
Seneca Foods Corp

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Emerging Growth Company	False
ex Transition Period	False
Reporting Period	12/26/2020
Smaller Reporting Company?	True

Documents

10-Q	FORM 10-Q
EX-31.1	Exhibit 31.1
EX-31.2	Exhibit 31.2
EX-32	Exhibit 32

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**UNITED STATES
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 the Quarter Ended December 26, 2020

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

Commission File Number 0-01989

Seneca Foods Corporation

(Exact name of Company as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

16-0733425
(I. R. S. Employer
Identification No.)

3736 South Main Street, Marion, New York
(Address of principal executive offices)

14505
(Zip Code)

Company's telephone number, including area code 315/926-8100

Not Applicable

Former name, former address and former fiscal year,
if changed since last report

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
Common Stock Class A, \$.25 Par	SENEA	NASDAQ Global Market
Common Stock Class B, \$.25 Par	SENEB	NASDAQ Global Market

Indicate by check mark whether the Company (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 Company 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the Company is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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 checkmark if the Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of each of the issuer's classes of common stock at the latest practical date are:

<u>Class</u>	<u>Shares Outstanding at January 22, 2021</u>
Common Stock Class A, \$.25 Par	7,350,186
Common Stock Class B, \$.25 Par	1,718,002

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Seneca Foods Corporation
Quarterly Report on Form 10-Q
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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
 (In Thousands, Except Per Share Data)

	Unaudited December 26, 2020	Unaudited December 28, 2019	March 31, 2020
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 14,149	\$ 13,858	\$ 10,702
Accounts Receivable, Net	95,439	79,040	109,802
Contracts Receivable	1,207	7,620	7,610
Current Assets Held For Sale	11,375	-	-
Current Assets Held For Sale-Discontinued Operations	263	98	182
Inventories	410,927	493,065	411,631
Refundable Income Taxes	-	-	4,350
Other Current Assets	2,418	6,272	7,323
Total Current Assets	535,778	599,953	551,600
Property, Plant and Equipment, Net	225,500	219,311	228,489
Right-of-Use Assets Operating, Net	47,183	67,915	60,663
Right-of-Use Assets Financing, Net	31,331	34,784	33,617
Deferred Income Taxes, Net	-	-	7,872
Noncurrent Assets Held For Sale-Discontinued Operations	822	1,054	1,026
Other Assets	17,927	9,643	26,042
Total Assets	\$ 858,541	\$ 932,660	\$ 909,309
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts Payable	\$ 98,840	\$ 84,295	\$ 71,194
Deferred Revenue	7,548	12,105	7,758
Accrued Vacation	11,023	11,898	11,876
Accrued Payroll	9,992	6,157	11,864
Other Accrued Expenses	26,957	19,903	17,808
Income Taxes Payable	4,274	4,869	-
Current Liabilities Held For Sale-Discontinued Operations	-	2,744	880
Current Portion of Operating Lease Obligations	18,327	24,430	21,550
Current Portion of Financing Lease Obligations	6,608	6,584	6,224
Current Portion of Long-Term Debt	4,500	-	500
Total Current Liabilities	188,069	172,985	149,654
Long-Term Debt, Less Current Portion	94,077	225,337	217,081
Operating Lease Obligations, Less Current Portion	30,436	47,965	42,760
Financing Lease Obligations, Less Current Portion	20,546	27,007	24,366
Pension Liabilities	12,641	19,463	75,742
Deferred Income Taxes, Net	4,999	866	-
Other Long-Term Liabilities	4,240	3,852	5,342
Total Liabilities	355,008	497,475	514,945
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock	678	703	681
Common Stock, \$.25 Par Value Per Share	3,041	3,040	3,041
Additional Paid-in Capital	98,462	98,338	98,384
Treasury Stock, at Cost	(90,473)	(87,194)	(88,319)
Accumulated Other Comprehensive Loss	(79,220)	(18,285)	(79,220)
Retained Earnings	571,045	438,583	459,797
Total Stockholders' Equity	503,533	435,185	394,364
Total Liabilities and Stockholders' Equity	\$ 858,541	\$ 932,660	\$ 909,309

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
 (Unaudited)
 (In Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net Sales	\$ 484,392	\$ 392,971	\$ 1,162,851	\$ 1,027,898
Costs and Expenses:				
Cost of Product Sold	406,688	340,694	987,642	932,392
Selling, General and Administrative	22,613	19,986	60,211	53,936
Plant Restructuring (Credit)/Charge	(118)	793	169	6,745
Other Operating Income	(35,351)	(1,617)	(33,716)	(8,618)
Total Costs and Expenses	393,832	359,856	1,014,306	984,455
Operating Income	90,560	33,115	148,545	43,443
(Income)/Loss From Equity Investment	(728)	-	752	-
Other (Income)/Loss	(234)	(1,656)	2,457	(5,263)
Interest Expense, Net	1,531	2,690	4,586	9,183
Earnings From Continuing Operations Before Income Taxes	89,991	32,081	140,750	39,523
Income Taxes From Continuing Operations	17,531	7,653	29,479	9,357
Earnings From Continuing Operations	\$ 72,460	\$ 24,428	\$ 111,271	\$ 30,166
Earnings From Discontinued Operations (net of income taxes)	-	955	-	955
Net Earnings	<u>\$ 72,460</u>	<u>\$ 25,383</u>	<u>\$ 111,271</u>	<u>\$ 31,121</u>
Basic Earnings per Common Share				
Continuing Operations	\$ 7.96	\$ 2.65	\$ 12.18	\$ 3.23
Discontinued Operations	\$ -	\$ 0.10	\$ -	\$ 0.10
Net Basic Earnings per Common Share	\$ 7.96	\$ 2.75	\$ 12.18	\$ 3.33
Diluted Earnings per Common Share:				
Continuing Operations	\$ 7.90	\$ 2.63	\$ 12.09	\$ 3.20
Discontinued Operations	\$ -	\$ 0.10	\$ -	\$ 0.10
Net Diluted Earnings per Common Share	\$ 7.90	\$ 2.73	\$ 12.09	\$ 3.31

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)
 (In Thousands)

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Comprehensive income:				
Net earnings	\$ 72,460	\$ 25,383	\$ 111,271	\$ 31,121
Total	<u>\$ 72,460</u>	<u>\$ 25,383</u>	<u>\$ 111,271</u>	<u>\$ 31,121</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (In Thousands)

