

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 1994 -
Commission File No. 0-17196

MIDWEST GRAIN PRODUCTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

KANSAS
(State or Other Jurisdiction of
Incorporation or Organization)

48-0531200
IRS Employer
Identification No.

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to the filing requirements for at least the past 90 days. [X] YES [] NO

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

Common stock, no par value
9,765,172 shares outstanding
as of November 1, 1994.

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[LOGO]
Baird, Kurtz & Dobson
Certified Public Accountants

Independent Accountants' Review Report

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

We have reviewed the condensed consolidated balance sheet of MIDWEST GRAIN PRODUCTS, INC. and subsidiaries as of September 30, 1994, and the related condensed consolidated statements of income for the three month periods ended September 30, 1994 and 1993, and the related condensed consolidated statements of cash flows for the three month periods ended September 30, 1994 and 1993. These financial statements are the responsibility of the Company's management.

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

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

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

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

Kansas City, Missouri
October 31, 1994

City Center Square, Suite 2700, 1100 Main, 816 221-6300
Kansas City, Missouri 64105 FAX 816 221-6380

With Offices in: Arkansas, Colorado, Kansas, Kentucky, Missouri,
Nebraska, Oklahoma
Member of Moores Rowland International

MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

ASSETS

	September 30, 1994	June 30, 1994
	----- (Unaudited)	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,525	\$ 3,832
Short-term investments	339	339
Receivables	23,174	20,457
Notes receivable	814	814
Inventories	10,630	13,229
Prepaid expenses	749	576
Deferred income taxes	876	876
	-----	-----
Total Current Assets	39,107	40,123
	-----	-----
INVESTMENTS	5,671	14,504
	-----	-----
LONG-TERM RECEIVABLES	776	961
	-----	-----
PROPERTY AND EQUIPMENT, At cost	190,525	182,446
Less accumulated depreciation	70,654	69,888
	-----	-----
	119,871	112,558
	-----	-----
	\$165,425	\$168,146
	=====	=====

See Accompanying Notes to Condensed Consolidated
Financial Statements

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

September 30, 1994	June 30, 1994
-----	-----

(Unaudited)

CURRENT LIABILITIES		
Accounts payable	\$ 6,536	\$ 8,551
Accrued expenses	4,739	8,189
Income taxes payable	1,059	1,232
	-----	-----
Total Current Liabilities	12,334	17,972
	-----	-----
LONG-TERM DEBT	25,000	25,000
	-----	-----
POST-RETIREMENT BENEFITS	5,206	5,045
	-----	-----
DEFERRED INCOME TAXES	5,956	5,956
	-----	-----
STOCKHOLDERS' EQUITY		
Capital stock		
Preferred, 5% noncumulative, \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common, no par; authorized 20,000,000 shares; issued 9,765,172 shares	6,715	6,715
Additional paid-in capital	2,485	2,485
Retained earnings	107,725	104,969
	-----	-----
	116,929	114,173
	-----	-----
	\$165,425	\$168,146
	=====	=====

See Accompanying Notes to Condensed Consolidated
Financial Statements

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED SEPTEMBER 30, 1994 AND 1993

(Unaudited)

	1994	1993
	-----	-----
	(in thousands, except per share amounts)	
NET SALES	\$45,984	\$39,162
COST OF SALES	38,334	34,585
	-----	-----
GROSS PROFIT	7,650	4,577
SELLING, GENERAL AND ADMINIS- TRATIVE EXPENSES	3,429	2,831
	-----	-----
	4,221	1,746

OTHER OPERATING INCOME (LOSS)	4	(106)
	-----	-----
INCOME FROM OPERATIONS	4,225	1,640
OTHER INCOME	407	108
	-----	-----
INCOME BEFORE INCOME TAXES	4,632	1,748
PROVISION FOR INCOME TAXES	1,876	655
	-----	-----
NET INCOME	\$ 2,756	\$ 1,093
	=====	=====
EARNINGS PER COMMON SHARE	\$.28	\$.11
	=====	=====

See Accompanying Notes to Condensed Consolidated
Financial Statements

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MIDWEST GRAIN PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED SEPTEMBER 30, 1994 AND 1993
(Unaudited)

