in gross margin was due to sales price mix, as the vast majority of the Company’s branded spirits sales pre-merger were in the ultra premium category. Gross profit was reduced during year to date ended September 30, 2021, due to a required step up in value due to purchase accounting related to the Merger. Of the purchase accounting step up, $2,529 was associated with marking the finished goods inventory to fair value, which fully flowed through in the second quarter and is not expected to recur in future periods.

Ingredient Solutions

The following tables show selected financial information for the Ingredient Solutions segment for the quarter ended September 30, 2021 and 2020.

INGREDIENT SOLUTIONS SALES

	Quarter Ended September 30,		Quarter versus Quarter Sales Change Increase / (Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Specialty wheat starches	**$ 12,231**	$ 11,604	$ 627	5.4 %
Specialty wheat proteins	**8,901**	7,994	907	11.4
Commodity wheat starches	**2,626**	1,596	1,030	64.5
Commodity wheat proteins	**248**	148	100	67.6
Total Ingredient Solutions	**$ 24,006**	$ 21,342	$ 2,664	12.5 %

	Change in Quarter versus Quarter Sales Attributed to:		
	Total[(a)]	**Volume[(b)]**	**Net Price/Mix[(c)]**
Total Ingredient Solutions	**12.5%**	**9.1%**	**3.4%**

Other Financial Information

	Quarter Ended September 30,		Quarter versus Quarter Increase / (Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Gross profit	**$ 6,888**	$ 5,855	$ 1,033	17.6 %
Gross margin %	**28.7 %**	27.4 %		1.3 pp[(d)]

(a) Total sales change is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.
(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit
(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.
(d) Percentage points (“pp”).

Total Ingredient Solutions sales for quarter ended September 30, 2021 increased by $2,664, or 12.5 percent, compared to the prior year quarter. Quarter versus quarter, this increase was primarily driven by higher sales of commodity wheat starches, specialty wheat proteins and starches due to higher sales volume and higher average selling price.

Gross profit increased quarter versus quarter by $1,033, or 17.6 percent. Gross margin for the quarter ended September 30, 2021 increased to 28.7 percent from 27.4 percent for the prior year quarter. The increase in gross profit was primarily driven by higher average selling price of specialty wheat proteins and starches, and commodity wheat starches, partially offset by higher input costs for specialty wheat proteins and starches.

The following tables show selected financial information for the Ingredient Solutions segment for the year to date September 30, 2021 and 2020.

INGREDIENT SOLUTIONS SALES

	Year to Date Ended September 30,		Year to Date versus Year to Date Sales Change Increase/(Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Specialty wheat starches	**$ 35,051**	$ 30,938	$ 4,113	13.3 %
Specialty wheat proteins	**23,299**	20,372	2,927	14.4
Commodity wheat starches	**7,572**	5,247	2,325	44.3
Commodity wheat proteins	**1,378**	1,236	142	11.5
Total Ingredient Solutions	**$ 67,300**	$ 57,793	$ 9,507	16.5 %

	Change in Year to Date versus Year to Date Sales Attributed to:		
	Total[(a)]	**Volume[(b)]**	**Net Price/Mix[(c)]**
Total Ingredient Solutions	**16.5%**	**13.0%**	**3.5%**

Other Financial Information

	Year to Date Ended September 30,		Year to Date versus Year to Date Increase / (Decrease)	
	2021	**2020**	**$ Change**	**% Change**
Gross profit	**$ 17,264**	$ 15,516	$ 1,748	11.3 %
Gross margin %	**25.7 %**	26.8 %		(1.1) pp[(d)]

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.
(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit
(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.
(d) Percentage points ("pp").

Total Ingredient Solutions sales for year to date ended September 30, 2021 increased by $9,507, or 16.5 percent, compared to the prior year period. The increase in Ingredient Solutions sales was primarily driven by higher sales of specialty wheat starches and proteins and commodity wheat starches, primarily due to higher sales volume and higher average selling price.

Gross profit increased by $1,748, or 11.3 percent for year to date ended September 30, 2021 compared to the prior year period. Gross margin for the year to date ended September 30, 2021 decreased to 25.7 percent from 26.8 percent for the prior year period. The increase in gross profit was primarily driven by higher sales volumes and average selling price of specialty wheat starches and proteins partially offset by higher input costs.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate adequate cash from operations while having ready access to capital at competitive rates.