	Nine Months Ended	
	December 26, 2020	December 28, 2019
Cash Flows from Operating Activities:		
Net Earnings From Continuing Operations	\$ 111,271	\$ 30,166
Net Earnings From Discontinued Operations (Net of Tax)	-	955
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operations:		
Depreciation & Amortization	24,302	22,644
Gain on the Sale of Assets	(35,976)	(9,049)
Provision for Restructuring and Impairment	169	5,573
Loss From Equity Investment	752	-
Deferred Income Tax Benefit	12,871	3,283
Changes in Operating Assets and Liabilities:		
Accounts Receivable	20,766	(2,538)
Inventories	704	8,619
Other Current Assets	4,658	(3,197)
Income Taxes	8,624	6,763
Accounts Payable, Accrued Expenses and Other	(45,051)	26,805
Net Cash Provided by Operations	103,090	90,024
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(40,167)	(47,681)
Proceeds from the Sale of Assets	72,782	22,175
Net Cash Provided By/(Used In) Investing Activities	32,615	(25,506)
Cash Flows from Financing Activities:		
Long-Term Borrowing	468,181	401,053
Payments on Long-Term Debt	(587,185)	(439,803)
Other Assets	(6,407)	(7,125)
Payments on Financing Leases	(4,681)	(4,799)
Purchase of Treasury Stock	(2,154)	(11,454)
Dividends	(12)	(12)
Net Cash Used In Financing Activities	(132,258)	(62,140)
Net Increase in Cash and Cash Equivalents	3,447	2,378
Cash and Cash Equivalents, Beginning of the Period	10,702	11,480
Cash and Cash Equivalents, End of the Period	\$ 14,149	\$ 13,858
Supplemental Disclosures of Cash Flow Information:		
Noncash Transactions:		
Property, Plant and Equipment Purchased Under Lease Obligations	\$ 5,214	\$ 9,782

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (Unaudited)
 (In Thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
First Quarter FY 2021:						
Balance March 31, 2020	\$ 681	\$ 3,041	\$ 98,384	\$ (88,319)	\$ (79,220)	\$ 459,797
Net earnings	-	-	-	-	-	20,706
Cash dividends declared on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	28	-	-	-
Balance June 27, 2020	\$ 681	\$ 3,041	\$ 98,412	\$ (88,319)	\$ (79,220)	\$ 480,491
Second Quarter FY 2021:						
Net earnings	-	-	-	-	-	18,105
Equity incentive program	-	-	24	-	-	-
Purchase treasury stock	-	-	-	(1,163)	-	-
Balance September 26, 2020	\$ 681	\$ 3,041	\$ 98,436	\$ (89,482)	\$ (79,220)	\$ 498,596
Third Quarter FY 2021:						
Net earnings	-	-	-	-	-	72,460
Cash dividends declared on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	23	-	-	-
Preferred stock conversion	(3)	-	3	-	-	-
Purchase treasury stock	-	-	-	(991)	-	-
Balance December 26, 2020	\$ 678	\$ 3,041	\$ 98,462	\$ (90,473)	\$ (79,220)	\$ 571,045
First Quarter FY 2020:						
Balance March 31, 2019	\$ 707	\$ 3,039	\$ 98,260	\$ (75,740)	\$ (18,285)	\$ 409,504
Net earnings	-	-	-	-	-	1,103
Cash dividends declared on preferred stock	-	-	-	-	-	(12)
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(2,744)	-	-
Operating lease impairment adjustment upon the adoption of ASU 2016-02 "Leases" (net of tax)	-	-	-	-	-	(2,019)
Balance June 29, 2019	\$ 707	\$ 3,039	\$ 98,285	\$ (78,484)	\$ (18,285)	\$ 408,576
Second Quarter FY 2020:						
Net earnings	-	-	-	-	-	4,635
Equity incentive program	-	-	25	-	-	-
Preferred stock conversion	(4)	1	3	-	-	-
Purchase treasury stock	-	-	-	(5,836)	-	-
Balance September 28, 2019	\$ 703	\$ 3,040	\$ 98,313	\$ (84,320)	\$ (18,285)	\$ 413,211
Third Quarter FY 2020:						
Net earnings	-	-	-	-	-	25,383
Cash dividends declared on preferred stock	-	-	-	-	-	(11)
Equity incentive program	-	-	25	-	-	-
Purchase treasury stock	-	-	-	(2,874)	-	-
Balance December 28, 2019	\$ 703	\$ 3,040	\$ 98,338	\$ (87,194)	\$ (18,285)	\$ 438,583

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	Preferred Stock				Common Stock	
	6% Cumulative Par Value \$.25 Callable at Par Voting	10% Cumulative Par Value \$.025 Convertible Voting	Participating Convertible Par Value \$.025	2003 Series Participating Convertible Par Value \$.025	Class A Common Stock Par Value \$.25	Class B Common Stock Par Value \$.25
Shares authorized and designated:						
December 26, 2020	200,000	1,400,000	35,105	500	20,000,000	10,000,000
Shares outstanding:						
December 26, 2020	200,000	807,240	35,105	500	7,350,186	1,718,002

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 26, 2020

1. Unaudited Condensed Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of Seneca Foods Corporation (the "Company") as of December 26, 2020 and results of its operations and its cash flows for the interim periods presented. All significant intercompany transactions and accounts have been eliminated in consolidation. The March 31, 2020 balance sheet was derived from the audited consolidated financial statements.

The results of operations for the three and nine month periods ended December 26, 2020 are not necessarily indicative of the results to be expected for the full year.

For the nine months ended December 26, 2020 and December 28, 2019 the Company sold certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement(s) provide that title to the specified inventory is transferred to the customer(s) prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 2020 Annual Report on Form 10-K.

Other footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's 2020 Annual Report on Form 10-K.

All references to years are fiscal years ended or ending March 31 unless otherwise indicated. Certain percentage tables may not foot due to rounding.

Reclassifications—Certain previously reported amounts have been reclassified to conform to the current period classification. In addition, the Company has adjusted its prior quarter cash flow statement to properly reflect lease payments made on operating leases under Accounting Standards Codification ("ASC") 842 - Leases. This adjustment reduced net cash provided by operations and reduced net cash used in financing activities.

2. Discontinued Operations

On July 13, 2018, the Company executed a nonbinding letter of intent with a perspective buyer of the Modesto facility. On October 9, 2018, the Company closed on the sale of the facility to this outside buyer with net proceeds of \$63,326,000. During the second quarter of fiscal 2019, the Company ceased use of the Modesto facility. Based on its magnitude of revenue to the Company (approximately 15%) and because the Company was exiting the production of peaches, this sale represented a significant strategic shift that has a material effect on the Company's operations and financial results. Accordingly, the Company has applied discontinued operations treatment for this sale as required by ASC 210-05—Discontinued Operations. The business we exited is part of the Fruit and Vegetable segment.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 26, 2020

The following table presents information related to the major classes of assets and liabilities of Modesto that are classified as Held For Sale-Discontinued Operations in the Company's Consolidated Balance Sheets (in thousands):

	December 26, 2020	December 28, 2019	March 31, 2020
Other Current Assets	263	98	182
Current Assets Held For Sale-Discontinued Operations	<u>\$ 263</u>	<u>\$ 98</u>	<u>\$ 182</u>
Other Assets	822	1,054	1,026
Noncurrent Assets Held For Sale-Discontinued Operations	<u>\$ 822</u>	<u>\$ 1,054</u>	<u>\$ 1,026</u>
Accounts Payable and Accrued Expenses	\$ -	\$ 2,744	\$ 880
Current Liabilities Held For Sale-Discontinued Operations	<u>\$ -</u>	<u>\$ 2,744</u>	<u>\$ 880</u>

