SENECA FOODS CORP /NY/
Form 424B3
July 09, 2009
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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not an offer to buy these securities in any state where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(3)**
**Registration No. 333-160358**

**Subject to completion**

**Preliminary Prospectus Supplement dated July 9, 2009**

**PROSPECTUS SUPPLEMENT**

**(To Prospectus dated July 8, 2009)**

# 3,702,000 Shares

# Seneca Foods Corporation

## Class A Common Stock

Seneca shareholders are selling 3,702,000 shares of our Class A Common Stock, par value $0.25 per share, which we refer to in this prospectus supplement as our Class A common stock, in this offering. We will not receive any of the proceeds from the sale of our Class A common stock by the selling shareholders.

Our Class A common stock is quoted on the NASDAQ Global Market under the symbol SENEA. On July 8, 2009, the last sale price of our Class A common stock as reported on the NASDAQ Global Market was $31.82 per share.

**Investing in our Class A common stock involves risks. See Risk Factors beginning on page S-9 of this prospectus supplement.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to selling shareholders | $ | $ |

The underwriters may purchase up to 554,332 additional shares of our Class A common stock from the selling shareholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about July , 2009. The underwriters expect to deliver the shares only in book-entry form through the facilities of The Depository Trust Company.

*Sole Book-Running Manager*

**Merrill Lynch & Co.**

*Joint Lead Manager*

**Piper Jaffray**

The date of this prospectus supplement is July , 2009.

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**You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free-writing prospectus. We have not, nor have the selling shareholders or the underwriters, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the selling shareholders nor the underwriters are making an offer to sell the Class A common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus or any free-writing prospectus and the documents incorporated by reference herein or therein is accurate only as of the respective date or dates or on the date or dates which are specified in these documents regardless of the time of delivery or any sale of the Class A common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.**

**Prospectus Supplement**



**Prospectus Dated July 8, 2009**

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## ABOUT THIS PROSPECTUS SUPPLEMENT

Except as the context otherwise requires, Seneca Foods, the Company, we, our or us refer to Seneca Foods Corporation and its consolidated subsidiaries.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters. The second part, the prospectus, gives more general information about us and our common stock. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent information in this prospectus supplement conflicts with information in the accompanying prospectus, you should rely on the information in this prospectus supplement.

The volume data included in this prospectus has been obtained from our records. Except for volume data for Seneca Foods, the market share, volume and consumption data contained in this prospectus have been compiled by us based upon data and other information obtained from third party sources, including from the U.S. Department of Agriculture, or USDA.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-3 under the Securities Act relating to our Class A common stock offered by this prospectus supplement. This prospectus supplement and the accompanying prospectus are a part of that registration statement, which includes additional information not contained in this prospectus supplement.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC (including exhibits to such documents) at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC s website at *www.sec.gov*.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except to the extent superseded by information contained in a further prospectus supplement or by information contained in documents filed with, or furnished to, the SEC, after the date of this prospectus. The documents incorporated by reference herein, which are listed in the accompanying prospectus, contain important information about us and our financial condition.

Documents incorporated by reference are available without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this prospectus, by requesting them in writing or by telephone at Seneca Foods Corporation, 3736 South Main Street, Marion, New York 14505, Attention: Chief Financial Officer, Telephone: (315) 926-8100.

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## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights key information described in greater detail elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you in making your investment decision. For a more complete understanding of our business and financial affairs, you should read the entire prospectus carefully, as well as the documents incorporated by reference into this prospectus, including the Risk Factors section and our consolidated financial statements and related notes, before investing in our Class A common stock.*

### Our Company

We are a leading, low cost producer and distributor of high quality processed fruits and vegetables. We believe we are the leading U.S. canned vegetable processor, excluding tomatoes and dry beans, based on contracted acreage as reported by the USDA, and a leading U.S. canned fruit processor based on tonnage comparisons for fruit as compiled by the California Pear Advisory Board and the California Canning Peach Association. Our product offerings include canned, frozen and bottled produce and snack chips. Our products are sold under private label as well as national and regional brands that we own or license, including Seneca®, Libby s®, Aunt Nellie s Farm Kitchen®, Stokely s®, Read® and Diamond A®. We pack Green Giant®, Le Sueur® and other brands of canned vegetables as well as select Green Giant® frozen vegetables for General Mills Operations, LLC ( GMOL ) under our long-term Alliance Agreement. In fiscal year 2009, a majority of our total sales were comprised of private label sales with the balance being branded product sales. Our canned fruits and vegetables are sold nationwide by major grocery outlets, including supermarkets, mass merchandisers, limited assortment stores, club stores and dollar stores. We also sell our products to foodservice distributors, industrial markets, other food processors, export customers in over 70 countries and federal, state and local governments for school and other food programs.