	1994	1993
	-----	-----
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,756	\$ 1,093
Items not requiring (providing) cash:		
Depreciation	1,732	1,540
Gain on sale of equipment	(49)	
Deferred income taxes		189
Changes in:		
Accounts receivable	(2,717)	(84)
Inventories	2,599	1,358
Prepaid expenses	(173)	(47)
Accounts payable	(1,474)	1,150
Accrued expenses	(2,068)	(1,652)
Income taxes payable	(173)	65
	-----	-----
Net cash provided by operating activities	433	3,612
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(9,602)	(11,444)
Proceeds from sale of equipment	65	
Sale (purchase) of short-term investments	8,883	(21,585)
Payment received on note for sale of plant	135	4
	-----	-----
Net cash used in investing activities	(519)	(33,025)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of long-term debt		25,000
Dividends paid	(1,221)	(1,221)
	-----	-----
Net cash provided by (used in)		

financing activities	(1,221)	23,779
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(1,307)	(5,634)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,832	20,074
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,525	\$ 14,440
	=====	=====

See Accompanying Notes to Condensed Consolidated
Financial Statements

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MIDWEST GRAIN PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 1994

(Unaudited)

NOTE 1: GENERAL

In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly the Company's condensed consolidated financial position as of September 30, 1994, and the condensed consolidated results of its operations and its cash flows for the periods ended September 30, 1994 and 1993, and are of a normal recurring nature.

MIDWEST GRAIN PRODUCTS, INC.

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

THREE MONTHS ENDED SEPTEMBER 30, 1994

RESULTS OF OPERATIONS

Results of operations for the first quarter of fiscal 1995 showed a marked increase over results for the prior year's flood-plagued first quarter. This was accomplished despite lower efficiencies associated with the start-up of new distillery equipment at the Company's Pekin, Illinois plant, increased foreign competition and higher per bushel costs for grain used in production. Although marketing opportunities for the Company's wheat gluten were constricted by a swell in imports from Europe, gluten unit sales underwent a modest increase compared to the first quarter of fiscal 1994. To achieve this increase, the Company remained competitive despite being squeezed by higher wheat costs. Premium wheat starch volume increased more substantially, principally as the result of steadily rising demand for the Company's modified wheat starches in special market niches. An increase was also experienced in unit sales of alcohol products, consisting of food grade alcohol for beverage, industrial and commercial applications, and fuel grade alcohol which is sold as an octane additive commonly known as ethanol. The increase resulted from strengthened demand in the beverage market and a slight rise in demand in the fuel category. The Company feels that opportunities to market additional alcohol from its distillery expansion in Pekin remains strong. When completed in January 1995, this expansion is expected to double the Company's total alcohol production capacity. It also is allowing the Company to proceed with additional construction at the Pekin facility which is expected to result in a 70% increase in total wheat starch capacity and a 40% increase in total wheat gluten capacity by the Spring of 1995.

Grain products sales for the first quarter of fiscal 1995 increased by approximately \$6.8 million, or 17.4% over sales achieved during the first quarter of the preceding year. This was principally due to increased volume sales of all of the Company's principal products. Sales of vital wheat gluten rose by 20%, mainly as the result of slightly higher volume sales and stronger demand compared to a year ago. Premium wheat starch sales increased by approximately 21% as demand for the Company's modified starch varieties grew. Sales of alcohol products climbed approximately 14% above the prior year's first quarter level. This increase resulted chiefly from strengthened demand for food grade alcohol for beverage applications and a slight surge in demand for fuel grade alcohol. Sales of distillers feeds, a by-product of the alcohol production process, rose approximately 17% due to increased volumes resulting from the distillation of larger amounts of alcohol. Fluctuations in selling prices of the Company's vital wheat gluten generally are due to fluctuations in grain costs and competition. Wheat starch prices traditionally track corn starch prices, with the exception of the Company's specialty modified starches. Fuel alcohol prices traditionally follow the movement of gasoline prices.

Prices for food grade alcohol for beverage applications normally follow the movement of corn prices, while prices for food grade alcohol for industrial and commercial applications are normally consistent with prices for industrial alcohol derived from synthetic products such as petroleum.

MIDWEST GRAIN PRODUCTS, INC.

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

THREE MONTHS ENDED SEPTEMBER 30, 1994

Increases in cost of sales due primarily to raw material cost and labor increases were caused by volume increases. Higher costs for chemicals and additives resulted from increased production of modified wheat starches. Finally, the Pekin plant is experiencing normal lower production efficiencies from the start-up of new equipment.

Selling, general and administrative expenses in the first quarter of fiscal 1995 increased by almost \$600,000 over expenses in the prior year's first quarter. Management bonuses increased by over \$200,000. The management bonus program is designed to recognize the accomplishment of specific, pre-established Company goals. Commissions also increased by over \$200,000 due to increased sales subject to commissions. The remainder of the increase was experienced generally throughout the expenses categories.