The operating results of the discontinued operations that are reflected in the Unaudited Condensed Consolidated Statements of Net Earnings from discontinued operations are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28 2019	December 26, 2020	December 28 2019
Net Sales	\$ -	\$ -	\$ -	\$ -
Cost of Product Sold	-	57	-	57
Plant Restructuring Credit (a)	-	(902)	-	(902)
Earnings From Discontinued Operations Before Income Taxes	-	(845)	-	(845)
Gain on the Sale of Assets Before Income Taxes	-	(430)	-	(430)
Income Tax Expense	-	320	-	320
Net Earnings From Discontinued Operations, Net of Tax	<u>\$ -</u>	<u>\$ (955)</u>	<u>\$ -</u>	<u>\$ (955)</u>

(a) Includes \$902,000 credit for pension termination in the three and nine month periods of current year, respectively.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 26, 2020

3. Assets Held For Sale

As of December 26, 2020, the Company has certain non-operating units in the Midwest that met the criteria to be classified as held for sale, which requires the Company to present the related assets and liabilities as separate line items in our Condensed Consolidated Balance Sheet. The Company is required to record the assets held for sale at the lower of carrying value or fair value less costs to sell. The following table presents information related to the major classes of assets and liabilities that were held for sale in our Condensed Consolidated Balance sheets (in thousands):

	December 26, 2020
Property, Plant and Equipment (net)	\$ 11,375
Current Assets Held For Sale	\$ 11,375

4. Revenue Recognition

In the following table, revenue is disaggregated by product category groups (in millions):

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Canned Vegetables	\$ 394.5	\$ 297.3	\$ 917.8	\$ 757.4
Frozen	27.3	30.6	76.3	89.7
Fruit Products	30.7	32.2	73.4	81.8
Chip Products	2.8	2.9	8.2	8.9
Prepared Foods	23.5	25.5	71.9	78.9
Other	5.6	4.5	15.3	11.2
	\$ 484.4	\$ 393.0	\$ 1,162.9	\$ 1,027.9

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 26, 2020

5. **Inventories**

First-In, First-Out ("FIFO") based inventory costs exceeded LIFO based inventory costs by \$139,999,000 as of the end of the third quarter of fiscal 2021 as compared to \$153,884,000 as of the end of the third quarter of fiscal 2020. The change in the LIFO Reserve for the three months ended December 26, 2020 was a decrease of \$4,656,000 as compared to a decrease of \$11,337,000 for the three months ended December 28, 2019.

The change in the LIFO Reserve for the nine months ended December 26, 2020 was a decrease of \$4,268,000 as compared to a decrease of \$7,457,000 for the nine months ended December 28, 2019. This current year-to-date decrease reflects the impact of lower inventory levels as a result of increased sales volumes and lower than planned pack quantities for certain commodities. The following table shows inventory by category and the related LIFO balance (in thousands):

	December 26, 2020	December 28, 2019	March 31, 2020
Finished products	\$ 421,987	\$ 465,306	351,251
In process	38,552	34,685	31,173
Raw materials and supplies	90,387	146,958	173,474
	550,926	646,949	555,898
Less excess of FIFO cost over LIFO cost	139,999	153,884	144,267
Total inventories	\$ 410,927	\$ 493,065	\$ 411,631

6. **Leases**

The Company determines if an arrangement is a lease at inception of the agreement. Operating leases are included in right-of-use operating assets, and current and noncurrent operating lease obligations in the Company's Condensed Consolidated Balance Sheets. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If the lease does not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The right-of-use operating lease assets also include in its calculation any prepaid lease payments made and excludes any lease incentives received from the arrangement. The Company's lease terms may include options to extend or terminate the lease, and the impact of these options are included in the lease liability and lease asset calculations when the exercise of the option is at the Company's sole discretion and it is reasonably certain that the Company will exercise that option. The Company will not separate lease and nonlease components for its leases when it is impractical to separate the two, such as leases with variable payment arrangements. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

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SENECA FOODS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 26, 2020

The Company has operating leases for land, machinery and equipment. The Company also has finance leases for machinery and equipment. The commencement date used for the calculation of the lease obligation is the latter of the commencement date of the new standard (April 1, 2019) or the lease start date. Certain of the leases have options to extend the life of the lease, which are included in the liability calculation when the option is at the sole discretion of the Company and it is reasonably certain that the Company will exercise the option. In addition, the Company has certain leases that have variable payments based solely on output or usage of the leased asset. These variable operating lease assets are excluded from the Company's balance sheet presentation and expensed as incurred. Leases with an initial term of 12 months or less are not material.

Upon adoption of Accounting Standards Update ("ASU") No. 2016-02, the Company determined its right-of-use assets related to the operating leases for its plant equipment in Sunnyside, Washington were partially impaired and therefore were reduced with a corresponding charge to retained earnings of \$2,019,000 (which is net of tax). The estimated lives of these assets were shortened due to the planned closure of the facility after the year's pack.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Lease cost:				
Amortization of right of use asset	\$ 1,200	\$ 1,084	\$ 3,531	\$ 3,191
Interest on lease liabilities	271	321	843	1,033
Finance lease cost	1,471	1,405	4,374	4,224
Operating lease cost	5,832	7,545	18,478	23,234
Total lease cost	\$ 7,303	\$ 8,950	\$ 22,852	\$ 27,458
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from finance leases			\$ 843	\$ 1,033
Operating cash flows from operating leases			19,833	24,531
Financing cash flows from finance leases			4,681	4,799
			\$ 25,357	\$ 30,363
Right-of-use assets obtained in exchange for new finance lease liabilities				
			\$ 1,489	\$ 3,697
Right-of-use assets obtained in exchange for new operating lease liabilities				
			\$ 3,725	\$ 6,085
Weighted-average lease term (years):				
Financing leases			4.7	5.4
Operating leases			3.5	3.9
Weighted-average discount rate (percentage):				
Financing leases			4.1	4.2
Operating leases			4.4	4.6

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Undiscounted future lease payments under non-cancelable operating leases and financial leases, along with a reconciliation of undiscounted cash flows to operating and financing lease liabilities, respectively, as of December 26, 2020 were as follows (in thousands):

Years ending March 31:	Operating	Financing
Balance of 2021	\$ 4,106	\$ 1,886
2022	19,398	7,544
2023	13,926	7,544
2024	7,006	6,016
2025	3,485	2,662
2026-2032	4,720	4,266
Total minimum payment required	\$ 52,641	\$ 29,918
Less interest	3,878	2,764
Present value of minimum lease payments	48,763	27,154
Amount due within one year	18,327	6,608
Long-term lease obligations	\$ 30,436	\$ 20,546

7. **Revolving Credit Facility**

The Company entered into a five-year revolving credit facility (“Revolver”) on July 5, 2016. Maximum borrowings under the Revolver total \$300,000,000 from April through July and \$400,000,000 from August through March. The Revolver balance as of December 26, 2020 was \$0. The Company utilizes its Revolver for general corporate purposes, including seasonal working capital needs, to pay debt principal and interest obligations, and to fund capital expenditures and acquisitions. Seasonal working capital needs are affected by the growing cycles of the vegetables and fruits the Company processes. The majority of vegetable and fruit inventories are produced during the months of June through November and are then sold over the following year. Payment terms for vegetable and fruit produce are generally three months but can vary from a few days to seven months. Accordingly, the Company’s need to draw on the Revolver may fluctuate significantly throughout the year.