Our facilities include 20 processing plants strategically located throughout the United States, two can manufacturing plants, two seed processing operations, a small farming operation and small truck fleet. We also maintain warehouses that are generally located adjacent to each of our processing plants. By vertically integrating our operations where cost-effective and through extensive coordination with our network of growers, we control the supply chain cycle from the farm to our customers and are well positioned to capitalize on the growing demand by price-conscious consumers for nutritious products that meet stringent quality and food safety standards.

We believe we have a leading share in terms of sales dollars and volume in U.S. private label, U.S. foodservice and export markets in both the canned fruit and vegetable categories. We also have the #3 position in the U.S. branded canned vegetable market, excluding tomatoes and dry beans, and a leading position in the U.S. branded canned fruit market according to a major market research firm. In fiscal year 2009, canned and frozen vegetables represented 71% and 16% of our food processing volume, respectively. Our remaining food processing volume consisted of canned fruits, which accounted for 12%, and fruit and snack chips, which accounted for 1%.

In addition to our organic growth, acquisitions have been an important part of our strategy to expand our production capacity and product offering as well as to develop scale in our fruit and vegetable processing business. During our 60 years of operation, we have made over 50 strategic acquisitions, including the purchase of the long-term license for the Libby s® brand in 1983, the purchase of General Mills Green Giant® processing assets in 1995 and the acquisition of Chiquita Processed Foods in 2003. We believe that these acquisitions have enhanced our leadership position in the private label and foodservice canned vegetable markets in the United States and significantly increased our international and branded vegetable sales. In August 2006, we acquired Signature Fruit Company, LLC, a leading producer of canned fruits located in Modesto, California. This

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acquisition allowed us to broaden our product offering to become a leading producer and distributor of canned fruit and to achieve cost advantages through the realization of distribution and other synergies with our canned vegetable business.

Our sales have grown from $588 million in fiscal 1999 to approximately $1.3 billion in 2009, representing a compound annual growth rate of 8.1%. During the fiscal year ended March 31, 2009, our net sales increased 18.5% to approximately $1.3 billion. Effective December 27, 2007 (beginning of the fourth quarter for fiscal year 2008), we changed our inventory valuation method from the lower of cost; determined under the first-in, first-out (FIFO) method, or market, to the lower of cost; determined under the last-in, first-out (LIFO) method, or market. In the high inflation environment being experienced, we believe the LIFO inventory method is preferable to the FIFO method because it better compares the cost of our current production to current revenue. In a constant or moderating cost environment, the gap between LIFO and FIFO earnings would be reduced as the LIFO provision decreases. During the fiscal year ended March 31, 2009, our EBITDA (defined as income before interest expense, interest income, provision for income taxes, depreciation and amortization) increased by 26.9% to approximately $69.6 million and our FIFO EBITDA (defined as EBITDA before non-cash charges and credits related to the LIFO inventory valuation method) increased by 54.1% to approximately $128 million. See  Summary Consolidated Financial Information.

## Our Industry

We participate in the broader processed fruit and vegetable category of the packaged food industry. Our core products of canned fruits and vegetables, including corn, green beans, peas, peaches and pears, are value-oriented staple goods that consumers purchase on a regular basis. We estimate the size of the canned fruits and vegetable market to be approximately $4.8 billion in annual sales. Canned vegetables are experiencing significant growth due in part to the current economic environment, which has resulted in consumers dining out less frequently, and in part to consumers  increasing focus on value products as well as a nutritious and balanced diet. According to data from a major market research firm, canned vegetable sales for 2008 were $3.8 billion, making it the fifth largest grocery segment based on units sold, behind carbonated beverages, bread and baked goods, snacks and candy.