Operating cash flow and debt through our Credit Agreement and Note Purchase Agreement (Note 5) provide the primary sources of cash to fund operating needs and capital expenditures. These same sources of cash are used to fund shareholder dividends and other discretionary uses. Our overall liquidity 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 Agreement and Note Purchase Agreement, to be adequate to provide for budgeted capital expenditures and anticipated operating requirements for the foreseeable future.

Cash Flow Summary

	Year to Date Ended September 30,		Changes, year versus year
	2021	**2020**	**Increase / (Decrease)**
Cash provided by operating activities	**$ 70,785**	$ 29,457	$ 41,328
Cash used in investing activities	**(189,166)**	(15,513)	(173,653)
Cash provided by financing activities	**112,883**	2,713	110,170
Effect of exchange rate changes on cash	**(2)**	—	(2)
Increase (decrease) in cash and cash equivalents	**$ (5,500)**	**$ 16,657**	$ (22,157)

Cash decreased $5,500 for year to date ended September 30, 2021, compared to an increase of $16,657 for year to date ended September 30, 2020, for a net decrease in cash of $22,157, period versus period.

Operating Activities. Cash provided by operating activities for year to date ended September 30, 2021 was $70,785. The cash provided by operating activities resulted primarily from net income of $59,159, adjustments for non-cash or non-operating charges of $19,149 including, depreciation and amortization, and share-based compensation as well as cash used in operating assets and liabilities of $7,523. The primary drivers of the changes in operating assets and liabilities were $7,588 use of cash related to an increase in inventories, primarily barreled distillate, $6,678 use of cash related to decrease in accounts payable, and $5,593 use of cash related to accounts receivables, net due to increased sales during the quarter as well as an increase in insurance recoveries receivable. These uses of cash were partially offset by $15,859 cash provided by accrued expenses and other primarily related to legally committed insurance recovery amounts obtained prior to contingencies related to the insurance claim being resolved.

Cash provided by operating activities for year to date ended September 30, 2020 was $29,457. The cash provided by operating activities resulted primarily from net income of $28,713, adjustments for non-cash or non-operating charges of $13,108, including depreciation and amortization and share-based compensation, partially offset by uses of cash due to changes in operating assets and liabilities of $12,364. The primary drivers of the changes in operating assets and liabilities were $11,683 use of cash related to an increase in accounts receivables, net due to timing of customer payments as well as increased sales during the year, $5,673 use of cash related to an increase in inventories, primarily barreled distillate, and $2,032 use of cash related to an increase in prepaid expenses due to an increase in prepaid insurance and vendor deposits. These uses of cash were partially offset by $5,647 cash provided by accrued expenses primarily related to incentive compensation expenses and $2,057 cash provided by accounts payable related to the timing cash disbursements.

Investing Activities. Cash used in investing activities for year to date ended September 30, 2021 was $189,166, which primarily resulted from $149,613 related to the Merger of Luxco and additions to property, plant and equipment of $37,257 (see Capital Spending). Cash used in investing activities for year to date ended September 30, 2020 was $15,513, which resulted from additions to property, plant and equipment of $13,507 (see Capital Spending) and an increase related to the acquisition of a business of $2,750, partially offset by proceeds from sale of property of $688.

Capital Spending. We manage capital spending to support our business growth plans. Investments in property, plant and equipment were $37,257 and $13,507 for year to date ended September 30, 2021 and 2020, respectively. Adjusted for the change in capital expenditures in accounts payable for year to date ended September 30, 2021 and 2020, of $(3,375) and $(2,654), respectively, total capital expenditures were $33,882 and $10,853, respectively.

We expect approximately $51,500 in capital expenditures in 2021, excluding any insurance recoveries. Of the $51,500 expected capital expenditures $31,400 is allocated for the replacement of the feed dryer system. The remainder is for facility improvement and expansion, facility sustenance projects, and environmental health and safety projects.

Financing Activities. Cash provided by financing activities for year to date ended September 30, 2021 was $112,883, due to net proceeds from debt of $208,521 (see Long-Term and Short-Term Debt), partially offset by $87,509 payment on assumed debt as part of the Merger, payments of dividends and dividend equivalents of $7,362 (see Dividends and Dividend Equivalents) and purchases of treasury stock of $767 (see Treasury Purchases and Share Repurchases).