The decrease in average amount of Revolver borrowings during the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020 was attributable to strong earnings during the first nine months of fiscal 2021.

General terms of the Revolver include payment of interest at LIBOR plus a defined spread.

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The following table documents the quantitative data for Revolver borrowings during the third quarter and year-to-date for fiscal 2021 and fiscal 2020 (in thousands):

	Third Quarter		Year-to-Date	
	2021	2020	2021	2020
Reported end of period:				
Outstanding borrowings	\$ -	\$ 114,689	\$ -	\$ 114,689
Weighted average interest rate	-%	3.27%	-%	3.27%
Reported during the period:				
Maximum amount of borrowings	\$ 81,052	\$ 137,418	\$ 107,967	\$ 151,477
Average outstanding borrowings	\$ 32,099	\$ 115,626	\$ 45,022	\$ 127,078
Weighted average interest rate	1.87%	3.40%	2.92%	3.75%

8. Stockholders' Equity

During the nine-month period ended December 26, 2020, the Company repurchased \$2,154,000 of its Class A Common Stock and none of its Class B Common Stock as Treasury Stock. As of December 26, 2020, there are 3,097,292 shares or \$90,473,000 of repurchased stock. These shares are not considered outstanding.

9. Retirement Plans

The net periodic benefit cost for the Company's pension plan consisted of (dollar amounts in thousands):

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Service Cost Including Administration	\$ 923	\$ 2,283	\$ 7,442	\$ 6,848
Interest Cost	2,302	2,316	6,907	6,947
Expected Return on Plan Assets	(4,814)	(3,957)	(11,835)	(11,870)
Amortization of Prior Service Cost	22	30	68	90
Amortization of Net Loss	2,257	29	7,317	87
Net Periodic Benefit Cost	<u>\$ 690</u>	<u>\$ 701</u>	<u>\$ 9,899</u>	<u>\$ 2,102</u>

On December 14, 2020, the Company made a pension contribution of \$73,000,000 to offset declines in plan assets as of the last measurement date of March 31, 2020 that was due to a COVID-19 induced deterioration in market conditions and avoid variable rate PBGC premiums. There were no contributions made in the nine month period ended December 28, 2019.

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10. Plant Restructuring

The following table summarizes the rollforward of restructuring charges and related asset impairment charges recorded and the accruals established (In thousands):

	Restructuring Payable		
	Severance	Other Costs	Total
Balance March 31, 2020	\$ 202	\$ -	\$ 202
First quarter charge	219	44	263
Second quarter charge	8	16	24
Third quarter credit	-	(118)	(118)
Cash payments/write offs	(429)	58	(371)
Balance December 26, 2020	\$ -	\$ -	\$ -
	Severance	Other Costs	Total
Balance March 31, 2019	\$ 225	\$ 1	\$ 226
First quarter charge	586	4,220	4,806
Second quarter charge	386	760	1,146
Third quarter charge	28	765	793
Cash payments/write offs	(1,145)	(5,746)	(6,891)
Balance December 28, 2019	\$ 80	\$ -	\$ 80

During the nine months ended December 26, 2020, the Company recorded a restructuring charge of \$169,000 related to closed plants, of which \$227,000 was related to severance and \$44,000 was for lease impairments partially offset by a \$102,000 credit of a former grower payment.

During the nine months ended December 28, 2019, the Company recorded a restructuring charge of \$6,745,000 related to the closing of plants in the Midwest and Northwest of which \$5,266,000 was for accelerated amortization of right-of-use operating lease assets, \$2,354,000 was mostly related to equipment moves and \$1,000,000 was related to severance. The Company also recorded a credit of \$1,875,000 for the reduced lease liability of previously impaired leases.

11. Other Operating Income and Expense

On December 18, 2020, the Company completed the sale of its prepared foods business to an unaffiliated buyer who was not a previous customer. The Company recorded a gain on the sale of the prepared food business of \$35,660,000. Additionally during the nine months ended December 26, 2020, the Company recorded a loss of \$405,000 on the disposal of equipment from a sold Northwest plant and a loss on the sale of unused fixed assets of \$365,000. The Company also recorded a charge of \$1,174,000 for a supplemental early retirement plan. During the nine months ended December 28, 2019 the Company recorded a gain on the partial sale of a plant in the Midwest of \$3,742,000 and a gain on the partial sale of a plant in the Northwest of \$1,737,000. The Company also recorded a gain on the sale of unused fixed assets of \$3,139,000.

These items are included in Other Operating Income in the Unaudited Condensed Consolidated Statements of Net Earnings.

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12. Recently Issued Accounting Standards

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. The amendments in this ASU should be applied on a retrospective basis to all periods presented. We are currently evaluating the effect that ASU 2018-14 will have on our condensed consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12 to simplify the accounting for income taxes by removing certain exceptions to the general principles and simplify areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enacted tax laws or rate changes. The new standard will be effective for the Company in the first quarter of fiscal year 2022. We are currently evaluating the effect that the new standard will have on the Company's financial position, results of operations and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which was subsequently amended in November 2018 through ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." ASU No. 2016-13 will require entities to estimate lifetime expected credit losses for trade and other receivables along with other financial instruments which will result in earlier recognition of credit losses. Further, the new credit loss model will affect how entities in all industries estimate their allowance for losses for receivables that are current with respect to their payment terms. In November 2019, the FASB issued ASU No. 2019-10, which, among other things, deferred the application of the new guidance on credit losses for smaller reporting companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This guidance will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., a modified-retrospective approach). Under the above-mentioned deferral, the Company expects to adopt ASU No. 2016-03, and the related ASU No. 2018-19 amendments, beginning as of April 1, 2023 and is in the process of assessing the impact, if any, that this new guidance is expected to have on the Company's results of operations, financial condition and/or financial statement disclosures.

In May 2020, the SEC issued a final rule that amends the financial statement requirements for acquisitions and dispositions of businesses. The amendments primarily relate to disclosures required by Rule 3-05 and Article 11 of Regulation S-X. Among other things, the final rule modifies the tests provided in Rule 1-02(w) of Regulation S-X used to determine whether a subsidiary or an acquired or disposed business is significant. The amendments take effect January 1, 2021. The Company has elected not to early adopt the provisions of the final rule, and therefore the final rule becomes effective January 1, 2021 and will not impact the Company's financial statement disclosures unless we acquire or dispose of a business subsequent to the effective date.