Over the past two decades, private label sales and market share have grown across the food industry, including in the canned fruits and vegetables category, as consumers increasingly seek greater value for their food expenditures and improved nutritional value. A major market research firm has reported that U.S. private label sales registered a 9.7% gain in dollar terms for the 52-week period ended February 21, 2009. Over this same time period, private label fruit and vegetable dollar volume increased 17.6% and 19.6%, respectively, as compared to the previous 52-week period. The private label industry s product quality and packaging is often on par with branded products, which is also contributing to demand. We believe canned fruits and vegetables represent a cost effective and convenient source of nutritional foods. While nutritional analysis of fresh and processed foods is complex and depends on a wide range of variables, according to a University of California-Davis study, canned fruits and vegetables are often nutritionally comparable to fresh fruits and vegetables. In addition, according to a major market research firm, canned vegetables are delivered at less than 25% of the cost per ounce of fresh vegetables.

We expect that the consumption of canned fruits and vegetables will increase in the near- to medium-term, driven in part by recent U.S. government initiatives. The revised Food Pyramid program has almost doubled the daily suggested fruit and vegetable servings, while the recently passed federal farm bill increases the funding, access and availability of fruits and vegetables in all forms through its nutrition programs, such as The Special Supplemental Nutrition Program for Women, Infants, and Children ( WIC ), school lunch and food stamp programs, as well as The Emergency Food Assistance Program. The USDA, a major buyer of canned

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fruits and vegetables that is required to source domestic products, purchased approximately $473 million under its Fruit and Vegetable Program during its last fiscal year ended September 30, 2008.

According to the USDA, more than half of the total U.S. fruit and vegetable production goes into processing. Processing can be subdivided into canning, freezing, juicing, and dehydrating. Other than the production of certain commodities with varieties suitable for both fresh and processed uses (e.g., apples, grapes, broccoli, cauliflower and asparagus), production for fresh and processed markets differ. Most vegetable varieties grown for processing are specifically adapted for that purpose. The majority of fruits and vegetables grown for processing are cultivated under contractual arrangements between growers and processors, including some processors that are cooperatives.

Most U.S. fruit and vegetable production is seasonal, with the largest harvests occurring during the summer and fall. In order to maximize the efficiency of seasonally operated facilities and ensure maximum freshness at the point of processing, manufacturing facilities are located in close proximity to the harvesting regions. During the harvest or pack season, these facilities operate at maximum capacity to produce the processed inventory which is then sold throughout the year. The fruit and vegetable pack season typically runs from approximately June through October, depending on the crop. This accumulation of seasonal inventory requires processors to maintain sufficient access to capital to finance the working capital cycle.

## Competitive Strengths

We believe the following competitive strengths differentiate us from our competitors and contribute to our continued success:

### *Leading Market Positions in Canned Fruits and Vegetables*

We are a leader in the canned fruits and vegetables industry, which we estimate to be approximately $4.8 billion in annual sales. We believe we are the leading U.S. canned vegetable processor, excluding tomatoes and dry beans, based on contracted acreage as reported by the USDA, and a leading U.S. canned fruit processor based on tonnage comparisons for fruit as compiled by the California Pear Advisory Board and the California Canning Peach Association. Our combined offering of private label products, nationally recognized brands and strong regional brands in the retail, foodservice and industrial markets, affords us the opportunity to capture an increasing share of the value-oriented canned fruit and vegetable categories that are benefiting from increased consumer demand. Our market leadership provides several distinct advantages, including enhanced scale efficiencies, an ability to service national accounts and greater importance to our suppliers and customers.

### *Vertically Integrated Operations*

Through continual investment in our business and strategic acquisitions, we have developed a vertically integrated business model that includes seed production, can manufacturing, canned food processing and warehousing as well as a small farming operation to complement our contracted grower relationships and a small truck fleet. This vertically integrated model has enabled us to develop industry leading sourcing, processing, manufacturing and logistical expertise related to the production and distribution of processed fruits and vegetables. Building upon this know-how, we have developed a network of state-of-the-art manufacturing and distribution facilities designed for high volume throughput that we believe would be difficult to replicate and provides us with a competitive advantage as a low cost producer. We believe that our vertical integration provides us with greater control over the production process, supports better quality control, thereby enhancing food safety and consistency, allows us to pursue innovation opportunities and provides us with a greater understanding of cost trends. Furthermore, we believe our vertically integrated operations give us the flexibility and cost advantages necessary to capitalize on market opportunities quickly and efficiently.