The consolidated effective income tax rate increased as a result of increased federal and state tax rates.

The general effects of inflation were minimal.

As a result of the foregoing factors, the Company realized net income of \$2,756,000 in the first quarter of fiscal 1995 compared to \$1,093,000 in the first quarter of fiscal 1994.

Effective March 18, 1994, the Environmental Protection Agency ("EPA") adopted final rules under the Amended Clean Air Act of 1990 requiring that gasoline sold in certain areas of the Country after 1994 be reformulated to reduce vehicle emissions of toxic and ozone-forming compounds (the "RFG Rule"). Included in that Act and the Rule are requirements that the reformulated gasoline ("RFG") contain at least 2% oxygen by weight and that emissions of ozone-forming volatile organic compounds ("VOCs") be reduced to certain specified levels. RFG is required to be sold in nine of the smoggiest metropolitan areas in the United States. Although the addition of ethanol to gasoline will enable the gasoline formulation to satisfy the 2% oxygen requirement, its addition is expected to make it more difficult for the formulation to satisfy the VOC requirements during the summer months. This may encourage refiners and blenders to use alternative petroleum based oxygenates in the RFG program, at least during the summer months.

Due, among other things, to the EPA's desire to permit the RFG program to reduce the United States' reliance on nonrenewable fossil fuels and to reduce the emission of greenhouse gasses, effective September 1, 1994, the EPA adopted additional regulations which generally require that "renewable oxygenates" such as ethanol be used in RFG to satisfy 15% of the required oxygen content from December 1, 1994 through December 31, 1995, and 30% for each calendar year thereafter (the "Renewable

Oxygenate Rule" or "ROR"). Subsequently, two groups representing the petroleum industry filed suit against the EPA seeking to have the ROR set aside on the grounds that the EPA lacked the legal authority necessary to issue the Rule. On September 13, 1994, the U.S. Court of Appeals for the District of Columbia Circuit issued an order staying implementation of the Rule in order to permit the parties and other interested parties time to brief and orally argue the issues raised in the suit.

MIDWEST GRAIN PRODUCTS, INC.

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

THREE MONTHS ENDED SEPTEMBER 30, 1994

Although the Court set an expedited schedule that requires that final briefs be submitted by January 12, 1995, it is uncertain as to when or if the stay will be lifted.

The preambles to the RFG Rule and the ROR indicate a belief by the EPA that the RFG Rule will increase demand for ethanol and that the ROR will further increase that demand. Accordingly, the Company believes that the RFG Rule, whether or not the ROR is implemented, will likely increase to some extent the demand for ethanol and that we will continue to have opportunities to market additional fuel alcohol from the distillery expansion currently under construction. In either case, the Company's total ethanol production is expected to be a relatively small part of a very large fuel ethanol market.

MIDWEST GRAIN PRODUCTS, INC.

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

THREE MONTHS ENDED SEPTEMBER 30, 1994

LIQUIDITY AND CAPITAL RESOURCES

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

	September 30, 1994	June 30, 1994
	-----	-----
	(in thousands)	
Cash, cash equivalents and short-term investments	\$ 2,864	\$ 4,171
Long-term liquid investments	5,671	14,504
Long-term debt	25,000	25,000
Working capital	26,773	22,151

While the Company's working capital position improved during the first quarter, expenditures for the Pekin plant expansion, which totaled \$9.6 million, reduced investments held for this purpose. Although short-term liquidity was adversely affected by increased receivables resulting from increased sales volumes, normal high grain purchasing requirements were delayed due to a late milo harvest.

At September 30, 1994, the Company has amounts remaining to spend under capital improvements projects totaling approximately \$23.8 million. As previously discussed, the distillery project at Pekin is proceeding on schedule toward a January 1995 completion. Additionally, the gluten expansion and new wheat starch facilities at Pekin are expected to come on line at the end of March 1995, which will increase gluten and starch capacities by 40% and 70%, respectively. Capital improvement projects in Atchison include expansions of the flour mill, wheat starch capacity and wastewater treatment plant.

The Company also has lines of credit totalling \$25 million on which there were no borrowings at September 30, 1994.

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

MIDWEST GRAIN PRODUCTS, INC.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(15) Letter from independent public accountants pursuant to paragraph (d) of Rule 10-01 of Regulation S-X (incorporated by reference to Independent Accountants Review Report at page 2 hereof).