There were no other recently issued accounting pronouncements that impacted the Company's condensed consolidated financial statements. In addition, the Company did not adopt any other new accounting pronouncements during the quarter ended December 26, 2020.

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13. Earnings per Common Share From Continuing Operations

Earnings per share for the quarters and year-to-date periods ended December 26, 2020 and December 28, 2019 are as follows:

(Thousands, except per share amounts)	QUARTER		YEARTODATE	
	Fiscal 2021	Fiscal 2020	Fiscal 2021	Fiscal 2020
Basic				
Earnings from continuing operations	\$ 72,460	\$ 24,428	\$ 111,271	\$ 30,166
Deduct preferred stock dividends paid	6	6	17	17
Undistributed earnings from continuing operations	72,454	24,422	111,254	30,149
Earnings from continuing operations attributable to participating preferred	285	100	437	122
Earnings from continuing operations attributable to common shareholders	\$ 72,169	\$ 24,322	\$ 110,817	\$ 30,027
Weighted average common shares outstanding	9,071	9,176	9,095	9,307
Basic earnings per common share from continuing operations	\$ 7.96	\$ 2.65	\$ 12.18	\$ 3.23
Diluted				
Earnings from continuing operations attributable to common shareholders	\$ 72,169	\$ 24,322	\$ 110,817	\$ 30,027
Add dividends on convertible preferred stock	5	5	15	15
Earnings from continuing operations attributable to common stock on a diluted basis	\$ 72,174	\$ 24,327	\$ 110,832	\$ 30,042
Weighted average common shares outstanding-basic	9,071	9,176	9,095	9,307
Additional shares issued related to the equity compensation plan	2	2	2	2
Additional shares to be issued under full conversion of preferred stock	67	67	67	67
Total shares for diluted	9,140	9,245	9,164	9,376
Diluted earnings per common share from continuing operations	\$ 7.90	\$ 2.63	\$ 12.09	\$ 3.20

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Earnings per Common Share From Discontinued Operations

(Thousands, except per share amounts)	Fiscal 2021	Fiscal 2020	Fiscal 2021	Fiscal 2020
Discontinued Operations				
<u>Basic</u>				
Earnings from discontinued operations	\$ -	\$ 955	\$ -	\$ 955
Deduct preferred stock dividends paid	-	6	-	17
Undistributed earnings from discontinued operations	-	949	-	938
Earnings from discontinued operations attributable to participating preferred	-	4	-	4
Earnings from discontinued operations attributable to common shareholders	<u>\$ -</u>	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 934</u>
Weighted average common shares outstanding	-	9,176	-	9,307
Basic earnings per common share from discontinued operations	<u>\$ -</u>	<u>\$ 0.10</u>	<u>\$ -</u>	<u>\$ 0.10</u>
<u>Diluted</u>				
Earnings from discontinued operations attributable to common shareholders	\$ -	945	\$ -	934
Add dividends on convertible preferred stock	-	5	-	15
Earnings from discontinued operations attributable to common stock on a diluted basis	<u>\$ -</u>	<u>\$ 950</u>	<u>\$ -</u>	<u>\$ 949</u>
Weighted average common shares outstanding-basic		9,176		9,307
Additional shares issued related to the equity compensation plan		2		2
Additional shares to be issued under full conversion of preferred stock		67		67
Total shares for diluted	<u>-</u>	<u>9,245</u>	<u>-</u>	<u>9,376</u>
Diluted earnings per common share from discontinued operations	<u>\$ -</u>	<u>\$ 0.10</u>	<u>\$ -</u>	<u>\$ 0.10</u>

14. Fair Value of Financial Instruments

As required by ASC 825 - Financial Instruments, the Company estimates the fair values of financial instruments on a quarterly basis. The estimated fair value for long-term debt (classified as Level 2 in the fair value hierarchy) is determined by the quoted market prices for similar debt (comparable to the Company's financial strength) or current rates offered to the Company for debt with the same maturities. Long-term debt, including current portion had a carrying amount of \$98,577,000 and an estimated fair value of \$99,225,000 as of December 26, 2020. Long-term debt, including current portion had a carrying amount of \$225,337,000 and an estimated fair value of \$225,287,000 as of December 28, 2019. As of March 31, 2020, the carrying amount was \$217,581,000 and the estimated fair value was \$217,559,000. The fair values of all the other financial instruments approximate their carrying value due to their short-term nature.

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15. **Income Taxes**

The effective tax rate for continuing operations was 20.9% and 23.7% for the nine month periods ended December 26, 2020 and December 28, 2019, respectively. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), among other things, allows NOLs incurred in taxable years beginning after December 31, 2017 and before January 01, 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company was able to carryback the NOL generated in the 2019 tax year at a 21% corporate tax rate to the 2015 tax year at a 35% corporate tax rate. The tax rate difference realized for the NOL carryback decreased the Company's effective tax rate by 3.2%. The effective tax rate was also decreased 0.5% by the receipt of interest from the previously filed federal NOL carryback and the reversal of interest and penalties from the removal of the uncertain tax benefits for 163(j) interest limitations due to changes in regulations. The overall effective tax rate decrease was offset primarily by a 0.7% increase in the tax rate resulting from federal credits and incentives and a 0.5% increase from state credits and incentives. The dollar amount of the credits and incentives did not change significantly. Projected pre-tax income increased from 2020 to 2021, resulting in the credits and incentives having a smaller impact on the tax rate in 2021.

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Seneca Foods Corporation (the “Company”) is a leading provider of packaged fruits and vegetables, with facilities located throughout the United States. The Company’s product offerings include canned, frozen and bottled produce and snack chips. Its products are sold under private label as well as national and regional brands that the Company owns or licenses, including Seneca®, Libby’s®, Aunt Nellie’s®, Cherryman®, Green Valley® and READ®. The Company’s canned fruits and vegetables are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. The Company also sells its products to foodservice distributors, industrial markets, other food processors, export customers in over 90 countries and federal, state and local governments for school and other food programs. The Company packs canned vegetables as well as frozen vegetables under contract packing agreements.

The Company’s raw product is harvested mainly between June through November.

Impact of the COVID-19 Pandemic:

The continued spread of COVID-19 throughout the United States and the international community has had, and will continue to have, an impact on financial markets, economic conditions, and portions of our business and industry.

Business Impact – We have implemented a wide range of precautionary measures at our manufacturing facilities and other work locations in response to COVID-19. We have also been working closely with our supply chain partners to ensure that we can continue to provide uninterrupted service. To date, there has been minimal disruption in our supply chain network, including the supply of fruits and vegetables, packaging or other sourced materials. We also continue to work closely with our customers and have implemented measures to allocate order volumes to ensure a consistent supply across our retail partners during this period of high demand.

We continue to monitor the latest guidance from the CDC, FDA and other federal, state and local authorities regarding COVID-19 to ensure our safety protocols remain current to protect our employees, customers, suppliers and other business partners.