***Strong Customer and Supplier Relationships***

We are an important partner to our broad customer base as a low cost producer with an extensive product line and have demonstrated an ability to be a reliable year-long supplier, despite the seasonal nature of production. We have strong sales to diverse channels both domestically and internationally, including supermarkets, mass merchandisers, limited assortment stores, club stores, dollar stores, the U.S. government and foodservice distributors, among others. Our in-house sales force for private label and branded products, combined with a complementary broker network that is selected according to market knowledge and cost considerations, enables us to effectively service our customers. Since 1995, we have also served as General Mills primary manufacturer of canned vegetables sold under the Green Giant® and Le Sueur® brands. Through this production alliance relationship, we work together with General Mills on mutually beneficial opportunities and cost saving initiatives. For example, we jointly procure key supplies, such as corrugated boxes, sugar and starch, among other items. The General Mills alliance is a cost plus arrangement, which provides us with enhanced scale, improved capacity utilization and consistent cash flow.

Through our relationships with a network of domestic growers, many of which date back decades, we have a secure and reliable domestic supply source for our fruits and vegetables. These strong supplier relationships, developed over time, provide us with an important competitive advantage and are essential to our continued success.

***Full-line Supplier with a National Footprint***

We have extensive production and distribution capabilities that offer our customers on average over 2,000 different sizes and types of fruits, vegetables and other items. Our 23 owned and operated warehouses, with 8.3 million square feet of storage capacity, combined with the nine public warehouses that we use, provide us with a strong capability to label on demand and fill customer orders on a timely basis. This national footprint and our broad product line creates economies of scale as trucks are typically dispatched with a full load, which helps reduce freight costs and shorten delivery times. In addition, the depth and breadth of our product offering and geographic coverage make us a more desirable supplier to our customers as compared to competitors that have more limited product lines (e.g., fruit only) or that are located in only one region (e.g., the Midwest).

***Proven and Experienced Management Team with Strong Track Record of Growth***

Our top 23 senior managers have an average of 24 years of experience in the food industry and 21 years of experience at our company. In addition to the long tenure of our senior managers, including our CEO with 18 years of experience at our company, our founder remains active as the Chairman of the Board and has provided strategic direction and a consistent vision for our company since its inception over 60 years ago. Over the past 25 years, our management has successfully grown our business both organically and through acquisitions from $270 million in annual revenue in 1985 to $1.3 billion in fiscal year 2009.

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## Our Strategy

Our goal is to strengthen our position as a leading provider of processed fruits and vegetables through the following strategies:

***Expand Our Leadership in the Processed Fruits and Vegetables Industry***

To expand our leadership position in the markets we serve, we plan to continue to pursue private label opportunities. Private label offerings have become an increasingly important retail strategy and point of differentiation for retailers as they manage their own costs and look for ways to increase customer traffic with attractively priced, innovative products. We plan to continue to work with our customers to expand this category and provide products that combine high quality and value. Our licensed Libby's® brand is positioned as a value brand that combines quality and lower relative price points compared to other national brands. Our brands complement our private label offering, providing the retail customer with a full line of products. We intend to support our owned or licensed brands through continued investments in advertising, marketing and promotions while maintaining our focus on cash flow and overall market share growth.

***Provide Low Cost, High Quality Processed Fruits and Vegetables to Consumers***

We are focused on providing our customers with low cost, high quality products. Through economies of scale, our vertically integrated operations and continued investment in production and logistical technology, we plan to continue to control production costs, while maintaining the highest quality and safety standards. With our 20 production facilities and the capacity to package over two billion individual products, we believe we have the necessary economies of scale to remain the market leader in major canned fruits and vegetables. We intend to maintain our company-wide commitment to cost containment through cost saving initiatives and continuous improvement programs.