Cash provided by financing activities for year to date ended September 30, 2020 was $2,713, primarily due to net proceeds from debt of $13,252 (See Long-Term and Short-Term Debt), payments of dividends and dividend equivalents of $6,144 (see Dividends and Dividend Equivalents) and purchases of treasury stock of $4,395 (see Treasury Purchases and Share Repurchases).

Treasury Purchases. 38,059 RSUs vested and converted to common shares for employees during year to date ended September 30, 2021, of which we withheld and purchased for treasury 11,885 shares valued at $767 to cover payment of associated withholding taxes.

30,404 RSUs vested and converted to common shares for employees during year to date ended September 30, 2020, of which we withheld and purchased for treasury 10,051 shares valued at $342 to cover payment of associated withholding taxes.

Share Repurchases. On February 25, 2019, our Board of Directors approved a $25,000 share repurchase authorization commencing February 27, 2019, through February 27, 2022. Under the share repurchase program, we can repurchase stock from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. This share repurchase program may be modified, suspended, or terminated by us at any time without prior notice. The Company did not repurchase any shares during the year to date ended September 30, 2021 and has $20,947 remaining under the share repurchase plan.

During year to date ended September 30, 2020, we repurchased approximately 159,104 shares of MGP Common Stock for $4,053.

Dividends and Dividend Equivalents

Dividend and Dividend Equivalent Information (per Share and Unit)

Declaration date	Record date	Payment date	Declared	Paid	Dividend payment	Dividend equivalent payment[(a)(b)]	Total payment[(b)]
2021							
February 23, 2021	March 12, 2021	March 26, 2021	**$ 0.12**	**$ 0.12**	**$ 2,033**	**$ 19**	**$ 2,052**
May 3, 2021	May 21, 2021	June 4, 2021	**0.12**	**0.12**	**2,635**	**20**	**2,655**
August 2, 2021	August 20, 2021	September 3, 2021	**0.12**	**0.12**	**2,635**	**20**	**2,655**
			$ 0.36	**$ 0.36**	**$ 7,303**	**$ 59**	**$ 7,362**
2020							
February 24, 2020	March 13, 2020	March 27, 2020	$ 0.12	$ 0.12	$ 2,047	$ 13	$ 2,060
April 28, 2020	May 22, 2020	June 5, 2020	0.12	0.12	2,027	14	2,041
July 28, 2020	August 21, 2020	September 4, 2020	0.12	0.12	2,029	14	2,043
			$ 0.36	$ 0.36	$ 6,103	$ 41	$ 6,144

(a) Dividend equivalent payments on unvested participating securities.
(b) Includes estimated forfeitures.

On November 1, 2021, our Board of Directors declared a quarterly dividend payable to stockholders of record as of November 19, 2021, of the Company's Common Stock, and a dividend equivalent payable to holders of certain RSUs as of November 19, 2021, of $0.12 per share and per unit, payable on December 3, 2021.

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 $247,677 (net of unamortized loan fees of $1,733) at September 30, 2021, and $39,871 (net of unamortized loan fees of $129) at December 31, 2020.

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 Agreement and Note Purchase Agreement. Under our Credit Agreement and Note Purchase Agreement, we must meet certain financial covenants and restrictions, and at September 30, 2021, we met those covenants and restrictions.

At September 30, 2021, our current assets exceeded our current liabilities by $265,430, largely due to our inventories, at cost, of $239,312. At September 30, 2021, our cash balance was $16,162 and we have used our Credit Agreement and Note Purchase Agreement for liquidity purposes, with $190,000 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 assess our cash needs and the available sources to fund these needs. While we currently believe we are well positioned with our credit agreement, we will continue to monitor the impact of the COVID-19 pandemic on our operations and liquidity needs. We utilize short-term and long-term debt to fund discretionary items, such as capital investments and dividend payments. In addition, we have strong operating results such that financial institutions should provide sufficient credit funding to meet short-term financing requirements, if needed.

On April 1, 2021, the Company completed the merger with Luxco. The aggregate consideration paid by the Company in connection with the merger was $237,500 in cash (less assumed indebtedness) and 5,007,833 shares of common stock of the Company, subject to adjustment for fractional shares (the "Company Shares," and together with the cash portion, the "Merger Consideration"). The Merger Consideration is subject to customary purchase price adjustments, including working capital, a portion of which may be paid in common stock. The cash portion of the Merger Consideration, the repayment of assumed debt and transaction-related expenses were financed with a $242,300 borrowing under the Credit Agreement. We anticipate having sufficient cash flows to support our short-term liquidity and operating needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to commodity price and interest rate market risks. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results.