Financial Impact to Date – We began to see a significant increase in net sales in the second half of March 2020 as the COVID-19 pandemic reached the United States and consumers began pantry loading and increasing their at-home consumption as a result of increased social distancing and stay-at-home mandates. The overall increase in net sales has continued for the first three quarters of 2021. Growth in the retail channel has remained strong and exceeded declines in the foodservice and chain channels experienced due to the pandemic.

We have incurred incremental costs to take the precautionary health and safety measures described above, which partially offsets the net sales favorability in our operating results, however gross margin has increased through nine months of 2021 as compared to the same time period of 2020. Most of the incremental costs impact our costs of goods sold and the remaining portion impacts our selling, general and administrative expenses.

As reflected above, the pandemic has to date overall had a positive impact on our operating results and our net cash provided by operating activities. As a result, during the third quarter of 2020 we repaid all outstanding borrowings under our revolving credit facility.

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Expectations and Risk Factors in Light of the COVID-19 Pandemic - As discussed above, increased customer and consumer demand resulting from the COVID-19 pandemic, social distancing and stay-at-home mandates has had a material positive impact on our company's net sales, net cash provided by operating activities and net leverage in the first three quarters of 2021. However, the ultimate impact of the COVID-19 pandemic on our business will depend on many factors, including, among others, the duration of social distancing and stay-at-home mandates and whether an additional wave of COVID-19 will affect the United States and the rest of North America, our company's ability to continue to operate our manufacturing facilities, retain a sufficient seasonal workforce, fill open full time positions, maintain our supply chain without material disruption, and procure ingredients, packaging and other raw materials when needed despite unprecedented demand in the food industry, and the extent to which macroeconomic conditions resulting from the pandemic and the pace of the subsequent recovery may impact consumer eating habits.

Internal controls over financial reporting have not been impacted by COVID-19. Management is continuously monitoring to ensure controls are effective and properly maintained.

Results of Operations:

Sales:

Net sales were \$484,392,000 for the three months ended December 26, 2020 as compared with \$392,971,000 for the three months ended December 28, 2019. The net sales increase of \$91,421,000, or 23.3%, was due to a sales volume increase of \$71,265,000 and by higher selling prices/sales mix of \$20,156,000. The increase in sales is primarily from a \$97,198,000 increase in Canned Vegetable sales and a \$1,114,000 increase in Other sales partially offset by a \$3,298,000 decrease in Frozen sales, a \$1,515,000 decrease in Fruit Product sales, a \$1,964,000 decrease in Prepared Food sales, and a \$114,000 decrease in Chip Product sales.

Net sales were \$1,162,851,000 for the nine months ended December 26, 2020 as compared with \$1,027,898,000 for the nine months ended December 28, 2019. The net sales increase of \$134,953,000, or 13.1%, was due to a sales volume increase of \$76,735,000 and by higher selling prices/sales mix of \$58,218,000. The increase in sales is primarily from a \$160,381,000 increase in Canned Vegetable sales and a \$4,097,000 increase in Other sales, partially offset by a \$13,443,000 decrease in Frozen sales, a \$8,344,000 decrease in Fruit Product sales, a \$7,045,000 decrease in Prepared Food sales, and a \$693,000 decrease in Chip Product sales.

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The following table presents net sales by product category (in millions):

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Canned Vegetables	\$ 394.5	\$ 297.3	\$ 917.8	\$ 757.4
Frozen	27.3	30.6	76.3	89.7
Fruit Products	30.7	32.2	73.4	81.8
Chip Products	2.8	2.9	8.2	8.9
Prepared Foods	23.5	25.5	71.9	78.9
Other	5.6	4.5	15.3	11.2
	\$ 484.4	\$ 393.0	\$ 1,162.9	\$ 1,027.9

Operating Income:

The following table presents components of operating income as a percentage of net sales:

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Gross Margin	16.0%	13.3%	15.1%	9.3%
Selling	2.2%	2.4%	2.2%	2.5%
Administrative	2.5%	2.7%	3.0%	2.8%
Plant Restructuring	0.0%	0.2%	0.0%	0.7%
Other Operating Loss/(Income)	-7.3%	-0.4%	-2.9%	-0.8%
Operating Income	18.7%	8.4%	12.8%	4.2%
Interest Expense, Net	0.3%	0.7%	0.4%	0.9%

Gross margin for the three months ended December 26, 2020 was 16.0% as compared with 13.3% for the three months ended December 28, 2019. The increase in gross margin for the three months ended December 26, 2020 was due primarily to higher selling prices/mix partially offset by a less favorable LIFO adjustment. The Company's LIFO credit for the three months ended December 26, 2020 was \$4,656,000 as compared to a credit of \$11,337,000 for the three months ended December 28, 2019. This reflects the impact of lower inventory levels as a result of the increased sales volumes and lower than planned pack quantities for certain commodities. On an after-tax basis, LIFO increased net earnings by \$3,492,000 for the three months ended December 26, 2020 and increased net earnings by \$8,503,000 for the three months ended December 28, 2019, based on the historical statutory federal income tax rate.

Gross margin for the nine months ended December 26, 2020 was 15.1% as compared with 9.3% for the nine months ended December 28, 2019. The increase in gross margin for the nine months ended December 26, 2020 was due primarily to higher selling prices/mix partially offset by a less favorable LIFO adjustment. The Company's LIFO credit for the nine months ended December 26, 2020 was \$4,268,000 as compared to a credit of \$7,457,000 for the nine months ended December 28, 2019, reflecting the impact of lower inventory levels as a result of the increased sales volumes and lower than planned pack quantities for certain commodities. On an after-tax basis, LIFO increased net earnings by \$3,201,000 for the nine months ended December 26, 2020 and increased net earnings by \$5,593,000 for the nine months ended December 28, 2019, based on the historical statutory federal income tax rate.

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Selling costs as a percentage of net sales for the three months ended December 26, 2020 were 2.2% as compared with 2.4% for the prior year quarter. For the nine months ended December 26, 2020, selling costs as a percentage of net sales were 2.2% as compared with 2.5% for the same period of the prior year. The decreases in selling costs as a percentage of net sales for the three and nine months ended December 26, 2020 are primarily due to higher sales and the fixed nature of certain expenses.

Administrative costs as a percentage of net sales for the three months ended December 26, 2020 were 2.5% as compared with 2.7% for the prior year quarter, which was driven by higher sales in the quarter. For the nine month period ended December 26, 2020, administrative costs as a percentage of net sales were 3.0% as compared with 2.8% for the same period of the prior year. The increase in administrative costs as a percentage of net sales for the nine months ended December 26, 2020 is primarily due to higher employment costs.