***Focus on Growth Opportunities within Our Business***

We will continue to invest in capital projects that are designed to improve product quality, lower costs and enable us to capitalize on the increased demand for fruits and vegetables that fit with an active and healthy lifestyle. We will also continue to evaluate and invest in innovative packaging technologies to improve the convenience and appeal of our products. For example, we believe we can realize meaningful sales growth from the development of new packaging in our fruit business, with the launch of a new clear plastic jar and the upcoming release of a six-ounce fruit cup that delivers 50% more fruit than the traditional plastic fruit cup. In addition, we have increased our focus on developing our snack category with several new items planned for introduction this year under private label, other manufacturer s brands and our own brands. Given our strong customer base and expertise in the processing of canned fruits and vegetables, we also believe there are opportunities for product line extensions into new frozen or canned products developed in partnership with our existing customers.

***Pursue Strategic Acquisitions that Leverage Our Core Competencies***

We intend to leverage our expertise in sourcing agricultural commodities and production of canned goods in related areas through acquisitions. Through the 10 acquisitions we have completed over the last 15 years, we have used a disciplined acquisition strategy resulting in no goodwill or other intangible assets on our balance sheet. Our acquisitions have increased our market share, further contributed to our vertical integration, expanded our geographic footprint and broadened our product offering. We continuously review and monitor the competitive landscape for any potential strategic acquisitions that we believe could be accretive to our long-term growth.

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## The Offering

| | |
|---|---|
| Class A common stock offered by the selling shareholders | 3,702,000 shares (or 4,256,332 shares if the underwriters exercise in full their over allotment option to purchase additional shares). |
| Class A common stock to be outstanding immediately after this offering | 8,172,896 shares (or 8,727,228 shares if the underwriters exercise in full their over allotment option to purchase additional shares). |
| NASDAQ Global Market symbol | SENEA. |
| Risk Factors | See Risk Factors beginning on page S-9 of this prospectus supplement. |
| Use of Proceeds | We will not receive any proceeds from the sale of our Class A common stock by the selling shareholders. |
| U.S. Federal Tax Considerations | See Material U.S. Federal Tax Considerations for Non-United States Holders of Class A Common Stock. |

Except as otherwise indicated, all information in this prospectus supplement assumes no exercise of the underwriters option to purchase up to 554,332 additional shares of our Class A common stock from the selling shareholders.

### Summary Consolidated Financial Information

The following tables present our summary consolidated financial information for each of the last five years in the period ended March 31, 2009. The summary consolidated financial information has been derived from our audited consolidated financial statements, incorporated by reference into this prospectus, and has been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. You should read the information below in conjunction with our audited consolidated financial statements, the notes thereto and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K for the year ended March 31, 2009, which is incorporated by reference into this prospectus. The historical financial information presented below may not be indicative of our future performance.

Effective December 27, 2007 (beginning of the fourth quarter for fiscal year 2008), we changed our inventory valuation method from the lower of cost; determined under the first-in, first-out (FIFO) method, or market, to the lower of cost; determined under the last-in, first-out (LIFO) method, or market. In the high inflation environment being experienced, we believe the LIFO inventory method is preferable to the FIFO method because it better compares the cost of our current production to current revenue. In a constant or moderating cost environment, the gap between LIFO and FIFO earnings would be reduced as the LIFO provision decreases.

| | Year Ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (in thousands, except per share data) | | | | |
| **Statements of Operations Data:** | | | | | |
| Net sales | $ 1,280,684 | $ 1,080,724 | $ 1,024,853 | $ 883,823 | $ 864,274 |
| Costs and expenses: | | | | | |
| Cost of products sold | 1,161,137 | 986,458 | 905,207 | 782,351 | 785,799 |
| Selling, general, and administrative expense | 69,836 | 61,147 | 57,988 | 47,195 | 45,929 |
| Other operating (income) expense, net | 624 | (231) | (4,933) | 1,115 | (3,757) |
| Plant restructuring | 899 | 497 | 713 | 1,920 | 7,678 |
| Total costs and expenses | 1,232,496 | 1,047,871 | 958,975 | 832,581 | 835,649 |
| Operating income | 48,188 | 32,853 | 65,878 | 51,242 | 28,625 |
| Interest expense, net of interest income | 14,103 | 18,143 | 20,936 | 15,784 | 16,592 |
| Earnings before income taxes | 34,085 | 14,710 | 44,942 | 35,458 | 12,033 |
| Income taxes[1] | 15,320 | 6,691 | 12,875 | 13,465 | 4,126 |
| Net earnings | $ 18,765 | $ 8,019 | $ 32,067 | $ 21,993 | $ 7,907 |
| Earnings applicable to common stock[2] | $ 11,704 | $ 4,990 | $ 19,463 | $ 13,448 | $ 4,758 |
| Basic earnings per common share | 1.54 | 0.66 | 2.65 | 1.97 | 0.71 |
| Diluted earnings per common share | 1.53 | 0.65 | 2.63 | 1.96 | 0.70 |
| Diluted weighted average common shares outstanding | 7,654 | 7,652 | 7,420 | 6,878 | 6,781 |
| **Other Financial Data:** | | | | | |
| EBITDA[3] | $ 69,572 | $ 54,814 | $ 88,066 | $ 74,371 | $ 57,128 |
| FIFO EBITDA[3] | 127,905 | 82,979 | 88,066 | 74,371 | 57,128 |
| Net earnings, excluding LIFO charge[4] | 56,681 | 26,326 | 32,067 | 21,993 | 7,907 |
| Diluted earnings per common share, excluding LIFO charge[4] | 4.62 | 2.15 | 2.63 | 1.96 | 0.70 |

