MGP INGREDIENTS INC
Form 10-Q
August 09, 2012

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________________ to _________________________________

Commission File Number: 0-17196

MGP INGREDIENTS, INC.
(Exact name of registrant as specified in its charter)

KANSAS	45-4082531
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Commercial Street, Atchison Kansas	66002
(Address of principal executive offices)	(Zip Code)

(913) 367-1480
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One) [ ] Large accelerated filer [ ] Accelerated filer

[ ] Non-accelerated filer [X] Smaller Reporting Company

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ]Yes [X] No

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

Common stock, no par value
17,973,065 shares outstanding
as of August 3, 2012

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as well as historical information. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements are usually identified by or are associated with such words as “intend,” “plan,” “believe,” “estimate,” “expect,” “anticipate,” “hopeful,” “should,” “may,” “will,” “could,” “encouraged,” “opportunities,” “pot negatives of these terms or variations of them or similar terminology. They reflect management’s current beliefs and estimates of future economic circumstances, industry conditions, Company performance and financial results and are not guarantees of future performance. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Investors should not place undue reliance upon forward-looking statements, and the Company undertakes no obligation to publicly update or revise any forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, among others: (i) disruptions in operations at our Atchison facility or Indiana distillery, (ii) the availability and cost of grain and fluctuations in energy costs, (iii) the effectiveness of our hedging strategy, (iv) our ability to integrate the acquired operations of Lawrenceburg Distillers Indiana, LLC into our own, (v) the competitive environment and related market conditions, (vi) the ability to effectively pass raw material price increases on to customers, (vii) the profitability of the Illinois Corn Processing, LLC (“ICP”) joint venture, (viii) our ability to maintain compliance with all applicable loan agreement covenants, (ix) our ability to realize operating efficiencies, (x) actions of governments and (xi) consumer tastes and preferences. For further information on these and other risks and uncertainties that may affect our business, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the six month transition period ended December 31, 2011, as updated by Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

METHOD OF PRESENTATION

All amounts in this quarterly report, except for shares, units, bushels, gallons, pounds, mmbtu, per share, per bushel and per gallon amounts, are shown in thousands.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Quarter Ended		Year to Date Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Sales	$87,263	$68,882	$175,693	$133,093
Less: excise taxes	1,729	84	3,815	107
Net sales	85,534	68,798	171,878	132,986
Cost of sales (a)	79,618	71,586	160,383	129,255
Gross profit (loss)	5,916	(2,788)	11,495	3,731
Selling, general and administrative expenses	6,285	4,880	14,033	10,570
Other operating costs	176	425	250	425
Loss from operations	(545)	(8,093)	(2,788)	(7,264)
Gain on sale of joint venture interest	-	-	4,055	-
Other income, net	2	2	4	5
Interest expense	(232)	-	(487)	(92)
Equity in earnings (loss) of joint ventures	(143)	(2,296)	294	(2,172)
Income (loss) before income taxes	(918)	(10,387)	1,078	(9,523)
Provision (benefit) for income taxes	(68)	(129)	52	34
Net income (loss)	(850)	(10,258)	1,026	(9,557)
Other comprehensive income (loss), net of tax	12	2,971	185	2,988
Comprehensive income (loss)	$(838)	$(7,287)	$1,211	$(6,569)
Per share data				
Total basic earnings (loss) per common share	$(0.05)	$(0.61)	$0.06	$(0.57)
Total diluted earnings (loss) per common share	$(0.05)	$(0.61)	$0.06	$(0.57)
Dividends per common share	$-	$-	$0.05	$-

(a) Includes related party purchases of $14,898 and $16,319 for the quarters ended June 30, 2012 and 2011, respectively. Includes related party purchases of $31,125 and $31,953 for the year to date periods ended June 30, 2012 and 2011, respectively.