On December 18, 2020, the Company completed the sale of its prepared foods business to an unaffiliated buyer who was not a previous customer. The Company recorded a gain on the sale of the prepared food business of \$35,660,000. Additionally during the nine months ended December 26, 2020, the Company recorded a loss of \$405,000 on the disposal of equipment from a sold Northwest plant and a loss on the sale of unused fixed assets of \$365,000. The Company also recorded a charge of \$1,174,000 for a supplemental early retirement plan. During the nine months ended December 28, 2019 the Company recorded a gain on the partial sale of a plant in the Midwest of \$3,742,000 and a gain on the partial sale of a plant in the Northwest of \$1,737,000. The Company also recorded a gain of on the sale of unused fixed assets of \$3,139,000. These items are included in Other Operating Income in the Unaudited Condensed Consolidated Statements of Net Earnings.

Interest expense as a percentage of net sales for the three months ended December 26, 2020 was 0.3% as compared with 0.7% for the prior year quarter. For the nine months ended December 26, 2020, interest expense as a percentage of net sales was 0.4% as compared with 0.9% for the same period of the prior year. During fiscal 2021, overall borrowings and interest rates were lower than the previous year resulting in lower interest expense for the three and nine months ended December 26, 2020.

Income Taxes:

The effective tax rate for continuing operations was 20.9% and 23.7% for the nine month periods ended December 26, 2020 and December 28, 2019, respectively. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), among other things, allows NOLs incurred in taxable years beginning after December 31, 2017 and before January 01, 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company was able to carryback the NOL generated in the 2019 tax year at a 21% corporate tax rate to the 2015 tax year at a 35% corporate tax rate. The tax rate difference realized for the NOL carryback decreased the Company's effective tax rate by 3.2%. The effective tax rate was also decreased 0.5% by the receipt of interest from the previously filed federal NOL carryback and the reversal of interest and penalties from the removal of the uncertain tax benefits for 163(j) interest limitations due to changes in regulations. The overall effective tax rate decrease was offset primarily by a 0.7% increase in the tax rate resulting from federal credits and incentives and a 0.5% increase from state credits and incentives. The dollar amount of the credits and incentives did not change significantly. Projected pre-tax income increased from 2020 to 2021, resulting in the credits and incentives having a smaller impact on the tax rate in 2021.

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Earnings per Share:

Continuing basic earnings per share were \$7.96 and \$2.65 for the three months ended December 26, 2020 and December 28, 2019, respectively. Continuing diluted earnings per share were \$7.90 and \$2.63 for the three months ended December 26, 2020 and December 28, 2019, respectively. Continuing basic earnings per share were \$12.18 and \$3.23 for the nine months ended December 26, 2020 and December 28, 2019, respectively. Continuing diluted earnings per share were \$12.09 and \$3.20 for the nine months ended December 26, 2020 and December 28, 2019, respectively. For details of the calculation of these amounts, refer to footnote 13 of the Notes to Condensed Consolidated Financial Statements.

Liquidity and Capital Resources:

The financial condition of the Company is summarized in the following table and explanatory review (dollar amounts in thousands, except per share data):

	December 26, 2020	December 28, 2019	March 31, 2020	March 31, 2019
Working Capital:				
Balance	\$ 347,709	\$ 426,968	\$ 401,946	\$ 490,871
Change in Quarter	13,791	(10,305)		
Current Portion of Long-Term Debt	4,500	-	500	345
Long-Term Debt, Less Current Portion	94,077	225,337	217,081	265,900
Operating Lease Obligations, Less Current Portion	30,436	47,965	42,760	-
Financing Lease Obligations, Less Current Portion	20,546	27,007	24,366	-
Capital Lease Obligations, Less Current Portion	-	-	-	31,286
Total Stockholders' Equity Per Equivalent				
Common Share (see Note below)	54.90	47.01	42.77	43.27
Stockholders' Equity Per Common Share	55.45	47.47	43.18	43.67
Current Ratio	2.85	3.47	3.69	5.37

Note: Equivalent common shares are either common shares or, for convertible preferred shares, the number of common shares that the preferred shares are convertible into. See Note 9 of the Notes to Consolidated Financial Statements of the Company's 2020 Annual Report on Form 10-K for conversion details.

As shown in the Condensed Consolidated Statements of Cash Flows, net cash provided by operating activities was \$103,090,000 for the nine months ended December 26, 2020, compared to \$90,024,000 for the same period of the prior year. The increase in cash provided by operating activities is primarily comprised of increases in cash provided by net earnings, \$81,105,000, accounts receivable, \$23,304,000, other current assets \$7,855,000 and income taxes, \$1,861,000 partially offset by cash used for accounts payable, accrued expenses and other, \$71,856,000 and inventory, \$7,915,000.

As compared to December 28, 2019, inventory decreased \$82,138,000 to \$410,927,000 at December 26, 2020. The components of the inventory decrease (excluding LIFO) reflect a \$43,319,000 decrease in finished goods, and a \$56,571,000 decrease in raw materials and supplies partially offset by a \$3,867,000 increase in work in process. The finished goods decrease primarily reflects increased sales partially offset by higher pack inventory quantities attributable to the larger calendar year 2020 pack versus the calendar year 2019 pack. The raw materials and supplies decrease is primarily due to a decrease in cans and raw steel quantities compared to the prior year. FIFO based inventory costs exceeded LIFO based inventory costs by \$139,999,000 as of the end of the third quarter of 2020 as compared to \$153,884,000 as of the end of the third quarter of 2019.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OPERATIONS
December 26, 2020**

Cash provided by investing activities was \$32,615,000 in the first nine months of fiscal 2021 compared to cash used in investing activities of \$25,506,000 in the first nine months of fiscal 2020. Additions to property, plant and equipment were \$40,167,000 in the first nine months of fiscal 2021 as compared to \$47,681,000 in first nine months of fiscal 2020. Proceeds from the sale of assets were \$72,782,000 for the first nine months of fiscal 2021 as compared to \$22,175,000 in first nine months of fiscal 2020.

Cash used in financing activities was \$132,258,000 in the first nine months of fiscal 2021, which included borrowings of \$468,181,000 and the repayment of \$587,185,000 of long-term debt, principally consisting of borrowings and repayments on the revolving credit facility (“Revolver”). Other than borrowings under the Revolver, there was no new long-term debt during the first nine months of fiscal 2021. The Company repurchased treasury stock of \$2,154,000 in the first nine months of fiscal 2021 and repurchased \$11,454,000 of its stock during the first nine months of fiscal year 2020.

The Company entered into a five-year revolving credit facility on July 5, 2016. Available borrowings on the Revolver total \$300,000,000 from April through July and \$400,000,000 from August through March with a maturity date of July 5, 2021. The interest rate on the Revolver is based on LIBOR plus an applicable margin based on excess availability and the Company's fixed charge coverage ratio. As of December 26, 2020, there were no outstanding borrowings on the Revolver. We believe that cash flows from operations, availability under our Revolver and other financing sources will provide adequate funds for our working capital needs, planned capital expenditures, and debt obligations for at least the next 12 months.

The Company's credit facilities contain standard representations and warranties, events of default, and certain affirmative and negative covenants, including various financial covenants. At December 26, 2020, the Company was in compliance with all such financial covenants.