Commodity Costs. Certain commodities we use in our production process, or input costs, expose us to market price risk due to volatility in the prices for those commodities. Through our grain supply contracts for our Atchison and Lawrenceburg facilities, our wheat flour supply contract for our Atchison facility, and our natural gas contracts for both facilities, we purchase grain, wheat flour, and natural gas, respectively, for delivery from one to 24 months into the future at negotiated prices. We have determined that the firm commitments to purchase grain, wheat flour, and natural gas under the terms of our supply contracts meet the normal purchases and sales exception as defined under Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, because the quantities involved are for amounts to be consumed within the normal expected production process.

Interest Rate Exposures. Our Credit Agreement and Note Purchase Agreement (Note 5) expose us 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, 2021, 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 $2,235. Based on weighted average outstanding fixed-rate borrowings at September 30, 2021, a 100 basis point increase in market rates would result in a decrease in the fair value of our outstanding fixed-rate debt of $1,385, 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 $1,454.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of the quarter ended September 30, 2021, 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 us in reports that we file or submit 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 us in such reports is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. On April 1, 2021, we completed the acquisition of Luxco, Inc. and its affiliated companies ("Luxco"). We are currently integrating Luxco into our operations and internal control processes and, pursuant to the Securities and Exchange Commission staff interpretative guidance that assessment of a recently acquired business may be omitted from the scope of an assessment for a period not to exceed one year from the date of acquisition, the scope of our assessment of our internal controls over financial reporting at September 30, 2021 does not include Luxco.

Changes in Internal Controls. Except for internal controls related to integration activities associated with our acquisition of Luxco, there were no changes in the Company's internal controls over financial reporting during the fiscal quarter ended September 30, 2021, 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, 2020, and Note 8 to this Report on Form 10-Q for information on certain proceedings to which we are subject.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under "Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

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

There was no unregistered sale of equity securities during the quarter ended September 30, 2021.

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, 2021 through July 31, 2021	12 (a)	$ 66.16	$ —	$ 20,947,113 (b)
August 1, 2021 through August 31, 2021	— (a)	$ —	$ —	$ 20,947,113 (b)
September 1, 2021 through September 30, 2021	8 (a)	$ 61.55	$ —	$ 20,947,113 (b)
Total	20		$ —	

(a) Vested RSUs awarded under the 2014 Plan purchased to cover employee withholding taxes.

(b) On February 25, 2019, our Board of Directors approved a $25,000 share repurchase authorization commencing February 27, 2019 through February 27, 2022. Under the share repurchase program, we can repurchase stock from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. This share repurchase program may be modified, suspended, or terminated by us at any time without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1	Notice of Shelf Notes Upsize Authorization dated July 29, 2021 between PGIM, Inc. and MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10-Q filed August 4, 2021 (File number 000-17196))
*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, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of September 30, 2021, and December 31, 2020, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2021 and 2020, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2021 and 2020, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020, (v) Condensed Consolidated Statement of Changes in Stockholders' Equity for the three and nine months ended September 30, 2021 and 2020, and (vi) the Notes to Condensed Consolidated Financial Statements.
*104	Cover Page Interactive Data Filed - formatted in iXBRL (Inline Extensible Business Reporting Language) and contained in Exhibit 101

*Filed herewith
** Management contract or compensatory plan or arrangement

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 3, 2021		By	/s/ David J. Colo
				David J. Colo, President and Chief Executive Officer
Date:	November 3, 2021		By	/s/ Brandon M. Gall
				Brandon M. Gall, Vice President, Finance and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, David J. Colo, 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 3, 2021

/s/ David J. Colo

David J. Colo, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Brandon M. Gall, 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 3, 2021

/s/ Brandon M. Gall

Brandon M. Gall, Vice President, Finance and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

OF

PERIODIC REPORT

I, David J. Colo, 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 ended September 30, 2021 (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 3, 2021

/s/ David J. Colo
David J. Colo
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, Brandon M. Gall, 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 ended September 30, 2021 (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 3, 2021

/s/ Brandon M. Gall
Brandon M. Gall
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.]