See accompanying notes to unaudited condensed consolidated financial statements

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

	June 30, 2012	Dece 3 20
Current Assets		
Cash and cash equivalents	$-	$383
Restricted cash	2,757	7,6
Receivables (less allowance for doubtful accounts: June 30, 2012 - $12; December 31, 2011 - $63)	35,364	27,
Inventory	36,525	31,
Prepaid expenses	1,087	958
Derivative assets	-	1,3
Deferred income taxes	5,286	6,0
Refundable income taxes	514	566
Assets held for sale	-	2,3
Total current assets	81,533	78,
Property and equipment	190,367	185
Less accumulated depreciation and amortization	(113,952)	(10
Property and equipment, net	76,415	77,
Investment in joint ventures	7,889	12,
Other assets	1,675	1,8
Total assets	$167,512	$169
Current Liabilities		
Current maturities of long-term debt	$1,697	$1,6
Revolving credit facility	23,380	21,
Accounts payable	22,423	22,
Accounts payable to affiliate, net	4,611	6,1
Accrued expenses	5,165	4,0
Derivative liabilities	1,764	3,4
Total current liabilities	59,040	59,
Long-term debt, less current maturities	5,996	6,8
Deferred credit	3,896	4,1
Accrued retirement health and life insurance benefits	6,517	6,3
Other non current liabilities	1,715	2,1
Deferred income taxes	5,286	6,0
Total liabilities	82,450	84,
Commitments and Contingencies – See Note 5		
Stockholders’ Equity		
Capital stock		
Preferred, 5% non-cumulative; $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4

Common stock		
No par value; authorized 40,000,000 shares; issued 18,115,965 and 19,530,344 shares at June 30, 2012 and December 31, 2011, respectively; 17,973,065 and 18,115,965 shares outstanding at June 30, 2012 and December 31, 2011, respectively	6,715	6,7
Additional paid-in capital	7,344	6,9
Retained earnings	71,933	78,
Accumulated other comprehensive income (loss)	(850)	(1,0
Treasury stock, at cost		
Common; 142,900 and 1,414,379 shares at June 30, 2012 and December 31, 2011, respectively	(84)	(7,1
Total stockholders’ equity	85,062	84,
Total liabilities and stockholders’ equity	$167,512	$169

See accompanying notes to unaudited condensed consolidated financial statements

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

	Year to Date Ended June 30, 2012	Year to Date Ended June 30, 2011
Cash Flows from Operating Activities		
Net income (loss)	$1,026	$(9,557)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,843	4,760
Gain on sale of joint venture interest	(4,055)	-
Loss on sale of assets	48	-
Share based compensation	419	609
Equity in (earnings) loss of joint ventures	(294)	2,172
Changes in operating assets and liabilities:		
Restricted cash	4,848	(538)
Receivables, net	(7,560)	(6,229)
Inventory	(5,443)	3,885
Prepaid expenses	(129)	(90)
Refundable income taxes	52	(41)
Accounts payable	(998)	6,133
Accounts payable to affiliate, net	(1,556)	2,404
Accrued expenses	1,058	283
Change in derivatives	(270)	-
Deferred credit	(299)	(597)
Accrued retirement health and life insurance benefits and other noncurrent liabilities	(158)	(613)
Other	-	1,542
Net cash provided by (used in) operating activities	(7,468)	4,123
Cash Flows from Investing Activities		
Proceeds from sale of joint venture interest	9,103	-
Additions to property and equipment	(4,245)	(9,111)
Proceeds from the disposition of property and equipment	2,232	-
Investment in and advances to unconsolidated subsidiaries	(500)	-
Net cash provided by (used in) investing activities	6,590	(9,111)
Cash Flows from Financing Activities		
Payment of dividends	(914)	-
Purchase of treasury stock	-	(33)
Proceeds from stock plans	-	48
Exercise of stock options	-	548
Proceeds from issuance of long-term debt	-	7,335
Principal payments on long-term debt	(829)	(351)
Proceeds from revolving credit facility	71,095	175,290
Principal payments on revolving credit facility	(68,857)	(170,718)
Net cash provided by financing activities	495	12,119
Increase (decrease) in cash and cash equivalents	(383)	7,131

Cash and cash equivalents, beginning of period	383	472
Cash and cash equivalents, end of period	$-	$7,603