New Accounting Standards

Refer to footnote 12 of the Notes to Condensed Consolidated Financial Statements.

Seasonality

The Company's revenues are typically higher in the second and third fiscal quarters. The Company's sales also exhibit seasonality with the third fiscal quarter generating the highest retail sales due to holidays that occur during that quarter. See the Critical Accounting Policies section below for further details.

Forward-Looking Information

The information contained in this report contains, or may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company or its officers (including statements preceded by, followed by or that include the words “believes,” “expects,” “anticipates” or similar expressions) with respect to various matters, including (i) the Company's anticipated needs for, and the availability of, cash, (ii) the Company's liquidity and financing plans, (iii) the Company's ability to successfully integrate acquisitions into its operations, (iv) trends affecting the Company's financial condition or results of operations, including anticipated sales price levels and anticipated expense levels, in particular higher production, fuel and transportation costs, (v) the Company's plans for expansion of its business (including through acquisitions) and cost savings, and (vi) the impact of competition.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OPERATIONS
December 26, 2020**

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on such statements, which speak only to events as of the date the statements were made. Among the factors that could cause actual results to differ materially are:

- general economic and business conditions;
- cost and availability of commodities and other raw materials such as vegetables, steel and packaging materials;
- transportation costs;
- climate and weather affecting growing conditions and crop yields;
- the availability of financing;
- leverage and the Company's ability to service and reduce its debt;
- Potential impact of COVID-19 related issues at our facilities;
- foreign currency exchange and interest rate fluctuations;
- effectiveness of the Company's marketing and trade promotion programs;
- changing consumer preferences;
- competition;
- product liability claims;
- the loss of significant customers or a substantial reduction in orders from these customers;
- changes in, or the failure or inability to comply with, U.S., foreign and local governmental regulations, including environmental and health and safety regulations; and
- other risks detailed from time to time in the reports filed by the Company with the SEC.

Except for ongoing obligations to disclose material information as required by the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this report or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

For the nine months ended December 26, 2020 and December 28, 2019 the Company sold certain finished goods inventory for cash on a bill and hold basis. The terms of the bill and hold agreement(s) provide that title to the specified inventory is transferred to the customer(s) prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard.

Trade promotions are an important component of the sales and marketing of the Company's branded products, and are critical to the support of the business. Trade promotion costs, which are recorded as a reduction of net sales, include amounts paid to encourage retailers to offer temporary price reductions for the sale of our products to consumers, amounts paid to obtain favorable display positions in retailers' stores, and amounts paid to retailers for shelf space in retail stores. Accruals for trade promotions are recorded primarily at the time of sale of product to the retailer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorized process for deductions taken by a retailer from amounts otherwise due to us. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by retailers for amounts they consider due to them. Final determination of the permissible deductions may take extended periods of time.

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**ITEM 2 MANagements DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OPERATIONS
December 26, 2020**

The Company uses the lower of cost, determined under the LIFO (last-in, first out) method, or market, to value substantially all of its inventories. In a high inflation environment that the Company is experiencing, the Company believes that the LIFO method was preferable over the FIFO method because it better compares the cost of current production to current revenue.

The Company assesses its long-lived assets for impairment whenever there is an indicator of impairment. Property, plant, and equipment are depreciated over their assigned lives. The assigned lives and the projected cash flows used to test impairment are subjective. If actual lives are shorter than anticipated or if future cash flows are less than anticipated, a future impairment charge or a loss on disposal of the assets could be incurred. Impairment losses are evaluated if the estimated undiscounted value of the cash flows is less than the carrying value. If such is the case, a loss is recognized when the carrying value of an asset exceeds its fair value.

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ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw material pricing and availability. In addition, the Company is exposed to fluctuations in interest rates, primarily related to its revolving credit facility. To manage interest rate risk, the Company uses both fixed and variable interest rate debt plus fixed interest rate lease obligations. There have been no material changes to the Company's exposure to market risk since March 31, 2020.

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ITEM 4 Controls and Procedures

The Company maintains a system of internal and disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported on a timely basis. The Company's Board of Directors, operating through its Audit Committee, which is composed entirely of independent outside directors, provides oversight to the financial reporting process.

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 26, 2020, our disclosure controls and procedures were effective. The Company continues to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

There have been no changes during the period covered by this report to the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. [Legal Proceedings](#)

Refer to footnote 15 to the Consolidated Financial Statements included in Part II Item 8 of the Annual Report on Form 10-K.

Item 1A. [Risk Factors](#)

There have been no material changes to the risk factors disclosed in the Company’s Form 10-K for the period ended March 31, 2020 except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors.

Item 2. [Unregistered Sales of Equity Securities and Use of Proceeds](#)

Period	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
	Class A Common	Class B Common	Class A Common	Class B Common		
10/01/2020 – 10/31/2020	12,800	-	\$ 36.17	\$ -	-	
11/01/2020 – 11/30/2020	13,800	-	\$ 38.29	\$ -	-	
12/01/2020 – 12/31/2020	-	-	\$ -	\$ -	-	
Total	26,600	-	\$ 37.23	\$ -	-	516,287

Note 1: 13,800 of these shares were purchased in open market transactions by the trustees under the Seneca Foods Corporation Employees' Savings Plan 401(k) Retirement Savings Plan to provide employee matching contributions under the plan.

Item 3. [Defaults Upon Senior Securities](#)

None.

Item 4. [Mine Safety Disclosures](#)

None.

Item 5. [Other Information](#)

None.

Item 6. [Exhibits](#)

31.1 [Certification of Paul L. Palmby pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)

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31.2 [Certification of Timothy J. Benjamin pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)

32 [Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)

101.INS Inline XBRL Instance Document (filed herewith).

101.1.SCH Inline XBRL Taxonomy Extension Calculation Schema Document (filed herewith).

101.2.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).

101.3.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).

101.4.LAB Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).

101.5.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).

104 Cover page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

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SIGNATURES

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

Seneca Foods Corporation
(Company)

February 3, 2021

/s/ Paul L. Palmby

Paul L. Palmby
President and Chief Executive Officer

February 3, 2021

/s/ Timothy J. Benjamin

Timothy J. Benjamin
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Paul L. Palmby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Seneca Foods Corporation;
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 officer(s) 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 reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) 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 the 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.

Dated: February 3, 2021

By: /s/ Paul L. Palmby

Paul L. Palmby
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Timothy J. Benjamin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Seneca Foods Corporation;
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 officer(s) 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 reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) 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 the 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.

Dated: February 3, 2021

By: /s/ Timothy J. Benjamin

Timothy J. Benjamin
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Seneca Foods Corporation (the "Registrant") on Form 10-Q for the period ended December 26, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Paul L. Palmby, Chief Executive Officer, and Timothy J. Benjamin, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Paul L. Palmby
Paul L. Palmby
Chief Executive Officer

February 3, 2021

By: /s/ Timothy J. Benjamin
Timothy J. Benjamin
Chief Financial Officer

February 3, 2021