(20) Report to Stockholders for the three months ended September 30, 1994 (without financial statements).

(27) Financial Data Schedule for the quarter ended September 30, 1994.

(b) Reports on Form 8-K

The Company has filed no reports on Form 8-K during the quarter ended September 30, 1994.

SIGNATURES

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

MIDWEST GRAIN PRODUCTS, INC.

November 10, 1994

Date

/s/ Cloud L. Cray, Jr.

By _____
Cloud L. Cray, Jr.
Chairman of the Board

November 10, 1994

Date

/s/ Robert G. Booe

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

EXHIBIT 99

MIDWEST GRAIN PRODUCTS, INC.

EXHIBIT INDEX

Exhibit Number	Description
15	Letter from independent public accountants pursuant to paragraph (d) of Rule 10-01 of Regulation S-X (incorporated by reference to Independent Accountants' Review Report at page 2 hereof).
20	Report to Stockholders for the three months ended September 30, 1994 (without financial statements).
27	Financial Data Schedule for the quarter ended September 30, 1994.

LETTER TO OUR STOCKHOLDERS

November 10, 1994

Dear Stockholder:

Our results for the first quarter of fiscal 1995 represent a noticeable improvement over the same period the prior year, which was severely weakened by the effects of record rain and floods. Net income for this year's first quarter, which ended September 30, was \$2,756,000, or \$0.28 per share on sales of \$45,984,000. Net income for the first quarter of fiscal 1994 was \$1,093,000, or \$0.11 per share on sales of \$39,162,000.

Unit sales of all of our principal products were up compared to first quarter volumes a year ago. The improved earnings were realized despite decreased efficiencies associated with the start-up of new equipment at our Pekin, Illinois plant, increased foreign competition and higher per bushel costs for grain.

The decreased efficiencies, which we continue to experience in the current quarter, are a short-term consequence of expansion projects that will strengthen our long-term growth capabilities. These projects involve doubling our total alcohol production capacity by January, 1995, and increasing our total wheat gluten capacity by 40% and our total wheat starch capacity by 70% by the spring of 1995.

While our gluten production was up compared to a year ago, marketing opportunities were tightened by the presence of increased imports from Europe. To retain market share and prove to our customers that we are their reliable supplier, we remained competitive despite being squeezed by higher wheat costs. Meanwhile, wheat starch production also increased due principally to a steady rise in unit sales of our modified varieties.

Unit sales of alcohol products climbed above last year's first quarter level, principally as the result of increased demand for food grade alcohol in beverage applications. Fuel grade alcohol unit sales rose slightly above the same period a year ago.

The Environmental Protection Agency and members of the petroleum industry are currently engaged in litigation over the legality of a recently adopted EPA addition to its Reformulated Gasoline Rules (RFG). The addition would require refiners to use certain amounts of renewable oxygenates such as grain-based ethanol in reformulated gasoline in the nine smoggiest metropolitan areas in the country. The court has temporarily stayed implementation of the additional rule to permit the issues to be briefed and orally argued by the parties. Although the court set an expedited schedule requiring that final briefs be submitted by January 12, 1995, it is uncertain as to when or if the stay will be lifted.

Whether or not the additional rule is upheld by the courts, we believe that the overall effect of the RFG rules will be to increase demand for ethanol and that we will continue to have opportunities to market the increased fuel alcohol production from our distillery expansion in Pekin.

Additionally, as I have emphasized on numerous occasions, a very significant reason for the distillery expansion is that it allows us to grow in our other principal product areas. Because our processes are integrated, gluten and starch capacities could not be increased without also increasing our alcohol capacity.

When the current expansion projects are completed at Pekin and the new capacities are increasingly utilized, we expect our efficiencies will steadily improve and allow us to become an even stronger producer long-term.

As previously announced, a dividend of \$0.125 per share was declared and is payable November 10, 1994 to stockholders of record October 27, 1994.

Sincerely,

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

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MIDWEST GRAIN PRODUCTS, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1994 AND CONDENSED CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000835011

<NAME> MIDWEST GRAIN PRODUCTS, INC.

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<F1>After deduction of allowances.

<F2>See Note F1

<F3>Reflects retained earnings and additional paid in capital.

<F4>Refelects net sales plus Other Operating Income.

<F5>Consists of Selling, general and administrative expenses.

<F6>Total revenues includes net "Other Operating Income." Net other operating income reflects excess other operating income after deducting interest expense.

</FN>