See accompanying notes to unaudited condensed consolidated financial statements

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

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2011	$4	$6,715	$ 6,925	$78,953	$ (1,035)	$(7,132)	$84,430
Comprehensive income (loss) :							
Net income				1,026			1,026
Change in pension plans					61		61
Change in post employment Benefits					4		4
Change in translation adjustment on non-consolidated foreign subsidiary					(7)		(7)
Net losses from cash flow hedges					(286)		(286)
Losses from cash flow hedges reclassified to cost of sales					186		186
Losses from de-designated cash flow hedges reclassified to cost of sales					27		27
Ineffective portion of cash flow hedges reclassified to cost of sales					200		200
Dividends paid				(914)			(914)
Share-based compensation			419				419
Cancellation of treasury stock				(7,132)		7,132	-
Stock shares repurchased						(84)	(84)
Balance, June 30, 2012	$4	$6,715	$ 7,344	$71,933	$ (850)	$(84)	$85,062

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.

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

Note 1. Accounting Policies and Basis of Presentation.

Reorganization

MGP Ingredients, Inc. (formerly named MGPI Holdings Inc.) (herein the "Company" or, when referenced prior to the Reorganization (defined below), referenced to herein as "Holdings," is a Kansas corporation headquartered in Atchison, Kansas. It was incorporated in 2011 and is a holding company with no operations of its own. Its principal, directly-owned, operating subsidiaries are MGPI Processing, Inc. (formerly named MGP Ingredients, Inc.) ("Processing"), and MGPI of Indiana, LLC (formerly named Firebird Acquisitions, LLC) ("MGPI-I").

On January 3, 2012, Processing reorganized into a holding company structure (the "Reorganization") as previously disclosed in its consolidated financial statements for the six-month transition period ended December 31, 2011.

As used in these Notes to Unaudited Condensed Consolidated Financial Statements, unless the context otherwise requires, the term "Company" when referenced to after the Reorganization means MGP Ingredients, Inc. (formerly named MGPI Holdings, Inc.) and its consolidated subsidiaries, and the term "Company" when referenced prior to the Reorganization means Processing (formerly named MGP Ingredients, Inc.) and its consolidated subsidiaries.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of the Company reflect all adjustments (consisting only of normal adjustments) which, in the opinion of the Company's management, are necessary to fairly present the financial position, results of operations and cash flows of the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements as of and for the quarter and year to date periods ended June 30, 2012 should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Transition Report on Form 10-K for the six month transition period ended December 31, 2011 filed with the SEC. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Derivative Instruments

The Company applies the provisions of Accounting Standards Codification ("ASC") 815 – Derivatives and Hedging. The Company uses derivative financial instruments primarily to offset exposure to market risk in commodity prices, primarily for corn and ethanol, which are key components in the Company's operations. The Company recognizes all derivatives as either assets or liabilities at their fair values. Accounting for changes in the fair value of a derivative depends on whether the derivative has been designated as a cash flow hedge and the effectiveness of the hedging relationship. Derivatives qualify for treatment as cash flow hedges for accounting purposes when there is a high correlation between the change in fair value of the hedging instrument ("derivative") and the related change in value of the underlying commitment ("hedged item"). For derivatives that qualify as cash flow hedges for accounting purposes, except for ineffectiveness, the change in fair value has no net impact on earnings, to the extent the derivative is considered effective, until the hedged item or transaction affects earnings. For derivatives that are not designated as hedging instruments for accounting purposes, or for the ineffective portion of a hedging instrument, the change in fair value affects current period net earnings. While management believes that each of these instruments are primarily entered to effectively manage various market risks, none of the open derivative contracts entered into prior to July 1, 2011 were designated and accounted for as cash flow accounting hedges.