| | 2009 | 2008 | March 31, 2007 (in thousands) | 2006 | 2005 |
|---|---|---|---|---|---|
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 5,849 | $ 10,322 | $ 8,552 | $ 6,046 | $ 5,179 |
| Working capital[5] | 332,082 | 370,102 | 334,455 | 229,510 | 205,430 |
| Goodwill | | | | | |
| Total assets | 675,605 | 672,020 | 626,715 | 535,144 | 524,495 |
| Long-term debt, less current portion | 191,853 | 250,039 | 210,395 | 142,586 | 154,125 |
| Stockholders equity | 282,425 | 279,430 | 273,571 | 217,779 | 195,809 |

(1) For fiscal year 2009, the LIFO charge of $58.3 million provided a tax cash benefit of $20.4 million. For fiscal year 2008, the LIFO charge of $28.2 million provided a tax benefit of $9.8 million.

(2) The Company uses the two-class method for basic earnings per share by dividing the earnings allocated to common shareholders by the weighted average of common shares outstanding during the period. The diluted earnings per share includes the effect of convertible shares for each period presented.

(3) EBITDA and FIFO EBITDA are financial measures not prepared in accordance with GAAP. EBITDA is defined as income before interest expense, interest income, provision for income taxes, depreciation and amortization. FIFO EBITDA is defined as EBITDA before non-cash charges and credits related to the LIFO inventory valuation method. We consider EBITDA an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the food industry. We believe that FIFO EBITDA, as presented, represents a useful measure for assessing the performance of our ongoing operating activities, as it reflects earnings trends without the impact of certain non-cash charges and provides comparability to our financial statements for the years in which we used the FIFO inventory method as well as comparability to other companies within our industry that continue to use the FIFO inventory method. EBITDA and FIFO EBITDA are not, and should not be considered as an alternative to net earnings, as an indicator of our operating performance, or as an alternative to any other measure of performance in conformity with GAAP, nor as an alternative to cash flow from operating activities as a measure of liquidity. Companies define EBITDA and FIFO EBITDA in different ways and caution must be used in comparing our measurement of EBITDA and FIFO EBITDA to measurements of EBITDA used by other companies. Each of these non-GAAP financial measures has its limitations as an analytical tool and you should not consider them in isolation or as substitutes for analysis of our results reported under GAAP. A reconciliation of EBITDA and FIFO EBITDA to net earnings appears below.

| | 2009 | 2008 | Year Ended March 31, 2007 (in thousands) | 2006 | 2005 |
|---|---|---|---|---|---|
| Net earnings | $ 18,765 | $ 8,019 | $ 32,067 | $ 21,993 | $ 7,907 |
| Income taxes | 15,320 | 6,691 | 12,875 | 13,465 | 4,126 |
| Interest expense, net of interest income | 14,103 | 18,143 | 20,936 | 15,784 | 16,592 |
| Depreciation and amortization | 22,026 | 22,669 | 22,881 | 23,793 | 29,178 |
| Interest amortization | (642) | (708) | (693) | (664) | (675) |
| EBITDA | 69,572 | 54,814 | 88,066 | 74,371 | 57,128 |