Effective July 1, 2011, management elected to restart hedge accounting for qualifying derivative contracts entered on or after July 1, 2011. On the date a derivative contract is entered, the Company is required to designate the derivative as a hedge of variable cash flows to be paid with respect to certain forecasted cash purchases of commodities used in the manufacturing process (a "cash-flow hedge"). This accounting requires linking all derivatives that are designated as cash-flow hedges to specific firm commitments or forecasted transactions. For cash flow hedging relationships entered on and after July 1, 2011, to qualify for cash flow hedge accounting, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge transactions, the hedging instrument, the hedged item, the nature of the risk hedged, the hedging instrument's effectiveness in offsetting the hedged risk, and a description of the method utilized to measure ineffectiveness. The Company must also formally assess, both at the cash-flow hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the expected cash flows of hedged items. Changes in fair value of contracts that qualify as cash-flow hedges that are highly effective are marked to fair value as derivative assets or derivative liabilities with the offset recorded to accumulated other comprehensive income (loss) ("AOCI"). Gains and losses on commodity hedging contracts are reclassified from AOCI to current earnings when the finished goods produced using the hedged item are sold. The maximum term over which the Company hedges exposures to the variability of cash flows for commodity price risk is generally 12 months; however, the Company may choose to hedge qualifying exposures in excess of 12 months should market conditions warrant. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported in current period earnings.

The Company discontinues cash-flow hedge accounting for a particular derivative instrument prospectively when (i) it determines that the derivative is no longer considered to be highly effective in offsetting changes in the expected cash flows of the hedged item; (ii) the derivative is sold, terminated or exercised; (iii) it de-designates the derivative as a hedging instrument because it is unlikely that a forecasted transaction will occur; or (iv) it determines that designation of the derivative as a hedging instrument is no longer appropriate. When cash flow hedge accounting is discontinued, the Company continues to carry the derivative on the Condensed Consolidated Balance Sheet at its fair value, and gains and losses that were included in AOCI are deferred until the original hedged item affects earnings. However, if the original hedged transaction is no longer probable of occurring, the related gains and losses incurred as of discontinuation are recognized in current period earnings. During February 2012, the Company de-designated its cash flow hedges.

Inventory

Inventory includes finished goods, raw materials in the form of agricultural commodities used in the production process and certain maintenance and repair items. Inventories are stated at the lower of cost or market on the first-in, first-out ("FIFO") method. Inventory consists of the following:

	June 30, 2012	December 31, 2011
Finished goods	$16,038	$ 15,728
Barreled whiskey and bourbon	7,133	2,473
Raw materials	5,692	5,352
Work in process	2,859	3,529
Maintenance materials	4,030	3,468
Other	774	532
Total	$36,525	$ 31,082

Assets Held for Sale

The Company records assets held for sale at the lower of the carrying value or estimated fair value less costs to sell. In determining the fair value of the assets less cost to sell, the Company considers factors including current appraisals and any recent legitimate offers. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. Depreciation is discontinued when assets are classified as held for sale.

Investment in Joint Ventures

The Company applies the provisions of ASC 810 – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which includes a qualitative approach to identifying a controlling financial interest in a variable interest entity and determination of the primary beneficiary.

The Company accounts for its investment in non-consolidated subsidiaries under the equity method of accounting when the Company has significant influence, but does not have more than 50% voting control, and is not considered the primary beneficiary. Under the equity method of accounting, the Company reflects its investment in non-consolidated subsidiaries within the Company's Condensed Consolidated Balance Sheets as "Investment in joint ventures"; the Company's share of the earnings or losses of the non-consolidated subsidiaries are reflected as "Equity in earnings (loss) of joint ventures" in the Condensed Consolidated Statements of Comprehensive Income (Loss).

Revenue Recognition

Revenue from the sale of the Company's products is recognized as products are delivered to customers according to shipping terms and when title and risk of loss have transferred.

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

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Sales include customer paid freight costs billed to customers of $3,236 and $2,986 for the quarters ended June 30, 2012 and 2011, respectively, and $5,119 and $5,879 for the year to date periods ended June 30, 2012 and 2011, respectively.

Income Taxes

The effective tax rate for the quarters ended June 30, 2012 and 2011 was 7.4 percent and 1.2 percent, respectively. The effective tax rate for the year to date periods ended June 30, 2012, and 2011 was 4.8 percent and (0.4) percent, respectively.

For the quarters and year to date periods ended June 30, 2012 and June 30, 2011, the effective rate differed from the Company's statutory rate primarily due to the expected change in the Company's valuation allowance against available net operating losses and the effects of state income taxes for which no operating loss carryovers are available. At this time, management is unable to conclude it is more likely than not that deferred tax assets will be realized. As a result of this analysis, the Company continues to record a full valuation allowance on net deferred tax assets. Management will continue to evaluate the available positive and negative evidence in future periods. Depending on management's ongoing assessment of realization of its tax attributes, it is possible that all or a portion of the valuation allowance will be reversed which would positively impact income in the future periods.

Earnings (loss) per Share

The Company applies the provisions of ASC 260 - Earnings per share. Basic and diluted earnings (loss) per share are computed using the two-class method, which is an earnings allocation formula that determines net income (loss) per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income (loss) from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period.

The Company identified an immaterial error in its computation of loss per share for the quarter ended and year ended June 30, 2011. For both the quarter and year ended June 30, 2011, the Company had incorrectly allocated the net loss to each class of common stock and participating security under the two-class method. The net loss for each of these periods should have been fully allocated to the class of common stock. The impact of this immaterial error correction is to change loss per share for the quarter ended June 30, 2011 to $(0.61) from $(0.58) as previously reported and to change loss per share for the year ended June 30, 2011 to $(0.08) from $(0.07) as previously reported. Note that because the Company changed its fiscal year end from June 30 to December 31, the loss per share for the year ended June 30, 2011 is not presented in this Form 10-Q for the quarterly period ended June 30, 2012. The Company does not believe that this adjustment is material to any of its previously-filed quarterly or annual consolidated financial statements.

Impairment

The Company tests its long-lived assets for impairment whenever events or conditions and circumstances indicate a carrying amount of an asset may not be recoverable. No events or conditions occurred during the quarterly period ended June 30, 2012 that required the Company to record an impairment.

Dividends

On March 1, 2012, the Board of Directors declared a dividend of $0.05 per share of the Company's common stock, no par value (the "Common Stock"), payable to stockholders of record of Common Stock on March 22, 2012. This $914 dividend was paid on April 19, 2012.

Reclassifications

Historically, the Company recorded the collection of excise taxes on distilled products sold to customers as accrued expenses and no revenue or expense was recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss). With the Company's acquisition of the distillery operations of Lawrenceburg Distillers Indiana, LLC ("LDI") on December 27, 2011, the Company is now subject to more excise taxes. In the quarter ended March 31, 2012, because excise taxes exceeded 1 percent of net sales, the Company began to present excise taxes as a caption on the Condensed Consolidated Statements of Comprehensive Income (Loss), which is a reduction to gross sales. The prior quarter and year to date period ended have been conformed to the current presentation. This reclassification had no impact on net loss or reported loss per share.

Note 2. Recently Issued Accounting Pronouncements.

Fair Value Measurements and Disclosures

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Accounting Standards Codification ("ASC") Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and international financial reporting standards ("IFRS"). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. To improve consistency in application across jurisdictions, some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. ASU 2011-04 also provides for certain changes in current U.S. GAAP disclosure requirements, for example with respect to the measurement of level 3 assets and for measuring the fair value of an instrument classified in a reporting entity's shareholders' equity. The amendments in ASU 2011-04 are to be applied prospectively. The adoption of this accounting standard effective January 1, 2012 did not have a material impact on the Company's accounting or disclosures.

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"), which requires that comprehensive income and the related components of net income and other comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 also requires reclassification adjustments from other comprehensive income to net income be presented on the face of the financial statements. However, in December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05 to defer the requirement to present reclassification adjustments from other comprehensive income on the face of the financial statements and allow entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the requirements in effect before ASU 2011-05. The adoption of these standards effective January 1, 2012 resulted only in changes to the presentation of the Company's financial statements, with net income (loss) and other comprehensive income (loss) reported in a single, continuous statement, and did not have an impact on the Company's financial position, results of operations or cash flows.

Note 3. Investment in Joint Ventures.

At June 30, 2012, the Company's investments accounted for using the equity method of accounting consisted of the following: (1) 30 percent interest in Illinois Corn Processing, LLC ("ICP"), which operates a distillery, and (2) 50 percent interest in D.M. Ingredients, GmbH ("DMI"), which produces certain specialty starch and protein ingredients.

On February 1, 2012, Illinois Corn Processing Holdings ("ICP Holdings"), an affiliate of SEACOR Energy, Inc., exercised its option to purchase from the Company an additional 20 percent of the membership interest in ICP. The proceeds for this sale approximated $9,103. Following its exercise, ICP Holdings owns 70 percent of ICP, is entitled to name 4 of ICP's 6 advisory board members, and generally has control of ICP's day-to-day operations. The Company owns 30 percent of ICP and is entitled to name two of ICP's six advisory board members. The transaction resulted in a pre-tax gain of $4,055, which was recorded during the quarter ended March 31, 2012.

Maximum Exposure to Loss

On January 29, 2010, ICP acquired the steam facility that services its operations for $5,000, of which approximately $2,000 remained payable at December 31, 2011. On January 19, 2012, $1,000 was paid, equally by the Company and SEACOR Energy Inc., leaving at June 30, 2012, $1,000 still payable. The Company's portion of the remaining commitment of $500 plus the Company's investment balance is the maximum exposure to losses. A reconciliation from the Company's investment in ICP to the entity's maximum exposure to loss is as follows:

	June 30, 2012 (a)	December 31, 2011
Company's investment balance in ICP	$7,594	$ 11,777
Plus:		
Funding commitment for capital Improvements	500	1,000
The Company's maximum exposure to loss related to ICP	$8,094	$ 12,777

(a) The Company's investment balance in ICP at June 30, 2012 reflects its sale of a 20 percent interest effective February 1, 2012.

Summary Financial Information

Condensed financial information of the Company's non-consolidated equity method investment in ICP is shown below.

	Quarter Ended		Year to Date Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
ICP's Operating results:				
Net sales (a)	$58,938	$55,008	$116,991	$112,574
Cost of sales and expenses (b)	(59,307)	(59,633)	(116,232)	(117,042)
Net income (loss)	$(369)	$(4,625)	$759	$(4,468)

(a) Includes related party sales to MGPI of $14,638 and $15,574 for the quarters ended June 30, 2012 and 2011, respectively, and $30,633 and $31,837 for the year to date periods ended June 30, 2012 and 2011, respectively.
(b) Includes depreciation and amortization of $1,259 and $1,294 for the quarters ended June 30, 2012 and 2011, respectively, and $2,519 and $2,583 for the year to date periods ended June 30, 2012 and 2011, respectively.

The Company’s equity in earnings (loss) of joint ventures is as follows:

	Quarter Ended		Year to Date Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
ICP (30% interest)(a)	$(110)	$(2,313)	$363	$(2,234)
DMI (50% interest)	(33)	17	(69)	62
	$(143)	$(2,296)	$294	$(2,172)

(a) The Company’s ownership percentage of ICP was 50 percent through February 1, 2012, when the Company sold a 20 percent interest of its investment. From February 2, 2012 through June 30, 2012, the Company’s ownership percentage in ICP was 30 percent.

The Company’s investment in joint ventures is as follows:

	June 30, 2012	December 31, 2011
ICP (30% interest) (a)	$7,594	$ 11,777
DMI (50% interest)	295	370
	$7,889	$ 12,147

(a) The Company’s ownership percentage of ICP was 50 percent through February 1, 2012, when the Company sold a 20 percent interest of its investment. From February 2, 2012 through June 30, 2012, the Company’s ownership percentage in ICP was 30 percent.

Note 4. Earnings (loss) per Share.

The computations of basic and diluted earnings (loss) per share from continuing operations are as follows:

	Quarter Ended		Year to Date	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net income (loss) from continuing operations attributable to shareholders	$(850)	$(10,258)	$1,026	$(9,557)
Amounts allocated to participating securities (nonvested shares and units) (i)	-	-	(67)	-
Net income (loss) from continuing operations attributable to common shareholders	$(850)	$(10,258)	$959	$(9,557)
Basic weighted average common shares(ii)	16,916,304	16,752,771	16,916,304	16,675,254
Potential dilutive securities(iii)				